

CASCADES INC.

Review of Q1 2014
financial results

May 8, 2014



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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.

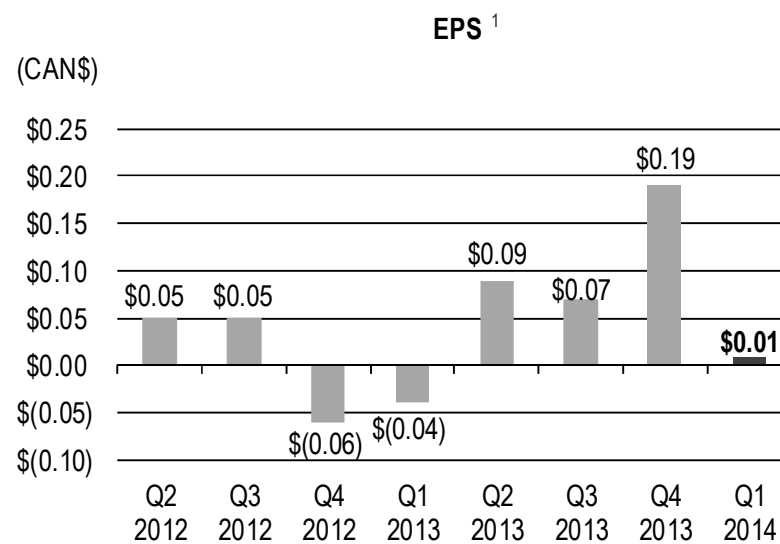
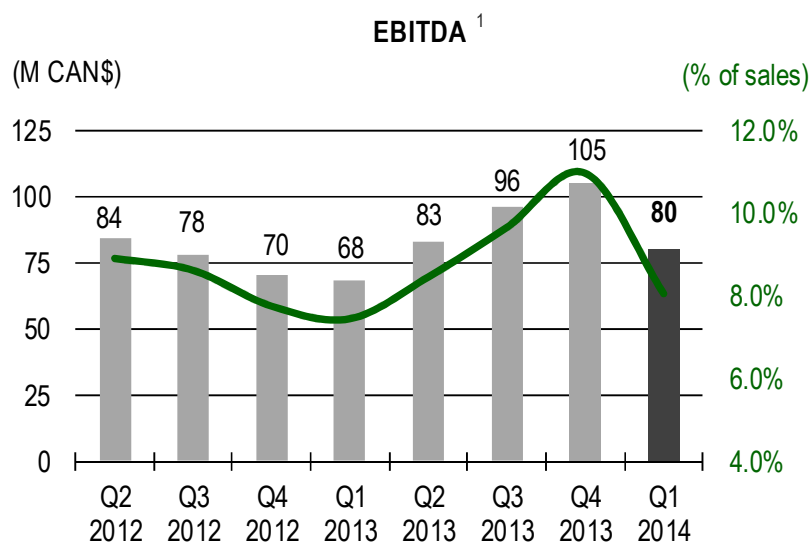
Specific items are defined as items such as charges for or reversal of impairment of assets, for facility or machine closures, accelerated depreciation of assets due to restructuring measures, debt restructuring charges, gains or losses on disposal or acquisition of business units, unrealized gains or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



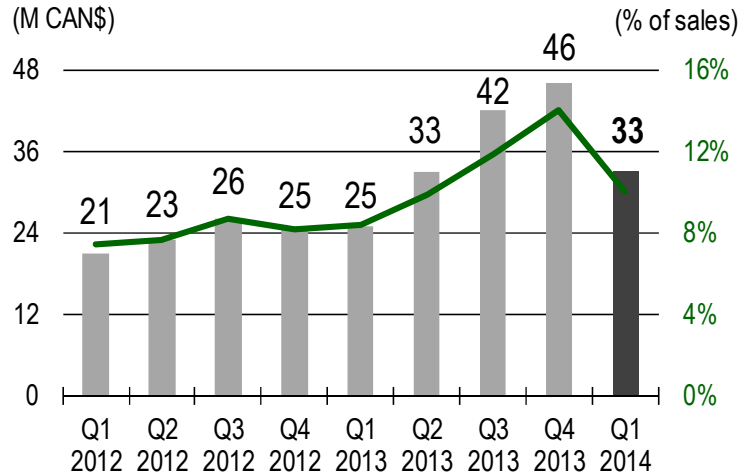
	2012		2013				2014
	Year	Q1	Q2	Q3	Q4	Year	Q1
<i>(In millions of CAN\$, except amount per share)</i>							
Financial results							
Sales	3,645	914	982	995	958	3,849	994
Excluding specific items							
EBITDA	304	68	83	96	105	352	80
Net earnings (loss)	5	(4)	8	7	18	29	1
Net earnings (loss) per share	\$0.05	\$(0.04)	\$0.09	\$0.07	\$0.19	\$0.31	\$0.01
Cash flow from operations (adjusted)	161	46	41	78	61	226	60

Note 1 - EBITDA and net earnings excluding specific items.

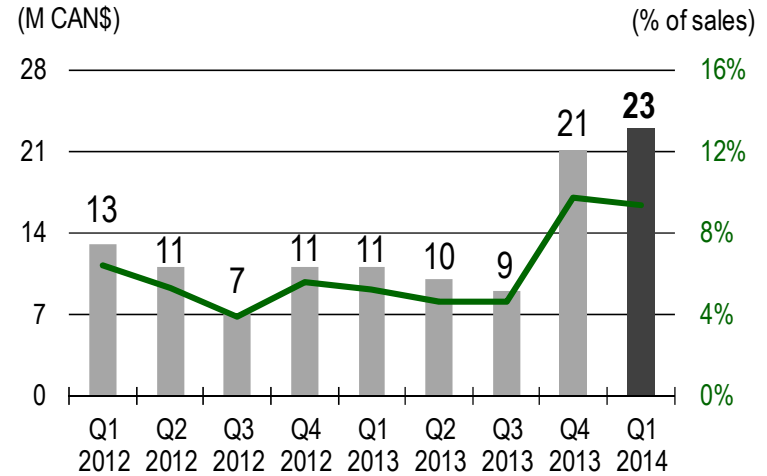
Exceptionally difficult winter conditions in the quarter affected the results

HISTORICAL SEGMENTED EBITDA¹

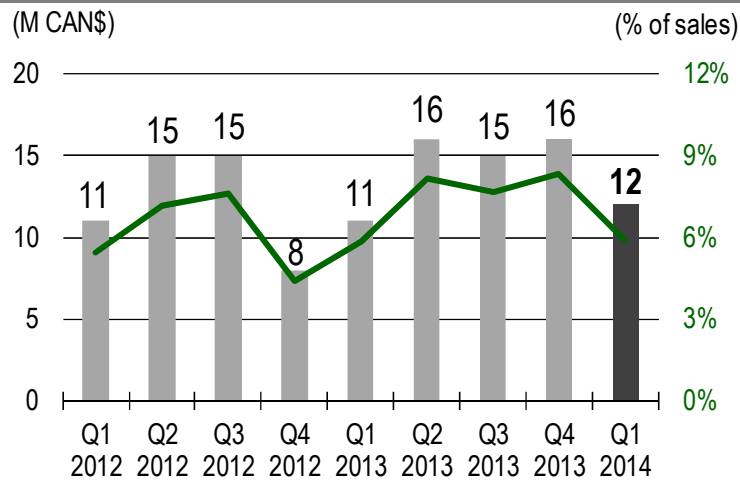
Containerboard



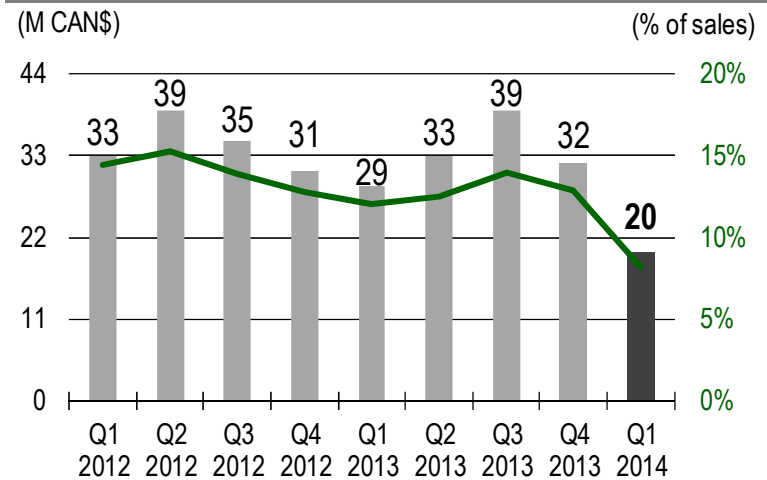
Boxboard Europe



Specialty Products



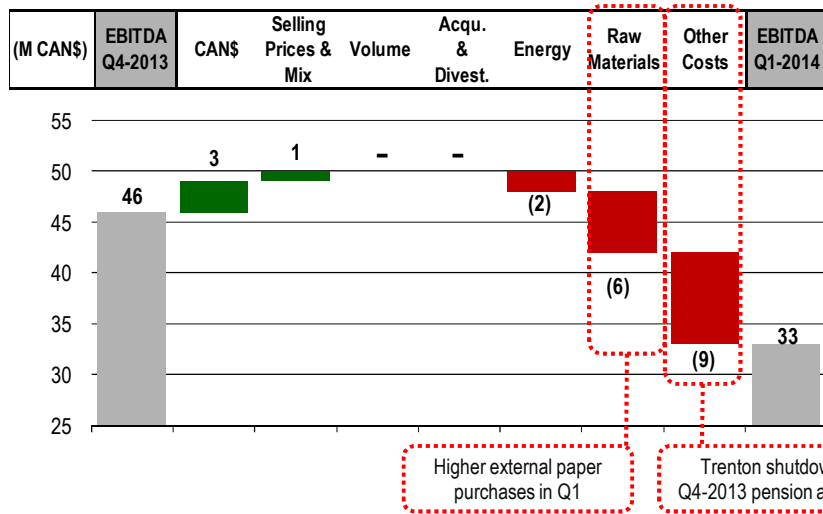
Tissue Papers



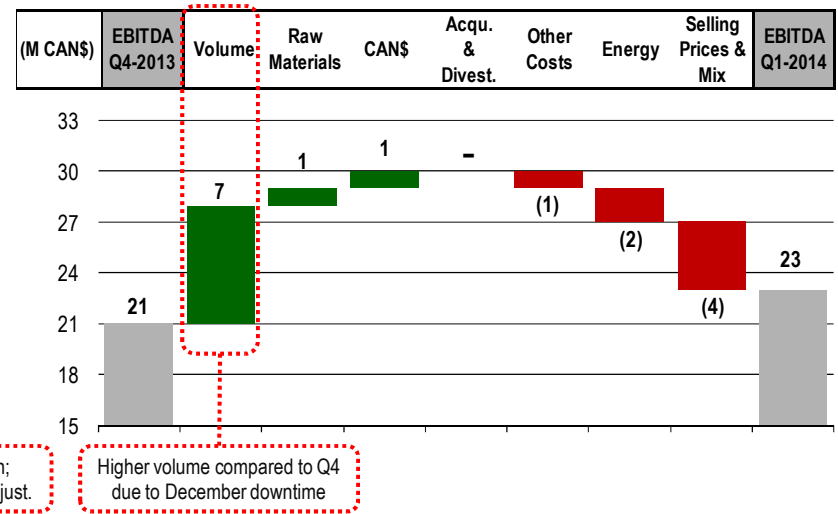
Note 1: EBITDA excluding specific items.

SEGMENTED EBITDA WATERFALLS

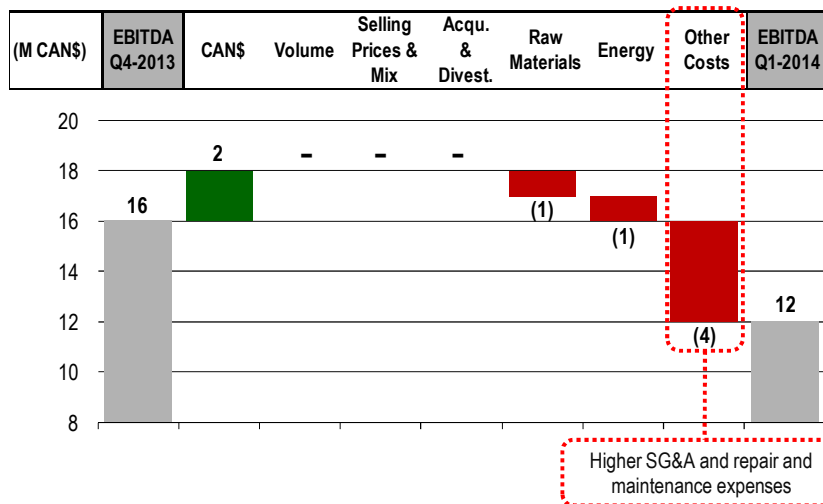
Containerboard



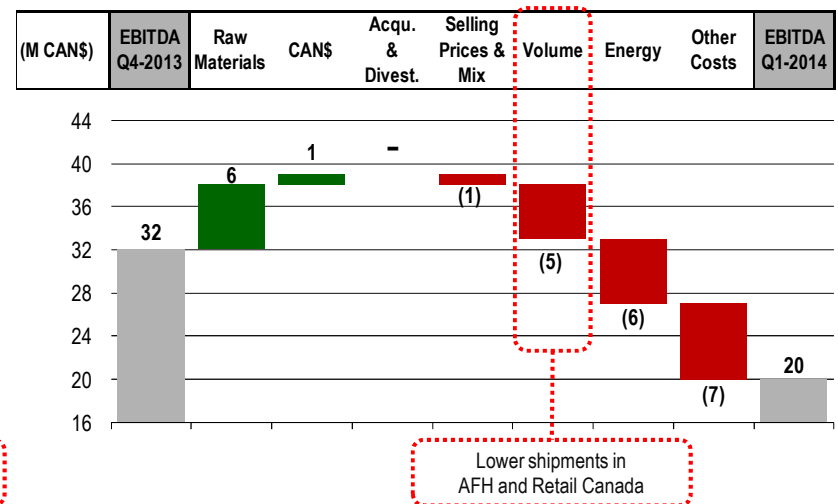
Boxboard Europe



Specialty Products



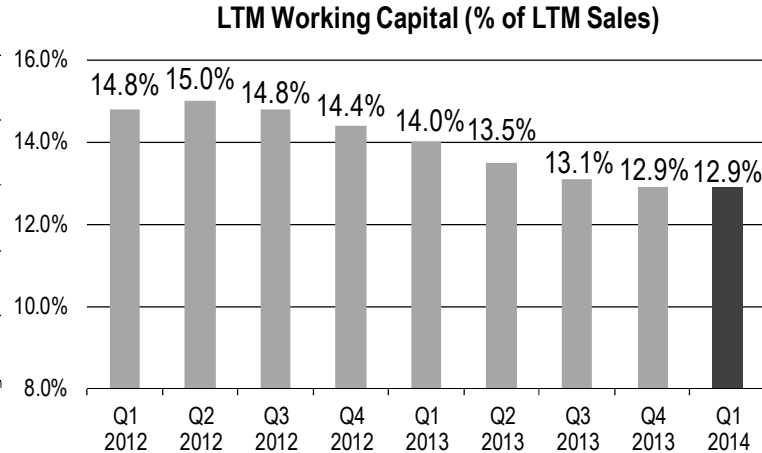
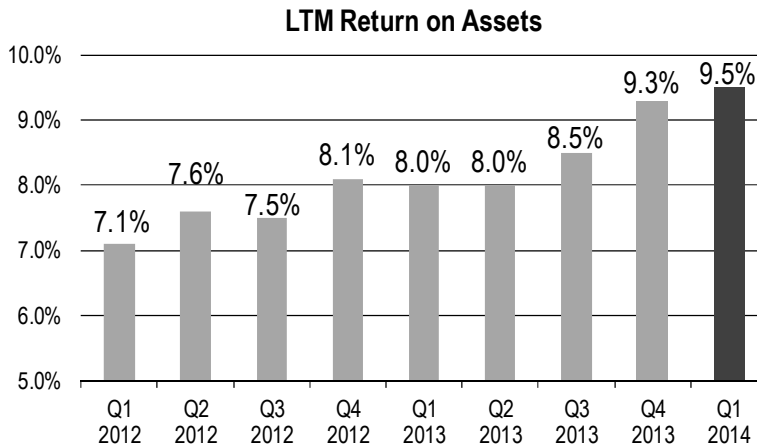
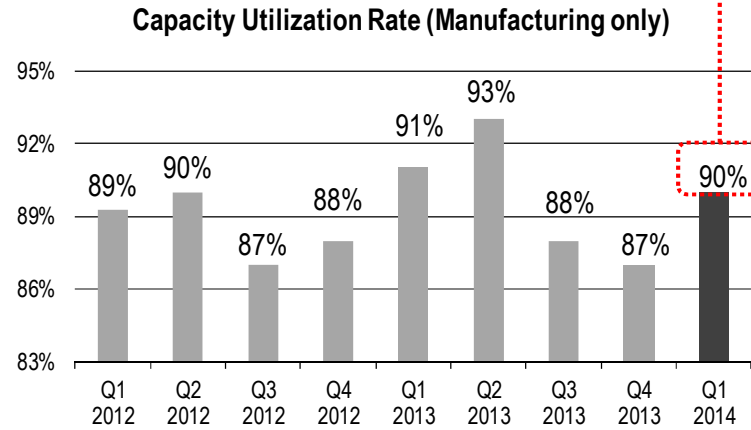
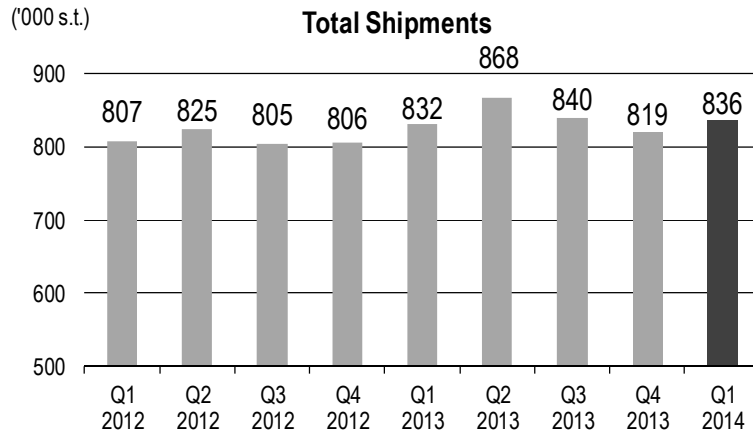
Tissue Papers



KEY PERFORMANCE INDICATORS (KPIs)

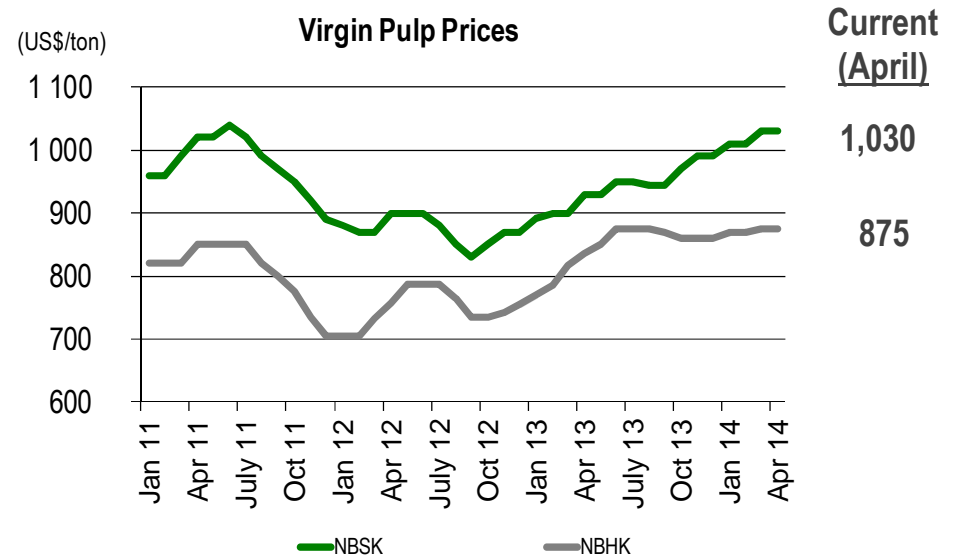
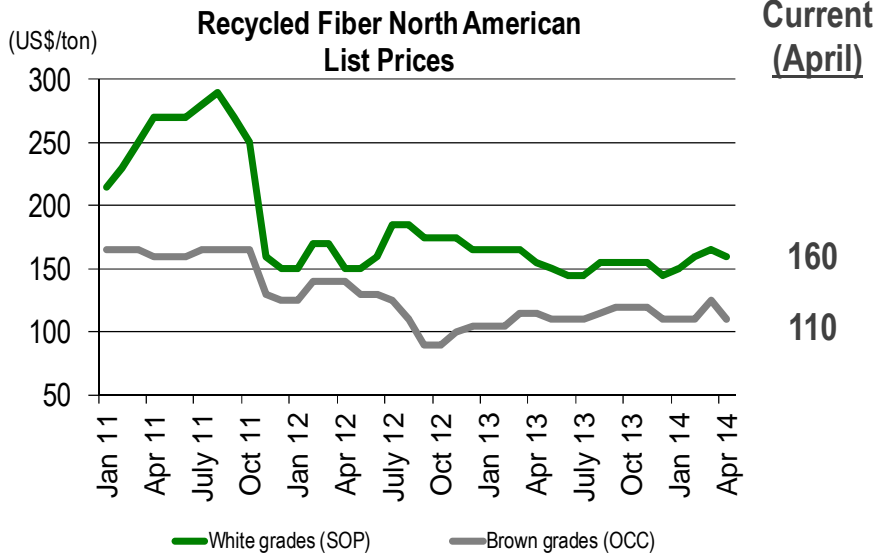
Despite harsh weather, slight increase in manufacturing shipments

Containerboard: 85%
Boxboard Europe: 100%
Spec. Prod.: 76%
Tissue Papers: 90%



Improvement of all KPIs

RAW MATERIAL COSTS



OBM Average Quarterly List Prices

Brown grades - OCC No. 11 (Northeast)

White grades - SOP No. 37 (Northeast)

Virgin Pulp Prices

NBSK (Canadian sources delivered to US East)

NBHK (Canada/US sources delivered to US East)

Q1-2013

Q4-2013

Q1-2014

Q1/Q1

Q1/Q4

108

117

115

+6%

-1%

165

152

158

-4%

+4%

898

983

1,017

+13%

+3%

791

860

872

+10%

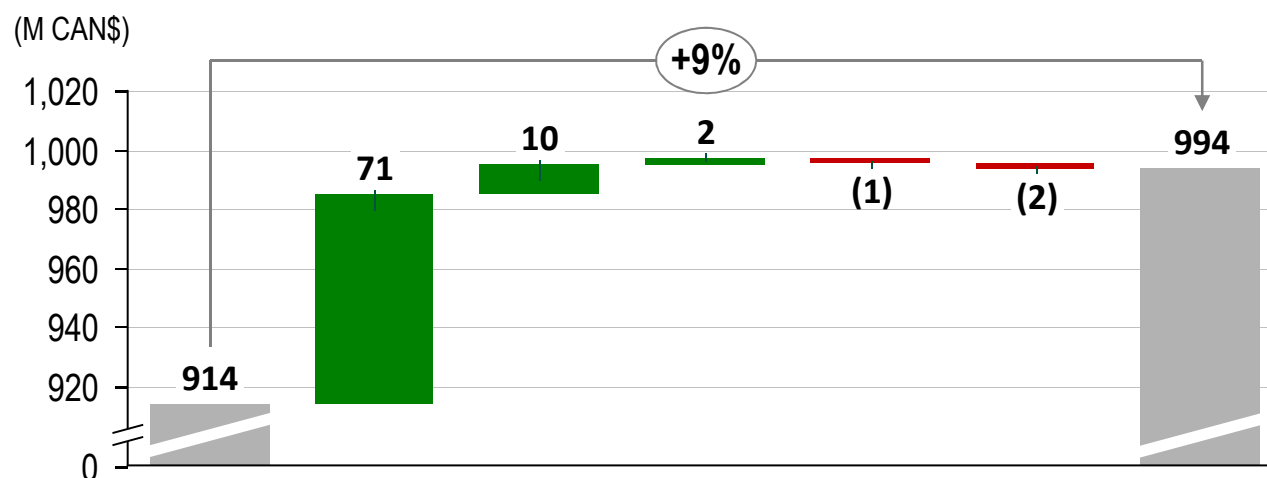
+1%

OCC and white grades moved oppositely QoQ and YoY; double-digit increase for pulps YoY



FINANCIAL REVIEW

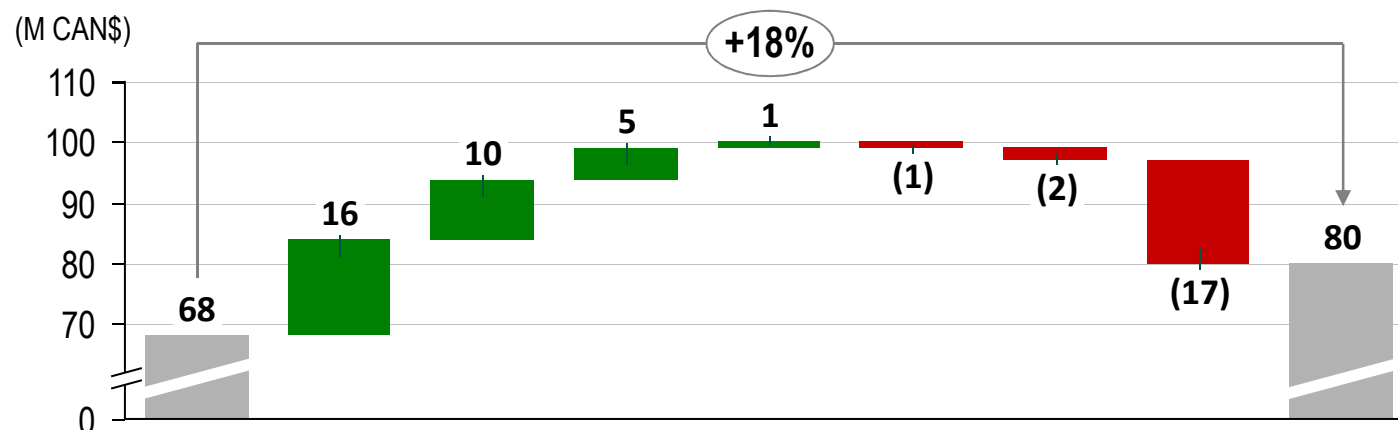
Q1 2013 – Q1 2014 SALES RECONCILIATION



(M CAN\$)	Sales Q1-2013	CAN\$	Selling Prices & Mix	Corp. Elim.	Volume	Acqu. & Disposals	Sales Q1-2014
Containerboard	298	12	7	2	13	(2)	330
Boxboard Europe	212	29			5		246
Specialty Products	189	12	2	(3)	3		203
Tissue Papers	241	18	1	7	(22)		245
Corporate	(26)			(4)			(30)
Total	914	71	10	2	(1)	(2)	994

Improvement in sales mainly driven by a weaker CAN\$

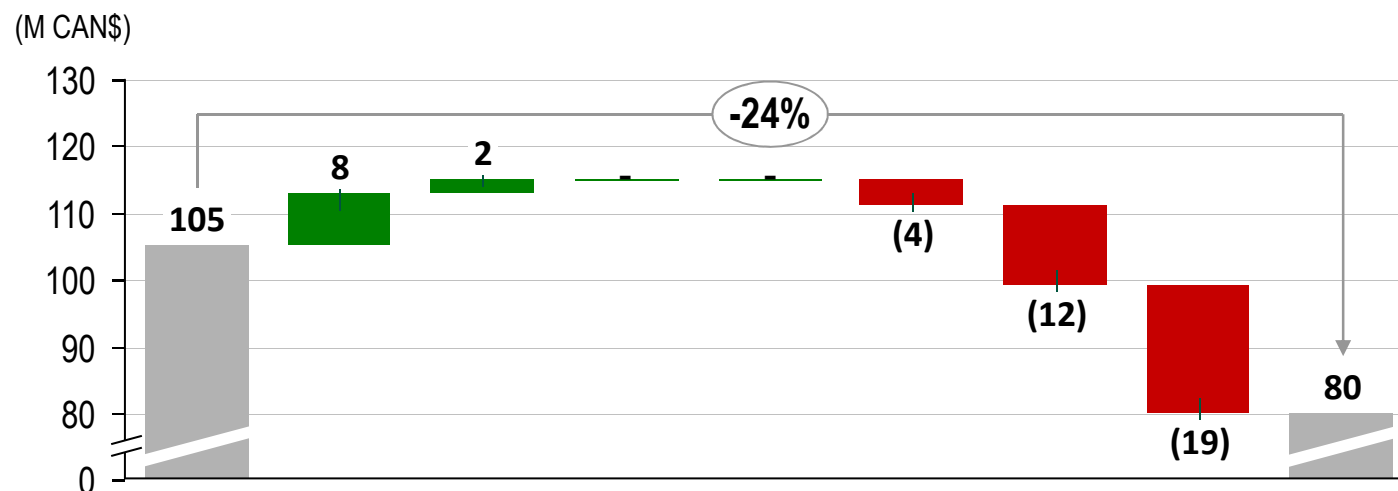
Q1 2013 – Q1 2014 EBITDA VARIANCE ANALYSIS



(M CAN\$)	EBITDA Q1-2013	CAN\$	Selling Prices & Mix	Other Costs	Acqu. & Disposals	Volume	Energy	Raw Materials ¹	EBITDA Q1-2014
Containerboard	25	6	7	4	1	4	(2)	(12)	33
Boxboard Europe	11	3		3		1	4	1	23
Specialty Products	11	5	2			1	(1)	(6)	12
Tissue Papers	29	2	1	(2)		(7)	(3)		20
Corporate	(8)								(8)
Total	68	16	10	5	1	(1)	(2)	(17)	80

Increase in raw material costs were offset by a weaker CAN\$ and improved selling prices

Q4 2013 – Q1 2014 EBITDA VARIANCE ANALYSIS

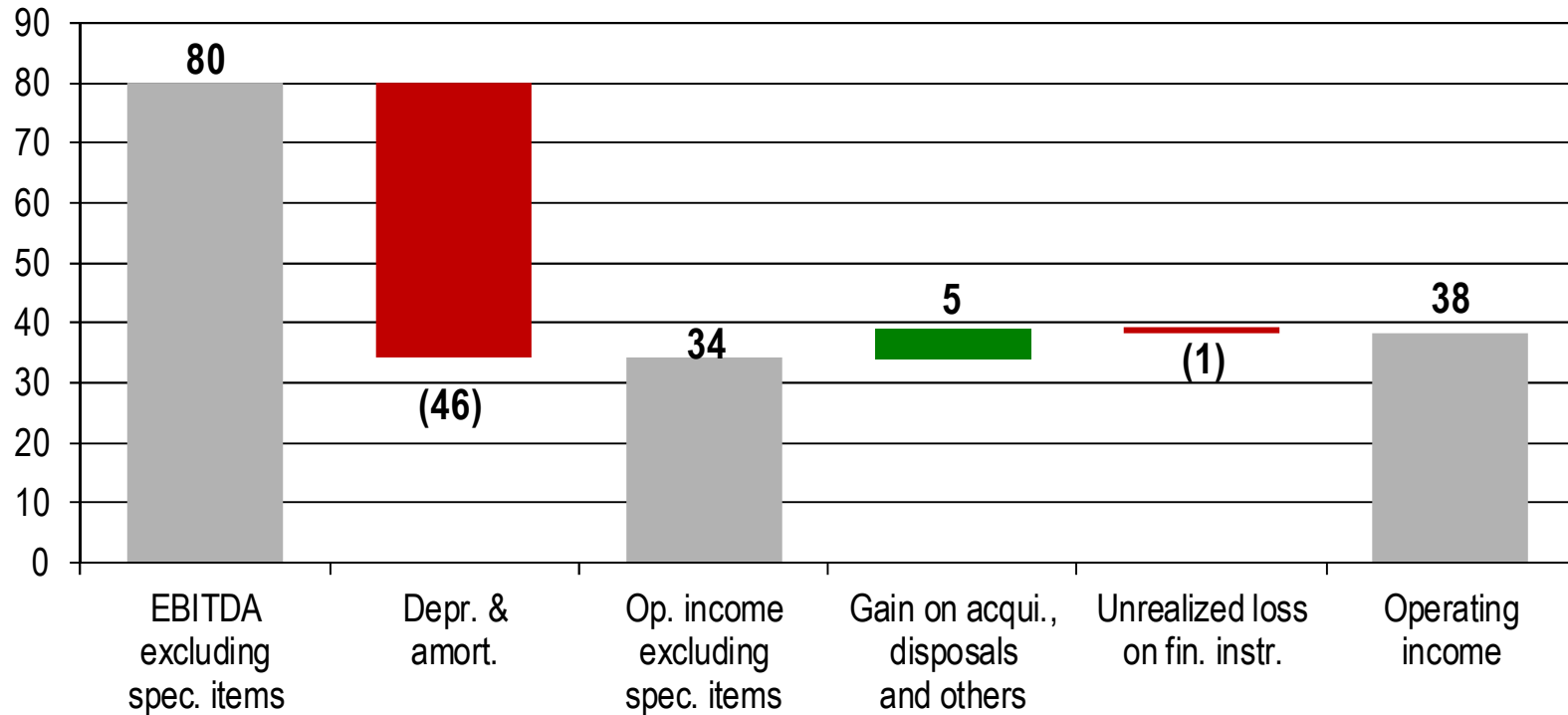


(M CAN\$)	EBITDA Q4-2013	CAN\$	Volume	Acqu. & Disposals	Raw Materials ¹	Selling Prices & Mix	Energy	Other Costs	EBITDA Q1-2014
Containerboard	46	3			(6)	1	(2)	(9)	33
Boxboard Europe	21	1	7		1	(4)	(2)	(1)	23
Specialty Products	16	2			(1)		(1)	(4)	12
Tissue Papers	32	1	(5)		6	(1)	(6)	(7)	20
Corporate	(10)	1					(1)	2	(8)
Total	105	8	2	0	0	(4)	(12)	(19)	80

Lower EBITDA due to higher energy costs, Trenton shutdown and impacts of positive items in Q4

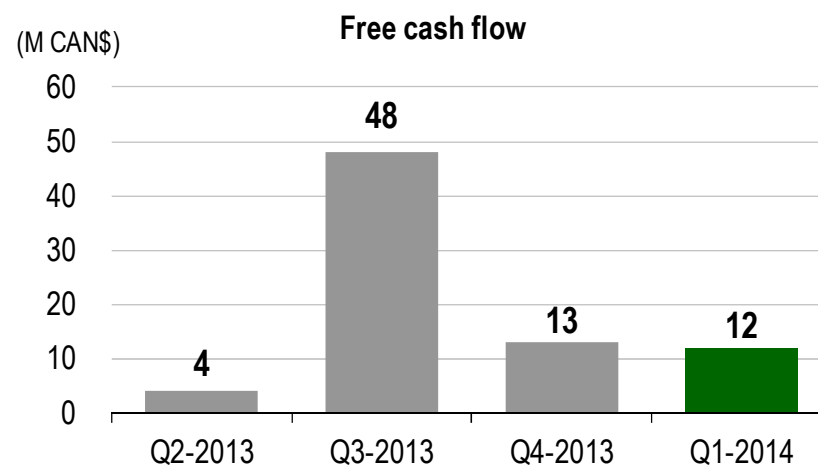
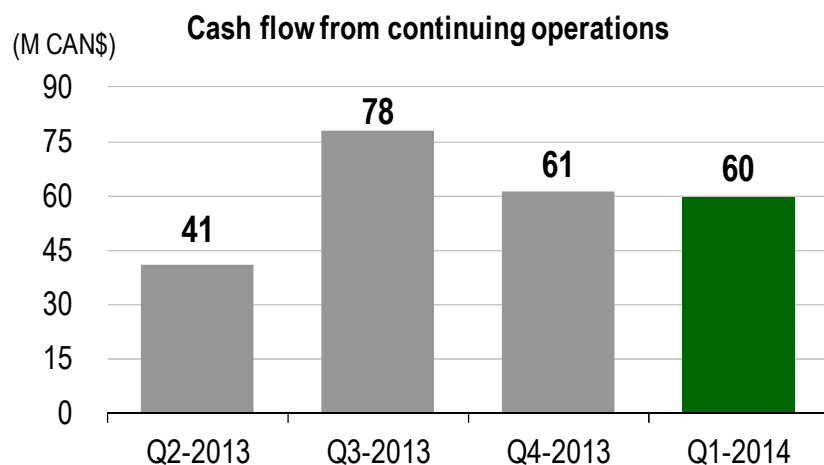
Q1 2014 EBITDA TO OPERATING INCOME RECONCILIATION

(M CAN\$)



(M CAN\$)	Container-board	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Total
Operating income (loss)	23	14	6	9	(14)	38
Specific items:						
Gain on acquisitions, disposals and others	(5)	-	-	-	-	(5)
Unrealized loss on financial instruments	-	-	-	-	1	1
Total specific items	(5)	-	-	-	1	(4)
Operating income (loss) excluding specific items	18	14	6	9	(13)	34
Depreciation and amortization	15	9	6	11	5	46
EBITDA excluding specific items	33	23	12	20	(8)	80

CASH FLOW OVERVIEW



(in millions of CAN\$)	2012	2013				2014	
	Year	Q1	Q2	Q3	Q4	Year	Q1
Cash flow from operations, including disc. operations	161	46	41	78	61	226	60
Capital expenditures & other assets, net of disposals ¹	(165)	(46)	(33)	(26)	(45)	(150)	(44)
Dividend & share buyback	(18)	(4)	(4)	(4)	(3)	(15)	(4)
Free cash flow	(22)	(4)	4	48	13	61	12
Free cash flow per share	\$(0.23)	\$(0.04)	\$0.04	\$0.51	\$0.14	\$0.65	\$0.13

Cash flows relatively stable compared to Q4-2013 but higher than last year

QUARTERLY VARIANCE OF EPS

	Q4-2013					Q1-2014				
	Operating segments	Share of Ass/JV & Non-Cont. Int.	Excluding specifics	Specifics	As reported	Operating segments	Share of Ass/JV & Non-Cont. Int.	Excluding specifics	Specifics	As reported
EBITDA	105		105	(12)	93	80		80	4	84
Depreciation	(48)		(48)		(48)	(46)		(46)		(46)
EBIT	57	0	57	(12)	45	34	0	34	4	38
Financing expenses	(26)		(26)		(26)	(28)		(28)		(28)
Interest expense on employee future benefits	(3)		(3)		(3)	(2)		(2)		(2)
FX gain (loss) on LT debt and fin. Inst.			0	(2)	(2)			0	(6)	(6)
Share of results of associates and JVs		(4)	(4)	(1)	(5)			0		0
Profit (loss) before tax	28	(4)	24	(15)	9	4	0	4	(2)	2
Provision for income taxes	(1)	1	0	(4)	(4)	1		1		1
Non-controlling interests		(6)	(6)	5	(1)		(4)	(4)		(4)
Discontinued operations				2	2					0
Net earnings (loss) per share	27	(9)	18	(12)	6	5	(4)	1	(2)	(1)
	\$0,29	\$(0,10)	\$0,19	\$(0,14)	\$0,05	\$0,05	\$(0,04)	\$0,01	\$(0,02)	\$(0,01)

Change in Operating results after-tax (normalized 30%) \$(0,18)

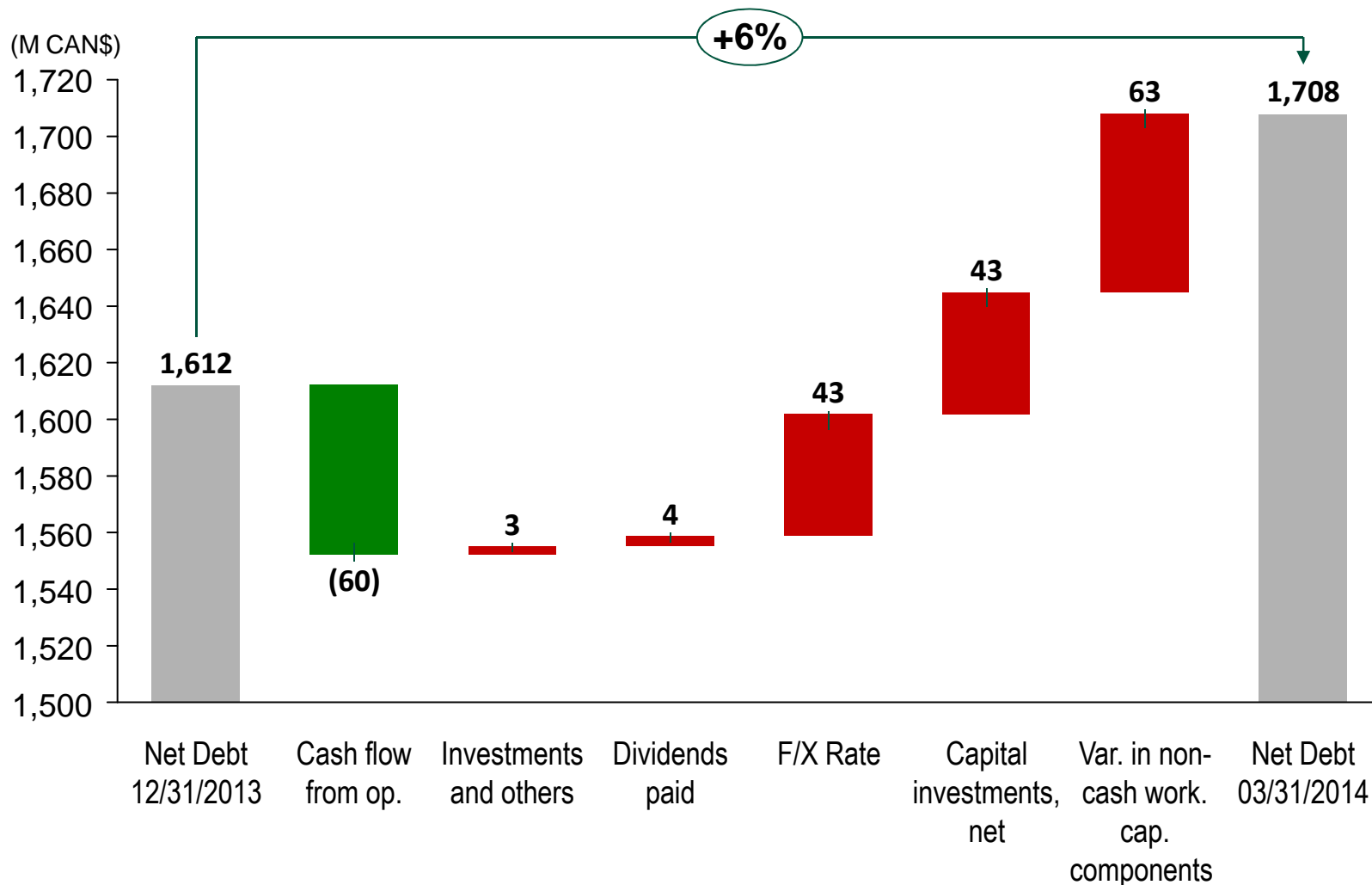
Change in income taxes provision (vs normalized 30%) \$(0,06) → Tax rate mix, Europe Valuation allowance reversal, prior year tax adj.

Change in share of results of Associates and JVs - net of taxes and non-controlling interests \$0,06 → Greater contribution from JV and associates, mainly Greenpac & Boralex, and slightly lower EBITDA from Reno De Medici

\$(0,18)

Non-controlling interest contributed to EPS decrease before specific items

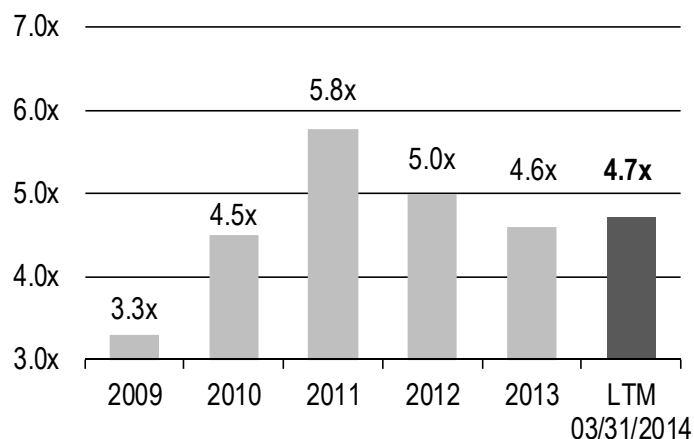
NET DEBT RECONCILIATION



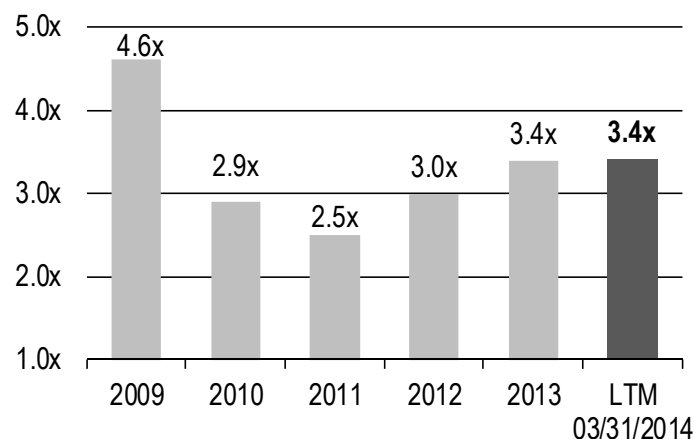
F/X rate and working capital requirements are the main reasons of the net debt increase

CONSOLIDATED FINANCIAL RATIOS & DEBT MATURITIES

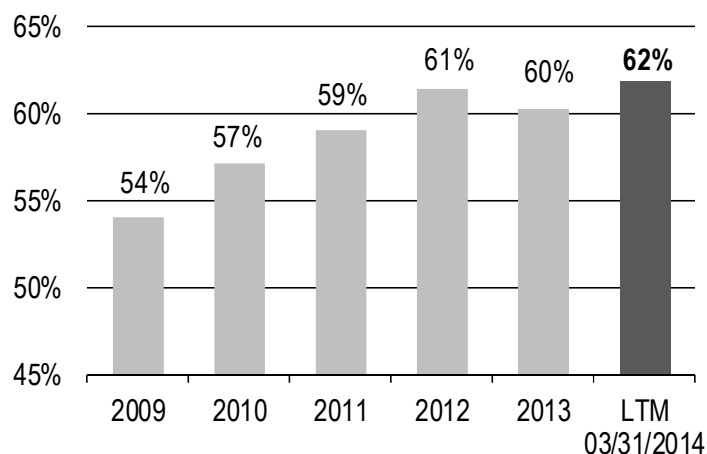
Net debt / LTM EBITDA



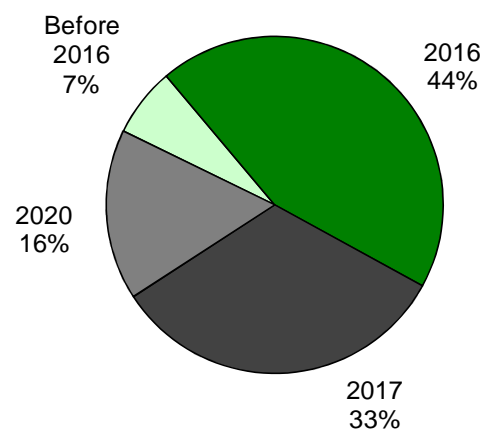
Interest Coverage Ratio



Debt / Debt + Equity



Long-term Debt Maturities Distribution



Net debt to EBITDA ratio should continue to improve in 2014



SEGMENTED REVIEW

PACKAGING / CONTAINERBOARD

Results Q1 2014	Change vs.	
	Q4 2013	Q1 2013
Shipments ('000 s.t.) 309	-2%	4%
Average selling price (CAN\$/unit) 1 065 (US\$/unit) 965	2%	6%
	-3%	-3%
Sales (\$M) 330	1%	11%
EBITDA (\$M) 33 % of sales 10%	-28%	32%

EBITDA excluding specific items

Average selling prices now include converted products

Comments on sequential performance

- ▶ External shipments (on a comparable basis) were 2% lower: 14-day downtime at Trenton and higher internal integration contributed to 9% decrease of containerboard shipments; partially offset by 30% increase in boxboard as downtimes lower by 30 days
- ▶ 1% decrease in shipments of converted products (on a comparable basis) as seasonality impacted shipments of our corrugated products more than the Canadian industry as we sell more products related to agriculture
- ▶ Selling prices in our two segments were relatively stable except for a favorable exchange rate
- ▶ Decrease shown in US\$ prices essentially linked to FX conversion of CAN\$-based products
- ▶ Slight increase in sales due to favorable exchange rate (+\$7M) offset by lower volumes (-\$3M) and the impact of transferring the Moncton and Newfoundland units to the new JV with Maritime Paper Products LP (-\$2M)
- ▶ Sequentially, EBITDA was \$13M lower as a result of higher raw material costs due to an extra 14,000 short tons of external paper purchases (-\$6M), higher labor costs (-\$4M) as Q4 results included a \$5M favorable adjustment to future employee benefit liabilities, higher energy costs (-\$2M, including the negative impact of severe weather conditions of \$4M) and a water management equipment failure at our Trenton mill (-\$4M)
- ▶ More than offset the favorable exchange rate (+\$3M)

PACKAGING / BOXBOARD EUROPE

Results Q1 2014	Change vs.	
	Q4 2013	Q1 2013
Shipments ('000 s.t.) 303	9%	1%
Average selling price (CAN\$/unit) 812 (Euros/unit) 537	4%	14%
	-1%	1%
Sales (\$M) 246	14%	16%
EBITDA (\$M) 23 % of sales 9%	10%	109%

EBITDA excluding specific items

Comments on sequential performance

- ▶ Sequentially, higher shipments in all of our markets during the quarter due to downtimes taken during December
- ▶ Excluding the impact of FX conversion, average selling prices were slightly higher for virgin grades and slightly lower for the recycled grades because of export sales
- ▶ Sequential weakening of the Canadian dollar against the Euro resulted in the realization of higher selling prices in Canadian dollar terms
- ▶ Sales increased due to higher shipments and a favorable exchange rate
- ▶ Above-mentioned higher sales and a slight decrease in raw material costs also contributed positively to the EBITDA
- ▶ Credits related to energy saving initiatives positively impacted EBITDA by \$5M during the quarter versus \$6M in Q4-2013

PACKAGING / SPECIALTY PRODUCTS

Results Q1 2014	Change vs.	
	Q4 2013	Q1 2013
Shipments ('000 s.t.) 94	4%	0%
Average selling price (CAN\$/unit) 964 (US\$/unit) 874	2%	4%
Sales (\$M) 203	6%	7%
EBITDA (\$M) 12 % of sales 6%	-25%	9%

Comments on sequential performance

- ▶ Sequentially, higher shipments in our Industrial Packaging, Consumer Product Packaging, and Specialty Papers segments
- ▶ Lower volumes in the Recovery segment
- ▶ Unfavorable product mix partially offset by UFS price increase
- ▶ Higher average selling prices essentially linked to the Consumer Product Packaging segment further to higher resin costs
- ▶ Favorable exchange rate also contributed to higher average selling prices
- ▶ Increase in sales linked to higher volumes and average prices as mentioned above
- ▶ Important decline in EBITDA due to higher energy costs related to severe weather conditions that had a negative impact of \$2M, and higher raw material costs, especially resins
- ▶ SG&A expenses were also higher during the first quarter of 2014

EBITDA excluding specific items

1 Shipments and average selling prices for Specialty Papers and Industrial Packaging segments only

TISSUE PAPERS

Results Q1 2014	Change vs.	
	Q4 2013	Q1 2013
Shipments ('000 s.t.) 130	-6%	-9%
Average selling price (CANS/unit) 1 879 (US\$/unit) 1 703	4%	11%
	-1%	2%
Sales (\$M) 245	-2%	2%
EBITDA (\$M) 20 % of sales 8%	-38%	-31%

EBITDA excluding specific items

Comments on sequential performance

- ▶ Lower shipments mostly related to lower sales in Canada, both in the away-from-home and retail markets; US shipments remained stable
- ▶ Shipments of parent rolls decreased by 1%
- ▶ Lower selling prices in the US for both the away-from-home and parent rolls, offset by higher retail prices in Canada
- ▶ Sequentially decrease in average selling prices essentially related to negative impact of lower integration rate
- ▶ Positive impact of favorable exchange rate offset lower average selling prices in US dollars
- ▶ Above-mentioned decrease in shipments explains sequential decrease in sales
- ▶ In addition to lower shipments, energy costs increased due to severe winter conditions that negatively affected EBITDA by \$4M
- ▶ More than offset the positive impact of a favorable exchange rate and lower raw material costs



Q&A

AND

CONCLUDING REMARKS

NEAR TERM OUTLOOK



- Normal weather conditions
- Trenton mill producing as expected
- Short term decrease of recovered paper costs
- Favorable FX environment, despite expected short term increase
- Price increases for boxboard and UFS products in North America
- Improvement of Greenpac contribution to EPS



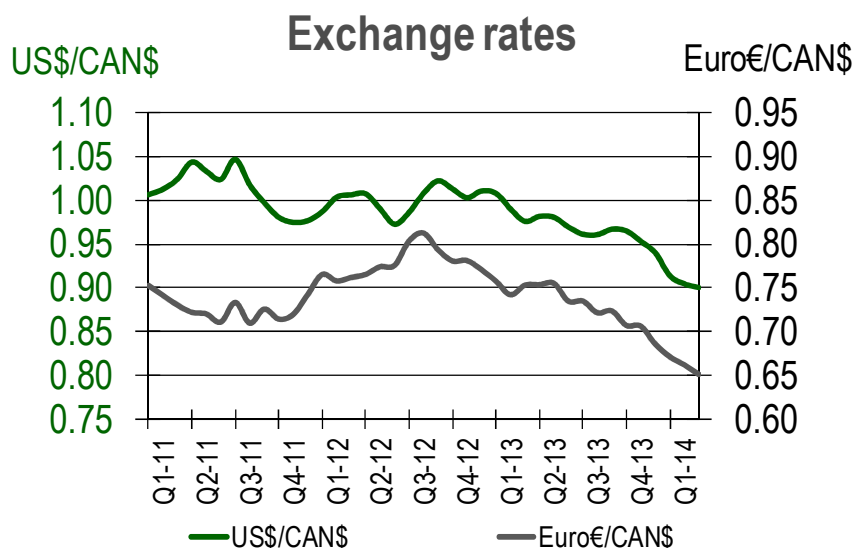
- Impact of additional capacity in tissue industry
- Aggressive competitive stance by national brands and supply management by major retailers
- Challenging market conditions for recycled grades in Europe

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



APPENDIX

FOREIGN EXCHANGE



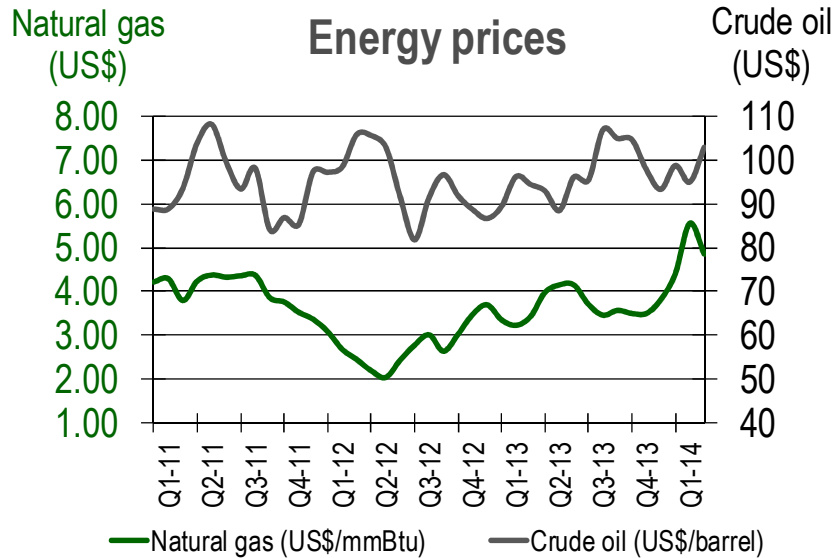
Hedging Program – USD Cash flows

- 2014
24% to 42% of exposure hedged at an average rate of 1.0453 CAN\$/US\$ to 1.0803 CAN\$/US\$
- 2015
15% to 30% of exposure hedged at an average rate of 1.043 CAN\$/US\$ to 1.0858 CAN\$/US\$

	2012				2013		2014	Change	
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q1 2014 Q1 2013	Q1 2014 Q4 2013
<i>Averages</i>									
Foreign exchange rates									
US\$/CAN\$	1.001	0.991	0.977	0.963	0.953	0.971	0.906	-9%	-5%
Euro€/CAN\$	0.779	0.751	0.748	0.727	0.700	0.731	0.661	-12%	-5%

Source: Bloomberg

ENERGY PRICES



Hedging Program – Natural gas

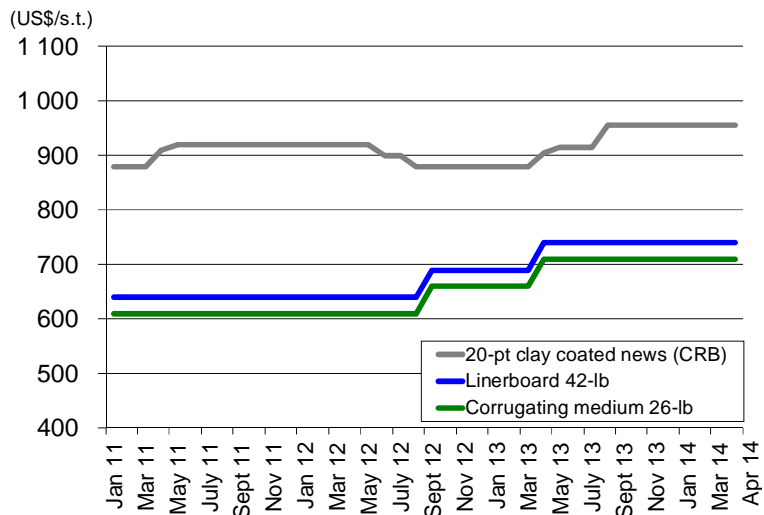
- Canada:
 - 2014 : 66% at 5.28 CAN\$/GJ
 - 2015 : 59% at 4.73 CAN\$/GJ
- U.S.:
 - 2014 : 55% at 5.12 US\$/mmBtu
 - 2015 : 46% at 5.06 US\$/mmBtu

	2012				2013		2014	Change	
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q1 2014 Q1 2013	Q1 2014 Q4 2013
<i>Averages</i>									
Energy prices									
Natural gas Henry Hub (US\$/mmBtu)	2.79	3.34	4.09	3.58	3.60	3.65	4.94	48%	37%
Crude oil WTI (US\$/barrel)	94.92	93.37	92.54	102.42	98.60	96.73	98.89	6%	0%

Source: Bloomberg

SELECTED INDUSTRY REFERENCE PRICES

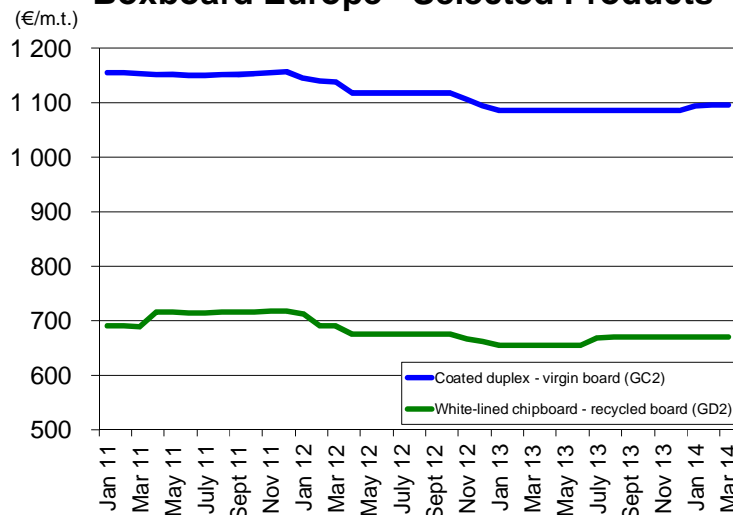
Containerboard - Selected Products



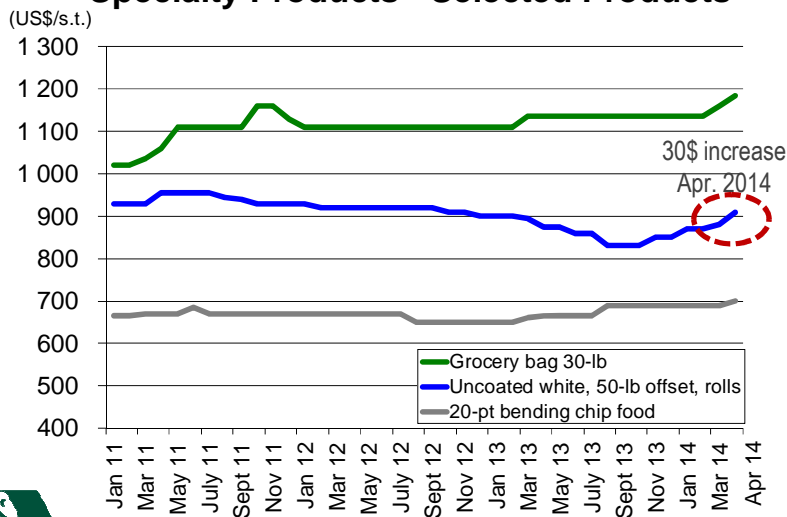
Current
(April)
955

740
710

Boxboard Europe - Selected Products



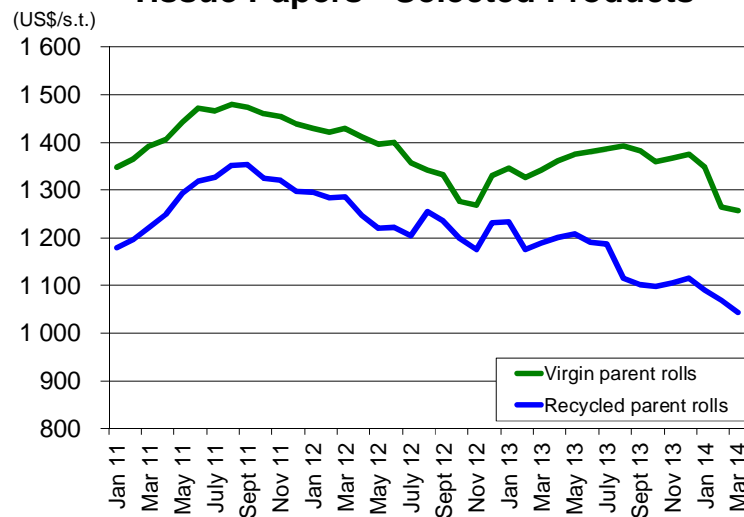
Specialty Products - Selected Products



Current
(April)
1,185

910
700

Tissue Papers - Selected Products



Current
(March)
1,256

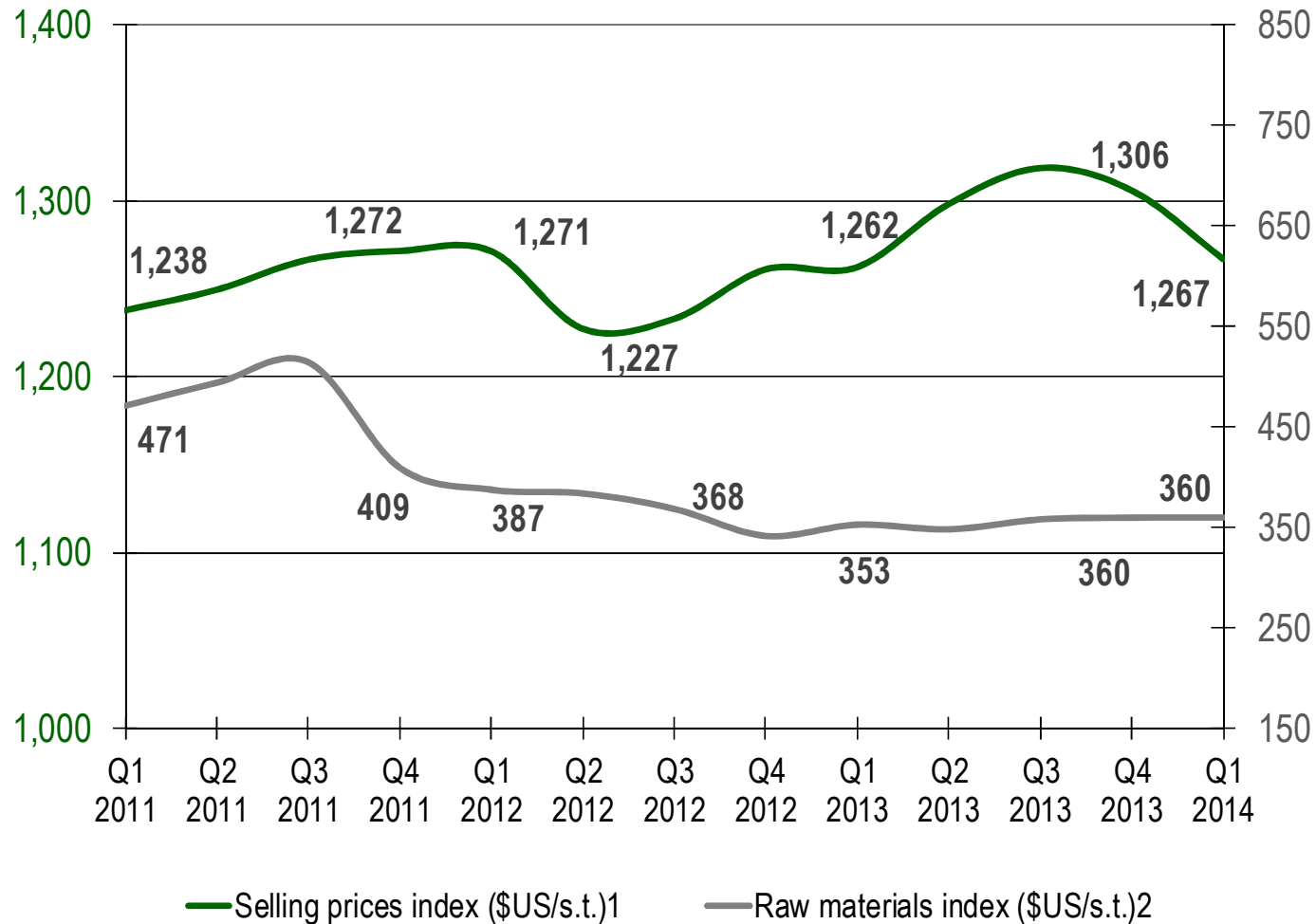
1,044

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	2014	Q1 2014 over Q1 2013		Q1 2014 over Q4 2013	
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	(units)	(%)	(units)	(%)
Selling prices (average)												
Cascades North American US\$ index (index 2005 = 1,000)¹	1,256	1,248	1,262	1,298	1,319	1,306	1,296	1,267	5	0%	-39	-3%
PACKAGING PRODUCTS												
Boxboard												
North America (US\$/ton)												
Recycled boxboard - 20pt. clay coated news (transaction)	909	900	880	912	942	955	922	955	75	9%	0	0%
Europe (Euro/tonne)												
Recycled white-lined chipboard (GD2) index ²	710	680	656	656	670	671	663	671	15	2%	0	0%
Virgin coated duplex boxboard (GC2) index ³	1,153	1,121	1,086	1,086	1,086	1,086	1,086	1,096	10	1%	10	1%
Containerboard (US\$/ton)												
Linerboard 42-lb. unbleached kraft, East U.S. (transaction)	640	657	690	740	740	740	728	740	50	7%	0	0%
Corrugating medium 26-lb. semichemical, East U.S. (transaction)	610	627	660	710	710	710	698	710	50	8%	0	0%
Specialty Products (US\$/ton, tonne for deinked pulp)												
Recycled boxboard - 20pt. bending chip (transaction)	670	662	653	665	682	690	673	690	37	6%	0	0%
Deinked pulp (f.o.b; U.S. air-dried & wet-lap, post-consumer)	763	692	740	755	758	770	756	785	45	6%	15	2%
Unbleached kraft paper, grocery bag 30-lb.	1,095	1,110	1,118	1,135	1,135	1,135	1,131	1,143	25	2%	8	1%
Uncoated white 50-lb. offset, rolls	940	918	898	870	840	843	863	873	-25	-3%	30	4%
TISSUE PAPERS												
Cascades Tissue Papers (index 1999 = 1,000) ⁴	1,669	1,649	1,619	1,598	1,594	1,599	1,603	1,572	-47	-3%	-27	-2%
Raw materials (average)												
Cascades North American US\$ index (index 2005 = 300)⁵	472	370	353	348	358	360	355	360	7	2%	0	0%
RECYCLED PAPER												
North America (US\$/ton)												
Corrugated containers, no. 11 (OCC - Midwest & Northeast average)	149	104	94	98	102	102	99	100	6	6%	-2	-2%
Special news, no. 8 (ONP - Midwest & Northeast average)	126	76	67	65	58	58	62	58	-9	-14%	0	0%
Sorted office papers, no. 37 (SOP - Midwest & Northeast average)	233	154	150	138	135	134	139	140	-10	-6%	6	5%
Europe (Euro/tonne)												
Recovered paper index ⁶	140	111	111	119	114	116	115	116	4	4%	0	0%
VIRGIN PULP (US\$/tonne)												
Bleached softwood kraft Northern, East U.S.	978	873	898	937	947	983	941	1,017	119	13%	33	3%
Bleached hardwood kraft Northern mixed, East U.S.	808	750	791	853	873	860	844	872	81	10%	12	1%
WOODCHIPS – Conifer Eastern Canada (US\$/odmt)	127	123	110	107	105	104	107	100	-10	-9%	-4	-4%

Refer to Notes page included at the end of the Appendix.

NORTH AMERICAN MANUFACTURING SPREAD



Manufacturing spread in CAN\$ in Q1/14: +1% vs Q4/13 and +9% vs Q1/13

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.