



\$3,861 MILLION IN SALES

\$426 MILLION IN OIBD

PACKAGING PRODUCTS

69% of sales²

75% of OIBD3

CONTAINERBOARD





ONE OF THE CANADIAN LEADERS 6TH LARGEST IN NORTH AMERICA

BOXBOARD EUROPE





2ND LARGEST PRODUCER OF COATED RECYCLED BOXBOARD IN EUROPE

SPECIALTY PRODUCTS





LARGEST PAPER COLLECTOR IN CANADA

TISSUE Papers





LARGEST PRODUCER
IN CANADA
5TH LARGEST
IN NORTH AMERICA

¹ Excluding specific items.

² Before inter-segment sales and before corporate activities.

³ Excluding specific items and before corporate activities.



(In million of Canadian dollars, unless otherwise noted)	2015	2014	2013
SALES	3,861	3,561	3,370
Operating income before depreciation and amortization (OIBD) ¹	343	311	343
% of sales	8.9%	8.7%	10.2%
Operating income	153	137	176
% of sales	4.0%	3.8%	5.2%
Net earnings (loss)	(65)	(147)	11
per share	\$(0.69)	\$(1.57)	\$0.11
Dividend per share	\$0.16	\$0.16	\$0.16
EXCLUDING SPECIFIC ITEMS ¹			
Operating income before depreciation and amortization (OIBD) ¹	426	340	342
% of sales	11.0%	9.5%	10.1%
Operating income	236	166	175
% of sales	6.1%	4.7%	5.2%
Net earnings	112	20	29
per share	\$1.18	\$0.21	\$0.31
Return on assets ^{1,2}	11.2%	9.4%	9.3%
Return on capital employed ^{1,3}	5.6%	4.1%	4.0%
FINANCIAL POSITION (AS AT DECEMBER 31)			
Total assets	3,848	3,673	3,831
Capital employed ³	3,206	3,226	3,193
Net debt ¹	1,721	1,613	1,612
Net debt/OIBD ^{1, 4, 7}	4.0x	4.7x	4.6x
Shareholders' equity	867	893	1,081
per share	\$9.09	\$9.48	\$11.52
Working capital on sales ⁸	11.3%	12.3%	12.9%
KEY INDICATORS			
Total shipments (in '000 of s.t.) ⁵	2,992	2,924	2,899
Manufacturing capacity utilization rate ⁶	92%	93%	93%
US\$/CAN\$ - Average rate	\$0.78	\$0.91	\$0.97

 $^{1 \; \}text{See "Forward-looking statements and supplemental information on non-IFRS measures" on page \; 35.}$

² Return on assets is a non-IFRS measure defined as the last twelve months' ("LTM") OIBD excluding specific items/LTM quarterly average of total assets. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months. Not adjusted for discontinued operations.

³ Return on capital employed is a non-IFRS measure and is defined as the after-tax (30%) amount of the LTM operating income, including our share of core joint ventures, excluding specific items, divided by the LTM quarterly average of capital employed. Capital employed is defined as the total assets less trade and other payables. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months. Not adjusted for assets of disposal group classified as held for sale. Starting in Q1 2015, it includes our investment in Greenpac on a LTM basis. Not adjusted for discontinued operations.

⁴ Adjusted ratio including discontinued operations.

⁵ Shipments do not take into account the elimination of business sector inter-company shipments.

⁶ Defined as: Manufacturing internal and external shipments/practical capacity. Excluding discontinued operations and Specialty Products Group manufacturing activities.

⁷ Excluding specific items.

^{8 %} of sales = Average LTM working capital/LTM sales. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months. Not adjusted for assets of disposal group classified as held for sale. Not adjusted for discontinued operations.



SYMBOL: CAS — TSX

(ON THE TORONTO STOCK EXCHANGE)

S&P/TSX CLEAN TECHNOLOGY INDEX

S&P/TSX SMALL CAP INDEX

BMO SMALL CAP INDEX **95.3 MILLION**

COMMON SHARES OUTSTANDING

as at December 31, 2015

\$0.04

QUARTERLY DIVIDEND PER SHARE PAID

in 2015

\$13.00 INTRADAY HIGH

INTRADAT HIGH

in 2015

\$1,211 MILLION

MARKET CAPITALIZATION as at December 31, 2015

66 MILLION

TOTAL VOLUME TRADED

in 2015

1.3%

ANNUAL DIVIDEND YIELD

as at December 31, 2015

\$6.49

INTRADAY LOW

in 2015

MOODY'S: Ba2 (STABLE) S&P: B+ (STABLE)

CORPORATE CREDIT RATINGS

as at December 31, 2015

CASCADES' SHARE PRICE IN 2015



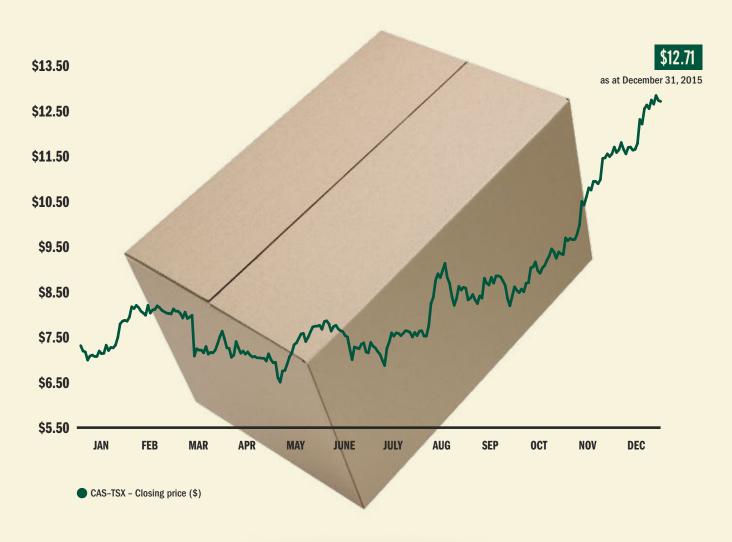






TABLE OF CONTENTS

6 PORTRAIT OF A CASCADER:

CHANTALE BEAUCHEMIN

8 PORTRAIT OF A PROFITABLE YEAR

INTERVIEW WITH MARIO PLOURDE

16 PORTRAIT OF A CASCADER:

GARY SEXTON

18 OUR ACTIONS, PRODUCING SOUND INVESTMENTS

NATIONAL AND INTERNATIONAL DEVELOPMENT

20 CASCADES PRODUCING PRIDE

AWARDS AND RECOGNITIONS

22 PORTRAIT OF CASCADERS:

JACQUES PERRAULT, MARIE-HÉLÈNE CHAREST AND CHRISTIAN CÔTÉ

26 SUSTAINABLE DEVELOPMENT: OUR PROMISE TO THE FUTURE

SUSTAINABLE DEVELOPMENT AND SOCIAL COMMITMENT

30 PORTRAIT OF A CASCADER:

MARTIN HOULE

34 MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT, AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

- 143 BOARD OF DIRECTORS
- 146 RECYCLABLE MATERIALS, RECYCLED PRODUCTS
 AND MARKET DISTRIBUTION OF OUR SALES
- 148 CASCADES WORLDWIDE

The annual general shareholders' meeting will be held on Thursday, May 5, 2016 at the Grande Bibliothèque, located at 475 Maisonneuve Blvd. East, Montréal (Québec).

Cascades Inc.'s 2015 Annual Information Form will be available, upon request, from the Corporation's head office as of March 31, 2016.

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

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.

Telephone: 1-800-564-6253

HEAD OFFICE

Cascades Inc. 404 Marie-Victorin Blvd. Kingsey Falls, Québec JOA 1BO Canada Telephone: 819-363-5100 Fax: 819-363-5155

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

Secrétaire corporatif Cascades inc. 404, boulevard Marie-Victorin Kingsey Falls (Québec) JOA 1BO Canada

INVESTOR RELATIONS

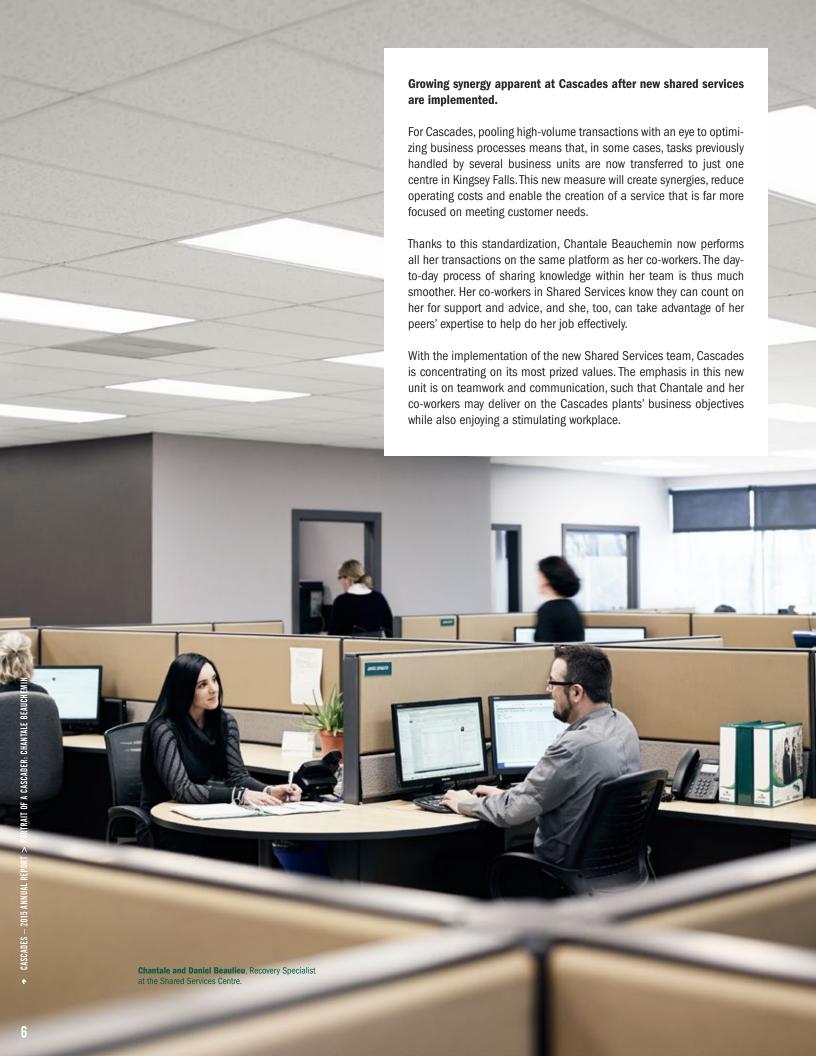
For more information, please contact:

Investor Relations Cascades Inc. 772 Sherbrooke Street West Montréal, Québec H3A 1G1 Canada

Telephone: 514-282-2697 Fax: 514-282-2624 www.cascades.com/investors investor@cascades.com

CASCADERS ON THE COVER

Jean-Philippe Côté Corrugator Super User, Norampac – Drummondville Laurence Beaudoin Change Management Advisor, Norampac – Drummondville Pierre Thériault Project Manager, Norampac – Drummondville









What are the highlights of 2015 for Cascades?

2015 surpassed the previous year on every level. We are very proud to have recorded the best OIBD in the history of Cascades. Of course, we now benefit from a favourable market environment, but the strategic actions taken over the last few years have made a significant contribution to improving our productivity, sales, earnings, performance and debt ratios. Greenpac also made a positive contribution to our net results for the first full year in 2015, which is good news for our shareholders. On that topic, our shareholders must be happy, as are we, about the over 80% increase in our share price during the year.

I also want to highlight the unprecedented changes undertaken by Cascades to improve its business processes and modernize the company's information systems. These initiatives do not make headlines but our employees have had many demands on their time during the year and I believe that they have risen to the challenge in a remarkable way. I would like to take this opportunity to thank them for their efforts. They have made an exceptional contribution to improving our organization and positioning us for the next decade.

More specifically regarding the individual performance of each sector, the Containerboard Group has experienced a record year. Can it repeat that performance or even surpass it?

The Containerboard Group is a flagship in one of our key sectors: packaging. It has had an excellent year with OIBD up by 41%. The investments made in our converting operations have given us a modern production platform with increased capacity, allowing us to take advantage of increased demand in Canada. Production has also improved at our manufacturing plants and there is still more that can be done to improve their utilization rates. In addition, certain internal initiatives will allow us to increase productivity and reduce fixed costs in the longer term. Finally, we believe that the Containerboard Group and other sectors will generate additional sales thanks to our sustained efforts in innovation. I am therefore confident that this group has the potential to improve its performance if market conditions remain stable.

The Tissue Papers Group has had a mixed year: a difficult start followed by strong improvement during the second half of the year. What explains this performance and what can we expect in the future?

In the tissue sector, 2013 and 2014 were marked by a significant increase of new capacity in the market, forcing us to sacrifice margins to maintain our competitive position. We also opened two new operational sites in the United States, which generated additional operating costs during the period. These factors largely explain the decline in profitability in the first half of the year. Since then, we have regained market share, increased our productivity and our new facilities have substantially improved their performance. In addition, over the last two years, the group has invested considerable time and resources in streamlining internal processes and upgrading equipment. These investments are now beginning to pay off in improved sales and profitability. We are therefore confident that our goal to increase our OIBD to 13% in 2016 is achievable. In the longer term, we can do even better. The growth of our platform in the United States and our increased rate of integration, especially in the American West, will be important vectors for achieving this objective.

What should we learn from the performance of the Specialty Products Group and what does next year hold for it?

After concentrating on strategic repositioning in 2014, the Specialty Products Group has significantly improved its performance in 2015 and ended the year with a record OIBD of \$58 million. This group has significant growth potential and plays an important strategic role for Cascades.

The supply of recycled fibres, our primary raw material, remains of crucial importance. Last December, we announced the integration of our recycled fibre procurement operations with the recovery operations carried out by Cascades Recovery. This announcement was made following the purchase by Cascades of the 27% interest held by the minority shareholders of Cascades Recovery. This new integrated structure will allow us to better secure access to quality fibre at a competitive price while improving service to the plants and reducing transportation costs.

For its part, the industrial packaging sector provides us with significant and stable returns. The group's future growth will come mainly from consumer product packaging operations. The vision for this sector is structured around the food market where, thanks to the innovative and agile approach of our team, we are gradually carving out an interesting niche in an industry dominated by giants.

How is Europe performing?

The performance of Reno de Medici (Reno) is more than satisfactory, particularly in the context of sluggish European economic growth and given the absence in 2015 of energy credits that had made a significant contribution to results in 2014. This group continues to generate good cash flow and improve its balance sheet.

The profit margins of the group must, however, come closer to those of its competitors. Over the past few years, the Reno team has invested in modernizing three of its plants, which are now very competitive. It must now tackle reducing production costs in its other assets.

Is there any news about significant investments such as Greenpac and Boralex, which are not consolidated in Cascades' results?

The Greenpac mill in Niagara Falls, New York, was officially inaugurated last September, a truly proud moment for all those who contributed to the creation of this impressive mill. The ramp-up of Greenpac is now essentially behind us and we are working to increase production of value-added products and optimize the production chain.

As for Boralex, the company continues its growth strategy and has been very active this year. Thus, our stake is now 20% as a result of its recent funding initiatives. We receive seven million dollars of dividends per year and we still believe that this asset has the potential for attractive added value in the long term.

So is it safe to say you're confident for 2016 and the future?

The favourable environment that contributed to improving our results in 2015 remains in place and should help us to continue our progress over the next year.

The Canadian dollar is not expected to strengthen significantly in the coming year. Also, we do not anticipate any significant increase in the price of recycled fibre. Furthermore, the declining cost of inputs such as natural gas, oil and chemical products is positive for us.

It is therefore an opportune time to go ahead with several initiatives to improve our assets and our internal processes.

These initiatives will include a slight increase in capital expenditures, mainly to support the growth of our converting facilities south of the border in the containerboard and tissue sectors, as well as to increase our production capacity in consumer packaging in the Specialty Products Group.

We will also pursue initiatives to improve internal business processes and strengthen our customer approach. Among other things, group sales and innovation will be restructured so that we can be more proactive in identifying and anticipating the needs of our customers.

Could you provide us with more details on the initiatives concerning internal processes?

We are actively working on ONE Cascades, a major program to streamline our business processes. ONE Cascades aims to strengthen our customer approach by optimizing and standardizing internal procedures. This program will include improving our supply chain to allow us to better respond to our customers; releasing the plants from repetitive administrative tasks to allow them to focus on improving production; and improving our human resources processes to provide better support for the organization, particularly throughout these changes.

WE ARE ACTIVELY WORKING ON ONE CASCADES,

A MAJOR PROGRAM TO STREAMLINE
OUR BUSINESS PROCESSES. ONE CASCADES
AIMS TO STRENGTHEN OUR CUSTOMER
APPROACH BY OPTIMIZING AND STANDARDIZING
INTERNAL PROCEDURES.

In 2015, we set up a shared services centre and centres of excellence to enable our plants to focus on manufacturing quality products at the best cost without abandoning their highly entrepreneurial management culture. The processes for managing our employees' performance and objectives have also been updated. In addition to generating savings, all these initiatives improve our internal cohesion. In fact, it has to be said that our different business groups have never worked in such harmony. In short, ONE Cascades is a program that creates value while respecting our values.

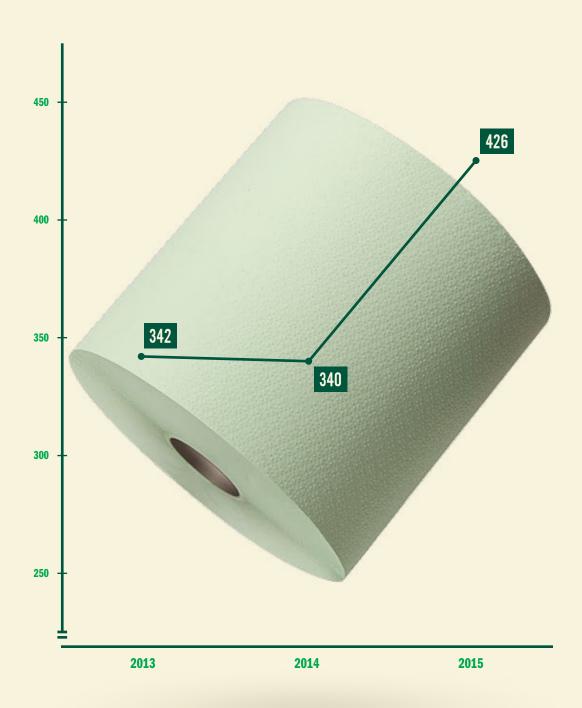
SALES (MILLION CAN\$)







OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION¹ (MILLION CAN\$)



Cascades® antibacterial paper towels are made from 100% recycled fibre. They are recyclable, compostable, biodegradable and whitened without chlorine.

Is improving the balance sheet still a priority?

Yes. In 2015, we took advantage of favourable financial markets to postpone the maturity date and lower the cost of borrowing for more than a billion dollars of debt. We remain committed to our goal of reducing our financial leverage by responsibly managing the available cash flow. We intend to dedicate a significant portion of this liquidity to reducing our debt while continuing to modernize our assets, particularly in the converting operations. We believe that this balanced approach will have the effect of creating value in the long term. Whether in terms of financial performance, recognition by the financial markets or customer satisfaction, we are the product of our actions and we intend to continue our efforts to maintain the positive trend in 2016.

WHETHER IN TERMS OF FINANCIAL PERFORMANCE, RECOGNITION BY THE FINANCIAL MARKETS OR CUSTOMER SATISFACTION, WE ARE THE PRODUCT OF OUR ACTIONS AND WE INTEND TO CONTINUE OUR EFFORTS TO MAINTAIN THE POSITIVE TREND IN 2016.

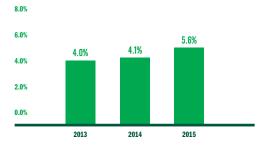
In conclusion, despite all these changes, will Cascades continue to be a company committed to sustainable development?

There is no doubt in my mind. The Lemaire brothers built this company based on sustainable development and it is a value that we carry in our DNA. We recently compiled the results obtained in relation to our sustainable development targets and we will soon have the opportunity to launch our new five-year plan. Even though we are the leader in our industry in many respects, we continue to set increasingly ambitious goals for reducing our environmental footprint.

Moreover, I am happy to say that for the fifth consecutive year, Cascades has been recognized by Québec consumers as the most responsible organization according to the Baromètre de la consommation responsable (responsible consumption index). We have also obtained other distinctions such as an EnviroLys award for the Alain-Lemaire Solar Park that opened in 2014.

Sustainable development is above all respect for both the environment and the community through sound, responsible financial management. In this regard, I believe that Cascades is in an enviable position. 2016 looks promising and I am convinced that our company will provide more added value for its shareholders in addition to the assurance that they have invested in a socially responsible organization of which they can be proud.

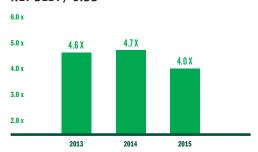
RETURN On Capital Employed¹



TOTAL SHIPMENTS AND CAPACITY UTILIZATION RATE ('000 s.t. and %)



NET DEBT / OIBD1

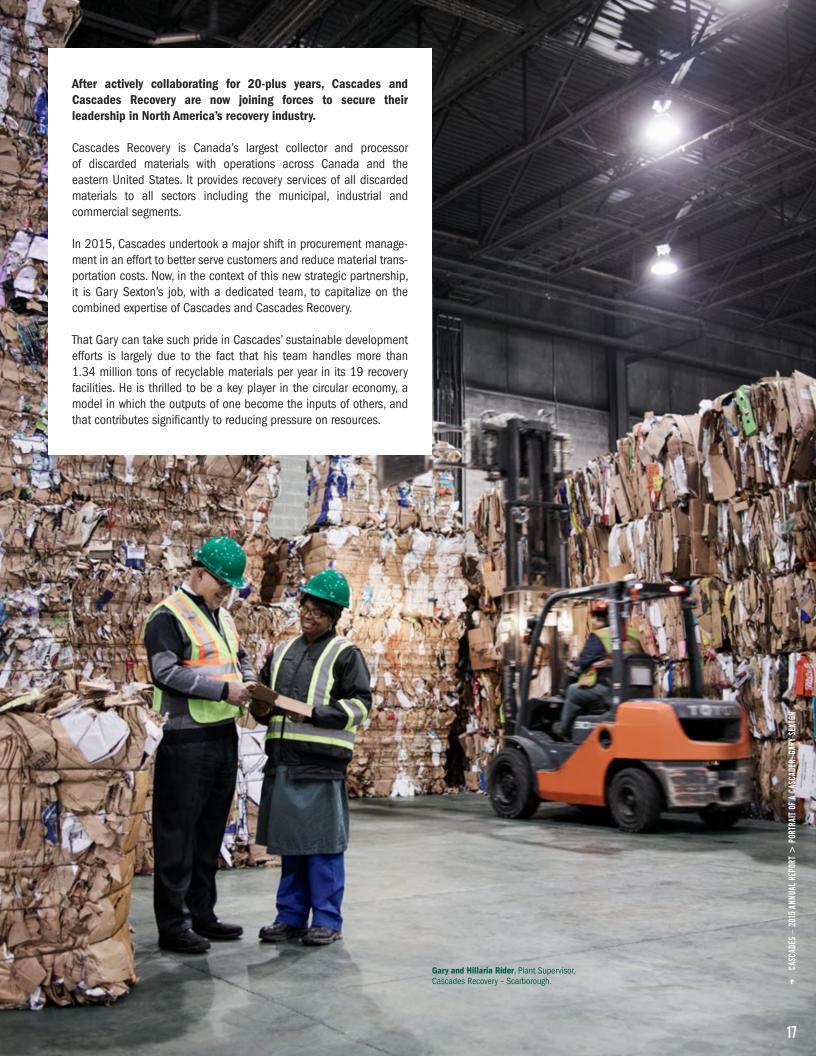


FREE CASH FLOW PER SHARE² (CAN\$)



- 1 Refer to footnotes in the "Financial Snapshot" section.
- 2 Excluding specific items such as premiums paid on the refinancing of the senior notes and restructuring costs.





CASCADES — 2015 ANNUAL REPORT > NATIONAL AND INTERNATIONAL DEVELOPMENT

OUR ACTIONS: PRODUCING SOUND INVESTMENTS

\$165 MILLION

That's how much has been invested by Cascades in 2015 to modernize its asset base and to implement leading-edge production equipment. These investments will enable Cascades to not only reduce its ecological footprint and enhance its performance, but also create and consolidate jobs all across North America and Europe.

\$26 MILLION

NORAMPAC CONTAINERBOARD MILL CABANO

Actions: In 2015, Cascades replaced its existing process that produces sodium carbonate-based chemical pulp with an innovative new process that can extract hemicellulose, a cellulosic sugar with high value-added potential, from wood chips. The new process will replace the use of chemical products in the production process, which marks a major advancement in biorefinery development in Canada.

- ↑ INNOVATION (A CANADIAN FIRST)
- **◆ ECOLOGICAL FOOTPRINT**
- **◆ ENERGY CONSUMPTION**
- **↑** PERFORMANCE
- **↑** MARKET COMPETITIVENESS



TISSUE PAPER MILLS CANDIAC AND KINGSEY FALLS

Actions: Cascades installed a new converting line that uses a state-of-the-art technology, thereby launching into the manufacture of high-quality paper towels in Candiac. In addition, the upgrading of two converting lines in its tissue facilities in Candiac and Kingsey Falls will enable Cascades to produce high-end tissue products.

- **↑** CREATION OF 10 JOBS
- → CONSOLIDATION OF JOBS
- **↑ PRODUCT QUALITY**
- ◆ MARKET COMPETITIVENESS
- **↑** PERFORMANCE



SPECIALTY PRODUCTS PLANTS KINGSEY FALLS AND DRUMMONDVILLE

Actions: In November, Cascades announced it would be replacing the thermoforming line, adding a pre-padding solution to the production line and installing automated packaging lines at its Plastiques Cascades plant in Kingsey Falls. Cascades will also be replacing a thermoforming line at the Cascades Inopak plant in Drummondville.

- **↑** FLEXIBILITY OF OPERATIONS
- ◆ PRODUCTIVITY
- **↑** PRODUCT QUALITY
- → CONSOLIDATION OF JOBS
- **↑** SAFER WORK ENVIRONMENT

OFFICIAL OPENING

GREENPAC CONTAINERBOARD MILL NIAGARA FALLS, NY

Actions: In operation since 2013, Greenpac was created by Cascades in partnership with the Caisse de dépôt et placement du Québec, Jamestown Container and Containerboard Partners. The company manufactures a lightweight linerboard, made with 100% recycled fibres. The creation of this ultra-modern facility required an investment of \$470 million.

- **↑** CREATION OF 135 JOBS
- **↑** PRODUCTIVITY
- **↑ PRODUCT QUALITY**
- **◆ ENERGY CONSUMPTION**
- **◆ ECOLOGICAL FOOTPRINT**

\$26.4 MILLION

NORAMPAC CORRUGATED PLANT DRUMMONDVILLE

Actions: Cascades purchased a new corrugator to increase the plant's production capacity. The existing building will undergo a 42,000-sq.-ft. expansion in order to accommodate the new equipment.

- → CONSOLIDATION OF JOBS
- **↑** PRODUCTIVITY
- **↑** PERFORMANCE
- **↑ PRODUCT QUALITY**
- **OPERATING COSTS**

CASCADES PRODUCING PRIDE

Cascades is proud to be recognized for the environmental, social and economic contribution it makes to society. Its unceasing efforts, pioneering vision and drive to always be greener are at the root of its numerous distinctions. Below are the awards that saw us shine last year.



↑ Association pour la santé publique du Québec's Gala

PRIDE IN OUR BUILDERS

- > Cascades co-founders, Bernard, Laurent and Alain Lemaire, receive honorary doctorates from the Université du Québec à Montréal, in recognition of their values and forward thinking.
- > Laurent and Alain Lemaire are named Knights of the Ordre national du Québec.
- > The Lemaire family is honoured by Laurent Lessard, Minister of Forests, Wildlife and Parks, at the Hommage aux grands bâtisseurs event.
- > The Lemaire family is recognized by the Mérite estrien program organized by Sherbrooke daily, *La Tribune*.
- > Bernard, Laurent and Alain Lemaire receive the Pulp and Paper Industry Builders Award presented by the Pulp and Paper Technical Association of Canada (PAPTAC) as part of the Association's 100th anniversary and Cascades' 50th anniversary.

PRIDE IN OUR CORPORATION

- Recognized by Quebecers as the most responsible organization, for the fifth year in a row, according to a study by the Observatoire de la consommation responsable (OCC) of the École des sciences de la gestion de l'UQAM.
- Ranked 37th among Canada's best corporate citizens, according to a list published by Corporate Knights magazine.
- > The fifth most influential brand in the consumer products sector, according to the lpsos-Infopresse Index.
- Recipient of the Santé durable (sustainable health) award from the Association pour la santé publique du Québec for Cascades' contribution to Québec's social and economic development.
- > Recipient of the Supplier of the Year Award (silver level) at the Adapt Sell-A-Rama Gala in Phoenix, Arizona.
- > Recipient of the British Columbia Francophonie Day award, recognizing Cascades' contribution as a Francophone company in the province.

Alain Lemaire, receiving his honorary doctorate from the Université du Québec à Montréal. \bullet



PRIDE IN OUR PRODUCTS

TANDEM® +

> Recipient of the Sanitary Maintenance Distributor Choice Award, which recognizes the most innovative sanitary supply products of the year.

ULTRATILL™ MUSHROOM CONTAINER

> Recipient of the Sustainability Award presented by the Canadian Plastics Industry Association (CPIA/ACIP).

2015 Envirolys Gala +



PRIDE IN OUR INNOVATIVE PROJECTS

ENERGY RECOVERY STEAM GENERATOR PROJECT

CASCADES TISSUE GROUP - NEW YORK INC. (MECHANICVILLE)

- Recipient of the Project of the Year award presented by Energy Manager Today magazine.
- > Recipient of ENERGY STAR® recognition at the Energy Meeting in Orlando, Florida.

ALAIN-LEMAIRE SOLAR PARK

KINGSEY FALLS, QUÉBEC

Recipient of the "Projet Vert ICI+" Envirolys (green local project) award, presented by the Conseil des entreprises en technologies environnementales du Québec (CETEQ).

DESIGN OF A SPECIALIZED ELEVATOR FOR THE SAFE TRANSPORTATION AND HANDLING OF PRINTING PLATES

NORAMPAC - MONTRÉAL (QUÉBEC)

> Recognized by the CSST in the large company category at the occupational health and safety organization's Grands Prix santé et sécurité du travail 2015 event.



IT > AWARDS AND DISTINCTIONS









OUR PROMISE TO THE FUTURE

THE RESULTS OF OUR ACTIONS IN SUSTAINABLE DEVELOPMENT

Cascades presents the final results of its plan covering 2013-2015¹.

LEGEND

- Target reached
- Target reached over 85%
- Target not met

		2012	1 TARGET 2015	2015
\mathcal{Z}	REDUCE THE AMOUNT OF ENERGY WE BUY TO MAKE OUR PRODUCTS (gigajoules/metric tonne)	10.96	10.60	9.67
	INCREASE THE BENEFICIAL USE OF RESIDUALS (volume of residuals recovered)	67%	71%	76%
凸	REDUCE THE AMOUNT OF WASTE WATER (cubic metres/metric tonne)	11.3	10.6	9.9
\Diamond	OBTAIN SUPPLIES FROM RESPONSIBLE SUPPLIERS (volume of purchases deemed responsible)	23%	40%	43%
	DESIGN AND MARKET NEW PRODUCTS (sales of new products/total sales)		6%	12.7%
Ĝ	OPTIMIZE THE RETURN ON CAPITAL EMPLOYED (return on capital employed (ROCE))	2.8%	6%	5.6%
\bigwedge	REDUCE THE NUMBER OF ACCIDENTS (OSHA frequency rate)	3.8	2.5	2.6
	INCREASE THE LEVEL OF EMPLOYEE COMMITMENT (engagement rate)	55 %	65%	56%
ĈĈĈ ĈĈĈ	INCREASE OUR CONTRIBUTION TO THE COMMUNITIES AROUND US (units that have taken at least three social actions)		85%	97%

¹ Results for North American units only, except for the return on capital employed (which includes all Cascades activities) and the OSHA frequency rate, which takes account of the plant located in La Rochette (France).

Last year marked the end of our 2013-2015 Sustainable Development Plan, which had set ambitious targets for nine goals, associated with three dimensions— planet, prosperity and partners. In the period covered by the plan, our teams worked tirelessly to introduce innovative projects that would help us achieve the goals set out therein.

FOR THE PLANET

ENERGY

In addition to making improvements identified by way of energy kaizens conducted in our plants, our team of energy efficiency experts also carried out several major projects. One of these projects—installing a heat recovery steam generator in the Tissue Group's Mechanicville, New York plant—was one of the top three projects of the year as voted by ENERGY STAR® members. It also won the *Energy Manager Today* Project of the Year Award, from the American group Environmental Leader.

CASCADES USES 2.5
TIMES LESS ENERGY
AND 6 TIMES LESS WATER
THAN THE CANADIAN
PAPER INDUSTRY
AVERAGE.

SOURCE: FOREST PRODUCTS ASSOCIATION OF CANADA, 2013

RESIDUAL MATERIALS

Various projects enabled us to increase the volume of material we divert from landfills annually. We made significant advancements thanks to the introduction of a waste-to-energy project at the Greenpac mill in Niagara Falls, New York, in collaboration with Covanta and SGS.

WATER

Equipment upgrades led to a reduction in the amount of waste water produced by our plants. Replacing the cold water with hot water from the condenser for part of the process at the Norampac plant in Cabano, Québec, made a significant impact.



RESULTS OF OUR INITIATIVES FOR PROSPERITY

SUSTAINABLE PROCUREMENT

We carried on our work with an external firm specializing in assessing organizations' performance in the area of sustainable development. By the time the plan ended in 2015, we had assessed the practices of 107 of our corporate suppliers.

INNOVATION

The year 2015 was marked by the spectacular growth of Greenpac XP, our brand-new liner, which is revolutionizing the packaging industry with its strength, lightness and performance.



We also enhanced some of our existing packaging lines for fresh foods (proteins and produce). Another innovation was launched this year: Tandem®+ Nano™, a compact hardwound roll towel dispensing system that is ideal for small spaces. Overall, we achieved 12.7% of sales from new products in 2015, which is two times our initial target to reach 6%.





CAPTION: ÉRIC LAROCHELLE

A few of the 800 people who took part in the 2015 Barter and Trade event in Kingsey Falls, during which some 8,500 items were donated and traded.

FINANCIAL PERFORMANCE

Thanks to the strategic initiatives rolled out in recent years, combined with favourable market conditions in 2015, Cascades achieved a 5.6% return on capital employed (ROCE) in 2015, falling just shy of its 6% target. Still, this is twice the 2.8% ROCE achieved in 2012. And it was optimizing and modernizing our asset base and increasing our profitability that made it possible for us to achieve those results.



Over the holidays, Katherine Bickert and her co-workers from the Tissue Group's plant in Pittston, Pennsylvania, brought dozens of presents to their local arm of Big Brothers Big Sisters of America.



Cascaders Maxime Rodrigue and Kevin Doucette (centre), with PROCURE representatives at the 2015 campaign wrap-up event. Their Bowvember initiatives raised \$10,750 for the fight against prostate cancer.

FOR OUR PARTNERS

HEALTH AND SAFETY

Our sustained efforts to foster awareness and greater vigilance paid off: in 2015, we had the lowest accident rate ever recorded in Cascades' history.

27 UNITS—OR 29% OF ALL UNITS— HAD AN OSHA FREQUENCY RATE OF O.

EMPLOYEE ENGAGEMENT

In 2012, as a follow up to the Aon Hewitt survey used to measure our employees' engagement rate, our human resources team undertook a major review of its processes. A set of new practices was implemented. These include the cascade of objectives, which establishes targets that are clear and aligned on our business priorities, making it easier for our employees to contribute to the

company's value chain. However, these changes took place late in our three-year plan, which partly explains why we didn't reach our 65% target for 2015.

COMMUNITY INVOLVEMENT

Cascades has a long-standing tradition of helping others and proudly supports a number of social and environmental causes. In 2015, we gave more than \$3.3 million in total to hundreds of causes and organizations throughout North America.



CAPTION: RÉMI THÉRIAULT

More and more, Cascades is lending its services and expertise to support various causes. For the Ottawa Marathon, Cascades Recovery volunteered to collect, free of charge, the residual materials that were generated by the event.



CAPTION: ONTARIO ECOSCHOOLS

To mark the $10^{\rm m}$ anniversary of Ontario EcoSchools, Cascades got involved with its inaugural EcoAction Challenge and the organization's educational and certification program, which teaches students about sustainable development.



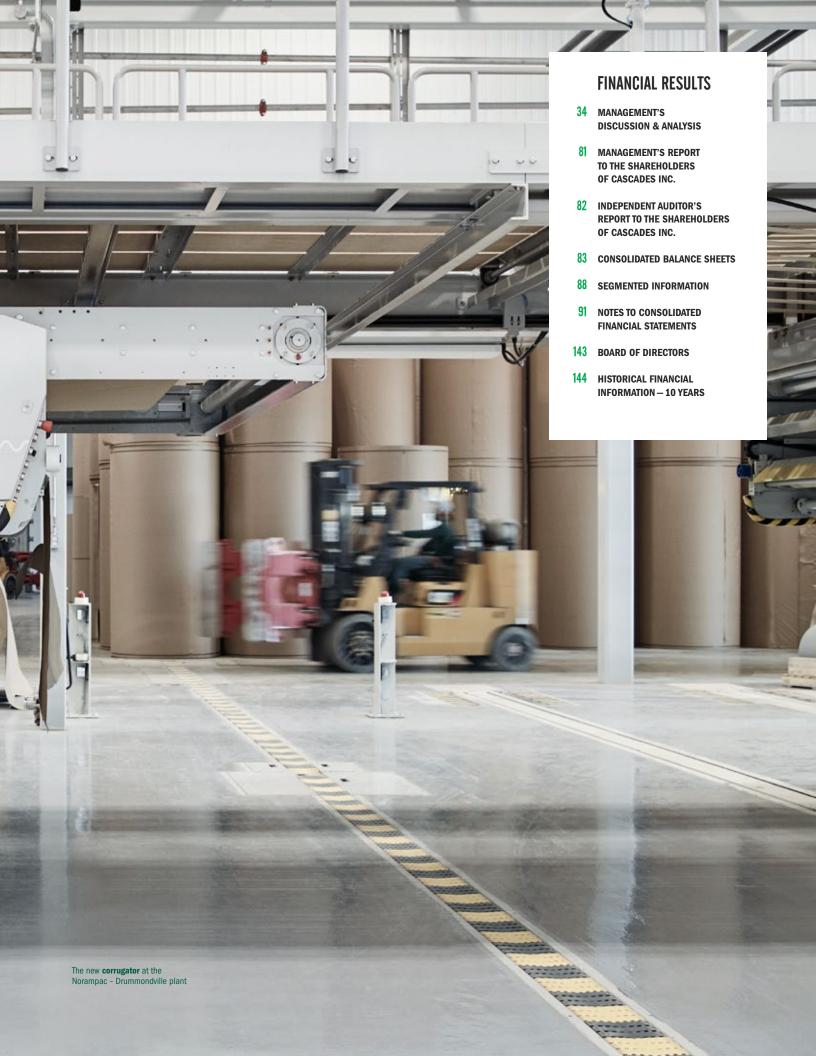
MARTIN RUNS A SUCCESSFUL PLANT WHERE EMPLOYEES PRODUCE MORE THAN 10 MILLION CASES

PER YEAR USING ITS CUTTING-EDGE EQUIPMENT. THROUGH HIS HARD WORK, HE IS HELPING TO BUILD

CASCADES' REPUTATION AROUND THE GLOBE.







MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL OVERVIEW - 2014

The start of 2014 was marked by slower-than-usual business activities in January and February, combined with harsh weather conditions prevailing in Québec, Ontario and the U.S. Northeast. This led to lower-than-expected sales volumes and higher energy, transportation and logistics costs in the first quarter. However, our results for the year benefited from the depreciation of the Canadian dollar against the U.S. dollar and the euro, as well as higher selling prices in our Containerboard segment, but these factors were more than offset by higher raw materials costs compared to the previous year due to increased use of virgin pulp and external purchases of containerboard parent rolls, mainly from Greenpac. In 2014, we completed several business transactions with the intention of focusing our efforts and resources on strategic core businesses that we want to grow in the future. Please refer to the 2014 Annual Report for all the details.

FINANCIAL OVERVIEW - 2015

Led by past years' efforts and initiatives, our operating results of 2015 were the highest ever achieved on a comparable asset base as we benefited from favourable exchange rates, higher volumes and lower fibre costs. The first two quarters have been challenging for our Tissue Papers activities given the ramp-up of two new sites in the U.S., destocking efforts and production downtimes for equipment maintenance and upgrades. However, this sector showed solid results in the second half as sales and operational improvement initiatives led to better profit margins. Our Containerboard Group improved its results with higher average selling prices and lower fibre costs, and the Greenpac mill continues to improve its performance and is positively contributing to our net earnings. Our Boxboard Europe sector's profitability decreased mainly because of higher raw materials costs for this market while our Specialty Products Group achieved strong results compared to last year resulting from lower fibre costs and favourable currency impact.

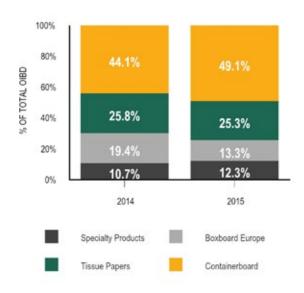
Sales increased by 8%, or \$300 million, to reach \$3,861 million in 2015, compared to \$3,561 million in 2014. The 14% average depreciation of the Canadian dollar against the U.S. dollar largely explains this increase. Higher volumes in all of our sectors also increased sales in 2015 compared to 2014. As well, the strong average selling prices favourable impact in our containerboard activities, surpassing the negative impact of the other segments of the Corporation, also contributed to this increase in sales.

The following graphics show the breakdown of sales, before intercompany eliminations, and operating income before depreciation and amortization by business segment:

SALES BREAKDOWN¹

100% 32.4% 33.1% 80% % OF TOTAL SALES 60% 28.9% 31.4% 40% 23.1% 20.9% 20% 15.6% 14.6% 0% 2014 2015 Specialty Products Boxboard Europe Tissue Papers Containerboard

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION BREAKDOWN²



- 1 Excluding inter-segment sales and Corporate activities.
- 2 Excluding specific items and Corporate activities. Please refer to "Supplemental Information on Non-IFRS Measures" for a complete reconciliation.

For the year, the Corporation posted a net loss of \$65 million, or \$0.69 per common share, compared to a net loss of \$147 million, or \$1.57 per common share in 2014. Excluding specific items, which are discussed in detail on pages 41 to 44, we posted net earnings of \$112 million during the period, or \$1.18 per common share, compared to net earnings of \$20 million or \$0.21 per common share in 2014. The Corporation recorded an operating income of \$153 million during the year, compared to \$137 million in 2014. Excluding specific items, operating income stood at \$236 million during the year, compared to \$166 million in 2014 (see the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these amounts).

The increase of \$0.88 in our net earnings per share in 2015 compared to 2014, including specific items, can be explained by the following factors:

	nadian	

Change in specific items (see reconciliation in Supplemental information on non-IFRS measures on page 45)	\$ (0.09)
Change in net loss from continuing operations including non-controlling interest and normalized at a 30% income tax rate	\$ 0.60
Withholding tax provision - North American capital structure optimization done in 2014	\$ 0.15
Change in tax provision - Other items (see other items analysis on p.61)	\$ 0.09
Change in share of results of associates and joint ventures - net of income taxes and change in non-controlling interest	\$ 0.18
Change in net earnings (loss) from discontinued operations - net of income taxes	\$ (0.05)
Increase in net earnings per share	\$ 0.88

FORWARD-LOOKING STATEMENTS AND SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

The following is the annual financial report and management's discussion and analysis ("MD&A") of the operating results and financial position of Cascades Inc. ("Cascades" or "the Corporation"), and should be read in conjunction with the Corporation's consolidated financial statements and accompanying notes for the years ended December 31, 2015 and 2014. Information contained herein includes any significant developments as at March 10, 2016, 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.

This MD&A is intended to provide readers with the information that Management believes is required to gain an understanding of Cascades' current results and to assess the Corporation's future prospects. Accordingly, 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, the prices and availability of raw materials, changes in the relative values of certain currencies, fluctuations in selling prices and adverse changes in general market and industry conditions. Cascades disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations. This MD&A also includes price indices, as well as variance and sensitivity analyses that are intended to provide the reader with a better understanding of the trends related to our business activities. These items are based on the best estimates available to the Corporation.

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 indicated or if required in the context, the terms "we", "our" and "us" refer to Cascades Inc. and all of its subsidiaries, joint ventures and associates. The financial information included in this analysis also contains certain data that are not measures of performance under IFRS ("non-IFRS measures"). For example, the Corporation uses net debt, working capital and working capital as a percentage of sales, return on capital employed, consolidated return on assets, operating income, operating income before depreciation and amortization and operating income before depreciation and amortization excluding specific items (OIBD or OIBD excluding specific items) as these are the measures used by Management to assess the operating and financial performance of the Corporation's operating segments. Moreover, we believe that OIBD is a measure often used by investors to assess a corporation's operating performance and its ability to meet debt service requirements. OIBD has limitations as an analytical tool, and should not be considered in isolation or as a substitute for an analysis of our results as reported under IFRS. These limitations include the following:

- · OIBD excludes certain income tax payments that may represent a reduction in cash available to us.
- · OIBD does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments.
- OIBD does not reflect changes in, or cash requirements for, our working capital needs.
- · OIBD does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on our debt
- Although depreciation and amortization expenses are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the
 future, and OIBD does not reflect any cash requirements for such replacements.
- The specific items excluded from OIBD, operating income, financing expense, net earnings (loss) and cash flow from operating activities from continuing operations mainly include charges for (reversals of) impairment of assets, restructuring gains or costs, accelerated depreciation of assets due to restructuring measures, loss on refinancing of long-term debt, deferred tax assets 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, specific items of discontinued operations and other significant items of an unusual or non-recurring nature. Although we consider these items to be non-recurring and less relevant to evaluating our performance, some of them might take place in the future and will reduce the cash available to us.

Due to these limitations, OIBD should not be used as a substitute for net earnings (loss) or cash flow from operating activities from continuing operations as determined in accordance with IFRS, nor is it necessarily indicative of whether or not cash flow will be sufficient to fund our cash requirements. In addition, our definitions of OIBD may differ from those of other corporations. Any such modification or reformulation may be significant. A reconciliation of OIBD to net earnings (loss) from continuing operations and to net cash flow from operating activities from continuing operations, which we believe to be the closest IFRS performance and liquidity measure to OIBD, is outlined in the "Supplemental Information on Non-IFRS Measures" section.

BUSINESS DRIVERS

Cascades' results are impacted by the fluctuations of the U.S. dollar and euro against the Canadian dollar, as well as by energy prices and the cost of raw materials.

SALES +

- Selling prices
- Demand for packaging products and tissue papers
- Trend towards sustainable products, mainly made of recycled fibres
- Foreign exchange rates
- Population growth
- Industrial production
- Product mix, substitution and innovation

EXCHANGE RATES

Cascades' results are impacted by fluctuations of the Canadian dollar against the U.S. dollar and euro. Please refer to the "Sensitivity Table" section for more details on these impacts.

For the year 2015, the average value of the Canadian dollar lost 14% against the U.S. dollar compared to 2014. Each \$0.01 change in the U.S. dollar against its Canadian counterpart has an impact of approximately \$3 million on our annual OIBD.

Against the euro, the Canadian currency appreciated by 3% in 2015 compared to 2014. Each €0.02 change of the euro against the Canadian dollar has an impact of approximately \$1 million on our annual OIBD.

COSTS -

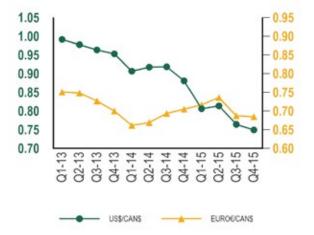
- Freight
- Energy prices, mainly electricity and natural gas
- Fibre prices and availability (recycled papers, virgin pulp and woodchips) and production recipes
- Foreign exchange rates
- Labour
- Chemical product prices
- Capacity utilization rates and production downtime

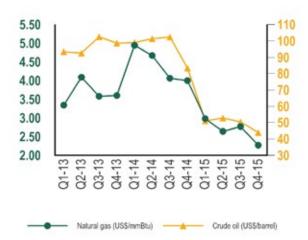
ENERGY COSTS

The variation of energy costs directly impacts our results as illustrated in the "Sensitivity Table" section. It can also indirectly impact our results through its influence on other costs, such as chemical product prices, freight and other costs that are sensitive to energy prices.

With regard to energy costs, the average price of natural gas decreased by 40% in 2015 compared to the previous year.

In the case of crude oil, the average price was 49% lower in 2015 than in 2014. This decrease was caused by the oversupply on the global market.





SENSITIVITY TABLE¹

The following table provides a quantitative estimate of the impact on Cascades' annual OIBD of potential changes in the prices of our main products, the costs of certain raw materials and energy, as well as the CAN\$/US\$ exchange rate, assuming, for each price change, that all other variables remain constant. This is based on Cascades' 2015 manufacturing and converting external shipments and consumption quantities. However, it is important to note that this table does not consider the risk management from hedging instruments used by the Corporation. In fact, Cascades' hedging policies and portfolios (see the "Risk Factors" section) should also be considered in order to fully analyze the Corporation's sensitivity to the highlighted factors.

With regards to the CAN\$/US\$ exchange rate, we do not consider Cascades' indirect sensitivity. This sensitivity refers to the fact that some of Cascades' selling prices and raw materials costs in Canada are based on reference prices and costs in U.S. dollars converted into Canadian dollars. In other words, the exchange rate fluctuation can have a direct influence on sales and purchases in Canada from Canadian facilities. However, because this fluctuation is difficult to measure precisely, we do not include it in the following table. It also excludes the impact of the exchange rate on the Corporation's Canadian units' working capital items and cash positions denominated in other currency than CAN\$. The foreign exchange rates also have an impact on the translation in CAN\$ of the results of our non-Canadian units.

	SHIPMENTS/CONSUMPTION ('000 SHORT TONS, '000 MMBTU FOR NATURAL GAS)	INCREASE	OIBD IMPACT (IN MILLIONS OF CAN\$)
SELLING PRICE (MANUFACTURING AND CONVERTING) ²			
North America			
Containerboard	1,120	US\$25/s.t.	36
Specialty Products (Industrial Packaging only)	170	US\$25/s.t.	6
Tissue Papers	600	US\$25/s.t.	19
	1,890		61
Europe			
Boxboard	1,110	€25/s.t.	39
	3,000		100
RAW MATERIALS ²			
Recycled Papers			
North America			
Brown grades (OCC and others)	1,010	US\$15/s.t.	(20)
Groundwood grades (ONP and others)	60	US\$15/s.t.	(1)
White grades (SOP and others)	540	US\$15/s.t.	(10)
	1,610		(31)
Europe			
Brown grades (OCC and others)	770	€15/s.t.	(16)
Groundwood grades (ONP and others)	170	€15/s.t.	(4)
White grades (SOP and others)	90	€15/s.t.	(2)
	1,030		(22)
	2,640		(53)
Virgin pulp			
North America	140	US\$30/s.t.	(6)
Europe	90	€30/s.t.	(4)
	230		(10)
Natural gas			
North America	8,500	US1.00/mmBtu	(12)
Europe	4,500	€1.00/mmBtu	(6)
	13,000		(18)
Exchange rate ³			
Sales less purchases in US\$ from Canadian operations		CAN\$/US\$	
		0.01 change	2
U.S. subsidiaries translation		CAN\$/US\$	
		0.01 change	1
European subsidiaries translation		CAN\$/€	
		0.02 change	1

¹ Sensitivity calculated according to 2015 volumes or consumption, excluding discontinued operations, with an exchange rate of CAN\$/US\$ 1.28 and CAN\$/€ 1.42, excluding hedging programs and the impact of related expenses such as discounts, commissions on sales and profit-sharing.

² Based on 2015 external manufacturing and converting shipments, as well as 2015 fibre and pulp consumption. Including purchases from our subsidiary Cascades Recovery.

³ As an example, from CAN\$/US\$ 1.28 to CAN\$/US\$ 1.29 and from CAN\$/€ 1.42 to CAN\$/€ 1.44.

KEY PERFORMANCE INDICATORS

In order to achieve our long-term objectives while also monitoring our action plan, we use several key performance indicators, including the following:

	2013					2014					2015
	TOTAL	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL
OPERATIONAL											
Total shipments (in '000 s.t.) ¹											
Packaging Products											
Containerboard	1,063	254	286	287	277	1,104	268	282	296	268	1,114
Boxboard Europe	1,085	290	283	257	263	1,093	296	286	266	263	1,111
Specialty Products ²	168	41	41	41	37	160	41	44	45	40	170
	2,316	585	610	585	577	2,357	605	612	607	571	2,395
Tissue Papers	583	130	140	153	144	567	137	152	163	145	597
Total	2,899	715	750	738	721	2,924	742	764	770	716	2,992
Integration rate ³											
Containerboard	55%	55%	50%	54%	49%	52%	52%	50%	51%	54%	51%
Tissue Papers	70%	71%	70%	69%	69%	70%	68%	64%	65%	70%	67%
110000 1 00010	1070	7 1 70	7070	00 70	0070	7070	0070	0470	0070	1070	01 70
Manufacturing capacity utilization rate4											
Packaging Products											
Containerboard	89%	85%	93%	94%	90%	91%	91%	91%	95%	90%	92%
Boxboard Europe	95%	101%	98%	89%	91%	95%	101%	97%	91%	89%	94%
Tissue Papers	97%	90%	95%	100%	89%	93%	84%	90%	95%	89%	90%
Consolidated total	93%	93%	96%	93%	90%	93%	93%	93%	93%	89%	92%
Energy cons.5 - GJ/ton	11.22	11.92	11.07	10.36	10.69	11.03	11.19	10.29	10.14	10.18	10.45
Work accidents ⁶ - OSHA frequency rate	3.2	3.3	3.5	3.5	2.9	3.3	3.0	1.9	3.1	2.6	2.6
FINANCIAL											
Return on assets ⁷											
Packaging Products											
Containerboard	11%	12%	13%	13%	13%	13%	15%	16%	18%	19%	19%
Boxboard Europe	7%	9%	10%	11%	10%	10%	10%	10%	10%	10%	10%
Specialty Products	12%	12%	12%	14%	13%	13%	14%	14%	15%	17%	17%
Tissue Papers	18%	17%	15%	13%	12%	12%	11%	11%	12%	13%	13%
Consolidated return on assets	9.3%	9.5%	9.7%	9.9%	9.4%	9.4%	9.7%	10.0%	10.8%	11.2%	11.2%
Return on capital employed ⁸	4.0%	4.1%	4.2%	4.4%	4.1%	4.1%	4.4%	4.8%	5.5%	5.6%	5.6%
Working capital ⁹											
In millions of \$, at end of period	455	526	469	460	379	379	409	428	472	406	406
% of sales ¹⁰	12.9%	12.9%	12.7%	12.6%	12.3%	12.3%	11.9%	11.6%	11.3%	11.3%	11.3%

- 1 Shipments do not take into account the elimination of business sector inter-company shipments.
- 2 Industrial Packaging shipments only, for all periods.
- 3 Defined as: Percentage of manufacturing shipments transferred to our converting operations. Containerboard excludes manufacturing shipments from our North American boxboard operations.
- 4 Defined as: Manufacturing internal and external shipments/practical capacity. Excluding discontinued operations and Specialty Products Group manufacturing activities.
- 5 Average energy consumption for manufacturing mills only, excluding RdM. Not adjusted for discontinued operations.
- 6 Excluding RdM for all periods and Djupafors starting in Q2 2014. Including Greenpac. Not adjusted for discontinued operations.
- 7 Return on assets is a non-IFRS measure defined as the last twelve months' ("LTM") OIBD excluding specific items/LTM quarterly average of total assets. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months. Not adjusted for discontinued operations.
- 8 Return on capital employed is a non-IFRS measure and is defined as the after-tax (30%) amount of the LTM operating income, including our share of core joint ventures, excluding specific items, divided by the LTM quarterly average of capital employed. Capital employed is defined as the total assets less trade and other payables. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months. Not adjusted for assets of disposal group classified as held for sale. Starting in Q1 2015, it includes our investment in Greenpac on an LTM basis. Not adjusted for discontinued
- 9 Working capital includes accounts receivable (excluding the short-term portion of other assets) plus inventories less trade and other payables. Not adjusted for assets of disposal group classified as held for sale. Not adjusted for discontinued operations.
- 10 % of sales = Average LTM working capital/LTM sales. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months. Not adjusted for assets of disposal group classified as held for sale. Not adjusted for discontinued operations.

HISTORICAL FINANCIAL INFORMATION

	2013								2014									2015
(in millions of Canadian dollars, unless otherwise noted)	TOTAL		1	Q2	Q	3	Q4	T	TOTAL		Q1	(22	Q3		Q4	Т	OTAL
Sales																		
Packaging Products																		
Containerboard	1,095	27	1	305	31	0	295		1,181		300	3	22	353		326		1,301
Boxboard Europe	786	23		220	19	3	196		841		216	2	02	205		202		825
Specialty Products	548	14		146	14		137		568		135		46	151		147		579
Inter-segment sales	(50)	(3)	(13)	(1	- 1	(13)		(49)		(12)	(13)	(15)		(15)		(55)
	2,379	63	,	658	63		615	_	2,541		639		57	694		660		2,650
Tissue Papers	1,033	24	5	257	28	2	270		1,054		274	2	99	341		322		1,236
Inter-segment sales and Corporate activities	(42)	(2)	(5)	(1	1)	(6)		(34)		(3)		(6)	(9)		(7)		(25)
Total	3,370	86	-	910	90	-1	879		3,561		910	9	50	1,026		975		3,861
Operating income (loss)	0,0.0			0.0					0,00.					1,020				-,
Packaging Products																		
Containerboard	104	2	2	29	3	4	23		108		39		41	58		32		170
Boxboard Europe	11		5	11		4	(1)		29		9		9	5		(51)		(28)
Specialty Products	16		4	(4)		8	(2)		6		5		9	6		11		31
	131		1	36	4	6	20		143		53		59	69		(8)		173
Tissue Papers	106		9	11	2	0	8		48		2		10	30		22		64
Corporate activities	(61)	(4)	(10)	(1	5)	(15)		(54)		(27)		(8)	(22)		(27)		(84)
Total	176		86	37	5	-	13		137		28		61	77		(13)		153
OIBD excluding specific items ¹																		
Packaging Products																		
Containerboard	150	3	31	43	4	6	44		164		52		55	68		56		231
Boxboard Europe	57	2	24	20	1	4	14		72		17		19	14		13		63
Specialty Products	41		8	10	1	2	10		40		10		14	18		16		58
	248	(3	73	7	2	68		276		79		88	100		85		352
Tissue Papers	133	2	20	23	3	2	21		96		15		23	43		38		119
Corporate activities	(39)		(8)	(6)	(1	1)	(7)		(32)		(9)		(8)	(9)		(19)		(45)
Total	342	-	'5	90	9	3	82		340		85	1	03	134		104		426
Net earnings (loss)	11		(1)	(83)	(1	6)	(47))	(147)		(35)		24	22		(76)		(65)
Excluding specific items ¹	29		1	7		4	8		20		17		24	49		22		112
Net earnings (loss) per common share (in dollars)																		
Basic	\$ 0.11	\$ (0.0)1) \$	(0.88)	\$ (0.1	7) \$	(0.51)	\$	(1.57)	\$	(0.37)	\$ 0.	25 3	0.24	\$	(0.81)	\$	(0.69)
Basic, excluding specific items ¹	\$ 0.31	\$ 0.0	1 \$	0.08	\$ 0.0	4 \$			0.21		0.18	\$ 0.	25 \$	0.52	\$	0.23	\$	1.18
Net earnings (loss) from continuing operations per basic common share	\$ 0.44	\$ (0.0	12) \$: (0.23)	\$ (0.2	م (م	6 (0.23)	\$	(0.68)	6	(0.30)	\$ 0	27	6 0.24	¢	(0.82)	¢	(0.70)
(in dollars)		<u> </u>	1		·	Ť	, ,	Ψ		Ψ					φ		Ψ	-
Cash flow from continuing operations	231		57	34	8	\top	71		244		35		70	110		107		322
Net debt ²	1,612	1,70	- 1	1,645	1,64	- 1	1,613		1,613		1,691	1,6		1,741		1,721		1,721
US\$/CAN\$ - Average	\$ 0.97	1	1 \$			2 \$			0.91		0.81		81 9			0.75		0.78
EURO€/CAN\$ - Average	\$ 0.73	1	66 \$			9 \$			0.68		0.72		74 5		1	0.68		0.70
Natural Gas Henry Hub - US\$/mmBtu	\$ 3.65	\$ 4.9	14 \$	4.67	\$ 4.0	6 \$	4.00	\$	4.42	\$	2.98	\$ 2.	64 \$	2.77	\$	2.27	\$	2.67

Sources: Bloomberg and Cascades.

1 See "Forward-looking statements and supplemental information on non-IFRS measures" on page 35.

2 Defined as total debt less cash and cash equivalents. Refer to "Supplemental information on non-IFRS measures" for a reconciliation of this amount for current and comparative periods.

BUSINESS HIGHLIGHTS

In 2015 and 2014, the Corporation completed transactions in order to optimize its asset base and streamline its cost structure. The following transactions and announcements, which occurred in both years, should be taken into consideration when reviewing the overall or segmented analysis of the Corporation's results.

BUSINESS CLOSURES, RESTRUCTURING AND DISPOSALS

BOXBOARD EUROPE GROUP

• On April 9, 2014, following a consultation process with the unions, the Corporation announced the closure of its subsidiary Cascades Djupafors, located in Ronneby, Sweden, which definitively ceased its operations on June 15, 2014. Results and cash flows are classified as discontinued operations for the current and comparative periods.

SPECIALTY PRODUCTS GROUP

- On July 9, 2014, we announced the permanent closure of our kraft paper manufacturing activities located in East Angus, Québec. On September 26, 2014, we definitively ceased operations of the mill. Results and cash flows are classified as discontinued operations for the current and comparative periods.
- On June 30, 2014, we sold our fine papers activities to Les Entreprises Rolland, a subsidiary of H.I.G. Capital. Results and cash flows are classified as discontinued operations for the current and comparative periods.

CONTAINERBOARD GROUP

- On December 11, 2014, the Corporation announced that it had reached an agreement for the sale of its North American boxboard
 manufacturing and converting assets and the transaction was closed on February 4, 2015. Results and cash flows are classified as
 discontinued operations for the current and comparative periods.
- On November 27, 2013, the Corporation announced the creation of a new joint venture with Maritime Paper Products Limited in the Atlantic provinces related to our plants in St. John's, Newfoundland, and Moncton, New Brunswick. The transaction was closed on January 31, 2014.

SIGNIFICANT FACTS AND DEVELOPMENTS

i. On November 27, 2015, the Corporation entered into an agreement for the acquisition of the 27% minority interest of Cascades Recovery for a cash consideration of \$32 million, payable over a 10-year period. This transaction consolidates our leading position in the recovery and recycling activities in Canada.

ii. On July 7, 2015, the Corporation entered into an agreement with its lenders to extend and amend its existing \$750 million credit facility. The amendment provides that the term of the facility is extended to July 2019. The applicable pricing grid is slightly lowered to better reflect market conditions. The other existing financial conditions are essentially unchanged.

iii. On May 19, 2015, the Corporation issued US\$250 million (\$305 million) aggregate principal amount of 5.75% senior notes due in 2023. The Corporation used the proceeds from this offering of notes to repurchase a total of US\$250 million aggregate principal amount of 7.875% senior notes due in 2020 for a total consideration of US\$250 million (\$305 million). The Corporation also paid premiums of US\$11 million (\$13 million) to repurchase the 2020 notes as well as fees and expenses in connection with the offering and the tender offer totalling \$5 million. The refinancing of these notes will reduce our future interest expense by approximately US\$6 million annually.

iv. On April 17, 2015, we announced the installation of a new state-of-the-art converting line in the Candiac plant, located in Québec, for the manufacturing of high-quality paper towels. In addition, we upgraded two converting lines in Candiac and Kingsey Falls, Québec. The new line in Candiac started production in July 2015, while the improved converting lines are scheduled to begin production in the second quarter of 2016.

v. During the fourth quarter of 2014, we announced the acquisition and installation, for \$13 million, of two new printing presses for the Containerboard activities in our Vaudreuil and Drummondville, Québec plants, which specialize in manufacturing corrugated packaging products. In addition, we invested \$14 million in 2015, part of a global project of \$26 million announced on November 3, 2015 in our Drummondville plant, for the expansion of the building and installation of a new corrugator. It officially started operating at the beginning of 2016, and should positively contribute to our results during the year.

vi. In 2014, we refinanced our 7.75% unsecured senior notes of US\$500 million (\$540 million) and \$200 million, due in 2017 and in 2016, respectively. The Corporation issued 5.50% unsecured senior notes of US\$550 million (\$596 million), due in 2022, and 5.50% unsecured senior notes of \$250 million, due in 2021. We allocated the proceeds of these new notes to repurchase the US\$500 million (\$540 million) notes due in 2017 and the \$200 million notes due in 2016. The remaining amounts (US\$50 million (\$56 million) and \$50 million) were used to pay a premium totalling \$31 million plus refinancing costs of \$13 million and to reduce our credit facility utilization. The refinancing of these notes reduces our future interest expense by approximately US\$8 million and \$6 million annually.

SPECIFIC ITEMS INCLUDED IN OPERATING INCOME AND NET EARNINGS (LOSS)

The Corporation incurred some specific items in 2015 and 2014 that adversely or positively affected its operating results. We believe it is useful for readers to be aware of these items, as they provide a measure of performance with which to compare the Corporation's results between periods, notwithstanding these specific items.

The reconciliation of the specific items included in operating income (loss) by business segment is as follows:

7	n	1	4
Ľ	u		u

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	170	(28)	31	64	(84)	153
Depreciation and amortization	63	34	21	55	17	190
Operating income (loss) before depreciation and amortization	233	6	52	119	(67)	343
Specific items:						
Gain on acquisitions, disposals and others	(1)	_	_	_	_	(1)
Impairment charges	_	56	11	_	2	69
Restructuring costs (gain)	_	1	(5)	_	1	(3)
Unrealized loss (gain) on financial instruments	(1)	_	_	_	19	18
	(2)	57	6	_	22	83
Operating income (loss) before depreciation and amortization - excluding specific items	231	63	58	119	(45)	426
Operating income (loss) - excluding specific items	168	29	37	64	(62)	236

2014

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	108	29	6	48	(54)	137
Depreciation and amortization	56	35	20	47	16	174
Operating income (loss) before depreciation and amortization	164	64	26	95	(38)	311
Specific items :						
Impairment charges	_	7	14	_	_	21
Restructuring costs	_	1	_	1	_	2
Unrealized loss on financial instruments	_	_	_	_	6	6
	_	8	14	1	6	29
Operating income (loss) before depreciation and amortization - excluding specific items	164	72	40	96	(32)	340
Operating income (loss) - excluding specific items	108	37	20	49	(48)	166

LOSS (GAIN) ON ACQUISITIONS, DISPOSALS AND OTHERS

In 2015 and 2014, the Corporation recorded the following items:

(in millions of Canadian dollars)	2015	2014
Gain on disposal of property, plant and equipment	(1)	_
Class action settlement	_	5
Gain on a joint-venture contribution	_	(5)
	(1)	

2015

In the third quarter, the Containerboard Group sold a warehouse in Québec City and recorded a gain of \$1 million.

2014

On January 31, the Corporation concluded the creation of a new joint venture for converting corrugated board activities in the Atlantic provinces with Maritime Paper Products Limited (MPPL). This transaction resulted in a gain of \$5 million.

In the fourth quarter, the Corporation settled a class action lawsuit that was filed against it and other North American containerboard manufacturers. Under the terms of the settlement agreement, the Corporation agreed to pay US \$4.8 million into a settlement fund in return for the release of all claims of the alleged class without any admission of wrong-doing on the part of the Corporation.

IMPAIRMENT CHARGES AND RESTRUCTURING COSTS (GAIN)

In 2015 and 2014, the Corporation recorded the following impairment charges and restructuring costs (gain):

		2015		2014
(in millions of Canadian dollars)	Impairment charges	Restructuring costs (gain)	Impairment charges	Restructuring costs (gain)
Boxboard Europe Group	56	1	7	1
Specialty Products Group	11	(5)	14	_
Tissue Papers Group	_	_	_	1
Corporate activities	2	1	_	_
	69	(3)	21	2

2015

In the fourth quarter, the Boxboard Europe Group reviewed the recoverable value of its virgin boxboard mill located in France and recorded impairment charges of \$42 million on fixed assets and \$11 million on spare parts. In 2015, the Group also recorded impairment charges of \$3 million and severance provision of \$1 million related to plants closed over the past years.

Also in the fourth quarter, Corporate activities reviewed the recoverable amount of a note receivable related to the sale of a plant in 2014 and recorded an impairment charge of \$2 million.

In the third quarter, the Specialty Products Group reviewed the recoverable value of one of its plant and recorded impairment charges of \$10 million on fixed assets and \$1 million on spare parts. Sustained difficult market conditions led to insufficient profitability to support the carrying value of these assets. As well in the third quarter, this Group proceeded with the legal restructuring of its Norcan Flexible Packaging subsidiary, which was owned at 62.1%. As a result of the restructuring, the Corporation now owns 100% of the net assets of this business through its Cascades Flexible Packaging subsidiary. The Corporation recorded a gain of \$5 million on the extinguishment of some liabilities following the transaction (including \$2 million attributable to non-controlling interest).

The Corporate activities segment incurred \$1 million of severance costs in relation to the reorganization of its activities.

2014

In the fourth quarter, the Boxboard Europe Group reviewed the recoverable amount of its Iberica, Spain, recycled boxboard manufacturing mill and recorded impairment charges on property, plant and equipment totaling \$7 million. The slow recovery of the European economic environment since the 2009 financial crisis negatively impacted the profitability of this mill. The Boxboard Europe Group also recorded severances of \$1 million in relation to previous years' plant closures.

In the second quarter, the Specialty Products Group recorded impairment charges of \$2 million on property, plant and equipment, and the amount of \$3 million on spare parts due to sustained challenging business conditions for a plant manufacturing consumer goods made from recovered plastics in its consumer products sub-segment. On September 30, the plant was sold to Laurent Lemaire, a director and major shareholder of the Corporation, at a value determined to be fair by the independent members of the Board. The independent directors of the Board reviewed all options for this business and determined that the sale to Mr. Lemaire was in the best interests of the Corporation and the employees of the consumer plastics business. In the second quarter, the Group also recorded impairment charges of \$3 million on other assets.

In the fourth quarter, the Specialty Products Group reviewed the recoverable amount of its flexible film activities CGU and recorded an impairment charge of \$6 million on property, plant and equipment. Sustained low shipments in this sector do not generate enough profitability to support the carrying value of property plant and equipment (see section 2015 above for the description of Norcan's restructuring).

The Tissue Papers Group recorded severances of \$1 million as part of its consumer products activities restructuring.

DERIVATIVE FINANCIAL INSTRUMENTS

In 2015, the Corporation recorded an unrealized loss of \$18 million, compared to an unrealized loss of \$6 million on certain financial instruments not designated for hedge accounting. The 2015 unrealized loss is mainly attributable to foreign exchange contracts' fair value variation following the sharp depreciation of the Canadian dollar.

LOSS ON REFINANCING OF LONG-TERM DEBT

Following the refinancing of the Corporation's 2020 unsecured senior notes on May 19, 2015, we recorded premiums of \$13 million to repurchase and redeem our notes before their maturities. We also wrote-off financing costs and discounts related to the redeemed notes for a total amount of \$6 million.

Following the refinancing of the Corporation's 2016 and 2017 unsecured senior notes on June 19, 2014, we recorded premiums of \$30 million to repurchase and redeem our notes before their maturities. We also wrote-off financing costs and discounts related to the existing notes, in the amount of \$14 million.

INTEREST RATE SWAPS

In 2015, the Corporation recorded an unrealized loss of \$1 million on interest rate swaps (nil in 2014) which is included in financing expense.

FOREIGN EXCHANGE LOSS ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In 2015, the Corporation recorded a loss of \$91 million, compared to a loss of \$30 million in 2014, on its US\$-denominated debt and related financial instruments. This is composed of a loss of \$76 million in 2015, compared to a loss of \$27 million in 2014, on our US\$-denominated long-term debt net of our net investment hedge in the U.S. and forward exchange contracts designated as hedging instruments, if any. It also includes a loss of \$15 million in 2015, compared to a loss of \$3 million in 2014, on foreign exchange forward contracts not designated for hedge accounting.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

In September 2015, Boralex redeemed or converted all of its 6.75% convertible unsecured subordinated debentures. As a result, the Corporation's participation in Boralex decreased to 20.29% from 27.43%, which resulted in a dilution gain of \$15 million for the Corporation.

In February 2015, Boralex acquired the non-controlling interest in Boralex Europe and became its sole shareholder. The excess of amount paid over carrying value totalling \$51 million was accounted for by Boralex as a decrease in net assets and retained earnings. Our \$14 million share of the decrease is recorded as a loss under share of results of associates and joint ventures in the consolidated statement of earnings.

In January 2015, our associate Boralex proceeded with a public offering of common shares to repay in full a bridge loan in connection with its acquisition of Enel Green Power France SAS in December 2014. The Corporation's participation in Boralex decreased to 27.44%, compared to 34.23% as at December 31, 2014, which resulted in a dilution gain of \$9 million for the Corporation.

Our share of results of associates and joint ventures also includes our share of unrealized gain or loss on financial instruments of associates and joint ventures. In 2015 and in 2014, we recorded an unrealized gain of \$1 million related to our associate Greenpac. In 2015, the Corporation reviewed the recoverable amount of some of its other investments and recorded impairment charges of \$2 million in the share of results of associates and joint ventures in the consolidated statement of earnings (loss).

In 2014, our share of results of associates and joint ventures includes a \$1 million impairment charge on assets from our joint venture Maritime Paper. Additionally, it includes \$2 million in acquisition costs from our associate Boralex following its acquisition of Enel Green Power France in 2014.

PROVISION FOR INCOME TAXES

In 2015, the provision for incomes taxes includes \$18 million of deferred tax assets reversal following the impairment charge on our virgin boxboard mill in France.

DISCONTINUED OPERATIONS

2015

On December 11, 2014, the Containerboard Group announced that it had reached an agreement for the sale of its boxboard activities in North America to Graphic Packaging Holding Company. The sale was completed on February 4, 2015, and the Corporation received \$46 million in the first quarter. A selling price adjustment of \$8 million was agreed on, of which \$6 million was paid in 2015. The Corporation recorded a loss of \$4 million before related income tax of \$1 million in 2015.

The Containerboard Group also recorded a \$4 million gain in the first quarter of 2015 on the reversal of a post-employment benefit liability, which was not part of the boxboard activities transaction, but settled as a consequence of the sale.

On June 30, 2014, we sold our fine papers activities of the Specialty Products Group to Les Entreprises Rolland, a subsidiary of H.I.G. Capital. The Corporation finalized the working capital selling price adjustment related to this transaction and recorded a \$1 million gain in the second quarter of 2015 by reducing its final selling price adjustment provision to \$2 million, which was paid during the third quarter. The Corporation also sold a piece of land which was not part of the transaction and recorded a \$1 million reversal of impairment in the second quarter of 2015.

2014

Following the announcement of its North American boxboard activities (see above), the Containerboard Group recorded impairment charges of \$2 million on intangible assets, \$23 million on property, plant and equipment, and \$6 million on spare parts.

In the second quarter, the Containerboard Group reviewed the recoverable value of one boxboard mill and recorded impairment charges of \$12 million on property, plant and equipment, and \$5 million on spare parts. In the same quarter, we also recorded impairment charges of \$16 million on notes receivable related to the 2011 disposal of our U.S. boxboard activities.

In the third quarter, the Containerboard Group sold a building in connection with a closed plant and recorded a gain of \$1 million. Also during the third quarter, in connection with our boxboard plants sold in 2011, we recorded a loss of \$2 million related to an onerous lease contract following the bankruptcy of Fusion Paperboard.

On June 15, following the announcement made in 2013, we definitively ceased the operation of our virgin boxboard mill located in Sweden. Following the closure, we recorded an impairment charge of \$4 million on spare parts and severances of \$7 million. An environmental provision of \$1 million was recorded as well.

On June 30, we sold our fine papers activities of the Specialty Products Group, for a cash consideration of \$39 million before transaction fees of \$1 million, of which \$37 million was received on closing and \$2 million during the third quarter. Also during the third quarter, the Corporation recorded and paid a preliminary working capital adjustment of \$2 million. As a result, a loss on disposal of \$43 million was recorded during the year.

On September 26, we ceased the operation of our kraft papers manufacturing activities of the Specialty Products Group located in East Angus, Québec. The closure was announced on July 9, and an impairment charge of \$2 million on spare parts and restructuring costs of \$4 million were recorded in the second quarter. At the same time, a curtailment gain of \$9 million was recorded on the pension plan. In the fourth quarter, we recorded \$1 million of closure costs for the mill.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

Net loss, a performance measure defined by IFRS, is reconciled below with operating income, operating income excluding specific items and operating income before depreciation and amortization excluding specific items:

(in millions of Canadian dollars)	2015	2014
Net loss attributable to Shareholders for the year	(65)	(147)
Net earnings attributable to non-controlling interest	9	4
Net loss (earnings) from discontinued operations	(1)	83
Provision for income taxes	40	16
Share of results of associates and joint ventures	(37)	_
Foreign exchange loss on long-term debt and financial instruments	91	30
Financing expense, interest expense on employee future benefits and loss on refinancing of long-term debt	116	151
Operating income	153	137
Specific items:		
Gain on acquisitions, disposals and others	(1)	_
Impairment charges	69	21
Restructuring costs (gain)	(3)	2
Unrealized loss on financial instruments	18	6
	83	29
Operating income - excluding specific items	236	166
Depreciation and amortization	190	174
Operating income before depreciation and amortization - excluding specific items	426	340

The following table reconciles net loss and net loss per common share with net earnings excluding specific items and net earnings per common share excluding specific items:

	NET EARNII	NGS (LOSS)	NET EARNINGS (LOSS)) PER COMMON SHARE ¹	
(in millions of Canadian dollars, except amount per common share)	2015	2014	2015	2014	
As per IFRS	(65)	(147)	\$ (0.69)	\$ (1.57)	
Specific items:					
Gain on acquisitions, disposals and others	(1)	_	\$ (0.01)	_	
Impairment charges	69	21	\$ 0.67	\$ 0.13	
Restructuring costs (gain)	(3)	2	\$ (0.03)	\$ 0.02	
Unrealized loss on financial instruments	18	6	\$ 0.14	\$ 0.05	
Loss on refinancing of long-term debt	19	44	\$ 0.15	\$ 0.35	
Unrealized loss on interest rate swaps	1	_	\$ 0.01	_	
Foreign exchange loss on long-term debt and financial instruments	91	30	\$ 0.83	\$ 0.28	
Share of results of associates and joint ventures	(9)	2	\$ (0.07)	\$ 0.01	
Included in discontinued operations, net of tax	(2)	87	\$ (0.02)	\$ 0.94	
Tax effect on specific items, other tax adjustments and attributable to non-controlling interest ¹	(6)	(25)	\$ 0.20	_	
	177	167	\$ 1.87	\$ 1.78	
Excluding specific items	112	20	\$ 1.18	\$ 0.21	

¹ Specific amounts per common share are calculated on an after-tax basis and net of the portion attributable to non-controlling interest. The \$0.20 impact in 2015 is related to the \$18 million deferred tax assets reversal following the revaluation of our virgin boxboard mill in France.

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

(in millions of Canadian dollars)	2015	2014
Cash flow from operating activities from continuing operations	284	231
Changes in non-cash working capital components	38	13
Depreciation and amortization	(190)	(174)
Net income taxes paid (received)	14	(14)
Net financing expense paid	89	73
Premium paid on long-term debt refinancing	13	31
Gain on acquisitions, disposals and others	1	_
Impairment charges and restructuring costs	(64)	(21)
Unrealized loss on financial instruments	(18)	(6)
Dividend received, employee future benefits and others	(14)	4
Operating income	153	137
Depreciation and amortization	190	174
Operating income before depreciation and amortization	343	311

The following table reconciles cash flow from operating activities from continuing operations with cash flow from operating activities from continuing operations (adjusted) and cash flow from operating activities from continuing operations excluding specific items:

(in millions of Canadian dollars)	2015	2014
Cash flow from continuing operations	284	231
Changes in non-cash working capital components	38	13
Cash flow from continuing operations (adjusted)	322	244
Specific items, net of current income taxes:		
Restructuring costs	2	2
Premium paid on long-term debt refinancing	13	31
Excluding specific items	337	277

The following table reconciles the total debt and the net debt with the net debt on operating income before depreciation and amortization (OIBD) excluding specific items ratio:

(in millions of Canadian dollars)	December 31, 2015	December 31, 2014
Long-term debt	1,710	1,556
Current portion of long-term debt	34	40
Bank loans and advances	37	46
Total debt	1,781	1,642
Less: Cash and cash equivalents	60	29
Net debt	1,721	1,613
OIBD excluding specific items on a last twelve months basis	426	340
Net debt / OIBD excluding specific items ratio	4.0	4.7

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2015, COMPARED TO THE YEAR ENDED DECEMBER 31, 2014

SALES

Sales increased by 8%, or \$300 million, to reach \$3,861 million in 2015, compared to \$3,561 million in 2014. The 14% average depreciation of the Canadian dollar against the U.S. dollar, offset in part by the 3% average appreciation against the euro, explains \$205 million of this increase. Higher volumes, especially from the tissue papers and boxboard Europe segments, increased sales by \$93 million, compared to 2014. As well, higher average selling prices with the strong favourable impact in our containerboard activities, despite the negative impact of all the other segments of the Corporation, had a \$15 million positive impact on sales.

Sales by geographic segment are as follows, along with the location of our plants and property, plant and equipment around the world:





Production units and sorting facilities (in %)1



1 Excluding sales offices, distribution and transportation hubs and corporate offices. Including the main associates and joint ventures.

Property, plant and equipment by geographic segment (in %)



OPERATING INCOME FROM CONTINUING OPERATIONS

The Corporation generated an operating income of \$153 million in 2015, compared to \$137 million in 2014, representing an \$16 million increase. The 14% depreciation of the Canadian dollar against the U.S. dollar and higher volumes positively contributed to operating income by \$32 million and \$31 million, respectively. The higher average selling price, as explained above, also contributed \$15 million. Lower raw materials and energy costs also both contributed \$12 million to the operating income. These factors were partially offset by \$17 million by the other production costs, mainly higher shared-based compensation, expenses related to management employment contracts and by start-up costs for our shared services activities. Higher negative specific items recorded in 2015, compared to 2014, as explained on pages 41 to 44, and a higher depreciation expense due to the depreciation of the Canadian dollar against the US dollar, as well as the review of the estimated remaining useful life of assets which have been or will be removed from operations following recent capital investments, both negatively impacted the operating income in 2015 compared to 2014.

Excluding specific items, the operating income stood at \$236 million in 2015, compared to \$166 million in 2014 (see the "Supplemental Information on Non-IFRS Measures" and "Specific Items Included in Operating Income and Net Earnings (Loss)" sections for reconciliation of these amounts).

The main variances in sales and operating income in 2015, compared to 2014, are shown below:



- 1 Raw materials: 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, and purchase and transfer prices. In addition to market pulp and recycled fibre, they include purchases of external boards and parent rolls for the converting sector, and other raw materials such as plastics and woodchips.
- 2 F/X CAN\$: 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 our non-Canadian subsidiaries OIBD translation into CAN\$. It also includes the impact of the exchange rate variation 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 page 37 for more details).
- 3 Other costs: Other costs include the impact of variable and fixed costs based on production costs per unit shipped externally, which are affected by downtimes, efficiencies and product mix changes. 4 OIBD: Excluding specific items.
- 5 Recovery and Recycling activities: Given the integration of this segment among the other segments of the Corporation, our results variances are presented excluding the impact of this segment. The results variations of this segment are presented globally and separately in the waterfalls.

The operating income variance analysis by segment is shown in each business segment review (refer to pages 49 to 60).

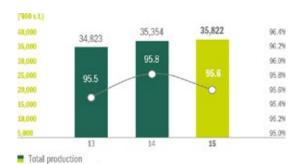
BUSINESS SEGMENT REVIEW

PACKAGING PRODUCTS - CONTAINERBOARD

Our Industry

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

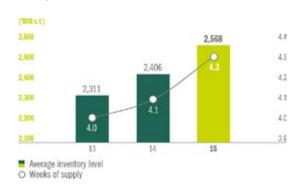
In 2015, the U.S. containerboard production grew by 1% compared to 2014. Despite new capacity additions coming to the market during the year, the capacity utilization rate remained close to 96%.



O Capacity utilization rate

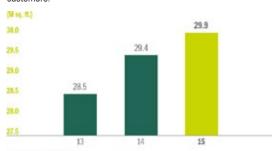
U.S. containerboard inventories at box plants and mills 2

In 2015, the average inventory level was 7% higher than in 2014 as major producers chose to increase inventories to reduce logistics costs. Weeks of supply averaged 4.3 for the year.



Canadian corrugated box industry shipments ³

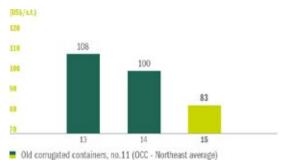
Canadian corrugated box shipments increased for a second consecutive year. The 2% increase in 2015 compared to 2014 was mainly due to the depreciation of the Canadian dollar, which boosted demand for Canadian corrugated boxes from U.S. customers.



Total shipments

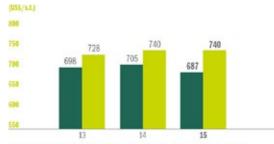
Reference prices - recovered papers (brown grade) 1

The average reference price of old corrugated containers no.11 (usually referred to as OCC) decreased by as much as 17% in 2015 due to a five-month West Coast port congestion and increased domestic generation, which resulted in oversupply in the domestic market.



Reference prices - containerboard 1

The linerboard reference price remained stable for a second consecutive year in 2015. As for the corrugating medium reference price, it decreased by 3% during 2015 due to new corrugating medium production capacity coming to market in the Northeast.



- Corrugating medium 26-lb. semichemical, Eastern U.S. (transaction)
 Linerboard 42-lb. unbleached kraft, Eastern U.S. (transaction)
- 1 Source: RISI
- 2 Source: Fibre Box Association
- 3 Source: Canadian Corrugated and Containerboard Association

Our Performance

OIBD and OIBD margin (excluding specific items)



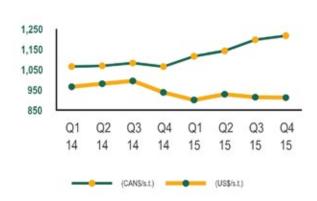
SALES



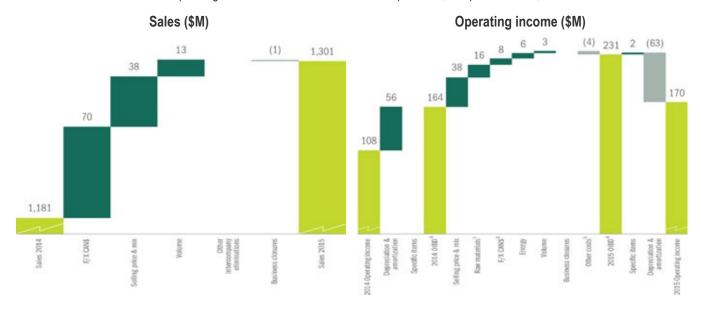
Shipments and manufacturing capacity utilization rate



Average selling price



The main variances in sales and operating income for the Containerboard Group in 2015, compared to 2014, are shown below:



For Notes 1 to 4, see definitions on page 48.

The Corporation incurred some specific items in 2015 and 2014 that adversely or positively affected its operating results. Please refer to pages 41 to 44 for more details and reconciliation.

CASCADES — 2015 ANNUAL REPORT > MANAGEMENT'S DISCUSSION & ANALYSIS I RESULTS ANALYSIS



¹ Shipments do not take into account the elimination of business sector intercompany shipments.

Shipments increased by 1%, or 10,000 s.t., to 1,114,000 s.t. in 2015, compared to 1,104,000 s.t. in 2014. The containerboard mills' external shipments went up by 7,000 s.t., or 2%. If not for the 14-day shutdown in the first quarter of 2014 at our Trenton mill and the fire at our Niagara Falls mill in the third quarter of 2014 and with the shipping problems that occurred in our Niagara Falls mill in the last quarter of 2015, shipments would have been lower of around 3,000 s.t. On the converting segment, shipment went up by 1% or 3,000 s.t.. Therefore, year over year, total shipments remained similar in the containerboard Group. Also, the containerboard mills sold fewer tons internally since Greenpac mill² is now fulfilling an important portion of our internal linerboard converting needs.

The total **average selling price** went up by \$99, or 9%, to \$1,169 per s.t. in 2015, compared to \$1,070 per s.t. in 2014. The containerboard mills' and our corrugated products plants average selling price went up respectively by 9%. Our average consolidated selling price converted in US dollar decreased by 6% since the timing of the implementation of selling price hike in the converting sub-segment did not perfectly match the variation of Canadian currency versus LIS dollar

As a result, the Containerboard Group's **sales** increased by \$120 million, or 10%, to \$1,301 million in 2015, compared to \$1,181 million in 2014. Notwithstanding the sale of our two plants located in the Maritimes in the first quarter of 2014, which subtracted \$1 million, all factors were positive. The 14% depreciation of the Canadian dollar added \$70 million to sales and the higher average selling price and volume increase added \$38 million and \$13 million of sales respectively.

Excluding specific items, operating income stood at \$168 million in 2015, compared to \$108 million in 2014, an increase of \$60 million or a 56% improvement. The improved results are mainly explained by a better average selling price denominated in Canadian dollars, which positively impacted our results by \$38 million, combined with lower fibre cost and the weakness of the Canadian dollar, which added respectively \$16 million and \$8 million to operating income. Also, the rise of volume highlighted previously added another \$3 million to operating income. Energy and freight positively impacted results by \$10 million mostly because of lower fuel costs and better logistics of delivery combined with the negative impact of bad weather conditions prevailing in Québec, Ontario and the US Northeast in the first quarter of 2014. Higher depreciation and amortization subtracted \$7 million of operating income compared to last year following the review of the estimated remaining useful life of assets which have been or will be removed from operations following recent capital investments. Also, higher administrative expenses mainly due to our best results and repair & maintenance negatively impacted both operating income by \$5 million and \$3 million respectively. Finally, when excluding the two fires at our Niagara Falls mill and Etobicoke converting plant as well as the first quarter 14-day shutdown at our Trenton mill, operating income would have been higher by approximately \$6 million in 2014.

In 2015, the Containerboard Group recorded an unrealized gain of \$1 million (nil in 2014) on certain financial instruments not designated for hedge accounting and a gain of \$1 million on the sale of a warehouse in Québec City.

Finally, we are also recording our **share of results** of our associate Greenpac² mill (59.7%). In 2015, Greenpac had a positive contribution of \$20 million, compared to a \$3 million negative contribution in 2014, to the share of results of associates and joint ventures.

² Since our participation in Greenpac is accounted for using the equity method, all transactions are accounted for as external.

PACKAGING PRODUCTS - BOXBOARD EUROPE

Our Industry

European industry's order inflow of coated boxboard from Europe 1

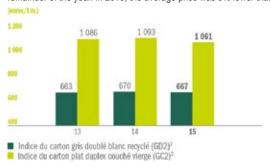
In Europe, order inflows of white-lined chipboard (WLC) increased by 10% in 2015 compared to 2014. Order inflows of WLC experienced strong growth in the first eight months of the year. The WLC price was successfully increased by €20 to €30 per tonne during the summer as a result of a strong market environment and a good supply and demand balance. The first quarter of 2015 was the best quarter in the last ten years with orders of approximately 835,000 tonnes. However, WLC order inflows were lower for the latter part of the year and reached the level of 2014. For folding boxboard, order inflows were 5% higher than in 2014. Demand in all segments was good, except for the tobacco business.

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



Reference prices - boxboard in Europe 4

After a decrease at the beginning of 2015, recycled WLC reference prices improved throughout 2015 in major Western European countries to reach an average price slightly below the level of 2014. Virgin coated duplex reference prices dropped by €20 in January 2015 in some European countries, and then remained stable for the remainder of the year. In 2015, the average price was 3% lower than in 2014.

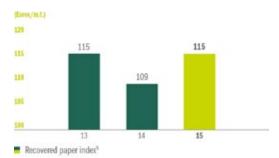


Virgin coated duplex boxboard industry's order inflow from Europe (Folding boxboard (FBB) - 5-week weekly moving average)



Reference prices - recovered papers in Europe 4

In 2015, recovered paper prices were more volatile than in 2014. As a result, our recovered paper reference index in Europe was about 6% higher than in 2014, with higher average prices for brown grades and lower average prices for white and groundwood grades.



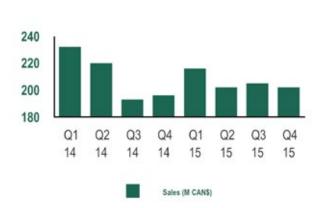
- 1 Source: CEPI Cartonboard
- 2 The Cascades recycled white-lined chipboard selling prices index represents an approximation of Cascades' recycled grade selling prices in Europe. It is weighted by country. For each country, we use an average of PPI Europe prices for white-lined chipboard.
- 3 The Cascades virgin coated duplex boxboard selling prices index represents an approximation of Cascades' virgin grade selling prices in Europe. It is weighted by country. For each country, we use an average of PPI Europe prices for coated duplex boxboard.
- 4 Source: RISI
- 5 The Recovered paper index represents an approximation of Cascades' recovered paper purchase prices in Europe. It is weighted by country. For each country, we use an average of PPI Europe prices for recovered papers. This index should only be used as a trend indicator and may differ from our actual purchasing costs and our purchase mix.

Our Performance

OIBD and OIBD margin (excluding specific items)



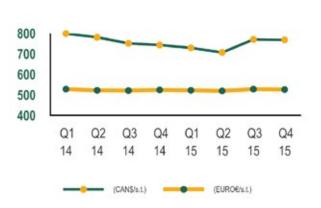
SALES



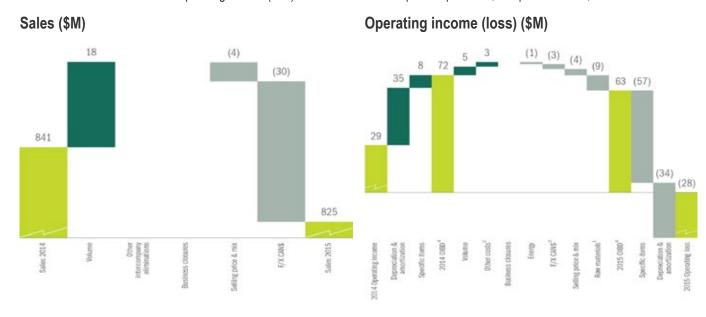
Shipments and manufacturing capacity utilization rate



Average selling price



The main variances in sales and operating income (loss) for the Boxboard Europe Group in 2015, compared to 2014, are shown below:



For Notes 1 to 4, see definitions on page 48.

The Corporation incurred some specific items in 2015 and 2014 that adversely or positively affected its operating results. Please refer to pages 41 to 44 for more details and reconciliation.



1 Shipments do not take into account the elimination of business sector inter-company shipments. 2 Average selling price is a weighted average of virgin and recycled boxboard shipments.

Shipments increased by 18,000 s.t., or 2%, to 1,111,000 s.t. in 2015, compared to 1,093,000 s.t. in 2014. The recycled boxboard activities increased their shipments by 5,000 s.t., or 1%, to 947,000 s.t. in 2015, compared to 942,000 in 2014. The virgin boxboard activities increased their shipments by 13,000 s.t., or 9%, to 164,000 s.t. in 2015, compared to 151,000 in 2014.

The total **average selling price** went down by \$27, or 4%, to \$743 per s.t. in 2015, compared to \$770 in 2014, resulting mainly from the 3% appreciation of the Canadian dollar against the euro. The average selling price in euros decreased by €2, to €523, in 2015, compared to €525 in 2014. The recycled boxboard activities' average selling price is down by €2, while the virgin boxboard activities' average selling price is down by €10 in 2015 compared to 2014. However, as the group sales had a higher proportion of virgin boxboard in 2015, which sold at a higher price per s.t., the decrease in average selling price was limited to €2.

As a result, the Boxboard Europe Group **sales** decreased by \$16 million, or 2%, to \$825 million in 2015 compared to \$841 million in 2014. The 3% appreciation of the Canadian dollar against the euro explains \$30 million of the decrease in sales. On the other hand, higher volumes, mostly from our virgin boxboard activities, generated \$18 million in additional sales, but were partly offset by a lower average selling price of \$4 million.

Excluding specific items, **operating income** stood at \$29 million in 2015, compared to \$37 million in 2014, a decrease of \$8 million. In 2014, we recorded a \$9 million gain resulting from energy savings certificates ("white certificates") awarded by Italian authorities to our European recycled boxboard operations following an energy efficiency improvement program for the year 2013. Although we did not receive any white certificates in 2015, energy costs were only \$1 million higher compared to 2014, as we benefited from lower energy prices in France and Italy. Higher raw materials costs in Europe for virgin fibres and for recycled fibres, which went up sharply in 2015, reduced the operating income by \$9 million. The 3% appreciation of the Canadian dollar against the euro also impacted the operating income by \$3 million. On the other hand, the higher volumes, mostly from our virgin boxboard activities and lower production costs, partly counterbalanced the decrease by \$5 million and \$3 million, respectively.

In the fourth quarter, the Boxboard Europe Group reviewed the recoverable value of its virgin boxboard mill located in France and recorded impairment charges of \$42 million on fixed assets and \$11 million on spare parts. In 2015, the Group also recorded impairment charges of \$3 million and severance provision of \$1 million related to plants closed over the past years.

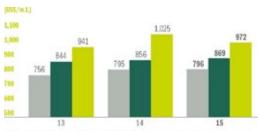
In the fourth quarter of 2014, the Boxboard Europe Group reviewed the recoverable amount of its Iberica, Spain, recycled boxboard manufacturing mill and recorded impairment charges on property, plant and equipment totaling \$7 million. This mill was sold at the beginning of 2016 for a total consideration of €4 million. The Boxboard Europe Group also recorded severances of \$1 million in relation to previous years' plant closures.

PACKAGING PRODUCTS - SPECIALTY PRODUCTS

Our Industry

Reference prices - market pulp 1

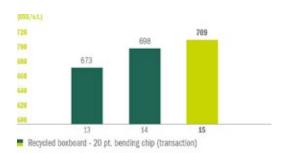
In 2015, the reference price for NBSK decreased by 5% compared to 2014 due to a strong U.S. dollar and high inventories. As for the NBHK reference price, it increased by 2% in 2015 on tight supply. Finally, the reference price for deinked pulp remained stable in 2015 compared to 2014.



- III Deinked pulp (f.o.b.; U.S. air-dried & wet-lap, post-consumer) ■ Bleached hardwood kraft northern mixed, Eastern U.S.
- Bleached softwood kraft northern, Eastern U.S.

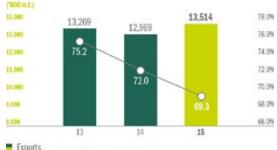
Reference prices - uncoated recycled boxboard 1

In 2015, the reference price for uncoated recycled boxboard increased by 2% compared to 2014. This increase was driven by changes in supply and better demand in cartons, tubes and cores



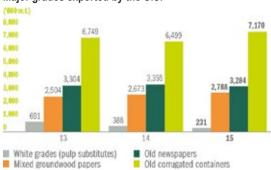
U.S. recycled fibre exports to China 1 The relationship between recovered paper supply and demand, particularly from Asia, plays an important role in pricing dynamics. After two consecutive years of decline, U.S. exports to China rose by 4% in 2015. Old corrugated containers and mixed groundwood grades increased by 10% and 4% respectively over 2014 white grades and old newspapers exports decreased by 41% and 2% in 2015 compared to the previous year. The percentage of total U.S exports to China decreased by approximately 3% for a second consecutive year in 2015.

Total U.S. exports of recycled papers to China - all grades



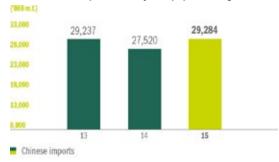
O Percentage of total U.S. exports to China

Major grades exported by the U.S.



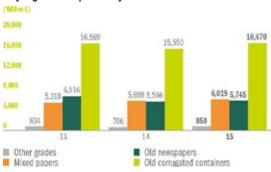
Chinese imports of recycled fibre ¹
After a 6% decrease in 2014, total Chinese imports rebounded in 2015 with a 6% increase, as prices for recovered paper declined progressively during the second half of 2015. Chinese mills seized the opportunity and stepped up purchases. Compared to 2014, all major grades were up between 3% and 20% in 2015.

Total Chinese imports of recycled papers - all grades



1 Source: RISI

Major grades imported by China



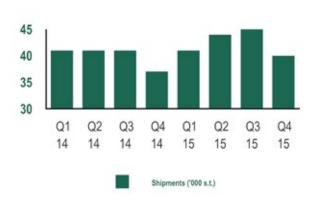
Our Performance

OIBD and OIBD margin (excluding specific items)

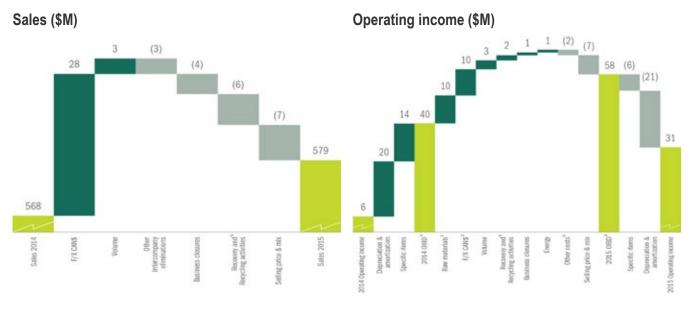




Shipments



The main variances in sales and operating income for the Specialty Products Group in 2015, compared to 2014, are shown below:



For Notes 1 to 5, see definitions on page 48.

The Corporation incurred some specific items in 2015 and 2014 that adversely or positively affected its operating results. Please refer to pages 41 to 44 for more details and reconciliation.



Industrial packaging shipments only. Shipments do not take into account the elimination of business sector inter-company shipments.
 Recovery and Recycling activities: Given the integration of this segment among the other segments.

Shipments increased by 10,000 s.t., or 6%, to 170,000 s.t. in 2015 compared to 160,000 s.t. in 2014.

Specialty Products Group **sales** increased by \$11 million to \$579 million in 2015 compared to \$568 million in 2014. The slight increase was mainly due to the 14% depreciation of the Canadian dollar against the U.S. dollar and higher volume in most of our sectors, which contributed positively by \$28 million and \$3 million, respectively. On the other hand, the lower average selling price in most of our sectors and the decrease in sales of our Recovery and Recycling activities² partly offset the increase by \$7 million and \$6 million respectively.

Excluding specific items, **operating income** stood at \$37 million in 2015, compared to \$20 million in 2014, an increase of \$17 million. A favourable exchange rate and lower raw materials costs accounted both for \$10 million of the increase. As well, higher volumes in most of our sectors accounted for \$3 million. These were partly offset by lower average selling price in most of our sectors for \$7 million.

In the third quarter of 2015, the Specialty Products Group reviewed the recoverable value of one of its plants, and recorded impairment charges of \$10 million on fixed assets and \$1 million on spare parts. Also in the third quarter, the Specialty Products Group restructured its Norcan Flexible Packaging subsidiary, which was owned at 62.1%. As a result of the restructuring, the Corporation now owns 100% of the net assets of this business through its Cascades Flexible Packaging subsidiary and recorded a gain of \$5 million on the extinguishment of some liabilities following the transaction (including \$2 million attributable to non-controlling interest).

In 2014, the Specialty Products Group recorded impairment charges of \$2 million on property, plant and equipment, and \$3 million on spare parts. The Group also recorded impairment charges of \$3 million on other assets. Also in 2014, the Group recorded impairment charges of \$6 million on property, plant and equipment for a plant manufacturing flexible packaging in our Consumer Packaging sector.

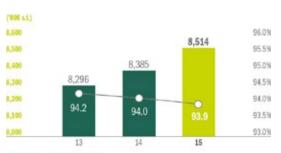
² necovery and necogning activities. Given the integration of units segment among the other segments of the Corporation, our results variances are presented excluding the impact of that segment. The results variations of this segment are presented globally and separately.

TISSUE PAPERS

Our Industry

U.S. tissue paper industry production (parent rolls) and capacity utilization rate $^{\rm 1}$

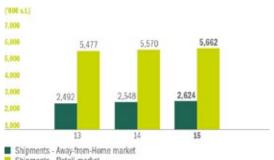
Total parent roll production increased by 2% in 2015 compared to 2014. The average capacity utilization rate during the year remained close to the level of 2014 and 2013 at 94%, as higher demand offset the new capacity in the market.



Total parent roll production
 Capacity utilization rate

U.S. tissue paper industry converted product shipments $^{\rm 1}$

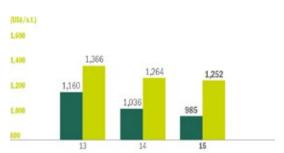
In 2015, shipments for the retail and the away-from-home markets increased by 2% and 3%, respectively, compared to 2014.



Shipments - Retail market

Reference prices - parent rolls 1

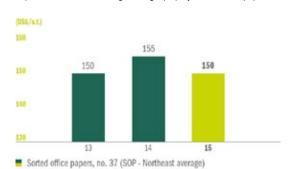
In 2015, the reference price for recycled parent rolls decreased by 5% compared to 2014, mainly due to favourable recovered paper prices. The reference price for virgin parent rolls declined by 1% during the year due to lower virgin pulp prices for NBSK.



Recycled parent roll (average publication price)
 Virgin parent roll (average publication price)

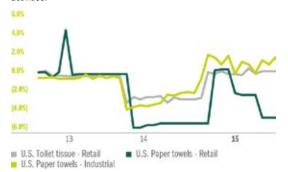
Reference prices - recovered papers (white grade) 1

The reference price of Sorted office papers no. $\overline{37}$ (usually referred to as SOP) decreased by 3% in 2015 compared to 2014 due to a strong U.S. dollar that reduced exports and increased usage of virgin pulp by some tissue paper mills.



U.S. producer price index - yearly changes in converted tissue prices ²

In the U.S., prices for retail toilet tissue remained stable in 2015 compared to 2014. Prices for industrial paper towels were slightly up while prices for retail paper towels were down on average by about 3% during the year, indicative of increased promotional activities.



Source: RIS

2 Source: U.S. Bureau of Labor Statistics

Our Performance

OIBD and OIBD margin (excluding specific items)





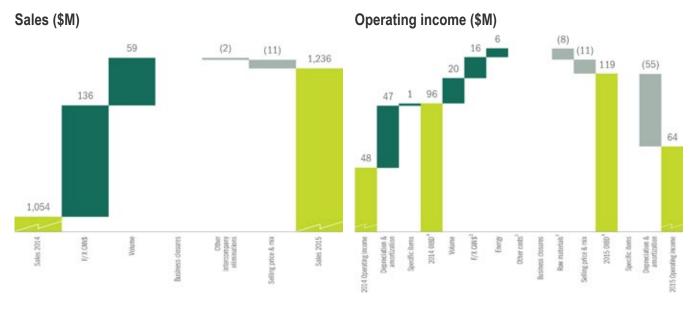
Shipments and manufacturing capacity utilization rate



Average selling price



The main variances in sales and operating income for the Tissue Papers Group in 2015, compared to 2014, are shown below:



For Notes 1 to 4, see definitions on page 48.

The Corporation incurred some specific items in 2015 and 2014 that adversely or positively affected its operating results. Please refer to pages 41 to 44 for more details and reconciliation.



1 Shipments do not take into account the elimination of business sector inter-company shipments.

Shipments increased by 30,000 s.t., or 5%, to 597,000 s.t. in 2015, compared to 567,000 s.t. in 2014. External manufacturing shipments increased by 36,000 s.t., or 22%, to 197,000 s.t. in 2015, compared to 161,000 s.t. in 2014, largely driven by the increase of paper-making capacity, which occurred during the last quarter of 2014 with the gradual start-up of our new Oregon production line. Converting shipments decreased by 6,000 s.t., or 1%, to 400,000 s.t. in 2015, compared to 406,000 s.t. in 2014. The converted shipments decrease is largely driven by the US Away-from-Home segment.

The total **average selling price** went up by \$65, or 3%, to \$2,069 per s.t. in 2015, compared to \$2,004 per s.t. in 2014. The 14% depreciation of the Canadian dollar against the U.S. dollar contributed to an increase in the average selling price. This significant favourable impact was partially offset by a lower selling price for parent rolls and a higher proportion of parent rolls sold. The Retail segment was also negatively impacted by an unfavourable product mix.

As a result, the Tissue Paper Group's **sales** increased by \$182 million, or 17%, to \$1,236 million in 2015, compared to \$1,054 million in 2014. The increase in total sales was largely driven by the \$136 million favourable impact of the depreciation of the Canadian dollar against the U.S. dollar combined with a positive \$59 million impact of volume. The lower average selling price, as explained above, resulted in an \$11 million negative impact on sales.

Excluding specific items, **operating income** stood at \$64 million in 2015, compared to \$49 million in 2014, an increase of \$15 million. The performance improvement compared to 2014 was largely driven by the volume increase for \$20 million and the favourable impact of the Canadian dollar depreciation for \$16 million. The reduction in energy price resulted in a favourable impact of \$6 million, However, the group experienced a reduction of spread of \$19 million (average selling price and raw materials costs). As well, higher depreciation and amortization subtracted \$8 million of operating income compared to last year following the depreciation of the Canadian dollar and the review of the estimated remaining useful life of assets which have been or will be removed from operations following recent capital investments.

As well, in 2014, the Tissue Papers Group recorded severances of \$1 million as part of its consumer products activities restructuring.

CORPORATE ACTIVITIES

The operating loss in 2015 includes an unrealized loss of \$19 million on financial instruments. Our results include \$6 million of insurance reimbursements related to the 2014 fire at our Niagara Falls containerboard mill and a \$9 million foreign exchange loss. Consequently to our good results and share performance in 2015, we incurred higher variable and share-based compensation expenses for \$11 million. We also entered into employment contracts with some of our Senior Management members and recorded a total liability of \$3 million. Finally, we incurred \$1 million of severance costs in relation to the reorganization of their activities.

OTHER ITEMS ANALYSIS

DEPRECIATION AND AMORTIZATION

The depreciation and amortization expense increased by \$16 million, to \$190 million in 2015, compared to \$174 million in 2014. The impairment charges recorded in the last twelve months decreased the depreciation and amortization expense for 2015, but have been more than offset by capital investments completed during the last twelve months and the depreciation of the Canadian dollar against the U.S. dollar, partially counterbalanced by the appreciation against the euro, which increased the depreciation expense by \$5 million in 2015. Also, as a consequence of our capital investments projects and strategic initiatives, we reviewed the useful life of some assets which increased amortization by approximately \$11 million in 2015.

FINANCING EXPENSE AND INTEREST ON EMPLOYEE FUTURE BENEFITS

The financing expense and interest on employee future benefits decreased by \$10 million to \$97 million, compared to \$107 million in 2014. The depreciation of the Canadian dollar against the U.S. dollar increased the interest expense by approximately \$7 million, but this factor was more than offset by the refinancing of senior notes completed in 2014 and 2015 (see the "Business Highlights" section for more details) at lower interest rates, which decreased our interest expense by approximately \$12 million in 2015.

Interest expense on the employee future benefits obligation remained stable at \$6 million in 2015 compared to 2014. Despite a decrease in discount rates, good investment returns in 2014 allowed interest expense on employee future benefits to remain stable in 2015.

In 2015, the Corporation recorded an unrealized loss of \$1 million on interest rate swaps (nil in 2014) which is included in financing expense.

Following the refinancing of the Corporation's unsecured senior notes due in 2020 on May 19, 2015, we recorded premiums of \$13 million to repurchase and redeem our existing notes before their maturities. We also wrote-off financing costs and discounts related to the redeemed notes in the amount of \$6 million. Following the refinancing of the Corporation's unsecured senior notes on June 19, 2014, we recorded premiums of \$30 million to repurchase and redeem our existing notes before their maturities. We also wrote-off financing costs and discounts related to the redeemed notes in the amount of \$14 million.

PROVISION FOR INCOME TAXES

In 2015, the Corporation recorded an income tax provision of \$40 million, compared to \$16 million in 2014. The provision for income taxes based on the effective income tax rate differs from the recovery of income taxes based on the combined basic rate for the following reasons:

(in millions of Canadian dollars)	2015	2014
Recovery of income taxes based on the combined basic Canadian and provincial income tax rate	(4)	(12)
Adjustment of recovery of income taxes arising from the following:		
Difference in statutory income tax rate of foreign operations	(4)	1
Reassessment	5	3
Reversal of deferred tax assets on tax losses	18	_
Permanent differences - others	7	22
Change in temporary differences	18	2
	44	28
Provision for income taxes	40	16

In 2015, we did not record any deferred tax on the \$53 million impairment charge of our Boxboard mill in France. In addition we had to reverse deferred tax assets of \$18 million following our reassessment of the value of the mill. The tax provision or recovery on the foreign exchange gain or loss on long-term debt and related financial instruments, and some of our share of results of Canadian associates and joint ventures, is calculated at the rate of capital gains.

As for our United States-based joint ventures and associates, which are mostly composed of the Greenpac mill, our share of results is taxed based on the statutory tax rate. Moreover, as Greenpac is a limited liability company (LLC), partners have agreed to account for it as a disregarded entity. As such, income taxes at the United States statutory tax rate are fully integrated into each partner's consolidated income tax provision based on its respective share in the LLC, and no income tax provision is included in Greenpac's net earnings.

The effective tax rate and income taxes are affected by the results of certain subsidiaries and joint ventures located in countries, notably the United States, France and Italy, where the income tax rate is higher than in Canada. The normal effective tax rate is expected to be in the range of 26% to 39%. In fact, the weighted-average applicable tax rate was 26.8% in 2015.

During the third quarter of 2014, we optimized our North American capital structure and incurred a one-time withholding tax, negatively affecting our provision for income taxes and net earnings by \$14 million or \$0.15 per share.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

The share of results of associates and joint ventures is partly represented by our 20.29% interest in Boralex Inc. ("Boralex"), a Canadian public corporation that is a major producer of electricity and whose core business is the development and operation of power stations that generate renewable energy, with operations in the North-eastern United States, Canada and France. To finance its acquisition of Enel Green Power France SAS in December 2014, Boralex proceeded with the issuance of common shares in January 2015, which diluted our participation from 34.23% to 27.44%. In September 2015, Boralex redeemed or converted all of its 6.75% convertible unsecured subordinated debentures. As a result, the Corporation's participation in Boralex decreased from 27,43% to 20.29%.

We are also recording our share (59.7%) of the results of our associate, Greenpac mill. In 2015, Greenpac had a \$20 million positive contribution to our share of results of associates and joint ventures, compared to a \$3 million negative contribution in 2014. No provision for income taxes is included in our Greenpac share of results, as it is a disregarded entity for tax purposes (see the "Provision for income taxes" section for more details).

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS

Continuing operating activities generated \$284 million of operating cash flow in 2015, compared to \$231 million in 2014. Changes in non-cash working capital components used \$38 million in liquidity in 2015, compared to \$13 million in 2014. The first half of the year normally requires cash for working capital purposes, due to seasonal variations. During the first quarter of the year, we always notice an increase in pre-paid expenses and payments of year-end volume rebates. Moreover, inventory build-up normally takes place during the first half of the year for the forthcoming summer. Higher sales in 2015, especially in the second half of the year, increased the level of accounts receivable. However, actions taken since 2012 to improve our working capital of the last twelve months (LTM) as a percentage of sales continue to show positive results. As at December 31, 2015, the level of working capital as a percentage of LTM sales stands at 11.3% compared to 12.3% at the end of 2014 (14.4% at the end of 2012).

Cash flow from operating activities from continuing operations, excluding the change in non-cash working capital components, stood in 2015 at \$322 million, compared to \$244 million in 2014. This increase is mostly due to the increase in profitability. It also includes payments of premiums on the long-term debt refinancing of \$13 million in 2015 (\$31 million in 2014). Furthermore, we made tax payments of \$14 million in 2015 compared to a tax reimbursement of \$14 million in 2014. This cash flow measurement is significant, since it positions the Corporation to pursue its capital expenditures program and reduce its indebtedness.

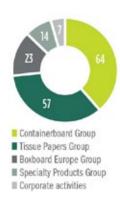
INVESTING ACTIVITIES FROM CONTINUING OPERATIONS

Investment activities required total cash resources of \$153 million in 2015, compared to \$173 million in 2014. Capital expenditure payments accounted for \$163 million in 2015, compared to \$178 million in 2014. We also had proceeds from disposal totaling \$4 million in 2015, compared to \$7 million in 2014. Also, investments in intangible and other assets and in associated and joint ventures generated \$6 million in 2015, compared to \$2 million used in 2014.

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

Capital expenditure projects paid for in 2015 amounted to \$163 million, compared to \$178 million in 2014. New capital expenditure projects amounted to \$165 million in 2015, compared to \$179 million in 2014. The remaining amounts are related to the variation in purchases of property, plant and equipment included in "Trade and Other Payables" and to capital-lease acquisitions and other debt financing.

New capital expenditure projects by sector were as follows in 2015 (in \$M):



The major capital projects initiated, in progress or completed in 2015 are as follows:

CONTAINERBOARD GROUP

- \$14 million investment for the expansion of the building and the installation of a new corrugator at our Drummondville, Québec, plant
 which will improve the quality of our products and the efficiency of the plant.
- \$9 million for which grants were awarded, at our Cabano, Québec, mill, for the installation of a new water pulp process, which will increase our return on wood-chips and reduce chemical usage and atmospheric emissions.
- \$7 million for new converting equipment at our Vaughan, Ontario, plant that will allow shorter set-up time, better productivity and improved
 product quality.
- \$4 million at our containerboard mill in Niagara Falls, New York to replace the recycled brown grades reception building following the fire incidents that happened in 2014.

TISSUE PAPERS GROUP

- \$17 million for a new building and new converting lines, part of the Wagram project started in 2014 in North Carolina, which will allow us to increase our production capacity.
- \$11 million to complete the installation of a second paper machine at our Oregon mill.
- \$7 million for the new state-of-the-art converting line at the Candiac, Québec, plant, for the manufacturing of high-quality paper towels.

INVESTMENTS IN INTANGIBLE, OTHER ASSETS AND ASSOCIATES AND JOINT VENTURES

The investments in intangible and other assets and in associated and joint ventures generated \$6 million in 2015, compared to \$2 million required in 2014. The main items associated with these amounts were as follows:

2015

- Greenpac repaid \$18 million on its bridge loan from the Corporation.
- \$8 million invested for the modernization of our financial information system to an ERP information technology system.
- \$2 million invested in our Greenpac associate following the reception of investment tax credits as required by the partnership agreement.

2014

- · Greenpac repaid \$2 million on its bridge loan from the Corporation.
- \$5 million invested for the modernization of our financial information system to an ERP information technology system.
- \$1 million received from the reimbursement of notes receivable from a business sold in 2011.

FINANCING ACTIVITIES FROM CONTINUING OPERATIONS

DEBT REFINANCING

On May 19, 2015, the Corporation issued US\$250 million (\$305 million) aggregate principal amount of 5.75% senior notes due in 2023. The Corporation used the proceeds from this offering of notes to repurchase a total of US\$250 million aggregate principal amount of 7.875% senior notes due in 2020 for a total consideration of US\$250 million (\$305 million). The Corporation also paid premiums of US\$11 million (\$13 million) to repurchase the 2020 notes, as well as fees and expenses in connection with the offering and the tender offer totalling \$5 million.

Issuance proceeds and credit facility were used as follows:

(in millions of Canadian dollars)	2015
Debt issuance	305
Offering and tender offer fees	(5)
Refinanced debt repurchase	(305)
Premium paid on refinanced debt	(13)
Increase of credit facility	18

On July 7, 2015, the Corporation entered into an agreement with its lenders to extend and amend its existing \$750 million credit facility. The amendment provides that the term of the facility is extended to July 2019, and that the applicable pricing grid is slightly lowered to better reflect market conditions. The other existing financial conditions are essentially unchanged.

In 2015, we entered into agreements to acquire the 37.9% and 27% minority interests of Norcan Flexible Packaging and Cascades Recovery, respectively, for a total amount of \$5 million. The \$30 million purchase price balance of Cascades Recovery is payable over a ten year period.

The Corporation redeemed 43,900 of its common shares on the open market in 2015, pursuant to a normal-course issuer bid. The Corporation also issued 1,168,349 common shares following the exercise of stock options, for an amount of \$5 million. Including the \$15 million in dividends paid out in 2015, financing activities from continuing operations, including debt repayment and the change in our revolving facility, required \$129 million in liquidity in 2015, compared to \$105 million in 2014.

CASH FLOWS FROM DISCONTINUED OPERATIONS

In 2015, the Corporation generated cash flows of \$30 million from discontinued operations compared to \$54 million in 2014. In 2015, the Containerboard Group sold its North American boxboard activities and received \$40 million. The Specialty Products Group paid \$6 million for the settlement of the pension plan of its East Angus, Québec, kraft paper mill closed in 2014. This Group also paid \$2 million for the final selling price adjustment related to its fine paper activities sold in 2014 for an amount of \$36 million. In 2014, all discontinued operations generated \$19 million of operating cash flows before their respective sale or closure.

CONSOLIDATED FINANCIAL POSITION

AS AT DECEMBER 31, 2015, 2014 AND 2013

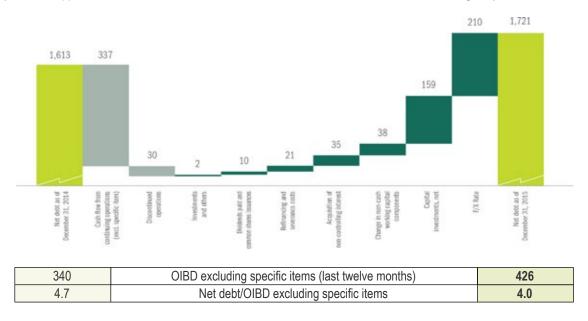
The Corporation's financial position and ratios are as follows:

(in millions of Canadian dollars, unless otherwise noted)	December 31, 2015	December 31, 2014	December 31, 2013
Cash and cash equivalents	60	29	23
Working capital ¹	406	379	455
% of sales ²	11.3%	12.3%	12.9%
Bank loans and advances	37	46	56
Current portion of long-term debt	34	40	39
Long-term debt	1,710	1,556	1,540
Total debt	1,781	1,642	1,635
Net debt (total debt less cash and cash equivalents)	1,721	1,613	1,612
Equity attributable to Shareholders	867	893	1,081
Non-controlling interest	96	110	113
Total equity	963	1,003	1,194
Total equity and net debt	2,684	2,616	2,806
Ratio of net debt/(total equity and net debt)	64.1%	61.7%	57.4%
Shareholders' equity per common share (in dollars)	\$ 9.09	\$ 9.48	\$ 11.52

¹ Working capital includes accounts receivable (excluding the short-term portion of other assets) plus inventories less trade and other payables. Not adjusted for assets of disposal group classified as held for sale.

NET DEBT RECONCILIATION

The variances in the net debt (total debt less cash and cash equivalents) in 2015 are shown below (in M\$), with the applicable financial ratios included (see the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures):



Liquidity available via the Corporation's credit facilities, along with the expected cash flow generated by its operating activities, will provide sufficient funds to meet our financial obligations and to fulfill the capital expenditure program for at least the next twelve months. Capital expenditure requests for 2016 are initially approved at \$186 million. This amount is subject to change, depending on the Corporation's operating results and on general economic conditions. As at December 31, 2015, the Corporation had \$499 million (net of letters of credit in the amount of \$13 million) available through its \$750 million credit facility.

^{2 %} of sales = Average LTM working capital/LTM sales. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months. Not adjusted for assets of disposal group classified as held for sale. Not adjusted for discontinued operations.

EMPLOYEE FUTURE BENEFITS

The Corporation's employee future benefits assets and liabilities amounted to \$454 million and \$589 million respectively as at December 31, 2015, including an amount of \$105 million for post-retirement benefits other than pension plans. The pension plans include an amount of \$61 million, which does not require any funding by the Corporation until it is paid to the employees. This amount is not expected to increase, as the Corporation has reviewed its benefits program to phase out some of them for future retirees.

With regard to pension plans, the Corporation's risk is limited, since all defined benefit pension plans are closed to new employees and as less than 10% of its active employees are subject to those pension plans, while the remaining employees are part of the Corporation's defined-contribution plans, such as group RRSPs or 401(k). Based on their balances as at December 31, 2015, 17% of the Corporation pension plans have been evaluated on December 31, 2014 (100% in 2013). Where applicable, Cascades used the measurement relief allowed by law in order to reduce the impact of its increased current contributions.

Considering the assumptions used and the asset ceiling limit, the deficit status for accounting purposes of its pension plans amounted to \$36 million as at December 31, 2015, compared to \$59 million in 2014. The 2015 pension plan expense was \$9 million and the cash outflow was \$14 million, including \$7 million for closed and sold plans. Due to the good investment returns in 2015 and the change in the assumptions, the expected expense for these pension plans is \$7 million in 2016. As for the cash flow requirements, these pension plans are expected to require a net contribution of approximately \$7 million in 2016. Finally, on a consolidated basis, the solvency ratio of the Corporation's pension plans has remained stable at around 100%.

COMMENTS ON THE FOURTH QUARTER OF 2015

Sales increased by \$96 million, or 11%, to \$975 million in the fourth quarter of 2015, compared to \$879 million in the same period of 2014, resulting mainly from the 15% decrease of the Canadian dollar against the U.S. dollar and the higher average selling prices in our containerboard and tissue papers activities and accounted for \$73 million and \$25 million respectively.

The Corporation generated an operating loss of \$13 million in the fourth quarter of 2015, compared to an operating income of \$13 million in the same period of 2015, a decrease of \$26 million. The reduction in operating income mainly comes from the higher specific items recorded in the fourth quarter of 2015, compared to the same period of 2014, as explained on pages 41 to 44, and higher depreciation expense due to the review of the estimated useful life of certain assets as explained on page 61. The higher average selling prices, the 15% average depreciation of the Canadian dollar against the U.S. dollar and the lower fibre costs generated a favourable impact of \$25 million, \$11 million and \$9 million, respectively. Lower energy costs also added \$5 million to the operating income. These factors were partially offset by the higher shared-based compensation, expense related to management employment contracts and by start-up costs for our shared services activities. Excluding specific items, the operating income stood at \$47 million in the fourth quarter of 2015, compared to \$38 million in the same period of 2014.

In the fourth quarter of 2015, the following specific items before income taxes impacted our results:

- a \$75 million impairment charge (including \$18 million of deferred income tax assets reversal) mainly on the assets of our virgin boxboard mill in France;
- a \$1 million gain related to restructuring measures charges reversal;
- a \$4 million unrealized loss on derivative financial instruments;
- a \$23 million foreign exchange loss on long-term debt and financial instruments;
- a \$3 million loss related to the share of results of associates, joint-ventures.

Net earnings excluding specific items amounted to \$22 million, or \$0.23 per share, in the fourth quarter of 2015, compared to \$8 million, or \$0.08 per share, for the same period of 2014. Including specific items, the net loss stood at \$76 million, or \$0.81, per share in the fourth quarter of 2015, compared to a net loss of \$47 million, or \$0.51 per share, for the same period of 2014.

The reconciliation of the specific items included in operating income (loss) by business segment is as follows:

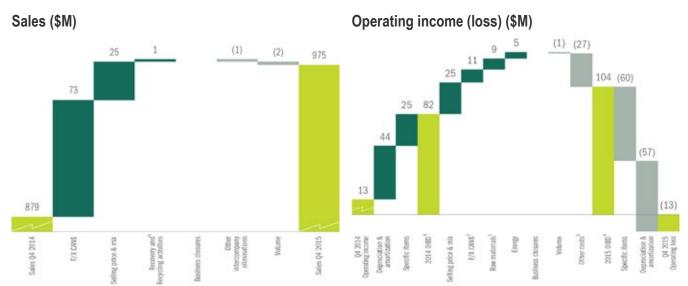
For the 3-month period ended December 31, 2015

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	32	(51)	11	22	(27)	(13)
Depreciation and amortization	23	9	5	16	4	57
Operating income (loss) before depreciation and amortization	55	(42)	16	38	(23)	44
Specific items:						
Impairment charges	_	55	_	_	2	57
Restructuring gain	_	_	_	_	(1)	(1)
Unrealized loss on financial instruments	1	_	_	_	3	4
	1	55	_	_	4	60
Operating income (loss) before depreciation and amortization - excluding specific items	56	13	16	38	(19)	104
Operating income (loss) - excluding specific items	33	4	11	22	(23)	47

For the 3-month period ended December 31, 2014

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	23	(1)	(2)	8	(15)	13
Depreciation and amortization	15	7	6	12	4	44
Operating income (loss) before depreciation and amortization	38	6	4	20	(11)	57
Specific items :						
Loss on acquisitions, disposals and others	5	_	_	_	_	5
Impairment charges	_	7	6	_	_	13
Restructuring costs	_	1	_	1	_	2
Unrealized loss on financial instruments	1	_	_	_	4	5
	6	8	6	1	4	25
Operating income (loss) before depreciation and amortization - excluding specific items	44	14	10	21	(7)	82
Operating income (loss) - excluding specific items	29	7	4	9	(11)	38

The main variances in sales and operating income (loss) in the fourth quarter of 2015, compared to the same period of 2014, are shown below:



For Notes 1 to 5, see definitions on page 48.

NEAR-TERM OUTLOOK

The year 2015 was better than the previous year in all respects. Moreover, the favourable environment that contributed to these results still prevails and should allow us to deliver a similar performance during the coming year.

We do not foresee a significant strengthening of the Canadian dollar and we are not expecting major increases in the price of recycled fibres. In addition to this, the decrease in the cost of certain of our inputs such as gas, oil and chemical products remains positive for us. These favourable conditions will allow us to accelerate initiatives to continue improving our asset base. Accordingly, we will slightly increase our capital expenditures this year. In the containerboard and tissue paper markets, we want to expand our converting operations south of the border. It is also our intention to increase our consumer product packaging capacity in the Specialty Products Group. In addition, we will pursue initiatives to improve our internal processes and reinforce our customer-centric approach. Notwithstanding the slight increase in capital expenditures, we will continue to direct a significant portion of our free cash flow to debt reduction.

CAPITAL STOCK INFORMATION

As at December 31, 2015, issued and outstanding capital stock consisted of 95,310,923 common shares (94,186,474 as at December 31, 2014), and 5,262,796 stock options were issued and outstanding (6,432,328 as at December 31, 2014). In 2015, the Corporation redeemed 43,900 common shares, 462,644 options were granted, 1,168,349 options were exercised and 463,827 options expired or were forfeited. As at March 10, 2016, issued and outstanding capital stock consisted of 95,358,629 common shares and 5,215,090 stock options.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

The Corporation's principal contractual obligations and commercial commitments relate to outstanding debt, operating-leases and obligations for its pension and post-employment benefit plans. The following table summarizes these obligations as at December 31, 2015:

CONTRACTUAL OBLIGATIONS

Payment due by period (in millions of Canadian dollars)	TOTAL	LESS THAN A YEAR	BETWEEN 1-2 YEARS	BETWEEN 2-5 YEARS	OVER 5 YEARS
Long-term debt and capital-leases, including capital and interest	2,298	122	119	547	1,510
Operating leases	74	24	15	24	11
Pension plans and other post-employment benefits ¹	1,142	36	36	113	957
Total contractual obligations	3,514	182	170	684	2,478

¹ These amounts represent all the benefits payable to current members during the following years and thereafter without limitations. The majority of benefit payments are payable from trustee-administered funds. The difference will come from future investment returns expected on plan assets and future contributions that will be made by the Corporation for services rendered after December 31, 2015.

TRANSACTIONS WITH RELATED PARTIES

The Corporation has also entered into various agreements with its joint-venture partners, significantly influenced companies and entities that are affiliated with one or more of its directors, for the supply of raw materials, including recycled paper, virgin pulp and energy, as well as the supply of unconverted and converted products, and other agreements entered into in the normal course of business. Aggregate sales by the Corporation to its joint-venture partners and other affiliates totaled \$145 million and \$136 million for 2015 and 2014 respectively. Aggregate sales to the Corporation from its joint-venture partners and other affiliates came to \$197 million and \$181 million for 2015 and 2014 respectively.

Starting in June 2013, the Corporation entered into a take-or-pay agreement with its associate Greenpac. For a period of eight years, the Corporation has the obligation to purchase a minimum quantity of 340,000 short tons per year from Greenpac. If the Corporation fails to purchase the minimum quantity, it must compensate Greenpac for the lost gross margin on those short tons. Included in commitments in Note 27 is the minimum amount to be paid to Greenpac, which corresponds to the potential lost gross margin on 340,000 tons.

On September 30, 2014, the Corporation sold a plant manufacturing consumer goods made from recovered plastics in its Specialty Products Group, to Laurent Lemaire, a director and major shareholder of the Corporation, at a value determined to be fair by the independent members of the Board. The independent directors of the Board reviewed all options for this business and determined that the sale to Mr. Lemaire was in the best interests of the Corporation and the employees of the consumer plastics business.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

IFRS 15 — REVENUE RECOGNITION

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15 - Revenue from Contracts with Customers. IFRS 15 replaces all previous revenue recognition standards, including IAS 18 - Revenue, and related interpretations such as IFRIC 13 - Customer Loyalty Programs. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes in classification and disclosure in addition to changes in the timing of recognition for certain types of revenues. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. At this time, the Corporation is reviewing the impact that this standard will have on its consolidated financial statements.

IFRS 9 — FINANCIAL INSTRUMENTS

In July 2014, the IASB released the final version of IFRS 9, Financial Instruments. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39, Financial Instruments: Recognition and Measurement, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are recognized either at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss insofar as they do not clearly represent a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities carry forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in the statement of other comprehensive income. It also includes guidance on hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation is currently evaluating the impact of the standard on its consolidated financial statements.

IFRS 16 — LEASES

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, with earlier application permitted for companies that also apply IFRS 15, Revenue from Contracts with Customers. The Corporation is currently evaluating the impact of the standard on its consolidated financial statements.

IAS 1 - PRESENTATION OF FINANCIAL STATEMENTS

In December 2014, the IASB issued amendments to IAS 1, Presentation of Financial Statements (IAS 1 amendments). The IAS 1 amendments provide guidance on the application of judgment in the preparation of financial statements and disclosures. The IAS 1 amendments are effective for annual periods beginning on or after January 1, 2016, and therefore the Corporation will apply these amendments in the first quarter of 2016. The Corporation does not expect any significant impact on its consolidated financial statements disclosures as a result of adopting these amendments.

IAS 7 - STATEMENT OF CASH FLOWS

In January 2016, the IASB published amendments to IAS 7, Statement of Cash Flows. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted. The Corporation is currently evaluating the impact of IAS 7 on its consolidated financial statements.

IAS 12 - INCOME TAXES

In February 2016, the IASB issued amendments to IAS 12, Income Taxes regarding the recognition of deferred tax assets for unrealized losses, effective for annual periods beginning on or after January 1, 2017. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The Corporation is currently evaluating the impact of these amendments on its consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

A. IMPAIRMENT OF LONG-LIVED ASSETS, INTANGIBLE ASSETS AND GOODWILL

In determining the recoverable amount of an asset or a CGU, the Corporation uses several key assumptions, based on external information on the industry when available, and including estimated production levels, selling prices, volume, raw materials costs, foreign exchange rates, growth rates, discounting rates and capital spending.

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

DESCRIPTION OF SIGNIFICANT IMPAIRMENT TESTING ASSUMPTIONS (see Notes 5 and 24)

GROWTH RATES

The assumptions used were based on the Corporation's internal budget. Revenues, operating margins and cash flows were projected for a period of five years, and a perpetual long-term growth rate was applied thereafter. In arriving at its forecasts, the Corporation considered past experience, economic trends such as gross domestic product growth and inflation, as well as industry and market trends.

DISCOUNT RATES

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

FOREIGN EXCHANGE RATES

Foreign exchange rates are determined using the financial institutions' average forecast for the first two years of forecasting. For the following three years, the Corporation uses the last five years' historical average of the foreign exchange rate. Terminal rate is based on historical data of the last 20 years and adjusted to reflect management's best estimate.

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

B. INCOME TAXES

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

C. EMPLOYEE BENEFITS

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

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

CRITICAL JUDGMENTS IN APPLYING THE CORPORATION'S ACCOUNTING POLICIES

SUBSIDIARIES AND EQUITY ACCOUNTED INVESTMENTS

Significant judgment is applied in assessing whether certain investment structures result in control, joint control or significant influence over the operations of the investment. Management's assessment of control, joint control or significant influence over an investment will determine the accounting treatment for the investment. The Corporation has a 59.7% interest in an associate ("Greenpac"). Greenpac's Shareholders agreement requires a majority of 80% for all decision-making related to relevant activities. Consequently, the Corporation does not have the power over relevant activities of Greenpac and its participation is accounted for as an associate.

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", in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The DC&P have been designed to provide reasonable assurance that material information relating to the Corporation is made known to the President and Chief Executive Officer, and the Vice-President and Chief Financial Officer by others, and that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by the Corporation under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have concluded, based on their evaluation, that the Corporation's DC&P were effective as at December 31, 2015, providing reasonable assurance that material information related to the issuer is made known to them by others within the Corporation.

The President and Chief Executive Officer, and the Vice-President and Chief Financial Officer have assessed the effectiveness of the ICFR as at December 31, 2015, based on the control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO Framework). Based on this assessment, they have concluded that the Corporation's ICFR were effective as at December 31, 2015 and expect to certify the Corporation's annual filings with the U.S. Securities and Exchange Commission on Form 40-F, as required by the United States Sarbanes-Oxley Act.

In July 2015, we initiated the first phase of the centralization of the accounting function within our Shared Services Centre and we ensured that appropriate internal control measures had been established and maintained with respect to financial reporting. With the exception of the above, during the quarter ended December 31, 2015, no changes to the Corporation's ICFR have materially affected, or are reasonably likely to materially affect, its ICFR.

RISK FACTORS

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

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

The markets for some of the Corporation's products, particularly containerboard and boxboard, are highly cyclical. As a result, prices for these types of products and for its two principal raw materials, recycled paper and virgin fibre, have fluctuated significantly in the past and will likely continue to fluctuate significantly in the future, principally due to market imbalances between supply and demand. Demand is heavily influenced by the strength of the global economy and the countries or regions in which Cascades does business, particularly Canada and the United States, the Corporation's two primary markets. Demand is also influenced by fluctuations in inventory levels held by customers and by consumer preferences. Supply depends primarily on industry capacity and capacity utilization rates. In periods of economic weakness, reduced spending by consumers and businesses results in decreased demand, which can potentially cause downward price pressure. Industry participants may also, at times, add new capacity or increase capacity utilization rates, potentially causing supply to exceed demand and exerting downward price pressure. Depending on market conditions and related demand, Cascades may have to take market-related downtime. In addition, the Corporation may not be able to maintain current prices or implement additional price increases in the future. If Cascades is unable to do so, its revenues, profitability and cash flows could be adversely affected. In addition, other participants may introduce new capacity or increase capacity utilization rates, which could also adversely affect the Corporation's business, operating results and financial position. Prices for recycled and virgin fibre also fluctuate considerably. The costs of these materials present a potential risk to the Corporation's profit margins, in the event that it is unable to pass along price increases to its customers on a timely basis. Although changes in the price of recycled fibre generally correlate with changes in the price of products made from recycled paper, this may not always be the case. If Cascades wasn't able to implement increases in the selling prices for its products to compensate for increases in the price of recycled or virgin fibre, the Corporation's profitability and cash flows would be adversely affected. In addition, Cascades uses energy, mainly natural gas and fuel oil, to generate steam, which it then uses in the production process and to operate machinery. Energy prices, particularly for natural gas and fuel oil, have continued to remain very volatile. Cascades continues to evaluate its energy costs and consider ways to factor energy costs into its pricing. However, should energy prices increase, the Corporation's production costs, competitive position and operating results would be adversely affected. A substantial increase in energy costs would adversely affect the Corporation's operating results and could have broader market implications that could further adversely affect the Corporation's business or financial results.

To mitigate price risk, our strategies include the use of various derivative financial instrument transactions, whereby it sets the price for notional quantities of old corrugated containers, electricity and natural gas.

Additional information on our North American electricity and natural gas hedging programs as at December 31, 2015 is set out below:

NORTH AMERICAN ELECTRICITY HEDGING

	UNITED STATES	CANADA
Electricity consumption	40%	60%
Electricity consumption in a regulated market	56%	66%
% of consumption hedged in a de-regulated market (2016)	28%	—%
Average prices (2016 - 2017) (in US\$, per KWh)	\$ 0.04	\$
Fair value as at December 31, 2015 (in millions of CAN\$)	\$ (1)	-

NORTH AMERICAN NATURAL GAS HEDGING

	UNITED STATES	CANADA
Natural gas consumption	44%	56%
% of consumption hedged (2016)	36%	61%
Average prices (2016 - 2020) (in US\$, per mmBTU) (in CAN\$, per GJ)	\$ 3.96	\$ 3.91
Fair value as at December 31, 2015 (in millions of CAN\$)	\$ (6.9)	\$ (9.6)

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

The markets for the Corporation's products are highly competitive. In some of the markets in which Cascades competes, such as tissue papers, it competes with a small number of other producers. In some businesses, such as the containerboard industry, competition tends to be global. In others, such as the tissue industry, competition tends to be regional. In the Corporation's packaging products segment, it also faces competition from alternative packaging materials, such as vinyl, plastic and Styrofoam, which can lead to excess capacity, decreased demand and pricing pressures. Competition in the Corporation's markets is primarily based on price, as well as customer service and the quality, breadth and performance characteristics of its products. The Corporation's ability to compete successfully depends on a variety of factors, including:

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

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

To mitigate competition risk, Cascades' targets are to offer quality products that meet customers' needs at competitive prices and to provide good customer service.

c) Because of the Corporation's international operations, it faces political, social and exchange rate risks that can negatively affect its business, operating results, profitability and financial condition.

Cascades has customers and operations located outside Canada. In 2015, sales outside Canada, in Canadian dollars, represented approximately 63% of the Corporation's consolidated sales, including 40% in the United States. In 2015, 28% of sales from Canadian operations were made to the United States.

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

- the effective marketing of its products in other countries
- · tariffs and other trade barriers, and
- different regulatory schemes and political environments applicable to the Corporation's operations, in areas such as environmental and health and safety compliance.

In addition, the Corporation's consolidated financial statements are reported in Canadian dollars, while a portion of its sales is made in other currencies, primarily the U.S. dollar and the euro. The appreciation of the Canadian dollar against the U.S. dollar over the last few years has adversely affected the Corporation's reported operating results and financial condition. This had a direct impact on export prices and also contributed to reducing Canadian dollar prices in Canada, because several of the Corporation's product lines are priced in U.S. dollars. However, a substantial portion of the Corporation's debt is also denominated in currencies other than the Canadian dollar. The Corporation has senior notes outstanding and also some borrowings under its credit facility that are denominated in U.S. dollars and in euros, in the amounts of US\$956 million and €97 million respectively as at December 31, 2015.

Moreover, in some cases, the currency of the Corporation's sales does not match the currency in which it incurs costs, which can negatively affect the Corporation's profitability. Fluctuations in exchange rates can also affect the relative competitive position of a particular facility, where the facility faces competition from non-local producers, as well as the Corporation's ability to successfully market its products in export markets. As a result, if the Canadian dollar were to remain permanently strong compared to the U.S. dollar and the euro, it could affect the profitability of the Corporation's facilities, which could lead Cascades to shut down facilities either temporarily or permanently, all of which could adversely affect its business or financial results. To mitigate the risk of currency rises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations, which are partially covered by purchases and debt, Management has implemented a policy for managing foreign exchange risk against the relevant functional currency.

The Corporation uses various foreign exchange forward contracts and related currency option instruments to anticipate sales net of purchases, interest expenses and debt repayment. Gains or losses from the derivative financial instruments designated as hedges are recorded under "Other comprehensive income (loss)" and are reclassified under earnings in accordance with the hedge items.

Additional information on our North American foreign exchange hedging program is set out below:

NORTH AMERICAN FOREIGN EXCHANGE HEDGING 1

Sell contracts and currency options on net exposure to \$US:	2016	2017	2018
Total amount (in millions of US\$)	\$ 45 to 90	\$ 35 to 60	\$ 5 to 20
Estimated % of sales, net of expenses from Canadian operations (excluding subsidiaries with non-controlling interest)	27% to 54%	21% to 36%	3% to 12%
Average rate (US\$/CAN\$)	0.875 to 0.855	0.789 to 0.779	0.730 to 0.704
Fair value as at December 31, 2015 (in millions of CAN\$)	\$ (19)	\$ (6)	\$ (1)

¹ See Note 26 of the audited consolidated financial statements for more details on derivatives.

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

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

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

The Corporation is also subject to the U.S. Federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") as well as to other applicable legislation in the United States, Canada and Europe that holds companies accountable for the investigation and remediation of hazardous substances. The Corporation's European subsidiaries are also subject to the Kyoto Protocol, aimed at reducing worldwide CO₂ emissions. Each unit has been allocated emission rights ("CO₂ quota"). On a calendar-year basis, the Corporation must buy the necessary credits to cover its deficit, on the open market, if its emissions are higher than quota.

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

expenditures or other activities. In addition, the enforcement of existing environmental laws and regulations has become increasingly strict. The Corporation may discover currently unknown environmental problems or conditions in relation to its past or present operations, or may face unforeseen environmental liabilities in the future.

These conditions and liabilities may:

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

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

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

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

EMISSIONS MARKET

The Corporation is exposed to the emissions trading market and has to hold carbon credits equivalent to its emissions. Depending on circumstances, the Corporation may have to buy credits on the market or could sell some in the future. These transactions would have no significant effect on the financial position of the Corporation and it is not anticipated that it will change in the future.

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

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

To mitigate the risk subject to insurance coverage, the Corporation reviews its strategy annually with the Board of Directors and is seeking different alternatives to achieve more efficient forms of insurance coverage at the lowest costs possible.

f) Labour disputes could have a material adverse effect on the Corporation's cost structure and ability to run its mills and plants.

As at December 31, 2015, the Corporation had approximately 10,700 employees, of whom approximately 9,000 were employees of its Canadian and United States operations. Approximately 29% of the Corporation's Canadian and United States employees are unionized under 26 separate collective bargaining agreements. In addition, in Europe, some of the Corporation's operations are subject to national industry collective bargaining agreements that are renewed on an annual basis. The Corporation's inability to negotiate acceptable contracts with these unions upon expiration of an existing contract could result in strikes or work stoppages by the affected workers, and increased operating costs as a result of higher wages or benefits paid to union members. If the unionized workers were to engage in a strike or another form of work stoppage, Cascades could experience a significant disruption in operations or higher labour costs, which could have a material adverse effect on its business, financial condition, operating results and cash flow. Of the Corporation's 26 collective bargaining agreements in North America, 2 are expired and are currently under negociation, 4 will expire in 2016 and 6 more in 2017.

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

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

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

- three 50%-owned joint ventures with Sonoco Products Corporation, of which two are in Canada and one in the United States, that produce specialty paper packaging products such as headers, rolls and wrappers
- a 20.29% interest in Boralex Inc., a Canadian public corporation and a major electricity producer whose core business is the development and operation of power stations that generate renewable energy, with operations in Canada, the North-eastern United States and France.
- a 57.61%-owned subsidiary, RdM, a European manufacturer of recycled boxboard, and
- a 59.7% interest in Greenpac Mill LLC, an American corporation that manufactures a light-weight linerboard made with 100% recycled fibres.

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

In addition, the Corporation has entered into various shareholder agreements relating to its joint ventures and equity investments. Some of these agreements contain "shotgun" provisions, which provide that if one Shareholder offers to buy all the shares owned by the other parties to the agreement, the other parties must either accept the offer or purchase all the shares owned by the offering Shareholder at the same price and conditions. Some of the agreements also stipulate that, in the event that a Shareholder is subject to bankruptcy proceedings or otherwise defaults on any indebtedness, the non-defaulting parties to that agreement are entitled to invoke the "shotgun" provision or sell their shares to a third party. The Corporation's ability to purchase the other Shareholders' interests in these joint ventures if they were to exercise these "shotgun" provisions could be limited by the covenants in the Corporation's credit facility and the indenture. In addition, Cascades may not have sufficient funds to accept the offer or the ability to raise adequate financing should the need arise, which could result in the Corporation having to sell its interests in these entities or otherwise alter its business plan.

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

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

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

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

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

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

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

j) Certain Cascades insiders collectively own a substantial percentage of the Corporation's common shares.

Messrs. Bernard, Laurent and Alain Lemaire ("the Lemaires") collectively own 29.9% of the common shares as at December 31, 2015, and there may be situations in which their interests and the interests of other holders of common shares will not be aligned. Because the Corporation's remaining common shares are widely held, the Lemaires may be effectively able to:

- elect all of the Corporation's directors and, as a result, control matters requiring Board approval
- control matters submitted to a Shareholder vote, including mergers, acquisitions and consolidations with third parties, and the sale of all
 or substantially all of the Corporation's assets, and
- otherwise control or influence the Corporation's business direction and policies.

In addition, the Lemaires may have an interest in pursuing acquisitions, divestitures or other transactions that, in their judgment, could enhance the value of their equity investment, even though the transactions might involve increased risk to the holders of the common shares.

k) If Cascades is not successful in retaining or replacing its key personnel, particularly if the Lemaires do not stay active in the Corporation's business, its business, financial condition or operating results could be adversely affected.

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

I) Risks relating to the Corporation's indebtedness and liquidity.

The significant amount of the Corporation's debt could adversely affect its financial health and prevent it from fulfilling its obligations under its outstanding indebtedness. The Corporation has a significant amount of debt. As of December 31, 2015, it had \$1,721 million in outstanding total debt on a consolidated basis, including capital-lease obligations. The Corporation also had \$499 million available under its revolving credit facility. On the same basis, its consolidated ratio of net debt to total equity as of December 31, 2015 was 64.1%. The Corporation's actual financing expense, including interest on employees' future benefits, was \$97 million, excluding the loss on refinancing of long-term debt, for 2015. Cascades also has significant obligations under operating leases, as described in its audited consolidated financial statements that are incorporated by reference herein.

On July 7, 2015, the Corporation entered into an agreement with its lenders to extend and amend its existing \$750 million credit facility. The amendment provides that the term of the facility is extended to July 2019, and that the applicable pricing grid is slightly lowered to better reflect market conditions. The other existing financial conditions were essentially unchanged.

In 2015, the Corporation issued US\$250 million (\$305 million) aggregate principal amount of 5.75% senior notes due in 2023. The Corporation used the proceeds from this offering of notes to repurchase a total of US\$250 million aggregate principal amount of 7.875% senior notes due in 2020 for a total consideration of US\$250 million (\$305 million). The Corporation also paid premiums of US\$11 million (\$13 million) to repurchase the 2020 notes as well as fees and expenses in connection with the offering and the tender offer totalling \$5 million. The refinancing of these notes reduces our future interest expense by approximately US\$6 million annually.

In 2014, we refinanced our 7.75% unsecured senior notes of US\$500 million (\$540 million) and \$200 million, due in 2017 and in 2016, respectively. The Corporation issued 5.50% unsecured senior notes of US\$550 million (\$596 million), due in 2022, and 5.50% unsecured senior notes of \$250 million, due in 2021. We allocated the proceeds of these new notes to repurchase the US\$500 million (\$540 million) notes due in 2017 and the \$200 million notes due in 2016. The remaining amounts (US\$50 million (\$56 million) and \$50 million) were used to pay a premium totalling \$31 million plus refinancing costs of \$13 million and to reduce our credit facility utilization. The refinancing of these notes reduces our future interest expense by approximately US\$8 million and \$6 million annually.

The Corporation has outstanding senior notes rated by Moody's Investor Service ("Moody's") and Standard & Poor's ("S&P").

The following table reflects the Corporation's secured debt rating/corporate rating/unsecured debt rating as at the date on which this MD&A was approved by the Board of Directors, and the evolution of these ratings compared to past years:

Credit rating (outlook)	MOODY'S	STANDARD & POOR'S
2004	Ba1/Ba2/Ba3 (stable)	BBB-/BB+/BB+ (negative)
2005 - 2006	Ba1/Ba2/Ba3 (stable)	BB+/BB/BB- (negative)
2007	Baa3/Ba2/Ba3 (stable)	BBB-/BB/BB- (stable)
2008	Baa3/Ba2/Ba3 (negative)	BB+/BB-/B+ (negative)
2009 - 2010	Baa3/Ba2/Ba3 (stable)	BB+/BB-/B+ (stable)
2011	Baa3/Ba2/Ba3 (stable)	BB+/BB-/B+ (positive)
2012	Baa3/Ba2/Ba3 (stable)	BB+/BB-/B+ (negative)
2013	Baa3/Ba2/Ba3 (stable)	BB/B+/B (stable)
2014	Baa3/Ba2/Ba3 (stable)	BB/B+/B+ (stable)
2015	Baa3/Ba2/Ba3 (stable)	BB/B+/B+ (stable)

This facility is in place with a core group of highly rated international banks. The Corporation may decide to enter into certain derivative instruments to reduce interest rates and foreign exchange exposure.

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

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

Cascades may incur additional debt in the future, which would intensify the risks it now faces as a result of its leverage as described above. Even though we are substantially leveraged, we and our subsidiaries will be able to incur substantial additional indebtedness in the future. Although our credit facility and the indentures governing the notes restrict us and our restricted subsidiaries from incurring additional debt, these restrictions are subject to important exceptions and qualifications. If we or our subsidiaries incur additional debt, the risks that we and they now face as a result of our leverage could intensify.

The Corporation's operations are substantially restricted by the terms of its debt, which could limit its ability to plan for or react to market conditions, or to meet its capital needs. The Corporation's credit facilities and the indenture governing its senior notes include a number of significant restrictive covenants. These covenants restrict, among other things, the Corporation's ability to:

- borrow money
- pay dividends on stock or redeem stock or subordinated debt
- make investments
- sell assets, including capital stock in subsidiaries
- guarantee other indebtedness
- enter into agreements that restrict dividends or other distributions from restricted subsidiaries
- enter into transactions with affiliates
- create or assume liens
- enter into sale and leaseback transactions
- engage in mergers or consolidations, and
- enter into a sale of all or substantially all of our assets.

These covenants could limit the Corporation's ability to plan for or react to market conditions, or to meet its capital needs. The Corporation's current credit facility contains other, more restrictive covenants, including financial covenants that require it to achieve certain financial and operating results, and maintain compliance with specified financial ratios. The Corporation's ability to comply with these covenants and requirements may be affected by events beyond its control, and it may have to curtail some of its operations and growth plans to maintain compliance.

The restrictive covenants contained in the Corporation's senior note indenture, along with the Corporation's credit facility, do not apply to its subsidiaries with non-controlling interest.

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

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

Cascades is structured as a holding corporation, and its only significant assets are the capital stock or other equity interests in its subsidiaries, joint ventures and minority investments. As a holding corporation, Cascades conducts substantially all of its business through these entities. Consequently, the Corporation's cash flow and ability to service its debt obligations are dependent on the earnings of its subsidiaries, joint ventures and minority investments, and the distribution of those earnings to Cascades, or on loans, advances or other payments made by these entities to Cascades. The ability of these entities to pay dividends or make other payments or advances to Cascades will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. In the case of the Corporation's joint ventures and minority investments, Cascades may not exercise sufficient control to cause distributions to itself. Although its credit facility and the indenture, respectively, limit the ability of its restricted subsidiaries to enter into consensual restrictions on their ability to pay dividends and make other payments to the Corporation, these limitations do not apply to its joint ventures or minority investments. The limitations are also subject to important exceptions and qualifications. The ability of the Corporation's subsidiaries to generate cash flow from operations that is sufficient to allow the Corporation to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of the Corporation's control. If the Corporation's subsidiaries do not generate sufficient cash flow from operations to satisfy the Corporation's debt obligations, Cascades may have to undertake alternative financing plans, such as re-financing or re-structuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. Re-financing may not be possible, and any assets may not be able to be sold, or, if they are sold, Cascades may not realize sufficient amounts from those sales. Additional financing may not be available on acceptable terms, if at all, or the Corporation may be prohibited from incurring it, if available, under the terms of its various debt instruments in effect at the time. The Corporation's inability to generate sufficient cash flow to satisfy its debt obligations, or to re-finance its obligations on commercially reasonable terms, would have an adverse effect on its business, financial condition and operating results. The earnings of the Corporation's operating subsidiaries and the amount that they are able to distribute to the Corporation as dividends or otherwise may not be adequate for the Corporation to service its debt obligations.

n) Risks related to the common shares.

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

o) Cash-flow and fair-value interest rate risks.

As the Corporation has no significant interest-bearing assets, its earnings and operating cash flows are substantially independent of changes in market interest rates.

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

p) Credit risk.

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

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

q) Enterprise Resource Planning (ERP) implementation.

The Corporation decided to modernize its financial information system with the implementation of an integrated Enterprise Resource Planning (ERP) system. The Corporation identified the risks associated with said project and adopted a step-by-step plan to address any risks related to the implementation process. The Corporation dedicated a project team, required corporate oversight with the appropriate skills and knowledge, and retained the services of consultants to provide expertise and training. Supported by senior management and key personnel, the Corporation undertook a detailed analysis of its requirements during 2010 and, in November of 2010, successfully completed a pilot project in one of its plants. The project team then finalized a detailed blueprint for its manufacturing and some of its converting operations, and began implementing the solution in its business units in 2012. The implementation stage is still ongoing as the Corporation reviews its internal processes at the same time, to maximize the realization of benefits and reduce risks.

MANAGEMENT'S REPORT TO THE SHAREHOLDERS OF CASCADES INC.

March 10, 2016

The accompanying consolidated financial statements are the responsibility of the management of Cascades Inc., and have been reviewed by the Audit and Finance Committee, and approved by the Board of Directors.

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

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

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

External and internal auditors have free and independent access to the Audit and Finance Committee, which comprises outside independent directors. The Audit and Finance Committee, which meets regularly throughout the year with members of management and the external and internal auditors, reviews the consolidated financial statements and recommends their approval to the Board of Directors.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, whose report is provided below.

Mario Plourde

President and Chief Executive Officer - Kingsey Falls, Canada

Maco Pl_sl.

Allan Hogg

Jeh by

Vice-President and Chief Financial Officer - Kingsey Falls, Canada

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

March 10, 2016

We have audited the accompanying consolidated financial statements of Cascades Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and 2014 and the consolidated statement of earnings (loss), comprehensive income (loss), equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cascades Inc. and its subsidiaries as at December 31, 2015 and 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Montréal, Canada

¹ FCPA auditor, FCA, public accountancy permit No. A108517

Pricewaterhouse Coopers LLP

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)	NOTE	December 31, 2015	December 31, 2014
Assets			
Current assets			
Cash and cash equivalents		60	29
Accounts receivable	6 and 14	540	453
Current income tax assets		30	13
Inventories	7 and 14	494	462
Financial assets	26	1	1
Assets of disposal group classified as held for sale	5	_	72
		1,125	1,030
Long-term assets			
Investments in associates and joint ventures	8	322	259
Property, plant and equipment	9 and 14	1,608	1,573
Intangible assets with finite useful life	10	174	183
Financial assets	26	12	25
Other assets	11	80	83
Deferred income tax assets	17	181	185
Goodwill and other intangible assets with indefinite useful life	10	346	335
		3,848	3,673
Liabilities and Equity	1		
Current liabilities			
Bank loans and advances		37	46
Trade and other payables	12	613	557
Current income tax liabilities		1	5
Current portion of long-term debt	14	34	40
Current portion of provisions for contingencies and charges	13	5	11
Current portion of financial liabilities and other liabilities	15 and 26	37	16
Liabilities of disposal group classified as held for sale	5	_	32
		727	707
Long-term liabilities			
Long-term debt	14	1,710	1,556
Provisions for contingencies and charges	13	34	33
Financial liabilities	26	47	45
Other liabilities	15	178	191
Deferred income tax liabilities	17	189	138
		2,885	2,670
Equity attributable to Shareholders			
Capital stock	18	490	483
Contributed surplus	19	17	18
Retained earnings		387	454
Accumulated other comprehensive loss	20	(27)	(62)
		867	893
Non-controlling interest		96	110
Total equity		963	1,003
		3,848	3,673

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

Approved by the Board of Directors

Alain Lemaire DIRECTOR

Georges Kobrynsky DIRECTOR

7. Kobayale

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the years ended December 31 (in millions of Canadian dollars, except per-common share amounts and number of common shares)	NOTE	2015	2014
Sales		3,861	3,561
Cost of sales and expenses			
Cost of sales (including depreciation and amortization of \$190 million; 2014 — \$174 million)	21	3,261	3,063
Selling and administrative expenses	21	360	334
Gain on acquisitions, disposals and others	23	(1)	_
Impairment charges and restructuring costs	24	66	23
Foreign exchange gain		(6)	(2)
Loss on derivative financial instruments	26	28	6
		3,708	3,424
Operating income		153	137
Financing expense	25	91	101
Interest expense on employee future benefits	25	6	6
Loss on refinancing of long-term debt	14	19	44
Foreign exchange loss on long-term debt and financial instruments		91	30
Share of results of associates and joint ventures	8	(37)	_
Loss before income taxes		(17)	(44)
Provision for income taxes	17	40	16
Net loss from continuing operations including non-controlling interest for the year		(57)	(60)
Net earnings (loss) from discontinued operations	5	1	(83)
Net loss including non-controlling interest for the year		(56)	(143)
Net earnings attributable to non-controlling interest		9	4
Net loss attributable to Shareholders for the year		(65)	(147)
Net loss from continuing operations per common share			
Basic and diluted		\$ (0.70)	\$ (0.68)
Net loss per common share			
Basic and diluted		\$ (0.69)	\$ (1.57)
Weighted average basic and diluted number of common shares outstanding		94,384,308	94,025,600
Net loss attributable to Shareholders:			
Continuing operations		(66)	(64)
Discontinued operations	5	1	(83)
Net loss		(65)	(147)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31 (in millions of Canadian dollars)	NOTE	2015	2014
Net loss including non-controlling interest for the year		(56)	(143)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to earnings			
Translation adjustments	20		
Change in foreign currency translation of foreign subsidiaries		118	37
Change in foreign currency translation related to net investment hedging activities		(101)	(44
Income taxes		13	6
Cash flow hedges	20		
Change in fair value of foreign exchange forward contracts		2	3
Change in fair value of interest rate swaps		12	(13
Change in fair value of commodity derivative financial instruments		1	(1
Income taxes		(5)	5
Available-for-sale financial assets		2	_
		42	(7)
Items that are reclassified to retained earnings			
Actuarial gain (loss) on post-employment benefit obligations	16	25	(39
Income taxes	17	(7)	11
		18	(28
Other comprehensive income (loss)		60	(35
Comprehensive loss including non-controlling interest for the year		4	(178
Comprehensive income (loss) attributable to non-controlling interest for the year		16	(3
Comprehensive loss attributable to Shareholders for the year		(12)	(175
Comprehensive income (loss) attributable to Shareholders:			
Continuing operations		(13)	(84
Discontinued operations		1	(91
Comprehensive loss		(12)	(175

 $\label{thm:companying} \textit{The accompanying notes are an integral part of these consolidated financial statements}.$

CONSOLIDATED STATEMENTS OF EQUITY

For the year ended December 31, 2015

	CAPITAL	CONTRIBUTED	RETAINED	ACCUMULATED OTHER COMPREHENSIVE	TOTAL EQUITY ATTRIBUTABLE TO	NON- CONTROLLING	TOTAL
(in millions of Canadian dollars)	STOCK	SURPLUS	EARNINGS	LOSS	SHAREHOLDERS	INTEREST	EQUITY
Balance - Beginning of year	483	18	454	(62)	893	110	1,003
Comprehensive income (loss)							
Net earnings (loss)	_	_	(65)	_	(65)	9	(56)
Other comprehensive income	_	_	18	35	53	7	60
	_	_	(47)	35	(12)	16	4
Dividends	_	_	(15)	_	(15)	_	(15)
Stock options	2	(1)	_	_	1	_	1
Issuance of common shares	5	_	_	_	5	_	5
Acquisition of non-controlling interest	_	_	(5)	_	(5)	(30)	(35)
Balance - End of year	490	17	387	(27)	867	96	963

For the year ended December 31, 2014

				ACCUMULATED OTHER	TOTAL EQUITY	NON-	
(in millions of Canadian dollars)	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	COMPREHENSIVE LOSS	ATTRIBUTABLE TO SHAREHOLDERS	CONTROLLING INTEREST	TOTAL EQUITY
Balance - Beginning of year	482	17	642	(60)	1,081	113	1,194
Comprehensive loss							
Net earnings (loss)	_	_	(147)	_	(147)	4	(143)
Other comprehensive loss	_	_	(26)	(2)	(28)	(7)	(35)
	-		(173)	(2)	(175)	(3)	(178)
Dividends	_	_	(15)	_	(15)	_	(15)
Stock options	_	1	_	_	1	_	1
Issuance of common shares	1	_	_	_	1	_	1
Balance - End of year	483	18	454	(62)	893	110	1,003

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 (in millions of Canadian dollars)	NOTE	2015	2014
Operating activities from continuing operations			
Net loss attributable to Shareholders for the year		(65)	(147)
Net loss (earnings) from discontinued operations		(1)	83
Net loss from continuing operations		(66)	(64)
Adjustments for:			
Financing expense and interest expense on employee future benefits	25	97	107
Loss on refinancing of long-term debt		19	44
Depreciation and amortization		190	174
Gain on acquisitions, disposals and others	23	(1)	_
Impairment charges and restructuring costs	24	64	21
Unrealized loss on derivative financial instruments		18	6
Foreign exchange loss on long-term debt and financial instruments		91	30
Provision for income taxes	17	40	16
Share of results of associates and joint ventures	8	(37)	_
Net earnings attributable to non-controlling interest		9	4
Net financing expense paid		(89)	(73)
Premium paid on long-term debt refinancing	14	(13)	(31)
Net income taxes received (paid)		(14)	14
Dividend received	8	17	15
Employee future benefits and others		(3)	(19)
		322	244
Changes in non-cash working capital components	25	(38)	(13)
		284	231
Investing activities from continuing operations			
Investments in associates and joint ventures		(2)	_
Payments for property, plant and equipment		(163)	(178)
Proceeds on disposals of property, plant and equipment		4	7
Change in intangible and other assets		8	(2)
		(153)	(173)
Financing activities from continuing operations		,	,
Bank loans and advances		(14)	(3)
Change in revolving credit facilities		(120)	(154)
Issuance of senior notes, net of related expenses	14	300	833
Repayment of senior notes	14	(305)	(740)
Increase in other long-term debt		73	23
Payments of other long-term debt		(48)	(50)
Issuance of common shares	18	5	1
Acquisition of non-controlling interest		(5)	_
Dividends paid to the Corporation's Shareholders	18	(15)	(15)
		(129)	(105)
Change in cash and cash equivalents during the year from continuing operations		2	(47)
Change in cash and cash equivalents during the year from discontinued operations	5	30	54
Net change in cash and cash equivalents during the year		32	7
Currency translation on cash and cash equivalents		(1)	(1)
Cash and cash equivalents - Beginning of year		29	23
Cash and cash equivalents - End of year		60	29
The accompanying notes are an integral part of these consolidated financial statements			

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

SEGMENTED INFORMATION

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

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

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

	Si	ALES
For the years ended December 31 (in millions of Canadian dollars)	2015	2014
Packaging Products		
Containerboard	1,301	1,181
Boxboard Europe	825	841
Specialty Products	579	568
Intersegment sales	(55	(49)
	2,650	2,541
Tissue Papers	1,236	1,054
Intersegment sales and others	(25	(34)
	3,861	3,561

OPERATING INCOME (LOSS)	
BEFORE DEPRECIATION AND AMORTIZATION (OIBD	1)

For the years ended December 31 (in millions of Canadian dollars)	-	2015	2014
Packaging Products			
Containerboard		233	164
Boxboard Europe		6	64
Specialty Products		52	26
		291	254
Tissue Papers		119	95
Corporate		(67)	(38)
Operating income before depreciation and amortization		343	311
Depreciation and amortization		(190)	(174)
Financing expense and interest expense on employee future benefits		(97)	(107)
Loss on refinancing of long-term debt		(19)	(44)
Foreign exchange loss on long-term debt and financial instruments		(91)	(30)
Share of results of associates and joint ventures		37	_
Loss before income taxes		(17)	(44)

\sim	
=	
AT 10	
_	
\leq	
\simeq	
$\overline{}$	
_	
=	
_	
_	
MENTE	
_	
_	
-	
ш.	
_	
-5	
\sim	
Λ	
-	
\simeq	
H	
_	
띭	
_	
=	
₹	
Ĭ	
N N	
ANN	
ANN	
5 ANNU	
15 ANNU	
015 ANNU	
015 ANNU	
015 ANNU	
015 ANNU	
015 ANNU	
— 2015 ANNU	
015 ANNU	
ES — 2015 ANNU	
ES — 2015 ANNU	
DES — 2015 ANNU	
ADES — 2015 ANNU	
ADES — 2015 ANNU	
CADES — 2015 ANNU	
SCADES — 2015 ANNU	
ASCADES — 2015 ANNU	
ASCADES — 2015 ANNU	
ASCADES — 2015 ANNU	
ASCADES — 2015 ANNU	
ASCADES — 2015 ANNU	
CASCADES — 2015 ANNU	
CASCADES — 2015 ANNU	
ASCADES — 2015 ANNU	
CASCADES — 2015 ANNU	
CASCADES — 2015 ANNU	

	TATIME TO TOTAL TOTAL	in, i Erati rate Equi ineiti
For the years ended December 31 (in millions of Canadian dollars)	2015	2014
Packaging Products		
Containerboard	64	32
Boxboard Europe	23	33
Specialty Products	14	18
	101	83
Tissue Papers	57	88
Corporate	7	8
Total acquisitions	165	179
Proceeds on disposals of property, plant and equipment	(4)	(7)
Capital-lease acquisitions and included in other debts	(3)	(14)
	158	158
Acquisitions of property, plant and equipment included in "Trade and other payables"		
Beginning of year	20	33
End of year	(19)	(20)
Payments for property, plant and equipment net of proceeds on disposals	159	171

	TOTAL ASSETS	
(in millions of Canadian dollars)	December 31, 2015	December 31, 2014
Packaging Products		
Containerboard	1,277	1,250
Boxboard Europe	620	637
Specialty Products	330	355
	2,227	2,242
Tissue Papers	940	834
Corporate	381	414
Intersegment eliminations	(29)	(83)
	3,519	3,407
Investments in associates and joint ventures	322	259
Other investments	7	7
	3,848	3,673

Information by geographic segment is as follows:

For the years ended December 31 (in millions of Canadian dollars)	2015	2014
Sales		
Operations located in Canada		
Within Canada	1,376	1,249
To the United States	542	509
Offshore	21	24
	1,939	1,782
Operations located in the United States		
Within the United States	976	839
To Canada	62	50
Offshore	6	1
	1,044	890
Operations located in Italy		
Within Italy	232	240
Other countries	151	146
	383	386
Operations located in other countries		
Within Europe	376	378
Other countries	119	125
	495	503
	3,861	3,561

(in millions of Canadian dollars)	December 31, 2015	December 31, 2014
Property, plant and equipment		
Canada	838	845
United States	464	387
Italy	284	282
Other countries	22	59
	1,608	1,573

(in millions of Canadian dollars)	December 31, 2015	December 31, 2014
Goodwill, customer relationships and client lists, and other finite and indefinite useful life intangible assets		
Canada	447	457
United States	64	54
Italy	9	7
	520	518

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For each of the years in the two-year period ended December 31, 2015

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

NOTE 1

GENERAL INFORMATION

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

The Board of Directors approved the consolidated financial statements on March 10, 2016.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Corporation prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set forth in Part 1 of the Chartered Professional Accountants of Canada (CPA Canada) Handbook – Accounting which incorporates International Financial Accounting Standards ("IFRS") as issued by the International Accounting Standards Board. The key accounting policies applied in the preparation of these consolidated financial statements are described below. These policies have been consistently applied to all years presented, unless otherwise stated.

BASIS OF MEASUREMENT

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

BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Corporation, which include:

A. SUBSIDIARIES

Subsidiaries are all entities over which the Corporation has power over decisions about relevant activities. The Corporation does not have any interest in a structured entity. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation. They are deconsolidated from the date on which control ceases. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Corporation. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Corporation. Results of operations are consolidated commencing on the date of acquisition. The purchase consideration is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The transaction costs directly attributable to the acquisition are expensed. Identifiable assets acquired, as well as liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the purchase consideration over the fair value of the Corporation's share of the identifiable net assets acquired is recorded as goodwill. If the purchase consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of earnings. Intercompany transactions, balances and unrealized gains on transactions between subsidiaries are eliminated.

The following are the principal subsidiaries of the Corporation:

	PERCENTAGE OWNED (%)	JURISDICTION
Cascades Canada ULC	100	Canada
Cascades Recovery Inc.	100	Canada
Cascades USA Inc.	100	Delaware
Cascades S.A.S. (France)	100	France
Cascades Europe S.A.S.	100	France
Reno de Medici S.p.A.	57.61	Italy

B. TRANSACTIONS AND CHANGE IN OWNERSHIP

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

C. ASSOCIATES

Associates are all entities over which the Corporation has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Corporation's investment from associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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

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

D. JOINT VENTURES

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

REVENUE RECOGNITION

The Corporation recognizes its sales, which consist of product sales, when it is probable that the economic benefits will flow to the Corporation, the goods are shipped and the significant risks and benefits of ownership are transferred, the amount of revenue can be measured reliably, and collection of the resulting receivable is reasonably assured.

Revenue is measured based on the price specified in the sales contract, net of discounts and estimated returns at the time of sale. Historical experience is used to estimate and provide for discounts and returns. Volume discounts are assessed based on anticipated annual sales.

FINANCIAL INSTRUMENTS AND HEDGING RELATIONSHIPS

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

CLASSIFICATION

The Corporation classifies its financial instruments in the following categories: at fair value through profit or loss, held to maturity ("HTM"), loans and receivables, available for sale ("AFS") and other liabilities. The classification depends on the purpose for which the financial instruments were acquired or issued. Management determines the classification of its financial assets and financial liabilities at initial recognition. Settlement date accounting is used by the Corporation for all financial assets.

A. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset or financial liability is classified in this category if it is acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of earnings. Gains and losses arising from changes in fair value are presented in the consolidated statement of earnings in loss (gain) on acquisition, disposal and others in the period in which they arise. Financial assets and financial liabilities at fair value through profit or loss are classified as current, except for the portion expected to be realized or paid beyond 12 months of the consolidated balance sheet date, which is classified as long-term.

B. HELD TO MATURITY

HTM financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, other than loans and receivables, AFS or fair value through profit or loss that the entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost. The Corporation has no HTM financial assets as at December 31, 2015 and 2014.

C. AVAILABLE-FOR-SALE FINANCIAL ASSETS

AFS investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. AFS investments are recognized initially at fair value plus transaction costs, and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in the statement of other comprehensive income (loss). AFS investments are classified as long-term, unless the investment matures within 12 months, or Management expects to dispose of them within 12 months.

Interest on AFS investments, calculated using the effective interest method, is recognized in the consolidated statement of earnings as part of financing expense. Dividends on AFS equity instruments are recognized in the consolidated statement of earnings as part of loss (gain) on derivative financial instruments when the Corporation's right to receive payment is established. When an AFS investment is sold or impaired, the accumulated gains or losses are moved from Accumulated other comprehensive income (loss) to the consolidated statement of earnings and included in loss (gain) on derivative financial instruments.

D. LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation's loans and receivables comprise accounts receivable, notes receivable from business disposals, the Greenpac bridge loan and cash and cash equivalents. Loans and receivables are initially recognized at fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

E. FINANCIAL LIABILITIES AT AMORTIZED COST

Financial liabilities at amortized cost include bank loans and advances, trade and other payables, and long-term debt. Financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest method. They are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as long-term liabilities.

IMPAIRMENT OF FINANCIAL ASSETS

At each report date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Corporation recognizes an impairment loss, as follows:

- i) Financial assets carried at amortized cost: The impairment loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- ii) AFS financial assets: The impairment loss is the difference between the original cost of the asset and its permanent fair value decrease at the measurement date, less any impairment losses previously recognized in the consolidated statement of earnings. This amount represents the cumulative loss in "Accumulated other comprehensive income (loss)" that is reclassified to net earnings (loss).

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on AFS equity instruments are not reversed.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

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

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

The full fair value of a hedging derivative is classified as a long-term asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

A. CASH FLOW HEDGE

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

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the consolidated statement of earnings on the same line as the hedged item. The gain or loss relating to the ineffective portion is recognized in the consolidated statement of earnings as part of loss (gain) on derivative financial instruments. However, when the forecasted transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in Cost of goods sold in the case of inventory or in Depreciation in the case of property, plant and equipment.

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

B. NET INVESTMENT HEDGE

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

CASH AND CASH EQUIVALENTS

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

ACCOUNTS RECEIVABLE

Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for doubtful accounts that is based on expected collectability.

INVENTORIES

Inventories of finished goods are valued at the lower of cost, determined by either average production cost or retail method, or net realizable value. Inventories of raw materials and supplies are valued at the lower of cost or replacement value, which is the best available measure of their net realizable value. Cost of raw materials and supplies is determined using the average cost and first-in, first-out methods respectively. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

Buildings Between 20 and 33 years
Machinery and equipment Between 7 and 20 years
Automotive equipment Between 5 and 10 years
Other property, plant and equipment Between 3 and 10 years

GRANTS AND INVESTMENT TAX CREDITS

Grants and investment tax credits for property, plant and equipment are accounted for using the cost reduction method and are amortized to earnings as a reduction of depreciation, using the same basis as that used to depreciate the related property, plant and equipment.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until all the activities necessary to prepare the asset for its intended use are complete. All other borrowing costs are recognized in the consolidated statement of earnings in the period in which they are incurred.

INTANGIBLE ASSETS

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

Customer relationships and client lists
Other finite-life intangible assets
Application software

Between 2 and 30 years
Between 2 and 20 years
Between 3 and 10 years

Enterprise Resource Planning (ERP) 7 years

Favourable leases Term of the lease

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

IMPAIRMENT

A. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS WITH FINITE USEFUL LIFE

At the end of each reporting period, the Corporation assesses whether there is an indicator that the carrying amount of an asset or a group of assets may be higher than its recoverable amount determined using the fair value less cost of disposal (FVLCD). For that purpose, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units (CGUs)).

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

B. GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

Goodwill and other intangible assets with an indefinite useful life are recognized at cost less any accumulated impairment losses. They have an indefinite useful life due to their permanent nature since they are acquired rights or not subject to wear and tear. They are reviewed for impairment annually on December 31 or when an event or a circumstance occurs and indicates that the value could be permanently impaired. Goodwill and other intangible assets with an indefinite useful life are allocated to CGUs for the purpose of impairment testing based on the level at which Management monitors it, which is not higher than an operating segment. The allocation is made to CGUs that are expected to benefit from the business combination in which the goodwill and other intangible assets with an indefinite useful life arose. Impairment loss on goodwill is not reversed.

C. RECOVERABLE AMOUNTS

A recoverable amount is the higher of fair value less cost of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU. When determining fair value less cost of disposal, the Corporation considers if there is a market price for the asset being evaluated. Otherwise, the Corporation uses the income approach.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of earnings on a straight-line basis over the term of the lease.

The Corporation leases certain property, plant and equipment. Leases of property, plant and equipment for which the Corporation has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property or the present value of the minimum lease payments. Property, plant and equipment acquired under a finance lease are depreciated over the shorter of the estimated useful life of the asset or the lease term using the straight-line method. Each lease payment is allocated between the liability and the financing expense so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of financing expense, are included in long-term debt.

PROVISIONS FOR CONTINGENCIES AND CHARGES

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

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

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

ENVIRONMENTAL RESTORATION OBLIGATIONS AND ENVIRONMENTAL COSTS

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

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

LONG-TERM DEBT

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

Financing costs paid on establishment of the revolving credit facility are recognized as deferred financing costs and amortized on a straightline basis over the anticipated period of the credit facility.

EMPLOYEE BENEFITS

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

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

As well, when an asset is recorded for a pension plan, its carrying value cannot be greater than the future economic benefit that the Corporation will get from the asset. The future economic benefit includes the suspension of contribution if the pension plan provisions allow for it under the minimum funding requirements. When there is a minimum funding requirement, it can increase the liability recorded. All special contributions legally required to fund a plan deficit are considered. For plans for which an actuarial evaluation is required as at December 31, 2015, a schedule of contributions is estimated to establish the minimum funding requirement. For other plans, we have used contributions from the most recent actuarial report.

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

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

Interest costs on pension and other post-employment benefits are recognized in the consolidated statement of earnings as Interest expense on employee future benefits. The measurement date of the employee future benefit plans is December 31 of each year. An actuarial evaluation is performed at least every three years. Based on their balances as at December 31, 2015, 17% of the plans were evaluated on December 31, 2014 (100% in 2013).

INCOME TAXES

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

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

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is Cascades' functional currency.

A. FOREIGN CURRENCY TRANSACTIONS

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

B. FOREIGN OPERATIONS

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

SHARE-BASED PAYMENTS

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

DIVIDEND DISTRIBUTION

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

EARNINGS PER COMMON SHARE

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

NOTE 3

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

IFRS 15 — REVENUE RECOGNITION

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15 - Revenue from Contracts with Customers. IFRS 15 replaces all previous revenue recognition standards, including IAS 18 - Revenue, and related interpretations such as IFRIC 13 - Customer Loyalty Programs. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes in classification and disclosure in addition to changes in the timing of recognition for certain types of revenues. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. At this time, the Corporation is reviewing the impact that this standard will have on its consolidated financial statements.

IFRS 9 — FINANCIAL INSTRUMENTS

In July 2014, the IASB released the final version of IFRS 9, Financial Instruments. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39, Financial Instruments: Recognition and Measurement, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are recognized either at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss insofar as they do not clearly represent a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities carry forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in the statement of other comprehensive income. It also includes guidance on hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation is currently evaluating the impact of the standard on its consolidated financial statements.

IFRS 16 — LEASES

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, with earlier application permitted for companies that also apply IFRS 15, Revenue from Contracts with Customers. The Corporation is currently evaluating the impact of the standard on its consolidated financial statements.

IAS 1 - PRESENTATION OF FINANCIAL STATEMENTS

In December 2014, the IASB issued amendments to IAS 1, Presentation of Financial Statements (IAS 1 amendments). The IAS 1 amendments provide guidance on the application of judgment in the preparation of financial statements and disclosures. The IAS 1 amendments are effective for annual periods beginning on or after January 1, 2016, and therefore the Corporation will apply these amendments in the first quarter of 2016. The Corporation does not expect any significant impact on its consolidated financial statements disclosures as a result of adopting these amendments.

IAS 7 - STATEMENT OF CASH FLOWS

In January 2016, the IASB published amendments to IAS 7, Statement of Cash Flows. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted. The Corporation is currently evaluating the impact of IAS 7 on its consolidated financial statements.

IAS 12 - INCOME TAXES

In February 2016, the IASB issued amendments to IAS 12, Income Taxes regarding the recognition of deferred tax assets for unrealized losses, effective for annual periods beginning on or after January 1, 2017. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The Corporation is currently evaluating the impact of these amendments on its consolidated financial statements.

NOTE 4

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

A. IMPAIRMENT OF LONG-LIVED ASSETS, INTANGIBLE ASSETS AND GOODWILL

In determining the recoverable amount of an asset or a CGU, the Corporation uses several key assumptions, based on external information on the industry when available, and including estimated production levels, selling prices, volume, raw materials costs, foreign exchange rates, growth rates, discounting rates and capital spending.

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

DESCRIPTION OF SIGNIFICANT IMPAIRMENT TESTING ASSUMPTIONS (see Notes 5 and 24)

GROWTH RATES

The assumptions used were based on the Corporation's internal budget. Revenues, operating margins and cash flows were projected for a period of five years, and a perpetual long-term growth rate was applied thereafter. In arriving at its forecasts, the Corporation considered past experience, economic trends such as gross domestic product growth and inflation, as well as industry and market trends.

DISCOUNT RATES

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

FOREIGN EXCHANGE RATES

Foreign exchange rates are determined using the financial institutions' average forecast for the first two years of forecasting. For the following three years, the Corporation uses the last five years' historical average of the foreign exchange rate. Terminal rate is based on historical data of the last 20 years and adjusted to reflect management's best estimate.

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

B. INCOME TAXES

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

C. EMPLOYEE BENEFITS

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

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

CRITICAL JUDGMENTS IN APPLYING THE CORPORATION'S ACCOUNTING POLICIES

SUBSIDIARIES AND EQUITY ACCOUNTED INVESTMENTS

Significant judgment is applied in assessing whether certain investment structures result in control, joint control or significant influence over the operations of the investment. Management's assessment of control, joint control or significant influence over an investment will determine the accounting treatment for the investment. The Corporation has a 59.7% interest in an associate ("Greenpac"). Greenpac's Shareholders agreement requires a majority of 80% for all decision-making related to relevant activities. Consequently, the Corporation does not have the power over relevant activities of Greenpac and its participation is accounted for as an associate.

NOTE 5

DISCONTINUED OPERATIONS AND DISPOSALS

CONSOLIDATED NET EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS

(in millions of Canadian dollars)	2015	2014
Condensed net earnings (loss) from discontinued operations	1	(83)
Condensed net earnings (loss) from discontinued operations per common share		
Basic and diluted	\$ 0.01	\$ (0.89)

CONSOLIDATED CASH FLOW FROM DISCONTINUED OPERATIONS

(in millions of Canadian dollars)	2015	2014
Consolidated cash flow from discontinued operations		
Cash flow from (used for):		
Operating activities	(14)	19
Investing activities	45	35
Financing activities	(1)	_
	30	54

Containerboard Group

On December 11, 2014, the Containerboard Group announced that it had reached an agreement for the sale of its boxboard activities in North America to Graphic Packaging Holding Company. The sale was completed on February 4, 2015, and the Corporation received \$46 million in the first quarter. A selling price adjustment of \$8 million was agreed on, of which \$6 million was paid in 2015. The Corporation recorded a loss of \$4 million before related income tax of \$1 million in 2015.

The Containerboard Group also recorded a \$4 million gain in the first quarter of 2015 on the reversal of a post-employment benefit liability, which was not part of the boxboard activities transaction, but settled as a consequence of the sale.

Following the announcement, impairment charges of \$2 million on intangible assets, \$23 million on property, plant and equipment and \$6 million on spare parts were recorded in 2014.

In the third quarter of 2014, the Containerboard Group sold a building in connection with a closed plant and recorded a gain of \$1 million. Also during the third quarter, in connection with our boxboard plants sold in 2011, we recorded a loss of \$2 million related to an onerous lease contract following the bankruptcy of Fusion Paperboard.

In the second quarter of 2014, the Containerboard Group reviewed the recoverable value of one boxboard mill and recorded impairment charges of \$12 million on property, plant and equipment and \$5 million on spare parts. In the same quarter, we also recorded impairment charges of \$16 million on notes receivable related to the 2011 disposal of our U.S. boxboard activities.

Assets and liabilities of the North American Boxboard activities at the time of disposal were as follows:

BUSINESS SEGMENT	CONTAINERBOARD GROUP
	North American Boxboard Activities
(in millions of Canadian dollars)	
Accounts receivable	27
Inventories	27
Property, plant and equipment	19
Other assets	3
Total assets	76
Trade and other payables	28
Other liabilities	6
Total liabilities	34
	42
Loss on disposal before tax	(4)
Selling price adjustment liability as at December 31, 2015	2
Total consideration received	40

The operating results and cash flows from these activities are presented as discontinued operations.

(in millions of Canadian dollars)	2015	2014
Results of the discontinued operations of North American boxboard activities		
Sales, net of intercompany transactions	24	226
Cost of sales and expenses (excluding depreciation and amortization), net of intercompany transactions	22	207
Depreciation and amortization	_	6
Selling and administrative expenses	3	11
Loss on acquisitions, disposals and others	4	1
Impairment charges and restructuring costs (gain)	(4)	64
Foreign exchange gain	(1)	(1)
Operating loss	_	(62)
Recovery of income tax	_	(18)
Net loss from discontinued operations	_	(44)

(in millions of Canadian dollars)	2015	2014
Net cash flow of discontinued operations of North American boxboard activities		
Cash flow from :		
Operating activities	_	9
Investing activities	40	_
	40	9

Boxboard Europe Group

On June 15, 2014, following the announcement made in 2013, we definitively ceased the operation of our virgin boxboard mill located in Sweden. Following the closure, we recorded an impairment charge of \$4 million on spare parts and severances of \$7 million. An environmental provision of \$1 million was recorded as well.

The operating results and cash flows from this activity are presented as discontinued operations.

(in millions of Canadian dollars)	2015	2014
Results of the discontinued operations of Swedish virgin boxboard activities		
Sales, net of intercompany transactions	_	32
Cost of sales and expenses (excluding depreciation and amortization), net of intercompany transactions	_	32
Selling and administrative expenses	_	2
Impairment charges and restructuring costs	_	12
Net loss from discontinued operations	_	(14)

(in millions of Canadian dollars)	2015	2014
Net cash flow of the discontinued operations of Swedish virgin boxboard activities		
Cash flow from (used for):		
Operating activities	(4)	3
Investing activities	1	_
	(3)	3

Specialty Products Group

On June 30, 2014, we sold our fine papers activities of the Specialty Products Group to Les Entreprises Rolland, a subsidiary of H.I.G. Capital, for a cash consideration of \$39 million, before transaction fees of \$1 million and working capital selling price adjustment of \$2 million. A loss on disposal of \$43 million was recorded in 2014.

Assets and liabilities of the fine papers activities at the time of disposal were as follows:

BUSINESS SEGMEN	SPECIALTY PRODUCTS GROUP
	Fine Papers Activities
(in millions of Canadian dollars)	
Accounts receivables	26
Inventories	33
Property, plant and equipment	62
Other assets	9
	130
Trade and other payables	30
Provisions for contingencies and charges	1
Other liabilities	23
	54
	76
Loss on disposal before tax and transaction fees	(42)
Transaction fees	(1)
Non-cash provision for working capital adjustment	3
Total consideration received	36

The Corporation finalized the working capital selling price adjustment related to this transaction and recorded a \$1 million gain in the second quarter of 2015 by reducing its final selling price adjustment provision to \$2 million, which was paid during the third quarter. The Corporation also sold a piece of land that was not part of the transaction and recorded a \$1 million reversal of impairment.

On September 26, 2014, we ceased the operation of our kraft papers manufacturing activities of the Specialty Products Group located in East Angus, Québec. The closure was announced on July 9, 2014, and an impairment charge of \$2 million on spare parts and restructuring costs of \$4 million were recorded in the second quarter. At the same time, a curtailment gain of \$9 million was recorded on the pension plan. In the fourth quarter, we recorded \$1 million of closure costs for the mill. In 2015, the Group paid \$6 million for the settlement of the pension plan.

The operating results and cash flows from these activities, which constituted the specialty papers sectors, are presented as discontinued operations.

(in millions of Canadian dollars)	2015	2014
Results of the discontinued operations of specialty papers sector		
Sales, net of intercompany transactions	_	148
Cost of sales and expenses (excluding depreciation and amortization), net of intercompany transactions	_	128
Depreciation and amortization	_	3
Selling and administrative expenses	2	9
Loss (gain) on acquisitions, disposals and others	(1)	43
Impairment charges (reversal) and restructuring costs (gain)	(1)	(2
Operating loss	_	(33
Interest expense on employee future benefits	_	1
Recovery of income tax	(1)	(9)
Net earnings (loss) from discontinued operations	1	(25)

(in millions of Canadian dollars)	2015	2014
Net cash flow of discontinued operations of specialty papers sector		
Cash flow from (used for):		
Operating activities	(10)	7
Investing activities	4	35
Financing activities	(1)	_
	(7)	42

NOTE 6 ACCOUNTS RECEIVABLE

(in millions of Canadian dollars)	OTE	2015	2014
Accounts receivable - Trade		494	415
Receivables from related parties	28	30	20
Less: provision for doubtful accounts		(12)	(12)
Trade receivables - net		512	423
Provisions for volume rebates		(35)	(31)
Other		63	61
		540	453

As of December 31, 2015, trade receivables of \$164 million (December 31, 2014 - \$99 million) were past due but not impaired.

The aging of these trade receivables at each reporting date is as follows:

(in millions of Canadian dollars)	2015	2014
Past due 1-30 days	114	72
Past due 31-60 days	27	14
Past due 61-90 days	13	9
Past due 91 days and over	10	4
	164	99

Movements in the Corporation's allowance for doubtful accounts are as follows:

(in millions of Canadian dollars)	2015	2014
Balance at beginning of year	12	13
Provision for doubtful accounts, net of unused beginning balance	4	4
Receivables written off during the year as uncollectable	(4)	(4)
Business disposals	_	(1)
Balance at end of year	12	12

The change in the provision for doubtful accounts has been included in Selling and administrative expenses in the consolidated statement of earnings (loss).

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

NOTE 7 INVENTORIES

(in millions of Canadian dollars)	2015	2014
Finished goods	230	218
Raw materials	113	99
Supplies and spare parts	151	145
	494	462

As at December 31, 2015, finished goods, raw materials and supplies and spare parts were adjusted to net realizable value ("NRV") by \$7 million, nil and nil, respectively (December 31, 2014 - \$7 million, nil, \$1 million). As at December 31, 2015, the carrying amount of inventory carried at net realizable value consisted of \$15 million in finished goods inventory, nil in raw materials inventory and nil in supplies and spare parts (December 31, 2014 - \$19 million, nil and nil).

The Corporation has sold all the goods that were written down in 2014. No reversal of previously written-down inventory occurred in 2015 nor in 2014. The cost of raw materials and supplies and spare parts included in Cost of sales amounted to \$1,532 million (2014 - \$1,405 million).

NOTE 8

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

(in millions of Canadian dollars)	2015	2014
Investments in associates	275	217
Investments in joint ventures	47	42
	322	259

Investments in associates and joint ventures as at December 31, 2015, include goodwill of \$29 million (December 31, 2014 - \$49 million).

B. INVESTMENTS IN ASSOCIATES

The following are the principal associates of the Corporation:

	PERCENTAGE OF EQUITY OWNED (%)	PRINCIPAL ESTABLISHMENT
Boralex Inc. ¹	20.29	Kingsey Falls, Québec, Canada
Greenpac Holding LLC ²	59.7	Niagara Falls, New York, United States

¹ Boralex Inc., is a Canadian public corporation and a major electricity producer whose core business is the development and operation of power stations that generate renewable energy, with operations in Canada, the Northeastern United States and France.

The Corporation's financial information from its principal associates (100%), and translated in Canadian dollars if required, is as follows:

		2015		2014	
(in millions of Canadian dollars)	BORALEX INC.	GREENPAC HOLDING LLC	BORALEX INC.	GREENPAC HOLDING LLC	
Balance sheet					
Cash and cash equivalents	100	69	75	56	
Current assets	100	141	158	114	
Current financial assets	1	_	1	_	
Long-term assets	2,241	575	1,756	504	
Long-term financial assets	_	_	3	_	
Current liabilities	94	53	59	47	
Current financial liabilities	187	49	206	41	
Long-term liabilities	163	_	61	_	
Long-term financial liabilities	1,446	285	1,256	341	
Statements of earnings (loss)					
Sales	266	314	193	246	
Depreciation and amortization	97	30	60	24	
Financing expense	74	26	58	25	
Recovery of income taxes	(1)	_	(1)	_	
Net earnings (loss)	(8)	32	(11)	(4)	
Other comprehensive income (loss)					
Translation adjustment	14	(2)	(2)	(2)	
Cash flow hedges	(2)		(28)	(1)	
	12	(3)	(30)	(3)	
Total comprehensive income (loss)	4	29	(41)	(7)	
Cash flow					
Dividend received from associates	7	_	7	_	

Investment in Boralex Inc. has a fair value of \$190 million as at December 31, 2015 (December 31, 2014 - \$169 million).

² Greenpac Holding LLC is an American corporation that manufactures a light-weight linerboard made with 100% recycled fibres.

In September 2015, Boralex redeemed or converted all of its 6.75% convertible unsecured subordinated debentures. As a result, the Corporation's participation in Boralex decreased to 20.29% from 27.43%, which resulted in a dilution gain of \$15 million for the Corporation.

In February 2015, Boralex acquired the non-controlling interest in Boralex Europe and became its sole shareholder. The excess of amount paid over carrying value totalling \$51 million was accounted for by Boralex as a decrease in net assets and retained earnings. Our \$14 million share of the decrease is recorded as a loss under share of results of associates and joint ventures in the consolidated statement of earnings.

In January 2015, our associate Boralex proceeded with a public offering of common shares to repay in full a bridge loan in connection with its acquisition of Enel Green Power France SAS in December 2014. The Corporation's participation in Boralex decreased to 27.44%, compared to 34.23% as at December 31, 2014, which resulted in a dilution gain of \$9 million for the Corporation.

C. INVESTMENT IN JOINT VENTURES

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

	PERCENTAGE EQUITY OWNED (%)	PRINCIPAL ESTABLISHMENT	
Cascades Sonoco Inc. ¹	50	Birmingham, Alabama and Tacoma, Washington, United States	
Cascades Conversion Inc. ¹	50	Kingsey Falls, Québec, Canada	
Converdis Inc. ¹	50	Berthierville, Québec, Canada	
Maritime Paper Products Limited Partnership (MPPLP) ²	40	Dartmouth, Nova Scotia, Canada	

¹ The joint ventures all produce specialty paper packaging products such as headers, rolls and wrappers.

The Corporation's joint ventures information (100%), translated in Canadian dollar if required, is as follows:

2015 MARITIME PAPER CASCADES CONVERSION INC. CASCADES SONOCO INC. CONVERDIS INC. (in millions of Canadian dollars) Balance sheet Cash and cash equivalents 2 2 28 18 Current assets 16 8 Long-term assets 15 21 5 32 Current liabilities 5 3 2 5 2 Current financial liabilities 1 3 2 Long-term liabilities 12 Long-term financial liabilities Statement of earnings (loss) Sales 120 64 25 96 2 Depreciation and amortization Provision for income taxes 4 2 Net earnings (loss) 7 (1)Other comprehensive income (loss) Translation adjustment 5 Total comprehensive income (loss) 14 (1) Cash flow Dividend received from joint ventures

² MPPLP is a Canadian corporation converting containerboard.

(in millions of Canadian dollars)	CASCADES SONOCO INC.	CASCADES CONVERSION INC.	CONVERDIS INC.	MARITIME PAPER PRODUCTS LIMITED PARTNERSHIP
Balance sheet				
Cash and cash equivalents	4	1	_	_
Current assets	25	14	6	24
Long-term assets	12	26	5	34
Current liabilities	6	3	2	_
Current financial liabilities	2	1	_	19
Long-term liabilities	3	2	1	6
Long-term financial liabilities	_	_	_	4
Statement of earnings (loss)				
Sales	104	62	23	86
Depreciation and amortization	2	1	_	2
Provision for income taxes	3	2	_	_
Net earnings (loss)	7	6	1	(4)
Other comprehensive income (loss)				
Translation adjustment	2	_	_	_
Total comprehensive income (loss)	9	6	1	(4)
Cash flow				
Dividend received from joint ventures	3	3	_	_

There are no contingent liabilities relating to the Corporation's interest in the joint ventures, and no contingent liabilities of the ventures themselves.

D. SUBSIDIARIES WITH NON-CONTROLLING INTEREST

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

		As at	December 31, 2015		December 31, 2014	
(in millions of Canadian dollars, unless otherwise noted)	RENO DE MEDICI S.p.A.	NORCAN FLEXIBLE PACKAGING	CASCADES RECOVERY INC.	RENO DE MEDICI S.p.A.	NORCAN FLEXIBLE PACKAGING	CASCADES RECOVERY INC.
Principal establishment	Milan, Italy	Mississauga, Ontario, Canada	Toronto, Ontario, Canada	Milan, Italy	Mississauga, Ontario, Canada	Toronto, Ontario, Canada
% of shares held by non-controlling interest	42.39%	—%	—%	42.39%	37.9%	27%
Net earnings (loss) attributable to non- controlling interest	6	1	2	5	(3)	2
Non-controlling interest accumulated at the end of the year	96	N/A	N/A	83	(1)	28
Subsidiaries financial information						
Assets	549	N/A	N/A	508	10	132
Liabilities	324	N/A	N/A	313	12	39
Net earnings (loss)	8	4	8	6	(4)	6
Cash flows from (used for) operating activities	41	1	12	37	_	16
Cash flows from (used for) investing activities	(24)	_	(6)	(20)	_	(9)
Cash flows from (used for) financing activities	12	_	(7)	(17)	_	(2)

In the third quarter of 2015, the Specialty Products Group proceeded with the legal restructuring of its Norcan Flexible Packaging subsidiary, which was owned at 62.1%. As a result of the restructuring, the Corporation now owns 100% of the net assets of this business through its Cascades Flexible Packaging subsidiary. The Corporation recorded a gain of \$5 million on the extinguishment of some liabilities following the transaction (including \$2 million attributable to non-controlling interest). The Corporation paid \$2 million for purchase of the non-controlling interest and is attributed to retained earnings.

On November 27, 2015, the Corporation entered into an agreement for the acquisition of the 27% minority interest of Cascades Recovery for a cash consideration of \$32 million, payable over a 10-year period, and a \$1 million contingent consideration. The \$3 million excess of the consideration over the carrying value of the non-controlling interest is attributed to retained earnings. This transaction consolidates our leading position in the recovery and recycling activities in Canada.

E. NON-SIGNIFICANT ASSOCIATES AND JOINT VENTURES

The carrying value of investments in associates and joint ventures that are not significant, for the Corporation is as follows:

(in millions of Canadian dollars)	2015	2014
Non-significant associates	14	13
Non-significant joint ventures	10	8
	24	21

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

(in millions of Canadian dollars)	2015	2014
Non-significant associates	1	_
Non-significant joint ventures	4	2
	5	2

The Corporation received dividends of \$3 million from these associates and joint ventures as at December 31, 2015 (December 31, 2014 - \$2 million).

In 2015, the Corporation reviewed the recoverable amount of some of its other investments and recorded impairment charges of \$2 million in the share of results of associates and joint ventures in the consolidated statement of earnings (loss).

F. CONTRIBUTION TO A JOINT VENTURE

On January 31, 2014, the Corporation concluded the creation of Maritime Paper Products Limited Partnership (MPPLP), a new joint venture for converting corrugated board activities in the Atlantic provinces with Maritime Paper Products Limited (MPPL), announced on November 27, 2013. The creation of this joint venture will position our Containerboard Group to achieve future growth in the Atlantic provinces and to remain at the forefront in this market, by offering an improved and more comprehensive range of products to its customers. Furthermore, the creation of MPPLP aims to provide customers with better service through the combined strengths of our Containerboard Group and MPPL.

Our containerboard operations located in St. John's, Newfoundland, and Moncton, New Brunswick, were integrated with those of MPPL on February 1, 2014, and the Corporation received a 40% ownership in the joint venture. This transaction resulted in a gain of \$5 million and non interest-bearing notes receivable totaling \$4 million to be received over a 7-year period.

Net asset contribution and investment in joint venture:

	BUSINESS SEGMENT	CONTAINERBOARD
	Joint venture created	Maritime Paper Products Limited Partnership (MPPLP)
(in millions of Canadian dollars)		
Book value of identifiable assets and liabilities contributed:		
Accounts receivable and prepaid expenses		(4)
Inventories		(3)
Property, plant and equipment		(5)
Total assets		(12)
Accounts payable		3
Net assets contributed		(9)
Fair value of share in the joint venture		14
Notes receivable from MPPLP		4
Total consideration received		18
Total gain		9
Deferred gain on equity already owned		(4)
Net gain recorded on the transaction		5
Net investment on balance sheet:		
Fair value of share in the joint venture		14
Deferred gain on share already owned		(4)
		10

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars)	NOTE	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	AUTOMOTIVE EQUIPMENT	OTHER	TOTAL
As at January 1, 2014							
Cost		111	721	2,831	84	215	3,962
Accumulated depreciation and impairment		2	322	1,799	59	96	2,278
Net book amount		109	399	1,032	25	119	1,684
Year ended December 31, 2014							
Opening net book amount		109	399	1,032	25	119	1,684
Additions		1	7	17	16	141	182
Disposals		_	(2)	(1)	_	(7)	(10)
Depreciation		_	(26)	(128)	(7)	(5)	(166)
Business disposal	5	(1)	(17)	(42)	(1)	(1)	(62)
Contribution to a joint venture	8	_	(2)	(3)	_	_	(5)
Assets of disposal group classified as held for sale	5	_	(8)	(9)	(1)	(1)	(19)
Impairment charges	5 and 24	(2)	(2)	(46)	_	_	(50)
Other		1	16	141	1	(156)	3
Exchange differences		(1)	3	6	_	8	16
Closing net book amount		107	368	967	33	98	1,573
As at December 31, 2014							
Cost		110	681	2,554	93	195	3,633
Accumulated depreciation and impairment		3	313	1,587	60	97	2,060
Net book amount		107	368	967	33	98	1,573
Year ended December 31, 2015							
Opening net book amount		107	368	967	33	98	1,573
Additions		_	4	32	11	118	165
Disposals		_	(1)	(2)	_	(2)	(5)
Depreciation		_	(25)	(130)	(9)	(8)	(172)
Impairment charges	24	_	(9)	(43)	_	(3)	(55)
Other		_	11	66	1	(74)	4
Exchange differences		4	18	63	1	12	98
Closing net book amount		111	366	953	37	141	1,608
As at December 31, 2015							
Cost		113	717	2,675	104	272	3,881
Accumulated depreciation and impairment		2	351	1,722	67	131	2,273
Net book amount		111	366	953	37	141	1,608

Other property, plant and equipment includes buildings and machinery and equipment in the process of construction or installation with a book value of \$94 million (December 31, 2014 - \$63 million) and deposits on purchases of equipment amounting to \$5 million (December 31, 2014 - \$7 million). The carrying value of finance-lease assets is \$22 million.

In 2015, \$1 million (2014 - \$1 million) of interest incurred on qualifying assets was capitalized. The weighted average capitalization rate on funds borrowed in 2015 was 5.84% (2014 - 6.41%).

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

(in millions of Canadian dollars) NOT	APPLICATION SOFTWARE AND ERP	CUSTOMER RELATIONSHIPS AND CLIENT LISTS	OTHER INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	TOTAL INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	GOODWILL	OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE	TOTAL INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE
As at January 1, 2014							
Cost	97	180	41	318	330	8	338
Accumulated amortization and impairment	24	66	32	122	4	1	5
Net book amount	73	114	9	196	326	7	333
Year ended December 31, 2014							
Opening net book amount	73	114	9	196	326	7	333
Additions	6	_	_	6	_	_	_
Impairment charges	<u> </u>	(2)	_	(2)	_	_	_
Amortization	(5)	(10)	(2)	(17)	_	_	_
Exchange differences	_	_	_	_	2	_	2
Closing net book amount	74	102	7	183	328	7	335
As at December 31, 2014							
Cost	102	170	35	307	332	8	340
Accumulated amortization and impairment	28	68	28	124	4	1	5
Net book amount	74	102	7	183	328	7	335
Year ended December 31, 2015							
Opening net book amount	74	102	7	183	328	7	335
Additions	9	_	_	9	_	_	_
Amortization	(7)	(10)	(1)	(18)	_	_	_
Exchange differences	_	_	_	_	11	_	11
Closing net book amount	76	92	6	174	339	7	346
As at December 31, 2015							
Cost	110	170	35	315	343	8	351
Accumulated amortization and impairment	34	78	29	141	4	1	5
Net book amount	76	92	6	174	339	7	346

NOTE 11 OTHER ASSETS

(in millions of Canadian dollars)	NOTE	2015	2014
Notes receivable from business disposals		12	13
Other investments		7	7
Other assets		40	48
Deferred financing costs		3	2
Employee future benefits	16	33	20
		95	90
Less: Current portion, included in accounts receivables		(15)	(7)
		80	83

In 2012, the Corporation granted a US\$15 million (\$15 million) bridge loan to Greenpac Holding LLC (Greenpac Project). The loan, which is included in Other assets, will mature no later than 2021 and bears interest ranging from 7.5% to 9.5% depending on the mill debt/OIBD ratio. Including accrued interest, the bridge loan stands at \$8 million as at December 31, 2015 (December 31, 2014 - \$22 million). In 2014, the Corporation recorded in Other assets \$2 million worth of deferred revenue for the supervision of Greenpac. These costs are repayable to the Corporation by Greenpac Mill over an eight-year period. Deferred revenue from Greenpac stands at \$17 million as at December 31, 2015 (December 31, 2014 - \$15 million).

NOTE 12 TRADE AND OTHER PAYABLES

(in millions of Canadian dollars)	NOTE	2015	2014
Trade payables		440	390
Payables to related parties	28	31	27
Accrued expenses		142	140
		613	557

NOTE 13 PROVISIONS FOR CONTINGENCIES AND CHARGES

(in millions of Canadian dollars) NOTE	ENVIRONMENTAL RESTORATION OBLIGATIONS	ENVIRONMENTAL COSTS	LEGAL CLAIMS	SEVERANCES	ONEROUS CONTRACT	OTHER	TOTAL PROVISIONS
As at January 1, 2014	8	13	6	4	4	4	39
Additional provision	_	1	1	10	4	4	20
Payments	_	_	_	(12)	(2)	(1)	(15)
Revaluation	1	_	_	_	_	_	1
Business disposal 5	(1)	_	_	_	_	_	(1)
Unwinding of discount	_	_	_	_	1	_	1
Other	_	_	(4)	4	_	_	_
Exchange differences	_	_	_	(1)	_	_	(1)
As at December 31, 2014	8	14	3	5	7	7	44
Additional provision	_	1	-	2	-	4	7
Reversal of provision	_	_	_	_	(1)	(1)	(2)
Payments	(1)	(1)	(1)	(6)	(1)	(4)	(14)
Revaluation	2	_	_	1	_	_	3
Exchange differences	_	_	1	_	_	_	1
As at December 31, 2015	9	14	3	2	5	6	39

Analysis of total provisions:

(in millions of Canadian dollars)	2015	2014
Non-current Non-current	34	33
Current	5	11
	39	44

ENVIRONMENTAL RESTORATION

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

ENVIRONMENTAL COSTS

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

LEGAL CLAIMS

In the normal course of operations, the Corporation is party to various legal actions and contingencies related to contract disputes and labour issues.

In the normal course of operations, the Corporation is party to various legal actions and contingencies, mostly related to contract disputes, environmental and product warranty claims, and labour issues. While the final outcome with respect to legal actions outstanding or pending as at December 31, 2015, cannot be predicted with certainty, it is Management's opinion that the outcome will not have a material adverse effect on the Corporation's consolidated financial position, the results of its operations or its cash flows.

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

The Corporation is also in discussions with representatives of the MOE, regarding its potential responsibility for an environmental impact identified at Thunder Bay. This facility was sold to Thunder Bay Fine Papers Inc. ("Fine Papers") in 2007. Fine Papers has since sold the facility to Superior Fine Papers Inc. ("Superior"). The MOE has requested that the Corporation, together with the former owner Fine Papers and the current owner Superior, submit a closure plan for the Waste Disposal Site and a decommissioning plan for the closure and long-term monitoring for the Sewage Works (the "Plans"). Although the Corporation recognizes that, where as a result of past events, there may be an outflow of resources embodying future economic benefits in settlement of a possible obligation, it is not possible at this time to estimate the Corporation's obligation, since Superior has not submitted all of the Plans and related costs to allow the Corporation to perform an evaluation nor does the Corporation have access to the site. Moreover, the Corporation is unable to ascertain the value of the assets remaining on its former site which may be available to fund this potential obligation. The Corporation is pursuing all available legal remedies to resolve the situation. In any event, Management does not consider the Corporation's potential obligation to be material.

The Corporation has recorded an environmental reserve to address its estimated exposure for these matters.

NOTE 14 LONG-TERM DEBT

(in millions of Canadian dollars)	MATURITY	2015	2014
Revolving credit facility, weighted average interest rate of 1.97% as at December 31, 2015, consists of \$(11) million; US\$151 million and €27 million (December 31, 2014 - \$103 million; US\$50 million and		200	200
€123 million)	2019	238	332
7.875% Unsecured senior notes of US\$250 million repurchased in 2015	2020	_	287
5.50% Unsecured senior notes of \$250 million	2021	250	250
5.50% Unsecured senior notes of US\$550 million	2022	761	638
5.75% Unsecured senior notes of US\$250 million	2023	346	_
Other debts of subsidiaries		61	31
Other debts without recourse to the Corporation		106	73
		1,762	1,611
Less: Unamortized financing costs		18	15
Total long-term debt		1,744	1,596
Less:			
Current portion of debts of subsidiaries		10	10
Current portion of debts without recourse to the Corporation		24	30
		34	40
		1,710	1,556

a. On May 19, 2015, the Corporation issued US\$250 million (\$305 million) aggregate principal amount of 5.75% senior notes due in 2023. The Corporation used the proceeds from this offering of notes to repurchase a total of US\$250 million aggregate principal amount of 7.875% senior notes due in 2020 for a total consideration of US\$250 million (\$305 million). The Corporation also paid premiums of US\$11 million (\$13 million) to repurchase the 2020 notes, as well as fees and expenses in connection with the offering and the tender offer totalling \$5 million.

Issuance proceeds and credit facility were used as follows:

(in millions of Canadian dollars)	2015
Debt issuance	305
Offering and tender offer fees	(5)
Refinanced debt repurchase	(305)
Premium paid on refinanced debt	(13)
Increase of credit facility	18

- b. On July 7, 2015, the Corporation entered into an agreement with its lenders to extend and amend its existing \$750 million credit facility. The amendment provides that the term of the facility is extended to July 2019, and that the applicable pricing grid is slightly lowered to better reflect market conditions. The other existing financial conditions are essentially unchanged.
- c. On June 19, 2014, the Corporation issued US\$550 million aggregate principal amount of 5.50% senior notes due in 2022 and \$250 million aggregate principal amount of 5.50% due in 2021. The Corporation used the proceeds from this offering of notes to fund the purchase of the Corporation's unsecured senior notes maturing in 2016 and 2017. The Corporation used part of the proceeds of the offering to pay fees and expenses in connection with the offering and the tender offer totaling \$13 million. As well, the Corporation purchased for a total consideration of US\$521 million (\$563 million) and \$208 million, including premiums of US\$21 million (\$23 million) and \$8 million, a total of US\$500 million aggregate principal amount of 7.75% senior notes due in 2017 and \$200 million aggregate principal amount of 7.75 % senior notes due in 2016.

Issuance proceeds were used as follows:

(in millions of Canadian dollars)	2014
Debt issuance	846
Offering and tender offer fees	(13)
Refinanced debt repurchase	(740)
Premium paid on refinanced debt	(31)
Decrease of credit facility	(62)

- d. As at December 31, 2015, accounts receivable and inventories totaling approximately \$672 million (December 31, 2014 \$627 million) as well as property, plant and equipment totaling approximately \$265 million (December 31, 2014 \$249 million) were pledged as collateral for the Corporation's revolving credit facility.
- e. The Corporation has finance leases for various items of property, plant and equipment. Renewals and purchase options are specific to the entity that holds the lease. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

		2015		2014
(in millions of Canadian dollars)	MINIMUM PAYMENTS	PRESENT VALUE OF PAYMENTS	MINIMUM PAYMENTS	PRESENT VALUE OF PAYMENTS
Within one year	5	4	6	5
Later than 1 year but no later than 5 years	16	13	12	9
More than 5 years	8	6	8	6
Total minimum lease payments	29	23	26	20
Less: amounts representing finance charges	6	_	6	_
Present value of minimum lease payments	23	23	20	20

NOTE 15 OTHER LIABILITIES

(in millions of Canadian dollars)	NOTE	2015	2014
Employee future benefits	16	174	188
Other		9	5
		183	193
Less: Current portion, included in Trade and other payables		(5)	(2)
		178	191

NOTE 16 EMPLOYEE FUTURE BENEFITS

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

(in millions of Canadian dollars)	NOTE	2015	2014
Balance sheet obligations for			
Defined pension benefits	16(a)	36	59
Post-employment benefits other than defined benefit pension plans	16(b)	105	109
Net liabilities on balance sheet		141	168
Allocated as follows:			
Long-term		141	168
Net liabilities on balance sheet		141	168
Income statement charge for			
Defined pension benefits		9	8
Defined contribution benefits		20	19
Post-employment benefits other than defined benefit pension plans		8	6
Included in discontinued operations		_	(2)
		37	31
Remeasurements for			
Defined pension benefits	16(a)	(22)	30
Post-employment benefits other than defined benefit pension plans	16(b)	(3)	9
		(25)	39

A. DEFINED BENEFIT PENSION PLANS

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

The majority of benefit payments are payable from trustee administered funds; however, for the unfunded plans, the Corporation meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by local regulations and practice in each country. Responsibility for governance of the plans - overseeing all aspects of the plans including investment decisions and contribution schedules - lies with the Corporation. The Corporation has established Investment Committees to assist in the management of the plans and has also appointed experienced, independent professional experts such as investments managers, investment consultants, actuaries and custodians.

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

				IMPACT OF MINIMUM	
(in millions of Canadian dollars)	PRESENT VALUE OF OBLIGATION	FAIR VALUE OF PLAN ASSETS	TOTAL	FUNDING REQUIREMENT (ASSET CEILING)	TOTAL
As at January 1, 2014	654	(624)	30	(ASSET CEILING)	44
Current service cost	8	_	8	_	8
Interest expense (income)	27	(24)	3	_	3
Plan changes	1	_	1	_	1
Business closures	(7)	_	(7)	_	(7)
Other	7	(7)	_	_	_
Impact on profit or loss	36	(31)	5	_	5
Remeasurements					
Return on plan assets, excluding amounts included in interest expense (income)	_	(37)	(37)	_	(37)
Loss from change in demographic assumptions	2	_	2	_	2
Loss from change in financial assumptions	66	_	66	_	66
Experience losses	10	_	10	_	10
Change in asset ceiling, excluding amounts included in interest expense	_	_	_	(11)	(11)
Impact of remeasurements on other comprehensive income	78	(37)	41	(11)	30
Exchange differences	_	(1)	(1)	_	(1)
Business disposal	(134)	131	(3)	(3)	(6)
Included in assets of disposal group classified as held for sale	(51)	47	(4)	_	(4)
Contributions					
Employers	_	(9)	(9)	_	(9)
Plan participants	2	(2)	_	_	_
Benefit payments	(73)	73	_	_	_
As at December 31, 2014	512	(453)	59		59
Current service cost	6	_	6	1	6
Interest expense (income)	18	(15)	3	_	3
Impact on profit or loss	24	(15)	9	1	9
Remeasurements					
Return on plan assets, excluding amounts included in interest expense (income)	_	(16)	(16)	_	(16)
Gain from change in financial assumptions	(10)	_	(10)	_	(10)
Experience gains	(2)	_	(2)	_	(2)
Change in asset ceiling, excluding amounts included in interest expense	_	_	_	6	6
Impact of remeasurements on other comprehensive income	(12)	(16)	(28)	6	(22)
Exchange differences	3	(1)	2	I	2
Business disposal	_	2	2	_	2
Contributions					
Employers	_	(14)	(14)	_	(14)
Plan participants	2	(2)	_	_	_
Benefit payments	(45)	45	_	_	_
As at December 31, 2015	484	(454)	30	6	36

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

				2015
(in millions of Canadian dollars)	CANADA	UNITED STATES	EUROPE	TOTAL
Present value of funded obligations	413	10	_	423
Fair value of plan assets	448	6	_	454
Deficit (surplus) of funded plans	(35)	4	_	(31)
Impact of minimum funding requirement (asset ceiling)	6	_	_	6
Present value of unfunded obligations	36	_	25	61
Liabilities on balance sheet	7	4	25	36

						2015
(in millions of Canadian dollars)	CONTAINERBOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	TISSUE PAPERS	CORPORATE	TOTAL
Present value of funded obligations	388	_	_	34	1	423
Fair value of plan assets	422	_	_	30	2	454
Deficit (surplus) of funded plans	(34)	_	_	4	(1)	(31)
Impact of minimum funding requirement (asset ceiling)	6	_	_	_	_	6
Present value of unfunded obligations	8	25	1	2	25	61
Liabilities on balance sheet	(20)	25	1	6	24	36

				2014
(in millions of Canadian dollars)	CANADA	UNITED STATES	EUROPE	TOTAL
Present value of funded obligations	443	9	_	452
Fair value of plan assets	448	5	_	453
Deficit (surplus) of funded plans	(5)	4	_	(1)
Present value of unfunded obligations	36	_	24	60
Liabilities on balance sheet	31	4	24	59

						2014
(in millions of Canadian dollars)	CONTAINERBOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	TISSUE PAPERS	CORPORATE	TOTAL
Present value of funded obligations	398	_	19	34	1	452
Fair value of plan assets	409	_	13	29	2	453
Deficit (surplus) of funded plans	(11)	_	6	5	(1)	(1)
Present value of unfunded obligations	8	24	2	2	24	60
Liabilities on balance sheet	(3)	24	8	7	23	59

The significant actuarial assumptions are as follows:

	2015					2014
	CANADA	UNITED STATES	EUROPE	CANADA	UNITED STATES	EUROPE
Discount rate	3.9%	3.9%	2.1%	3.75%	3.62%	1.9%
Salary growth rate	Between 1.75% and 3%	N/A	_	Between 2.5% and 3%	N/A	_
Inflation rate	Between 2.25% and 2.5%	N/A	1.75%	2.5%	N/A	1.75%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. For Canadian pension plans, which represent 93% of all pension plans, these assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2015	2014
Retiring at the end of the year		
Male	21.6	21.5
Female	24	24
Retiring 20 years after the end of the reporting year		
Male	22.7	22.6
Female	25	25

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

	IMPACT ON DEFINED BENEFIT OBLIGATION				
	CHANGE IN ASSUMPTION INCREASE IN ASSUMPTION DECREASE IN ASSUM				
Discount rate	0.25%	(2.9)%	3%		
Salary growth rate	0.25%	(0.4)%			

	INCREASE BY 1 YEAR IN ASSUMPTION
Life expectancy	2.8%

Plan assets, which are funding the Corporation's defined pension plans, are comprised as follows:

					2015
(in millions of Canadian dollars)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	%
Cash and short-term investments	17	_	_	17	3.8 %
Bonds					
Canadian bonds	57	72	_	129	28.4 %
Shares					
Canadian shares	65	_	_	65	
Foreign shares	15	_	_	15	
				80	17.6 %
Mutual funds					
Foreign bond mutual funds	_	2	_	2	
Canadian equity mutual funds	_	18	_	18	
Foreign equity mutual funds	_	118	_	118	
Alternative investments funds	_	20	_	20	
				158	34.8 %
Other					
Insured annuities	_	63	_	63	
Derivatives contract, net	7	_	_	7	
				70	15.4 %
	161	293	_	454	

					2014
(in millions of Canadian dollars)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	%
Cash and short-term investments	10	_	_	10	2.3 %
Bonds					
Canadian bonds	62	60	_	122	26.9 %
Shares					
Canadian shares	76	_	_	76	
Foreign shares	16	_	_	16	
				92	20.3 %
Mutual funds					
Money market funds	_	13	_	13	
Foreign bond mutual funds	_	2	_	2	
Canadian equity mutual funds	_	25	_	25	
Foreign equity mutual funds	_	115	_	115	
				155	34.2 %
Other					
Insured annuities	_	68	_	68	
Derivatives contract, net	6	_	_	6	
				74	16.3 %
	170	283	_	453	

The plan assets include shares of the Corporation for an amount of less than \$1 million. These shares were bought by one of the asset managers. Annual benefit annuities of an approximate value of \$63 million are pledged by insurance contracts.

B. POST-EMPLOYMENT BENEFITS OTHER THAN DEFINED BENEFIT PENSION PLANS

The Corporation also offers its employees some post-employment benefit plans, such as retirement allowance, group life insurance and medical and dental plans. However, these benefits, other than pension plans, are not funded. Furthermore, the medical and dental plans upon retirement are being phased out and are no longer offered to the majority of the new retirees, and the retirement allowance is not offered to the majority of employees hired after 2002.

The amounts recognized in the balance sheet composed by country and by sector are determined as follows:

								2045
								2015
(in millions of Canadian dollars)		CANADA		UNITED STATES		EUROPE		TOTAL
Present value of unfunded obligations		77		4		24		105
Liabilities on balance sheet		77		4		24		105
0045								
						ı		2015
(in millions of Canadian dollars)	CONTAINERBOARD		XBOARD EUROPE	SPECIALTY PRODUCTS	TISSUE PAPERS	COF	RPORATE	TOTAL
Present value of unfunded obligations	42		24	6	13		20	105
Liabilities on balance sheet	42		24	6	13		20	105
								2014
(in millions of Canadian dollars)		CANADA		UNITED STATES		EUROPE		TOTAL
Present value of unfunded obligations		81		4	4 24			109
Liabilities on balance sheet		81		4	4 24			109
								2014
(in millions of Canadian dollars)	CONTAINERBOARD		XBOARD EUROPE	SPECIALTY PRODUCTS	TISSUE PAPERS	COF	RPORATE	TOTAL
Present value of unfunded obligations	48		24	6	13		18	109
Liabilities on balance sheet	48		24	6	13		18	109

The movement in the net defined benefit obligation for post-employment benefits over the year is as follows:

(in millions of Canadian dollars)	PRESENT VALUE OF OBLIGATION	FAIR VALUE OF PLAN ASSET	TOTAL
As at January 1, 2014	114	_	114
Current service cost	2	_	2
Interest expense	5	_	5
Plan changes	1	_	1
Business acquisitions, disposals and closures	(2)	_	(2)
Impact on profit or loss	6	_	6
Remeasurements			
Loss from change in financial assumptions	9	_	9
Impact of remeasurements on other comprehensive income	9	_	9
Business disposal	(9)	_	(9)
Contributions and premiums paid by the employer	_	(11)	(11)
Benefit payments	(11)	11	_
As at December 31, 2014	109	_	109
Current service cost	2	_	2
Interest expense	4	_	4
Plan changes	3	_	3
Impact on profit or loss	9	_	9
Remeasurements			
Gain from change in financial assumptions	(1)	_	(1)
Experience gains	(2)	_	(2)
Impact of remeasurements on other comprehensive income	(3)	_	(3)
Exchange differences	2	_	2
Business disposal	(4)	_	(4)
Contributions and premiums paid by the employer	_	(8)	(8)
Benefit payments	(8)	8	_
As at December 31, 2015	105	_	105

The method of accounting, assumptions relating to discount rate and life expectancy, and the frequency of valuations for post-employment benefits are similar to those used for defined benefit pension plans, with the addition of actuarial assumptions relating to the long-term increase in healthcare costs of 4.50% a year (2014 - 4.50%).

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

	_	IMPACT ON OBLIGATION FOR POST-EMPLOYMENT BENEFITS			
	(CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION	
Discount rate		0.25%	(2.3)%	2.4 %	
Salary growth rate		0.25%	0.6 %	(0.6)%	
Health care cost increase		1.0%	1.9 %	(2.2)%	
INCREASE BY 1 YEAR IN ASSU				SE BY 1 YEAR IN ASSUMPTION	
Life expectancy				1.3 %	

C. RISKS AND OTHER CONSIDERATIONS RELATIVE TO POST-EMPLOYMENT BENEFITS

Through its defined benefit plans, the Corporation is exposed to a number of risks, the most significant of which are detailed below.

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; and if plan assets underperform this yield, it will create an experience loss. Both the Canadian and U.S. plans hold a proportion of equities, which are expected to outperform corporate bonds in the long term while contributing volatility and risk in the short term.

For the Canadian pension plans, which represent 98% of funded pension plans, the Corporation intends to reduce the level of investment risk by investing more in assets that better match the liabilities when the financial situation of the plans improves and/or the rate of return on bonds used for solvency valuations increases.

The first step of this process was completed in 2013 with the sale of a number of equity holdings and the purchase of a mixture of government and corporate bonds for smaller pension plans (\$50 million or less); for larger pension plans, it has been done through future contracts. The government bonds represent investments in Canadian government securities only. The corporate bonds are global securities with an emphasis on Canada. As at December 31, 2015, 62% of the plan's assets are invested in bonds, in kind or through futures. The second step began in 2014 with the purchase of \$66 million in annuities from a life insurance company for some pensioners.

However, the Corporation believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Corporation's long-term strategy to manage the plans efficiently. Plan assets are diversified, so the failure of an individual stock would not have a big impact on the plan assets taken as a whole. The pension plans do not face a significant currency risk.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings, particularly for plans in a good financial position that have a greater proportion of bonds.

Inflation risk

The benefits paid are not indexed. Only the future benefits for active members are based on salaries. Therefore, this risk is not significant.

Life expectancy

The majority of the plans' obligations are to provide benefits for the member's lifetime, so increases in life expectancy will result in an increase in the plans' liabilities.

Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated using the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognized in the statement of financial position.

As at December 31, 2015, the aggregate surplus of the Corporation's funded pension plans (mostly in Canada) amounted to \$31 million (a surplus of \$1 million as at December 31, 2014). The Corporation will make special payments of \$1 million for past service to fund the Canadian pension plan deficit over ten years. As well, in 2015, the Corporation made one-time contributions totaling \$7 million to pension plans of units closed or sold in 2014. Current agreed expected service contributions amount to \$6 million and will be made in the normal course. As for the cash flow requirement, these pension plans are expected to require a net contribution of approximately \$7 million in 2016.

The weighted average duration of the defined benefit obligation is 12 years (2014 - 12 years).

Expected maturity analysis of undiscounted pension and other post-employment benefits:

(in millions of Canadian dollars)	LESS THAN A YEAR	BETWEEN 1-2 YEARS	BETWEEN 2-5 YEARS	OVER 5 YEARS	TOTAL
Pension benefits	27	28	86	823	964
Post-employment benefits other than defined benefit pension plans	9	8	27	134	178
As at December 31, 2015	36	36	113	957	1,142

These amounts represent all the benefits payable to current members during the following years and thereafter without limitations. The majority of benefit payments are payable from trustee administered funds. The difference will come from future investment returns expected on plan assets and future contributions that will be made by the Corporation for services rendered after December 31, 2015.

NOTE 17 INCOME TAXES

a. The provision for (recovery of) income taxes is as follows:

(in millions of Canadian dollars)	2015	2014
Current taxes	(1)	16
Deferred taxes	41	_
	40	16

b. The provision for income taxes based on the effective income tax rate differs from the recovery of income taxes based on the combined basic rate for the following reasons:

(in millions of Canadian dollars)	2015	2014
Recovery of income taxes based on the combined basic Canadian and provincial income tax rate	(4)	(12)
Adjustment of recovery of income taxes arising from the following:		
Difference in statutory income tax rate of foreign operations	(4)	1
Reassessment	5	3
Reversal of deferred tax assets on tax losses	18	_
Permanent differences - others	7	22
Change in temporary differences	18	2
	44	28
Provision for income taxes	40	16

Weighted average income tax rate for the year ended December 31, 2015, was 26.8% (2014 - 26.5%).

c. The recovery of income taxes relating to components of other comprehensive income is as follows:

(in millions of Canadian dollars)	2015	2014
Foreign currency translation related to hedging activities	(13)	(6)
Cash flow hedge	1	_
Actuarial gain (loss) on post-employment benefit obligations	7	(11)
	(5)	(17)

d. The analysis of deferred tax assets and deferred tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(in millions of Canadian dollars)	2015	2014
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than 12 months	297	328
Deferred income tax liabilities:		
Deferred income tax liabilities to be used after more than 12 months	305	281
	(8)	47

The movement of the deferred income tax account is as follows:

(in millions of Canadian dollars)	2015	2014
As at January 1	47	9
Through statement of earnings (loss)	(41)	_
Through statement of comprehensive income (loss)	5	17
Included in discontinued operations	1	29
Exchange differences	(20)	(8)
As at December 31	(8)	47

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

DEFERRED INCOME TAX ASSET

(in millions of Canadian dollars)	RECOGNIZED TAX BENEFIT ARISING FROM INCOME TAX LOSSES	EMPLOYEE FUTURE BENEFITS	EXPENSE ON RESEARCH	UNUSED TAX CREDITS	FINANCIAL INSTRUMENTS	FOREIGN EXCHANGE LOSS ON LONG- TERM DEBT	OTHERS	TOTAL
As at January 1, 2014	174	32	63	54	7	_	10	340
Through statement of earnings (loss)	(17)	(11)	7	(15)	1	_	12	(23)
Through statement of comprehensive income (loss)	_	11	_	_	_	_	_	11
Included in discontinued operations	5	2	_	_	_	_	(8)	(1)
Exchange differences	1	_	_	_	_	_	_	1
As at December 31, 2014	163	34	70	39	8	_	14	328
Through statement of earnings (loss)	(24)	(3)	(32)	(1)	7	23	1	(29)
Through statement of comprehensive income (loss)	_	(7)	_	_	_	_	_	(7)
Exchange differences	2	1	_	1	1	_	_	5
As at December 31, 2015	141	25	38	39	16	23	15	297

DEFERRED INCOME TAX LIABILITIES

(in millions of Canadian dollars)	PROPERTY, PLANT AND EQUIPMENT	FOREIGN EXCHANGE GAIN ON LONG- TERM DEBT	INTANGIBLE ASSETS	INVESTMENTS	OTHERS	TOTAL
As at January 1, 2014	166	43	52	54	16	331
Through statement of earnings (loss)	(12)	(20)	_	14	(5)	(23)
Through statement of comprehensive loss	_	(6)	_	_	_	(6)
Included in discontinued operations	(25)	_	(1)	(4)	_	(30)
Exchange differences	5	_	_	4	_	9
As at December 31, 2014	134	17	51	68	11	281
Through statement of earnings (loss)	22	(5)	(1)	5	(9)	12
Through statement of comprehensive loss	_	(12)	_	_	_	(12)
Included in discontinued operations	_	_	_	_	(1)	(1)
Exchange differences	13	_	1	11	_	25
As at December 31, 2015	169	ı	51	84	1	305

When taking into consideration the offsetting of balances within the same tax jurisdiction, the net deferred tax liability of \$8 million is presented on the balance sheet as \$181 million of deferred income tax asset amounts and \$189 million of deferred income tax liabilities.

e. The Corporation has accumulated losses for income tax purposes amounting to approximately \$836 million, which may be carried forward to reduce taxable income in future years. The future tax benefit of \$141 million resulting from the deferral of these losses has been recognized in the accounts as a deferred income tax asset. Deferred income tax assets are recognized for tax loss carry-forward to the extent that the realization of the related tax benefits through future taxable profits is probable. Income tax losses as at December 31, 2015 are detailed as follows:

	UNRECOGNIZED TAX			
(in millions of Canadian dollars)	UNRECOGNIZED TAX LOSSES	RECOGNIZED TAX LOSSES	TOTAL TAX LOSSES	MATURITY
Canada	_	9	9	2026
	_	14	14	2027
	_	2	2	2029
	_	9	9	2030
	_	77	77	2031
	_	128	128	2032
	_	84	84	2033
	_	126	126	2034
	_	3	3	2035
United States	_	5	5	2018
	_	12	12	2019
	_	7	7	2020
	2	_	2	2029
	2	_	2	2031
	3	_	3	2032
	2	_	2	2033
	1	_	1	2034
	1	_	1	2035
Europe	320	29	349	Indefinitely
	331	505	836	

NOTE 18 CAPITAL STOCK

A. CAPITAL MANAGEMENT

Capital is defined as long-term debt, bank loans and advances net of cash and cash equivalents and Shareholders' equity which includes capital stock.

(in millions of Canadian dollars)	2015	2014
Cash and cash equivalents	(60)	(29)
Bank loans and advances	37	46
Long-term debt, including current portion	1,744	1,596
	1,721	1,613
Total equity	963	1,003
Total capital	2,684	2,616

The Corporation's objectives when managing capital are:

- to safeguard the Corporation's ability to continue as a going concern in order to provide returns to Shareholders;
- to maintain an optimal capital structure and reduce the cost of capital;
- to make proper capital investments that are significant to ensure the Corporation remains competitive; and
- to redeem common shares based on an annual redemption program.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares and acquire or sell assets to improve its financial performance and flexibility.

The Corporation monitors capital on a monthly and quarterly basis based on different financial ratios and non-financial performance indicators. Also, the Corporation must conform to certain financial ratios under its various credit agreements. These ratios are calculated on an adjusted consolidated basis of restricted subsidiaries only. These are a maximum ratio of funded debt to capitalization of 65% and a minimum interest coverage ratio of 2.25x. The Corporation must also comply with a consolidated interest coverage ratio to incur additional debt. Funded debt is defined as liabilities as per the consolidated balance sheet, including guarantees and liens granted in respect of funded debt of another person but excluding other long-term liabilities, trade accounts payable, obligations under finance leases and other accrued obligations (2015 - \$1,711 million; 2014 - \$1,561 million). The capitalization ratio is calculated as "Shareholders' equity" as shown in the consolidated balance sheet plus the funded debt. Shareholders' equity is adjusted to add back the effect of IFRS adjustments as at December 31, 2010 in the amount of \$208 million. The interest coverage ratio is defined as OIBD to interest expense. The OIBD is defined as net earnings of the last four quarters plus interest expense, income taxes, amortization and depreciation, expense for stock options and dividends received from a person who is not a credit party (2015 - \$364 million; 2014 - \$291 million). Excluded from net earnings are share of results of equity investments and gains or losses from non-recurring items. Interest expense is calculated as interest and financial charges determined in accordance with IFRS plus any capitalized interest but excluding the amortization of deferred financing costs, up-front and financing costs and unrealized gains or losses arising from hedging agreements. It also excludes any gains or losses on the translation of long-term debt denominated in a foreign currency. The consolidated interest coverage ratio to incur additional debt is calculated as defined in the Senior notes indentures dated June 19, 2014 and May 19, 2015.

As at December 31, 2015, the funded debt-to-capitalization ratio stood at 61.41% and the interest coverage ratio was 4.32x. The Corporation is in compliance with the ratio requirements of its lenders.

The Corporation's credit facility is subject to terms and conditions for loans of this nature, including limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders.

The unsecured senior notes are subject to customary covenants restricting the Corporation's ability to, among other things, incur additional debt, pay dividends and make other restricted payments as defined in the Indentures dated June 19, 2014 and May 19, 2015.

The Corporation historically invests between \$100 million and \$200 million yearly in purchases of property, plant and equipment. These amounts are carefully reviewed during the course of the year in relation to operating results and strategic actions approved by the Board of Directors. These investments, combined with annual maintenance, enhance the stability of the Corporation's business units and improve cost competitiveness through new technology and improved process procedures.

The Corporation has an annual share redemption program in place to redeem its outstanding common shares when the market price is judged appropriate by Management. In addition to limitations on the normal course issuer bid, the Corporation's ability to redeem common shares is limited by its senior notes indenture.

B. ISSUED AND OUTSTANDING

The authorized capital stock of the Corporation consists of an unlimited number of common shares, without nominal value, and an unlimited number of Class A and B shares issuable in series without nominal value. Over the past two years, the common shares have fluctuated as follows:

			2015		2014
	NOTE	NUMBER OF COMMON SHARES	IN MILLIONS OF CANADIAN DOLLARS	NUMBER OF COMMON SHARES	IN MILLIONS OF CANADIAN DOLLARS
Balance - beginning of year		94,186,474	483	93,887,849	482
Common shares issued on exercise of stock options	18(d)	1,168,349	5	376,025	1
Reversal of contributed surplus on exercise of stock options		_	2	_	_
Redemption of common shares	18(c)	(43,900)	_	(77,400)	_
Balance - end of year		95,310,923	490	94,186,474	483

C. REDEMPTION OF COMMON SHARES

In 2015, in the normal course of business, the Corporation renewed its redemption program of a maximum of 942,194 common shares with the Toronto Stock Exchange, said shares representing approximately 1.0% of issued and outstanding common shares. The redemption authorization is valid from March 17, 2015 to March 16, 2016. In 2015, the Corporation redeemed 43,900 common shares under this program for a non-significant consideration (2014 - 77,400 common shares for a non-significant consideration).

D. COMMON SHARE ISSUANCE

The Corporation issued 1,168,349 common shares upon the exercise of options for an amount of \$5 million (2014 - \$1 million for 376,025 common shares issued).

E. NET LOSS PER COMMON SHARE

The basic and diluted net loss per common share are calculated as follows:

	2015	2014
Net loss available to common shareholders (in millions of Canadian dollars)	(65	(147)
Weighted average basic number of basic and diluted common shares outstanding (in millions)	94	. 94
Basic and diluted net loss per common share (in Canadian dollars)	\$ (0.69	(1.57)

As at December 31, 2015 and 2014, stock options of nil and 1,197,170, respectively, had an antidilutive effect. As of March 10, 2016, the Corporation had not redeemed any common shares since the beginning of the financial year.

F. DETAILS OF DIVIDENDS DECLARED PER COMMON SHARE ARE AS FOLLOWS

	2015	2014
Dividends declared per common share	\$ 0.16	\$ 0.16

NOTE 19

STOCK-BASED COMPENSATION

a. Under the terms of a share option plan adopted on December 15, 1998, and amended on March 15, 2013, and approved by Shareholders on May 8, 2013, for officers and key employees of the Corporation, a remaining balance of 2,456,099 common shares has been specifically reserved for issuance. Each option will expire at a date not to exceed 10 years following the grant date of the option. The exercise price of an option shall not be lower than the market value of the share at the date of grant, determined as the average of the closing price of the share on the Toronto Stock Exchange on the five trading days preceding the date of grant. The terms for exercising the options are 25% of the number of shares under option within 12 months after the first anniversary date of grant, and up to an additional 25% every 12 months after the second, third and fourth anniversaries of grant date. Options cannot be exercised if the market value of the share at exercise date is lower than the book value at the date of grant. Options exercised are settled in shares. The stock-based compensation cost related to these options amounted to \$1 million (2014 - \$1 million).

Changes in the number of options outstanding as at December 31, 2015 and 2014 are as follows:

		2015		2014
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE \$	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE \$
Beginning of year	6,432,328	5.96	6,656,423	6.22
Granted	462,644	7.66	546,155	6.10
Exercised	(1,168,349)	4.44	(376,025)	4.56
Expired	(258,090)	11.85	(383,424)	12.11
Forfeited	(205,737)	5.92	(10,801)	5.42
End of year	5,262,796	6.16	6,432,328	5.96
Options exercisable - end of year	4,027,950	6.17	4,728,990	6.18

The weighted-average share price at the time of exercise of the options was \$10.35 (2014 - \$6.35).

The following options were outstanding as at December 31, 2015:

	OPTIONS OUTSTANDING		OPTIONS EX		
YEAR GRANTED	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE \$	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE \$	EXPIRATION DATE
2006	257,885	11.49	257,885	11.49	2016
2007	282,383	11.83	282,383	11.83	2017
2008	426,150	7.81	426,150	7.81	2017-2018
2009	49,298	2.28	49,298	2.28	2019
2009	968,333	3.92	968,333	3.92	2019
2010	444,124	6.43	444,124	6.43	2020
2011	526,517	6.26	526,517	6.26	2017-2021
2012	933,598	4.46	693,744	4.46	2017-2022
2013	491,611	5.18	255,978	5.18	2017-2023
2014	472,991	6.10	123,538	6.10	2017-2024
2015	409,906	7.66	_	_	2025
	5,262,796		4,027,950		

FAIR VALUE OF THE SHARE OPTIONS GRANTED

Options were priced using the Black-Scholes option pricing model. Expected volatility is based on the historical share price volatility over the past five years. The following weighted-average assumptions were used to estimate the fair value of \$2.05 (2014 - \$2.52), as at the date of grant, of each option issued to employees:

	2015	2014
Grant date share price	\$ 7.76	\$ 6.65
Exercise price	\$ 7.66	\$ 6.10
Risk-free interest rate	1.29%	1.79%
Expected dividend yield	2.06%	2.41%
Expected life of options	6 years	6 years
Expected volatility	32%	45%

b. The Corporation offers its Canadian employees a share purchase plan for its common shares. Employees can voluntarily contribute up to a maximum of 5% of their salary and, if certain conditions are met, the Corporation will contribute to the plan for 25% of the employee's contribution.

The shares are purchased on the market on a predetermined date each month. For the year ended December 31, 2015, the Corporation's contribution to the plan amounted to \$1 million (2014 - \$1 million).

c. The Corporation has a Deferred Share Unit Plan for the benefit of its external directors, allowing them to receive all or a portion of their annual compensation in the form of Deferred Share Units (DSUs). A DSU is a notional unit equivalent in value to the Corporation's common share. Upon resignation from the Board of Directors, participants are entitled to receive the payment of their cumulated DSUs in the form of cash based on the average price of the Corporation's common shares as traded on the open market during the five days before the date of the participant's resignation.

The DSU expense and the related liability are recorded at the grant date. The liability is adjusted periodically to reflect any variation in the market value of the common shares. As at December 31, 2015, the Corporation had a total of 185,041 DSUs outstanding (2014 - 271,581 DSUs), representing a long-term liability of \$3 million (2014 - \$2 million). As at January 15, 2016, the corporation issued 20,732 DSUs and had a total of 205,773 DSUs outstanding.

d. In 2013, the Corporation put in place a Performance Share Unit (PSU) Plan for the benefit of officers and key employees, allowing them to receive a portion of their annual compensation in the form of PSUs. A PSU is a notional unit equivalent in value to the Corporation's common share. Periodically, the number of PSUs forming part of the award shall be adjusted depending upon the three-year average return on capital employed of the Corporation (ROCE). Such adjusted number shall be obtained by multiplying the number of PSUs forming part of the award by the applicable multiplier based on the ROCE level. Participants are entitled to receive the payment of their PSUs in the form of cash based on the average price of the Corporation's common shares as traded on the open market during the five days before the vesting date.

The PSUs vest over a period of two years starting on the award date. The expense and the related liability are recorded during the vesting period. The liability is adjusted periodically to reflect any variation in the market value of the common shares, the expected average ROCE and the passage of time. As at December 31, 2015, the Corporation had a total of 931,786 PSUs outstanding (2014 - 1,098,149 PSUs), representing a liability of \$7 million (2014 - \$2 million). In 2015, the Corporation made payments totaling \$2 million in relation to PSUs (2014 - nil).

NOTE 20

ACCUMULATED OTHER COMPREHENSIVE LOSS

(in millions of Canadian dollars)	2015	2014
Foreign currency translation, net of hedging activities and related income tax of \$19 million (December 31, 2014 - \$6 million)	(2)	(25)
Unrealized loss arising from foreign exchange forward contracts designated as cash flow hedges, net of related income taxes of nil (December 31, 2014 - nil)	_	(2)
Unrealized loss arising from interest rate swap agreements designated as cash flow hedges, net of related income taxes of \$9 million (December 31, 2014 - \$14 million)	(13)	(20)
Unrealized loss arising from commodity derivative financial instruments designated as cash flow hedges, net of related income taxes of \$5 million (December 31, 2014 - \$5 million)	(13)	(14)
Unrealized gain (loss) on available-for-sale financial assets, net of related income taxes of nil (December 31, 2014 - nil)	1	(1)
	(27)	(62)

NOTE 21 COST OF SALES BY NATURE

(in millions of Canadian dollars)	2015	2014
Raw materials	1,532	1,405
Wages and employee benefits expenses	641	600
Energy	266	270
Delivery	259	255
Depreciation and amortization	190	174
Other	373	359
	3,261	3,063

SELLING AND ADMINISTRATIVE EXPENSES BY NATURE

(in millions of Canadian dollars)	2015	2014
Wages and employee benefits expenses	244	233
Information technology	28	20
Publicity and marketing	16	11
Other	72	70
	360	334

NOTE 22 EMPLOYEE BENEFITS EXPENSES

(in millions of Canadian dollars)	NOTE	2015	2014
Wages and employee benefits expenses	21	885	833
Share options granted to directors and employees	19(a)	1	1
Pension costs - defined benefit plans	16	9	8
Pension costs - defined contribution benefits	16	20	19
Post-employment benefits other than defined benefit pension plans	16	8	6
		923	867

KEY MANAGEMENT COMPENSATION

Key management includes the members of the Board of Directors, Presidents and Vice Presidents of the Corporation (same as disclosed in annual information form in section 8.3). The compensation paid or payable to key management for their services is shown below:

(in millions of Canadian dollars)	2015	2014
Salaries and other short-term benefits	11	9
Post-employment benefits	_	1
Share-based payments	4	4
	15	14

NOTE 23

LOSS (GAIN) ON ACQUISITIONS, DISPOSALS AND OTHERS

(in millions of Canadian dollars)	2015	2014
Gain on disposal of property, plant and equipment	(1)	_
Class action settlement	_	5
Gain on joint-venture contribution 8(f)	_	(5)
	(1)	ı

2015

In the third quarter, the Containerboard Group sold a warehouse in Québec City and recorded a gain of \$1 million.

2014

In the fourth quarter, the Corporation settled a class action lawsuit that was filed against it and other North American containerboard manufacturers. Under the terms of the settlement agreement, the Corporation agreed to pay US \$4.8 million into a settlement fund in return for the release of all claims of the alleged class without any admission of wrong-doing on the part of the Corporation.

On January 31, the Corporation concluded the creation of a new joint venture for converting corrugated board activities in the Atlantic provinces with Maritime Paper Products Limited (MPPL). This transaction resulted in a gain of \$5 million.

NOTE 24

IMPAIRMENT CHARGES AND RESTRUCTURING COSTS (GAIN)

A. IMPAIRMENT CHARGES ON PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS WITH FINITE USEFUL LIFE AND OTHER ASSETS

The Corporation recorded net impairment charges totaling \$69 million in 2015 and net impairment charges of \$21 million in 2014. The recoverable amount of CGUs was determined using a fair value less cost of disposal sell model based on the income approach, unless otherwise indicated. Level 2 inputs are used to measure fair value. Impairments are detailed as follows:

2045

						2015	
		PACKAGING PRODUCTS					
(in millions of Canadian dollars)	CONTAINER- BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Property, plant & equipment	_	45	10	55	_	_	55
Spare parts	_	11	1	12	_	_	12
Intangible assets with finite useful life and other assets	_	_	_	_	_	2	2
	_	56	11	67	_	2	69

							2014
		PACKAGING	PRODUCTS				
(in millions of Canadian dollars)	CONTAINER- BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Property, plant & equipment	_	7	8	15	_	_	15
Spare parts	_	_	3	3	_	_	3
Intangible assets with finite useful life and other assets	_	_	3	3	_	_	3
	_	7	14	21	_	_	21

2015

In the fourth quarter, the Boxboard Europe Group reviewed the recoverable value of its virgin boxboard mill located in France and impairment charges were allocated to fixed assets for \$42 million and to spare parts for \$11 million. Sustained difficult market conditions led to insufficient profitability to support the carrying value of these assets. The Group also recorded impairment charges of \$2 million on fixed assets of plants closed over the past years. In the second quarter, the Group also recorded impairment charges of \$1 million related to these closed plants. The recoverable amount was based on the selling price of assets.

Also in the fourth quarter, Corporate activities reviewed the recoverable amount of a note receivable related to the sale of a plant in 2014 and recorded an impairment charge of \$2 million.

In the third quarter, the Specialty Products Group reviewed the recoverable value of one of its plant and recorded impairment charges of \$10 million on fixed assets and \$1 million on spare parts. Sustained difficult market conditions led to insufficient profitability to support the carrying value of these assets. The recoverable amount was based on the selling price of assets.

2014

In the fourth quarter, the Boxboard Europe Group reviewed the recoverable amount of its Iberica, Spain, recycled boxboard manufacturing mills, and recorded impairment charges on property, plant and equipment totaling \$7 million. The slow recovery of the European economic environment since the 2009 financial crisis has negatively impacted profitability of this mill. Recoverable amount was based on the selling price of assets as it was higher than the income approach.

In the fourth quarter, the Specialty Products Group reviewed the recoverable amount of its flexible film activities CGU and recorded an impairment charge of \$6 million on property, plant and equipment. Sustained low shipments in this sector did not generate enough profitability to support the carrying value of property plant and equipment. The recoverable amount was based on the selling price of assets, as it was higher than the income approach.

In the second quarter, the Specialty Products Group recorded impairment charges of \$2 million on property, plant and equipment and \$3 million on spare parts due to sustained challenging business conditions for a plant manufacturing consumer goods made from recovered plastics in its consumer products sub-segment. On September 30, 2014, the plant was sold to Laurent Lemaire, a director and major shareholder of the Corporation, at a value determined to be fair by the independent members of the Board. The independent directors of the Board reviewed all options for this business and determined that the sale to Mr. Lemaire was in the best interest of the Corporation and the employees of the consumer plastics business. The Group also recorded impairment charges of \$3 million on other assets.

B. GOODWILL AND OTHER INDEFINITE USEFUL LIFE INTANGIBLE ASSETS

Allocation of goodwill and other indefinite useful life intangible assets is as follows:

- Containerboard's goodwill of \$287 million is allocated to all Containerboard's CGUs.
- Specialty Products' goodwill is allocated to all Cascades Recovery CGUs, \$13 million, and the partitioning activities CGU, \$3 million.
- Tissue Papers' goodwill of \$36 million and trademarks of \$2 million are allocated to all Tissue Papers' CGUs.
- Water rights of \$5 million are allocated to RdM's CGU.

The Corporation tested its Containerboard goodwill for impairment. As a result of this impairment test, the Corporation concluded that the recoverable amount of the CGUs was in excess of \$880 million over their carrying amount, thus no impairment charge was necessary. With all other variables held constant, a rise in the discounting rate of 9%, a decrease in the terminal shipments of 225,000 s.t., or a decrease in the terminal exchange rate of \$0.18 would reduce the excess of \$880 million to nil.

The Corporation applied the income approach in determining fair value less cost of disposal and used the following key assumptions (level 2 inputs):

	2015	2014
	CONTAINERBOARD	CONTAINERBOARD
Discounting rate	9.5%	9.5%
Terminal exchange rate (CA\$/US\$)	\$ 1.25	\$ 1.15
Terminal shipments (manufacturing only)	930,000 s.t.	888,000 s.t.

With regards to other goodwill, all impairment testing resulted in a significant excess of recoverable amount compared to the carrying amount of the respective goodwill.

C. RESTRUCTURING COSTS (GAIN)

Restructuring costs (gain) are detailed as follows:

(in millions of Canadian dollars)	2015	2014
Boxboard Europe		1
Specialty Products	(-
Tissue Papers	-	- 1
Corporate activities		_
	(:	3) 2

2015

In the second quarter, the Boxboard Europe Group recorded severance provision adjustment totalling \$1 million related to plants closed over the past years.

In the third quarter, the Specialty Products Group proceeded with the legal restructuring of its Norcan Flexible Packaging subsidiary, which was owned at 62.1%. As a result of the restructuring, the Corporation now owns 100% of the net assets of this business through its Cascades Flexible Packaging subsidiary. The Corporation recorded a gain of \$5 million on the extinguishment of some liabilities following the transaction (including \$2 million attributable to non-controlling interest).

The Corporate activities segment incurred \$1 million of severance costs in relation to the reorganization of its activities.

2014

The Boxboard Europe Group also recorded severances of \$1 million in relation to previous years' plant closures.

The Tissue Papers Group recorded severances of \$1 million as part of its consumer products activities restructuring.

NOTE 25 ADDITIONAL INFORMATION

A. CHANGES IN NON-CASH WORKING CAPITAL COMPONENTS ARE DETAILED AS FOLLOWS:

(in millions of Canadian dollars)	2015	2014
Accounts receivable	(57)	18
Current income tax assets	(3)	(6)
Inventories	(9)	(7)
Trade and other payables	33	(19)
Current income tax liabilities	(2)	1
	(38)	(13)

B. FINANCING EXPENSE AND INTEREST EXPENSE ON EMPLOYEE FUTURE BENEFITS

(in millions of Canadian dollars)	2015	2014
Interest on long-term debt	88	97
Interest income	(4)	(5)
Amortization of financing costs	4	5
Other interest and banking fees	3	4
Interest on employee future benefits	6	6
	97	107

NOTE 26 FINANCIAL INSTRUMENTS

26.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

The classification of financial instruments as at December 31, 2015 and 2014, along with the respective carrying amounts and fair values, is as follows:

			2015		2014
(in millions of Canadian dollars)	NOTE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets at fair value through profit or loss					
Derivatives	26.4	13	13	25	25
Financial assets available for sale					
Other investments		2	2	3	3
Investments in shares held for trading		1	1	1	1
Financial liabilities at fair value through profit or loss					
Derivatives	26.4	(63)	(63)	(41)	(41)
Financial liabilities at amortized cost					
Long-term debt		(1,743)	(1,729)	(1,596)	(1,608)
Derivatives designated as hedge					
Asset derivatives		_	_	_	_
Liability derivatives		(16)	(16)	(18)	(18)

2015

26.2 DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- (i) The fair values 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.
- (ii) The fair value of investments in shares held for trading is based on observable market data and mainly represents the Corporation's investment in Junex Inc., which is quoted on the Toronto Stock Exchange.
- (iii) The fair value of long-term debt 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 the credit market liquidity conditions.

26.3 HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following table presents information about the Corporation's financial assets and financial liabilities measured at fair value on a recurring basis as at December 31, 2015 and 2014 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.

				2013
(in millions of Canadian dollars)	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Financial assets				
Other investments	2	_	2	_
Investments in shares held for trading	1	1	_	_
Derivative financial assets	13	_	13	_
	16	1	15	_
Financial liabilities				
Derivative financial liabilities	(79)	_	(79)	_
	(79)	_	(79)	_

				2014
(in millions of Canadian dollars)	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Financial assets				
Other investments	3	_	3	_
Investments in shares held for trading	1	1	_	_
Derivative financial assets	25	_	25	_
	29	1	28	_
Financial liabilities				
Derivative financial liabilities	(59)	_	(59)	_
	(59)	_	(59)	_

26.4 FINANCIAL RISK MANAGEMENT

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

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

Summary

							2015
(in millions of Canadian dollars)		ASSETS				LIABILITIES	
RISK	NOTE	SHORT-TERM	LONG-TERM	TOTAL	SHORT-TERM	LONG-TERM	TOTAL
Currency risk	26.4 A) (i)	_	1	1	(23)	(38)	(61)
Price risk	26.4 A) (ii)	1	11	12	(9)	(8)	(17)
Interest risk	26.4 A) (iii)	_	_	_	_	(1)	(1)
		1	12	13	(32)	(47)	(79)
							2014
(in millions of Canadian dollars)			ASSETS			LIABILITIES	
RISK	NOTE	SHORT-TERM	LONG-TERM	TOTAL	SHORT-TERM	LONG-TERM	TOTAL
Currency risk	26.4 A) (i)	_	16	16	(3)	(37)	(40)
Price risk	26.4 A) (ii)	1	8	9	(11)	(8)	(19)

A. MARKET RISK

(i) Currency risk

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

24

25

(14)

(45)

(59)

The Corporation manages the foreign exchange exposure by entering into various foreign exchange forward contracts and currency option instruments related to anticipated sales, purchases, interest expense and repayment of long-term debt. Management has implemented a policy for managing foreign exchange risk against its functional currency. The Corporation's risk management policy is to hedge 25% to 90% of anticipated cash flows in each major foreign currency for the next 12 months and to hedge 0% to 75% for the subsequent 24 months. The Corporation may designate these foreign exchange forward contracts as a cash flow hedge of future anticipated sales, purchases, interest expense and repayment of long-term debt denominated in foreign currencies. Gains or losses from these derivative financial instruments designated as hedges are recorded in Accumulated other comprehensive income (loss) net of related income taxes and are reclassified to earnings as adjustments to sales, cost of sales, interest expense or foreign exchange loss (gain) on long-term debt in the period in which the respective hedged item affected earnings.

In 2015, approximately 28% of sales from Canadian operations were made to the United States and 15% of sales from French and Italian operations were made in countries whose currencies were other than the euro.

The following table summarizes the Corporation's commitments to buy and sell foreign currencies as at December 31, 2015 and 2014:

				2015
	EXCHANGE RATE	MATURITY	NOTIONAL AMOUNT (IN MILLIONS)	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Repayment of long-term debt				
Derivatives at fair value through profit or loss and classified in Foreign exchange loss (gain) on long-term debt:				
Foreign exchange forward contracts to buy (US\$ for CAN\$)	0.9997	December 2017	US\$ 150	54
Foreign exchange forward contracts to buy (US\$ for CAN\$)	1.06	January 2020	US\$ 50	14
Currency option sold to sell US\$ (US\$ for CAN\$)	1.1167	December 2017	US\$ 300	(75)
Currency option sold to sell US\$ (US\$ for CAN\$)	1.15	January 2020	US\$ 100	(21)
Currency option sold to buy US\$ (US\$ for CAN\$)	1.0225	January 2020	US\$ 200	(2)
Cross currency swap (€ for US\$)	1.05	February 2016	€ 80	(4)
				(34)
Forecasted sales				
Derivatives designated as cash flow hedges and reclassified in Sales (effective portion):				
Foreign exchange forward contracts to sell (GBP for €)	1.3141	0 to 12 months	£ 1	_
Foreign exchange forward contracts to sell (€ for US\$)	1.0892	0 to 12 months	€ 1	_
Derivatives at fair value through profit or loss and classified in Loss on derivative financial instruments:				_
Foreign exchange forward contracts to sell (US\$ for CAN\$)	1.3882	0 to 12 months	US\$ 20	_
Currency option instruments to sell (US\$ for CAN\$)	1.1434 to 1.1701	0 to 12 months	US\$ 45 to 90	(19)
Currency option instruments to sell (US\$ for CAN\$)	1.2675 to 1.2839	13 to 24 months	US\$ 35 to 60	(6)
Currency option instruments to sell (US\$ for CAN\$)	1.3705 to 1.4213	25 to 36 months	US\$ 5 to 20	(1)
				(26)
				(60)

In 2015, the Corporation offset \$14 million in derivative assets against \$22 million in derivative liabilities as we intend to settle the derivatives on a net basis with one counterparty. For the same reason, the Corporation also offset \$53 million of derivative liabilities against \$54 million in derivative assets with another counterparty.

				2014
	EXCHANGE RATE	MATURITY	NOTIONAL AMOUNT (IN MILLIONS)	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Repayment of long-term debt				
Derivatives at fair value through profit or loss and classified in Foreign exchange loss (gain) on long-term debt:				
Foreign exchange forward contracts to buy (US\$ for CAN\$)	0.9965	December 2017	US\$ 150	25
Foreign exchange forward contracts to buy (US\$ for CAN\$)	1.06	January 2020	US\$ 50	4
Currency option sold to sell US\$ (US\$ for CAN\$)	1.1167	December 2017	US\$ 300	(29)
Currency option sold to sell US\$ (US\$ for CAN\$)	1.15	January 2020	US\$ 100	(10)
Currency option sold to buy US\$ (US\$ for CAN\$)	1.0225	January 2020	US\$ 200	(8)
				(18)
Forecasted sales				
Derivatives at fair value through profit or loss and classified in Loss on derivative financial instruments:				
Foreign exchange forward contracts to sell (US\$ for CAN\$)	1.158	0 to 12 months	US\$ 23	_
Currency option instruments to sell (US\$ for CAN\$)	1.0974 to 1.1473	0 to 12 months	US\$ 35 to 75	(2)
Currency option instruments to sell (US\$ for CAN\$)	1.1286 to 1.1578	13 to 24 months	US\$ 45 to 90	(4)
				(6)
				(24)

In 2014, the Corporation offset \$13 million in derivative assets against \$34 million in derivative liabilities as we intend to settle the derivatives on a net basis with one counterparty.

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

In 2015, if the Canadian dollar had strengthened by \$0.01 against the US dollar on average for the year with all other variables held constant, operating income before depreciation for the year would have been approximately \$3 million lower, based on the net exposure of total US sales less US purchases of the Corporation's Canadian operations and operating income before depreciation of the Corporation's US operations but excluding the effect of this change on the denominated working capital components. The interest expense would have remained relatively stable.

In 2015, if the Canadian dollar had strengthened by \$0.01 against the euro with all other variables held constant, operating income before depreciation for the year would have been relatively stable following the translation of operating income of the Corporation's European operations.

CURRENCY RISK ON TRANSLATION OF SELF-SUSTAINING FOREIGN SUBSIDIARIES

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

The table below shows the effect on consolidated equity of a 10% change in the value of the Canadian dollar against the US dollar and the euro as at December 31, 2015 and 2014. The calculation includes the effect of currency hedges of net investment in US foreign entities and assumes that no changes occurred other than a single currency exchange rate movement.

The exposures used in the calculations are the foreign currency-denominated equity and the hedging level as at December 31, 2015 and 2014, with the hedging instruments being the long-term debt denominated in US dollars.

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

			2015			2014
(in millions of Canadian dollars)	BEFORE HEDGES	HEDGES	NET IMPACT	BEFORE HEDGES	HEDGES	NET IMPACT
10% change in the CAN\$/US\$ rate	111	64	47	93	52	41
10% change in the CAN\$/euro rate	1	-	1	4	_	4

(ii) Price risk

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

201/

The fair value of these contracts is as follows:

	2015			
	QUANTITY	MATURITY	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)	
Forecasted purchases				
Derivatives designated as held for trading and reclassified in Cost of sales				
Electricity	127,284 MWh	2016 to 2017	(1)	
Derivatives designated as cash flow hedges and reclassified in Cost of sales (effective portion)				
Natural gas:				
Canadian portfolio	7,735,000 GJ	2016 to 2019	(9)	
US portfolio	4,004,100 mmBtu	2016 to 2020	(7)	
			(17)	

			2014
	QUANTITY	MATURITY	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Forecasted purchases			
Derivatives designated as held for trading and reclassified in Cost of sales			
Electricity	284,904 MWh	2015 to 2017	_
Derivatives designated as cash flow hedges and reclassified in Cost of sales (effective portion)			
Natural gas:			
Canadian portfolio	9,336,800 GJ	2015 to 2018	(12)
US portfolio	3,636,000 mmBtu	2015 to 2018	(6)
			(18)

In 2013, the Corporation entered into an agreement to purchase steam. The agreement includes an embedded derivative and the fair value as at December 31, 2015 was \$11 million (2014 - \$8 million).

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

The table below shows the effect of changes in the price of old corrugated containers, natural gas and electricity as at December 31, 2015 and 2014. The calculation includes the effect of price hedges of these commodities and assumes that no changes occurred other than a single change in price.

The exposures used in the calculations are the commodity consumption and the hedging level as at December 31, 2015 and 2014, with the hedging instruments being derivative commodity contracts.

Consolidated commodity consumption: Price change effect before tax.

	2015					2014
(in millions of Canadian dollars¹)	BEFORE HEDGES	HEDGES	NET IMPACT	BEFORE HEDGES	HEDGES	NET IMPACT
US\$15/s.t. change in recycled paper price	33	_	33	28	_	28
US\$30/s.t. change in commercial pulp price	7	_	7	5	_	5
US\$1/mmBTU. change in natural gas price	12	6	6	9	5	4
US\$1/MWh change in electricity price	2	_	2	2	_	2

¹ Sensitivity calculated with an exchange rate of 1.38 CAN\$/US\$ for 2015 and 1.16 CAN\$/US\$ for 2014.

(iii) Interest rate risk

The Corporation has no significant interest-bearing assets.

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

When appropriate, the Corporation analyzes its interest rate risk exposure. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Corporation calculates the impact on earnings of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. As at December 31, 2015, approximately 16% (2014 - 23%) of the Corporation's long-term debt was at variable rates.

Based on the outstanding long-term debt as at December 31, 2015 the impact on interest expense of a 100-basis point change in rate would be approximately \$3 million (impact on net earnings is approximately \$2 million).

The Corporation has swaps maturing in 2017 and up to 2020 on a notional amount up to \$50 million. As at December 31, 2015, these agreements are recorded as a liability at a fair value of \$1 million (2014 - nil). The Corporation also holds interest rate swaps through RdM. These swaps are contracted to fix the interest rate on a notional amount of €34 million and are maturing in 2016 to 2022. Fair value of these agreements is nil as at December 31, 2015 (December 31, 2014 - nil).

(iv) Loss on derivative financial instruments is as follows:

(in millions of Canadian dollars)	2015	2014
Unrealized loss on derivative financial instruments	18	6
Realized loss on derivative financial instruments	10	_
	28	6

B. CREDIT RISK

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

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

Trade receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for doubtful accounts. An allowance for doubtful accounts of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Each trade receivable balance is evaluated separately to identify impairment. The amount of the allowance for doubtful accounts is the difference between the asset's carrying amount and the present value of estimated cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recorded in the consolidated statement of earnings in Selling and administrative expenses. When a trade receivable is uncollectable, it is written off against the Provision for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against Selling and administrative expenses in the consolidated statement of earnings.

Loans and notes receivables from business disposals are recognized at fair value. There is no past due amount as at December 31, 2015.

C. LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities as at December 31, 2015 and 2014:

(in millions of Canadian dollars)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	LESS THAN ONE YEAR	BETWEEN ONE AND TWO YEARS	BETWEEN TWO AND FIVE YEARS	MORE THAN FIVE YEARS
Non-derivative financial liabilities:						
Bank loans and advances	37	37	37	_	_	_
Trade and other payables	613	613	613	_	_	_
Revolving credit facility	238	271	10	10	251	_
Unsecured senior notes	1,357	1,854	76	76	226	1,476
Other debts of subsidiaries	61	67	12	10	22	23
Other debts without recourse to the Corporation	106	106	25	24	46	11
Derivative financial liabilities	79	79	32	35	12	_
	2,491	3,027	805	155	557	1,510

						2014
(in millions of Canadian dollars)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	LESS THAN ONE YEAR	BETWEEN ONE AND TWO YEARS	BETWEEN TWO AND FIVE YEARS	MORE THAN FIVE YEARS
Non-derivative financial liabilities:						
Bank loans and advances	46	46	46	_	_	_
Trade and other payables	557	557	557	_	_	_
Revolving credit facility	332	347	13	334	_	_
Unsecured senior notes	1,175	1,647	72	71	215	1,289
Other debts of subsidiaries	31	37	11	6	11	9
Other debts without recourse to the Corporation	73	77	36	17	19	5
Derivative financial liabilities	59	59	14	8	24	13
	2,273	2,770	749	436	269	1,316

As at December 31, 2015, the Corporation had unused credit facilities of \$621 million (December 31, 2014 - \$495 million), net of outstanding letters of credit of \$26 million (December 31, 2014 - \$38 million).

D. OTHER RISK

FACTORING OF ACCOUNTS RECEIVABLE

The Corporation sells its accounts receivable from one of its European subsidiaries through a factoring contract with a financial institution. The Corporation uses factoring of receivables as a source of financing by reducing its working capital requirements. When the receivables are sold, the Corporation removes them from the balance sheet, recognizes the amount received as the consideration for the transfer and records a loss on factoring which is included in Financing expense. As at December 31, 2015, the off-balance sheet impact of the factoring of receivables amounted to \$28 million (€19 million). The Corporation expects to continue to sell receivables on an ongoing basis. Should it decide to discontinue this contract, its working capital and bank debt requirements would increase.

NOTE 27 COMMITMENTS

a. The Corporation leases various properties, vehicles and equipment under non-cancellable operating lease agreements.

Future minimum payments under operating leases are as follows:

(in millions of Canadian dollars)	2015	2014
No later than one year	24	22
Later than one year but no later than five years	39	36
More than five years	11	6

b. Capital and raw materials commitments

Capital expenditures and raw materials contracted at the end of the reporting date but not yet incurred are as follows:

				2015	2014		
(in millions of Canadian dollars)	NOTE	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	RAW MATERIALS	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	RAW MATERIALS
No later than one year	28	24	2	75	6	2	71
Later than one year but no later than five years	28	1	4	301	_	_	287
More than five years	28	_	1	38	_	_	107
		25	7	414	6	2	465

NOTE 28 RELATED PARTY TRANSACTIONS

The Corporation entered into the following transactions with related parties:

(in millions of Canadian dollars)	JOINT VENTURES	ASSOCIATES
2015		
Sales to related parties	68	77
Purchases from related parties	27	169
2014		
Sales to related parties	67	69
Purchases from related parties	28	153

These transactions occurred in the normal course of operations and are measured at the fair value, which is the amount of consideration established and agreed to by the related parties.

In addition to related party balance presented in note 11, the following balances were outstanding at the end of the reporting period:

	December 31,	December 31,
(in millions of Canadian dollars)	2015	2014
Receivables from related parties		
Joint ventures	17	10
Associates	13	10
Payables to related parties		
Joint ventures	9	9
Associates	22	18

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties. The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

Starting in June 2013, the Corporation entered into a take-or-pay agreement with its associate Greenpac. For a period of eight years, the Corporation has the obligation to purchase a minimum quantity of 340,000 short tons per year from Greenpac. If the Corporation fails to purchase the minimum quantity, it must compensate Greenpac for the lost gross margin on those short tons. Included in commitments in Note 27 is the minimum amount to be paid to Greenpac, which corresponds to the potential lost gross margin on 340,000 tons.

On September 30, 2014, the Corporation sold a plant manufacturing consumer goods made from recovered plastics in its Specialty Products Group to Laurent Lemaire, a director and major shareholder of the Corporation, at a value determined to be fair by the independent members of the Board. The independent directors of the Board reviewed all options for this business and determined that the sale to Mr. Lemaire was in the best interest of the Corporation and the employees of the consumer plastics business.

BOARD OF DIRECTORS

Cascades' Board of Directors (BoD) and management believe that quality corporate governance helps ensure that the Corporation is run efficiently and investor confidence is maintained. In order to stay the course in this regard, Cascades regularly reviews its governance practices to remain in compliance with applicable legislation and to improve efficiency.

The composition of the Board of Directors must be carefully determined since its responsibilities include ensuring good corporate governance, among other things. Cascades draws on the expertise of a highly experienced team of directors while recognizing the importance of independent directors. As of December 31, 2015, six of the ten Board members were independent. They meet at least once yearly with no non-independent directors or senior management present. New BoD members are also offered an orientation and training program, to familiarize themselves with Cascades' activities as well as the issues and challenges it faces.























Laurent Lemaire
Director
Warwick, Québec Canada
Director since 1964
Non-Independent



Alain Lemaire
Executive Chairman
of the Board
Kingsey Falls, Québec Canada
Director since 1967
Non-Independent



Mario Plourde
President and Chief Executive
Officer of Cascades Inc.
Kingsey Falls, Québec Canada
Director since 2014
Non-Independent



Louis Garneau President Louis Garneau Sports Inc. Saint-Augustin-de-Desmaures Québec Canada Director since 1996 Independent



Sylvie Lemaire Director Otterburn Park, Québec Canada Director since 1999 Non-Independent



David McAusland
Partner
McCarthy Tétrault
Beaconsfield, Québec Canada
Director since 2003
Independent



Georges Kobrynsky Director of companies Outremont, Québec Canada Director since 2010 Independent



Élise Pelletier Director Chambly Québec Canada Director since 2012 Independent



Sylvie Vachon
President and Chief
Executive Officer of
The Montréal Port Authority
Longueuil, Québec Canada
Director since 2013
Independent



Laurence G. Sellyn
Director of companies
Beaconsfield, Québec Canada
Director since 2013
Independent

HISTORICAL FINANCIAL INFORMATION - 10 YEARS

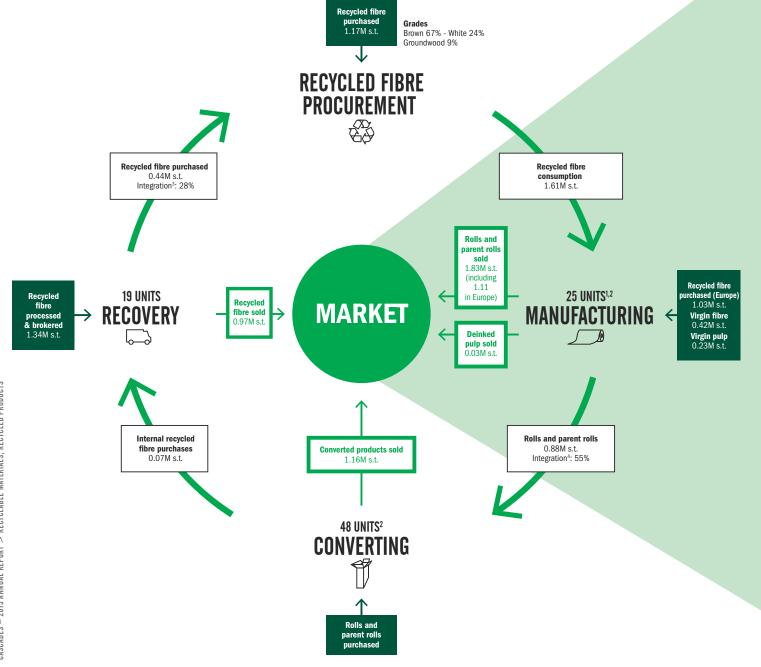
or the years ended December 31,	IFRS	IFRS
n millions of Canadian dollars, except per-common share amounts and ratios) (unaudited)	2015	
istorical financial information is not adjusted to reclassify the impact of discontinued operations and IFRS for years ended prior to 2011.	2013	2014
ighlights - Consolidated Results	2.005	2.052
ales	3,885	3,953
ost of sales and expenses	3,462	3,595
perating income before depreciation and amortization (OIBD) excluding specific items	423 190	358 183
epreciation and amortization	233	175
perating income excluding specific items		
inancing expense and interest expense on employee future benefits	97 91	108
oreign exchange loss (gain) on long-term debt and financial instruments		191
pecific items	99	
revision for /manyon all income towns	(54)	(154)
rovision for (recovery of) income taxes	39	(11)
hare of results of associates and joint ventures	(37)	
et earnings (loss) attributable to non-controlling interest	9	4
et earnings (loss)	(65)	(147)
et earnings (loss) per common share	\$ (0.69)	\$ (1.57)
ighlights - Consolidated Cash Flow		
ash flow generated by operating activities	270	250
ash flow from operations	307	251
per-common share	\$ 3.25	\$ 2.67
urchases of property, plant and equipment net of proceeds on disposal	156	172
usiness acquisitions and cash from a joint venture	_	_
roceed from business disposals	(40)	(36)
et change in long-term debt	100	88
ividends on common shares	15	15
per-common share	\$ 0.16	\$ 0.16
ividend yield	1.3 %	6 2.3 %
ighlights - Consolidated Balance Sheet (As at December 31)		
urrent assets less current liabilities	395	308
roperty, plant & equipment	1,608	1,592
otal assets	3,848	3,673
otal long-term debt	1,744	1,596
on-controlling interests	96	110
hareholders' equity	867	893
per-common share	\$ 9.10	\$ 9.48
tock Market Highlights		
hares issued and outstanding (in millions)	95.3	94.2
rading volume (in millions)	39.7	45.0
arket capitalization	1,211	661
losing price	\$ 12.71	\$ 7.02
igh	\$ 13.00	\$ 7.60
DW	\$ 6.49	\$ 5.64
ey Financial Ratios		
et earnings (loss)/sales	(1.7)	(3.7)%
ales/total assets*	1.0x	
otal assets/average Shareholders' equity*	4.4x	
eturn on Shareholder's equity*	(7.4)	
eturn on total assets (OIBD/average total assets)*	11.2 9	
IBD/sales	10.9 %	
IBD/interest	4.4x	
urrent assets less current liabilities/sales*	10.2 %	
arroint debote 1000 carroint illuminated outlet	4.1x	
et deht/OIRD*		4.58
et debt/OIBD*		6100
et debt/OIBD* otal debt/total debt + Shareholders' equity rice to earnings	67.3 °	

^{*} Prior to 2007, ratios are calculated excluding the impact of the Norampac acquisition.

-	IFRS	IFRS	IFRS					
	2013	2012	2011	2010	2009	2008	2007	2006
	3,849	3,645	3,760	3,959	3,877	4,025	4,033	3,481
	3,497 352	3,341 304	3,517 243	3,561 398	3,412 465	3,720 305	3,693 340	3,167 314
	182	199	186	212	218	213	208	163
	170	105	57	186	247	92	132	151
	115	115	100	112	118	103	106	83
	(2)	(8)	(4)	4	31	24	(59)	_
	28	33	(148)	65	33	54	7	76
	29	(35)	109	5	65	(89)	78	(8)
	12	(4)	27	_	23	(29)	6	(3)
	3	(2)	(14)	(15)	(17)	(8)	(27)	(8)
	3	(7)	(3)	3	(1)	2	3	_
\$	0.11	(22) \$ (0.23)	99 \$ 1.03	17 \$ 0.18	\$ 0.61	(54) \$ (0.55)	96 \$ 0.96	\$ 0.04
J.	0.11	Φ (0.23)	φ 1.03	Φ 0.10	φ 0.01	\$ (0.55)	φ 0.90	Φ 0.04
	232	199	115	228	355	126	53	191
	226	154	121	246	303	150	163	174
\$	2.41	\$ 1.64	\$ 1.26	\$ 2.54	\$ 3.10	\$ 1.52	\$ 1.64	\$ 2.15
	136	141	110	131	171	184	169	110
	_	14	60	3	69	(5)	10	572
	_	_	(292)	_	_	47	37	94
	(30)	(54)	143	30	59	149	91	178
•	15	15	15	16	16	16	16	13
\$	0.16 2.3%	\$ 0.16 3.9 %	\$ 0.16 3.6%	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16 1.2%
	2.3%	3.9 %	3.0%	2.4%	1.8%	4.6 %	1.9%	1.270
	414	295	400	479	484	522	581	574
	1,684	1,659	1,703	1,777	1,912	2,030	1,886	2,063
	3,831	3,694	3,728	3,724	3,792	4,031	3,769	3,911
	1,579	1,475	1,407	1,395	1,469	1,708	1,574	1,666
	113	116	136	24	21	22	25	19
	1,081	978	1,029	1,257	1,304	1,256	1,199	1,157
\$	11.52	\$ 10.42	\$ 10.87	\$ 13.01	\$ 13.41	\$ 12.74	\$ 12.09	\$ 11.62
	02.0	02.0	04.6	06.6	07.2	00 5	99.1	00.5
	93.9 25.2	93.9 20.2	94.6 33.8	96.6 57.7	97.2 79.8	98.5 39.8	63.2	99.5 31.7
	646	385	419	647	869	339	837	1,317
\$		\$ 4.10		\$ 6.70	\$ 8.94	\$ 3.44		\$ 13.23
\$	6.92	\$ 5.18	\$ 7.75	\$ 9.80	\$ 9.10	\$ 8.90	\$ 15.80	\$ 14.78
\$	4.07	\$ 3.85	\$ 3.51	\$ 5.71	\$ 1.70	\$ 3.00	\$ 7.46	\$ 9.66
	0.3%							
	1.0x	1.0x	1.0x	1.1x	1.0x	1.0x	1.1x	1.2x
	3.7x	3.7x	3.3x	2.9x	3.0x	3.3x	3.2x	3.2x
	1.1% 9.4%			1.3% 10.6%	4.7% 11.9%			
	9.1%	l						
	3.1x	2.6x	2.4x	3.6x	3.9x		3.2x	3.8x
	10.8%							
	4.6x	5.0x	6.1x	3.6x	3.3x	5.9x	4.7x	3.8x
	60.2%	61.4 %		53.7%	54.3%	59.1 %	57.5%	
	62.5x	N/A	4.3x	37.2x	14.7x	N/A	8.8x	330.8x
	0.6x	0.4x	0.4x	0.5x	0.7x	0.3x	0.7x	1.1x

RECYCLABLE MATERIALS RECYCLED PRODUCTS

It's not enough to give recovered materials a second life; we also need to be thinking of their third, fourth, fifth lives... and so on. This is the foundation of the Cascades business model—the "closed-loop system1"—which, over time, has become a key strategic asset. Recovered materials are converted into product, the product is then recycled and once again becomes recovered materials. This wheel, in its never-ending cycle, is what has enabled the Corporation to establish its position as leader in the North American recovered paper industry. Just another green success by Cascades.

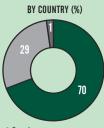


- $1\ \ 2015\ data\ including\ 100\%\ of\ Reno\ De\ Medici;\ excluding\ the\ Greenpac\ Mill\ and\ its\ production\ and\ consumption.$
- 2 Including the integrated tissue paper manufacturing and converting units.
- 3 North America only. Cascades Recovery only.
- 4 North America only. Including Containerboard, Tissue Papers and Specialty Products Groups.

MARKET DISTRIBUTION OF OUR SALES

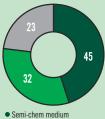
By concentrating our activities in two sectors with strong future prospects, we are able to weather market fluctuations more confidently. Our streamlined profile gives us the latitude we need to invest in the most promising areas of our industry, thus strengthening our position as a major North American manufacturer of corrugated board, tissue papers and specialty packaging products.

CONTAINERBOARD

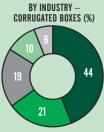


- CanadaUnited States
- Others

BY PRODUCT - MANUFACTURING (%)

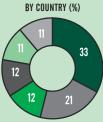


- Recycled medium
- linerhoard



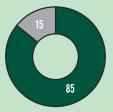
- Food and beverages
- Papers and wood
- Other industries
- Chemicals and plastics
- Agriculture and meat

BOXBOARD EUROPE



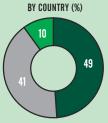
- Italy
- FranceOverseas
- Germany, Austria and Switzerland
- Eastern Europe
- Rest of Western Europe

BY PRODUCT (%)



- White-lined chipboard (recycled)
 Folding beyboard (virgin)
- Folding boxboard (virgin)

SPECIALTY PRODUCTS



- Canada
- United StatesOthers

BY SEGMENT (%)



- Recovery and recycling
- Industrial packaging
- Consumer products packaging
- Other products

TISSUE PAPERS

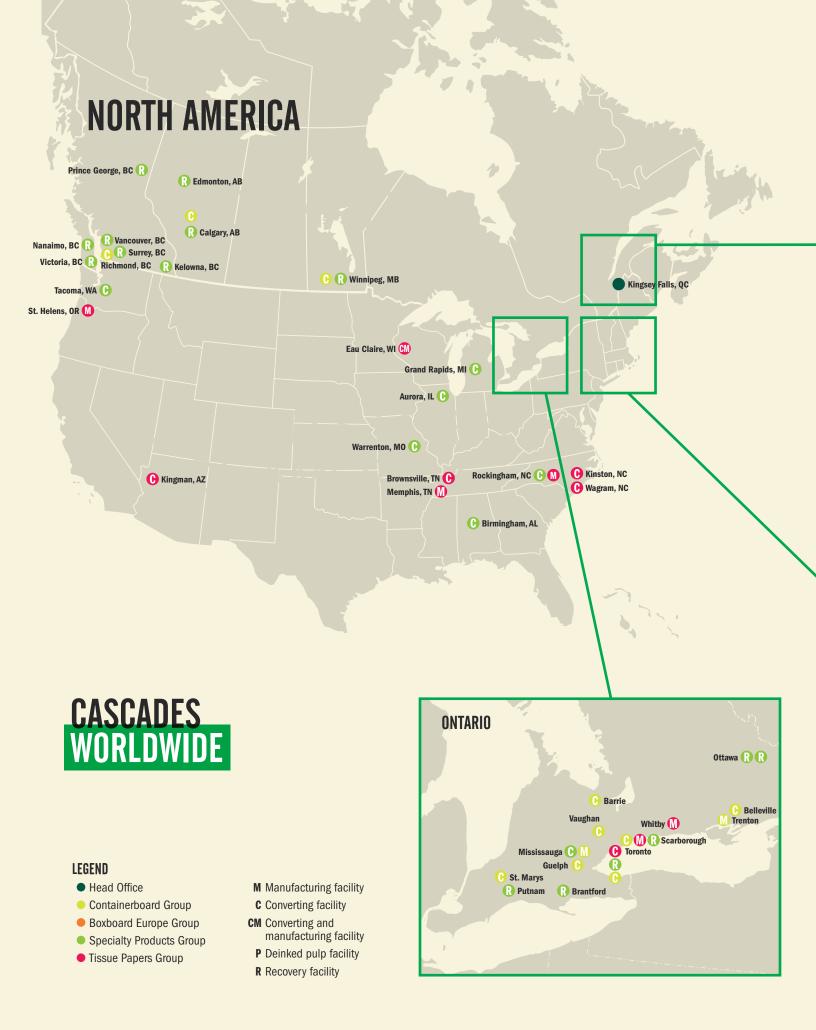


- Away-from-Home **42**%
- United Sates Retail 51%
 Away-from-Home 49%

BY MARKET (%)



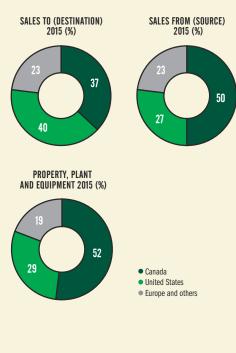
- Retail Branded **11%**Private Label **89%**
- Away-from-Home Branded **56%**Private Label **44%**
- Parent rolls

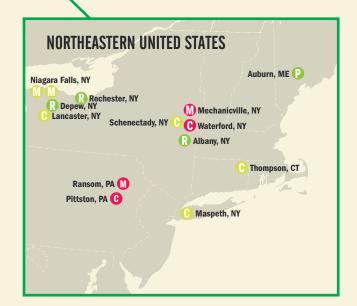




\$3.9 BILLION IN SALES

OF WHICH 63% ARE OUTSIDE CANADA









CASCADES.COM









Printed on Rolland Enviro^{MC} Satin, 60 lb. Text and Rolland Enviro^{MC} Print, 80 lb. The cover is certified Processed Chlorine Free and is made from 100% postconsumer fibre. All papers are certified FSC® and EcoLogo and are made from renewable biogas energy.

 $\label{lem:production:communications} \textbf{Department of Cascades} - \textbf{Design: absolu} - \textbf{Prepress and printing: Impart Litho Photography: Br\"{u}hm\"{u}ller photographe}$

Printed in Canada