Operator: Welcome to Cascades Inc. Conference Call for the Second Quarter 2015 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, at which time you can select star then one on your touchtone phone to ask a question. Please note that this conference is being recorded.

I will now turn the call over to Riko Gaudreault, Director, Investor Relations and Business Strategy. Mr. Gaudreault, you may begin.

Riko Gaudreault: Thank you, operator, and good morning, everyone. Welcome to our conference call for the 2015 second quarter results. Members of our management team present today are Mario Plourde, our CEO and President; Allan Hogg, our CFO; Charles Malo, COO of our Containerboard...
Group; Luc Langevin, President and COO of our Specialty Products Group; and Jean Jobin, President and COO of our Tissue Papers Group. Mario will begin with his comments, followed by Allan and the groups’ representatives. The review of our Boxboard operations will be covered by Mario, and our president will also be back for a conclusion following the question period.

During this call, certain statements will discuss historical and forward-looking matters. Please note that the accuracy of these statements is subject to a number of risk factors. These factors, which are listed in our public filings, can have a material impact on our actual results. All these statements as well as the investor presentation and press release will be posted on our website after the call. They include data that are not measures of performance under IFRS, and you should also note that the quarterly results of Reno de Medici were released July 30th and can be reviewed on Reno’s website.

I would like to remind the media and internet users that they can only listen to the call. If you have any questions, please feel free to call us after the session.

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

**Mario Plourde:** Thank you, Riko, and good morning, everyone. We are pleased to release solid results this morning with EBITDA excluding specific items now exceeding $100 million. These results represent the best performance for a June 30th quarter since 2009’s when we exclude discontinued operations.

From an operational standpoint, all of our groups participate in the sequential improvement. With $65 million of EBITDA during the second quarter, the major contributor was our Containerboard Group. Our Boxboard Europe Group improved its result for a second consecutive quarter as seasonal weather and improved productivity contributed to lower costs. Our Specialty Product Group grew significantly compared to Q1 and Q2 2014. The Tissue Paper Group also significantly improved sequential
performance due to higher shipment and a better performance from a new paper machine in the US which is ramping up well and according to plan.

This performance translates into a net earnings of $0.25 per share excluding specific items for their second quarter, and Greenpac’s contribution to this number was $0.03 as the mill continues to operate according to expectations. Looking at our TPIs, we’ve improved on all fronts, except for utilization rate, essentially due to lower shipment in Europe. Our working capital ratio is now 1% lower than last year at 11.6% and on the return on asset reached 10%.

For Q2, brown recycled paper prices continue to be soft and decrease slightly on average; however, since the end of the quarter, we have seen increases in the OCC publication index. Price for white recycled paper grade also decreased slightly during the quarter, and they have remained stable ever since which is good news in a current low generation season.

For pulp, while NBSK prices were lower, NBHK prices have increased to last year’s level.

I will now let my colleagues give you more specific information starting with Allan, and I will be back later to cover Europe and our outlook. Allan?

Allan Hogg: Thank you, Mario, and good morning. Compared to last year, sales were up 4% at $960 million due to a favorable exchange rate and volume increases in our tissue sector which were offset in part by lower average selling prices in all segments except for Containerboard. Sequentially, sales also increased 4% due to volume increases in all segments, except for our Boxboard Europe business.

EBITDA for the second quarter was up 14% compared to last year and reached $103 million. The increase is due to higher volume at favorable exchange rate and lower energy costs. These were offset
by lower average selling prices and higher raw material cost in our Tissue Group. Sequentially, EBITDA was up 21% or $18 million. Lower energy and production costs combined with higher volume in all of our North American activities more than offset higher raw material costs due to a higher proportion of parent roll purchases and unfavorable fiber mix.

Slide 13 and 14 illustrate the impact of specific items that affected our results during the quarter. The appreciation of the Canadian dollar led to a gain on our long-term debt of $13 million, and in May, following the refinancing of our 2020 senior notes, we recorded $19 million of financial costs associated with premiums paid on the redemption of these notes and the write-off of past issuance discounts. All in all, specific items had a neutral impact on net earnings. You can also see the impact of our share of results of our JV investments, which was mainly driven by the lower contribution of Boralex.

On page 15, cash flow from operations amounted to $86 million in the quarter excluding premiums paid on the refinancing. Capital expenditure payments amounted to $48 million during the quarter. Moving to the reconciliation to our debt, it remained stable compared to the first quarter. In addition to free cash flow, the exchange rate slightly decreased our debt; however, this was essentially offset by working capital investment requirement, which is usual during the first two quarters of the year.

In terms of financial ratios, our net debt to EBITDA ratio remained stable at 4.7 times at the end of the quarter.

Further, to our notes refinancing in May and the extension of our revolving facility in early July, we have no significant maturities before 2019. Remember that the refinancing of our notes in 2014 and 2015 has reduced our yearly interest expense by over $20 million.
As introduced last quarter, we are showing some key figures on a proportionate consolidated basis. These numbers include our share of our respective ownership in Greenpac, Reno de Medici, and other joint ventures in the Specialty Products Group; however, they do not reflect the results of Boralex.

You can see the improved EBITDA margin and lower leverage ratio calculated when we annualize EBITDA after six months.

I thank you for your attention, and I will ask Charles to discuss the results of our Containerboard Group.

Charles Malo: Good morning, everyone, and thank you, Allan.

During the second quarter of 2015, the Containerboard Group shipments reached 282,000 short ton, representing a sequential increase of 5%. The improvement in volume comes from both manufacturing and converting activities. In the converting activities, shipments have sequentially increased by 6%. This is in line with the performance of both the Canadian and the US industries. In the manufacturing activities, external paper shipments increased by 4%, resulting in a decrease of 2% of our integration rate. Accordingly, the second quarter operating rate remained stable at 91%.

On the pricing front, average selling price increased by 26 Canadian dollars per short ton, mainly as a result of price increase for the [indiscernible] product that we applied in February to offset the negative impact of the weaker Canadian currency against its US counterpart.

With regards to the profitability, the Containerboard Group realized an EBITDA of $55 million in the second quarter of 2015. This performance represents an improvement of 6% compared to the previous quarter and 28% compared to the same quarter last year. This is the best quarterly results performance
of the Containerboard Group since the third quarter of 2006. Our second quarter EBITDA of $55 million represents a margin of 17% on sales, which is stable compared to the first quarter of 2015.

If we look at the margin of our manufacturing activities separately, it reached 25% for the quarter. The group's solid performance was achieved as a consequence of an increase of 14,000 short ton in shipments, higher average selling price, and lower energy costs related to better weather conditions. Combined, these three items positively impacted our results by $18 million.

On the other hand, our raw material costs were negatively impacted despite stable OCC costs due to an unfavorable mix which include more external paper rolls bought from Greenpac and other trade partners. Also, a combination of different customer mix, unfavorable SG&A variation, and a stronger Canadian dollar negatively affected our results by $8 million compared to the first quarter of 2015.

With regards to the short-term outlook, we should continue to benefit from the stable economic environment in the Containerboard market. Demand in the US remains good, and we should continue to benefit from the weakness of the Canadian dollar. In the next quarter, we should continue to benefit from normal seasonal demand.

Finally, a word on the performance of Greenpac Mill. In the second quarter of 2015, Greenpac produced 110,000 short tons of liner board, a decrease of 3% cost by a three-day maintain downtime in April. Consequently, the contribution to our EPS coming from our share of Greenpac's net earnings excluding specific items amounted to $3 million or $0.03 per share during Q2. As mentioned on the previous call, we continue to gradually increase the proportion of value added product from Greenpac as the market receptivity for lightweight grades continues to be very good.
On the productivity front, we continue to be pleased with the paper machine which produces as planned, and since the end of the second quarter we broke a new production record, producing 1,804 tons in one day in July 22nd.

I thank you for your attention, and I will now ask Mario to give you an overview of our Boxboard activities in Europe. Mario?

Mario Plourde: Thank you, Charles.

Looking at our performance of our European operations, you can see that shipments were 3% lower than Q1. May holidays in France and the slight reduction in shipments by Reno de Medici explained this decrease. Market conditions are better than last year, and demand for both coated virgin and recycled boxboard grade is still decent. Our productivity improved in Q2, and our backlog was quite satisfactory at the end of the quarter.

On the pricing front, average prices in Canadian dollar were 3% lower than in the previous quarter. In euro, they remain stable as the previously announced price increase for recycle grade was only effective starting in June, and we expect a gradual implementation over the next quarters. These price increases will essentially cover the recent OCC price increase and will allow Reno to maintain its spread.

For virgin grade, the prices are stable despite a high fiber cost, hence the impact of unfavorable exchange rate and selling prices and lower shipment result in sales of $202 million, 6% lower than during the first quarter of 2015. Nevertheless, the EBITDA of our Boxboard Europe Group improved by 12% despite the decrease in sales and higher raw material costs during the second quarter. This is mostly due to a significant sequential decrease in energy costs and improved productivity during the quarter.
With regards to the outlook in Europe, demand should remain strong and the flow of order is expected to be satisfactory; however, the next quarter is usually a slow period in Europe due to the summer vacation. As usual, almost every mill will take downtime to balance inventory and proceed with annual maintenance work. We expect higher prices for the recycle grade, production efficiency, and energy savings to counterbalance the impact of a potential increase in fiber cost.

I will now ask Luc to follow up with the overview of the performance of our Specialty Products Group. Luc?

Luc Langevin: Thank you, Mario. Good morning.

The Specialty Products Group experienced a better quarter overall. Sales improved in all business segments to reach $146 million compared to $135 in Q1, representing an 8% increase. This increase is explained mostly by higher shipments despite an unfavorable exchange rate during the quarter.

We completed our quarter with an EBITDA of $14 million, 40% better than our Q1 results. Higher volume, lower labor and energy costs, and the reduction in freight costs more than offset unfavorable exchange rate compared to the first quarter of 2015.

Looking more specifically at our four sub-segments, EBITDA of our Industry Packaging segment was slightly above the first quarter. Higher volume was offset by unfavorable exchange rates. EBITDA of our Consumer Product Packaging segment improved by $2 million. Higher seasonal demand and better productivity contributed to improved results during the quarter.
As for our other activities, our EBITDA increase by approximately $1 million sequentially. Seasonally lower energy costs favorably impacted our results during this quarter.

Finally, EBITDA of the Recovery and Recycling segment improved by $1 million from the previous quarter. We benefitted from higher recycled paper volume during the period. Freight cost also declined following the creation of a new business partnership on the West Coast.

Looking forward, we remain cautiously optimistic for the near future as market conditions are stable in our Industrial and Consumer Product Packaging segments thanks in part to higher seasonal demand. Fluctuation in the price of rising in the Canadian dollar could also influence some of these results.

Thank you for your attention, and I will now ask Jean to present the results for the Tissue Paper Group.

Jean Jobin: Thank you, Luc. Good morning, everyone.

As you can see from the results released today, the Tissue Group improved its performance compared to the first quarter as our EBITDA increased by 53% to reach $23 million compared to $15 million during the previous quarter. This significant increase is mainly due to higher shipment and productivity improvement. Overall shipment increased by 11% compared to the previous quarter. Parent roll shipment increased by 20%, driven by inventory management initiatives which began in Q1 and a new Oregon paper machine which is now completely sold and in line with the production startup curves.

On the converted product side, shipment increased by 7% overall, mainly driven by the usual away-from-home seasonality and increased shipment in Consumer Product Canada. Total sales increased by 9% compared to the previous quarter, mainly due to higher shipment. The increase in volume was partially
offset by lower average selling prices, largely driven by a higher proportion of parent roll shipment combined with an unfavorable product mix in the converted product segment.

The increase in EBITDA for the quarter is the result of higher sales volume combined with productivity improvement and lower logistic cost mainly related to our new Wagram facility. The improvement in sales and productivity was partially offset by an increase in raw material cost due to higher purchases of external parent rolls and a higher use of virgin fiber. Fewer shutdowns during the second quarter increased productivity during the ramp-up of our new equipment, and overall equipment efficiency improvement were the key drivers and the reduction of production costs other than raw material.

The recent major capital projects in the US are all up and running. The Wagram facility now has more than 80% of plant capacity and operation. This project is on schedule and on budget. Also, the state-of-the-art towel line recently installed in Candiac has been completed as planned as we are now proceeding with the ramp-up. The addition of this line will increase our total capacity for high quality paper towel for the retail and away-from-home markets by approximately 3.5 million cases per year.

For the near term, we are seeing positive trends in volume and productivity. We are also implementing price increases in the consumer product and the parent roll markets. The third quarter is usually a strong quarter for sales in the away-from-home segment, and increased distribution in the US consumer product market will start to positively impact our result during the next quarter.

In addition to these positive trends, we are still working on fixed cost reduction and productivity improvement initiatives which should continue to reflect positively on our result. The combined effect of all these factors should lead to improved result in the third quarter.

Thank you. I will now turn the call back to the operator. Operator?
Operator: Thank you. We will now begin the question-and-answer session. (Operator instructions.) Our first question comes from Leon Aghazarian, from National Bank Financial.

Leon Aghazarian: Hi. Good morning. My first question is regarding the tissue side. I mean, we did see quite a pretty big improvement on the EBITDA side, and I know you spoke a little bit about the initiatives, but can we dive a little bit deeper into what some of the initiatives that were taken where to help improve, first of all, the revenue side and the profitability side as well?

Jean Jobin: Well, on the revenue side, honestly, mainly it’s the seasonality. Away-from-home shipment is always stronger in Q2 versus Q1 and always stronger in Q3 versus Q2. That’s the main driver there. Also on the jumbo roll side, we are pushing extremely hard right now to make sure that we manage all our inventory properly, so that’s why we sold more jumbo roll as well during this quarter.

Leon Aghazarian: You mentioned as well productivity improvements in the quarter. Can you give us a little bit more color as to what that entailed?

Jean Jobin: Yes. It's what we call the overall equipment efficiency. Mainly we have—as you know, some of our major investment was to be finalized during Q1 and beginning of Q2, and obviously with the startup curves, the OE of those machines are going higher and higher every day due to the ramp-up curve normally. That’s not the only improvement we have. We have other as well, but the rest is regular, focusing more on equipment.

Leon Aghazarian: Okay. Great. Thanks for that. You also mentioned certain price increases on the tissue side. How confident are you? What gives you the confidence that you’ll see that stick going
forward? And if you can give us a little bit more color as to in what space that is. I believe you mentioned retail, but is it on the high quality side of the paper, or is it more on the private label side?

Jean Jobin: Mainly the increase that we have announced it’s in retail and in the jumbo roll market. It’s overall a price increase in those markets. It’s not related to one category or more in one category; it’s overall.

Leon Aghazarian: We did see a lot of promotional activity, I could say, over the last number of quarters, so I just wanted to get your sense on how confident are you in that being able to stick and how big the price increase was actually?

Jean Jobin: The activity, the TPR that we call, it’s there since a couple years now. We don’t know what the future holds, but on the private label, we are doing good gains, so we are able to do well right now.

Leon Aghazarian: Thanks. I’ll jump back in queue.

Operator: Our next question comes from Hamir Patel from RBC Capital Markets.

Hamir Patel: Hi. Good morning. I had a couple questions. Just following up on that tissue price hike, could you maybe quantify what that percentage increase was on the retail side, also what it was on the parent roll side, the timing for both? Then on the retail one specifically, is that initiative both in Canada and the US?

Jean Jobin: Thank you for your question, Hamir, but we don’t want to discuss the details about price increase. I’m sure you will understand.
Hamir Patel: Okay. I appreciate that. I guess if you’re willing to maybe just share whether that initiative is North American as a whole or whether it’s just in one country.

Jean Jobin: For jumbo roll, it’s North America. For CP as well, we have on both sides.

Hamir Patel: Okay. Fair enough. One of your USPers yesterday was referencing an FX-driven price hike in the Canadian away-from-home space. Are you seeing some pricing momentum on that side as well?

Jean Jobin: Again, I don’t want to go into that type of detail talking about movement in pricing going up or down in Canada. It necessarily does not have the same FX effect on our side, so I won’t go further than that.

Hamir Patel: Okay. Fair enough. A question for Mario. You’ve spoken before about wanting to grow your converting assets. I think the figure you’ve mentioned before is 80% to 85% over time. Can you speak to maybe what steps you’re taking to get there, and is there a preference to build or acquire assets?

Mario Plourde: Obviously, we would like to acquire it. It’s much easier to integrate the market, and then you have a customer, you have employees, and you have equipment just to take over. This is the privilege growth we will look at, but if there’s no opportunity, obviously we will have to consider building and installing new equipment. Most of the growth we were considering is mainly in the US.

Hamir Patel: Maybe the timing of that—was that likely to be in 2016 or further out?
Mario Plourde: It certainly will be in 2016 because right now we are finalizing the ramp-up of two important projects. We are pleased with the results that we have. We want to just close on those two projects before we launch a new project, but we have things on the drawing board as we speak, and it might be more in 2016 than 2015.

Hamir Patel: Thanks. That’s helpful. I just had one final question for Allan, and then I’ll turn it over. Just related to your hedging policy, we’ve obviously seen a weaker Canadian dollar. Just wondering if there’s been any change in terms of how you think about hedging. I know you guys provide the disclosure for ‘15 and ‘16 in the slides, but I was just curious if you have any notable hedges in place for 2017 as well.

Allan Hogg: We have just a small portion for 2017. Remember that following the sale of our fine paper and boxboard activities, we sold a lot of US exposure, but we will look at it. We are trying to rebalance the portfolio that we have, and we could move some position that we have in 2015 to 2016 or 2017. We are not adding at this time a new position because a percentage of our exposure is at the 40% to 50% position. Due to a recent sale of assets, we’re not adding additional position at this time.

Hamir Patel: Okay. Thanks. I’ll get back in the queue.

Operator: Our next question comes from Bill Hoffman with RBC Capital Markets.

Bill Hoffman: Hi. This is Nick Levine, filling in for Bill Hoffman. Most of our questions have been answered, but just on the tissue business, can you give us a better idea of where you see operating rates going, and have there been any share gains in that business?
Jean Jobin: Actually, at this point we have not recalculated our share, so I cannot answer that, but because the increase is due to seasonality, it's not a question of share increase. In terms of managing the inventory of the operating rate, we have run all of our equipment full time during Q2.

Bill Hoffman: Okay. Thank you.

Operator: (Operator instructions.) Our next question comes from Keith Howlett.

Keith Howlett: I wondered if you could speak to your product mix in the tissue business. Are you shifting the mix towards the higher quality ATMOS product, or are you seeing some consumer response on the 100% recycled product. What's going on in that?

Jean Jobin: You know, the new touchless project has a new line that we put in Candiac. It’s the tool that we’ll use to improve our market share in that segment, but at this point we have just started production, so no shift at all. We’re stable right now.

Keith Howlett: When you speak about the slightly unfavorable mix shift, was that just to parent rolls or was that within product categories?

Jean Jobin: That was for parent rolls mainly.

Keith Howlett: Thank you.

Operator: Our next question comes from Hamir Patel with RBC Capital Markets.
Hamir Patel: Thanks. I just had two follow-up questions for Charles. Could you give us a sense of how your box shipments fared in July?

Charles Malo: We are seeing, as in the past, seasonable uptick, so the volume right now and the intake of the orders are what I would consider.

Hamir Patel: Thanks. The final question I had was related to that Canadian corrugated box price hike. You know, you mentioned in your prepared remarks that that was I believe effective February in your case. I thought it was April from what I read in [indiscernible]. Just wondering, how much of that was already realized in Q2, and maybe off that hike what percent might flow through in Q3?

Charles Malo: Okay, as in the past, we mentioned that we announced the price increase in February to our customers, but due to contracts and timing, it usually takes between four and five months before we can realize the full impact of our price increase on the converting.

Hamir Patel: Okay. I mean, if you sort of break it down between maybe Q2, Q3, and Q4, how much is sort of left?

Charles Malo: It’s pretty much in place as we speak right now.

Hamir Patel: Okay. Great. That’s all I had. Thanks.

Operator: We have no further questions at this time. I will now turn the call over to Mr. Mario Plourde for closing remarks. Mr. Plourde?
Mario Plourde: Thank you, operator. While we are pleased with the first half of 2015, we feel positive of our ability to improve going forward in 2015. The situation in Canada with the weak dollar, low interest rates, and decreased energy costs provide tailwinds. If the Canadian dollar weakens even more, however, our US [indiscernible] debt might increase despite some cash flow management. Nevertheless, our leverage ratio should continue to improve.

Despite the recent uptick of OCC list price, we do not expect major change in recovered paper prices for the remainder of the year as these increases were essentially speculative in our views and do not reflect market condition in the region where we are active. Unfortunately, some of our contractual sourcing is tied to this list price. Our two packages product groups in North America should continue to improve their performance, as Q3 is a period of strong seasonal market conditions.

In Europe, the next quarter is usually softer, but it should reflect recent price increases. As recovered paper prices also increase, however, it seems that this will only contribute to maintain our spread during the second half. The Greenpac Mill is also operating very well, and it is expected to continue to contribute positively to quarterly earnings per shares. Our Tissue Paper Group should also improve its resolve. As our two new sites gradually improve their performance, additional volume is secured.

Also, price increases announced in the retail and parent roll segment should be implemented gradually. In addition, we are excited to host an Investor Day on September 25th to be held in Niagara Falls, New York. A tour of the Greenpac Mill is planned, and this will be a great opportunity to showcase this state-of-the-art facility and for analysts and investors to meet our management team and learn about their respective sector. We hope to see you there. We thank you for your support and hope that you continue to enjoy the summer. Have a good day.
Operator: Thank you. Ladies and gentlemen, this concludes today’s conference. Thank you for participating. You may now disconnect.