

CASCADES INC.

Review of
Q4 2012
financial results



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.

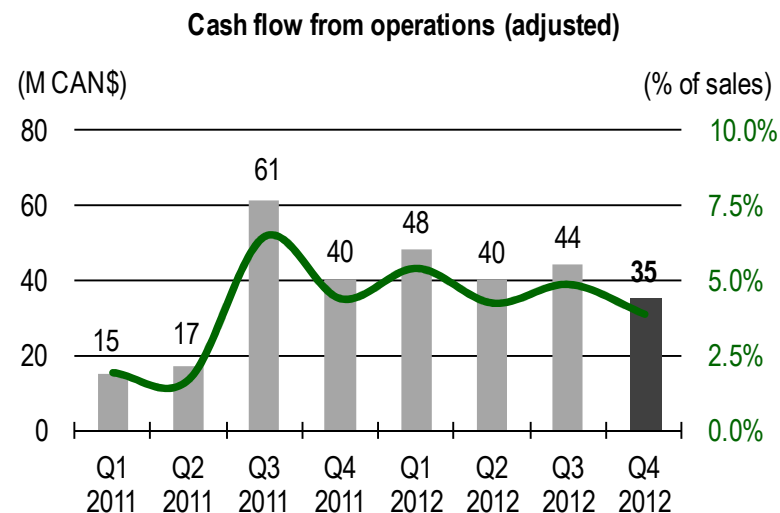
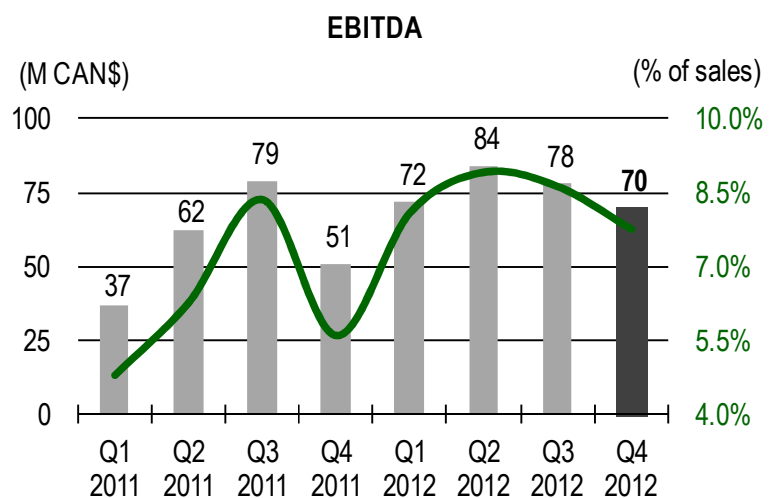
Specific items are defined as items such as charges for impairment of assets, for facility or machine closures, accelerated depreciation of assets due to restructuring measures, debt restructuring charges, gains or losses on sales of business units, unrealized gains or losses on derivative financial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



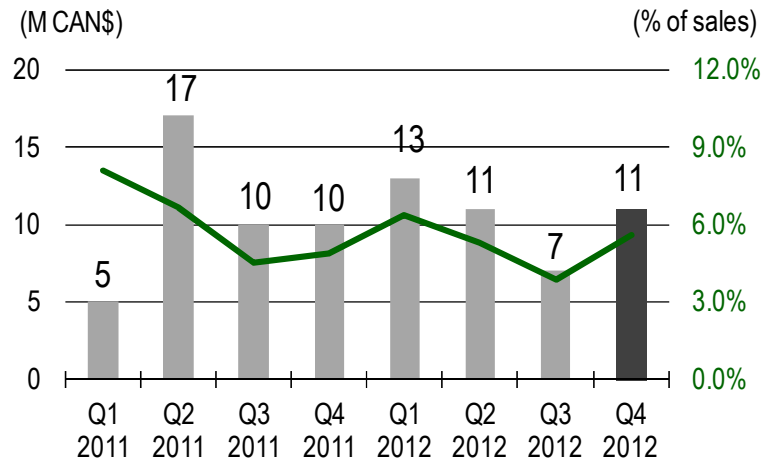
(In millions of CAN\$, except amount per share)	2011					2012				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	YTD
Financial results										
Sales	774	991	947	913	3,625	891	944	906	904	3,645
Excluding specific items										
EBITDA	37	62	79	51	229	72	84	78	70	304
Net earnings (loss)	1	(9)	(2)	(4)	(14)	4	7	7	(2)	16
Net earnings (loss) per share	0.01	(0.09)	(0.02)	(0.04)	(0.14)	0.04	0.08	0.07	(0.02)	0.17
Cash flow from operations (adjusted)	15	17	61	40	133	48	40	44	35	167

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

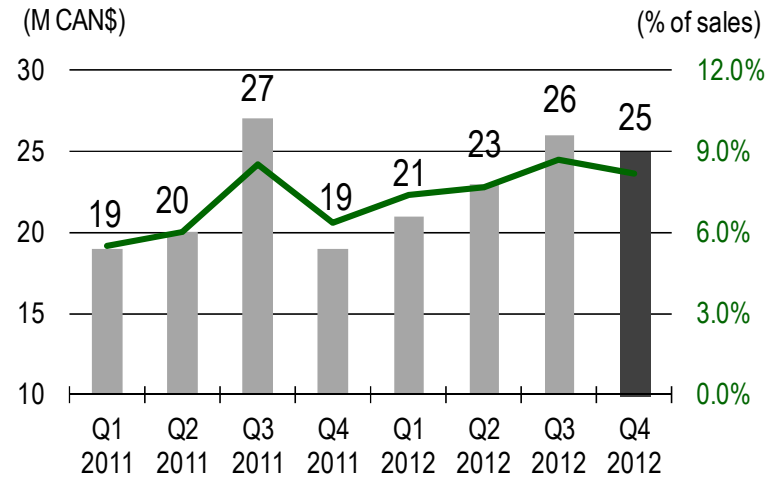
33% EBITDA improvement year over year despite stable revenues

HISTORICAL SEGMENTED EBITDA

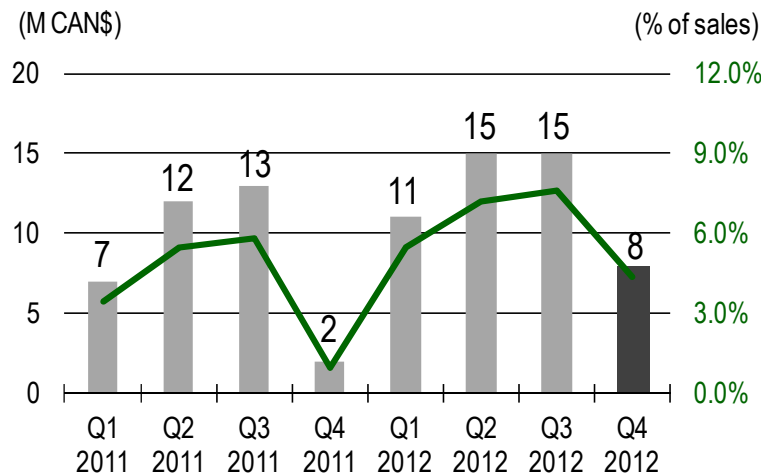
Boxboard Europe



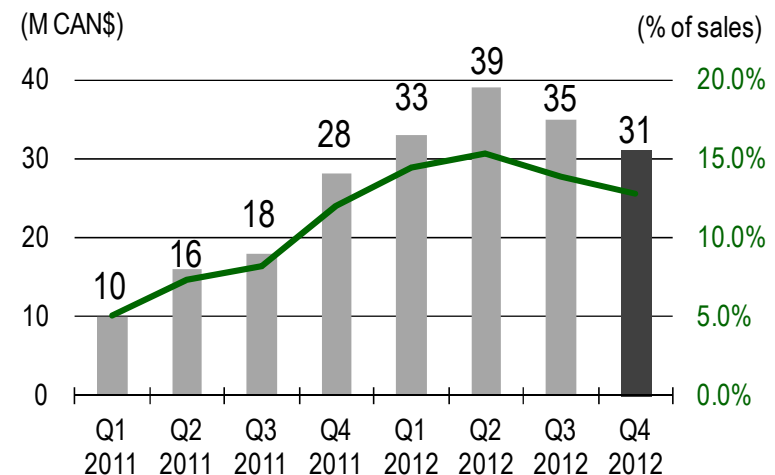
Containerboard



Specialty Products

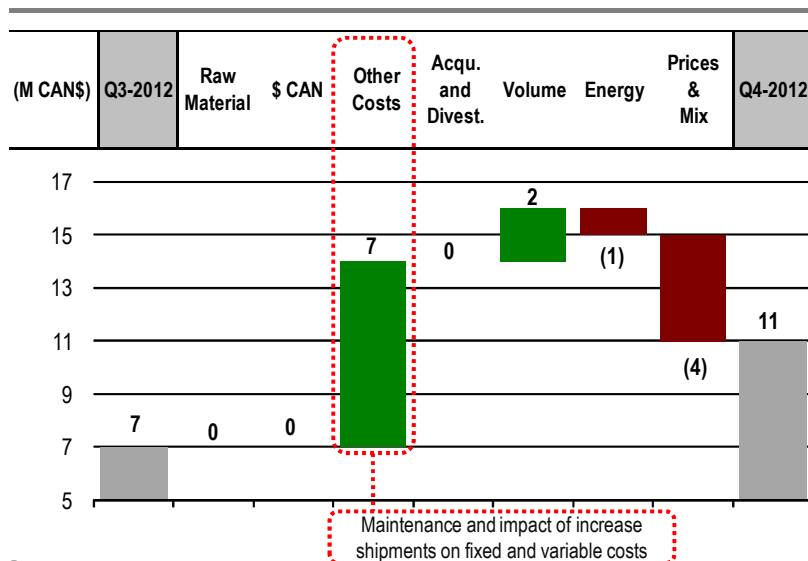


Tissue Papers

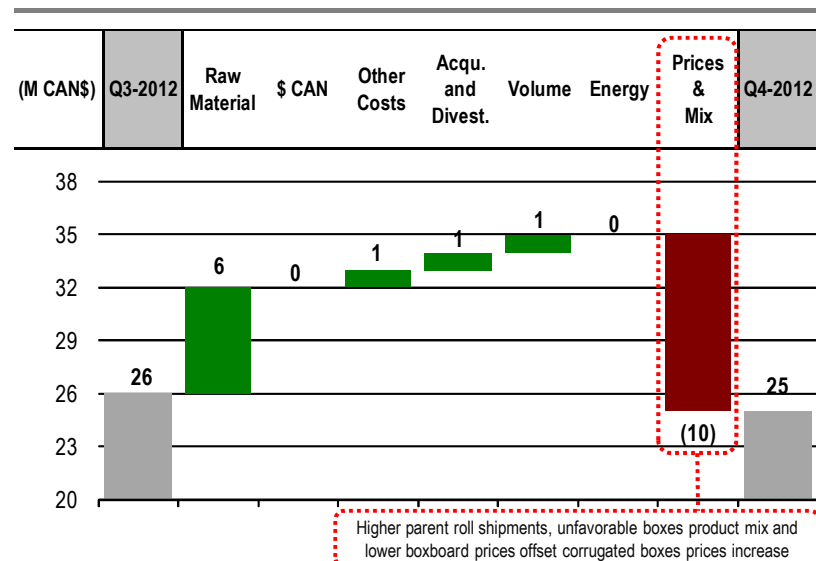


SEGMENTED EBITDA WATERFALLS

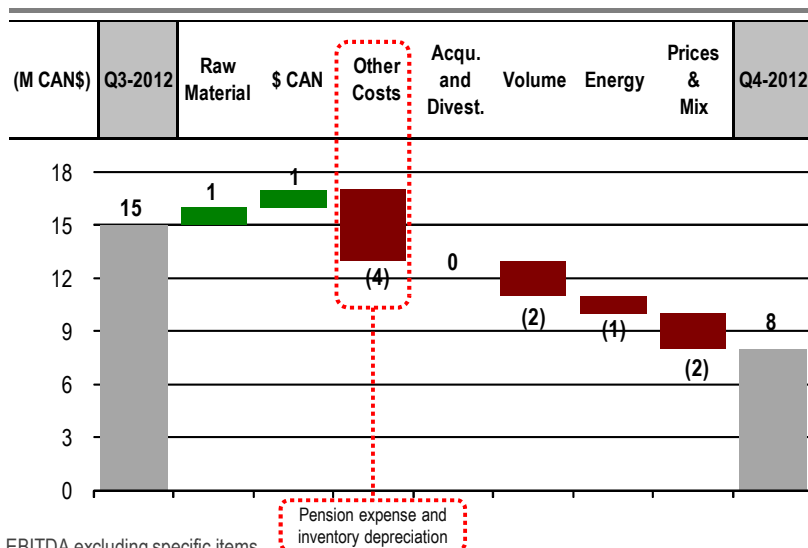
Boxboard Europe



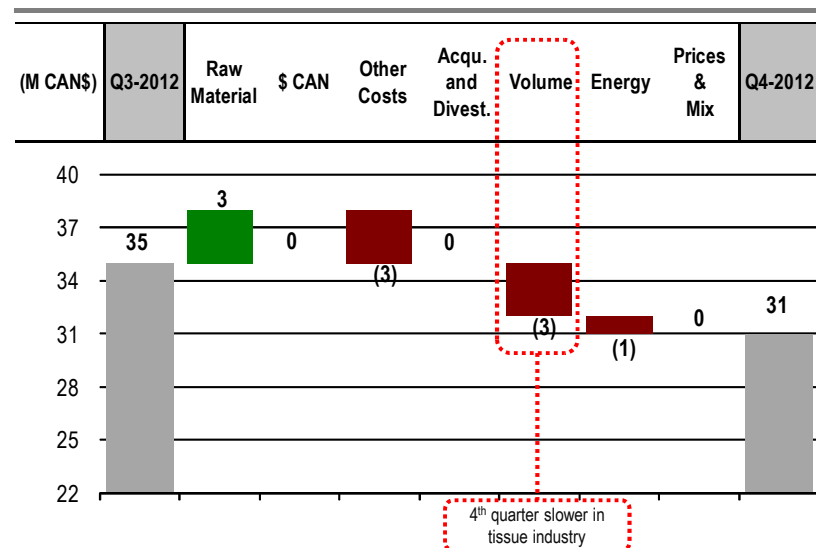
Containerboard



Specialty Products



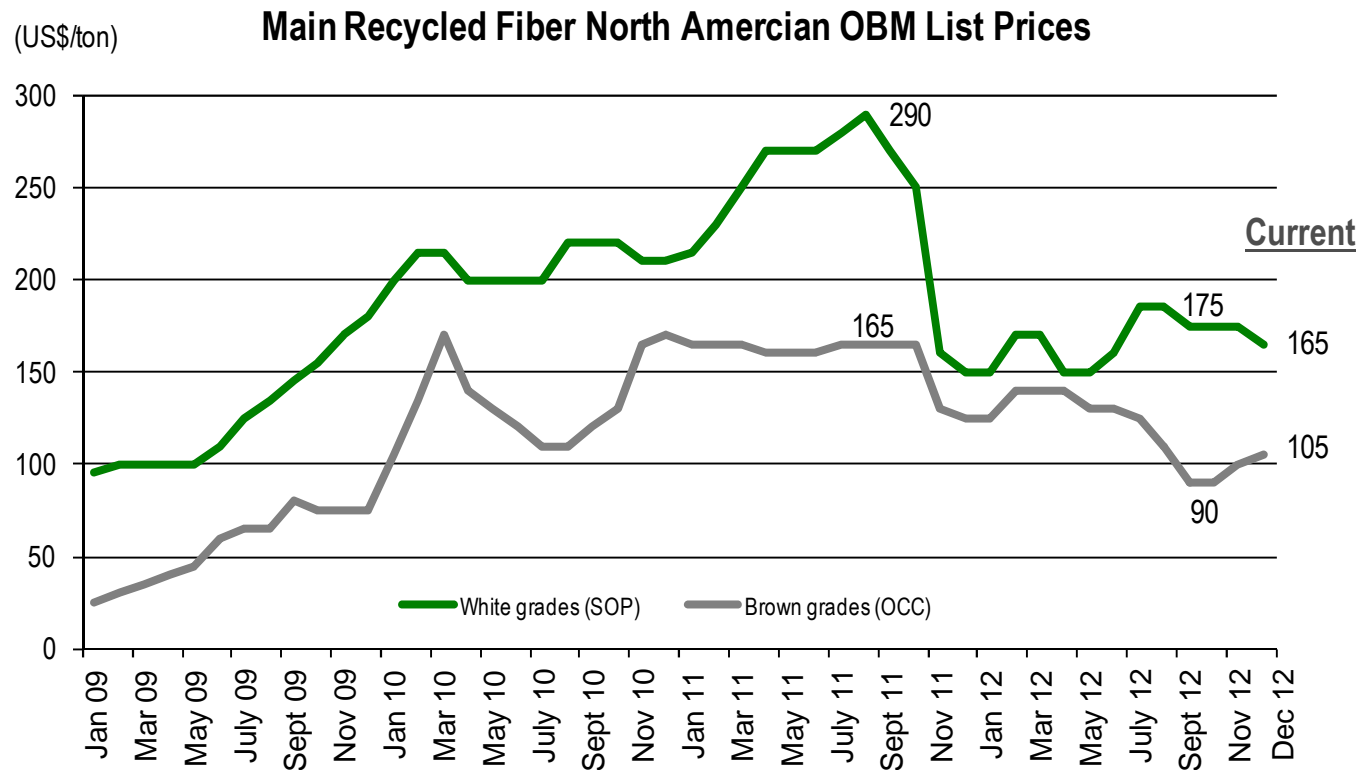
Tissue Papers





MARKET DYNAMICS

RAW MATERIAL COSTS



OBM Average Quarterly List Prices	<u>Q4-2011</u>	<u>Q3-2012</u>	<u>Q4-2012</u>	<u>YoY</u>	<u>QoQ</u>
Brown grades - OCC No. 11 (New England)	140	108	98	-30%	-9%
White grades - SOP No. 37 (New England)	187	182	172	-8%	-6%

No significant price increases expected in the short term

Sources: RISI, Bloomberg.

ILLUSTRATIVE SUM-OF-THE-PARTS VALUATION ANALYSIS

	Comparable Companies Trading Range TEV/LTM EBITDA ⁷	Illustrative Cascades' LTM EBITDA ⁸ (M\$ rounded, net corp. activities)	Selected Multiple (conservative)	Illustrative Value (M\$ rounded)
• Tissue Papers	6.5x - 10.5x	133	7.5x	1,000
• Containerboard	6.0x - 8.0x	89	6.5x	580
• Boxboard Europe	4.0x - 8.5x	37	6.0x	220
• Specialty Products	4.0x - 9.0x	<u>45</u>	<u>6.0x</u>	<u>270</u>
		304	6.8x	
Total Enterprise Value				2,070
Add:	JV contribution (\$10M EBITDA @ 6.0x)			60
Subtract:	Net Debt			<u>(1,535)</u>
Total Equity Value – pre-adjustments				595
Add:	Boralex' stake (at market value)			125
Add:	Greenpac investment (at book value)			100
Subtract:	Minority interest (estimate ⁹)			<u>(65)</u>
Total Equity Value – post-adjustments				755
Per share				8.04\$
Current Market Capitalization				431
Current Market Price (as at February 20, 2013)				4.60\$

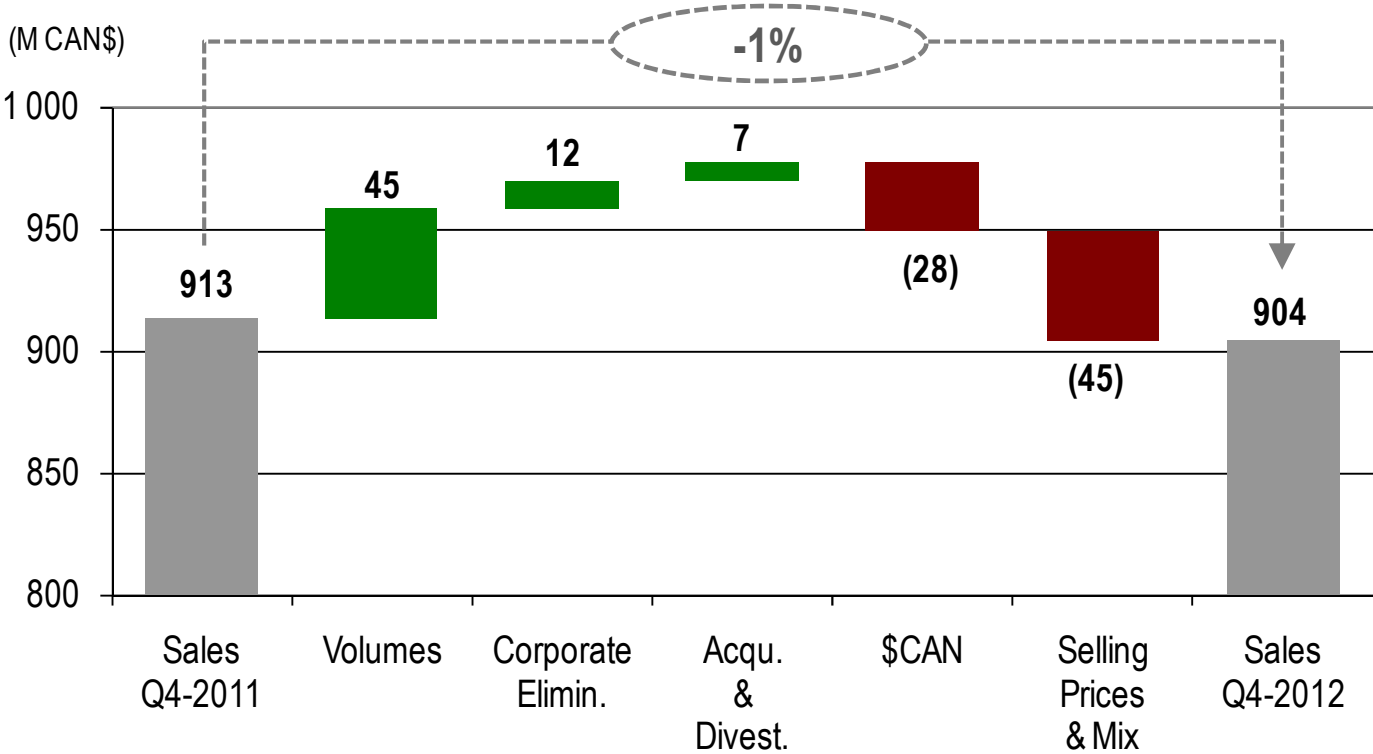
Discount to Sum-of-the-Part Equity Value (given current market price and using trailing EBITDA) 43%

Shares trading at significant discount, even using current trough EBITDA and conservative multiples



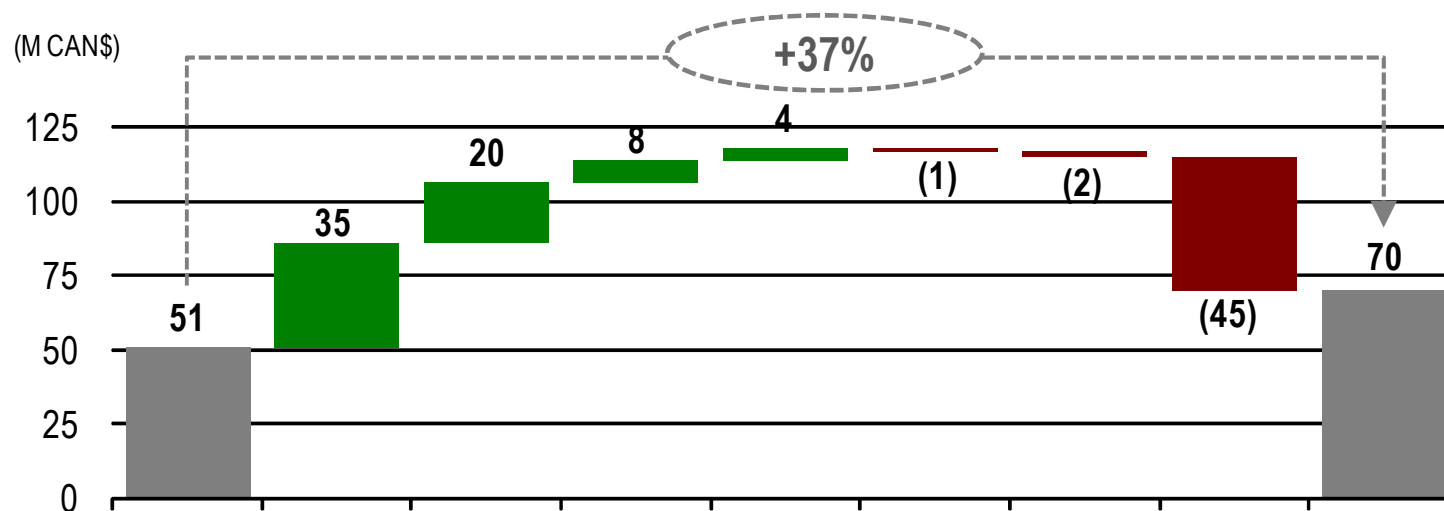
FINANCIAL REVIEW

Q4-2011 – Q4-2012 SALES RECONCILIATION



FX and prices more than offset volumes and increased external sales

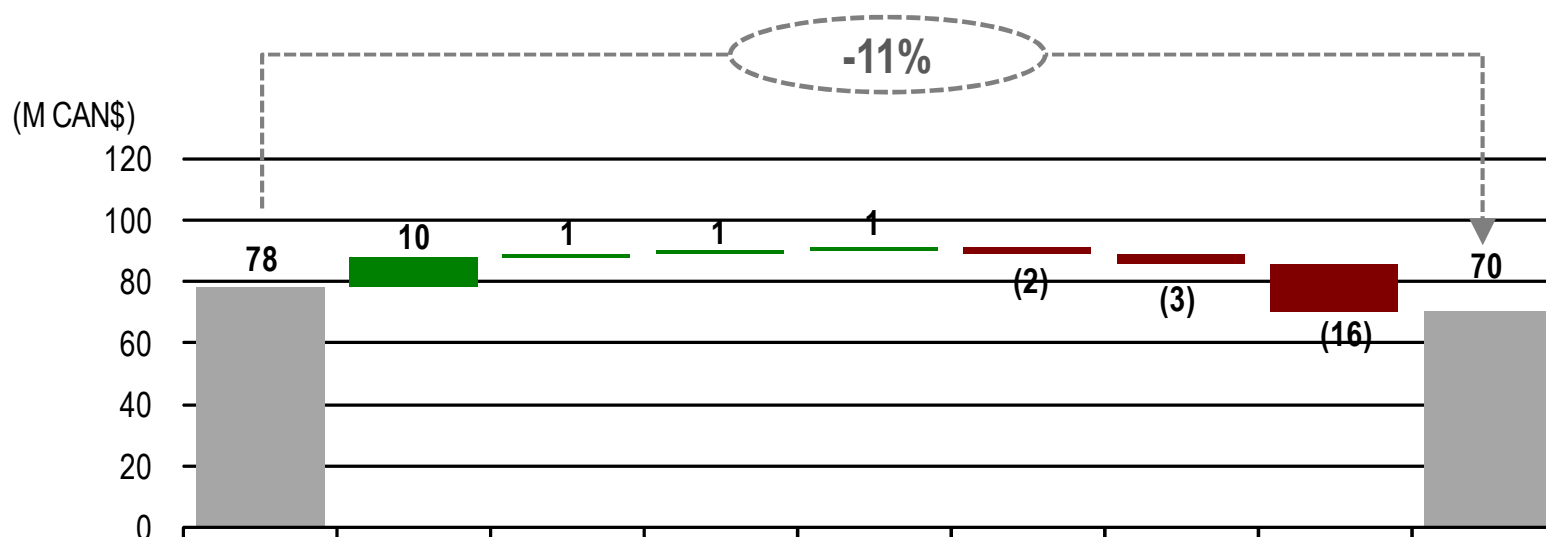
Q4-2011 – Q4-2012 EBITDA VARIANCE ANALYSIS



(M CAN\$)	Q4-2011	Raw Materials ¹	Volume	Other Costs	Business Acq. & Disposals	Energy	\$CAN	Selling Prices & Mix	Q4-2012
Containerboard	19	12	5	(2)	2	0	0	(11)	25
Boxboard Europe	10	8	5	5		(2)	(2)	(13)	11
Specialty Products	2	9	1		1			(5)	8
Tissue Papers	28	6	9	3	1	1	(1)	(16)	31
Corporate	(8)			2			1		(5)
Total	51	35	20	8	4	(1)	(2)	(45)	70

Lower raw material costs and higher volume offset lower prices

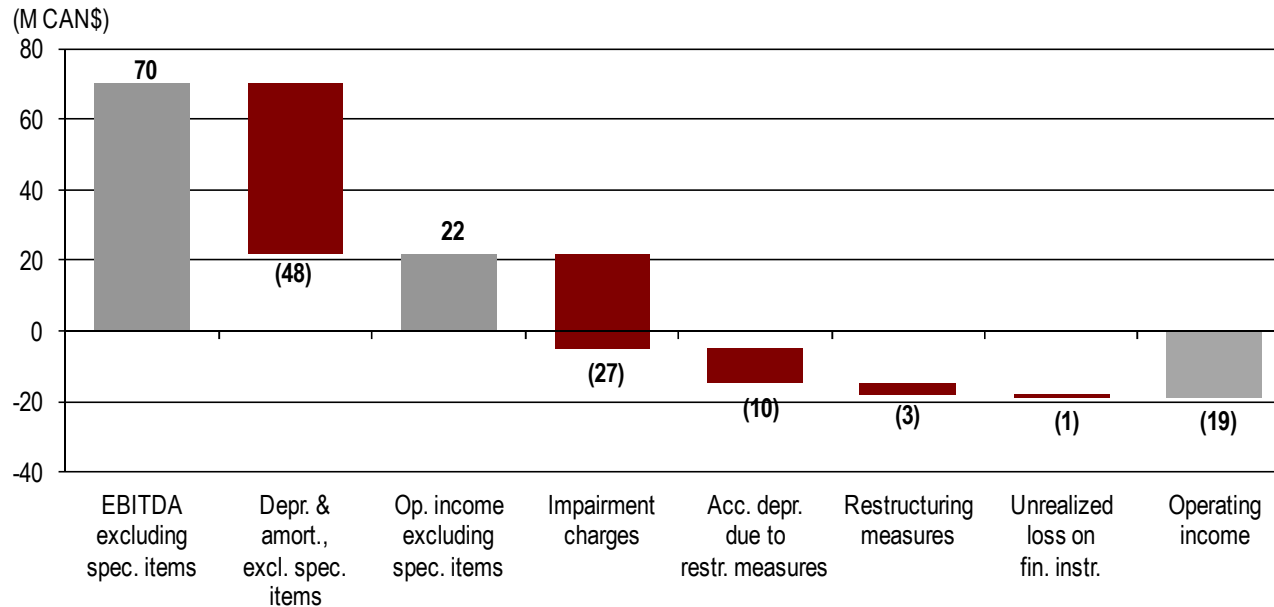
Q3-2012 – Q4-2012 EBITDA VARIANCE ANALYSIS



(M CAN\$)	Q3-2012	Raw Materials ¹	\$ CAN	Other Costs	Acq. and Divest.	Volumes	Energy	Selling Prices & Mix	Q4-2012
Containerboard	26	6		1	1	1		(10)	25
Boxboard Europe	7			7		2	(1)	(4)	11
Specialty Products	15	1	1	(4)		(2)	(1)	(2)	8
Tissue Papers	35	3		(3)		(3)	(1)		31
Corporate	(5)								(5)
Total	78	10	1	1	1	(2)	(3)	(16)	70

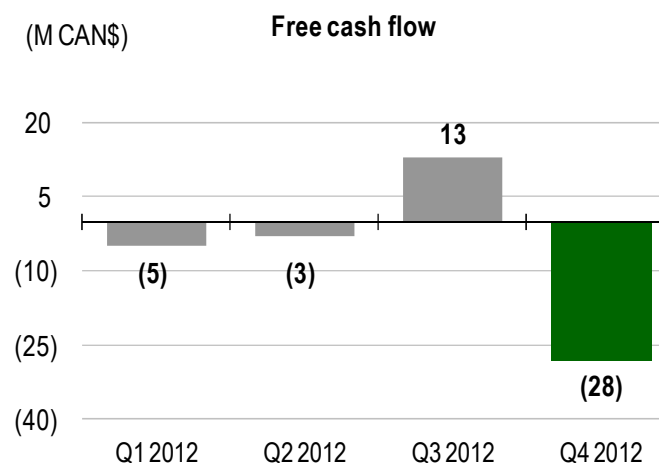
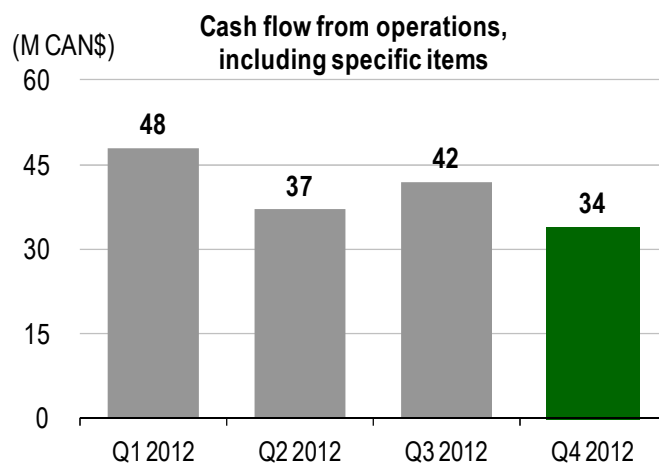
Prices, volumes and energy more than offset a reduction in raw materials

Q4-2012 EBITDA TO OPERATING INCOME RECONCILIATION



(M CAN\$)	Container-board	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Total
Operating income (loss)	(29)	(2)	2	21	(11)	(19)
Specific items:						
Restructuring costs	2	1	-	-	-	3
Impairment charges	23	3	-	-	1	27
Accelerated depreciation due to restructuring measures	10	-	-	-	-	10
Unrealized loss (gain) on financial instruments	1	(1)	-	(1)	2	1
Total specific items	36	3	-	(1)	3	41
Operating income (loss) excluding specific items	7	1	2	20	(8)	22
Depreciation, excluding specific items	18	10	6	11	3	48
EBITDA excluding specific items	25	11	8	31	(5)	70

CASH FLOW OVERVIEW



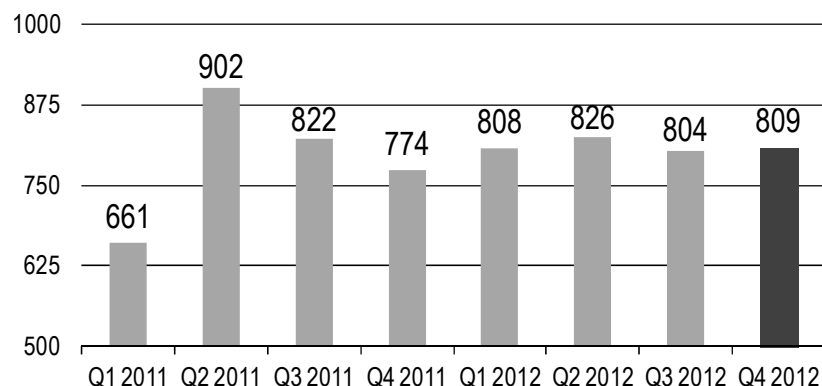
(in millions of CAN\$)	2011					2012				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Cash flow from operations, including disc. operations	15	16	60	35	126	48	37	42	34	161
Capital expenditures & other assets ¹	(37)	(24)	(31)	(35)	(127)	(47)	(36)	(25)	(57)	(165)
Dividend & share buyback	(5)	(6)	(8)	(7)	(26)	(6)	(4)	(4)	(4)	(18)
Free cash flow	(27)	(14)	21	(7)	(27)	(5)	(3)	13	(27)	(22)
Free cash flow per share	\$(0.28)	\$(0.15)	\$0.22	\$(0.07)	\$(0.28)	\$(0.05)	\$(0.03)	\$0.14	\$(0.29)	\$(0.23)

Capex under our modernization plan impacted free cash flows in Q4

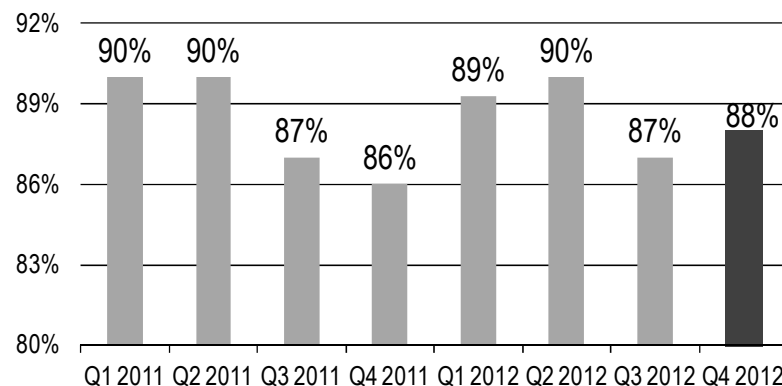
KEY PERFORMANCE INDICATORS (KPIs)

('000 s.t.)

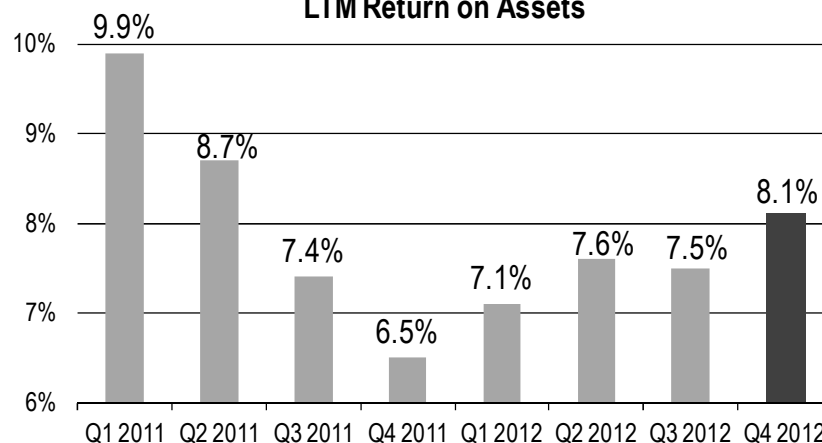
Total Shipments



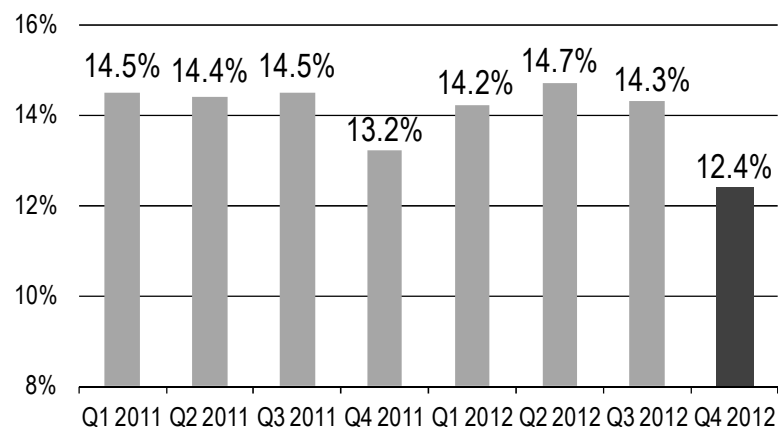
Capacity Utilization Rate



LTM Return on Assets

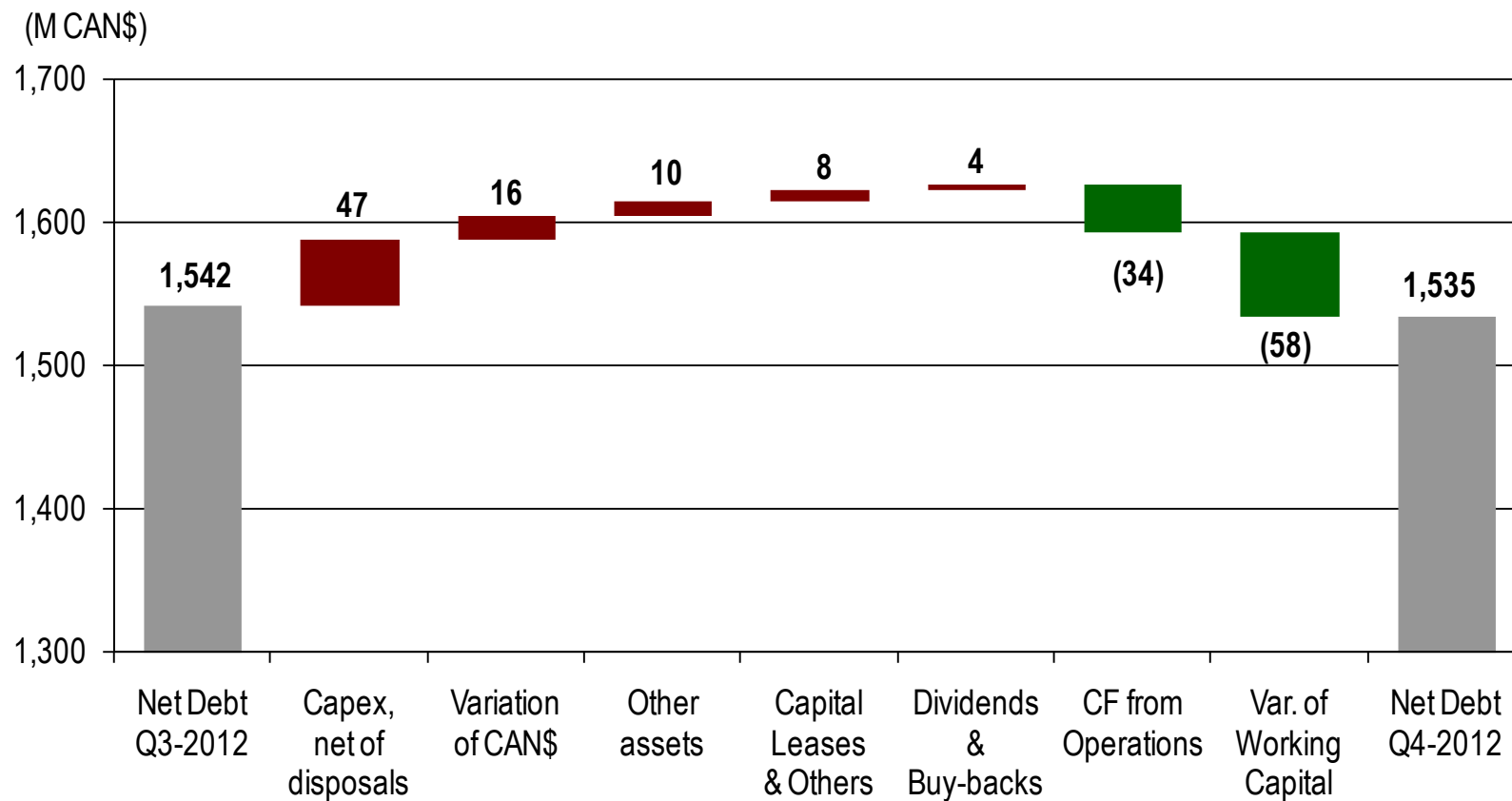


Working Capital (% of Sales)



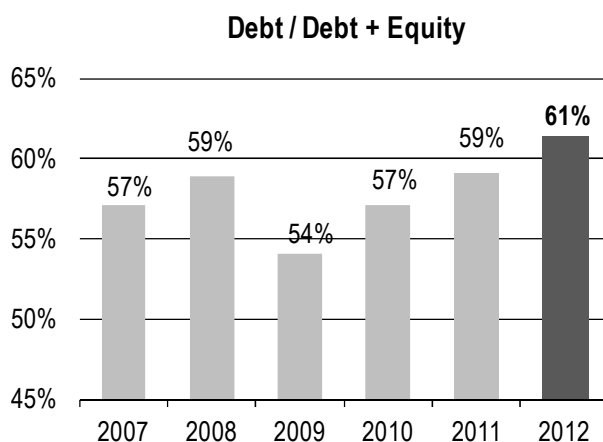
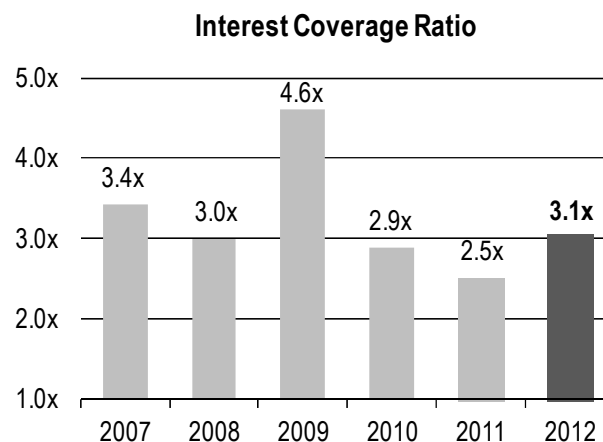
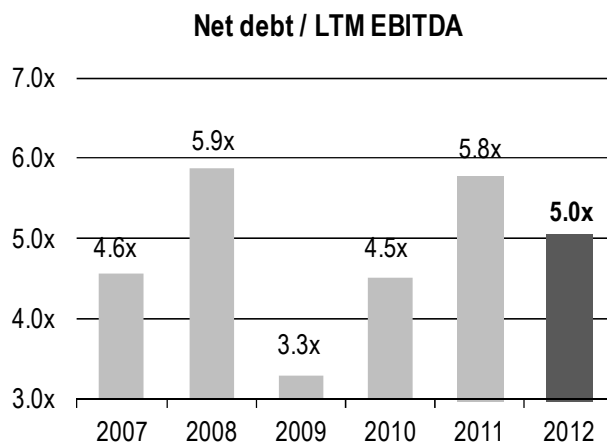
Improvement of all KPIs, particularly working capital

NET DEBT RECONCILIATION

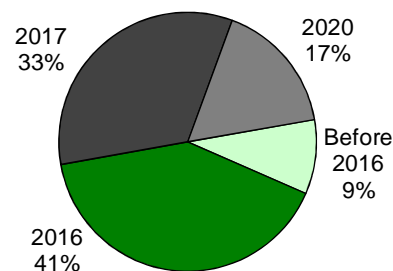


Net debt down due to cash flow from operations and working capital management

CONSOLIDATED FINANCIAL RATIOS & DEBT MATURITIES



Long-term Debt Maturities Distribution



Leverage ratio improvement due to increased profitability



Note: EBITDA excluding specific items. Starting in Q2 2011, LTM EBITDA / Interest includes 100% of RDM. Starting in Q4 2011, also includes 100% of Papersource. Cascades' bank debt financial covenant ratios: Net funded debt to capitalization < 65% (currently at 55%), interest coverage ratio > 2.25x (currently at 3.01x).



SEGMENTED REVIEW

TISSUE PAPERS

Results Q4 2012	Change vs. Q3 2012 Q4 2011	
Shipments ('000 s.t.) 141	-4%	13%
Average selling price (CAN\$/unit) 1,715 (US\$/unit) 1,730	0%	-7%
	0%	-4%
Sales (M\$) 242	-4%	4%
EBITDA (M\$) 31 % of sales 13%	-11%	11%

EBITDA excluding specific items

Comments on sequential performance

- ▶ Lower shipments in our Canadian retail and away-from-home activities due to seasonality
 - ▶ More than offset higher shipments in the away-from-home business in the US
 - ▶ Shipments of parent rolls also lower
-
- ▶ Stable average selling prices for both converted products and parent rolls
 - ▶ Integration rate slightly higher due to positive product mix comprising more converted products
-
- ▶ Lower raw material costs positively impacted EBITDA by \$3M
 - ▶ In addition to lower shipments, an increase in expenditures for supplies, energy costs and repairs and maintenance contributed to lower EBITDA

PACKAGING / CONTAINERBOARD

Results Q4 2012	Change vs.	
	Q3 2012	Q4 2011
Shipments ('000 s.t.) 297	0%	-4%
Average selling price (CAN\$/unit) 539 (US\$/unit) 544	2%	-3%
	3%	0%
Sales (M\$) 306	2%	2%
EBITDA (M\$) 25 % of sales 8%	-4%	32%

EBITDA excluding specific items

Comments on sequential performance

- ▶ External shipments of our manufacturing activities increased by 6%
 - ▶ Good performance by our corrugated containers units with a 1% decrease in shipments compared to respective declines of 3.9% and 2.5% for the Canadian and American industries
 - ▶ Average selling prices increase due to gradual implementation of \$50/st for containerboard manufacturing mills during the quarter (average weighted impact of \$33/st during the quarter with 100% implemented as of December 31)
 - ▶ Prices of corrugated boxes increase by 2.5% or \$27/st for the quarter. However, product mix resulted in a slight decline of average selling prices compared to the previous quarter
 - ▶ Reduction of 1.7% of our integration rate led to unfavorable price/mix impact in the fourth quarter (\$6M)
-
- ▶ EBITDA decrease due to a change in the corrugated boxes product mix (\$7M) and an average selling price decline for our boxboard mills and folding carton facilities (\$5M)
 - ▶ Partially offset by average selling prices increase in the containerboard sub-segment (\$7M) and lower recycled fibre prices (\$6M)

PACKAGING / BOXBOARD EUROPE

Results Q4 2012	Change vs.		Comments on sequential performance
	Q3 2012	Q4 2011	
Shipments ('000 s.t.) 280	8%	11%	<ul style="list-style-type: none"> ▶ Sequentially, higher shipments in all of our markets due to downtimes taken during the previous quarter ▶ Order backlog in better shape than in the previous quarter for both recycled and virgin grades
Average selling price (CAN\$/unit) 705 (Euros/unit) 548	1%	-13%	
	-2%	-7%	<ul style="list-style-type: none"> ▶ Slight average price decrease in Euros, in line with the decline of reference prices ▶ In Canadian dollar, sequential prices increase caused by the strengthening of the Euro
Sales (M\$) 198	9%	-4%	
EBITDA (M\$) 11 % of sales 6%	57%	10%	<ul style="list-style-type: none"> ▶ Higher shipments and positive contribution from new equipments contributed to significantly increase EBITDA ▶ More than offset the negative impact of lower prices and higher energy costs in Italy ▶ Stable raw material costs compared to previous quarter ▶ Important maintenance expenditures incurred during the previous quarter

EBITDA excluding specific items

PACKAGING / SPECIALTY PRODUCTS

Results Q4 2012	Change vs.	
	Q3 2012	Q4 2011
Shipments ('000 s.t.)¹ 91	-8%	5%
Average selling price (CAN\$/unit) 901 (US\$/unit) 909	1%	-5%
	1%	-2%
Sales (M\$) 183	-7%	-11%
EBITDA (M\$) 8 % of sales 4%	-47%	300%

Comments on sequential performance

- ▶ Sequentially, lower shipments due to reduced volumes in the Specialty Papers segment
- ▶ Reduced volumes in the Industrial Packaging and Consumer Product segments offset by higher shipments in the Recovery segment
- ▶ Sequential increase of average selling prices in the Specialty Papers segment explained by product mix
- ▶ Product mix resulted in a decline of the average selling prices in the case of the Industrial Packaging and Consumer Product Packaging segments
- ▶ Positive contribution from the Recovery segment insufficient to offset lower shipments and average selling prices caused by the above-mentioned product mix considerations
- ▶ EBITDA negatively impacted by downtimes and pension plan expenses in the Specialty Papers segment
- ▶ Inventory depreciation in the Industrial Packaging segment and higher administrative expenses in the Recovery segments also contributed to EBITDA reduction
- ▶ Positive impact from the recycled paper price variation in the Specialty Papers segment

EBITDA excluding specific items

¹ Shipments and average selling price are for papers only



Q&A

AND

CONCLUDING REMARKS

NEAR TERM OUTLOOK



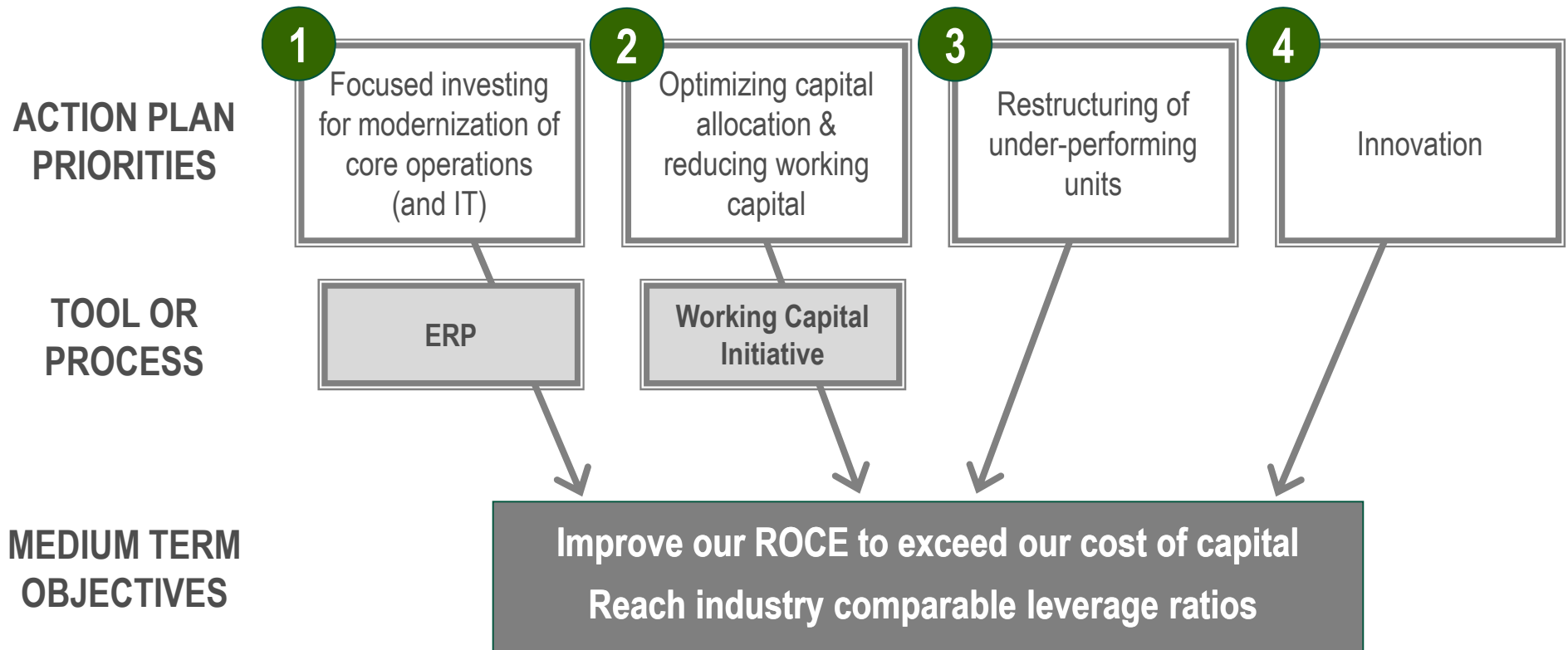
- Stable raw material costs
- Price increase in corrugated box sector
- Impacts of restructuring and optimization measures
- Potential to improve utilization rate
- Additional contribution following investments in Containerboard in Ontario and North American boxboard operations



- Possible increase in Asian demand for recycled fibre this spring
- New capacity in tissue sector
- Economic uncertainty in Europe
- Impact of mechanical incident at one of our tissue paper manufacturing mill in January
- Impact of a one week shutdown at La Rochette mill in France

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

STRATEGIC ACTION PLAN

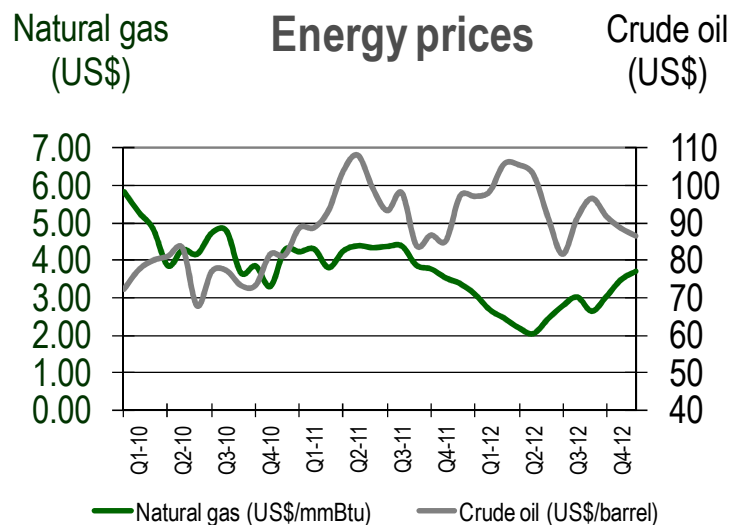


Improving our profitability and financial situation through our Action Plan



APPENDIX

ENERGY PRICES



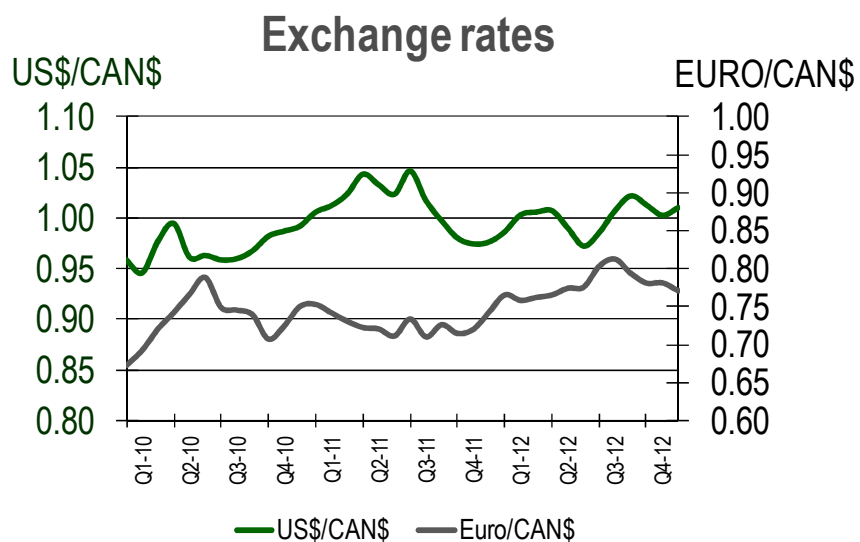
Hedging Program – Natural gas

- Canada:
 - 2013: 70% at 5.48 CAN\$/GJ
 - 2014: 65% at 5.35 CAN\$/GJ
- U.S.:
 - 2013: 53% at 5.78 US\$/mmBtu
 - 2014: 44% at 5.436 US\$/mmBtu

	2010		2011		2012				Change	
	Year	Year	Q1	Q2	Q3	Q4	Year	Q4 2012 Q4 2011	Q4 2012 Q3 2012	
<i>Averages</i>										
Energy prices										
Natural gas Henry Hub (US\$/mmBtu)	4.39	4.04	2.74	2.22	2.81	3.40	2.79	-4%	21%	
Crude oil WTI (US\$/barrel)	77.32	94.01	100.51	100.11	89.97	89.09	94.92	-1%	-1%	

Source: Bloomberg

FOREIGN EXCHANGE



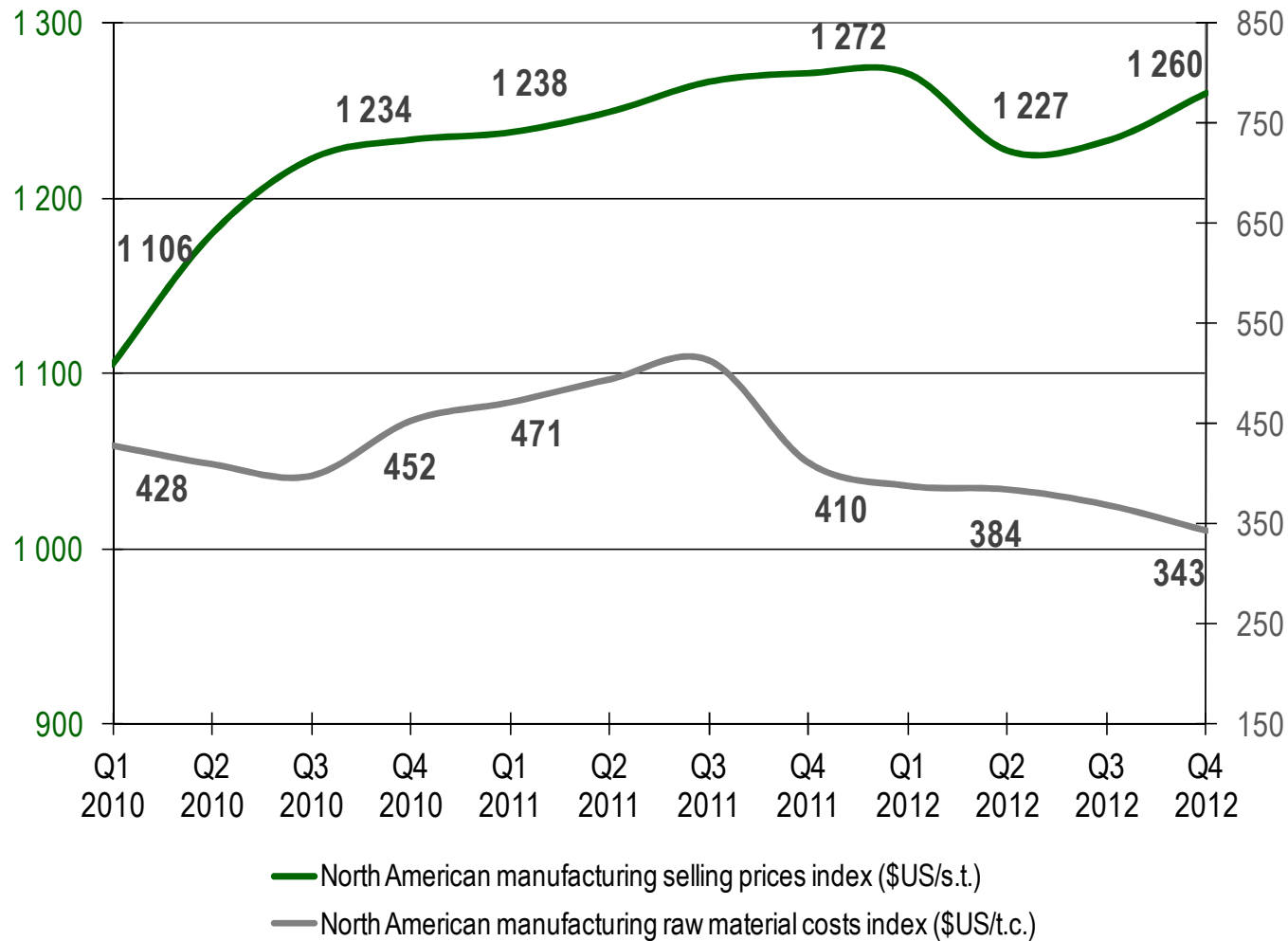
Hedging Program – USD Cash flows

- 2013
24 to 43% of exposure hedged at an average rate of 1.0282CAN\$/US\$ to 1.0781CAN\$/US\$
- 2014
8 to 11% of exposure hedged at an average rate of 1.0159CAN\$/US\$ to 1.0509CAN\$/US\$

	2010		2011		2012				Change	
	Year	Year	Q1	Q2	Q3	Q4	Year	Q4 2012 Q4 2011	Q4 2012 Q3 2012	
Averages										
Foreign exchange rates										
US\$/CAN\$	0.971	1.011	0.999	0.990	1.005	1.009	1.001	3%	0%	
EURO/CAN\$	0.733	0.727	0.762	0.772	0.803	0.778	0.779	7%	-3%	

Source: Bloomberg

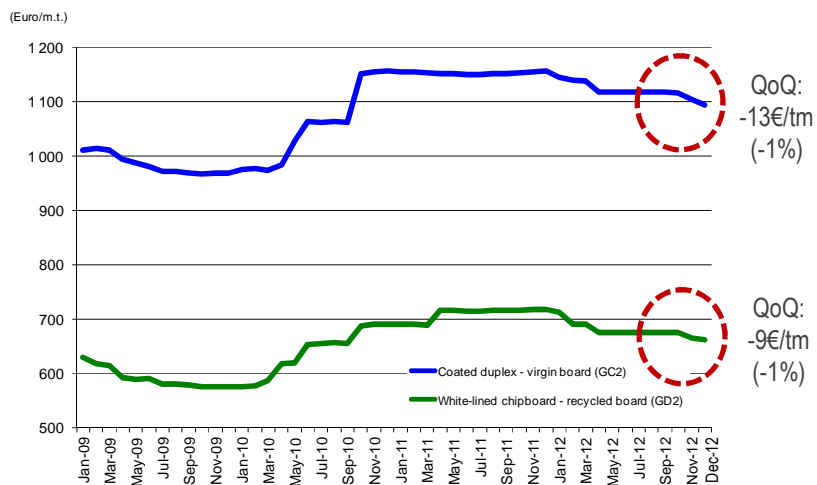
NORTH AMERICAN MANUFACTURING SPREAD



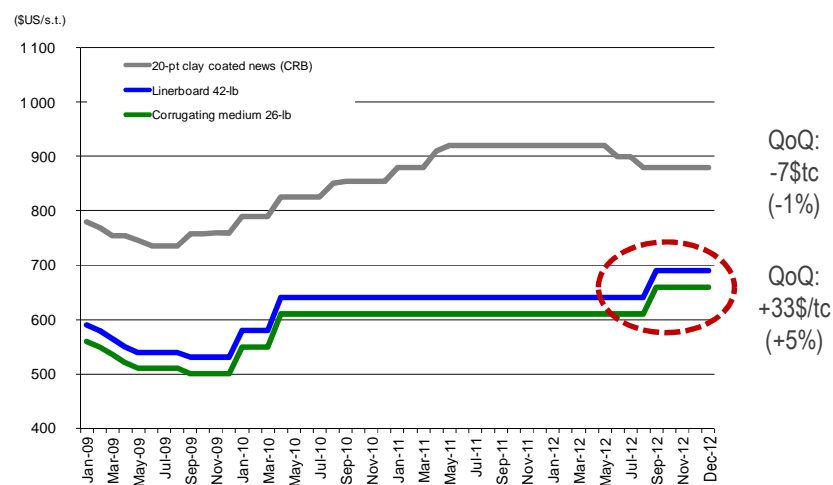
Manufacturing spread in CAN\$ in Q4/12: +6% vs Q3/12 and +3% vs Q4/11

SELECTED INDUSTRY REFERENCE PRICES

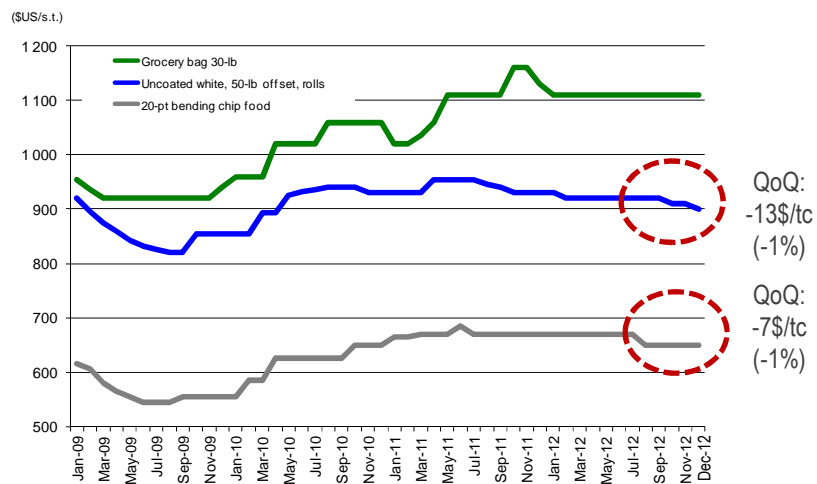
Boxboard Europe - Selected Products



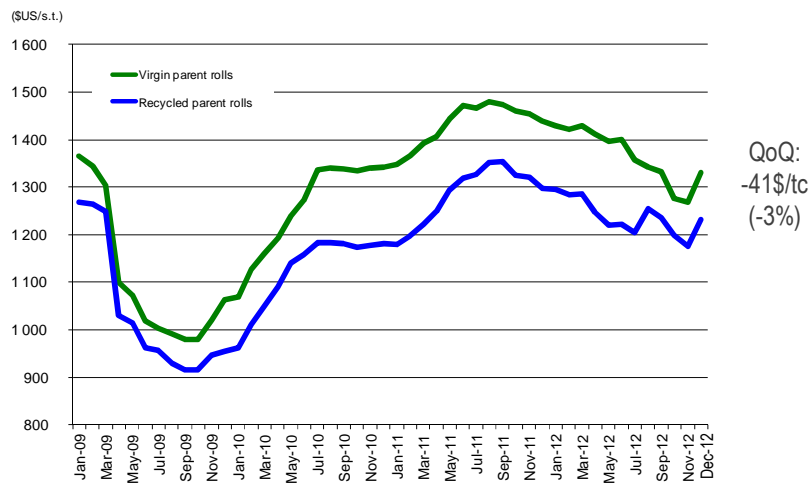
Containerboard - Selected Products



Specialty Products - Selected Products



Tissue Papers - Selected Products



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					Q4 2012 over Q4 2011		Q4 2012 over Q3 2012	
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	(units)	(%)	(units)	(%)
Selling prices (average)														
Cascades North American US\$ index (index 2005 = 1,000) ¹	1,238	1,250	1,267	1,272	1,256	1,271	1,227	1,233	1,260	1,248	-11	-1%	27	2%
PACKAGING														
Boxboard														
North America (US\$/ton)														
Recycled boxboard - 20pt. clay coated news (transaction)	880	917	920	920	909	920	913	887	880	900	-40	-4%	-7	-1%
Europe (Euro/tonne)														
Recycled white-lined chipboard (GD2) index ²	690	716	716	718	710	698	677	677	668	680	-50	-7%	-9	-1%
Virgin coated duplex boxboard (GC2) index ³	1,155	1,151	1,152	1,155	1,153	1,141	1,118	1,118	1,105	1,121	-50	-4%	-13	-1%
Containerboard (US\$/ton)														
Linerboard 42-lb. unbleached kraft, East U.S. (transaction)	640	640	640	640	640	640	640	657	690	657	50	8%	33	5%
Corrugating medium 26-lb. semichemical, East U.S. (transaction)	610	610	610	610	610	610	610	627	660	627	50	8%	33	5%
Specialty Products (US\$/ton, tonne for deinked pulp)														
Recycled boxboard - 20pt. bending chip (transaction)	667	675	670	670	670	670	670	657	650	662	-20	-3%	-7	-1%
Deinked pulp (f.o.b.; U.S. air-dried & wet-lap, post-consumer)	748	768	812	725	763	663	675	713	715	692	-10	-1%	2	0%
Unbleached kraft paper, grocery bag 30-lb.	1,025	1,093	1,110	1,150	1,095	1,110	1,110	1,110	1,110	1,110	-40	-3%	0	0%
Uncoated white 50-lb. offset, rolls	930	955	947	930	940	923	920	920	907	918	-23	-3%	-13	-1%
TISSUE PAPERS														
Cascades Tissue Papers (index 1999 = 1,000) ⁴	1,631	1,662	1,718	1,664	1,669	1,654	1,647	1,651	1,642	1,649	-22	-1%	-9	-1%
Raw materials (average)														
Cascades North American US\$ index (index 2005 = 300) ⁵	471	494	512	410	472	387	384	368	343	371	-68	-17%	-26	-7%
RECYCLED PAPER														
North America (US\$/ton)														
Corrugated containers, no. 11 (New England)	182	178	179	155	174	152	151	125	116	136	-40	-25%	-9	-7%
Special news, no. 8 (ONP - Chicago & NY average)	128	139	135	103	126	85	90	70	60	76	-43	-42%	-10	-14%
Sorted office papers, no. 37 (SOP - Chicago & NY average)	223	263	283	164	233	145	151	170	151	154	-13	-8%	-20	-11%
Europe (Euro/tonne)														
Recovered paper index ⁶	146	158	147	107	140	113	118	102	111	111	4	4%	9	9%
VIRGIN PULP (US\$/tonne)														
Bleached softwood kraft Northern, East U.S.	970	1,027	993	920	978	873	900	853	863	873	-57	-6%	10	1%
Bleached hardwood kraft Northern mixed, East U.S.	820	850	823	738	808	714	778	763	744	750	6	1%	-18	-2%
WOODCHIPS – Conifer Eastern Canada (US\$/odmt)	123	125	125	134	127	130	121	120	120	123	-14	-10%	0	0%

Source: RISI, Random Lengths, Dow Jones and Cascades.

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.
7. Comparable companies include:
 - Graphic Packaging, Greif, IP, Meadwestvaco, Packaging Corp., Rock Tenn for Containerboard.
 - CP Tissue, Clearwater Paper, Kimberly-Clark and Orchids Paper for Tissue Papers. Wausau Papers trailing multiple not considered.
 - Reno de Medici's current market multiple for Boxboard Europe.
 - Boise, Domtar, Kapstone, Sealed Air and Sonoco for Specialty Products.
8. EBITDA adjusted for corporate activities which have been distributed according to sales for illustration purposes.
9. Minority interest adjustments estimated for Reno (assuming 57% ownership) and Cascades Recovery (73% ownership).

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.