Operator: Welcome to Cascades Inc.’s Conference Call for First Quarter 2016 Financial Results. At this time, all participants are in a listen-only mode. Following today’s presentation, there will be a formal question-and-answer session. (Operator instructions.) Please note that this conference is being recorded.

I will now turn the call over to Jennifer Aitken, Director, Investor Relations. Mrs. Aitken, you may begin.

Jennifer Aitken: Thank you, operator. Good afternoon, everyone, and welcome to our 2016 first quarter conference call.

During our call today you will hear from Mario Plourde, our President and CEO; Allan Hogg, our CFO; Charles Malo, President and COO of our Containerboard Group; Luc Langevin, President and COO of our Specialty Products Group; and Jean Jobin, President and COO of the Tissue Papers Group. Mario
will then discuss results from our Boxboard Europe Group followed by concluding remarks, after which we will begin the question period.

Before I turn things over to my colleagues, please note that the quarterly results of Reno de Medici were released on April 29th and can be reviewed on Reno’s website. Also during this call, certain statements will discuss historical and forward-looking matters. The accuracy of these statements is subject to risk factors that can have a material impact on actual results. These risks are listed in our public filings.

These statements, the investor presentation, and the press release also include data that are not measures of performance under IFRS. I would like to remind the media and internet users that they are in listen-only mode and can therefore only listen to the call. If you have any questions, please feel free to call us after this session.

I will now turn the call over to our CEO. Mario?

Mari0 Plourde: Thank you, Jennifer, and good afternoon, everyone. We are pleased with our first-quarter financial results. In what is typically a slower season period, our operations successfully delivered an improvement on a consolidated basis both on a sequential and year-over-year basis. When we exclude specific items, we generated a consolidated EBITDA of $106 million, a solid 25% increase compared to last year, while our first-quarter earnings per share of $0.25, which again excludes specific items, was twice what was achieved in 2015. On an IFRS basis and including specific items, our Q1 EPS was $0.79. The difference is due to the foreign exchange gain on long-term debt and financial instrument.

On a sequential basis, EBITDA increased by $2 million which translated into an EBITDA margin of 10.6% for the quarter, while earning per share increased 50% from Q4 2015 level. Then 25% year-over-year
increase in EBITDA was largely driven by the strong performance in our Tissue Paper Group which more than doubled its EBITDA contribution.

In addition, the Containerboard and the Specialty Product Groups successfully increased their EBITDA by 6% and 40% respectively. Finally, on a geographic basis, our result in North America benefited from a 10% decrease in the value of the Canadian dollar while results in Europe were slightly weaker due to the lower shipments.

On the KPI front, I am pleased to report that we improved our execution on all of our indicator and shipments while maintaining our working capital stable at 11.3% of sales. Looking at raw material costs, the price index from brown paper grades remains quite stable while the white fiber price index was lower year over year. Going forward, we do not expect significant change in the near term, which should be positive for us. For pulp, both NBSK and NBHK prices did not fluctuate much during the quarter, and then again, we don’t expect significant changes.

I will now let my colleague provide you with more specific detailed information starting with Allan, and then we’ll be back to later discuss our European operation, in addition to our outlook. Allan?

**Allan Hogg:** Yes, thank you, Mario, and good afternoon, everyone. Please note that I will be referring to slides in our Q1 conference call presentation that can be accessed on our website and viewed in conjunction with this call.

I will begin with sales on page 10. On a year-over-year basis, first quarter sales increased 10% to one billion with results driven by a combination of a favorable exchange rate, the positive impact generated by higher average prices in our containerboard segment and greater shipments in North America.
Sequentially, quarterly sales increased 3% on higher volume in all business segments with the exception of our Tissue Group.

As highlighted on slides 11 and 12, Q1 EBITDA of $106 million was up 25% compared to last year, a reflection on our favorable exchange rate and positive effects coming from lower energy costs and higher volumes. Partially offsetting these effects were higher production and maintenance costs. Sequentially, as Mario mentioned, our first quarter EBITDA increased $2 million on higher sales that were driven by higher volume and favorable exchange rates. Lower average selling prices resulting from an unfavorable sales mix in both our containerboard and our [indiscernible] segments negatively impacted our quarterly results; however, these were partially offset by lower corporate costs. Importantly, note that our depreciation and amortization expense return to a more customary level of $47 million in Q1 compared to the $57 million in Q4 2015.

Slides 13 and 14 of the presentation illustrate the volumes of our Q1 EPS and the details of the specific items that affected our quarterly results both on a year-over-year and sequential basis. Compared to last year, our first quarter EPS, excluding specific items, increased to $0.35, nearly doubling the prior year's EPS of $0.18. This reflects improved operating results in addition to increased contributions from our share of results from our joint ventures investment.

Moving to slide 15, the strengthening of the Canadian dollar at the end of the quarter led to a pretax gain on our long-term debt and on financial instruments of $50 million, of which $14 million impacted operating income. The net impact of specific items amounted to $41 million or $0.44 during the quarter. Please note that the average rate of the Canadian dollar favorably impacted our results during the first quarter when compared to previous periods; however, its rapid appreciation during the month of March resulted in an accounting gain on US denominated debt and operating losses on working capital items.
As illustrated on slide 16, cash flow from operations amounted to $56 million during the first three months of 2016. Capital expenditures including capital lease payments totaled $57 million in Q1, and our free cash flow amounted to negative $5 million during the quarter. Please keep in mind that the first quarter of the year always includes interest payments and working capital investments for the forthcoming summer season.

Moving now to reconciliation of our debt on slide 17. As I just mentioned, free cash flow and working capital investments during the quarter increased the use of our revolving credit; however, the stronger Canadian dollar at the end of the quarter reduced our total debt by $83 million which resulted in our Q1 net debt actually decreasing by 2% from the end of last year.

Continuing to slide 18, we highlight relevant credit ratios at the end of Q1. To this end, we are pleased to report that our net debt to EBITDA multiple decreased from 4 times to 3.8 times at the end of March, bringing us closer to our targeted multiple range of 3 to 2.5. I would also note that total available funds on our revolving credit currently stand at approximately $475 million. Last, but not least, on slide 19, we detail our improved quarterly EBITDA margin and leverage ratio when taking into account the consolidation of our minority investments and joint ventures on a proportional basis.

Thank you for your attention, and I will now pass the call to Charles to discuss the results of our Containerboard Group. Charles?

**Charles Malo:** Good afternoon, everyone, and thank you, Allan. During the first quarter of 2016, Containerboard Group shipments reached 279,000 short tons, which represents a 4% sequential increase. The higher Q1 volume largely stems from increased manufacturing activities during the period which allowed us to increase our operating rate to 94%, a 4% improvement over the prior quarter. Accordingly, our external paper shipments increased by 10% while integration rate with our 100% owned
box plant decreased by 2% to 52% in the first quarter of 2016. When we also include papers sold to our associated companies, our Q1 integration rate increased to 64%.

Moving to our converting [ph] activities, I’m pleased to note that shipments were stable on a sequential basis outperforming the Canadian and US markets. On the pricing front, our average selling price decreased by $9 short ton on a sequential basis. When excluding the impact of the weaker Canadian dollar, which fell 3% or $0.04 compared to Q4, our average selling price decreased by $32 short tons or 4%. The shortfall reflects a less favorable product mix during the quarter during which sales of containerboard rolls increased 2%. This greater weighting lowered our consolidated average selling price due to the fact that the average selling price of containerboard rolls is less than half the average selling price of our corrugated product.

In addition, the average selling price realized by our manufacturing activities decreased by $8 short tons ton in Q1, a direct reflection of the $15 short ton price reduction of linerboard rates and $30 short ton price reduction of medium grade that were announced in the Pulp and Paper Week publication during the quarter. It is important to note, however, that our average selling price of corrugated product in Canadian dollars actually increased by $12 a short ton in Q1 as the beneficial impact of the weaker Canadian dollar more than offset the negative impact of the PPW announcement.

With regards to profitability, the Containerboard Group generated an EBITDA of $55 million in the first quarter of 2016. This represents a 2% decrease on sequential basis but was a 6% improvement compared to the same quarter last year. Our first quarter EBITDA of $55 million represent a margin of 16% of sales which was down slightly from the 17% EBITDA margin achieved in the last quarter of 2015.

During the same period, manufacturing activity generated an EBITDA margin of 23%. In the first quarter of 2016, overall containerboard shipments increased by 11,000 short tons which contributed to $5 million
to EBITDA on a consolidated basis. In spite of this, profitability was comparable to that of the previous quarter as the lower average selling price in Canadian dollars negatively impacted the group’s overall performance by $7 million.

While raw material costs in Canadian dollars terms negatively impacted results by 2 million, this was more than offset by combination of currency-related gains and lower selling administration cost which added 3 million to EBITDA. With regards to the short-term outlook, we expect demand in the second quarter to improve as a result of normal seasonal demand variation. While we anticipate market selling price to be stable in the coming months, the Containerboard Group’s average selling price is expected to slightly decrease in Q2 as the full impact of the decrease announced by *Pulp and Paper Week* in February is realized.

Like both manufacturing and converting segments, we’ll see an impact on their contracted sales, in the converting segment, this will be mitigated by foreign exchange, [indiscernible] price being implemented in the Canadian markets. Accordingly, despite the increase and value of the Canadian dollars in recent weeks, we expect that our results will continue to benefit from the overall weaknesses of the Canadian dollar.

Finally, as usual, a word from the performance of the Greenpac Mill. During the first quarter of 2016, Greenpac produced 113,000 short tons of linerboard. Normally, Cascades’ proportionate share of Greenpac net earnings excluding specific items increased to $4 million or $0.04 per share during the Q1 from $3 million or $0.03 per share in the previous quarter. The Greenpac [indiscernible] now represents 75% of the total production of the mill up from 72% in Q4, an indication of the positive market reception for this value-added product.
Thank you for your attention. I will now ask Mario to provide you with an overview of our boxboard activities in Europe. Mario?

Mario Plourde: Thank you, Charles. The start of the year has seen another inflow trend that is below last year in Europe, both in recycled and virgin board markets. In Canadian dollars, sales increased by $17 million to reach a total of $219 million in the first quarter; however, in euro, Q1 sales increased by 4% on a sequential basis. This reflects two things. Firstly, shipments were up by 6% or 15,000 tons due to the weak demand in Q4 2015. Secondly, our average price decreased by 8 euros due to higher volume of oversea sales. First quarter EBITDA increased by 3 million compared to the last quarter and total 16 million for the first three-month period due to higher volume and lower maintenance costs.

Looking ahead, while other inflow levels are lower than last year, we are satisfied with our order backlog, and we expect a stable environment in both the demand and pricing front. It should be noted, however, that the second-quarter volume level will be impacted by two things. The first is a six-day production stop at our virgin mills in France [ph] following an equipment maintenance shutdown in April that has since been rectified. The second is a 13-day planned production shutdown at our German mills to complete a needed rebuilt of a portion of the board machine. Combined, these are expected to have an impact approximately of 10,000 tons during the second quarter.

I’ll thank you, and I’ll ask Luc to provide you with an overview of the Specialty Products Group. Luc?

Luc Langevin: Thank you, Mario. Good afternoon. Sales for the Specialty Products Group were stable at 149 million compared to 147 million in Q4, representing a 1% sequential increase. The unfavorable seasonality that is typical in the recovery and consumer products packaging segment in the first quarter was more than offset by stronger volumes in the industrial packaging segment and our other activities.
The foreign exchange variation continued to have a positive impact on our topline during the quarter. We completed our quarter with an EBITDA of $14 million representing $2 million or 13% decrease from our Q4 results. Half of this decrease was due to currency variation as the rapid strengthening of the Canadian dollar during the quarter negatively impacted our balance sheet by $1 million. While results were lower sequentially, we are pleased to note that they represent a 40% increase from the same quarter last year thanks to increased volume, improved productivity, and lower energy costs.

Looking more specifically at our four segments, our industrial packaging segment increased its EBITDA by a million dollars sequentially. We successfully increased our volumes in most of our facilities. The EBITDA of our consumer product packaging segment decreased by a million. Typically, lower seasonal demand, a less favorable product mix and higher fixed costs generated this negative variance during quarter. As for other activities, our EBITDA increased by a million as we observed better volumes; however, our spread marginally deteriorated in our [indiscernible] business. Finally, the EBITDA of the recovery segment declined by $3 million from the previous quarter.

We experienced lower recycled paper generation during the period, and our spread slightly deteriorated as a result of lower average selling prices and unfavorable mix. More importantly in this segment, the rapid strengthening of the Canadian dollar negatively impacted our working capital.

Looking forward, we anticipate profitability to improve in the near future in the consumer product packaging and recovery segment with seasonal volume pickup. Our industrial packaging segment remains busy. The ongoing fluctuation of the currency may temporarily impact our spread.

Thank you for your attention, and I will now turn the conference call to Jean.
Jean Jobin: Thank you, Luc. Good afternoon, everyone. I’m pleased to report that the Tissue Group delivered a strong 2016 first-quarter performance. EBITDA of $34 million or 10.5% on margin basis was more than double the $15 million or 4.7% generated in the same period last year. On a sequential basis, Q1 results were below Q4 EBITDA of $38 million and corresponding margin of 11.5%.

The first quarter of the year is traditionally the slowest in terms of shipment and results. This year again demonstrates the seasonal variability. Our consolidated shipments were 2% below last quarter with parent roll shipment showing a 2% decrease primarily due to usual seasonality. Shipment of our converted product similarly declined 2% again, reflection of typical customer demand seasonality within these markets. I would note that we generate a new March record in terms of cases shipment this year which positioned us well for a strong summer season.

In terms of pricing, our average selling price in the first quarter was 1% higher on a sequential basis, largely thanks to the weakness of the Canadian dollar combined with a Canadian retail market price increase that began near the end of the quarter. The benefits realized from these two factors were only partially offset by a market price reduction for parent rolls. The combination of slightly lower shipments and marginally improved pricing just discussed translated into a very slight sales decrease of less than one percent on a sequential basis.

We continue to improve our productivity during the quarter, and recycled fiber and energy costs also remained low; however, our overall performance was negatively impacted by plant shutdowns that were taken to manage inventory level. As last year, we also took the opportunity during the slowest first quarter to carry out annual maintenance at many of our locations. This total of 5,000 tons of downtime also slightly impacted our results.
With this seasonally slower first quarter behind us, we are now entering the peak season for many of our markets, and consequently, we would expect to see a significant increase in our sales volume in the second quarter. Moreover, we anticipate that announced price increase in the Canadian retail and away from home markets will positively impact our result next quarter. As a result of the combination of these factors, we expect to generate an overall improvement in our performance.

Thank you. I will now turn the call back to Mario for the conclusion. Mario?

**Mario Plourde:** Thank you, Jean. We are focused on continuing to build on improved results and momentum that we achieved during the first quarter. Current market conditions and a stable near outlook for raw material and energy prices enable us to remain confident that we will continue to execute well throughout the remainder of 2016.

We are well positioned to continue delivering solid performance as we enter seasonally improved market conditions over the next two quarters. Moreover, we expect to realize additional benefits from improved sales, cost reduction initiatives, and recent investments.

In conclusion, recognizing that current business condition may be volatile, we will continue to be diligent, and we’ll carefully manage our financial situation in order to direct a significant portion of free cash flow towards the debt reduction.

We will now open the line for the questions. Operator?

**Operator:** Thank you. We will now begin the question-and-answer session. (Operator instructions.) We have a question from Sean Steuart of TD Securities.
Sean Steuart: Thanks. Good afternoon, everyone. Couple questions for Jean with respect to the tissue business. I think you operated at about 87% of capacity in the first quarter, and I appreciate it’s a seasonally slower quarter. Can you give us any indication of how fast you anticipate being able to bring the operating rates up into the, I guess, mid-90% range? Is that a few quarters? How fast will that unfold?

Jean Jobin: I would say immediately because normally quarter two and quarter three of the year, our operating rate is always around 80%, 85% already and because we are in Q1, 3% better than last year—last year we were at 84. We’re already up, so we’re going to be there very, very rapidly, and we don’t expect any shutdowns going forward for the next six months at least.

Sean Steuart: Okay. Can you give us a sense of how quickly the Canadian retail and the away from home price hikes are being implemented?

Jean Jobin: Well, I sure can because it’s negotiated for the retail, so everything will be done in retail by the end of the month of May. For the away from home, as you know, it will probably take six months because even when you announce, you have to renew contract one of 30 [ph] so it’s going to take probably six months, so gradually getting implemented.

Sean Steuart: Okay. Thanks very much. I’ll get back in the queue.

Operator: Thank you, and our next question comes from Hamir Patel from CIBC Capital.

Hamir Patel: Thanks. Good morning. Just following up on Jean’s question on the consumer hike in Canada. Jean, can you give us a sense as to what the scale of that increase is, and has private label joined in yet as well or is it just the brand so far?
Jean Jobin: It's everything that we have. All of our business went up either during Q1, like I said earlier, or will take place during Q2, so it's all of our business. But I would say a little bit, there's only one small part that has not finalized negotiation, but this is very insignificant.

Hamir Patel: Right, and what's the scale of the increase that the industry's pushing?

Jean Jobin: I'd like to say that it's going to be around five because there are some that are a bit higher and some that are a bit lower.

Hamir Patel: Okay, thanks. That's helpful, and just a final question I had on the containerboard segment. Charles, in the presentation, there was a reference to higher global external containerboard shipments. I was just wondering is that maybe offshore volumes, because I was under the impression that Cascades doesn't sell any containerboard outside of North America.

Charles Malo: Thank you very much for the question. Actually, our order booking for this time of the year is really, really good, I'd say. Every year, during the month of December or January, we do a bit of export. We've done that for quite a few years, but it's very, very limited. So, in the quarter, the impact is about 5,000 tons on the 270,000 tons that we produce, so the increased volume that we have on the outside is really from our customer base, actually with some of the customers that we have long-term contract with.

Hamir Patel: Okay, and on an annual basis, what percent of your North American shipments go offshore, and can you speak to maybe which countries that goes to?
Charles Malo: I’m not going to give the details of where it’s going because we don’t have a long-term strategy on export. What we do is really what we put on the market. It depends on the imbalance that we have, so towards the end of the year, for instance, if we have some differential between our capacity and the demand, we would put some tonnage on the market, but it’s less than 1% historically of the overall volume. So we’re not a big player on export.

Hamir Patel: Right and—

Charles Malo: And again, sorry about that, but where it goes could go to South America or Europe. It depends on where the demand is for our volume.

Hamir Patel: Right, okay, and then just curious on the containerboard segment, your integration rate. We keep seeing more consolidation of the independence, seems like a lot of people keep buying out box plants. The 85% long-term target you guys have, what’s the timeframe for getting there and thinking that you might need to build it or buy your way into eventually reach that objective?

Charles Malo: We’re adding some information to show that we also have some investment in JV where we have volume, so that’s why now we’re explaining that we don’t calculate, it’s not 100% integration, but our integration level now is at 64% if we include our investment in JV. And what we’re doing right now is, first step, to increase our integration level will be to use the capacity that we have.

For instance, we just made a major investment in [indiscernible], and we have a strategy to maximize the use of that equipment. It’s very good in our system, well located with our system. We’re going to do also the same thing with using the capacity that we have in Ontario where we made investment in the last few years. So that’s our first step. The second step we will stay opportunistic on the market if we see that there’s a good fit with acquisition.
Hamir Patel: Great. Thanks, Charles. That’s all I had.

Operator: Thank you. Our next question comes from Paul Quinn.

Paul Quinn: Yes, thanks very much. I guess it’s afternoon for you guys. A couple questions. One on Greenpac. You mentioned, I think, production was 113,000 in the quarter, 450 run rate, suggests operating rates somewhere around 84%. How do you feel about that startup, and when do you expect to get it running to design capacity?

Charles Malo: We have right now about 10% still that we are working on to increase the capacity but just following the curve that we set to ourselves. So towards the end of the year we should be in line with our goal.

M: Paul, maybe something important to mention the targeted of 1500 tons per day, when [indiscernible] speed. Maybe Charles, you can—

Charles Malo: Okay, so the machine design will be depending on the base of about 1,500 tons, but we are producing a different grade which is the [indiscernible] grade, the lighter weight, what we call the XB [ph] and right now, we have a goal in 2016 to go up to 85%. So, with the mix that we see right now the daily output of the milling would be more around 1,425 tons a day.

Paul Quinn: Okay. That’s helpful, and then just switching over to tissue. Biggest hit-back, there’s quite a few capacity additions coming on the marketplace. How do you feel about that North American operation going forward, and do you see pricing pressure in the future?
M: As you know, we are in that situation for many, many quarters right now. Most of the impact that we feel is still in the hand towel segment. The rest is okay. I don’t expect big, big problem honestly going forward. What we see the impact has already been there, and the market can absorb 200,000 tons a year, and the announcement that we have at this point, it’s not significantly above that. So we’re okay that the situation as it is right now is not getting worse [audio disruption] announcement that we have.

Paul Quinn: I get that your assumption that the market can absorb the 200,000 tons a year is higher than expected. And then just let me know, back over to I guess containerboard overall market. You’ve seen some price drops. Does it seem be pretty stable with customers right now in terms of pricing?

M: I’m not going to give details on the market, but what I can see is our order booking is very good. We’re getting into the busier season, and on our side, we’re not seeing any price pressure at this time.

Paul Quinn: Great. Best of luck. Thanks guys.

Operator: And our next question comes from Leon Aghazarian from National Bank Financial.

Leon Aghazarian: Hi. Good afternoon. My question just regarding the capital allocation. Has the Capex budget changed at all? Can you give us a little bit of some color on some of the initiatives that you’re planning on for the balance of the year?

M: Well, we’ve made some of the Capex in Q1 which were some of the residual of last year. The envelope of Capex has not changed, so we have not moved anything, and we’re monitoring the market carefully, so if anything would disrupt the market and we see slowdown, then we will adjust. The next investment projected will be more toward the yearend, and it will be mainly on the US side.
Leon Aghazarian: Okay. That's helpful. We also noticed there was a bit of a buy-back as well in the quarter, so I'm just wondering what the capital allocation objectives are for the year, whether it's debt repayment, Capex, what your views are on that overall please. Thanks.

M: Well, Leon, we remain with at least $100 million of free cash flow towards debt reduction. We felt that recently with the shares at below $9, it was an opportunity to do some buyback, but main guidance is always to reduce debt at least $100 million and make sure that we complete investment we need to do, so nothing has changed in terms of our approach to use our cash flow.

Leon: Great. Thank you.

Operator: Thank you. (Operator instructions.) We have no further questions at this time.

M: Thank you very much, everyone. Have a good day.

Operator: Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.