CASCADES INC.

Review of
Q2 2013
financial results

Cascades

GREEN BY NATURE™

RECOVERY + PACKAGING + PAPER CASCADES.COM

DISCLAIMER

Certain statements in this presentation, 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. This presentation may also include 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 management of the Corporation.

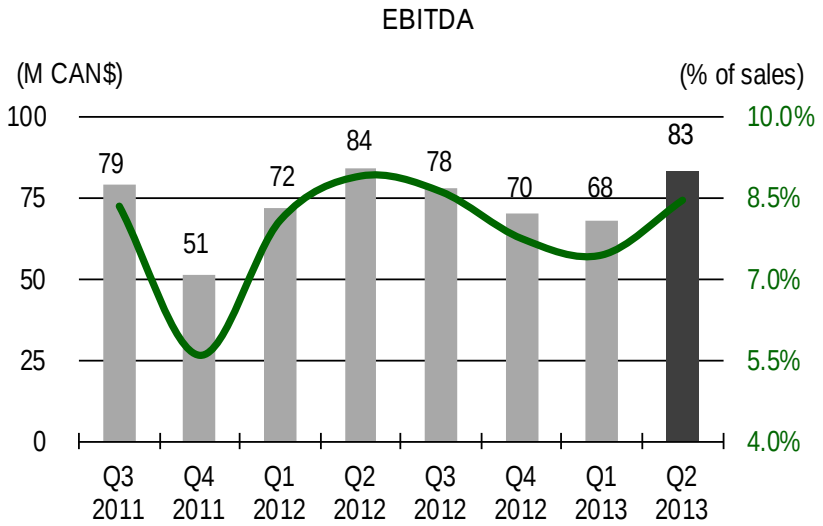
The financial information included in this presentation also contains certain data that are not measures of performance under IFRS ("non-IFRS measures"). For example, the Corporation uses earnings before interest, taxes, depreciation and amortization (EBITDA) because it is the measure used by management to assess the operating and financial performance of the Corporation's operating segments. Such information is reconciled to the most directly comparable financial measures, as set forth in the "Supplemental Information on Non-IFRS Measures" section of our most recent quarterly report or annual report.

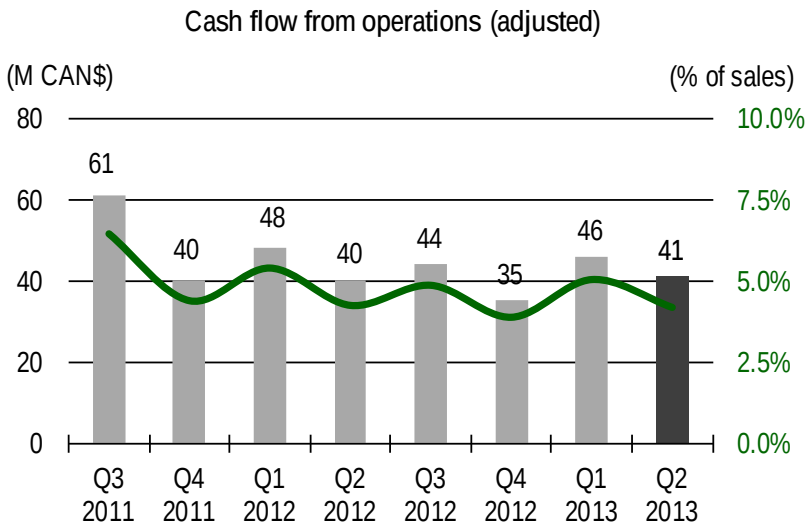
Specific items are defined as items such as charges for impairment of assets, for facility or machine closures, accelerated depreciation of assets due to restructuring measures, debt restructuring charges, gains or losses on sales of business units, unrealized gains or losses on derivative financial instruments that do not qualify for hedge accounting, foreign exchange gains or losses on long-term debt and other significant items of an unusual or non-recurring nature.

All amounts in this presentation are in Canadian dollars unless otherwise indicated.

OPENING REMARKS

SUMMARY OF FINANCIAL RESULTS





(In millions of CAN$, except amount per share)	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2012 Year	2013 Q1	2013 Q2	2013 Year
Financial results								
Sales	891	944	906	904	3,645	914	982	1,896
Excluding specific items								
EBITDA	72	84	78	70	304	68	83	151
Net earnings (loss)[1]	1	5	4	(5)	5	(4)	8	4
Net earnings (loss) per share[1]	$0.01	$0.05	$0.05	$(0.06)	$0.05	$(0.04)	$0.09	$0.05
Cash flow from operations (adjusted)	48	40	44	35	167	46	41	87

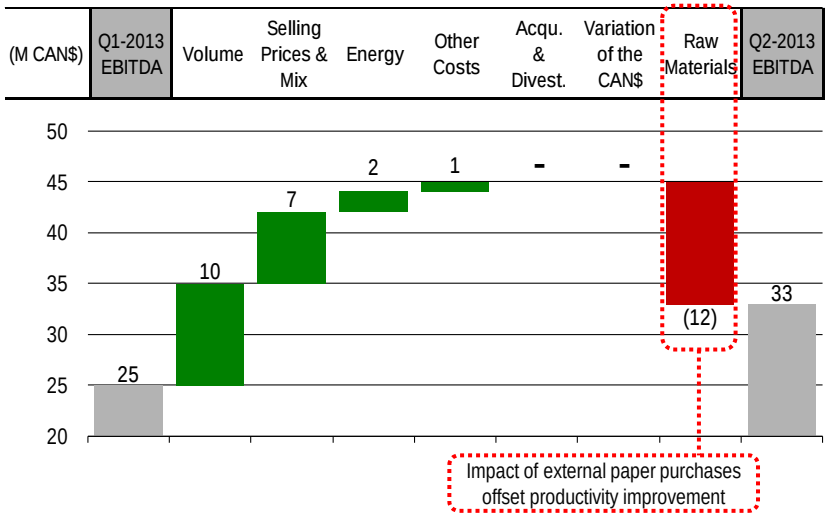
EBITDA, net earnings and cash flow from operations (adjusted) excluding specific items.
Note 1 - 2012 restated to comply with IAS19 standard – Employee benefits

Significant sequential improvement in Containerboard and Specialty Products sectors

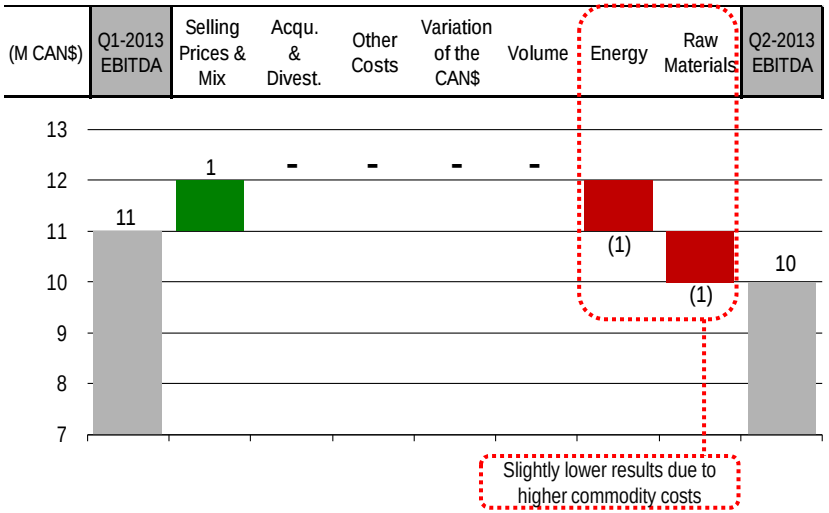
Cascades
GREEN BY NATURE

SEGMENTED EBITDA WATERFALLS

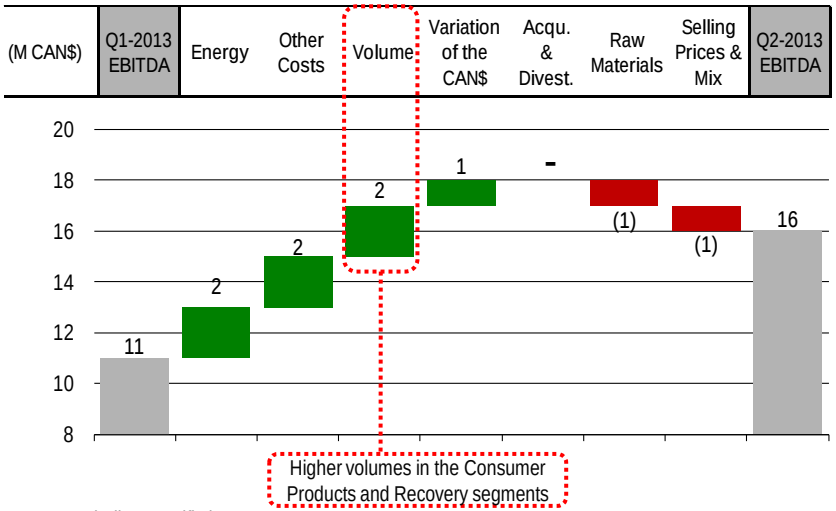
Containerboard



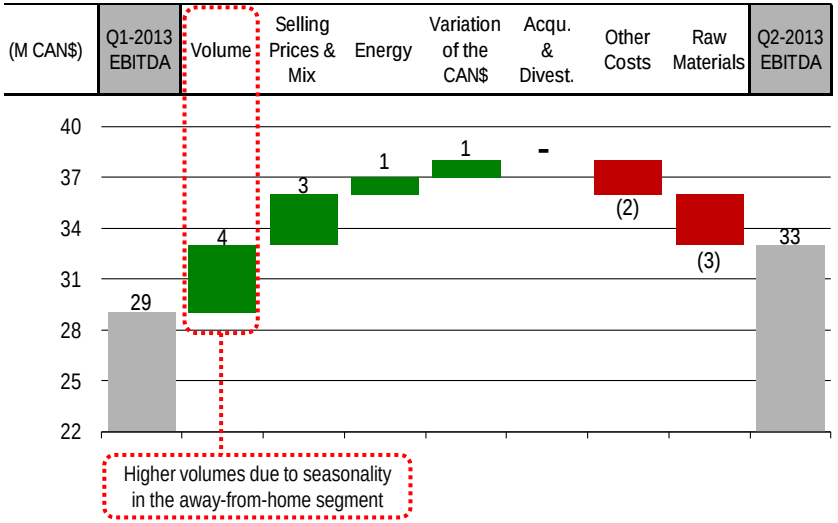
Boxboard Europe



Specialty Products

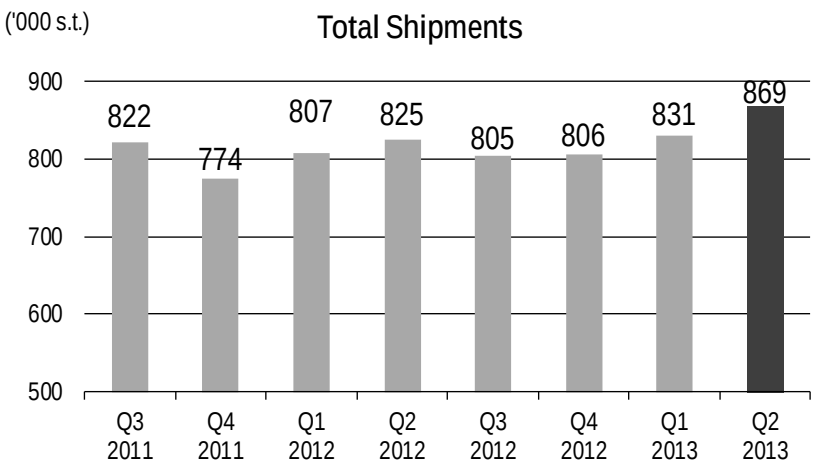


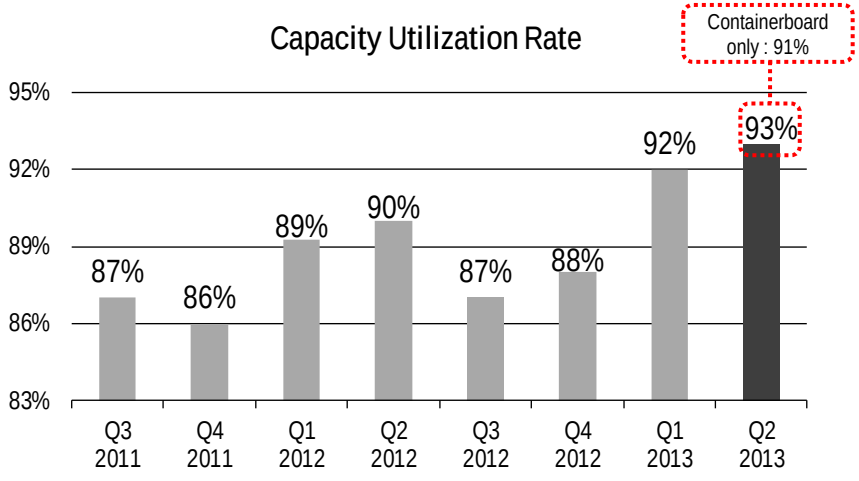
Tissue Papers

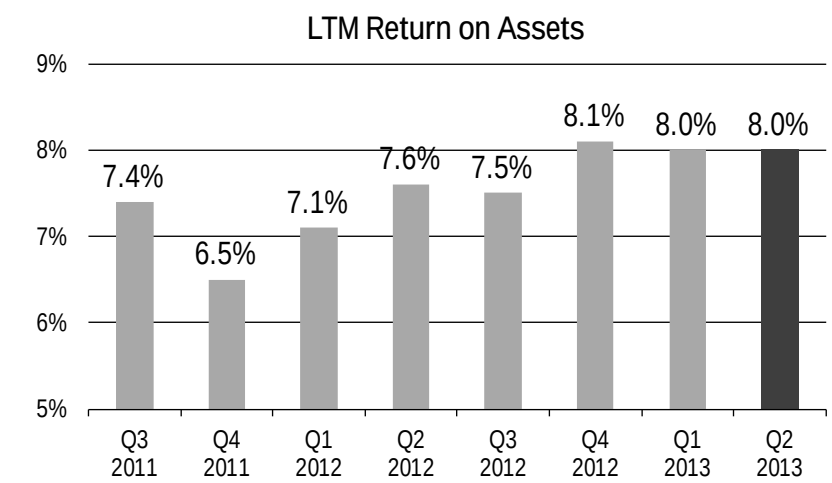


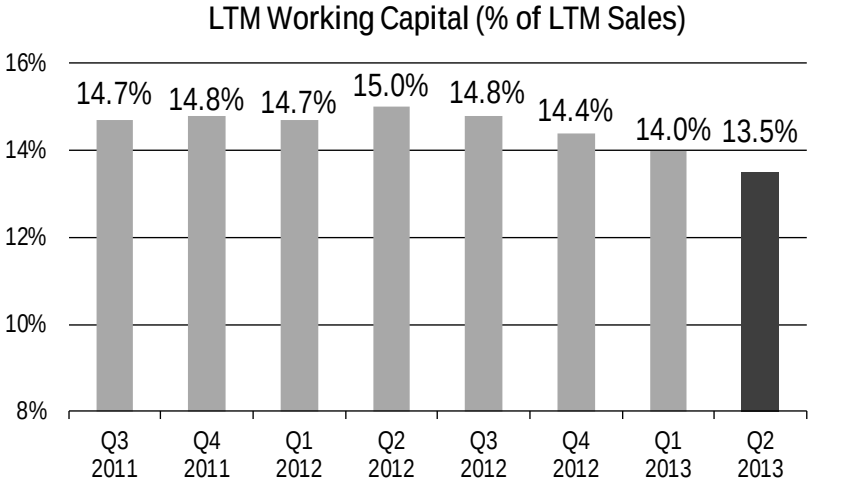
EBITDA excluding specific items.

KEY PERFORMANCE INDICATORS (KPIs)





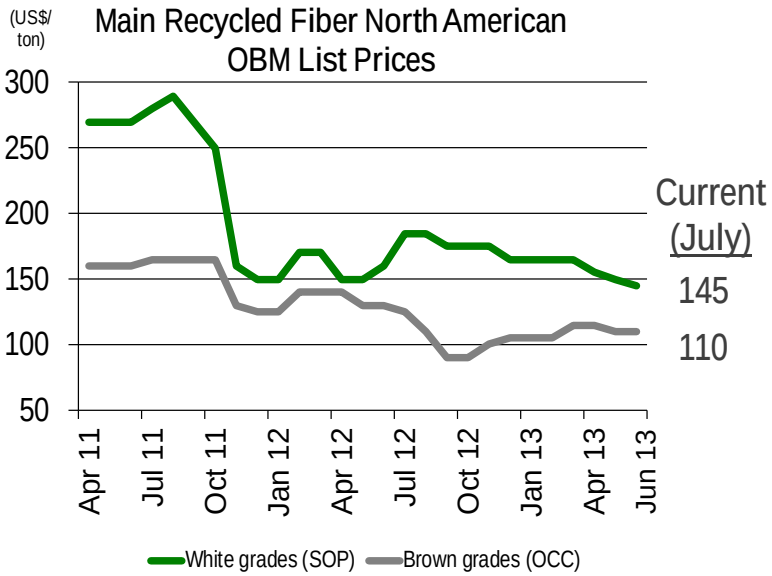


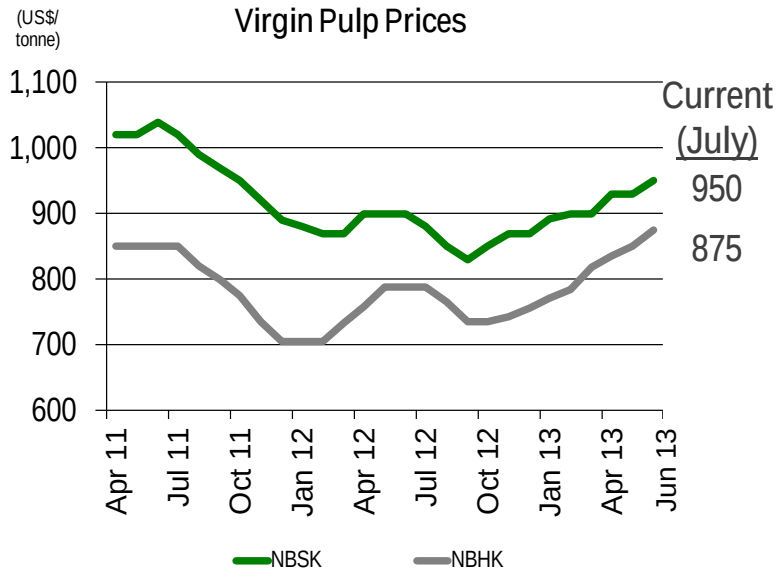


Higher productivity; working capital build-up due to seasonality

Refer to Notes included in the Appendix.

RAW MATERIAL COSTS





OBM Average Quarterly List Prices	Q2-2012	Q1-2013	Q2-2013	YoY	QoQ
Brown grades - OCC No. 11 (New England)	133	108	112	-16%	+3%
White grades - SOP No. 37 (New England)	153	165	150	-2%	-9%
Virgin Pulp Prices					
NBSK (Canadian sources delivered to US East)	900	898	937	+4%	+4%
NBHK (Canada/US sources delivered to US East)	778	791	853	+10%	+8%

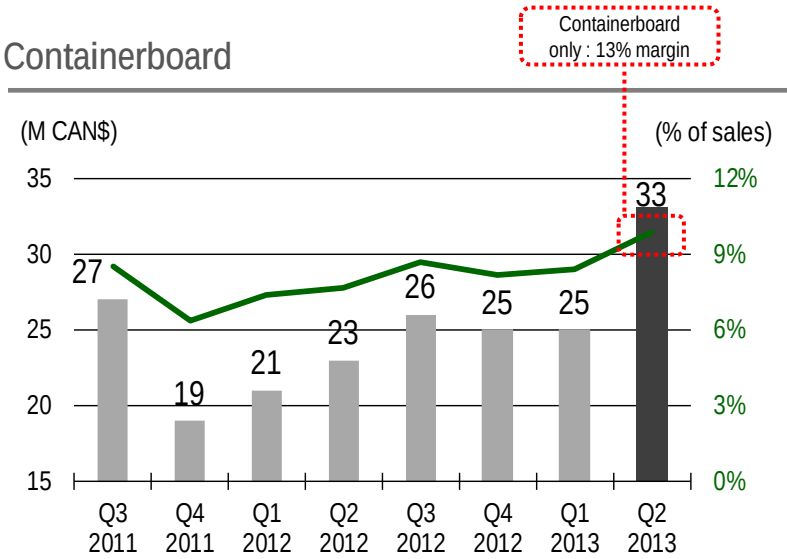
Recovered paper demand expected to increase; pulp prices expected to stabilize

Sources: RISI, Bloomberg.

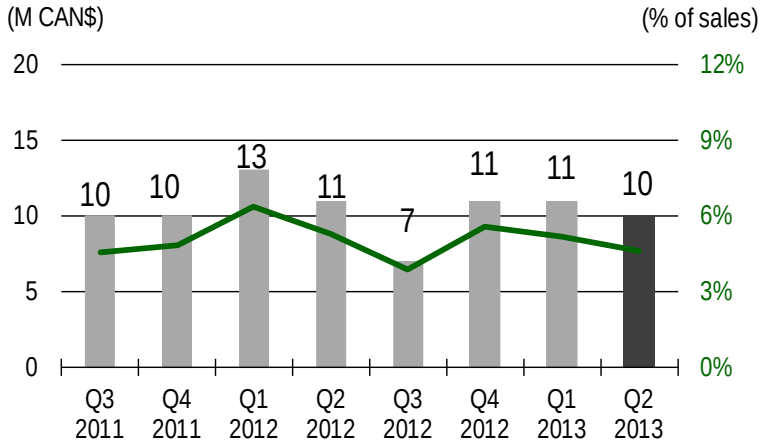
FINANCIAL REVIEW

HISTORICAL SEGMENTED EBITDA

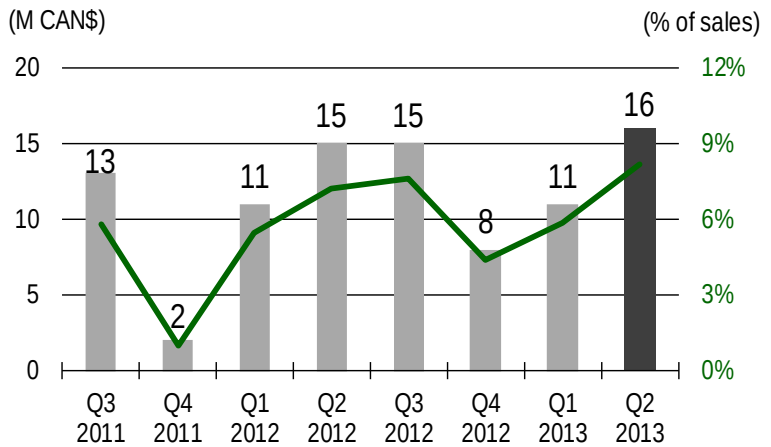
Containerboard



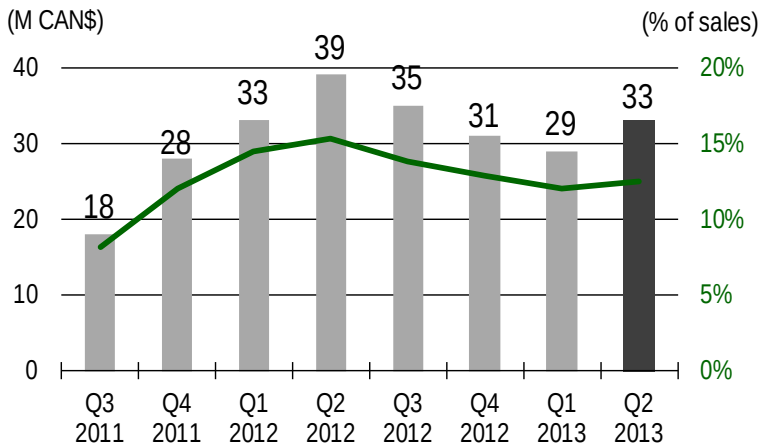
Boxboard Europe



Specialty Products

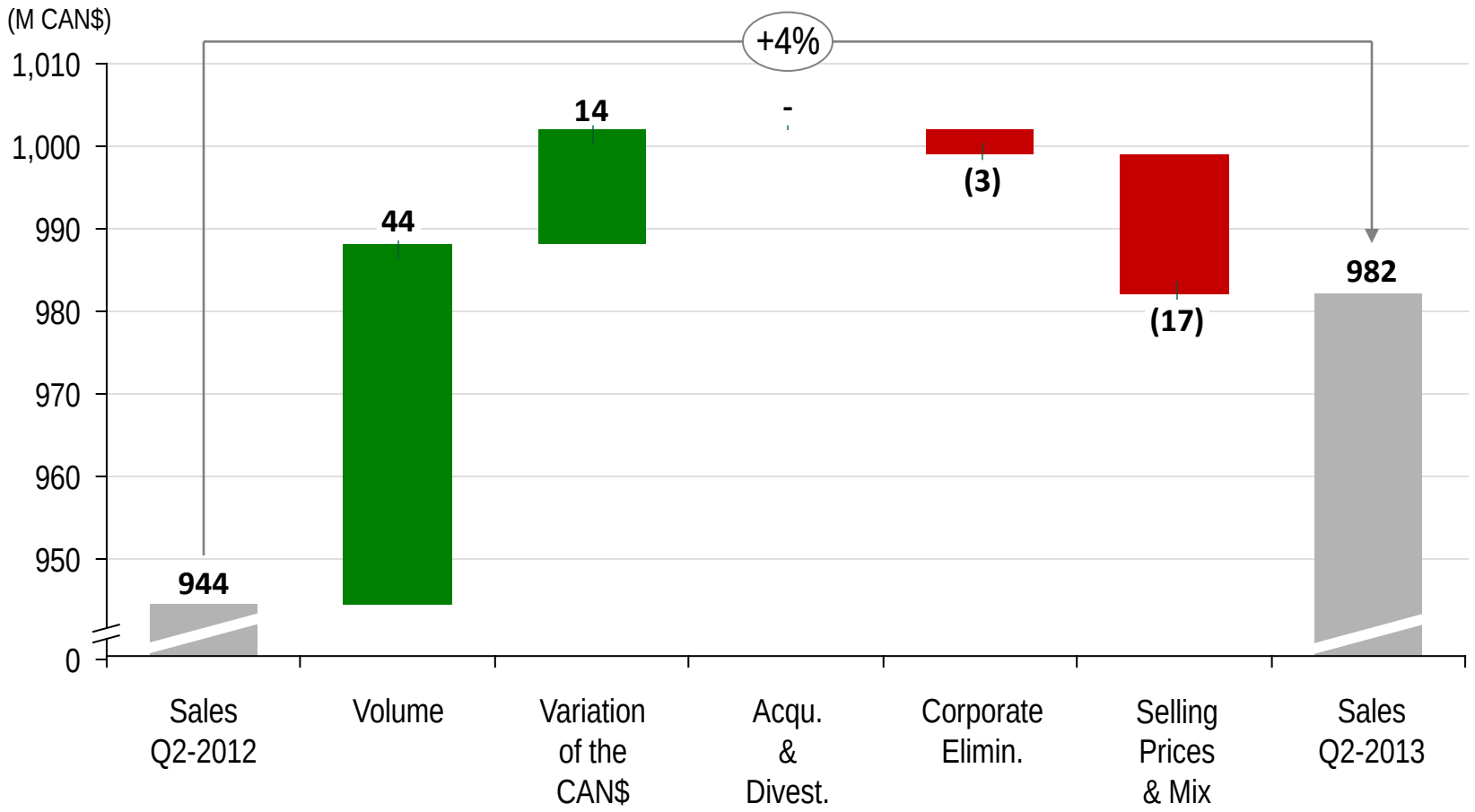


Tissue Papers



EBITDA excluding specific items.

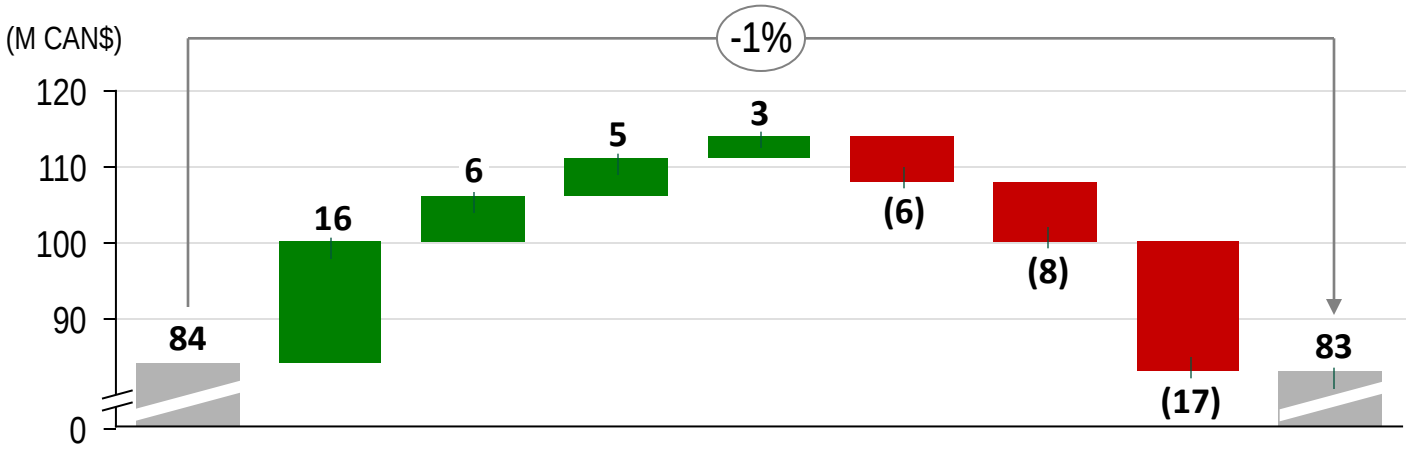
Q2-2012 – Q2-2013 SALES RECONCILIATION



Volume and FX more than offset lower average selling prices

Cascades
GREEN BY NATURE

Q2-2012 – Q2-2013 EBITDA VARIANCE ANALYSIS



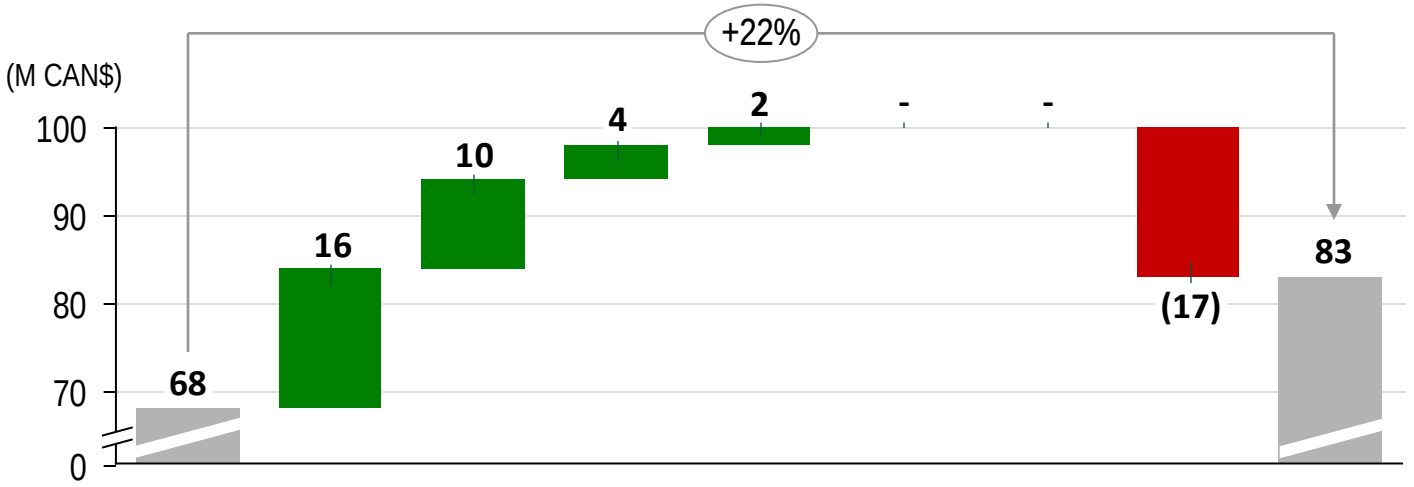
(M CAN$)	EBITDA Q2-2012	Volume	Energy	Acqu. & Divest.	Variation of the CAN$	Raw Materials[1]	Other Costs	Selling Prices & Mix	EBITDA Q2-2013
Containerboard	23	11	3	4	1	(9)	3	(3)	33
Boxboard Europe	11	3	1	1	(1)	5		(10)	10
Specialty Products	15		1		1		1	(2)	16
Tissue Papers	39	2	1		1	(2)	(6)	(2)	33
Corporate	(4)				1		(6)		(9)
Total	84	16	6	5	3	(6)	(8)	(17)	83

Lower prices more than offset a higher volume

EBITDA excluding specific items.

[1] Raw materials include fibre as well as parent rolls used by converting operations.

Q1-2013 – Q2-2013 EBITDA VARIANCE ANALYSIS



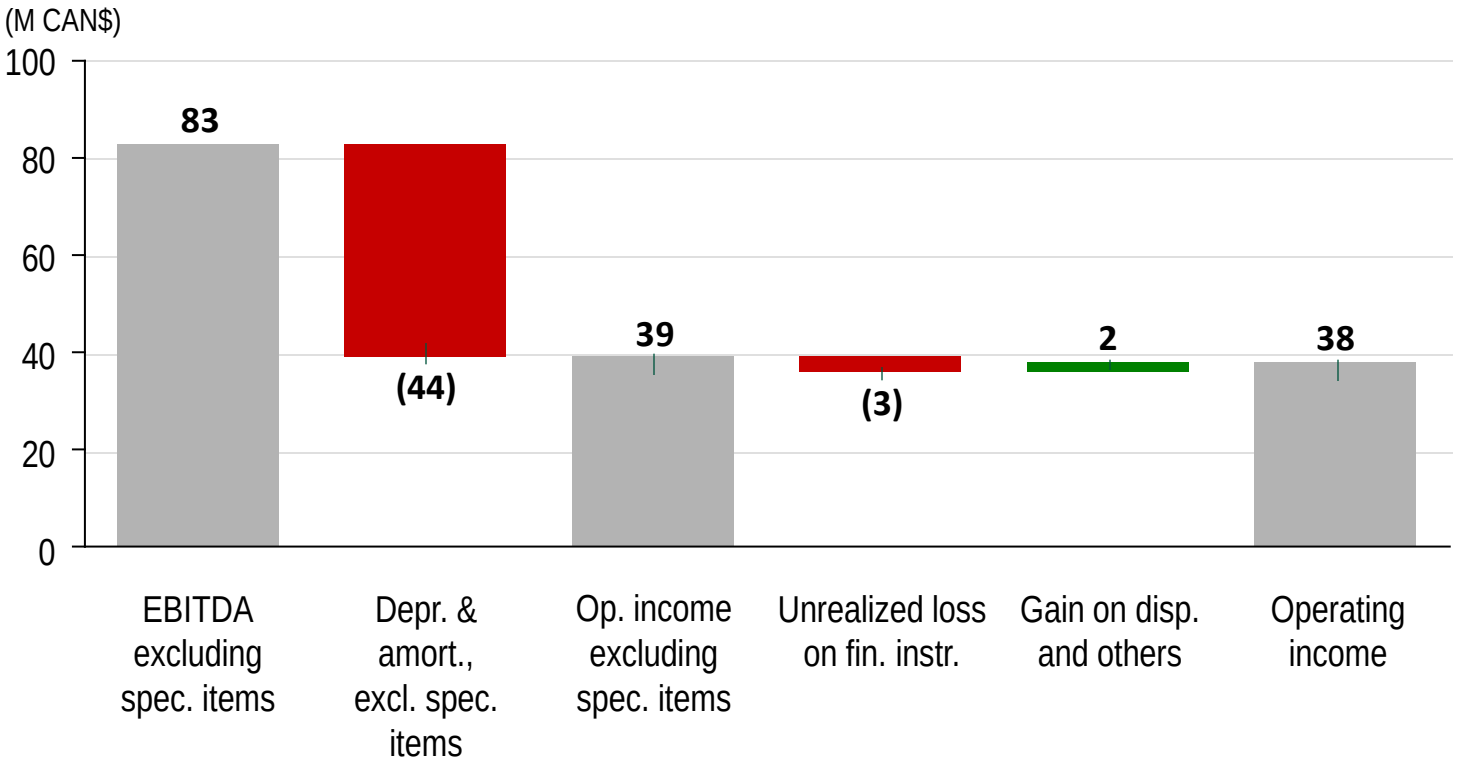
(M CAN$)	EBITDA Q1-2013	Volume	Selling Prices & Mix	Energy	Variation of the CAN$	Acqu. & Divest.	Other Costs	Raw[1] Materials	EBITDA Q2-2013
Containerboard	25	10	7	2			1	(12)	33
Boxboard Europe	11		1	(1)				(1)	10
Specialty Products	11	2	(1)	2	1		2	(1)	16
Tissue Papers	29	4	3	1	1		(2)	(3)	33
Corporate	(8)						(1)		(9)
Total	68	16	10	4	2	-	-	(17)	83

Increased expeditions and higher prices more than offset higher raw materials caused by external purchases

EBITDA excluding specific items.

[1] Raw materials include fibre as well as parent rolls used by converting operations.

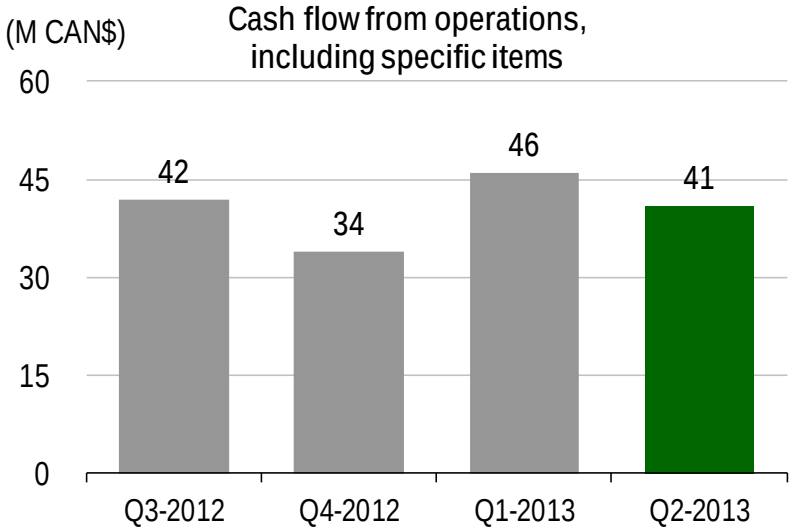
Q2-2013 EBITDA TO OPERATING INCOME RECONCILIATION

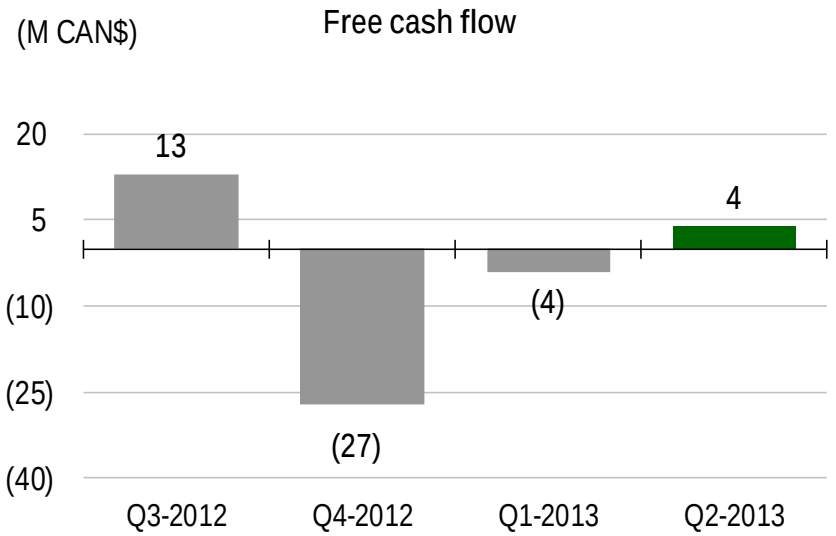


(M CAN$)	Container-board	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Total
Operating income (loss)	21	1	9	23	(16)	38
Specific items:						
Gain on disposals and others	(2)	-	-	-	-	(2)
Unrealized loss (gain) on financial instruments	-	-	-	-	3	3
Total specific items	(2)	-	-	-	3	1
Operating income (loss) excluding specific items	19	1	9	23	(13)	39
Depreciation, excluding specific items	14	9	7	10	4	44
EBITDA excluding specific items	33	10	16	33	(9)	83

Cascades
GREEN BY NATURE

CASH FLOW OVERVIEW



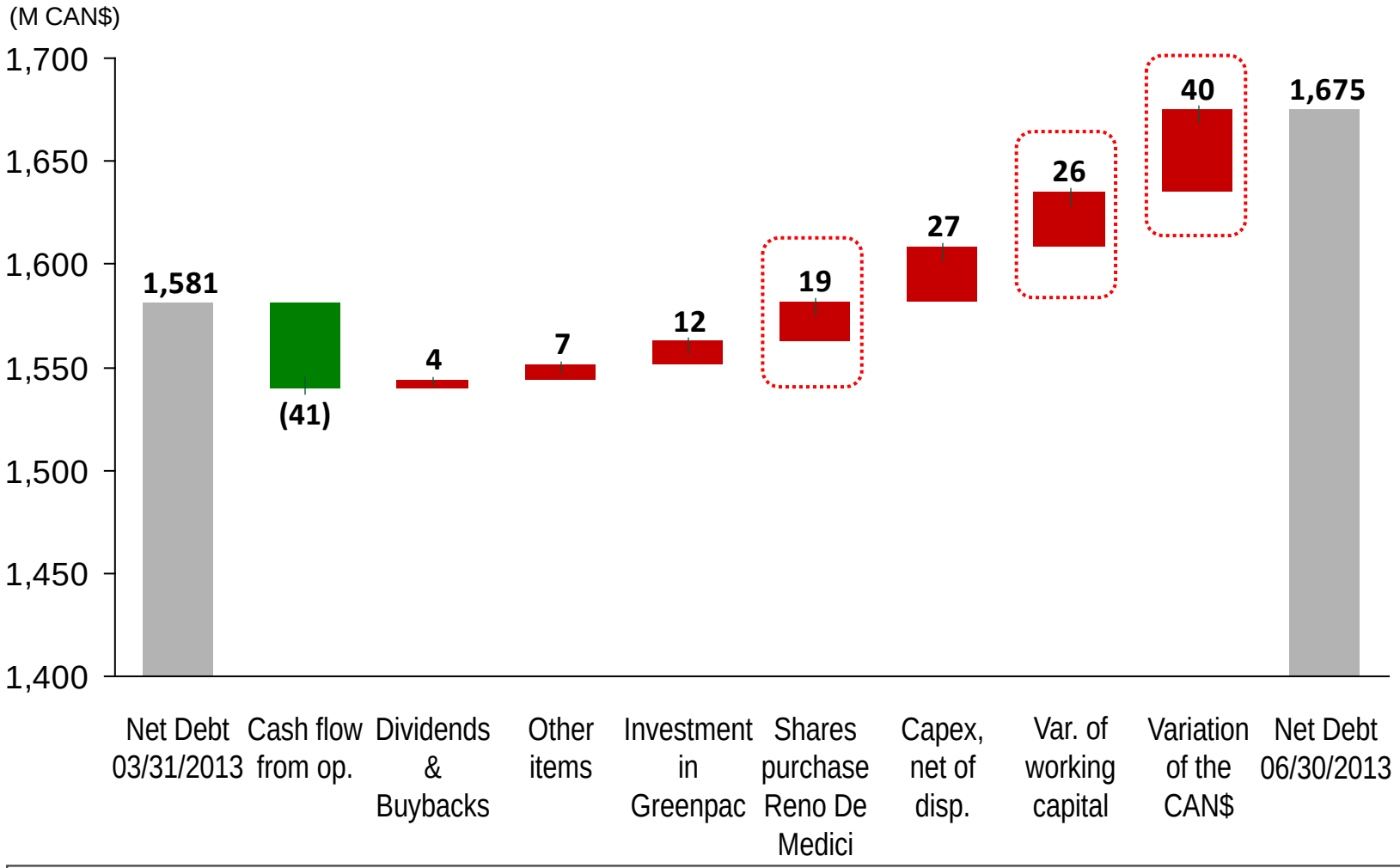


(in millions of CAN$)	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2012 Year	2013 Q1	2013 Q2	2013 Year
Cash flow from operations, including disc. operations	48	37	42	34	161	46	41	87
Capital expenditures & other assets, net of disposals[1]	(47)	(36)	(25)	(57)	(165)	(46)	(33)	(79)
Dividend & share buyback	(6)	(4)	(4)	(4)	(18)	(4)	(4)	(8)
Free cash flow	(5)	(3)	13	(27)	(22)	(4)	4	0
Free cash flow per share	$(0.05)	$(0.03)	$0.14	$(0.29)	$(0.23)	$(0.04)	$0.04	$0.00

FCF impacted by the timing of financial expenses occuring during the quarter

[1] Excluding increase in investments.

NET DEBT RECONCILIATION

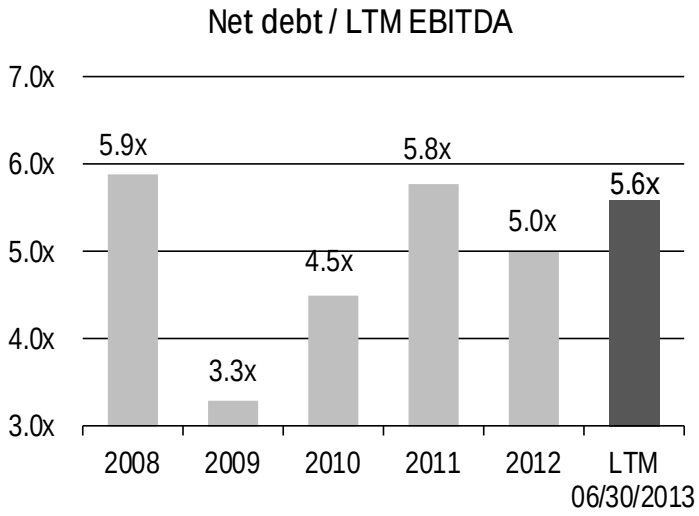


Net debt increased linked to FX, seasonality and Reno put agreement

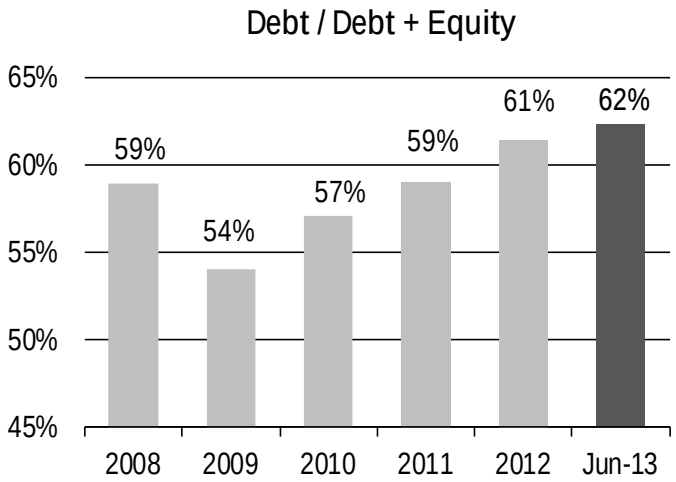
Q2-2013 net debt includes $134 million of non-recourse net debt of Reno De Medici and other unrestricted subsidiaries.

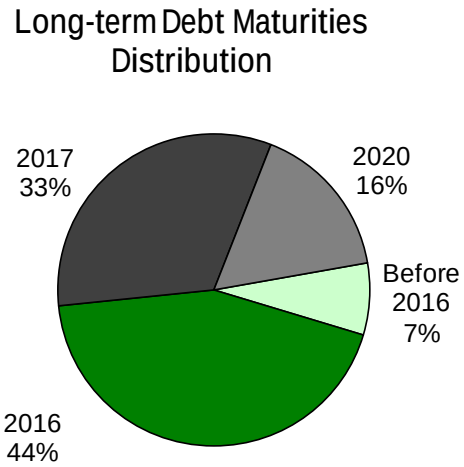
Cascades
GREEN BY NATURE

CONSOLIDATED FINANCIAL RATIOS & DEBT MATURITIES



- Our debt was converted at a ratio of 1.05 CAN$/US$ as at the end of Q2-2013
- Our results have been converted at a rate of 1.00 CAN$/US$ for the LTM period as at the end of Q2-2013





Leverage ratio expected to revert back to 2012 level towards the end of the year

Cascades' bank debt financial covenant ratios: Net funded debt to capitalization < 65% (currently at 56%),interest coverage ratio > 2.25x (currently at 2.8x).

Cascades
GREEN BY NATURE

SEGMENTED REVIEW

TISSUE PAPERS

Results Q2 2013	Change vs. Q1 2013	Change vs. Q2 2012	Comments on sequential performance
Shipments ('000 s.t.) 150	6%	3%	▸ Higher shipments mainly due to seasonality in the away-from-home segment in Canada and the US
Average selling price (CAN$/unit) 1,774	4%	1%	▸ Higher average selling prices explained by a favorable integration rate resulting in a product mix that included more converted products ▸ More than offset by a higher share of products sold in the away-from-home market which sell at lower prices
(US$/unit) 1,733	3%	0%	▸ Higher average selling prices for parent rolls
Sales (M$) 264	10%	4%	▸ Sequential increase in sales due to higher shipments, a favorable exchange rate and higher average selling prices
EBITDA (M$) 33 % of sales 13%	14%	-15%	▸ Positive impact of increased productivity and a favorable exchange rate more than offset raw material price increases, namely for virgin pulp and brown recycled papers ▸ Higher promotional activities expenses also contributed to lower EBITDA

EBITDA excluding specific items

Cascades
GREEN BY NATURE

PACKAGING / CONTAINERBOARD

Results Q2 2013	Change vs. Q1 2013	Change vs. Q2 2012	Comments on sequential performance
Shipments ('000 s.t.) 324	9%	9%	▸ 9% global shipments increase mainly due to higher external shipments in our manufacturing activities (+20% containerboard and +10% boxboard) ▸ Sequentially, converted products shipments increased by 5% (+10% for our Canadian corrugated products manufacturing activities, which is similar to the industry; offset by a 15% decrease in folding carton)
Average selling price (CAN$/unit) 1,032 (US$/unit) 1,009	3% 1%	2% 1%	▸ First price increase fully reflected in our corrugated product activities ▸ Average selling prices negatively impacted by a 5% increase in the share of paper rolls in total shipments (selling price variance : +$21/st containerboard; +$64/st corrugated; +$27/st consolidated) ▸ Significant decrease in volumes of value-added boxboard products also negatively impacted average selling prices
Sales (M$) 335	12%	12%	▸ Important increase in sales due to the above-mentioned increase in shipments and the implementation of the containerboard price increase
EBITDA (M$) 33 % of sales 10%	32%	43%	▸ Sequentially, the increase in shipments (+$10M) and its impact on productivity, combined with a favorable product mix (+$5M) as well as higher average selling prices (+$7M) have more than offset higher raw material costs due to the purchase of external rolls (-$12M) ▸ OCC prices increased during the quarter resulting in a $3M negative impact on results

EBITDA excluding specific items
Average selling prices now include converted products

Cascades
GREEN BY NATURE

PACKAGING / BOXBOARD EUROPE

Results Q2 2013	Change vs. Q1 2013	Change vs. Q2 2012	Comments on sequential performance
Shipments ('000 s.t.) 301	1%	6%	▸ Sequentially, slightly higher shipments in both markets due to more favorable market conditions in 2013 ▸ Order book is still healthy ▸ Market share increased since last year, particularly in Italy
Average selling price (CAN$/unit) 715 (Euros/unit) 535	1% 0%	-2% -4%	▸ Stable average prices in Euros ▸ Announced price increases for recycled grades at the end of April were not implemented but should gradually be effective in the upcoming months
Sales (M$) 215	1%	3%	▸ Higher shipments and favorable exchange rate explain the increase in sales
EBITDA (M$) 10 % of sales 5%	-9%	-9%	▸ EBITDA negatively impacted by higher raw material costs

EBITDA excluding specific items

Cascades
GREEN BY NATURE

PACKAGING / SPECIALTY PRODUCTS

Results Q2 2013	Change vs. Q1 2013	Change vs. Q2 2012	Comments on sequential performance
Shipments ('000 s.t.) 94	0%	-3%	▸ Sequentially, higher shipments in the Consumer Products segment [1] ▸ Reduced volumes in the Specialty Papers and Industrial Packaging segments [1] ▸ Volumes also higher in the Recovery Segment [1]
Average selling price (CAN$/unit) 895	-3%	-1%	▸ Average selling prices decrease in the Specialty Papers segment due to an unfavorable product mix compared to previous quarter as higher volume of exports commanded higher prices in Q1
(US$/unit) 875	-5%	-2%	
Sales (M$) 196	4%	-6%	▸ Higher sales due to higher volumes in the Recovery and Consumer Products segments ▸ A favorable exchange rate also slightly contributed to this growth
EBITDA (M$) 16 % of sales 8%	45%	7%	▸ Sequentially, significant EBITDA improvement due to higher volumes in the Recovery segment, a favorable exchange rate, lower energy costs in the Specialty Papers segment and lower freight costs as a result of lower exports compared to the previous quarter

EBITDA excluding specific items

1 Shipments and average selling prices for papers and industrial packaging only

Cascades

GREEN BY NATURE

Q&A

AND

CONCLUDING REMARKS

Cascades

GREEN BY NATURE®

NEAR TERM OUTLOOK

+

- Price increases in corrugated box and boxboard sectors
- Benefits of restructuring and optimization measures
- Potential to improve utilization rate
- Additional contribution following investments in Containerboard in Ontario and North American boxboard operations
- Greenpac contribution

−

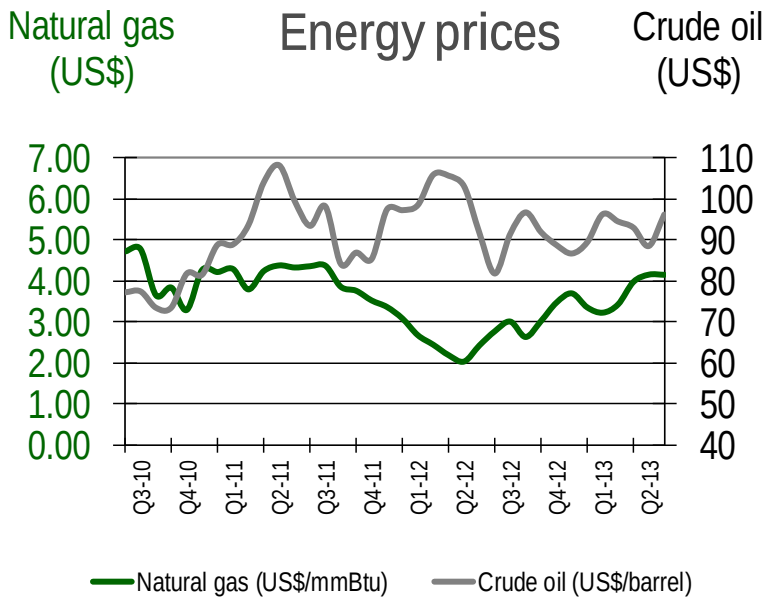
- State of Canadian economy
- Stable to slightly increasing raw material costs
- New capacity in tissue sector
- Economic uncertainty in Europe
- Challenges in our North American boxboard operations

	Boxboard Europe	Containerboard	Specialty Products	Tissue Papers
Volume	Slight decrease ↘	Slight increase ↗	Slight increase ↗	Slight increase ↗
Selling prices	Slight increase ↗	Slight increase ↗	Stable ↔	Stable ↔
Raw material costs	Stable ↔	Slight increase ↗	Slight increase ↗	Slight increase ↗
CDN $ vs other currency	Stable ↔	Stable ↔		
Energy costs	Slight decrease ↘	Slight decrease ↘		

Cascades
GREEN BY NATURE

APPENDIX

ENERGY PRICES



Hedging Program – Natural gas

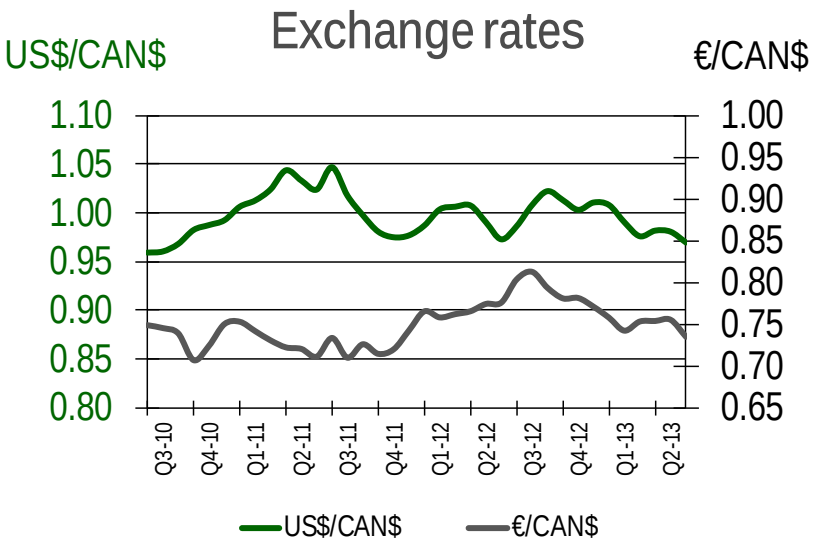
- Canada:
  - 2013 (May – Dec): 70% at 5.47 CAN$/GJ
  - 2014: 65% at 5.35 CAN$/GJ
- U.S.:
  - 2013: 53% at 5.587 US$/mmBtu
  - 2014: 51% at 5.248 US$/mmBtu

	2011	2012	2013		Change	
Averages	Year	Year	Q1	Q2	Q2 2013 Q2 2012	Q2 2013 Q1 2013
Energy prices						
Natural gas Henry Hub (US$/mmBtu)	4.04	2.79	3.34	4.09	84%	23%
Crude oil WTI (US$/barrel)	94.01	94.92	93.37	92.54	-8%	-1%

Source: Bloomberg

Cascades
GREEN BY NATURE

FOREIGN EXCHANGE



Hedging Program – USD Cash flows

- 2013

  40 to 67% of exposure hedged at an average rate of 1.030CAN$/US$ to 1.076CAN$/US$

- 2014

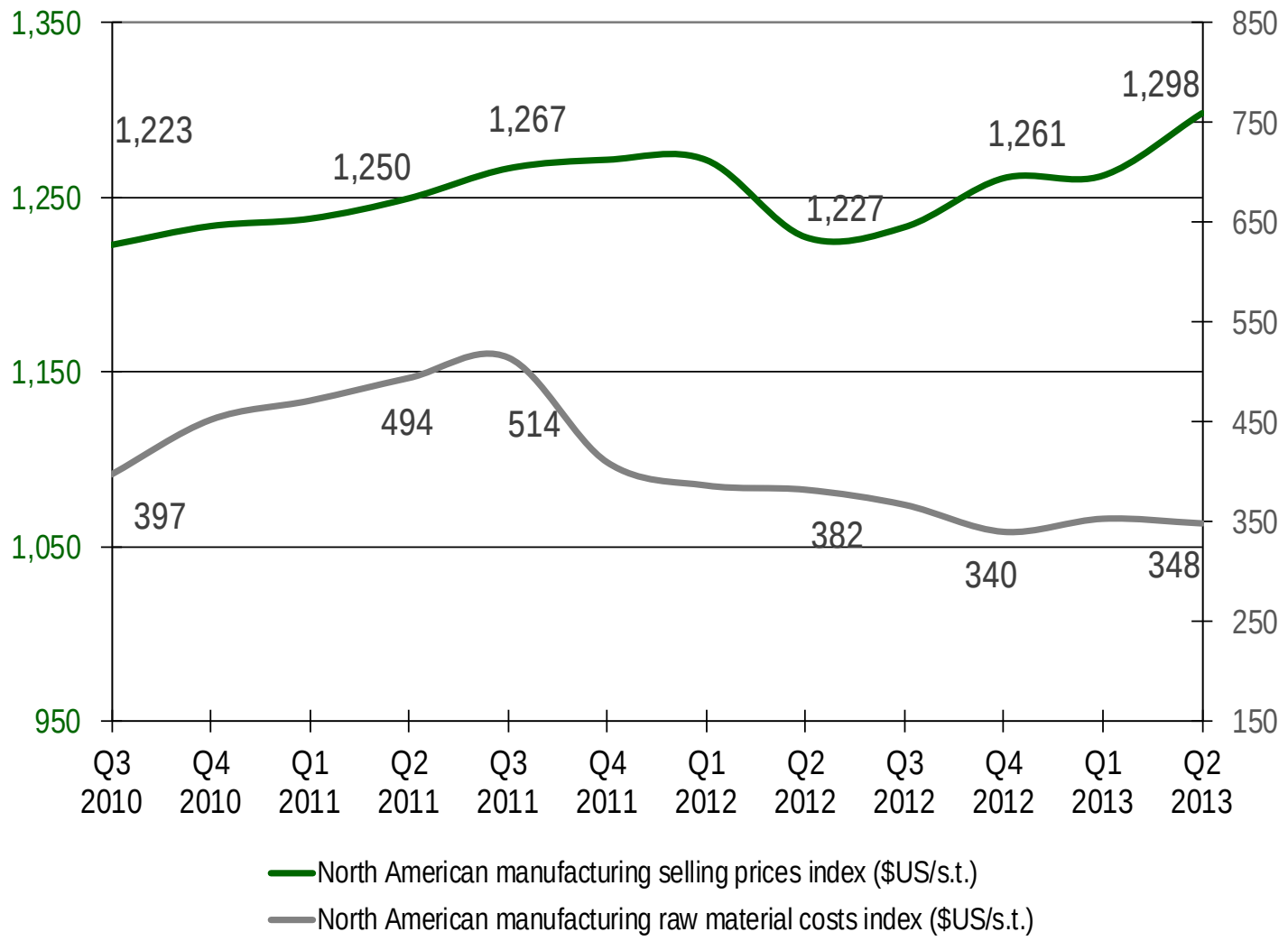
  22 to 36% of exposure hedged at an average rate of 1.041CAN$/US$ to 1.056CAN$/US$

	2011	2012	2013		Change	
Averages	Year	Year	Q1	Q2	Q2 2013 Q2 2012	Q2 2013 Q1 2013
Foreign exchange rates						
US$/CAN$	1.011	1.001	0.991	0.977	-1%	-1%
EURO/CAN$	0.727	0.779	0.751	0.748	-3%	0%

Source: Bloomberg

Cascades
GREEN BY NATURE

NORTH AMERICAN MANUFACTURING SPREAD

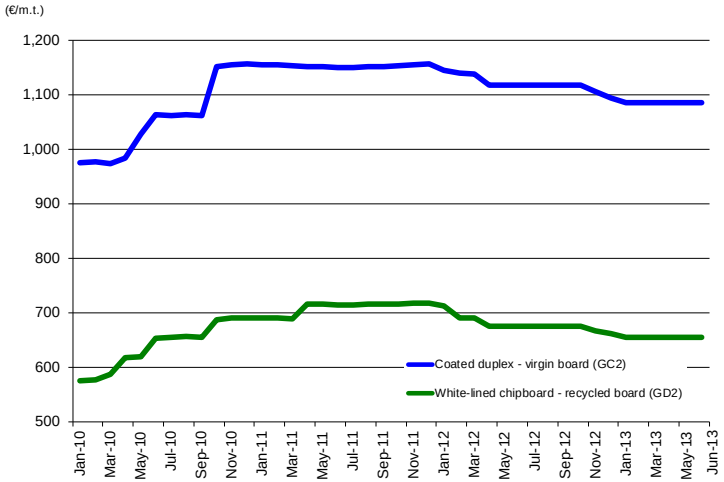


Manufacturing spread in CAN$ in Q2/13: +6% vs Q1/13 and +14% vs Q2/12

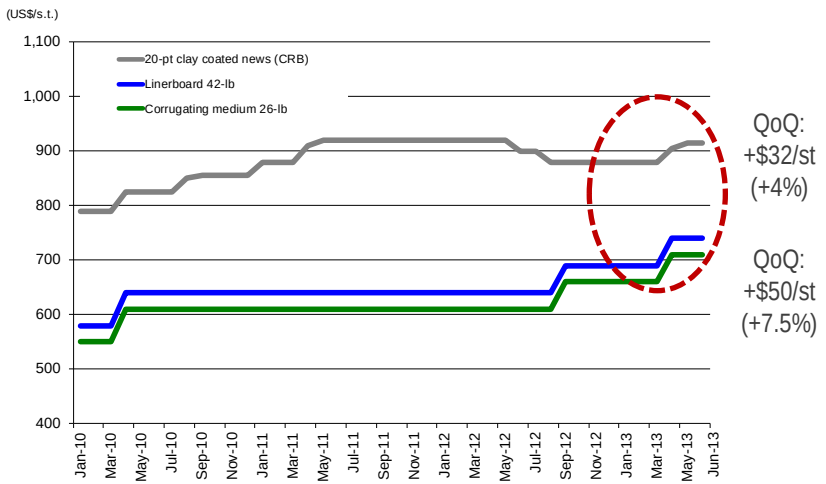
Refer to Notes page included in the Appendix.
Source: RISI

SELECTED INDUSTRY REFERENCE PRICES

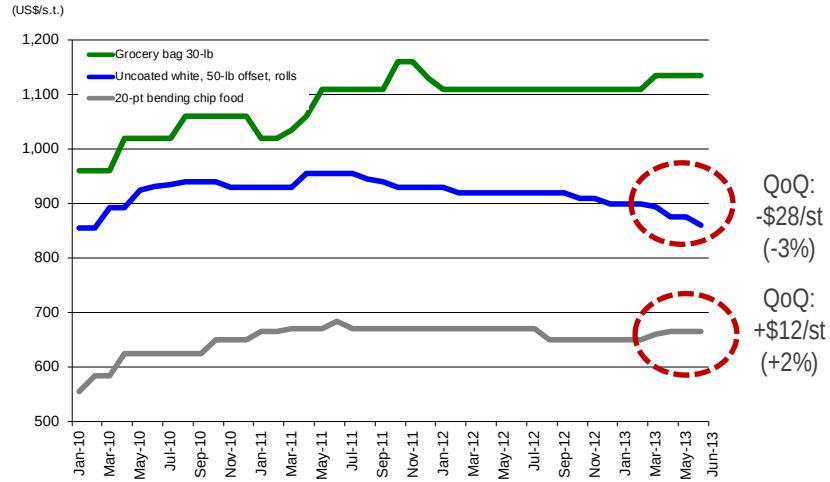
Boxboard Europe - Selected Products



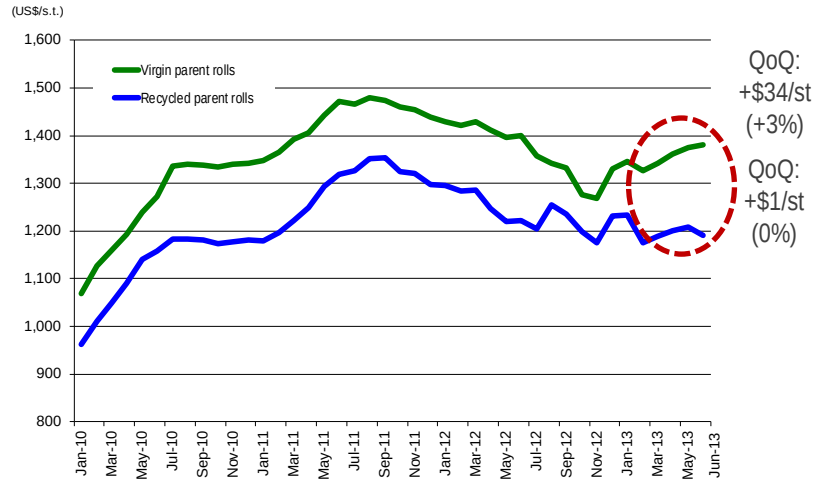
Containerboard - Selected Products



Specialty Products - Selected Products



Tissue Papers - Selected Products



Cascades
GREEN BY NATURE

MARKET PRICES AND COSTS SUMMARY

These indexes should only be used as indicator of trends and they be different than our actual selling prices or purchasing costs.	2011	2012					2013			Q2 2013 over Q2 2012		Q2 2013 over Q1 2013	
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Year	(units)	(%)	(units)	(%)
Selling prices (average)													
Cascades North American US$ index (index 2005 = 1,000)[1]	1,256	1,271	1,227	1,233	1,261	1,248	1,263	1,298	1,280	71	6%	36	3%
PACKAGING PRODUCTS													
Boxboard													
North America (US$/ton)													
Recycled boxboard - 20pt. clay coated news (transaction)	909	920	913	887	880	900	880	912	896	-2	0%	32	4%
Europe (Euro/tonne)													
Recycled white-lined chipboard (GD2) index[2]	710	698	677	677	669	680	656	656	656	-21	-3%	0	0%
Virgin coated duplex boxboard (GC2) index[3]	1,153	1,141	1,118	1,118	1,106	1,121	1,086	1,086	1,086	-32	-3%	0	0%
Containerboard (US$/ton)													
Linerboard 42-lb. unbleached kraft, East U.S. (transaction)	640	640	640	657	690	657	690	740	715	100	16%	50	7%
Corrugating medium 26-lb. semichemical, East U.S. (transaction)	610	610	610	627	660	627	660	710	685	100	16%	50	8%
Specialty Products (US$/ton, tonne for deinked pulp)													
Recycled boxboard - 20pt. bending chip (transaction)	670	670	670	657	650	662	653	665	659	-5	-1%	12	2%
Deinked pulp (f.o.b; U.S. air-dried & wet-lap, post-consumer)	763	663	675	713	715	692	740	755	748	80	12%	15	2%
Unbleached kraft paper, grocery bag 30-lb.	1,095	1,110	1,110	1,110	1,110	1,110	1,118	1,135	1,127	25	2%	17	1%
Uncoated white 50-lb. offset, rolls	940	923	920	920	907	918	898	870	884	-50	-5%	-28	-3%
TISSUE PAPERS													
Cascades Tissue Papers (index 1999 = 1,000)[4]	1,669	1,654	1,647	1,651	1,642	1,649	1,619	1,598	1,609	-49	-3%	-21	-1%
Raw materials (average)													
Cascades North American US$ index (index 2005 = 300)[5]	472	386	382	367	340	369	353	348	350	-34	-9%	-5	-1%
RECYCLED PAPER													
North America (US$/ton)													
Corrugated containers, no. 11 (New England)	174	152	151	125	116	136	128	136	132	-15	-10%	8	6%
Special news, no. 8 (ONP - Chicago & NY average)	126	85	90	70	60	76	67	65	66	-25	-27%	-2	-3%
Sorted office papers, no. 37 (SOP - Chicago & NY average)	233	145	151	170	151	154	150	138	144	-14	-9%	-12	-8%
Europe (Euro/tonne)													
Recovered paper index[6]	140	113	118	102	111	111	111	119	115	1	1%	7	7%
VIRGIN PULP (US$/tonne)													
Northern bleached softwood kraft, East U.S.	978	873	900	853	863	873	898	937	917	37	4%	39	4%
Northern bleached hardwood kraft mixed, East U.S.	808	714	778	763	744	750	791	853	822	76	10%	63	8%
WOODCHIPS – Conifer Eastern Canada (US$/odmt)	127	130	121	120	120	123	110	107	109	-14	-12%	-3	-3%

NOTES

1. The Cascades North American selling prices index represents an approximation of the Corporation's manufacturing selling prices in North America (excluding converting). It is weighted according to shipments and is based on the average selling price of our North American manufacturing operations of boxboard, containerboard, speciality products and tissue paper. It considers the change in the mix of products sold. This index should only be used as a trend indicator.
2. The Cascades recycled white-lined chipboard selling prices index represents an approximation of Cascades' recycled grades selling prices in Europe. It is weighted by country.
3. The Cascades virgin coated duplex boxboard selling prices index represents an approximation of Cascades' virgin grades selling prices in Europe. It is weighted by country.
4. The Cascades Tissue Papers selling prices index represents a mix of primary and converted products, and is based on the product mix at the end of 2006.
5. The Cascades North American raw materials index is based on publication prices and the average weighted cost paid for some of our manufacturing raw materials, namely recycled fibre, virgin pulp and woodchips, in North America. It is weighted according to purchase volume. This index should only be used as a trend indicator, as it may differ from our actual manufacturing purchasing costs and our purchase mix.
6. The Cascades recovered paper index represents an approximation of Cascades' recovered paper purchase prices in Europe. It is weighted by country based on the recycled fibre supply mix of 2009 and has been updated in 2013.

The capacity utilization rate is defined as: Shipments/Practical capacity. Paper manufacturing only.

Return on assets is a non-IFRS measure and is defined as: LTM EBITDA excluding specific items/ LTM Average of total quarterly assets. It includes discontinued operations.

Working capital includes accounts receivable plus inventories less accounts payable.