

# CASCADES INC.

Review of  
Q1 2013  
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.

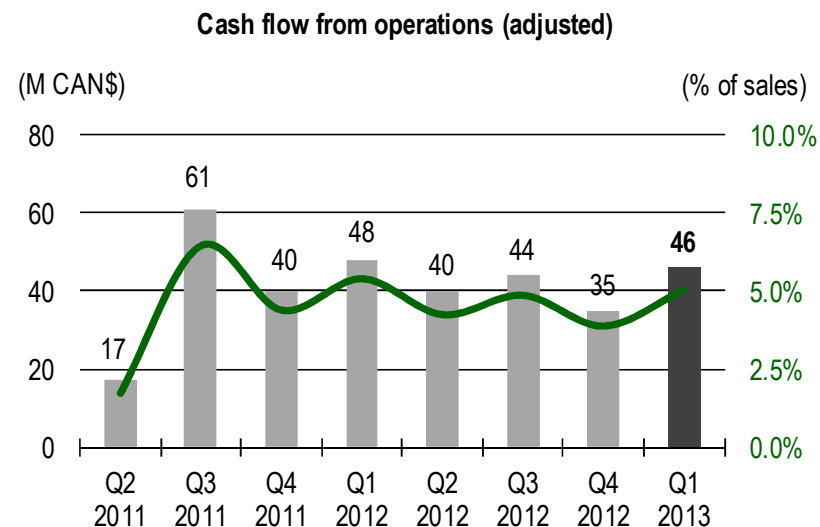
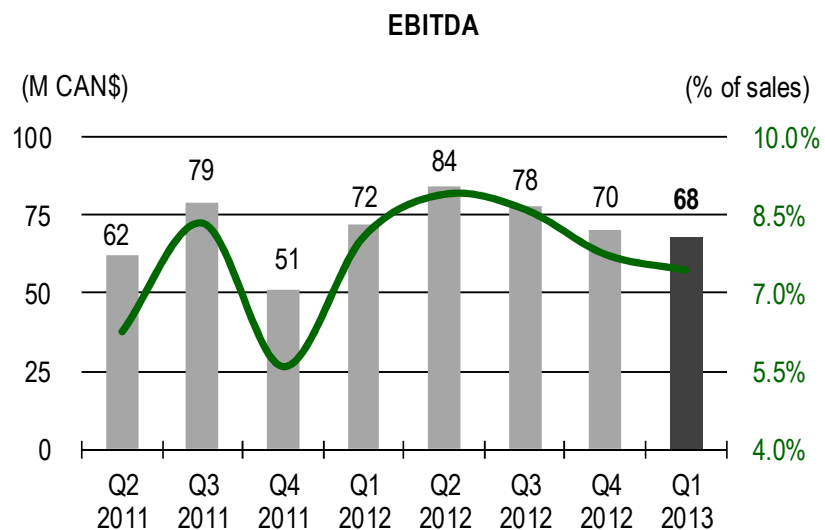
Specific items are defined as items such as charges for impairment of assets, for facility or machine closures, accelerated depreciation of assets due to restructuring measures, debt restructuring charges, gains or losses on sales of business units, unrealized gains or losses on derivative financial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



	2012					2013
	Q1	Q2	Q3	Q4	Year	Q1
<i>(In millions of CAN\$, except amount per share)</i>						
<b>Financial results</b>						
Sales	891	944	906	904	3,645	914
Excluding specific items						
EBITDA	72	84	78	70	304	68
Net earnings (loss) <sup>1</sup>	1	5	4	(5)	5	(4)
Net earnings (loss) per share <sup>1</sup>	\$0.01	\$0.05	\$0.05	\$(0.06)	\$0.05	\$(0.04)
Cash flow from operations (adjusted)	48	40	44	35	167	46

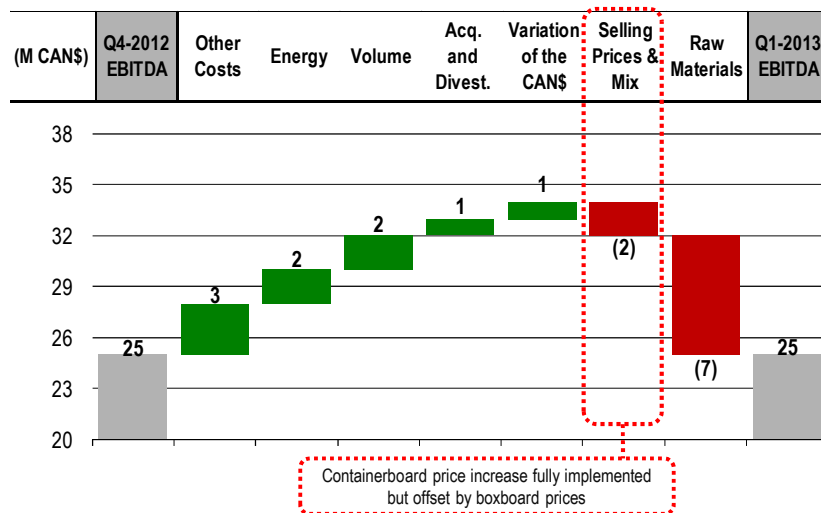
EBITDA, net earnings and cash flow from operations (adjusted) excluding specific items.

Note 1 - 2012 restated to comply with IAS19 standard – Employee benefits

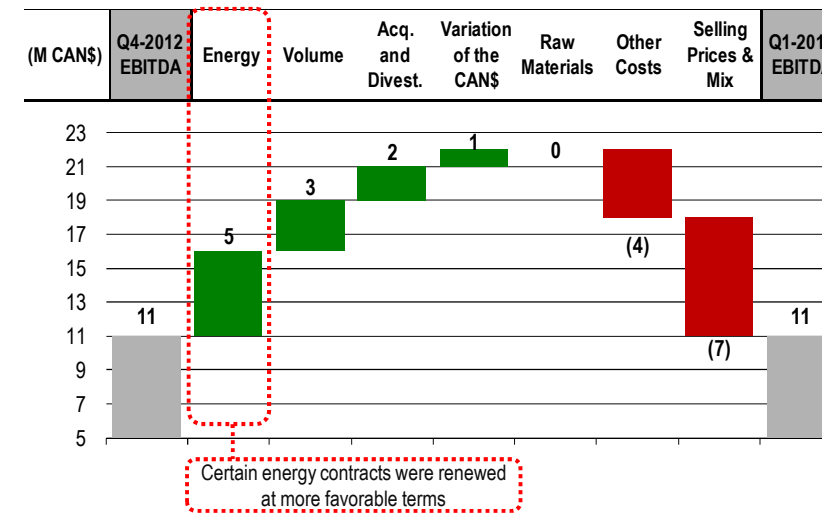
**Weaker quarter in tissue and boxboard sectors dampened results**

# SEGMENTED EBITDA WATERFALLS

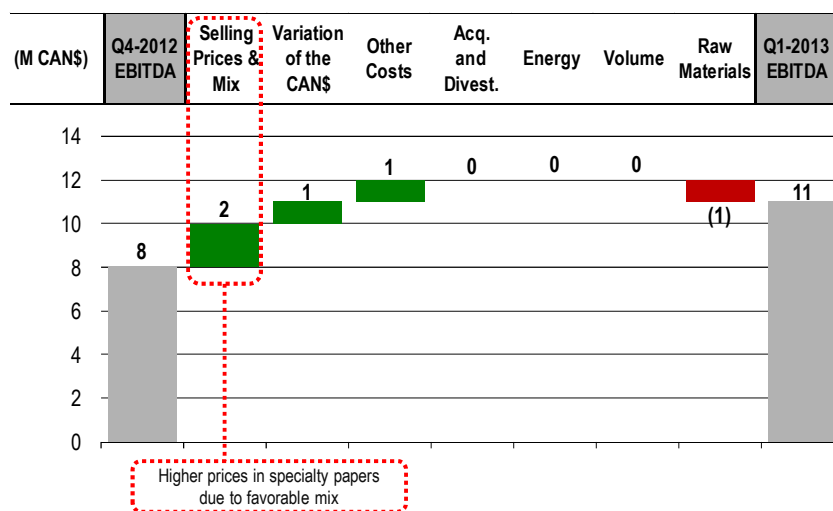
## Containerboard



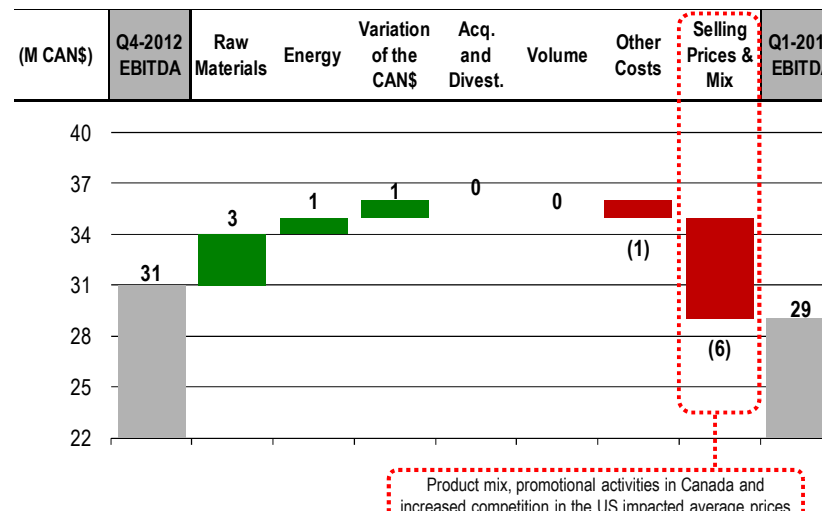
## Boxboard Europe



## Specialty Products



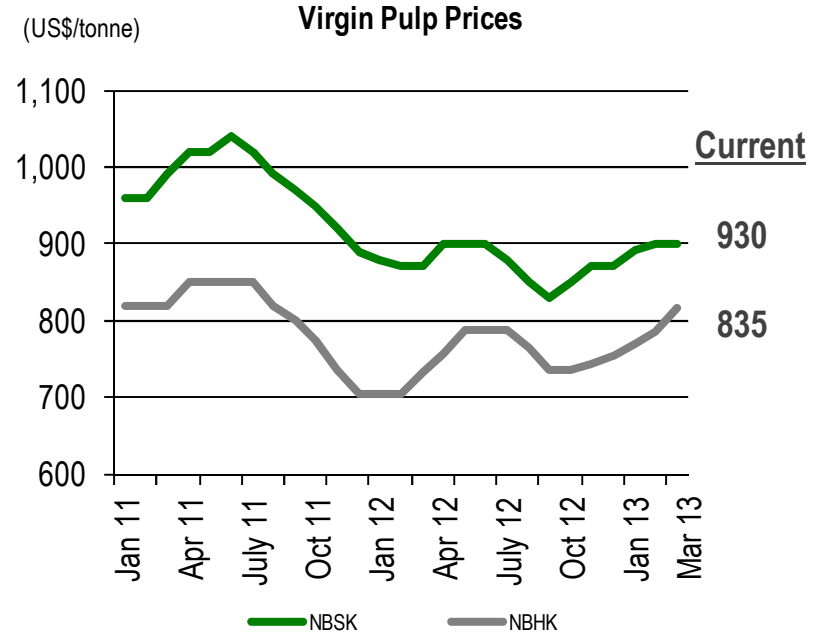
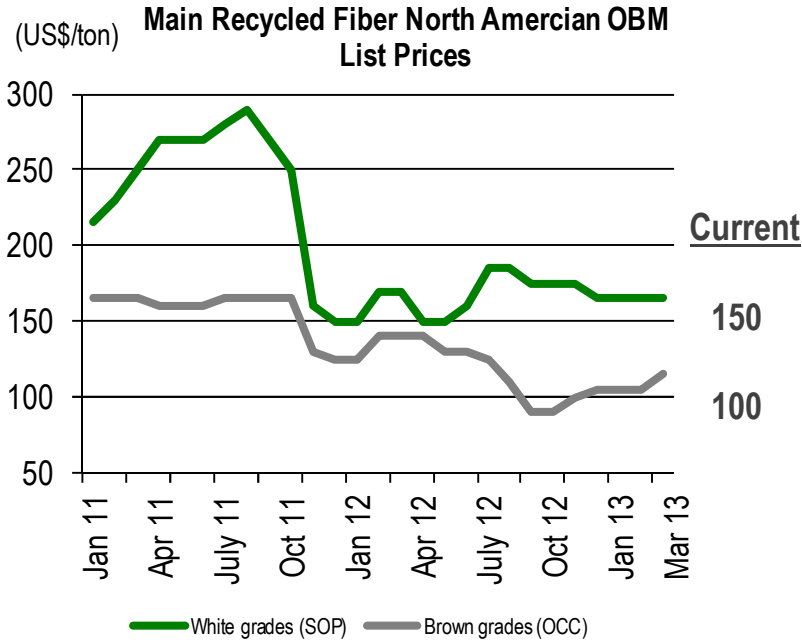
## Tissue Papers





# MARKET DYNAMICS

# RAW MATERIAL COSTS



### OBM Average Quarterly List Prices

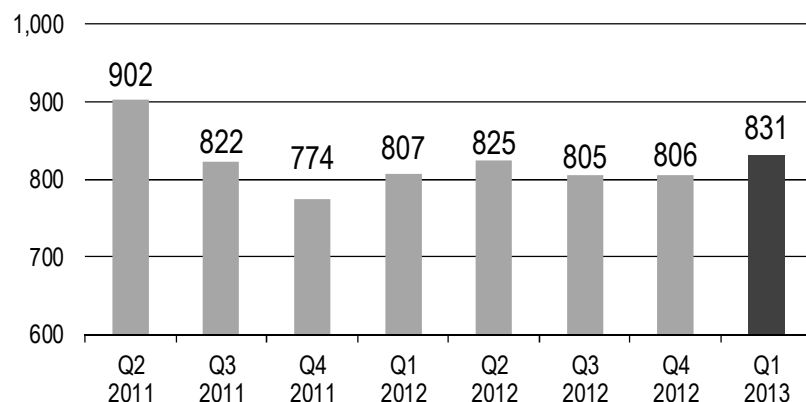
	<u>Q1-2012</u>	<u>Q4-2012</u>	<u>Q1-2013</u>	<u>YoY</u>	<u>QoQ</u>
Brown grades - OCC No. 11 (New England)	135	98	108	-20%	+10%
White grades - SOP No. 37 (New England)	163	172	165	+1%	-4%
<b>Virgin Pulp Prices</b>					
NBSK (Canadian sources delivered to US East)	873	863	898	+3%	+4%
NBHK (Canada/US sources delivered to US East)	714	744	791	+11%	+6%

**GreenFence program allows for amply recovered paper supply; pulp prices trending up**

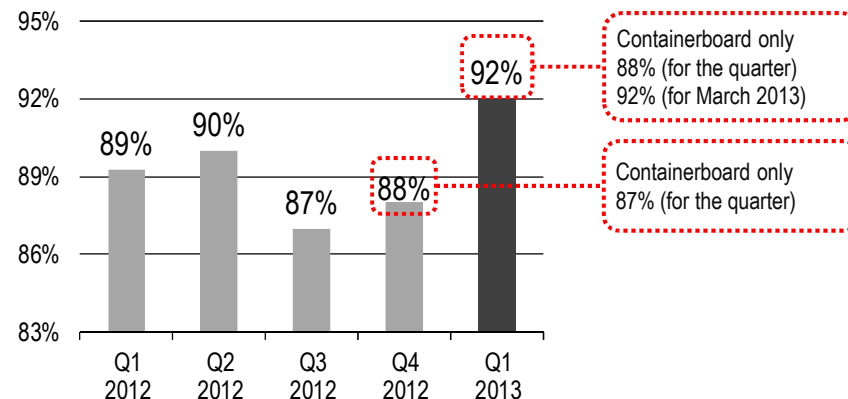
# KEY PERFORMANCE INDICATORS (KPIs)

('000 s.t.)

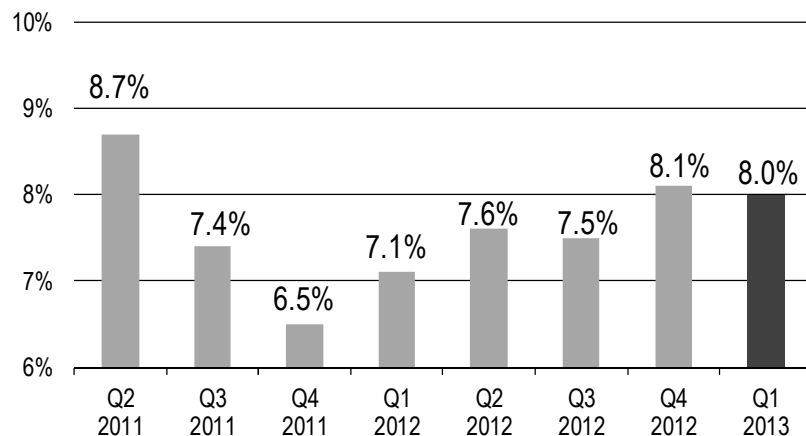
### Total Shipments



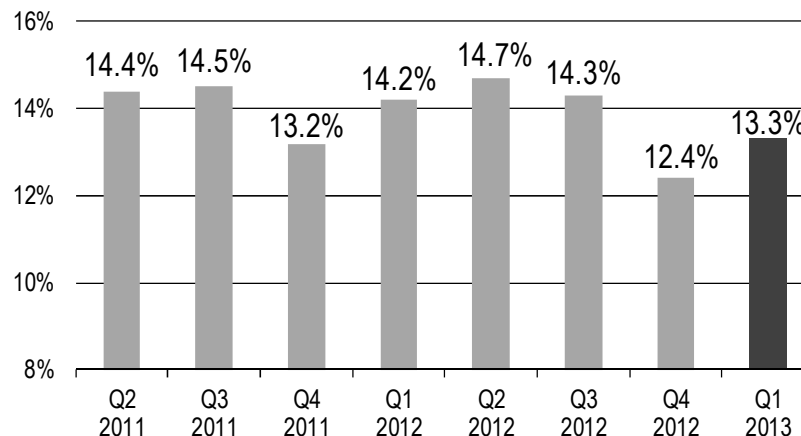
### Capacity Utilization Rate



### LTM Return on Assets



### Working Capital (% of Sales)



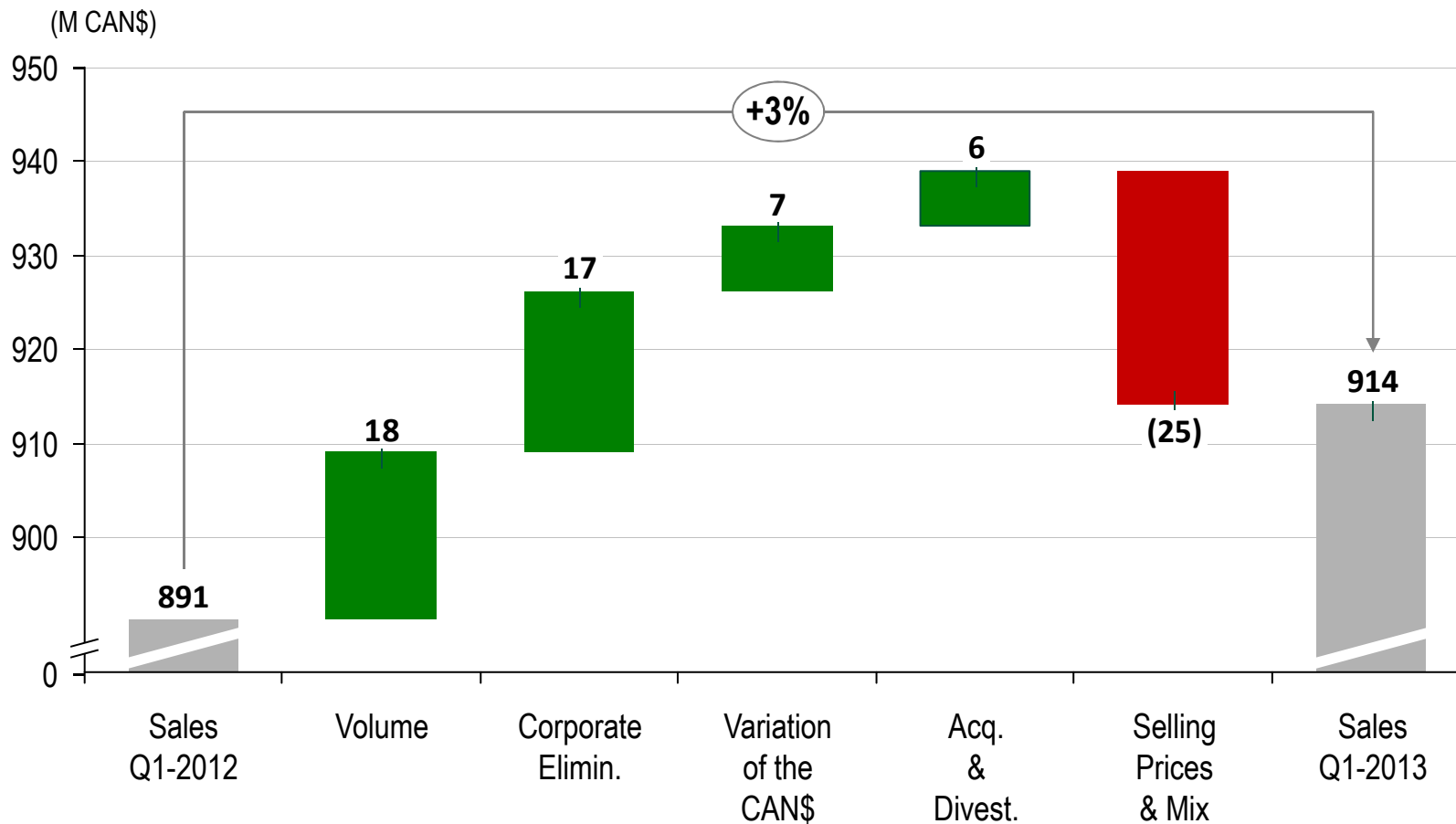
**Capacity utilization rate improving; average working capital still decreasing**





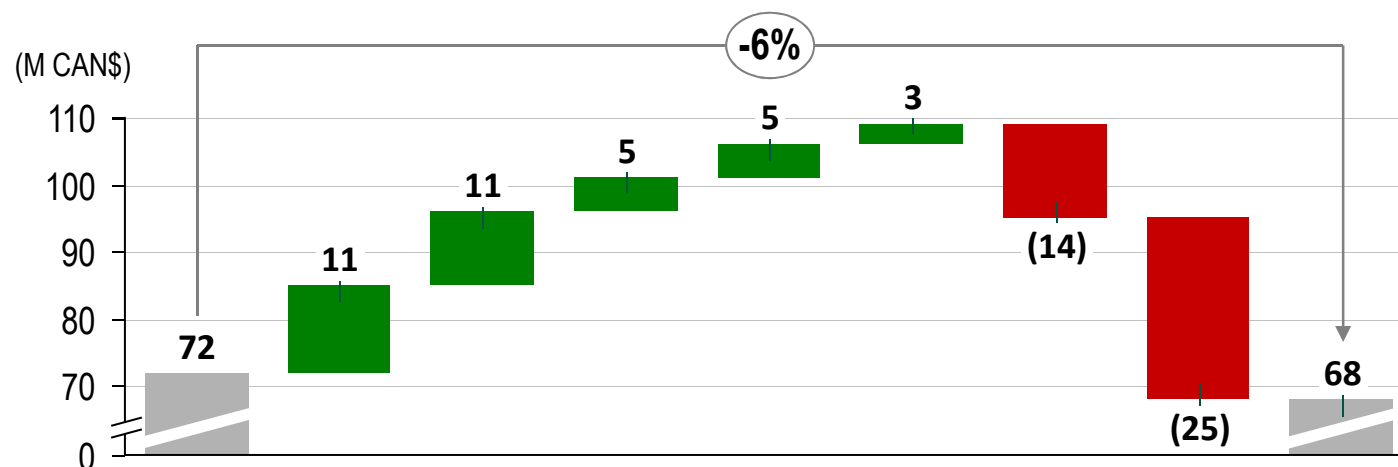
# FINANCIAL REVIEW

# Q1-2012 – Q1-2013 SALES RECONCILIATION



**Volume and FX more than offset lower average selling prices**

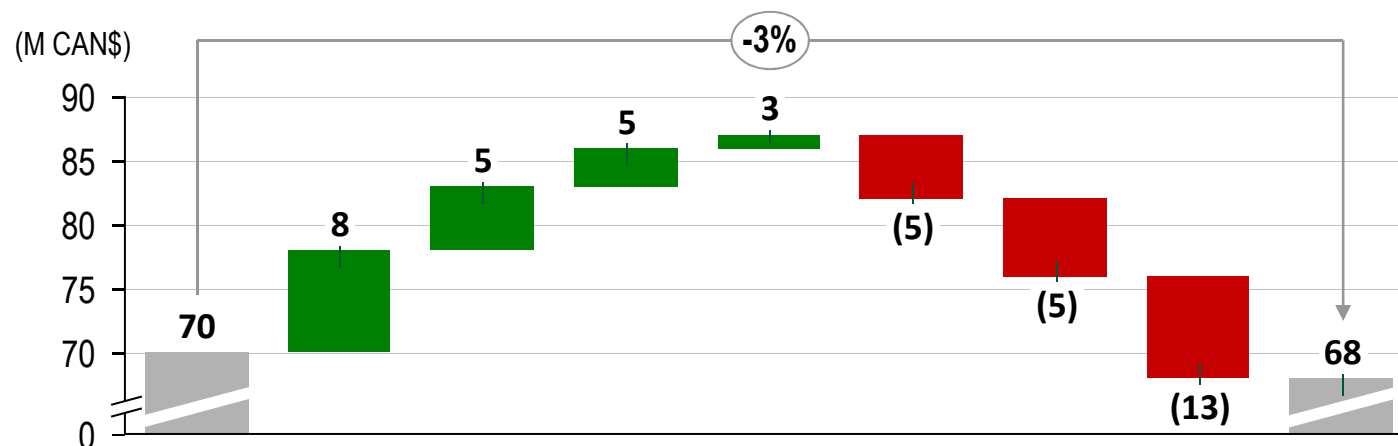
# Q1-2012 – Q1-2013 EBITDA VARIANCE ANALYSIS



(M CAN\$)	EBITDA Q1-2012	Raw Materials <sup>1</sup>	Volume	Business Acq. & Disposals	Variation of the CAN\$	Energy	Other Costs	Selling Prices & Mix	EBITDA Q1-2013
Containerboard	21	5	(1)	5	1		(7)	1	25
Boxboard Europe	13	4	4				2	(12)	11
Specialty Products	11	3			2		(2)	(3)	11
Tissue Papers	33	(1)	8		1	2	(3)	(11)	29
Corporate	(6)				1	1	(4)		(8)
<b>Total</b>	<b>72</b>	<b>11</b>	<b>11</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>(14)</b>	<b>(25)</b>	<b>68</b>

**Lower prices more than offset a reduction in raw materials and higher volume**

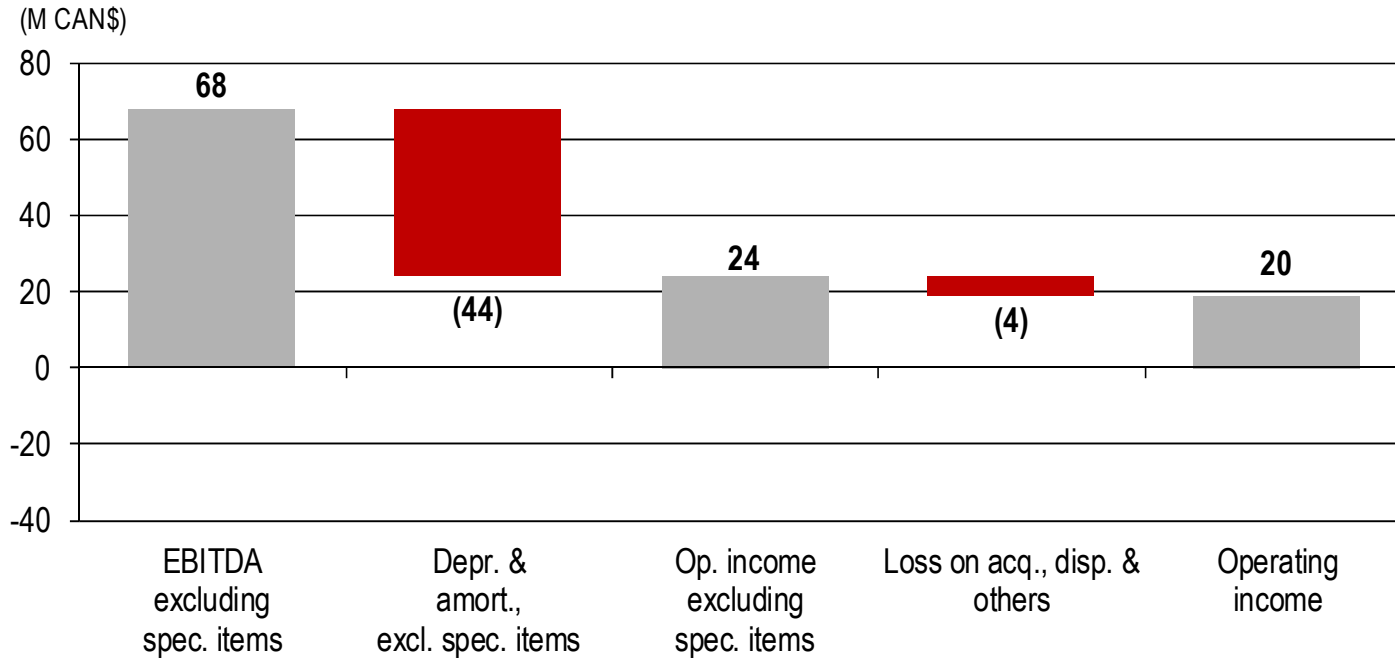
# Q4-2012 – Q1-2013 EBITDA VARIANCE ANALYSIS



(M CAN\$)	EBITDA Q4-2012	Energy	Variation of the CAN\$	Volume	Business Acq. & Disposals	Raw Materials <sup>1</sup>	Other Costs	Selling Prices & Mix	EBITDA Q1-2013
Containerboard	25	2	1	2	1	(7)	3	(2)	25
Boxboard Europe	11	5	1	3	2		(4)	(7)	11
Specialty Products	8		1			(1)	1	2	11
Tissue Papers	31	1	1			3	(1)	(6)	29
Corporate	(5)		1				(4)		(8)
<b>Total</b>	<b>70</b>	<b>8</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>(5)</b>	<b>(5)</b>	<b>(13)</b>	<b>68</b>

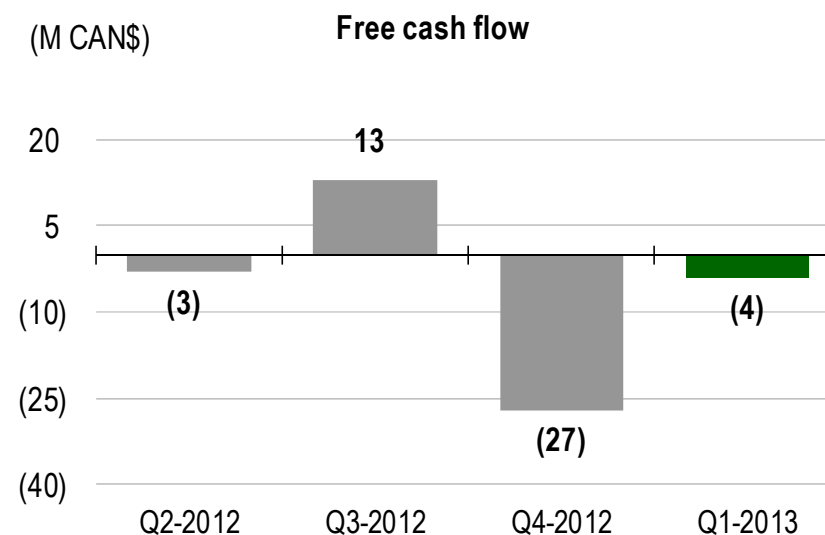
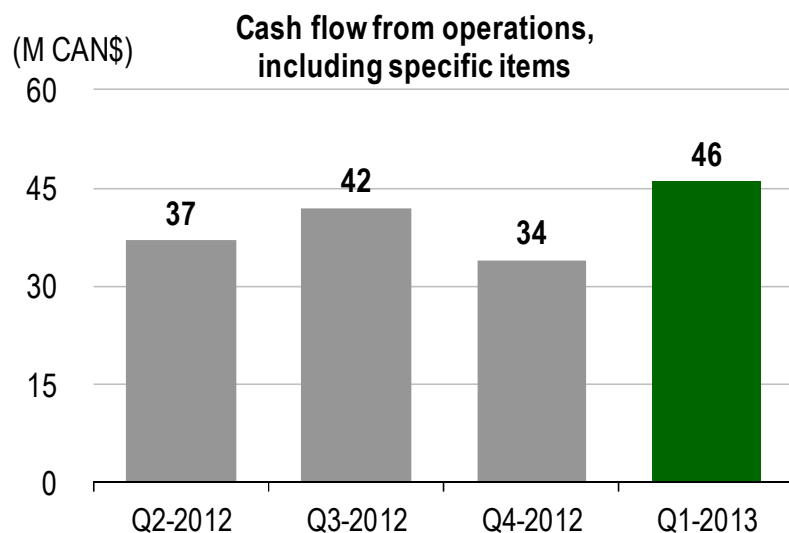
**Lower prices and higher raw materials more than offset a reduction in energy cost and FX**

# Q1-2013 EBITDA TO OPERATING INCOME RECONCILIATION



(M CAN\$)	Container-board	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Total
<b>Operating income (loss)</b>	<b>11</b>	<b>2</b>	<b>5</b>	<b>18</b>	<b>(16)</b>	<b>20</b>
Specific items:						
Loss on acquisitions, disposals and others	-	-	-	-	5	5
Unrealized loss (gain) on financial instruments	-	-	-	-	(1)	(1)
Total specific items	-	-	-	-	4	4
<b>Operating income (loss) excluding specific items</b>	<b>11</b>	<b>2</b>	<b>5</b>	<b>18</b>	<b>(12)</b>	<b>24</b>
Depreciation, excluding specific items	14	9	6	11	4	44
<b>EBITDA excluding specific items</b>	<b>25</b>	<b>11</b>	<b>11</b>	<b>29</b>	<b>(8)</b>	<b>68</b>

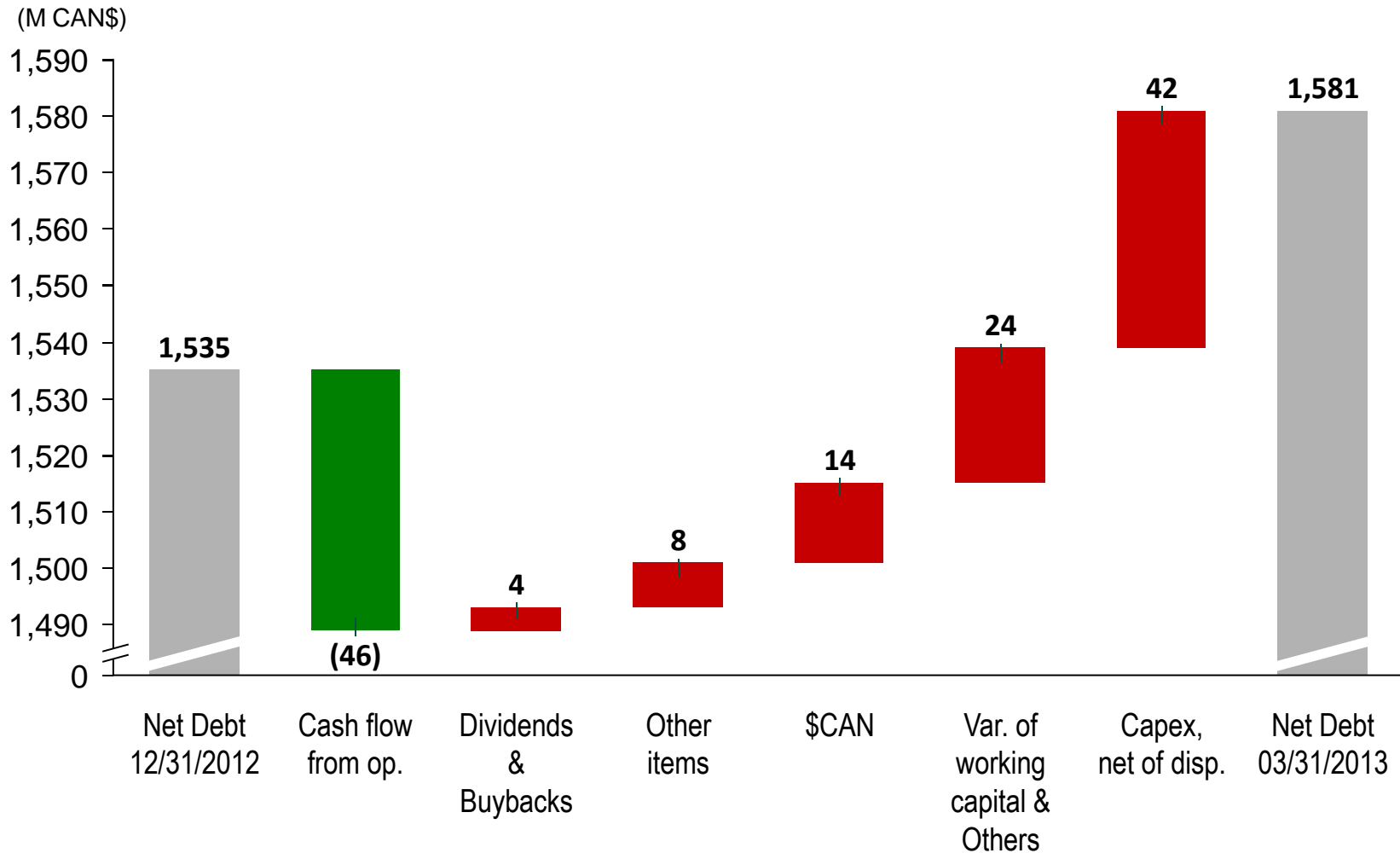
# CASH FLOW OVERVIEW



(in millions of CAN\$)	2012				2013	
	Q1	Q2	Q3	Q4	Year	Q1
Cash flow from operations, including disc. operations	48	37	42	34	161	46
Capital expenditures & other assets <sup>1</sup>	(47)	(36)	(25)	(57)	(165)	(46)
Dividend & share buyback	(6)	(4)	(4)	(4)	(18)	(4)
<b>Free cash flow</b>	<b>(5)</b>	<b>(3)</b>	<b>13</b>	<b>(27)</b>	<b>(22)</b>	<b>(4)</b>
Free cash flow per share	\$(0.05)	\$(0.03)	\$0.14	\$(0.29)	\$(0.23)	\$(0.04)

**Improvement in CFO and prudent management of FCF**

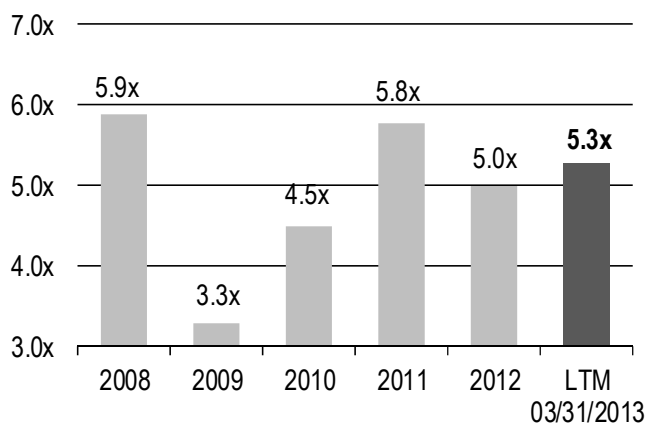
# NET DEBT RECONCILIATION



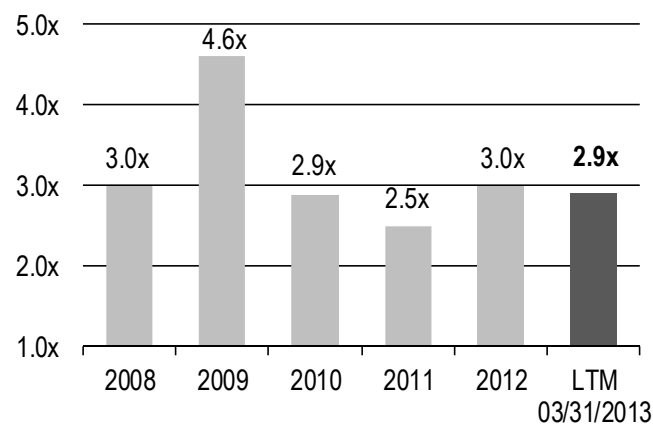
**Net debt increased essentially linked to FX and seasonal working capital investment**

# CONSOLIDATED FINANCIAL RATIOS & DEBT MATURITIES

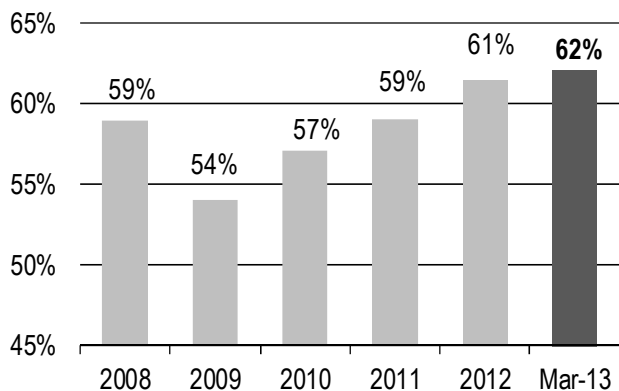
Net debt / LTM EBITDA



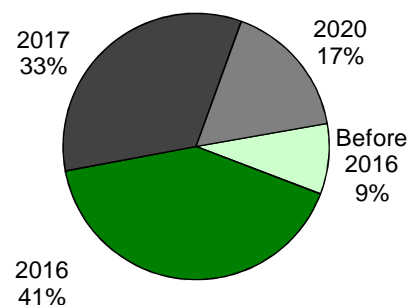
Interest Coverage Ratio



Debt / Debt + Equity



Long-term Debt Maturities Distribution



**Leverage ratio slight decline due to decreased FCF**





# SEGMENTED REVIEW

# TISSUE PAPERS

Results Q1 2013	Change vs. Q4 2012    Q1 2012	
<b>Shipments</b> ('000 s.t.) <b>142</b>	1%	9%
<b>Average selling price</b> (CAN\$/unit) <b>1,698</b> (US\$/unit) <b>1,683</b>	-1%	-4%
	-3%	-4%
<b>Sales (M\$)</b> <b>241</b>	0%	5%
<b>EBITDA (M\$)</b> <b>29</b> % of sales <b>12%</b>	-6%	-12%

EBITDA excluding specific items

## Comments on sequential performance

- ▶ Higher shipments in our Consumer Product activities, mainly in the US
- ▶ Shipments of parent rolls also higher
- ▶ Lower shipments in our away-from-home activities, mostly in Canada, due to lower demand at this time of the year
- ▶ Integration rate slightly lower due to negative product mix comprising more parent rolls
- ▶ Increased promotional activity in Canada having a negative impact on average prices
- ▶ In the US, increased competition and product mix negatively impacted average selling prices, mainly in the Consumer Product segment
- ▶ Stable average selling prices for parent rolls
- ▶ Higher shipments and favorable exchange rate offset lower average selling prices and resulted in sequentially stable sales
- ▶ \$3M positive contribution resulting from lower recycled fiber costs partly offset by an increase in virgin pulp costs
- ▶ In addition to lower prices, an increase in maintenance and administrative expenses contributed to lower EBITDA

# PACKAGING / CONTAINERBOARD

Results Q1 2013	Change vs. Q4 2012    Q1 2012	
<b>Shipments</b> ('000 s.t.) <b>296</b>	1%	-2%
<b>Average selling price</b> (CAN\$/unit) <b>1,005</b> (US\$/unit) <b>996</b>	-3%	3%
	-5%	2%
<b>Sales (M\$)</b> <b>298</b>	-3%	5%
<b>EBITDA (M\$)</b> <b>25</b> % of sales 8%	0%	19%

EBITDA excluding specific items

Average selling prices now include converted products

## Comments on sequential performance

- ▶ External shipments of our manufacturing activities increased by 9% (+11% containerboard and +3% boxboard)
  - ▶ Shipments of converted products decreased by 4% (+20% folding carton; -6% corrugated vs -5% Canadian industry)
  - ▶ Price increase announced in Q4-2012 fully reflected in the containerboard manufacturing activities. Increase has been fully implanted in the converting activities and will be fully reflected in Q2-2013
  - ▶ Average selling prices negatively impacted by a higher share of unconverted products in total shipments
  - ▶ Lower volumes of value-added corrugated products also negatively impacted average selling prices
- 
- ▶ Corrugated boxes price increase offset by lower boxboard mill profitability
  - ▶ Sequentially, higher shipments (+\$2M), lower manufacturing costs (+\$6M) and favorable exchange rate (+\$1M) have been offset by higher raw materials (-\$7M), including external rolls, and lower average selling prices (-\$2M) following a higher share of unconverted products in the mix

# PACKAGING / BOXBOARD EUROPE

Results Q1 2013	Change vs.	
	Q4 2012	Q1 2012
<b>Shipments</b> ('000 s.t.) <b>299</b>	6%	8%
<b>Average selling price</b> (CAN\$/unit) <b>710</b> (Euros/unit) <b>533</b>	1%	-4%
	-3%	-5%
<b>Sales (M\$)</b> <b>212</b>	7%	4%
<b>EBITDA (M\$)</b> <b>11</b> % of sales 5%	0%	-15%

EBITDA excluding specific items

## Comments on sequential performance

- ▶ Sequentially, higher shipments in all of our markets due to more favorable market conditions and downtimes taken during the previous quarter
- ▶ Order book has not been this healthy since 2011
- ▶ Lower prices in Euros due to lower order volume in 2012 that progressively impacted invoices at the end of the year through the end of the first quarter
- ▶ In Canadian dollar, sequential price increase caused by the strengthening of the Euro
- ▶ Announced price increases of €50/ton in Europe and 50£/ton in the United Kingdom applicable at the end of April
- ▶ Higher shipments and favorable exchange rate resulted in higher sales despite lower prices in Euro
- ▶ In addition to higher sales, EBITDA was positively impacted by lower sequential energy costs in Italy and costs no longer incurred following the closure of a plant
- ▶ However, these factors have been offset by higher other manufacturing costs and maintenance expenditures compared to Q4-2012, partially related to the incident at La Rochette
- ▶ Stable raw material costs

# PACKAGING / SPECIALTY PRODUCTS

Results Q1 2013	Change vs. Q4 2012    Q1 2012	
<b>Shipments</b> ('000 s.t.) <sup>1</sup> <b>94</b>	3%	-4%
<b>Average selling price</b> (CAN\$/unit) <b>926</b> (US\$/unit) <b>917</b>	3%	0%
	1%	-1%
<b>Sales (M\$)</b> <b>189</b>	3%	-6%
<b>EBITDA (M\$)</b> <b>11</b> % of sales 6%	38%	0%

## Comments on sequential performance

- ▶ Sequentially, higher shipments in the Specialty Papers and Industrial Packaging segments
- ▶ Reduced volumes in the Consumer Products and Recovery segments
- ▶ Favorable product mix in the fine paper segment resulted in a slight increase of the average selling prices in our Specialty Papers sector
- ▶ Positive impact of favorable product mix and exchange rate contribution offset the negative impact of lower volumes in the Consumer Products and Recovery segments
- ▶ Improved spread due to a favorable product mix in the Specialty Papers sector, fixed costs reduction and a favorable exchange rate during the quarter positively contributed and more than offset the negative impact of higher raw materials costs in the Consumer Products segment
- ▶ Past quarter EBITDA had been negatively impacted by downtimes

EBITDA excluding specific items

<sup>1</sup> Shipments and average selling prices for papers and industrial packaging only



**Q&A**

**AND**

**CONCLUDING REMARKS**

# NEAR TERM OUTLOOK



- Price increase 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



- State of Canadian economy
- Stable to slightly increasing raw material costs
- Seasonal preventive shutdowns in tissue sector
- New capacity in tissue sector
- Economic uncertainty in Europe

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

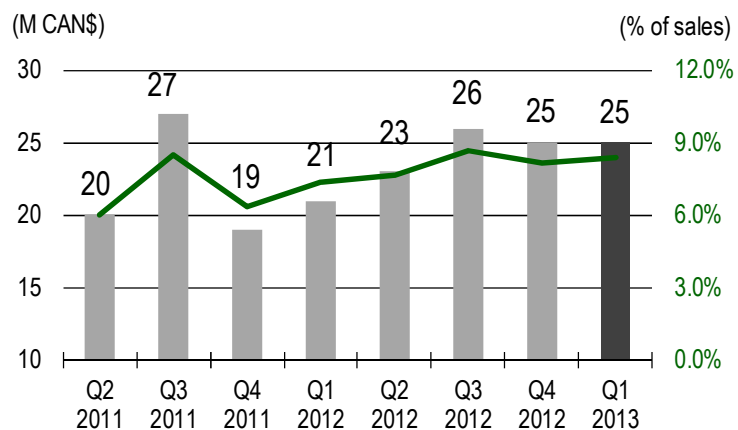


# APPENDIX

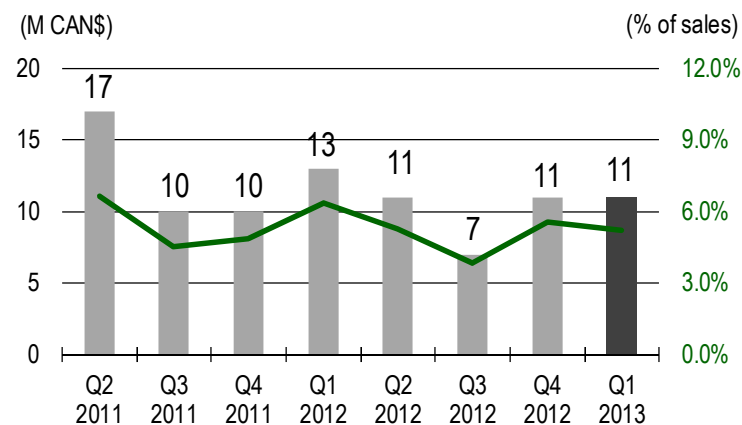


# HISTORICAL SEGMENTED EBITDA

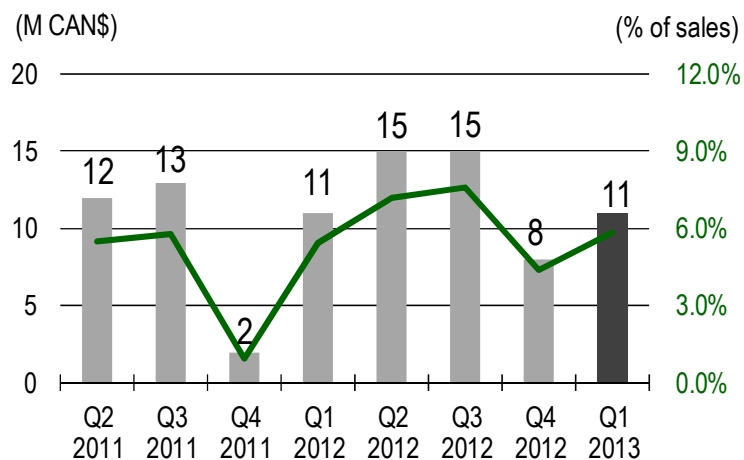
## Containerboard



## Boxboard Europe

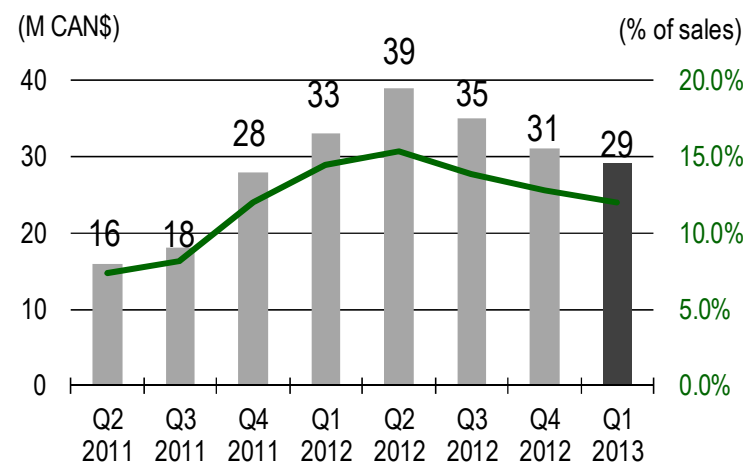


## Specialty Products



EBITDA excluding specific items.

## Tissue Papers

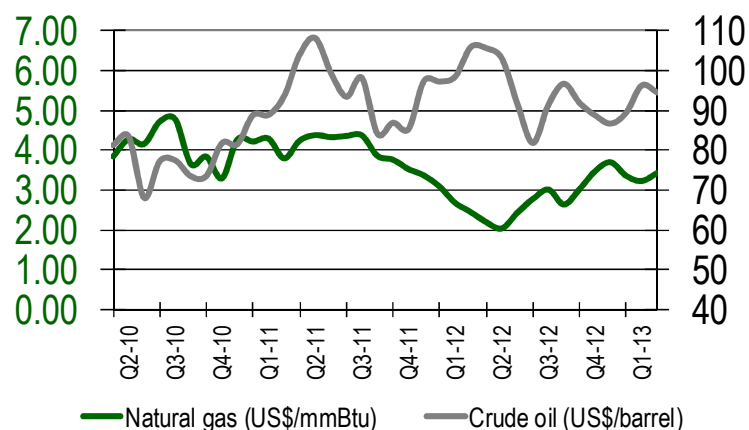


# ENERGY PRICES

Natural gas  
(US\$)

## Energy prices

Crude oil  
(US\$)



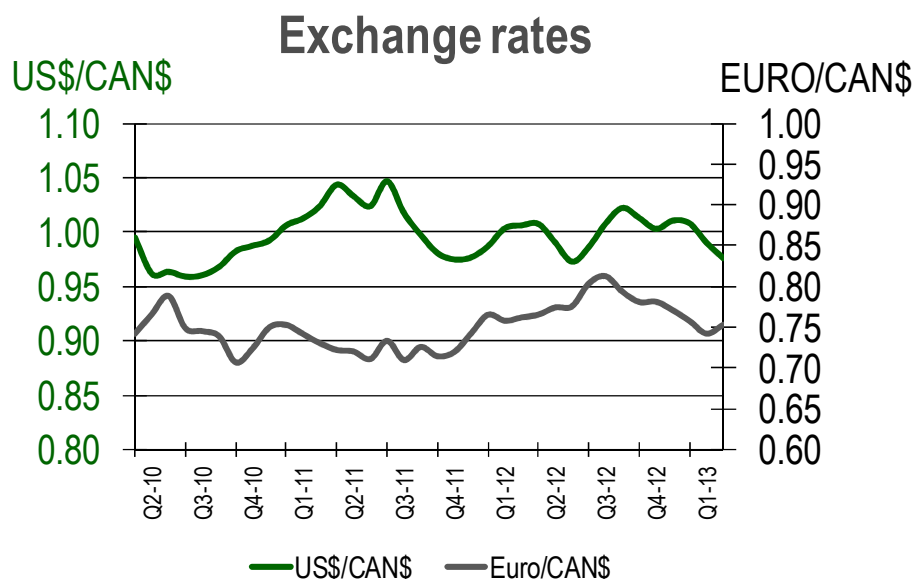
## Hedging Program – Natural gas

- Canada:
  - 2013 (May – Dec): 70% at 5.47 CAN\$/GJ
  - 2014: 65% at 5.35 CAN\$/GJ
- U.S.:
  - 2013 (May – Dec) : 52% at 5.73 US\$/mmBtu
  - 2014: 45% at 5.405 US\$/mmBtu

	2011				2012				2013		Change	
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q1 2013 Q1 2012	Q1 2013 Q4 2012			
<b>Averages</b>												
<b>Energy prices</b>												
Natural gas Henry Hub (US\$/mmBtu)	4.04	2.74	2.22	2.81	3.40	2.79	<b>3.34</b>	22%	-2%			
Crude oil WTI (US\$/barrel)	94.01	100.51	100.11	89.97	89.09	94.92	<b>93.37</b>	-7%	5%			

Source: Bloomberg

# FOREIGN EXCHANGE



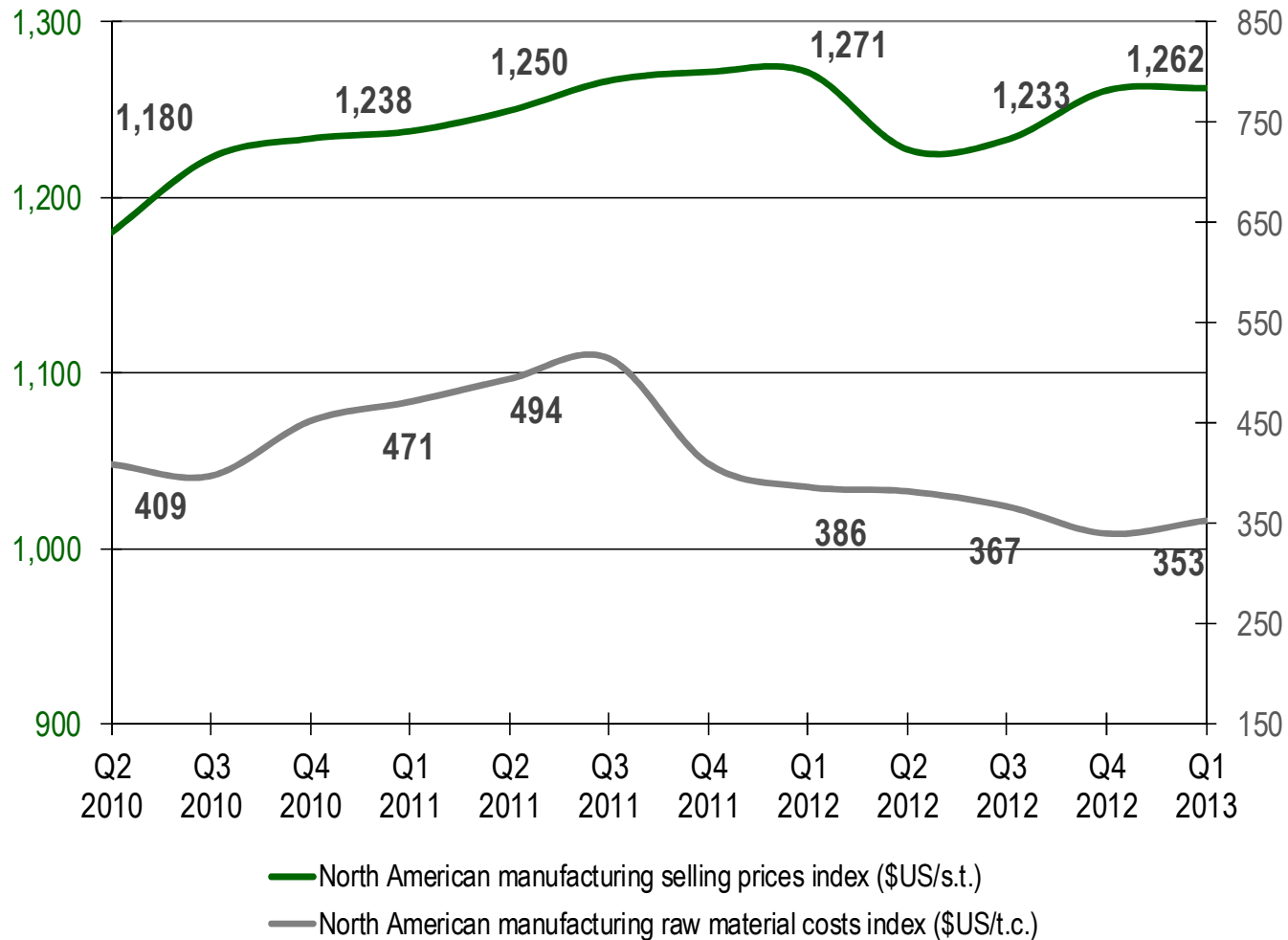
## Hedging Program – USD Cash flows

- 2013  
31 to 55% of exposure hedged at an average rate of 1.023CAN\$/US\$ to 1.079CAN\$/US\$
- 2014  
11 to 19% of exposure hedged at an average rate of 1.021CAN\$/US\$ to 1.049CAN\$/US\$

	2011				2012				2013		Change	
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q1 2013 Q1 2012	Q1 2013 Q4 2012			
<b>Averages</b>												
<b>Foreign exchange rates</b>												
US\$/CAN\$	1.011	0.999	0.990	1.005	1.009	1.001	<b>0.991</b>	-1%	-2%			
EURO/CAN\$	0.727	0.762	0.772	0.803	0.778	0.779	<b>0.751</b>	-1%	-3%			

Source: Bloomberg

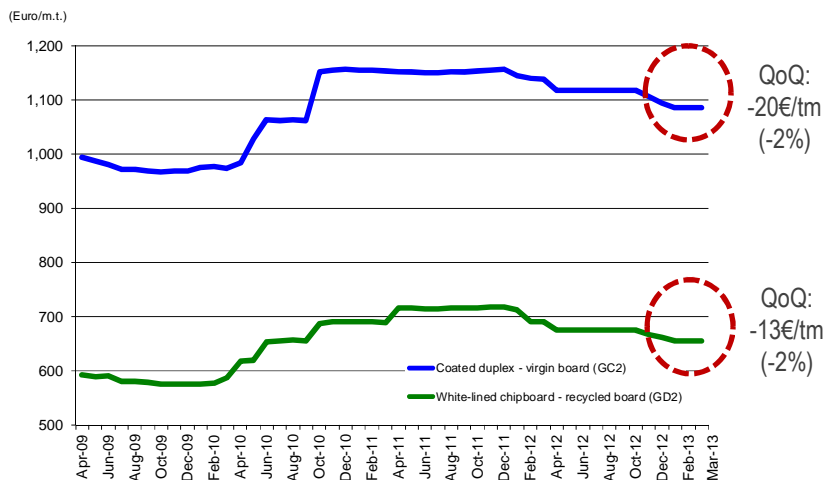
# NORTH AMERICAN MANUFACTURING SPREAD



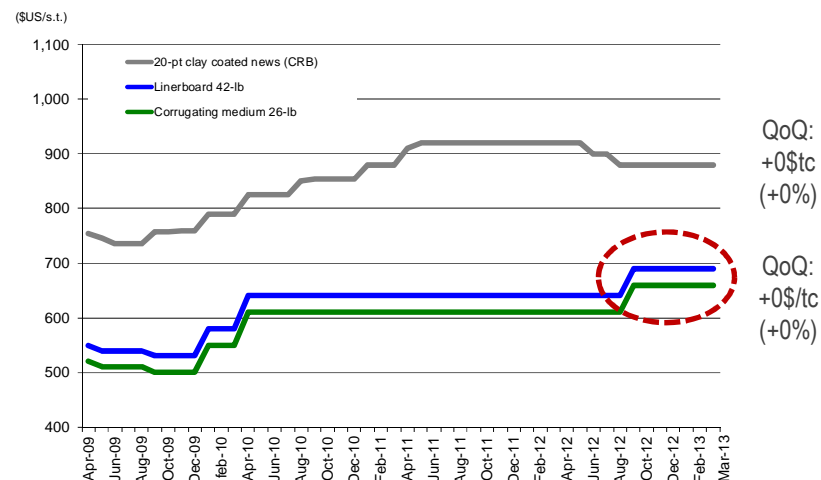
**Manufacturing spread in CAN\$ in Q1/13: -1% vs Q4/12 and +3% vs Q1/12**

# SELECTED INDUSTRY REFERENCE PRICES

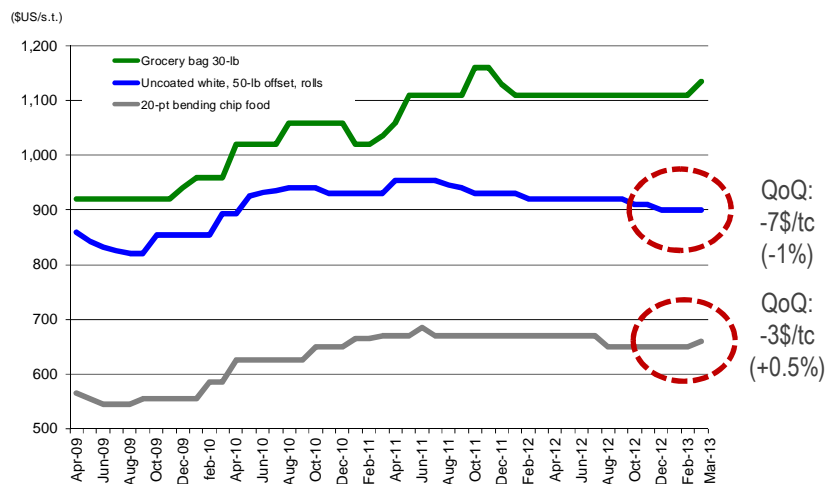
## Boxboard Europe - Selected Products



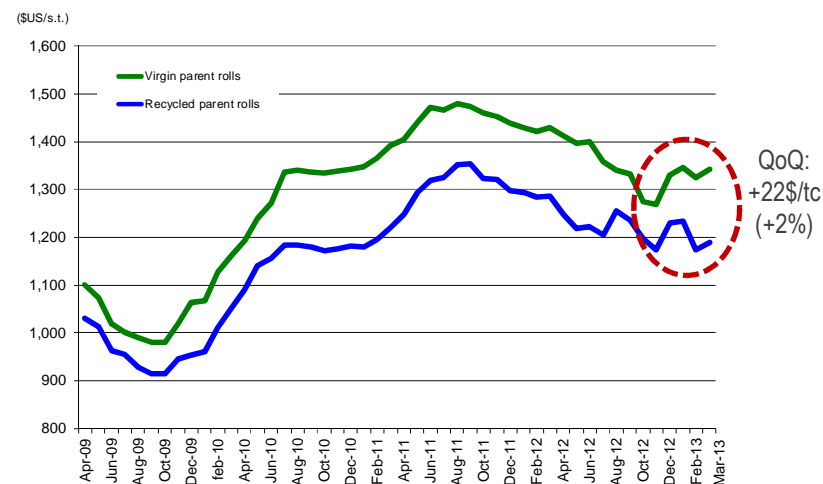
## Containerboard - Selected Products



## 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.								Q1 2013 over Q1 2012		Q1 2013 over Q4 2012	
	2011	2012				2013					
	Year	Q1	Q2	Q3	Q4	Year	Q1	(units)	(%)	(units)	(%)
<b>Selling prices (average)</b>											
<b>Cascades North American US\$ index (index 2005 = 1,000)<sup>1</sup></b>	1,256	1,271	1,227	1,233	1,261	1,248	1,262	-9	-1%	1	0%
<b>PACKAGING PRODUCTS</b>											
<b>Boxboard</b>											
North America (US\$/ton)											
Recycled boxboard - 20pt. clay coated news (transaction)	909	920	913	887	880	900	880	-40	-4%	0	0%
Europe (Euro/tonne)											
Recycled white-lined chipboard (GD2) index <sup>2</sup>	710	698	677	677	669	680	656	-42	-6%	-13	-2%
Virgin coated duplex boxboard (GC2) index <sup>3</sup>	1,153	1,141	1,118	1,118	1,106	1,121	1,086	-55	-5%	-20	-2%
<b>Containerboard (US\$/ton)</b>											
Linerboard 42-lb. unbleached kraft, East U.S. (transaction)	640	640	640	657	690	657	690	50	8%	0	0%
Corrugating medium 26-lb. semichemical, East U.S. (transaction)	610	610	610	627	660	627	660	50	8%	0	0%
<b>Specialty Products (US\$/ton, tonne for deinked pulp)</b>											
Recycled boxboard - 20pt. bending chip (transaction)	670	670	670	657	650	662	653	-17	-2%	3	1%
Deinked pulp (f.o.b; U.S. air-dried & wet-lap, post-consumer)	763	663	675	713	715	692	740	77	12%	25	3%
Unbleached kraft paper, grocery bag 30-lb.	1,095	1,110	1,110	1,110	1,110	1,110	1,118	8	1%	8	1%
Uncoated white 50-lb. offset, rolls	940	923	920	920	907	918	900	-23	-3%	-7	-1%
<b>TISSUE PAPERS</b>											
Cascades Tissue Papers (index 1999 = 1,000) <sup>4</sup>	1,669	1,654	1,647	1,651	1,642	1,649	1,619	-35	-2%	-23	-1%
<b>Raw materials (average)</b>											
<b>Cascades North American US\$ index (index 2005 = 300)<sup>5</sup></b>	472	386	382	367	340	369	353	-33	-9%	13	4%
<b>RECYCLED PAPER</b>											
<b>North America (US\$/ton)</b>											
Corrugated containers, no. 11 (New England)	174	152	151	125	116	136	128	-24	-16%	12	10%
Special news, no. 8 (ONP - Chicago & NY average)	126	85	90	70	60	76	67	-18	-22%	6	10%
Sorted office papers, no. 37 (SOP - Chicago & NY average)	233	145	151	170	151	154	150	4	3%	-1	-1%
<b>Europe (Euro/tonne)</b>											
Recovered paper index <sup>6</sup>	140	113	118	102	111	111	111	-1	-1%	1	1%
<b>VIRGIN PULP (US\$/tonne)</b>											
Northern bleached softwood kraft, East U.S.	978	873	900	853	863	873	898	24	3%	34	4%
Northern bleached hardwood kraft mixed, East U.S.	808	714	778	763	744	750	791	77	11%	47	6%
<b>WOODCHIPS – Conifer Eastern Canada (US\$/odmt)</b>	127	130	121	120	120	123	110	-20	-15%	-10	-8%

# 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.