

CASCADES INC.

Review of
Q3 2012
financial results



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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.

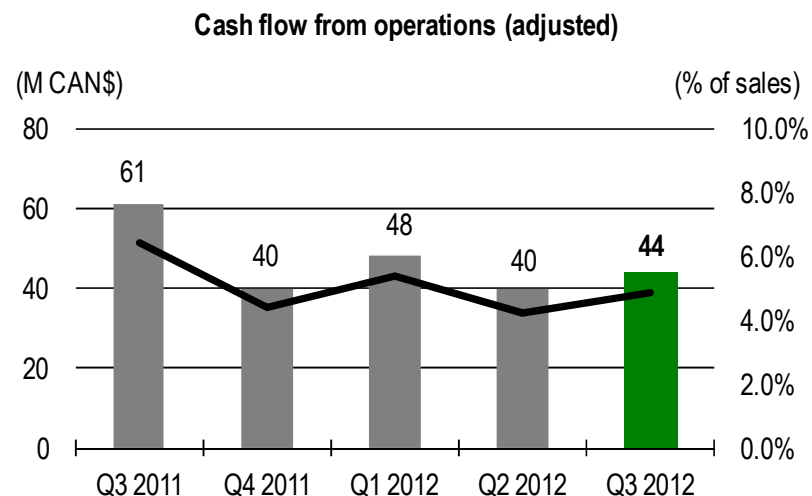
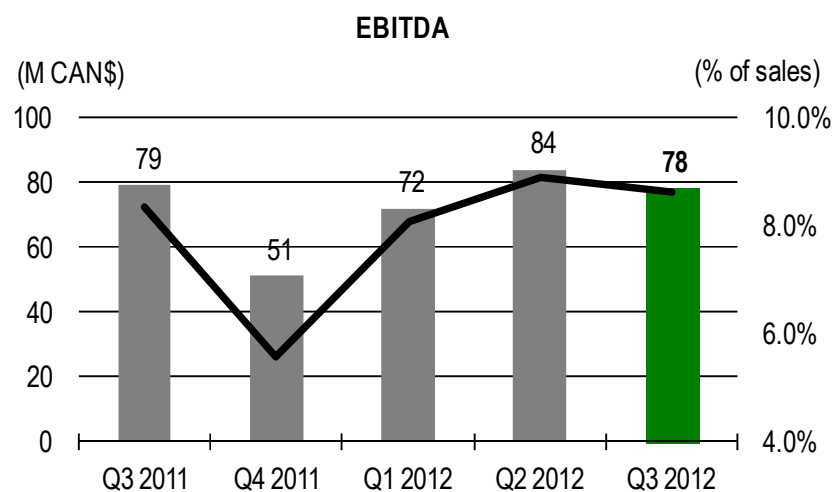
Specific items are defined as items such as charges for impairment of assets, for facility or machine closures, accelerated depreciation of assets due to restructuring measures, debt restructuring charges, gains or losses on sales of business units, unrealized gains or losses on derivative financial 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



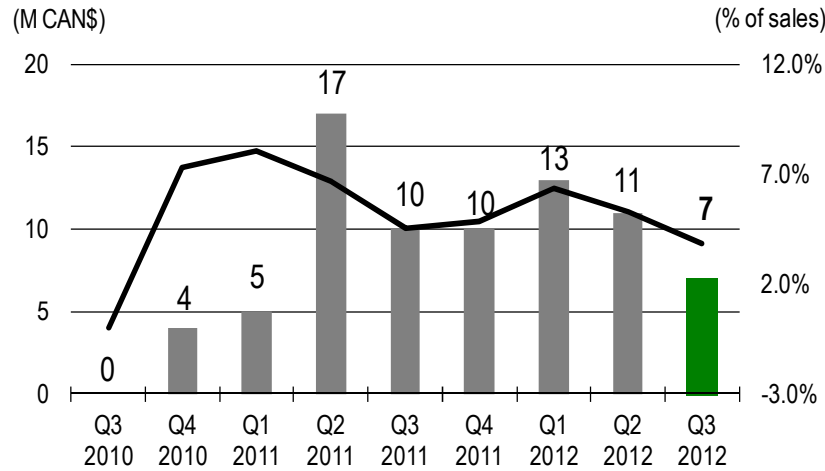
(In millions of CAN\$, except amount per share)	2011					2012			
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	YTD
Financial results									
Sales	774	991	947	913	3,625	891	944	906	2,741
Excluding specific items									
EBITDA	37	62	79	51	229	72	84	78	234
Net earnings (loss)	1	(9)	(2)	(4)	(14)	4	7	7	18
Net earnings (loss) per share	0.01	(0.09)	(0.02)	(0.04)	(0.14)	0.04	0.08	0.07	0.19
Cash flow from operations (adjusted)	15	17	61	40	133	48	40	44	132

EBITDA, net earnings and cash flow from operations (adjusted) excluding specific items.

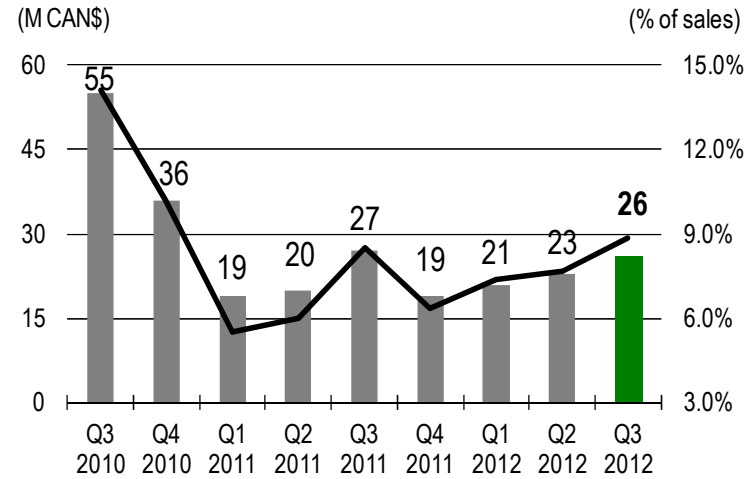
Results unsatisfactory due to operational issues and incapacity to benefit from low fibre costs

HISTORICAL SEGMENTED EBITDA

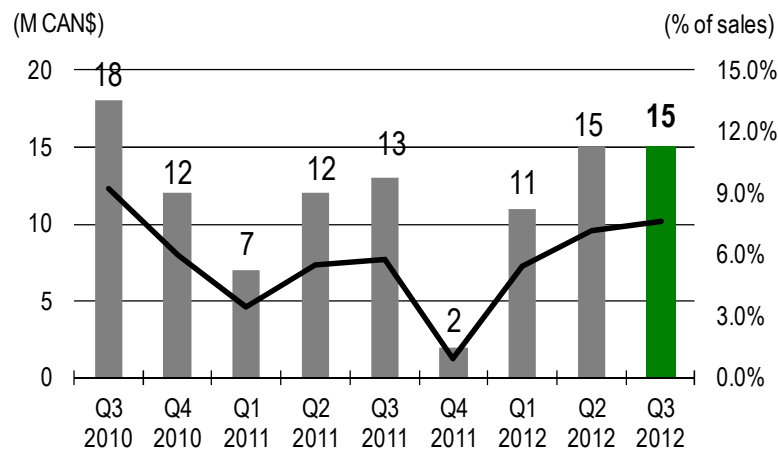
Boxboard Europe



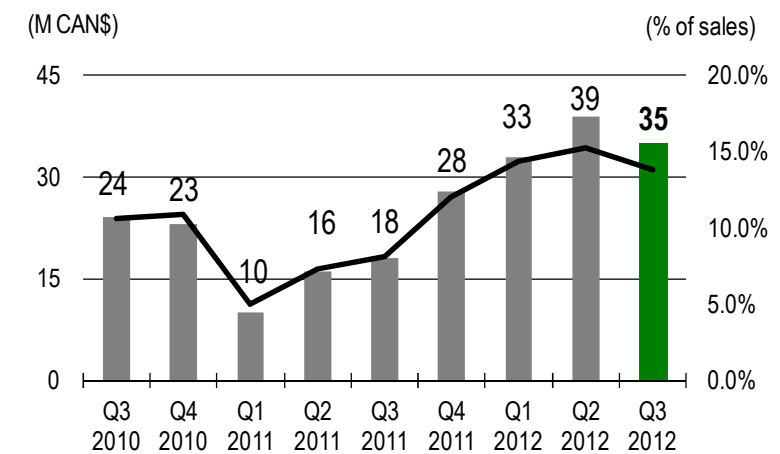
Containerboard



Specialty Products

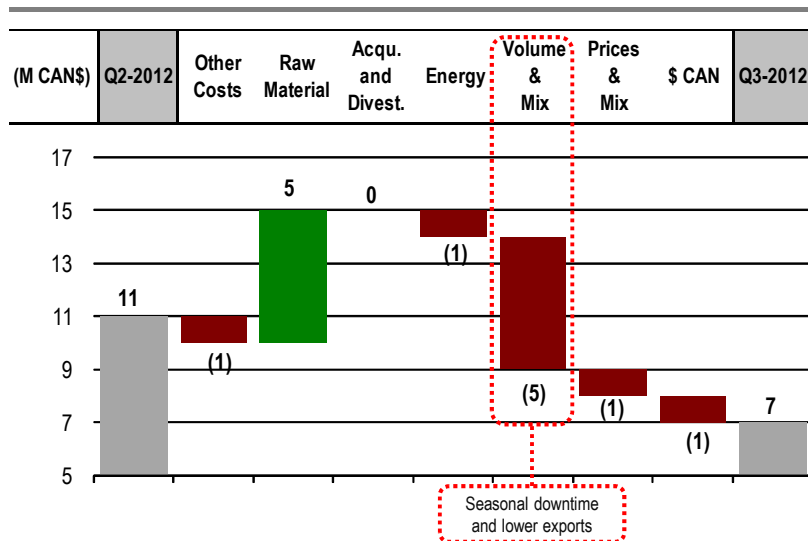


Tissue Papers

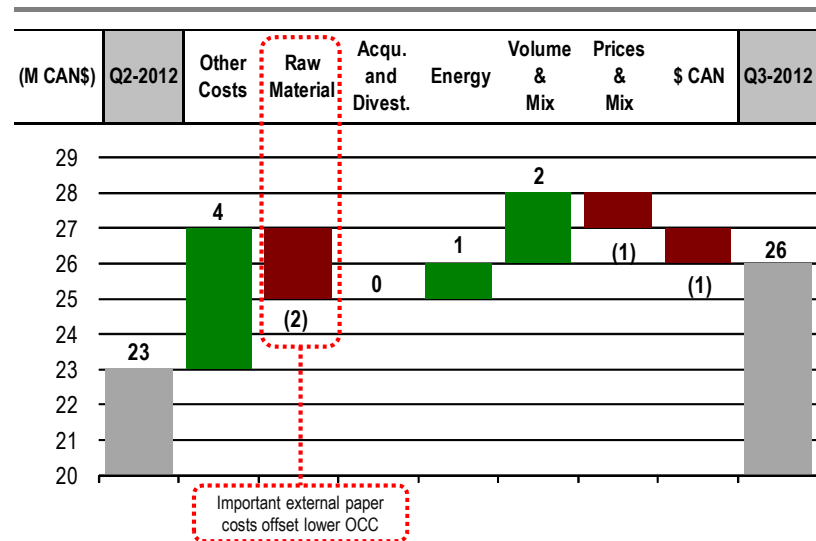


SEGMENTED EBITDA WATERFALLS

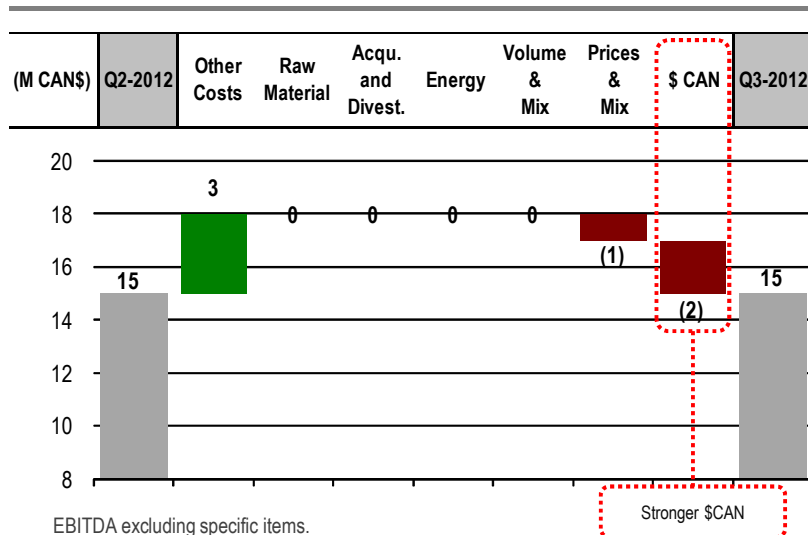
Boxboard Europe



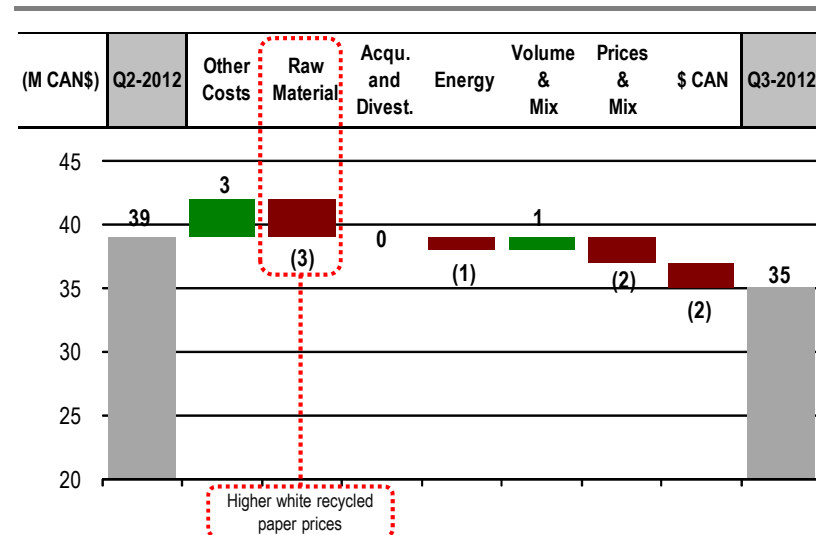
Containerboard



Specialty Products



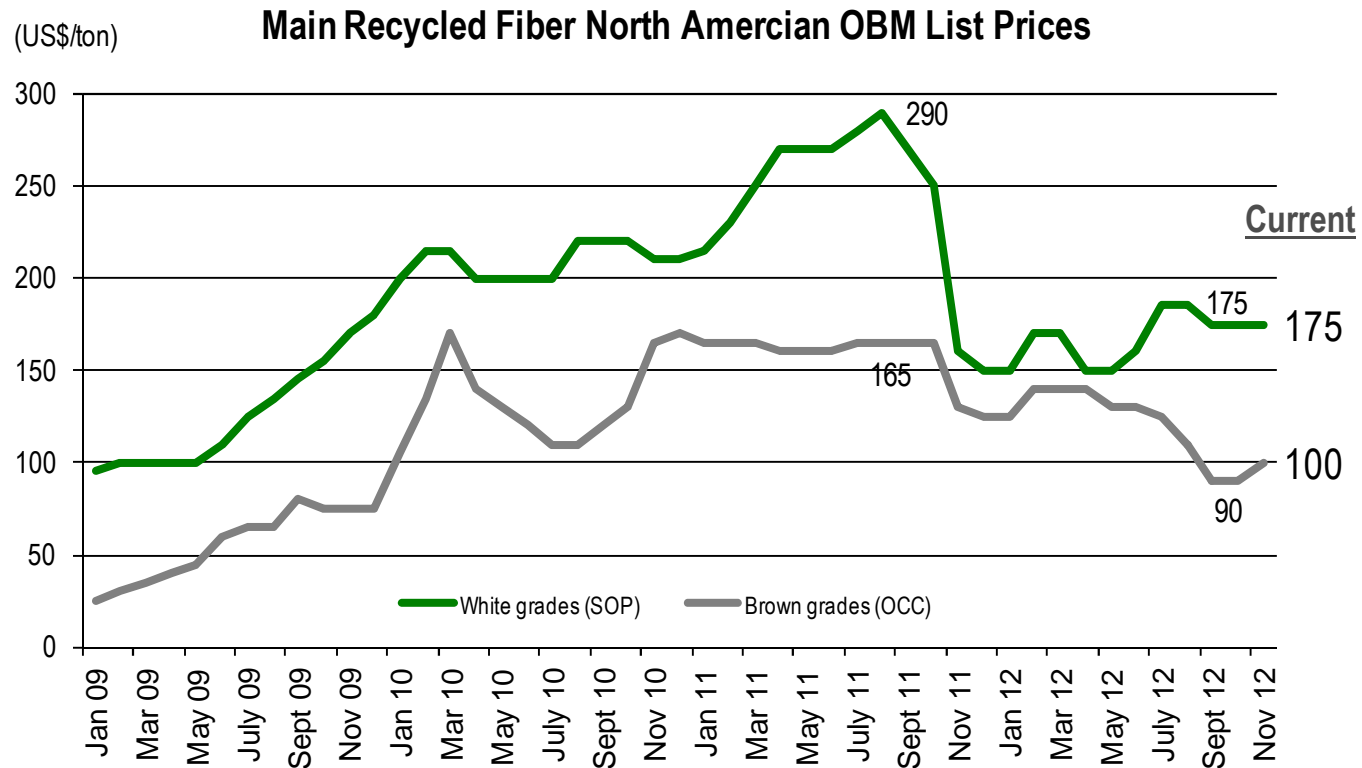
Tissue Papers





MARKET DYNAMICS

RAW MATERIAL COSTS



OBM Average Quarterly List Prices

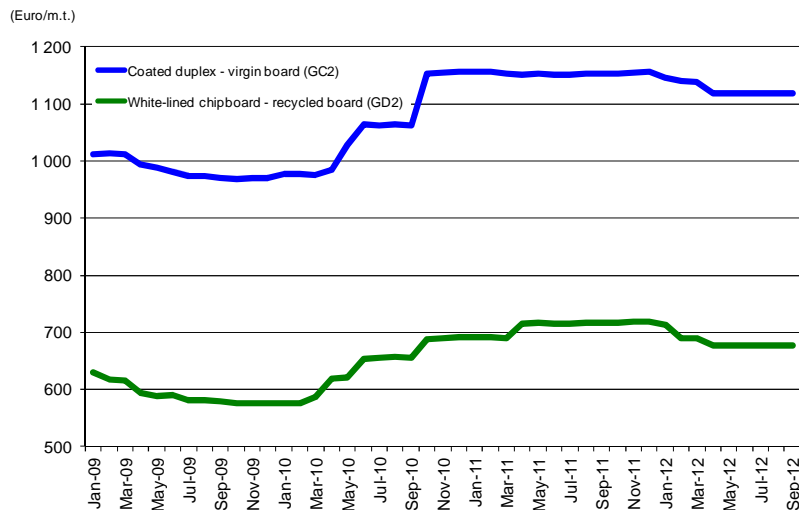
	<u>Q3-2011</u>	<u>Q2-2012</u>	<u>Q3-2012</u>	<u>YoY</u>	<u>QoQ</u>
Brown grades - OCC No. 11 (New England)	165	133	108	-34%	-19%
White grades - SOP No. 37 (New England)	280	153	182	-35%	+18%

No significant price increases expected in the short term

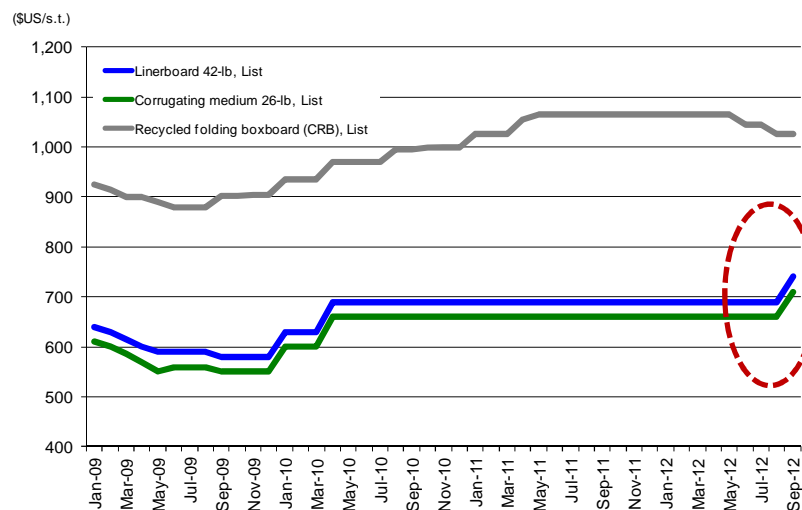
Sources: RISI, Bloomberg.

PRODUCT PRICES

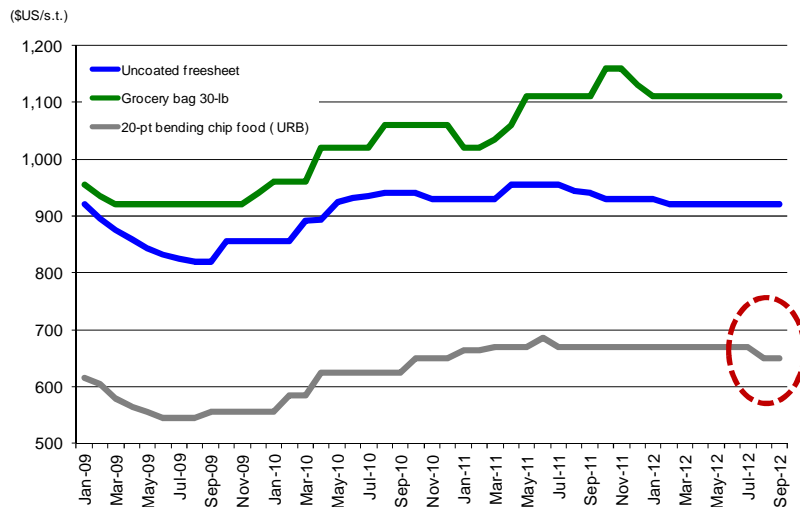
Boxboard Europe - Selected Products



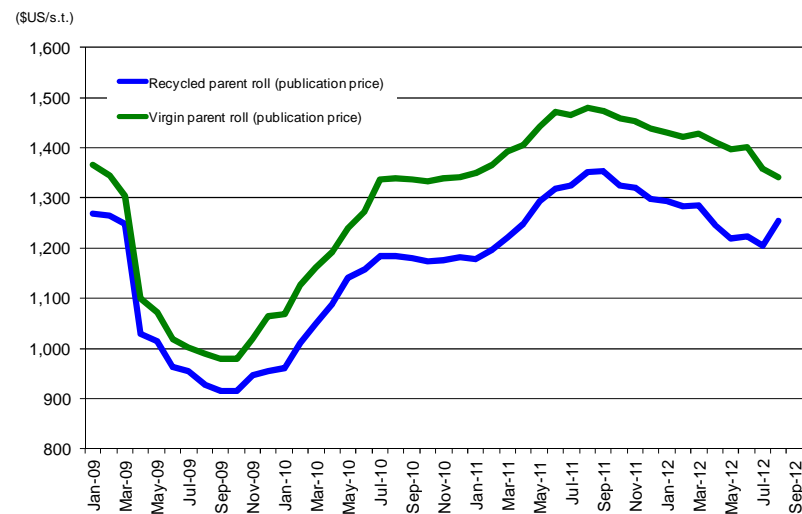
Containerboard - Selected Products



Specialty Products - Selected Products



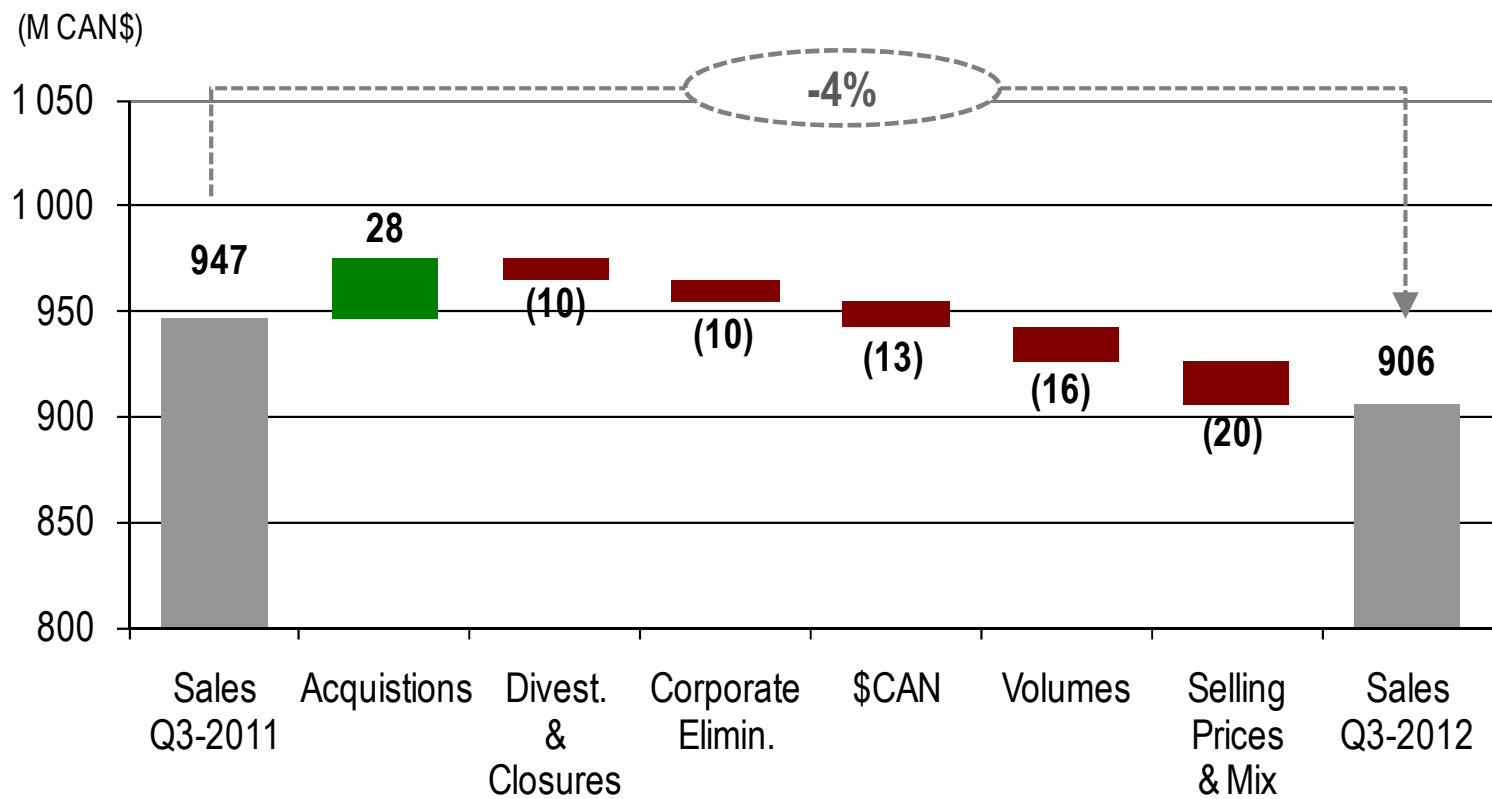
Tissue Papers - Selected Products





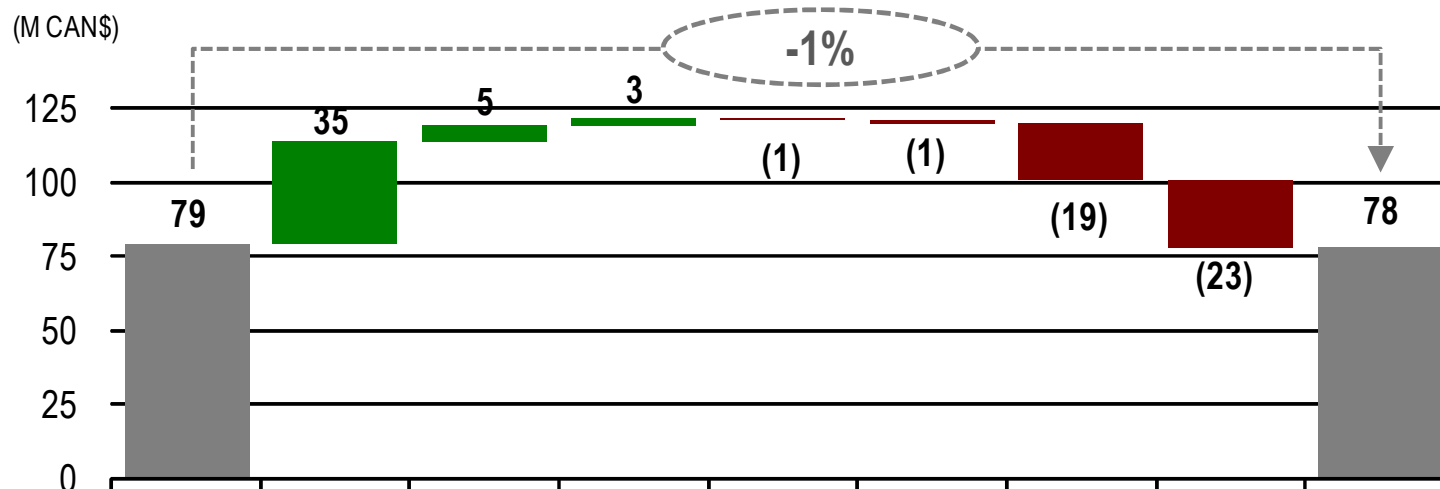
FINANCIAL REVIEW

Q3-2011 – Q3-2012 SALES RECONCILIATION



Decrease in sales resulting from lower volume, FX and product mix

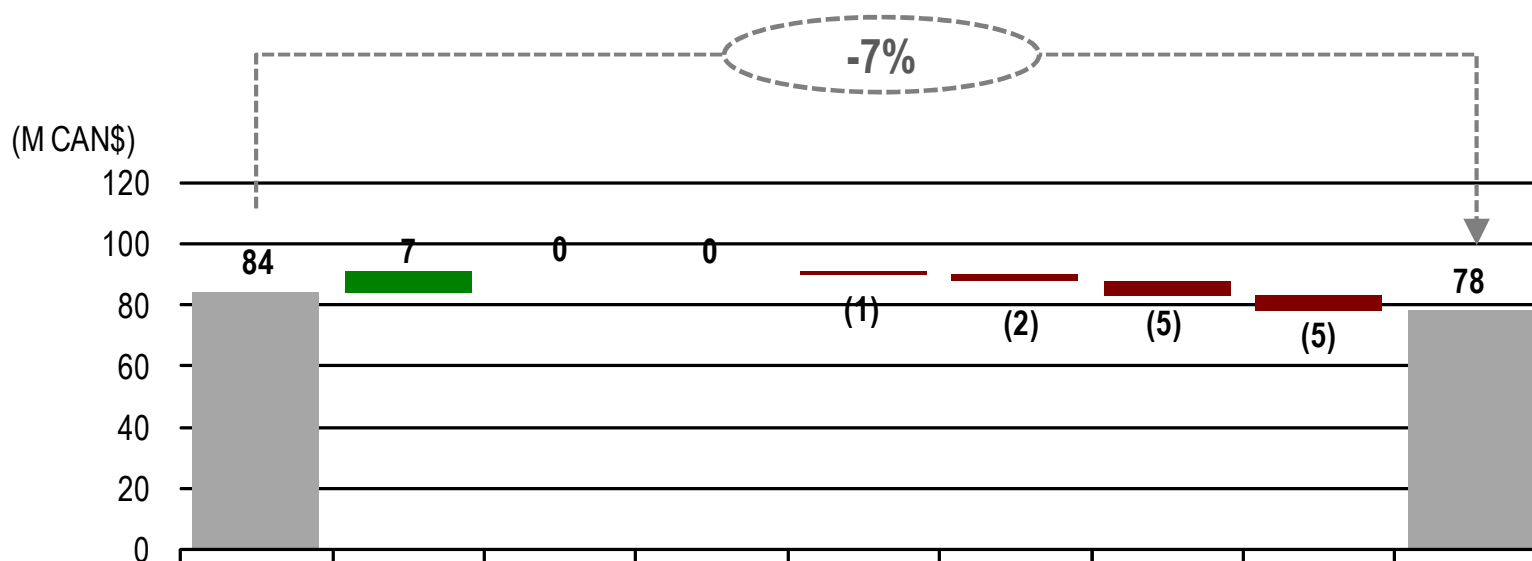
Q3-2011 – Q3-2012 EBITDA VARIANCE ANALYSIS



(M CAN\$)	Q3-2011	Raw Materials ¹	Business Acq. & Disposals	Other Costs	Energy	Volume	Selling Prices & Mix	FX	Q3-2012
Containerboard	27	2	2	1	1	(6)	1	(2)	26
Boxboard Europe	10	14		(1)	(3)	(1)	(11)	(1)	7
Specialty Products	13	4		4	1	1	(4)	(4)	15
Tissue Papers	18	15	3	1	1	5	(6)	(2)	35
Corporate	11			(2)	(1)		1	(14)	(5)
Total	79	35	5	3	(1)	(1)	(19)	(23)	78

Significant FX gains in Q3-2011

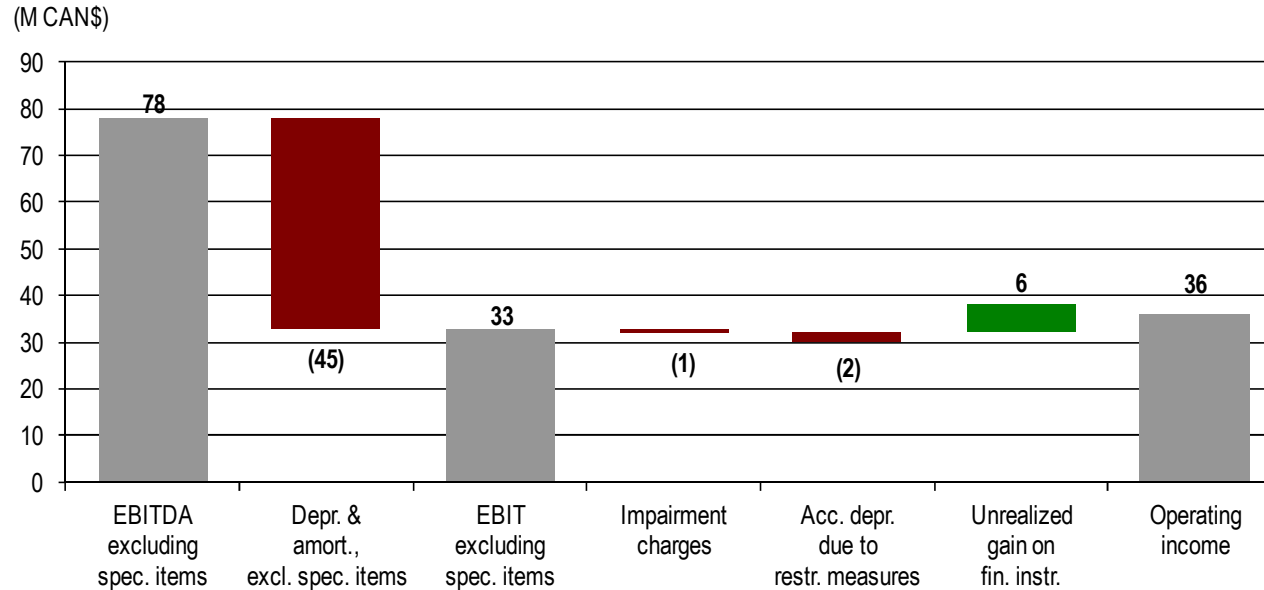
Q2-2012 – Q3-2012 EBITDA VARIANCE ANALYSIS



(M CAN\$)	Q2-2012	Other Costs	Raw Materials ¹	Acq. and Divest.	Energy	Volumes	Selling Prices & Mix	\$ CAN	Q3-2012
Containerboard	23	4	(2)		1	2	(1)	(1)	26
Boxboard Europe	11	(1)	5		(1)	(5)	(1)	(1)	7
Specialty Products	15	3					(1)	(2)	15
Tissue Papers	39	3	(3)		(1)	1	(2)	(2)	35
Corporate	(4)	(2)	0					1	(5)
Total	84	7	0	0	(1)	(2)	(5)	(5)	78

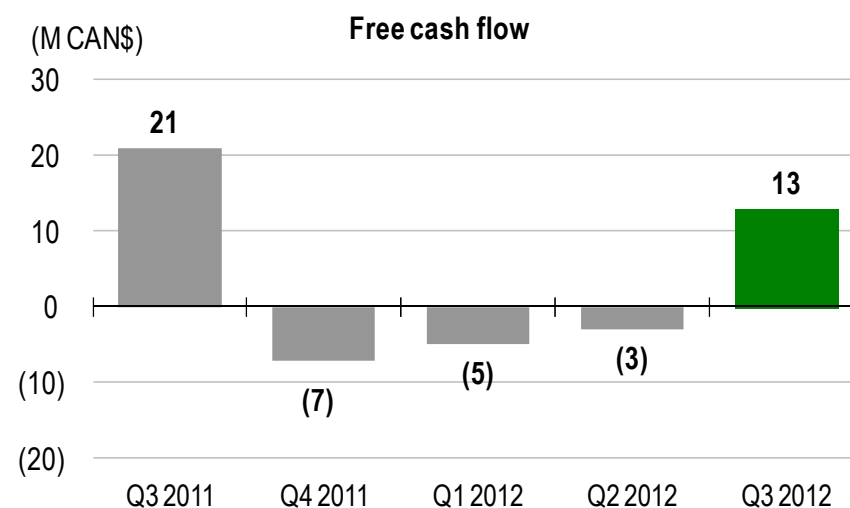
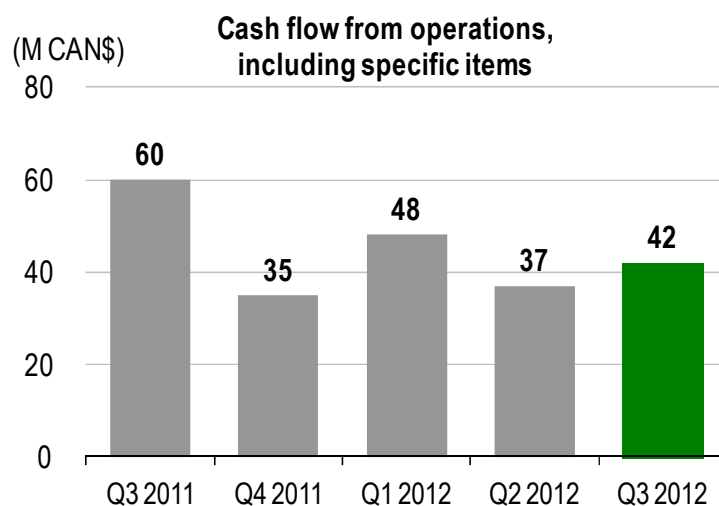
Volumes, prices and FX more than offset a reduction in other costs

Q3-2012 EBITDA TO OPERATING INCOME RECONCILIATION



(M CAN\$)	Container-board	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Total
Operating income (loss)	7	(1)	8	24	(2)	36
Specific items:						
Impairment charges	1	-	-	-	-	1
Accelerated depreciation due to restructuring measures	1	-	-	1	-	2
Unrealized loss (gain) on financial instruments	1	(1)	-	-	(6)	(6)
Total specific items	3	(1)	-	1	(6)	(3)
Operating income (loss) excluding specific items	10	(2)	8	25	(8)	33
Depreciation, excluding specific items	16	9	7	10	3	45
EBITDA excluding specific items	26	7	15	35	(5)	78

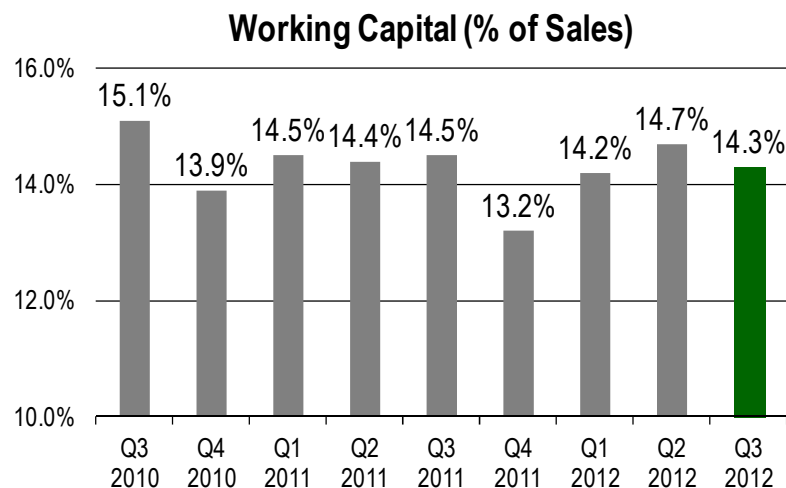
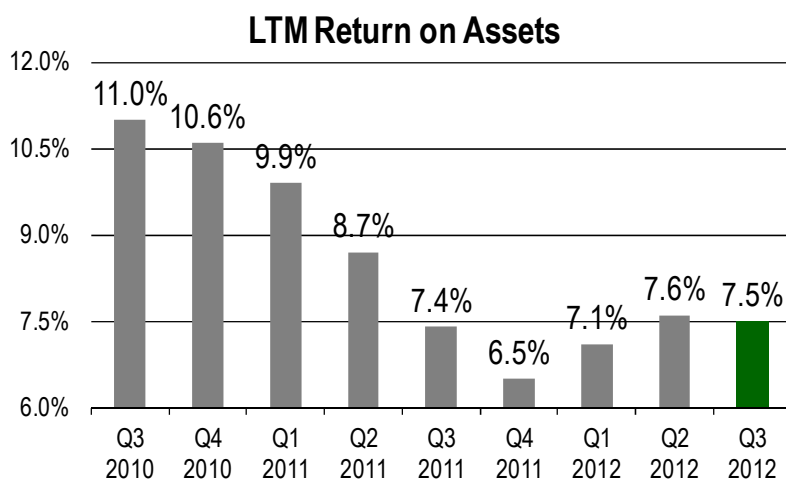
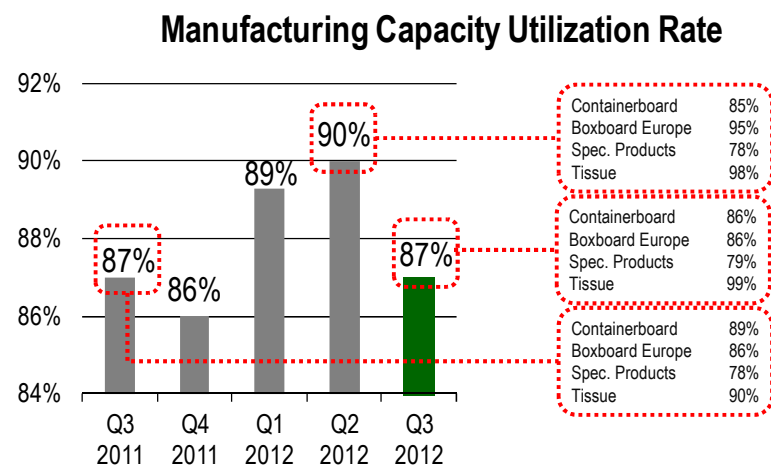
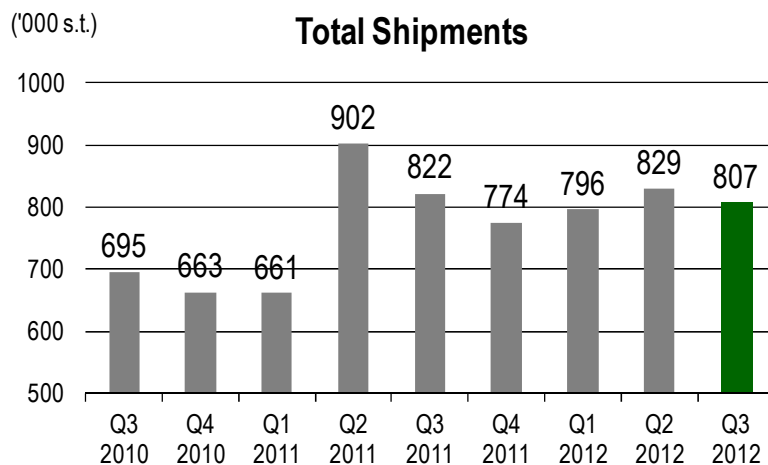
CASH FLOW OVERVIEW



(in millions of CAN\$)	2011					2012			
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	YTD
Cash flow from operations, including disc. operations	15	16	60	35	126	48	37	42	127
Capital expenditures & other assets ¹	(37)	(24)	(31)	(35)	(127)	(47)	(36)	(25)	(108)
Dividend & share buyback	(5)	(6)	(8)	(7)	(26)	(6)	(4)	(4)	(14)
Free cash flow	(27)	(14)	21	(7)	(27)	(5)	(3)	13	5
Free cash flow per share	\$(0.28)	\$(0.15)	\$0.22	\$(0.07)	\$(0.28)	\$(0.05)	\$(0.03)	\$0.14	\$0.06

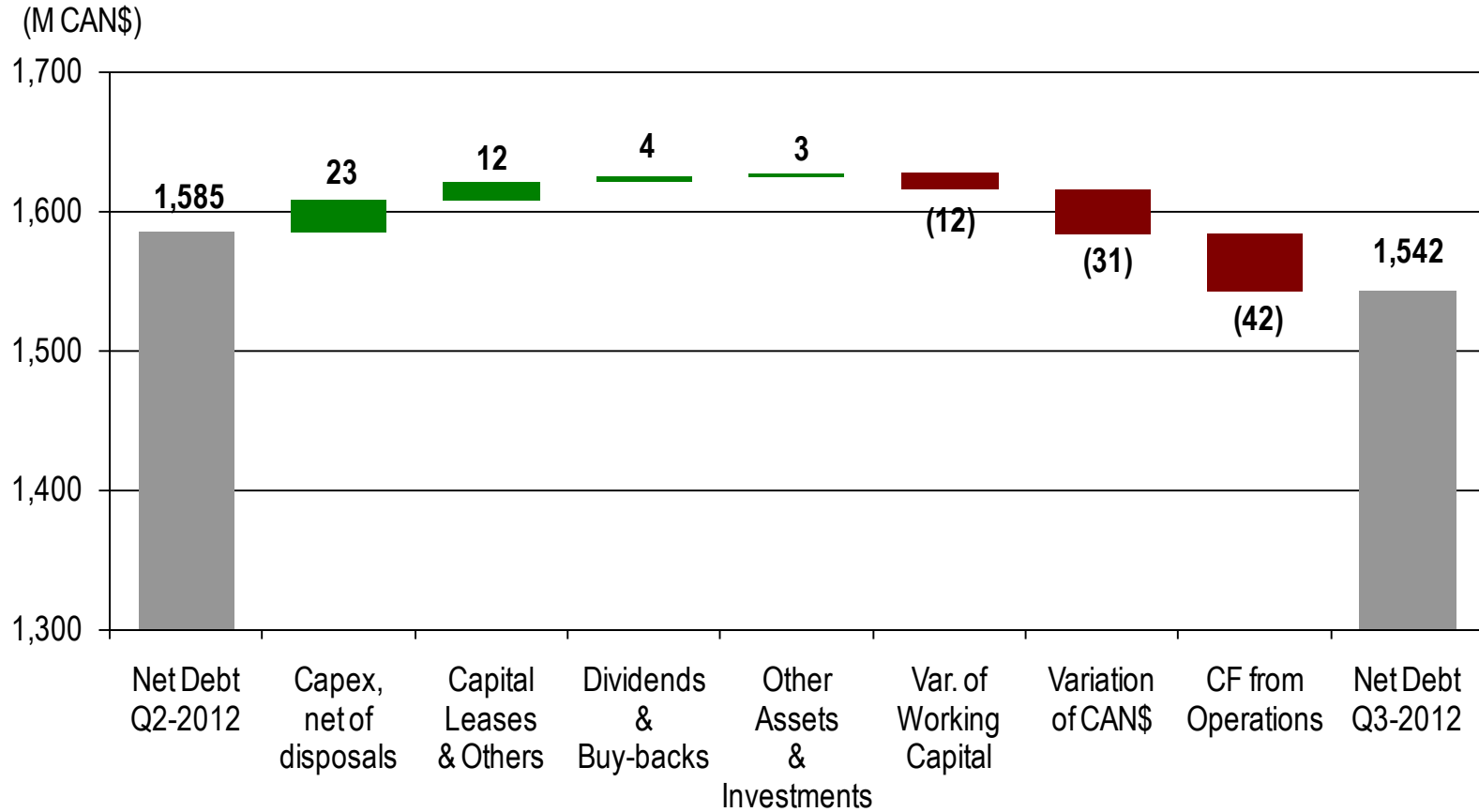
Prudent cash flow management during modernization plan

KEY PERFORMANCE INDICATORS (KPIs)



Lower shipments impacted most of our KPIs

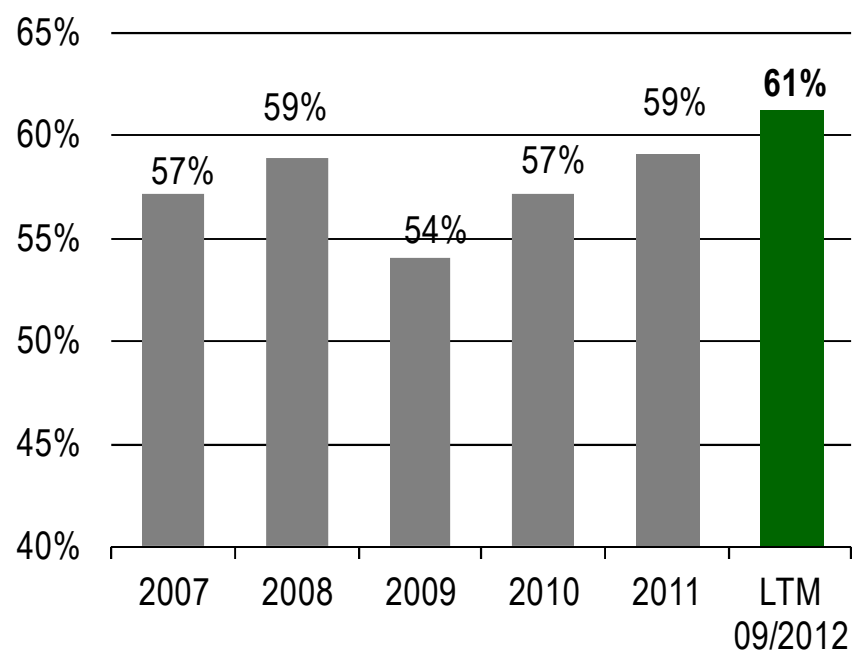
NET DEBT RECONCILIATION



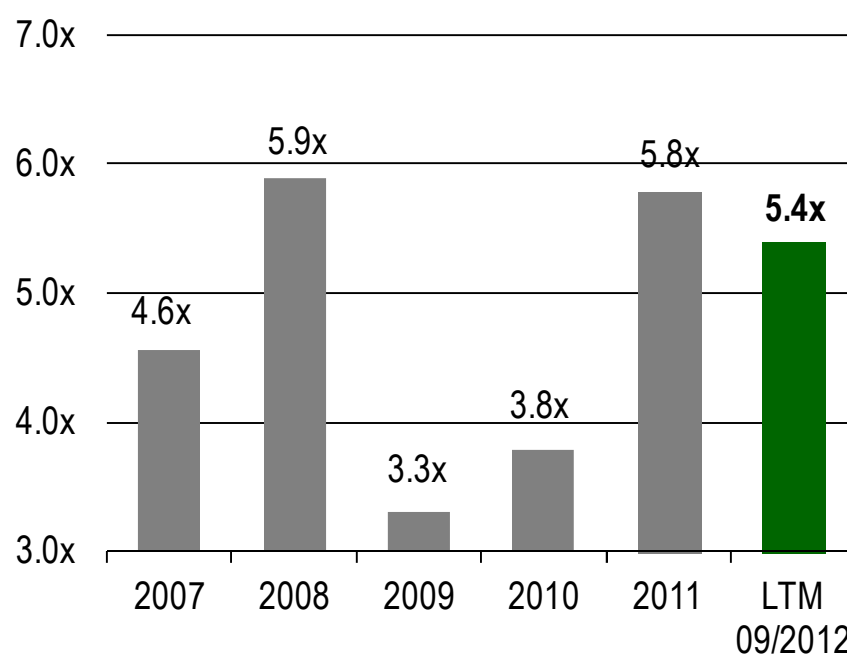
Net debt down mostly due to FX and cash flow from operations

BALANCE SHEET & KEY FINANCIAL RATIOS

Debt / Debt + Equity



Net debt / LTM EBITDA





SEGMENTED REVIEW

TISSUE PAPERS

Results Q3 2012	Change vs. Q2 2012 Q3 2011	
Shipments ('000 s.t.) 147	+1%	+13%
Average Selling Price (CDN\$/unit) 1,715 (US\$/unit) 1,724	-2%	+1%
	0%	-1%
Sales (M\$) 253	-1%	+14%
OIBD (M\$) 35 % of sales 14%	-10%	+94%

EBITDA excluding specific items

Comments on sequential performance

- ▶ Slight increase in the shipments of our US operation (retail and away-from-home) that surpassed a decrease in Canada
- ▶ Shipments of parent rolls remained stable
- ▶ Stable prices for parent rolls
- ▶ Slightly higher integration rate resulting in positive product mix due to a higher proportion of converted products
- ▶ Counterbalanced by an increase in US shipments where the product mix is less favorable than in Canada
- ▶ Decrease in EBITDA essentially linked to fiber cost increase, namely recycled white paper grades and pulp, having a negative impact of \$3 million
- ▶ Negative impact on manufacturing costs (primarily on fiber) resulting from product mix comprising more converted products (conversion loss on trim)
- ▶ Sequential improvement in volume and other costs not enough to offset unfavorable foreign exchange variation and above-mentioned price decrease and raw material costs increase

PACKAGING / CONTAINERBOARD

Results Q3 2012	Change vs. Q2 2012 Q3 2011	
Shipments ('000 s.t.) 301	+1%	-8%
Average Selling Price (CDN\$/unit) 527 (US\$/unit) 529	-1%	-1%
	+1%	-3%
Sales (M\$) 299	0%	-6%
OIBD (M\$) 26 % of sales 9%	+13%	-4%

EBITDA excluding specific items

Comments on sequential performance

- ▶ 1.4% external shipment increase by our manufacturing mills
- ▶ 1.3% increase in shipments of converted products; a 3% decrease in shipments of boxboard was more than offset by a 2% increase in shipments of corrugated containers whereas the industry's shipments were stable sequentially
- ▶ Relatively stable selling prices for containerboard manufacturing mills
- ▶ Slight average selling price increase for converting mills
- ▶ Unfavorable FX variation impacted average selling price in Canadian dollar terms
- ▶ EBITDA increase due to higher volumes and lower fixed costs (\$5M) resulting from lower repairs and maintenance expenses as well as lower SG&A expenses and energy costs
- ▶ More than offset unfavorable spread on raw materials resulting from accrued external supply costs for our converting plants

PACKAGING / BOXBOARD EUROPE

Results Q3 2012	Change vs. Q2 2012 Q3 2011	
Shipments ('000 s.t.) 260	-9%	-3%
Average Selling Price (CDN\$/unit) 697 (Euros/unit) 560	-4%	-15%
	0%	-6%
Sales (M\$) 181	-13%	-18%
OIBD (M\$) 7 % of sales 4%	-36%	-30%

EBITDA excluding specific items

Comments on sequential performance

- ▶ Sequentially, shipments lower due to unfavorable economic environment in Europe and normal downtimes at this period of the year
- ▶ Important investments at the La Rochette mill and Reno's Villa Santa Lucia mill
- ▶ Order backlog better than in 2011 and stable compared to previous quarter

- ▶ Stable prices in Euros due to product mix, both from a product and geographic perspective
- ▶ Sequential price decrease caused by the strengthening of the Canadian dollar against the Euro

- ▶ Despite the positive impact of lower raw material costs, higher energy costs in Italy and lower volumes contributed to lower the EBITDA significantly
- ▶ Strengthening of the Canadian dollar also impacted sales and EBITDA
- ▶ Important maintenance expenditures incurred during the quarter

PACKAGING / SPECIALTY PRODUCTS

Results Q3 2012	Change vs. Q2 2012 Q3 2011	
Shipments¹ ('000 s.t.) 99	+1%	+4%
Average Selling Price¹ (CDN\$/unit) 893 (US\$/unit) 898	-1%	-2%
Sales (M\$) 197	-6%	-12%
OIBD (M\$) 15 % of sales 8%	0%	+15%

Comments on sequential performance

- ▶ Higher shipments due to higher volumes of Specialty Papers
 - ▶ Stable volumes in the Industrial Packaging segment
 - ▶ Decrease in shipments in the Recovery segment
-
- ▶ Average selling prices in the Specialty Paper segment lower due to an unfavorable product mix and market conditions
 - ▶ Higher raw material costs led to higher prices in the Consumer Packaging segment
 - ▶ Lower recycled paper prices in the Recovery sector
-
- ▶ Lower sales resulting from the negative impact of the exchange rate on selling prices and a 4% volume decrease in the Recovery segment
 - ▶ Lower recycled paper prices also impacted the Recovery segment
-
- ▶ Lower maintenance expenses in the Specialty Papers segment compared to the previous quarter also contributed positively to OIBD

EBITDA excluding specific items

¹ Shipments and average selling price are for papers only



Q&A

AND

CONCLUDING REMARKS

NEAR TERM OUTLOOK: Confidence



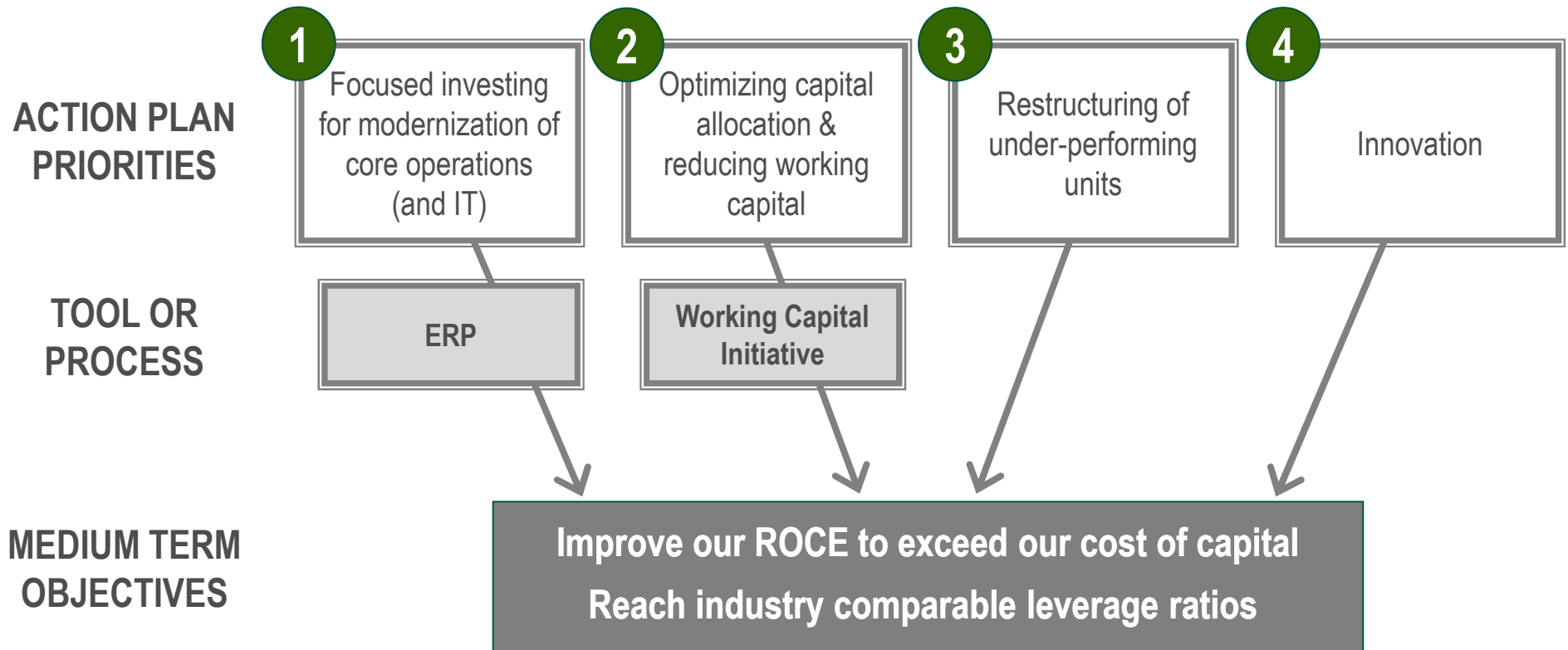
- Lower to stable raw material costs
- Price increase in containerboard sector
- Impacts of restructuring and optimization measures
- Potential to improve utilization rate
- Additional contribution from Bird and investments in Ontario
- Investments in boxboard sector



- Increased export prices for recycled fibre
- Economic uncertainty, particularly in Europe
- Higher demand volatility
- Impact from settlement of U.S. dockworkers negotiation
- Energy and chemical costs remaining high

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

STRATEGIC ACTION PLAN



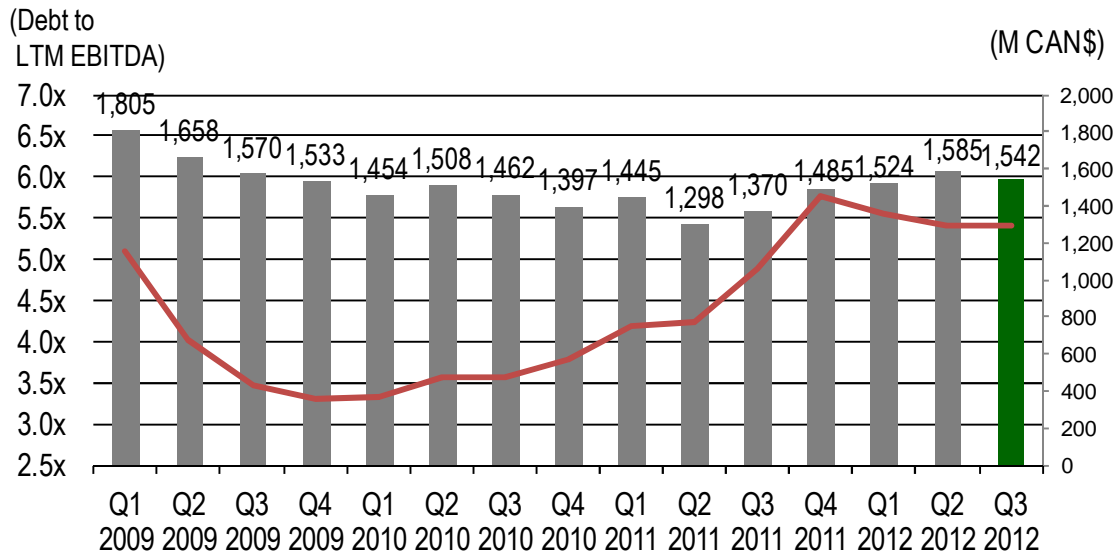
Improving our profitability and financial situation through our Action Plan



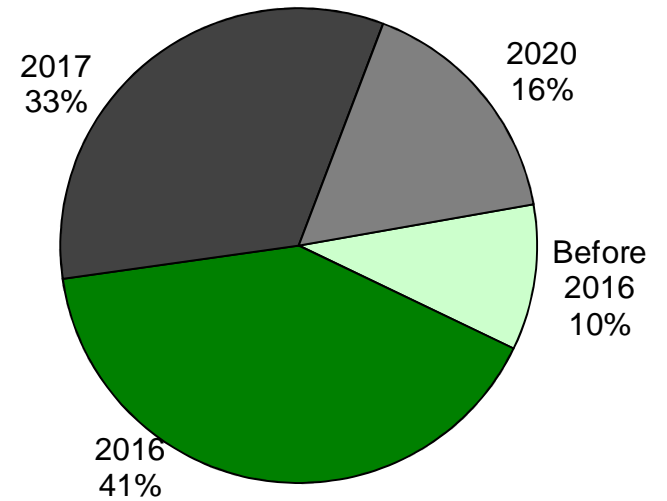
APPENDIX

DEBT PROFILE

Net Debt and Leverage Ratio



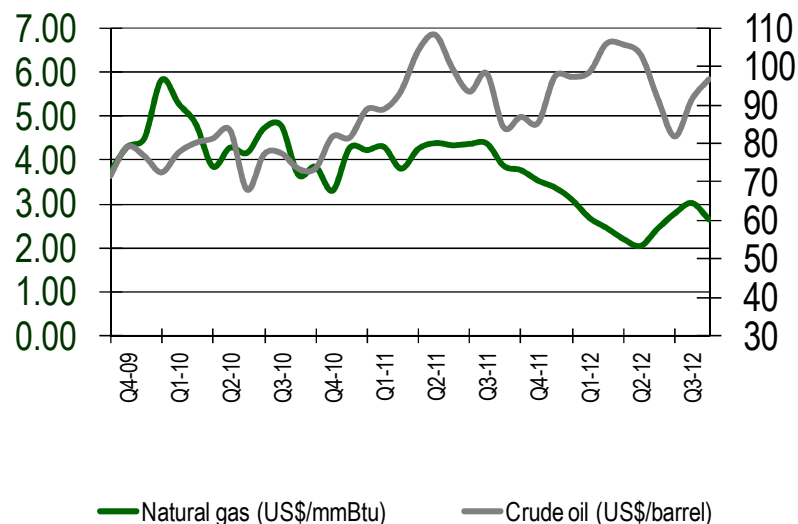
Long-term Debt Maturities Distribution



Recent credit facility amendment will lower interest expense

ENERGY PRICES

Natural gas (US\$) Energy prices Crude oil (US\$)



Hedging Program – Natural gas

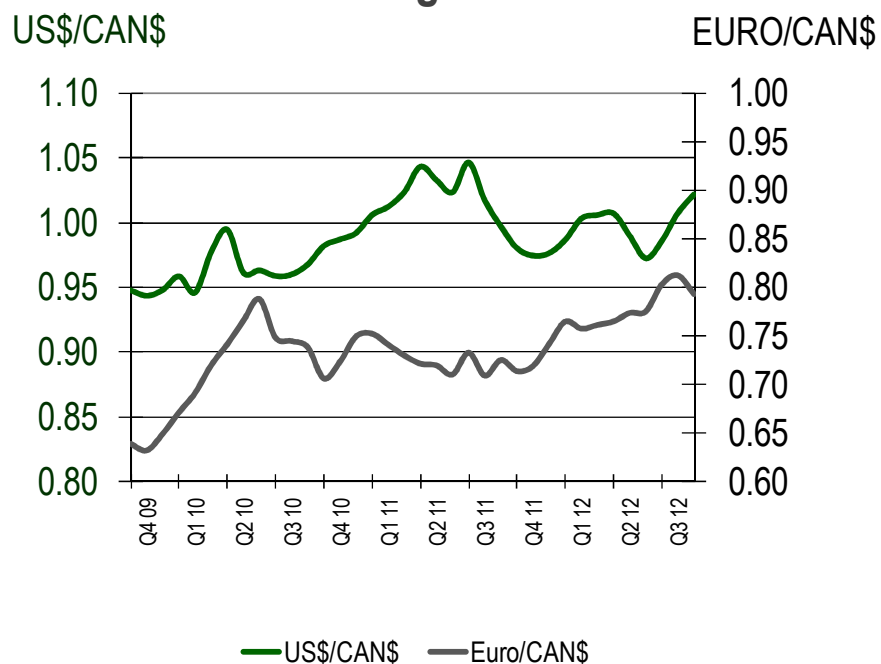
- Canada:
 - 2012: 71% at 5.48 CAN\$/GJ
 - 2013: 70% at 5.48 CAN\$/GJ
- U.S.:
 - 2012: 55% at 5.89 US\$/mmBtu
 - 2013: 53% at 5.79 US\$/mmBtu

	2010		2011		2012		Change	
	Year	Year	Q1	Q2	Q3	Q3 2012 Q3 2011	Q3 2012 Q2 2012	
Energy prices								
Natural gas Henry Hub (US\$/mmBtu)	4.39	4.04	2.74	2.22	2.81	-33%	26%	
Crude oil WTI (US\$/barrel)	77.32	94.01	100.51	100.11	89.97	-2%	-10%	

Source: Bloomberg

FOREIGN EXCHANGE

Exchange rates



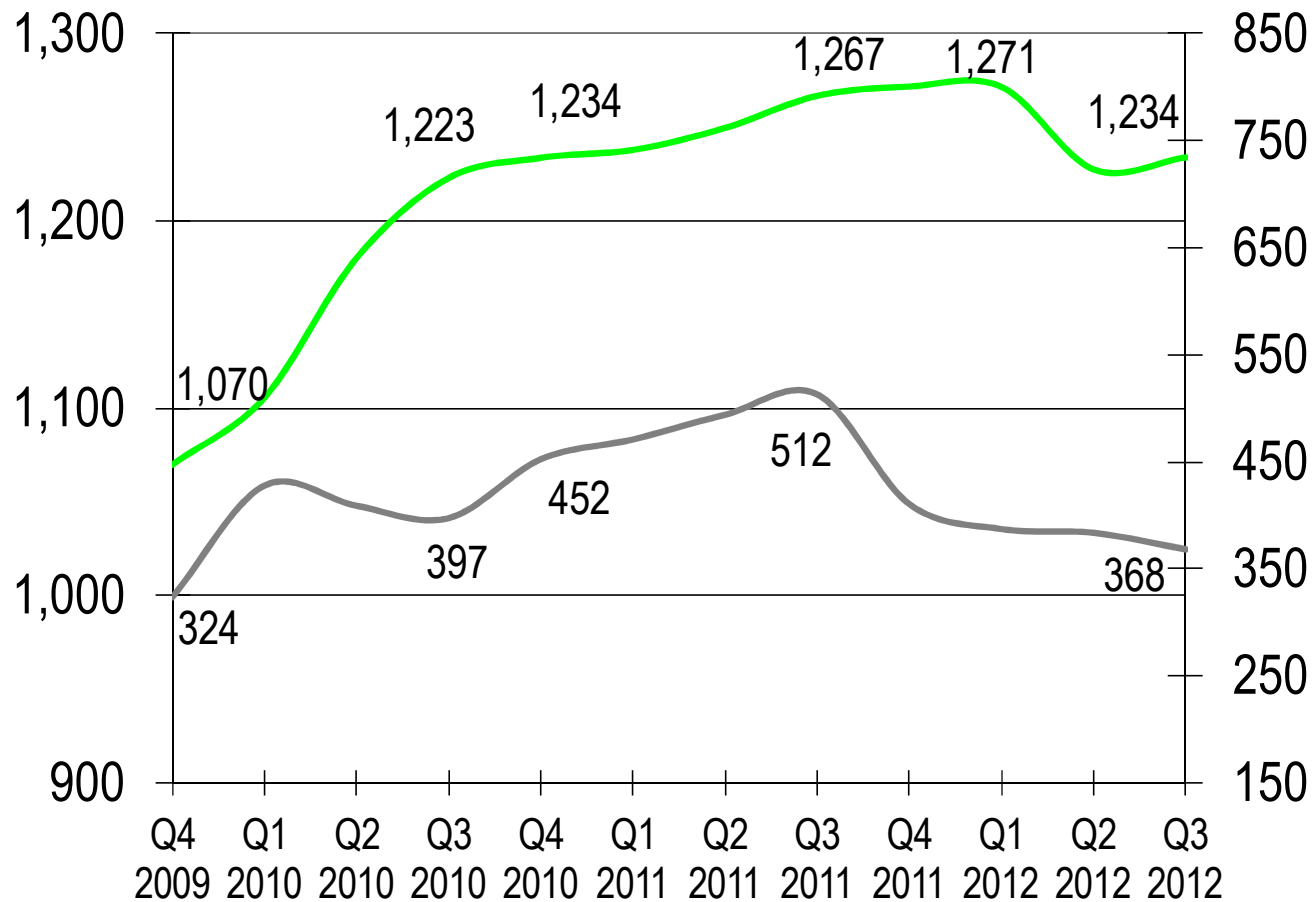
Hedging Program – USD Cash flows

- 2012
26 to 43% of exposure hedged at an average rate of 1.033CAN\$/US\$ to 1.068CAN\$/US\$
- 2013
15 to 40% of exposure hedged at an average rate of 1.038CAN\$/US\$ to 1.078CAN\$/US\$

	2010		2011		2012			Change	
	Year	Year	Q1	Q2	Q3	Q3 2012 Q3 2011	Q3 2012 Q2 2012		
Foreign exchange rates									
US\$/CAN\$	0.971	1.011	0.999	0.990	1.005	-1%	2%		
EURO/CAN\$	0.733	0.727	0.762	0.772	0.803	11%	4%		

Source: Bloomberg

NORTH AMERICAN MANUFACTURING SPREAD



Manufacturing spread in CAN\$ in Q3/12: +1% vs Q2/12 and +16% vs Q3/11

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.	2010		2011				2012				Q3 2012 over Q3 2011		Q3 2012 over Q2 2012	
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	(units)	(%)	(units)	(%)	
Selling prices (average)														
Cascades North American US\$ index (index 2005 = 1,000)¹	1,186	1,238	1,250	1,267	1,272	1,256	1,271	1,227	1,234	-33	-3%	6	1%	
PACKAGING														
Boxboard														
North America (US\$/ton)														
Recycled boxboard - 20pt. clay coated news (transaction)	828	880	917	920	920	909	920	913	887	-33	-4%	-27	-3%	
Europe (Euro/tonne)														
Recycled white-lined chipboard (GD2) index ²	639	690	716	716	718	710	698	677	677	-40	-6%	0	0%	
Virgin coated duplex boxboard (GC2) index ³	1,055	1,155	1,151	1,152	1,155	1,153	1,141	1,118	1,118	-34	-3%	0	0%	
Containerboard (US\$/ton)														
Linerboard 42-lb. unbleached kraft, East U.S. (transaction)	625	640	640	640	640	640	640	640	657	17	3%	17	3%	
Corrugating medium 26-lb. semichemical, East U.S. (transaction)	595	610	610	610	610	610	610	610	627	17	3%	17	3%	
Specialty Products (US\$/ton, tonne for deinked pulp)														
Recycled boxboard - 20pt. bending chip (transaction)	619	667	675	670	670	670	670	670	657	-13	-2%	-13	-2%	
Deinked pulp (f.o.b; U.S. air-dried & wet-lap, post-consumer)	743	748	768	812	725	763	663	675	713	-98	-12%	38	6%	
Unbleached kraft paper, grocery bag 30-lb.	1,022	1,025	1,093	1,110	1,150	1,095	1,110	1,110	1,110	0	0%	0	0%	
Uncoated white 50-lb. offset, rolls	914	930	955	947	930	940	923	920	920	-27	-3%	0	0%	
TISSUE PAPERS														
Cascades Tissue Papers (index 1999 = 1,000) ⁴	1,619	1,631	1,662	1,718	1,664	1,669	1,612	1,610	1,622	-96	-6%	12	1%	
Raw materials (average)														
Cascades North American US\$ index (index 2005 = 300)⁵	421	471	494	512	410	472	387	384	368	-144	-28%	-15	-4%	
RECYCLED PAPER														
North America (US\$/ton)														
Corrugated containers, no. 11 (New England)	149	182	178	179	155	174	152	151	125	-54	-30%	-26	-17%	
Special news, no. 8 (ONP - Chicago & NY average)	88	128	139	135	103	126	85	90	70	-65	-48%	-19	-21%	
Sorted office papers, no. 37 (SOP - Chicago & NY average)	214	223	263	283	164	233	145	151	170	-113	-40%	19	13%	
Europe (Euro/tonne)														
Recovered paper index ⁶	120	146	158	147	107	140	113	118	102	-46	-31%	-16	-13%	
VIRGIN PULP (US\$/tonne)														
Bleached softwood kraft Northern, East U.S.	960	970	1,027	993	920	978	873	900	853	-140	-14%	-47	-5%	
Bleached hardwood kraft Northern mixed, East U.S.	856	820	850	823	738	808	714	778	763	-61	-7%	-15	-2%	
WOODCHIPS - Conifer Eastern Canada (US\$/odmt)	123	123	125	125	134	127	130	121	120	-5	-4%	-1	-1%	

Sources: RISI, Dow Jones, Random Lengths and Cascades.
Refer to Notes page included in the Appendix.

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.

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 (excluding the short term portion of other assets) plus inventories less accounts payable.