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SPEAKERS

Riko Gaudreault
Mario Plourde
Allan Hogg
Charles Malo
Luc Langevin
Jean Jobin

PRESENTATION

Operator: Welcome to Cascades Inc. Conference call for the First Quarter Results of 2015. At this time, all participants are in a listen-only mode. Following today's presentation, there will be a formal question and answer session at which time you can select *1 on your touchtone phone to ask a question. Please note that this conference is being recorded.

I will now turn the call over to Riko Gaudreault, Director, Investor Relations and Business Strategy. Mr. Gaudreault, you may begin.

Riko Gaudreault: Thank you, operator. Good morning, everyone. Welcome to our conference call for the 2015 first quarter results. Members of our management teams are joining me today, and you will hear from Mario Plourde, our CEO and President; Allan Hogg, our CFO; Charles Malo, COO of our Containerboard Group—Charles is filling in for Marc-Andre Depin; Luc Langevin, President of our

Specialty Products Group; and Jean Jobin, President of our Tissue Papers Group. Mario will begin with his comments, followed by Allan and the groups' representatives. The review of our operation in Europe will also be covered by Mario, and our CEO will also be back for the conclusion following the question period.

During this call certain statements will discuss historical and forward-looking matters. Please note that the accuracy of these statements is subject to a number of risk factors. These factors, which are listed in our public filings, can have a material impact on our results. Also, these statements as well as the investor presentation and press release, which are posted on our website, include data that are not measures of performance under IFRS.

You should also note that the quality results of Reno de Medici were released April 29th, and can be reviewed on Reno's website.

I would like to remind the media and internet users that they can only listen to the call. If you have any questions, please feel free to call us after the session. Finally, for those who cannot attend the annual general meeting in Montreal today, please note that it will be broadcasted live on the internet at 11:00 a.m.

I will now turn the call over to Mario Plourde.

Mario Plourde: Thank you, Riko, and good morning, everyone. We started 2015 will $85 million of EBITDA and $0.18 EPS for the first quarter, excluding specific items. This is an important improvement on both sequential and year-over-year basis. When we look at our results including specific items, the EPS loss was mainly caused by the impact of the translation of our US denominated debt.

On the cash flow front, cash flow from operations was lower due to the payment of interest which will now be more significant during Q1 following our June 2014 refinancing.

On a segmented basis, the Containerboard Group started the year with a strong performance. This performance is even more impressive when we compare to the same period last year. In Europe, we also showed a significant sequential improvement in EBITDA as productivity and demand were better in Q1.

The Specialty Products Group's results were stable compared to Q4; however, the 25% EBITDA year-over-year increase is worth mentioning. As expected, the Tissue Paper Group continued to be challenged during the quarter and was impacted by start-up costs related to its two important projects in Oregon and North Carolina. The group also took additional downtime in Q1 for equipment maintenance, upgrades, and inventory management.

As for Greenpac, it contributed $0.03 during the quarter and continued to increase productivity with production averaging 1,216 tons per day. It also made significant growth in terms of premium lightweight liner board production.

On the fiber side, brown grades prices continue to be [indiscernible] and shipped another 9% on average during the first quarter. We do not foresee major changes in the short-term for OCC prices, as market conditions continue to be favorable. Price for recovered wide grades have not increased too much, but we are now entering into low generation season with the end of the spring that may have an influence on pricing.

For pulp and BSK, prices stabilized after losing $50 a ton since October while NBHK prices have increased by $30 a ton since January.

Looking at our TPIs, we are pleased to report that we continue to improve on all fronts for this period of the year.

I will now let my colleague give you more specific information starting with Allan and I will be back later to cover Europe and the outlook. Allan.

Allan Hogg: Thank you, Mario, and good morning, everyone. Let me start by explaining the main variance of the quarter. Compared to last year sales were up 5% at $910 million due to a favorable exchange rate and volume increases in our containerboard and tissue activities, which were offset in part by lower average selling prices in all segments except for Containerboard. Sequentially, sales increased 4% mainly due again to a favorable exchange rate.

EBITDA for the first quarter is up 13% or $10 million compared to last year. The increase is due to higher volume, a favorable exchange rate, and lower production costs due to better productivity. Energy costs remain flat despite $5 million less of energy credits received in Europe in Q1 2014. This was offset by lower costs in consumption than last year when we faced harsh winter weather conditions in North America. First quarter results were also impacted by production downtime and startup costs in our tissue activities. Sequentially, our EBITDA is up 4% or $3 million. Higher overall energy costs and lower sales in production volume in tissue offset in part the strong performance of our Containerboard segment, despite its usual slower season.

Slides 13 and 14 illustrate the impact of specific items that affected our results during the quarter. The depreciation on the Canadian dollar led to a loss on our long-term debt for $45 million and for most of the unrealized loss on financial instruments [indiscernible] $15 million. We also recorded a $5 million loss in our shareholder results, following the change in equity of Boralex following their recent transactions. You can also see the impact in our shareholder results of [indiscernible] investments, which is mainly driven by the higher performance of Boralex and Greenpac.

On page 15, our cash flow from operations amounted to $35 million in the quarter, including our interest payment of $44 million. Capital expenditures amounted to $36 million during the period. Despite the cash flow from operations and the proceeds on the disposal of our North American boxboard assets received in February, our net debt increased by $78 million during the quarter due to the lower Canadian dollar which increased our debt by $82 million.

In terms of financial ratios, with the effect of the currency our net debt to EBITDA ratio increased at 4.8 times at the end of the quarter.

To conclude this section, we are introducing for your information some key figures on a proportionate consolidated debt basis. These numbers include our share of our respective ownership in Greenpac, Reno de Medici, and our other joint ventures in the Specialty Products Group.

I thank you for your attention and I will ask Charles to discuss the results of our Containerboard Group.

Charles Malo: Good morning, everyone. Thank you, Allan.

During the first quarter of 2015, the Containerboard Group shipments reached 268,000 tons, representing a sequential decrease of 3%. The shortfall in volume comes from both segments of activities. In the converting sector, shipments have sequentially decreased by 3%. This is in line with the performance of both the Canadian and the US industries. In the manufacturing sector, external shipments of paper decreased by 4% as a consequence of increase in our integration rate. Accordingly, the first quarter operating rate remained relatively stable at 91% compared to 90% during the previous quarter.

On the pricing front, average selling price increased by $52 of short ton, mainly as a result of decreased of $0.07 of the Canadian dollar against the US counterpart. Indeed, the weaker Canadian dollar increased average selling price denominated in Canadian dollar by $56 per share ton. On the other hand, the reduction of forced dollar per share ton is a result of unfavorable product mix with each subsequent segment.

With regards to profitability, the Containerboard Group realized an EBITDA of $52 million in the first quarter of 2015. This performance represents an improvement of 80% compared to the previous quarter and 68% of the same quarter last year. Our first quarter EBITDA of $52 million represents a margin of 17% on sales, compared to 15% in the third quarter of 2014. If we look at the margin of our manufacturing activities separately, it reached 27% for the quarter, an increase of 3% from the previous quarter. This solid performance was achieved despite a reduction of 9,000 short ton in shipments and higher energy costs as a consequence of cold winter conditions. Combining these two items negatively impacted our results by $7 million. On the other hand, raw material costs decreased following a reduction of $5 per short ton of OCC prices and a favorable product mix between recycled fiber and external paper rolls bought from Greenpac. Together, these two events totally upset the previous negative impact by adding $7 million to profit.

Finally, the remaining improvement in profitability is mainly explained by the weakening of the Canadian dollar. In regards of the outlook, the short term outlook, we should continue to benefit from the stable economic environment in the Containerboard market. The demand in the US remains good and we should continue to benefit from the weakness of the Canadian dollar. In the coming quarters, we should also benefit from normal seasonal pickup, despite the approximately nine days of lost time in our machine available at our Niagara Falls facility in April.

Finally, a word on Greenpac Mill. In the first quarter of 2015, Greenpac produced 113,000 short ton of liner board, representing an improvement of 2% compared to the previous quarter. Consequently, our share of the net earnings excluding specific items amounted to $3 million or $0.03 per EPS in our results. We continue to gradually increase the proportion of value added product from Greenpac as the market receptivity for lightweight grades continues to be good. We're pleased with the paper machine which produces as we were expecting, and since the end of the first quarter we even produced a daily record of 1,785 tons on April 4.

I thank you for your attention and I will now ask Mario to give you an overview of our boxboard activities in Europe.

Mario Plourde: Thank you, Charles.

During the first quarter, productivity of the modernized machine at the Santa Giustina mill in Italy improved, which, along with the impact of seasonality, contributed to the 13% increase in shipments. Actually, most of the mill produced at capacity during the quarter.

In terms of average selling price they remained stable during the quarter due to the strengthening of the Canadian dollar against the euro; however, they show a 2% sequential decline. As a result of higher shipments, sales increased 10% to reach $260 million. This contributed to a 21% sequential increase EBITDA of our Boxboard Europe Group during Q1. Improved efficiency at Santa Giustina and lower maintenance costs during the first quarter contributed positively. We also benefited from lower chemical product costs. When you compare these results to the same period last year, you need to remember that we received energy credits totaling $5 million during the first quarter of 2014.

Looking ahead, other inflow are expected to be good in the short term as the market is decent and the backlog is still quite solid as we enter Q2. In April, Renault, another major European producer, announced a price increase of $40-45 euro for recycled and virgin grades. That should be implied gradually and have a more meaningful impact on our results during the second semester.

On the cash front, major unknowns are raw material costs and energy. We expect some savings on energy costs due to more favorable contracts, but the price of fiber might increase.

I'll thank you and I'll ask Luc to follow up with you with an overview of the Specialty Products Group.

Luc Langevin: Thank you, Mario.

Sales for the Specialty Products Group declined slightly to $135 million compared to $138 million in Q4, representing a 2% sequential decrease. The reduced average selling prices in our recovery business negatively impacted our average selling prices for this quarter. While foreign exchange positively impacted our top line, this was not sufficient to offset lower prices in recovery and unfavorable seasonality in the recovery and film packaging businesses.

We completed our quarter with an EBITDA of $10 million, in line with our Q4 results. The positive impact of the exchange rate was offset by increased energy costs and higher shredded [ph] costs. It is important to note that these results represent a 25% increase from the same quarter last year thanks to improved volume, reduced costs, and positive impact from favorable exchange rates.

Looking more specifically at our four sub-segments, our Industrial Packaging segment increased its EBITDA by $1 million sequentially. We increased our volume and benefits from a more favorable exchange rate. The EBITDA of our Consumer Product Packaging segment also improved by $1 million.

The impact of typically lower seasonal demand in the thin packaging business was more than upset by improved margins resulting from reduced raw material prices.

As for our other activities, our EBITDA declined by $1 million sequentially. Lower volumes at our [indiscernible] site and increased energy costs negatively impacted our results this quarter.

Finally, the EBITDA of the recovery and recycling segment declined by $1 million from the previous quarter. We experienced lower recyclable paper generation during the period, and our spread slightly deteriorated from unfavorable market conditions for recovered papers from a generator point of view.

Looking forward, we anticipate productivity to improve in the near future in our Industrial and Consumer Products Packaging segments with seasonal volume pickup. Our energy costs will get back to the normal. Meanwhile, we will closely monitor the raising price and the Canadian dollar fluctuation as it may offset some of these benefits.

Thank you for your attention and I will now ask Jean to present the results of the Tissue Paper Groups.

Jean Jobin: Thank you, Luc. Good morning, everyone. As expected the first quarter was softer than the previous one. As you know, the first quarter is usually the softer quarter of the year in the [indiscernible] segment and 2015 was no different with a 10% sequential reduction. The cold season and the higher volume in Q4 due to yearend incentive program are the main explanation for the volume decrease in the [indiscernible] market in this quarter. The US market was impacted by an 8% reduction compared to the previous quarter while the Canadian market was impacted by 14%.

For the Retail segment, shipments were 2% lower sequentially, mainly related to the timing of promotional activities. As for [indiscernible] shipments, volume increased by 7%. This increased production from the new Oregon paper machine and an inventory management initiative were the two main drivers behind this unusual increase. As market conditions remain difficult, we want to make sure our new parent roll capacity can be gradually absorbed by the market.

As a result, total sales for the first quarter of the year were slightly up by 1%; however, the increase is mainly due to the exchange rate impact. The 8% favorable variation of the exchange rate more than offset the seasonal reduction of [indiscernible] shipments. The average selling price was negatively impacted by a higher proportion of parent roll shipments.

Our EBITDA amounted to $15 million compared to $21 million for the previous quarter. The erosion in sequential profitability was largely driven by lower shipment and sales mix.

We took the opportunity to do most of our annual shutdown in Q1, which resulted in higher production costs. On a more positive note, our two major projects in the US, that is our new Oregon paper machine and our new converting facility located in Wagram, North Carolina, are on track and we will gradually contribute positively to profitability over the next upcoming months.

In April, we also announced the installation of a state-of-the-art towel line in [indiscernible] with total annual capacity of approximately 3.5 million cases of high quality paper towel for the retail and away-from-home markets. For the near term, we are expecting better results as we enter the strong sales season for the jumbo roll, for the away-from-home segment, and we also expect better shipment in our US retail division. Our manufacturing productivity is also on a positive trend, and some fixed costs reduction initiatives are currently under progress and the benefits will be seen in the next upcoming months.

Thank you. I will now turn back the call to the operator. Operator.

Operator: Thank you. We will now begin the question and answer session. (Operator instructions.) Our first question comes from Hamir Patel, with RBC.

Hamir Patel: Hi. Good morning. I had a couple of questions. The first one's for Mario. This is one of your best quarters in containerboard, but also one of your worst in tissues. As you look out to Q2 and the remainder of the year, how sustainable do you think the containerboard margins are and what sort of recovery is reasonable on the tissue side?

Mario Plourde: What we can see in the market right now for containerboard we don't see many changes from the first quarter. We're entering normally in a very good season in Q2; Q3 are normally strong because of the activity, economic activity is stronger. So I don't expect any big change. I think that the containerboard should remain strong as it is today.

With regards to the tissue side, the first quarter has always been difficult for the tissue because of the weather, because it's a slow economic time of the year, and the second quarter is usually very strong, so I am very confident that they will improve from the first quarter. Although, we are still in an environment where there is excess capacity in the market, but all the upset of the startup of the new machine is quite behind us. They are progressing very well today. I'm very encouraged by what I see, so I feel that the second quarter will be stronger than the first one.

Hamir Patel: Okay. Thanks. That's helpful. Just one for Allan. Can you quantify what the weather impact in the quarter would've been across the company and would you expect to get all of that back in Q2?

Allan Hogg: That was not much. This quarter compared to last year it was much more significant, but this year here and there, but nothing to—. We have not quantified this or compared to last year, so there's nothing significant to report.

Hamir Patel: Okay. Thanks. That's great. I'll get back in the queue.

Operator: (Operator instructions) Our next question comes from Keith Howlett, from Desjardins Securities.

Keith Howlett: Yes, I was just trying to understand energy prices. On slide 18 you detailed the natural gas and oil prices. I was just trying to understand why energy costs were a negative issue in the quarter.

Mario Plourde: Let me make sure we have the same—.

Allan Hogg: The first quarter consumption due to weather conditions is always higher compared to Q4, so that's why on a sequential basis it's always higher in Q1.

Keith Howlett: So it's the amount of energy used, not the price?

Allan Hogg: It's both. The efficiency prices consumption, yes.

Keith Howlett: I see. Then just on the capacity of utilization that you measure as 98% I think in the tissue division, do you take out of the denominator any plant that's down for maintenance or when the equipment's in—.

Mario Plourde: No. We adjust when capacity is increased permanently. We adjust the number, but it it's temporary downtime we don't adjust, no.

Keith Howlett: I see. So that 98% indicates that you were pretty well flat out in the first quarter?

Mario Plourde: Make sure that you understand our definition. We calculate it on total shipments. So sometimes there's a bit of difference between shipments and actual production, but we always calculate it with shipments.

Keith Howlett: I see. So that reflects the inventory destocking you mentioned in –

Allan Hogg: [Indiscernible] of inventory.

Keith Howlett: I see. Thank you.

Operator: Our next question comes from Rob Longnecker, from Jovetree.

Rob Longnecker: Hi, morning, guys. It looks like things are starting to tick along nicely in Europe with some improvements. I wonder what the expectations are for the cash flow coming out of that business.

Mario Plourde: Well, it really depends if the market condition remains like it is today. As you know, there was a price increase announced early in the year, which will take probably six months before being implemented and to what level we don't know. So, obviously, the cash flow you see in Europe will improve in Q2. Obviously in Q3. The economic condition right now seems to be positive where there's more activity right now in Europe. I don't know how to quantify it today, but obviously it will be better than it was in the first quarter.

Rob Longnecker: The leverage is already quite low in that business. Will that actually result in cash getting returned to you guys as shareholders?

Allan Hogg: That's an option, but there may be some legal issues to be resolved in that public entity in Italy. But, you're right, that's something going forward that might happen.

Rob Longnecker: What do you mean, legal issues?

Allan Hogg: Technicalities to issue dividends or things like that within that public company. But, you're right, going forward that's possible of cash coming back here to our parent company in Canada.

Rob Longnecker: Okay. Thank you.

Operator: Our next question comes from Hamir Patel, with RBC.

Hamir Patel: Thanks. I just have a few follow-ups on the containerboard side. Could you give us maybe a sense of what proportion of Greenpac's production in the quarter was the premium grade?

Charles Malo: Yes, Greenpac is a lightweight mill so it can, say 100% of what we produce goes towards lightweight, but we do have our XP grade, which is a specialty, and we did achieve about 30% of our overall shipments for the quarter.

Hamir Patel: Thanks. That's helpful. A final question I have is, earlier this week we saw one of your major containerboard peers announce a major acquisition in the distribution space, and from what I understand that's going to displace some tonnage that's currently being sold by other producers. Do you expect much impact on your business?

Charles Malo: We do most of our sales directly with relationships with customers, so we don't see any impact on the [indiscernible] activity.

Hamir Patel: Okay. Great. Thanks. That's all I had.

Operator: Our next question comes from Leon Agazarian, from National Bank Financial.

Leon Agazarian: Hi. Good morning. I just had one quick follow-up on Greenpac. We see right now, if I believe, 113 production. Where should we see that in the coming quarters, and what's your expectation for the balance of the year in terms of production? I mean, is it ramping up the way you'd like it to, and where do you expect that to go for the year?

Charles Malo: We are right now seeing the production curve as we predicted, so we should see about a 2% improvement in the next coming quarter from actual shipments.

Leon Agazarian: Okay. Thank you. That's it from me.

Operator: We have no further questions at this time. I will now turn the call over to Mr. Mario Plourde for closing remarks. Mr. Plourde.

Mario Plourde: We are starting 2015 on a good footing and the improved results released today makes us feel confident that we will be able to continue to improve our financial results in 2015. Demand for most of our products remain good. Canadian dollar weakness provides tailwinds and we do not expect major volatility in recovered paper prices.

On our packaging products sector, our North American Group should continue to improve their performance as we enter a period of good seasonal market condition for the next two quarters. In Europe, price increasers were announced for both virgin and recycled grade, but we do not expect a meaningful impact on our results until the second semester. Our Tissue Paper Group will pursue a ramp-up of its two new sites in the US. The negative impact of these start-ups is decreasing and these activities should positively contribute to the results, mostly toward the end of the year. And, we expect an increase EBITDA for the coming quarter, and a positive contribution for Greenpac Mill should also add to higher quarterly earnings per share in 2015. If the exchange rate between Canada and the US prevails, our leverage ratio should improve.

We thank you for your support and we hope to meet you at our annual general shareholder meeting today. Have a great day.

Operator: Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.