

CASCADES INC.

Imperial Capital
Global Opportunities Conference
September 20, 2012



GREEN BY NATURE™

RECOVERY + PACKAGING + PAPER

CASCAD.COM



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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.

OVERVIEW – PACKAGING AND TISSUE PRODUCTS

Containerboard



Specialty Products

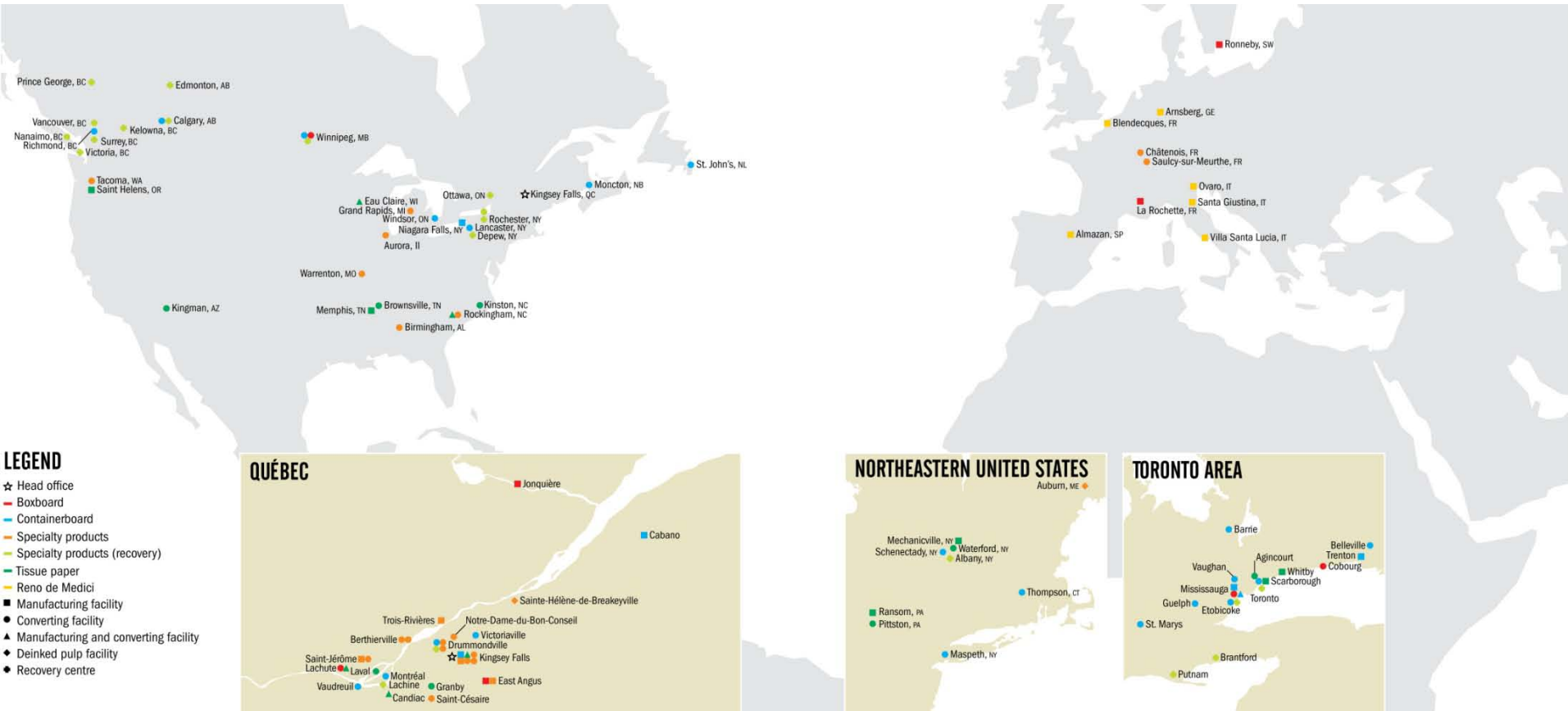


Tissue Papers



Leading packaging and tissue manufacturer with substantial recycling capabilities

OVERVIEW – WORLDWIDE ASSET BASE



Asset Base Distribution (PP&E per region)

Canada 64%

USA 21%

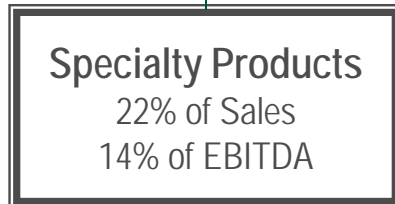
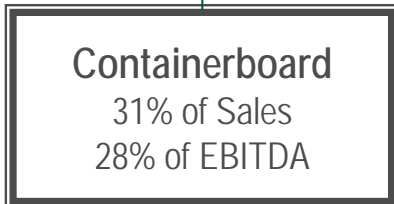
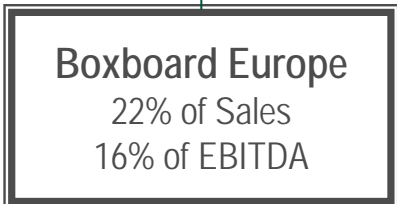
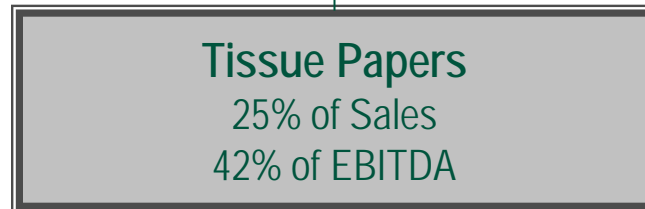
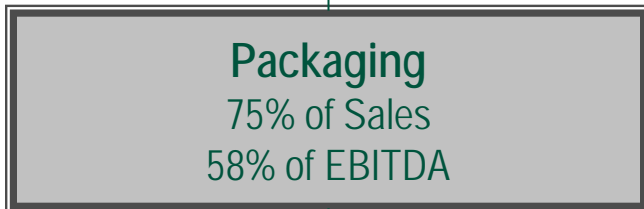
Europe 15%

OVERVIEW – OTHER ASSETS & INVESTMENTS

Assets	Consideration	Accounting
RENO DE MEDICI	<ul style="list-style-type: none"> • 46% ownership • Public co: bloc worth ± \$30M 	<ul style="list-style-type: none"> • Fully consolidated
RECOVERY OPERATIONS	<ul style="list-style-type: none"> • 73% ownership 	
GREENPAC PROJECT	<ul style="list-style-type: none"> • 59.7% ownership • \$99M investment to date 	<ul style="list-style-type: none"> • Equity pick-up
JV IN INDUSTRIAL PACKAGING	<ul style="list-style-type: none"> • 50% ownership 	
BORALEX	<ul style="list-style-type: none"> • 35% ownership • Public co: bloc worth ± \$110M 	

Most of our investments are not reflected in our EBITDA numbers

OVERVIEW – BALANCED PLAY



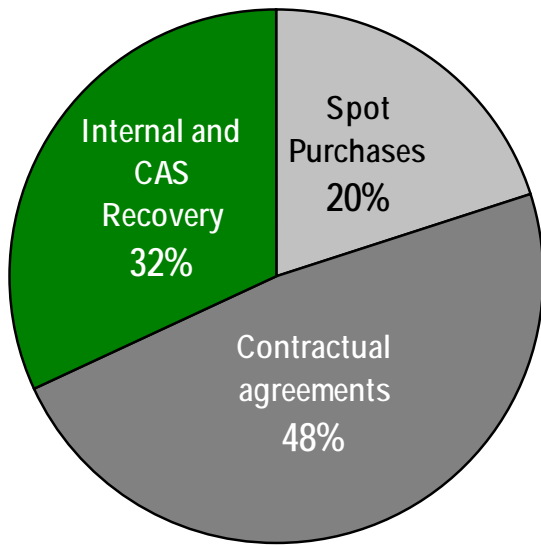
Having two core sectors is working to our advantage in the current economic context

1 Adjusted for the full year consolidation of Papersource.

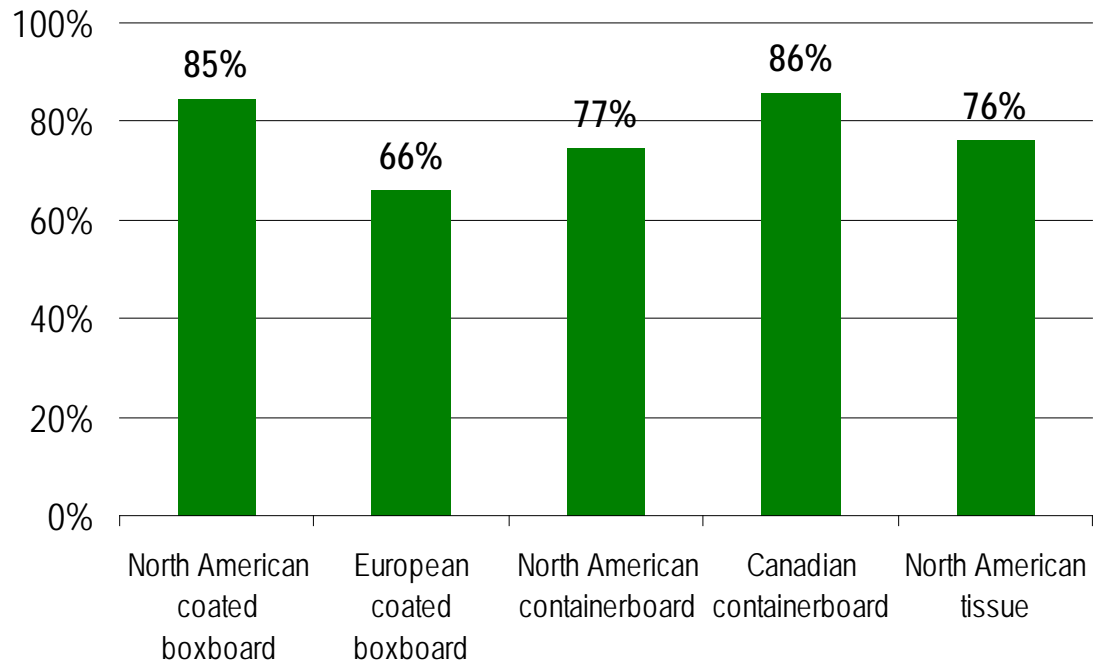
2 EBITDA excluding specific items and discontinued operations. Breakdown of sales and EBITDA before eliminations & corporate activities.

OVERVIEW – HEALTHY P&FP SECTORS AND ACCES TO FIBER

Recycled Fiber Sources - 2011



Top 5 producers' share of capacity



Two healthiest sectors in P&FP and substantial recycling capabilities

OVERVIEW – GREEN LEADERSHIP PLAY

RECOVERED PAPER

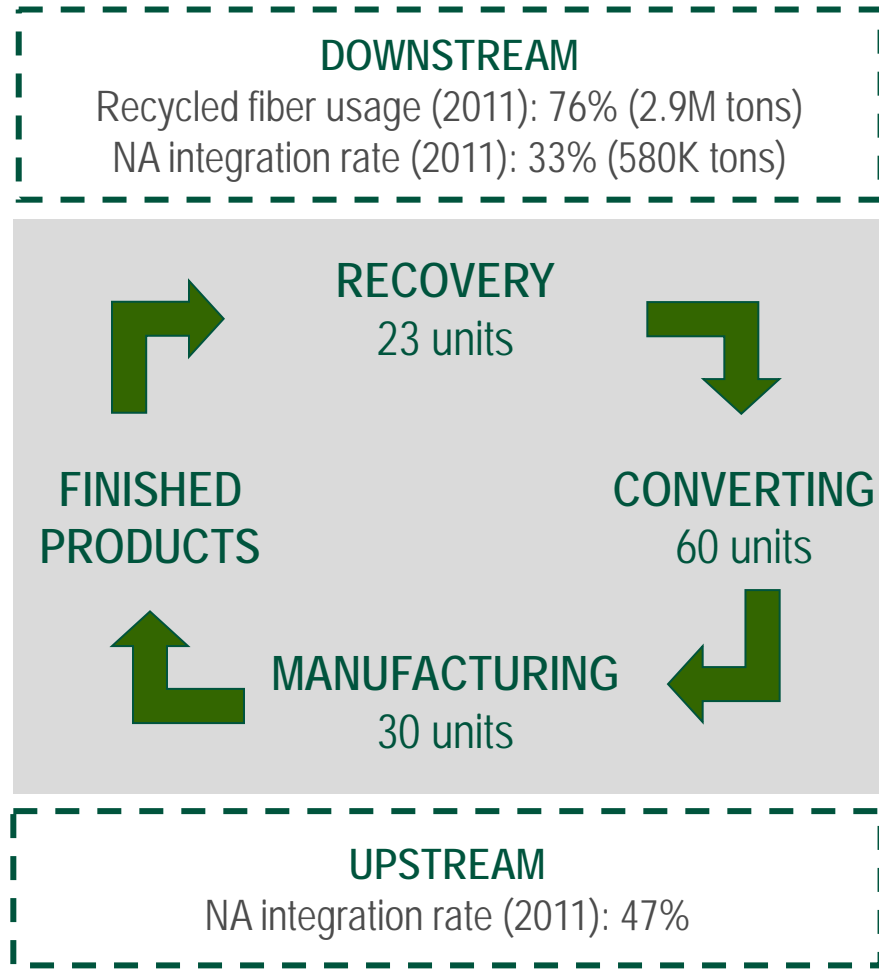
- #1 Canadian collector

PACKAGING

- #1 Canadian containerboard producer
- #6 North American containerboard producer
- #2 European in coated recycled boxboard

TISSUE

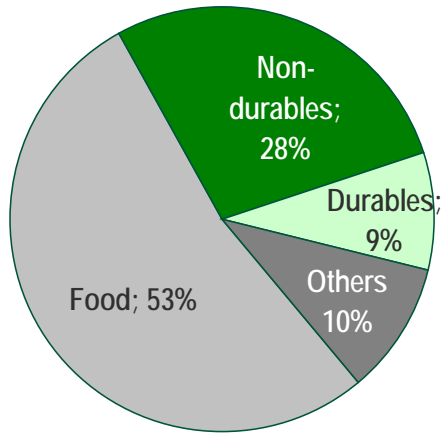
- #1 “green” tissue papers retail brand in Canada
- #2 Canadian producer
- #4 North American producer



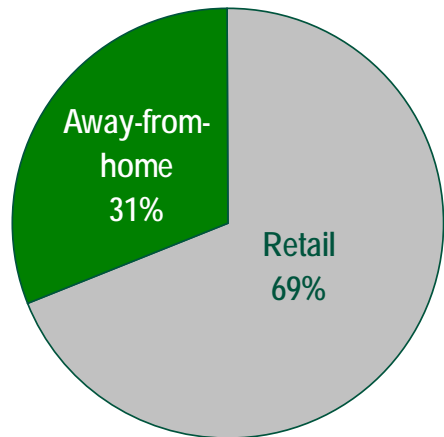
Leadership on the green scene with upstream and downstream integration

OVERVIEW – RECESSION PROOF PLAY

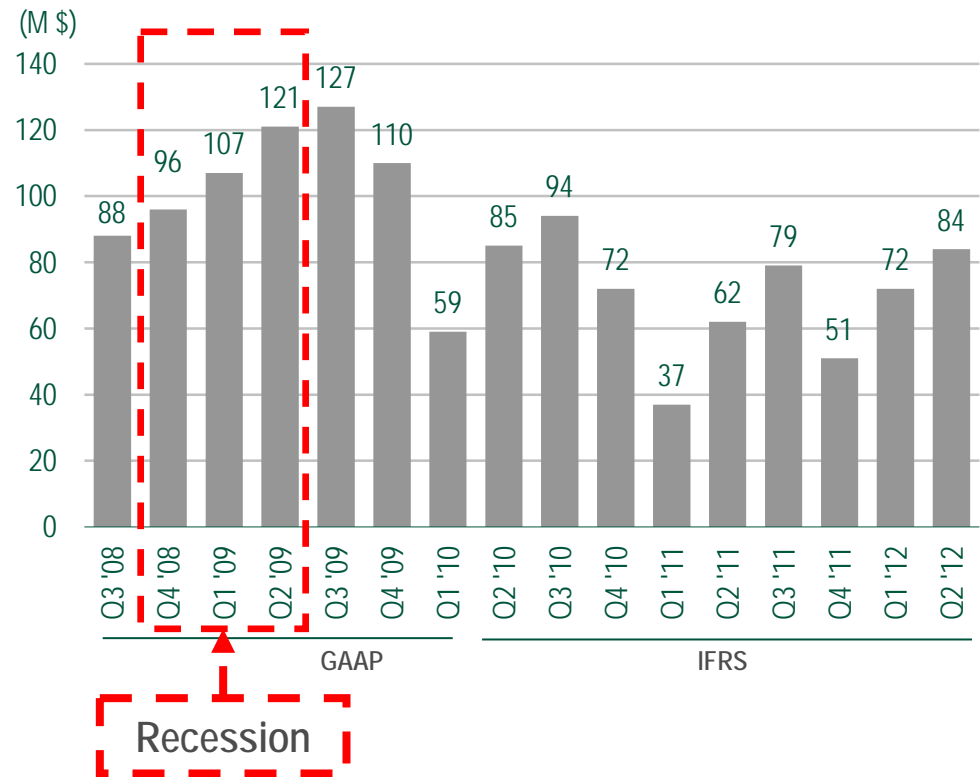
2011 U.S. Containerboard End-Users



2011 U.S. Tissue Paper End-Users



EBITDA (excluding specific items)



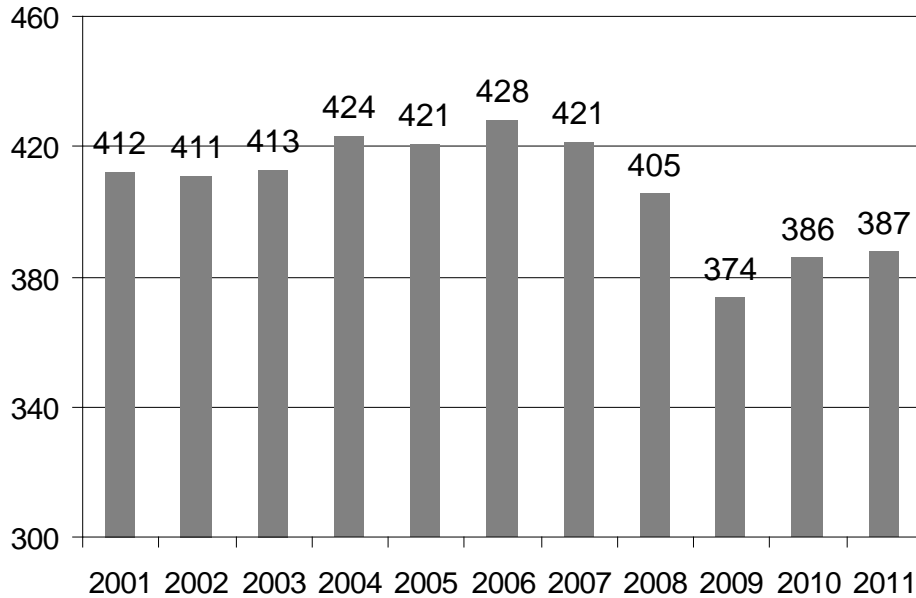
Strong performance during the economic downturn and less cyclical end-use markets

MARKET DYNAMICS – DEMAND

Packaging

North American Box Shipments

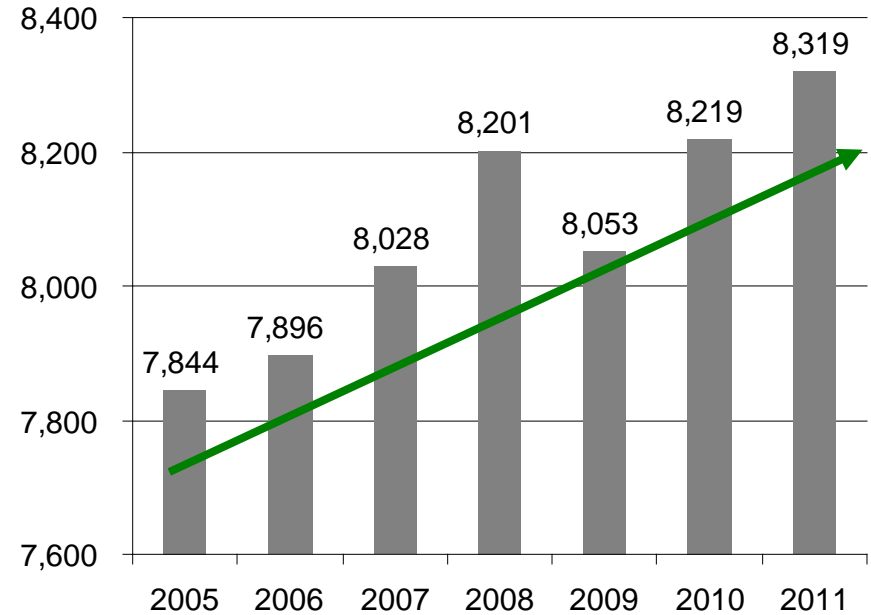
(billions ft²)



Tissue

U.S. Total Tissue Consumption

('000 s.t.)

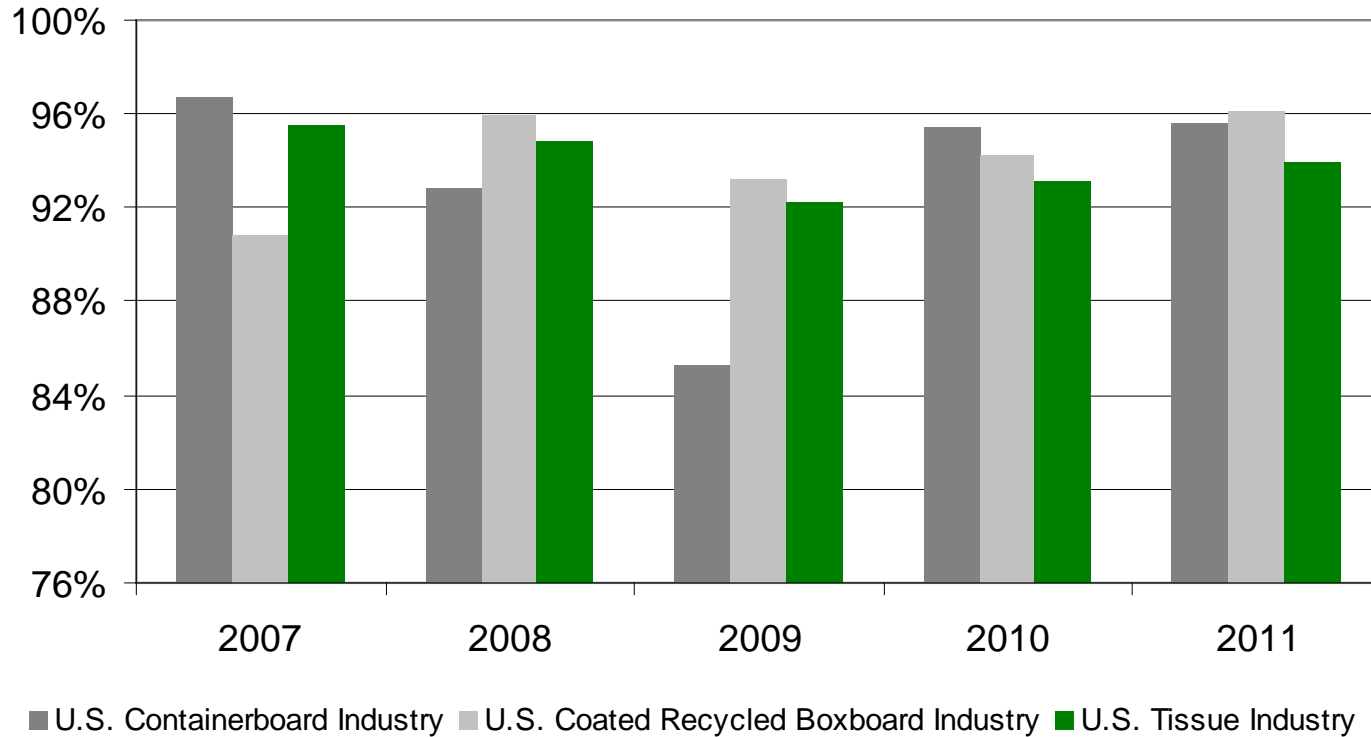


Sources: RISI, Fiber Box Association, Paper Packaging Canada.

Exposure to relatively stable / growing demand

MARKET DYNAMICS – MARKET BALANCE

Annual Average Capacity Utilization Rates

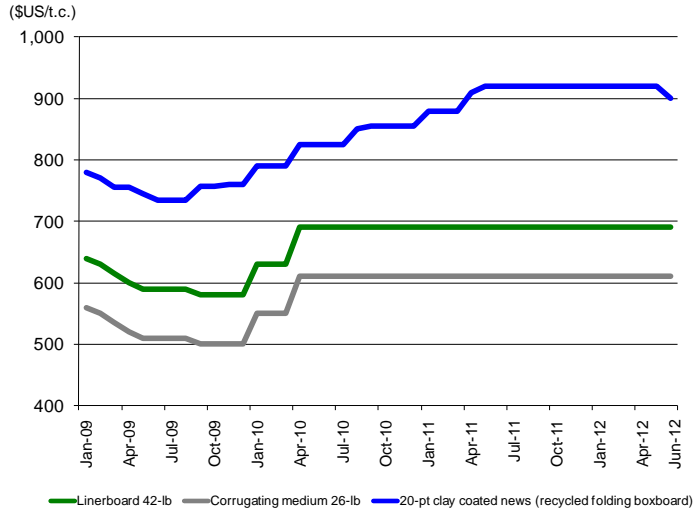


Sources: RISI, CEPI Cartonboard, Paper Packaging Canada , Fiber Box Association.

Balanced supply/demand equation with utilization rates at approximately 95%

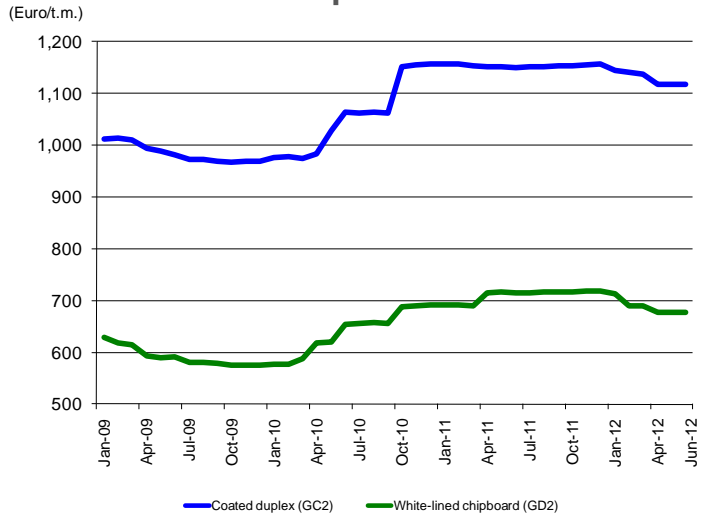
MARKET DYNAMICS – PRODUCT PRICES

Containerboard - Selected Products

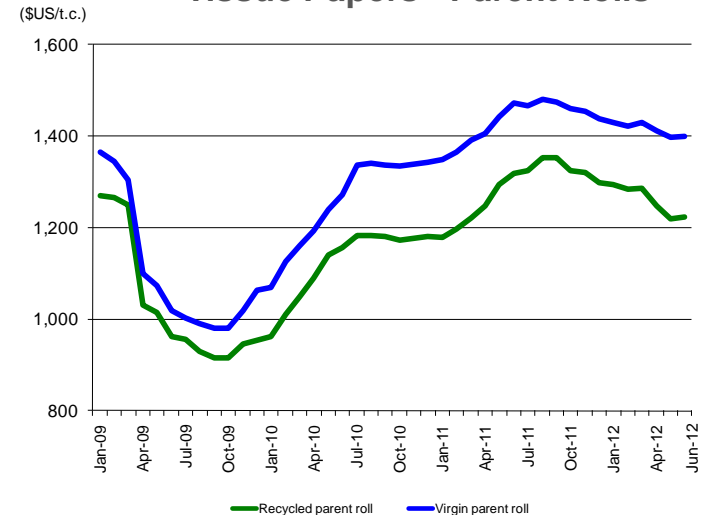


After approx. 30 months of flat pricing, \$50/s.t. price increase announced (applicable in September) along with following box price increases

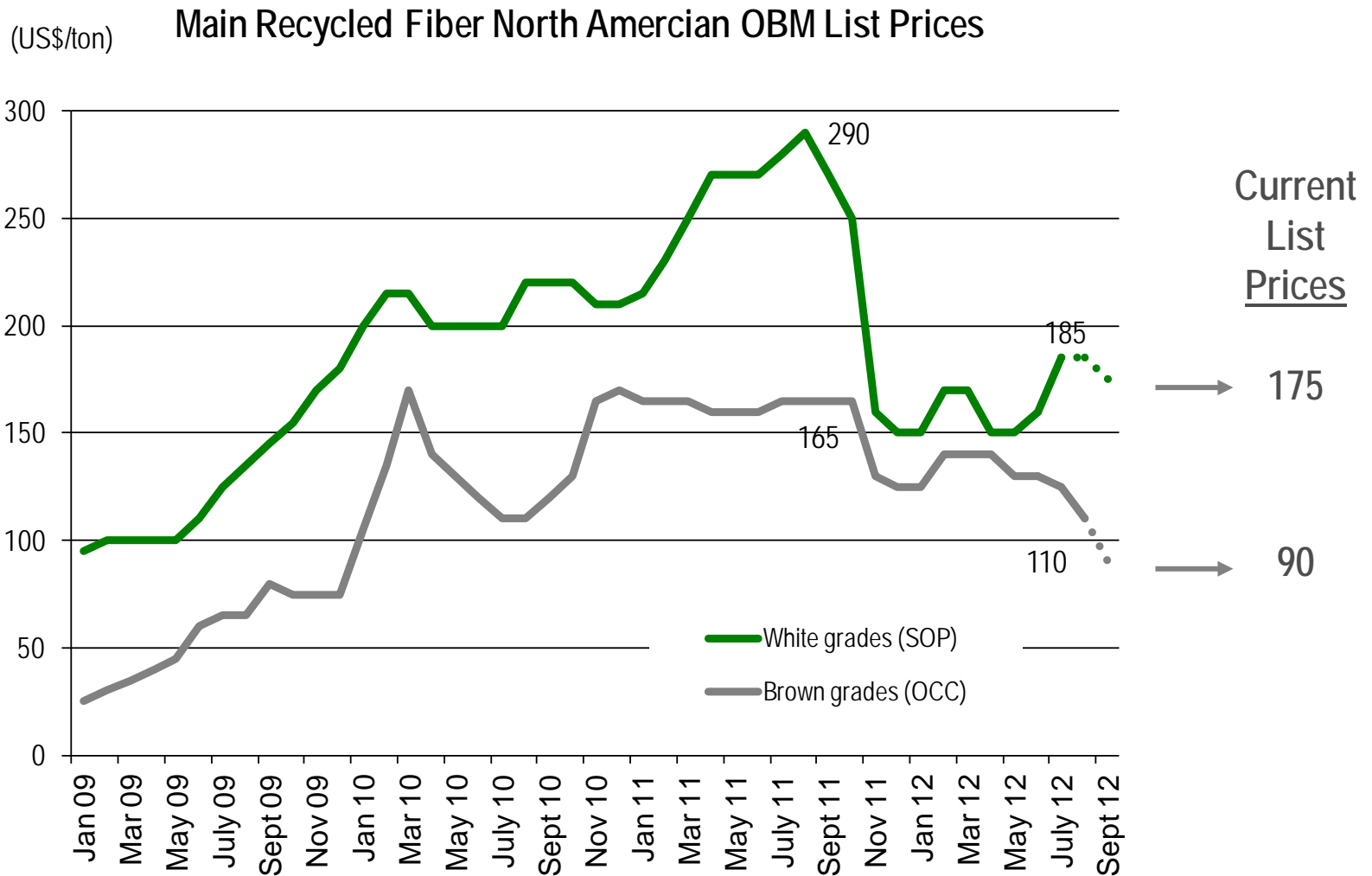
Boxboard Europe - Selected Products



Tissue Papers - Parent Rolls

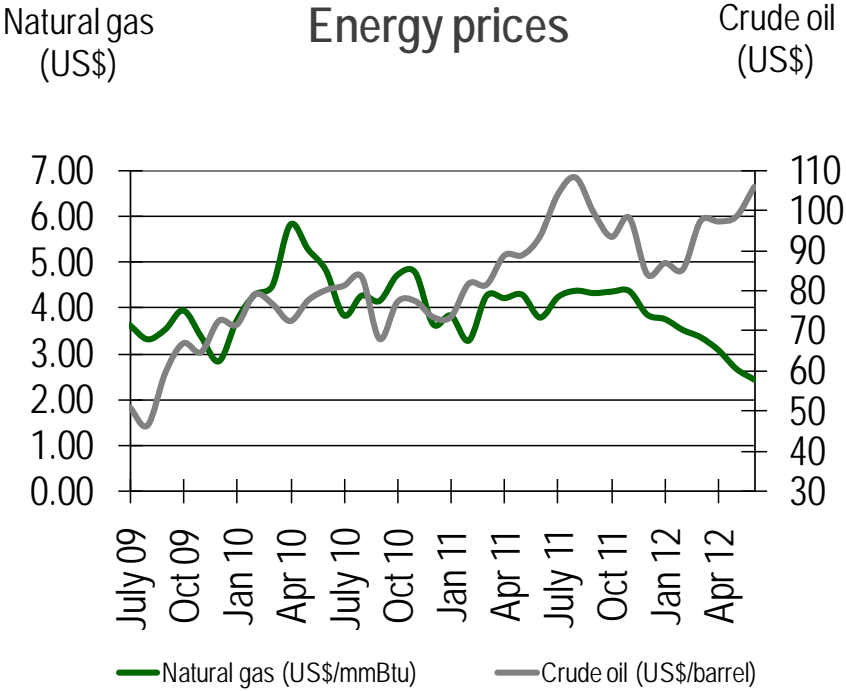


MARKET DYNAMICS – RAW MATERIAL COSTS

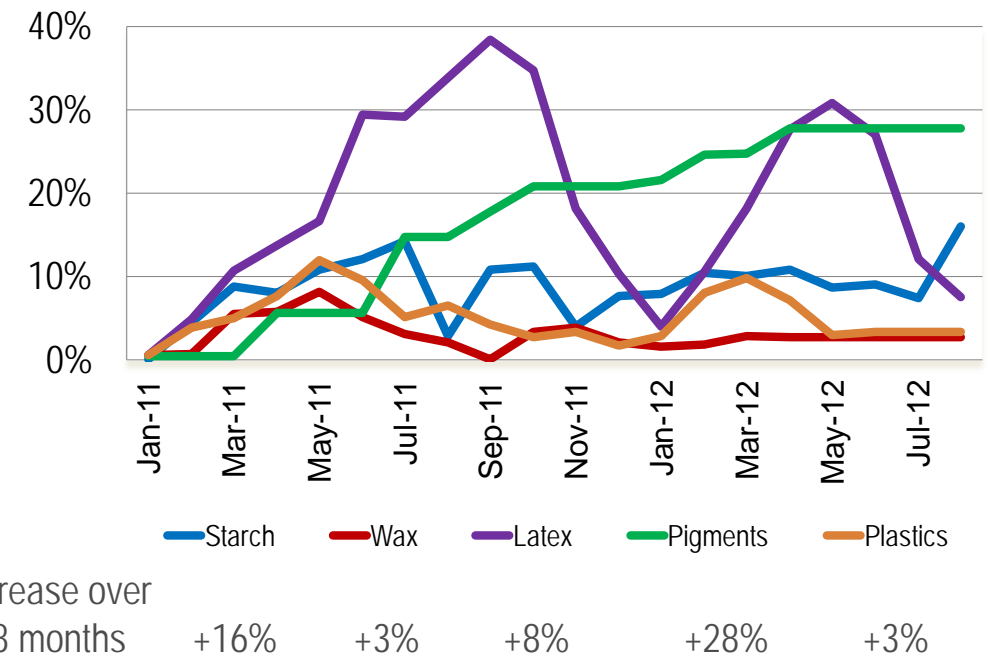


EBITDA sensitivity to 15\$US or €/s.t. change in recycled fiber costs: \pm \$48M

MARKET DYNAMICS – INPUT COST INFLATION



Chemical Products Index Variation



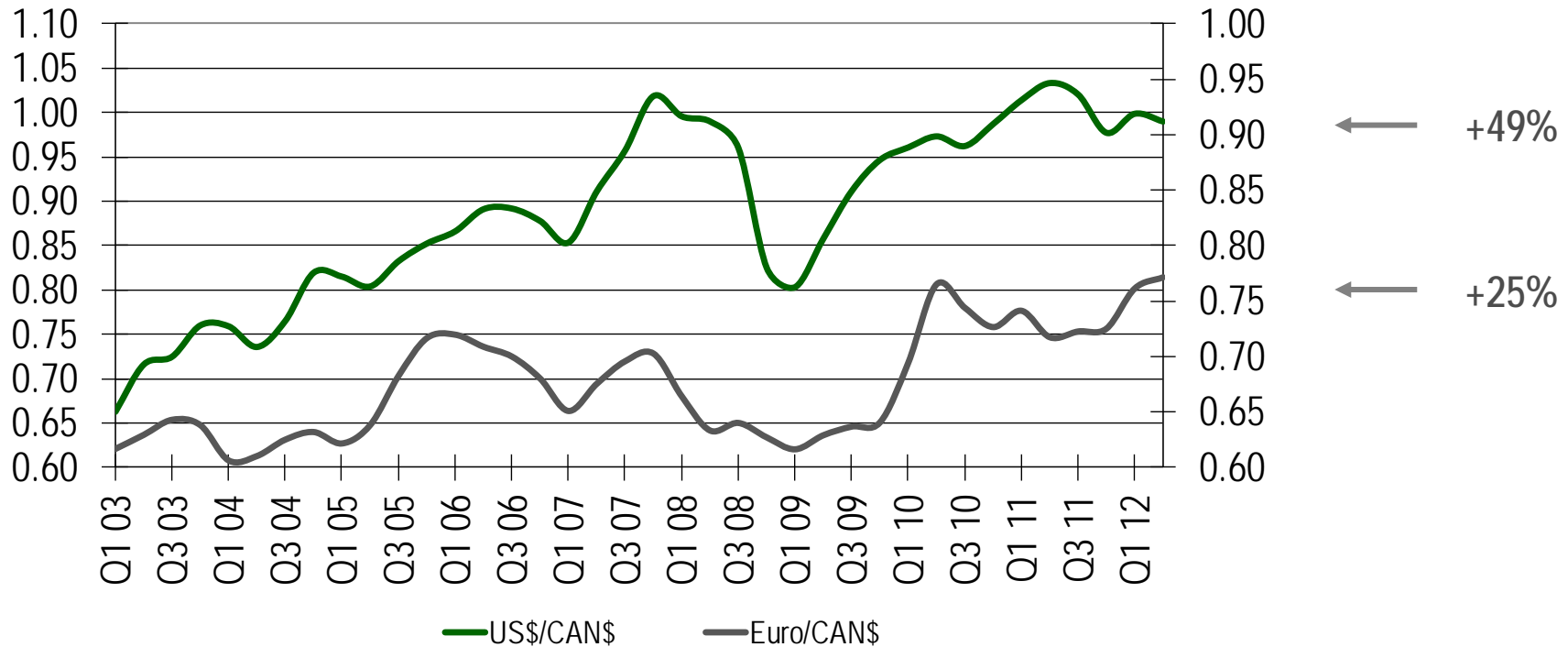
Financial results impacted by significant variable cost inflation

MARKET DYNAMICS – FOREIGN EXCHANGE

Exchange rates

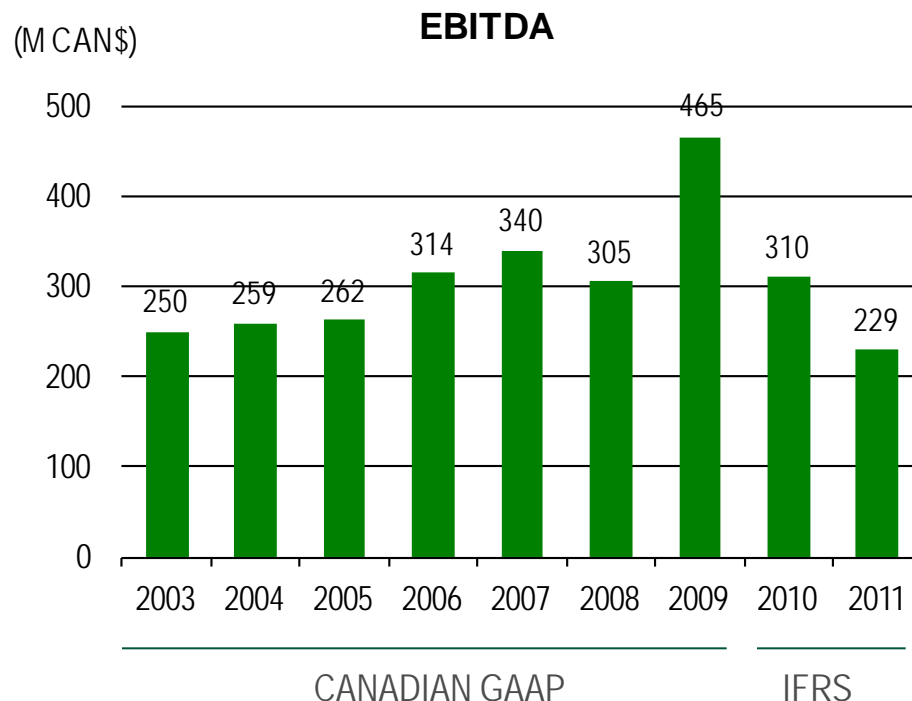
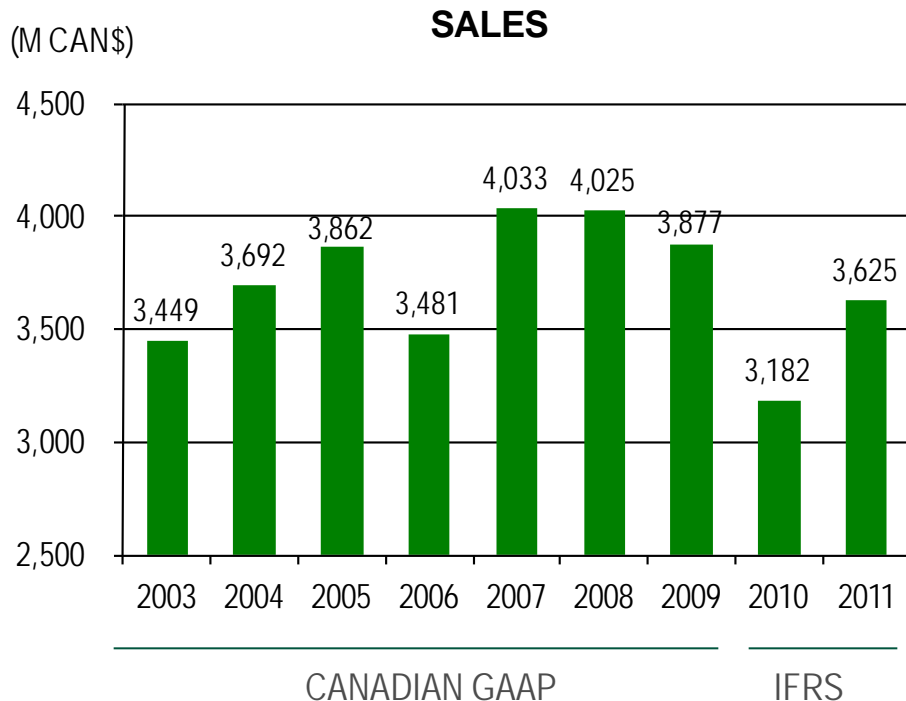
US\$/CAN\$

EURO/CAN\$



EBITDA sensitivity to 1 CAN¢ change: ±\$7M

FINANCIAL REVIEW – HISTORICAL PERFORMANCE

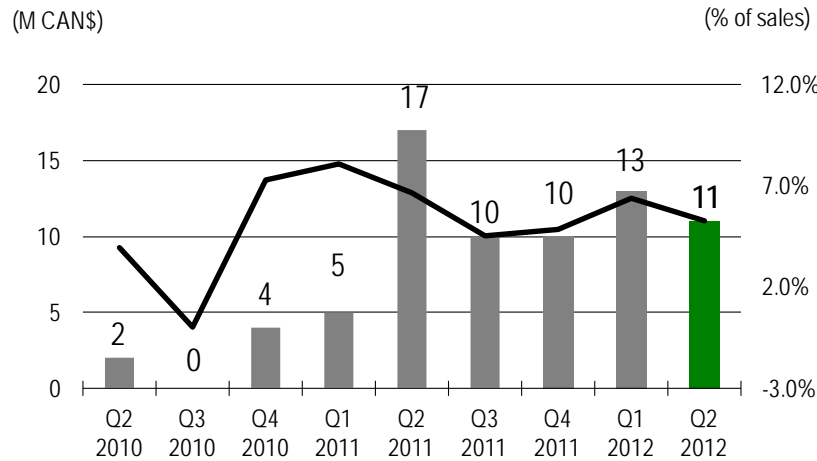


Results impacted by challenging market conditions, lower shipments and higher cost input

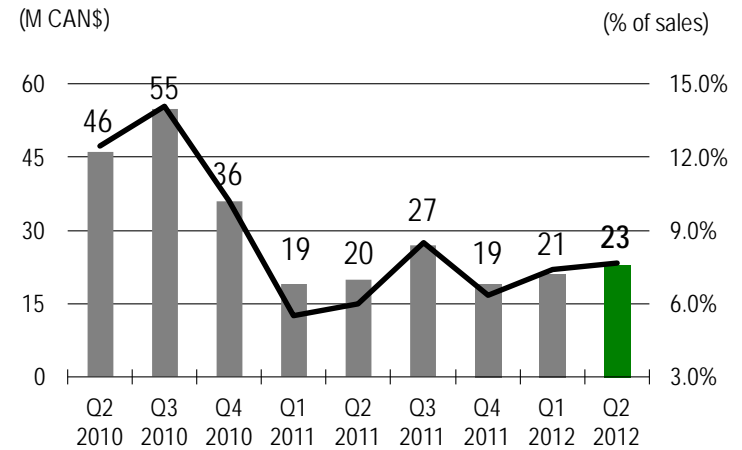
EBITDA excluding specific items but including discontinued operations. Canadian GAAP (not adjusted for IFRS).
 2010 and 2011 figures presented under IFRS and exclude discontinued operations of Dopaco.

FINANCIAL REVIEW – SEGMENTED EBITDA

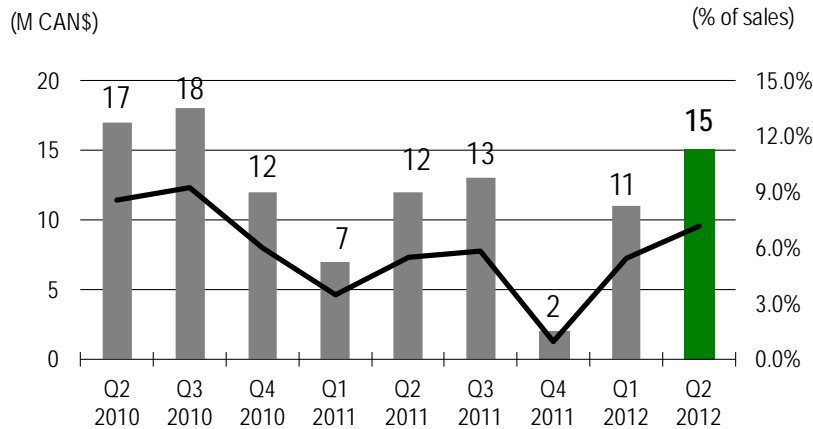
Boxboard Europe



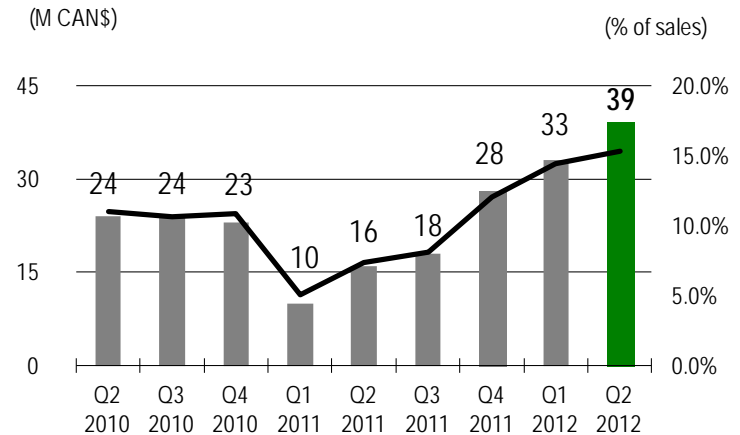
Containerboard



Specialty Products



Tissue

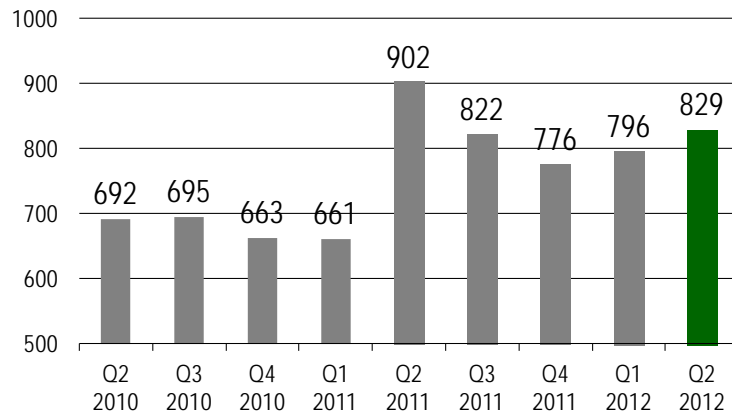


EBITDA excluding specific items.

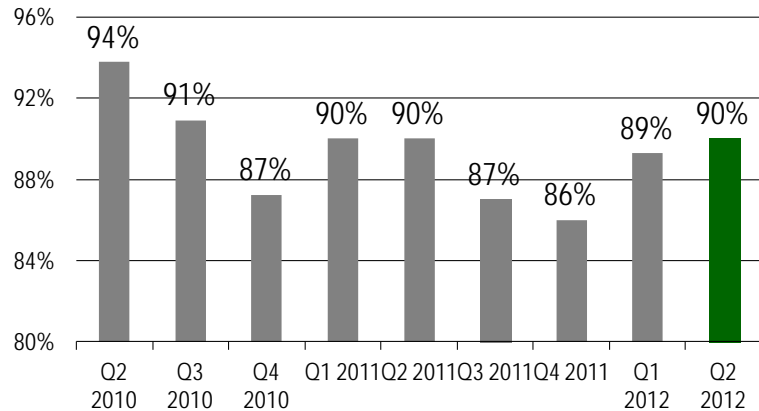
FINANCIAL REVIEW – KEY INDICATORS (KPIs)

(’000 s.t.)

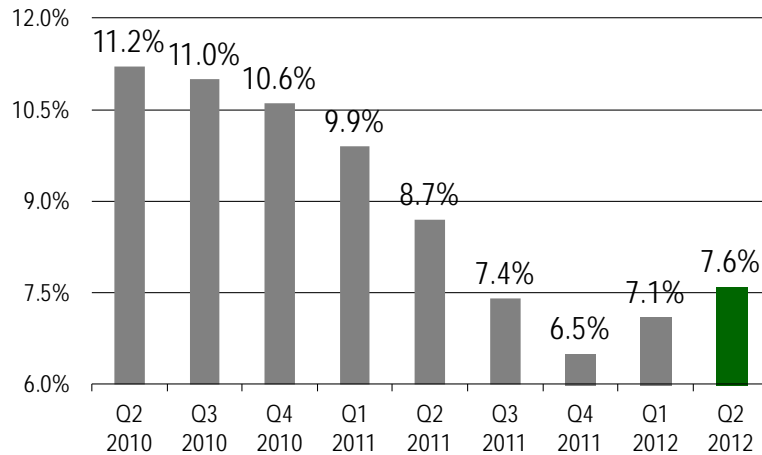
Total Shipments



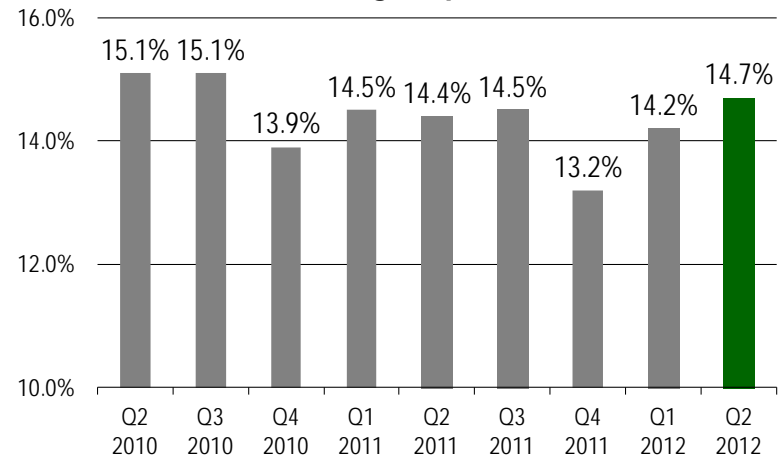
Capacity Utilization Rate



LTM Return on Assets



Working Capital (% of Sales)



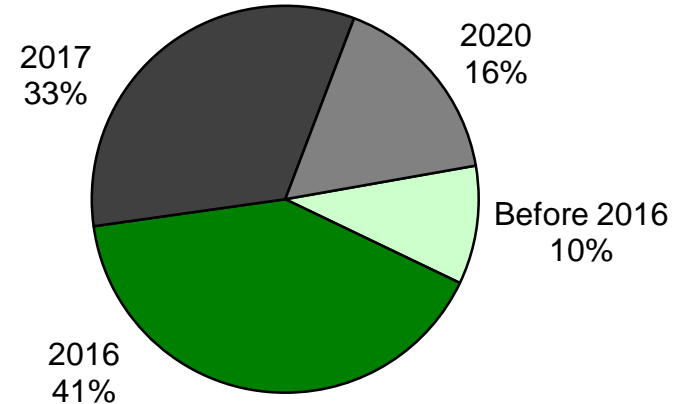
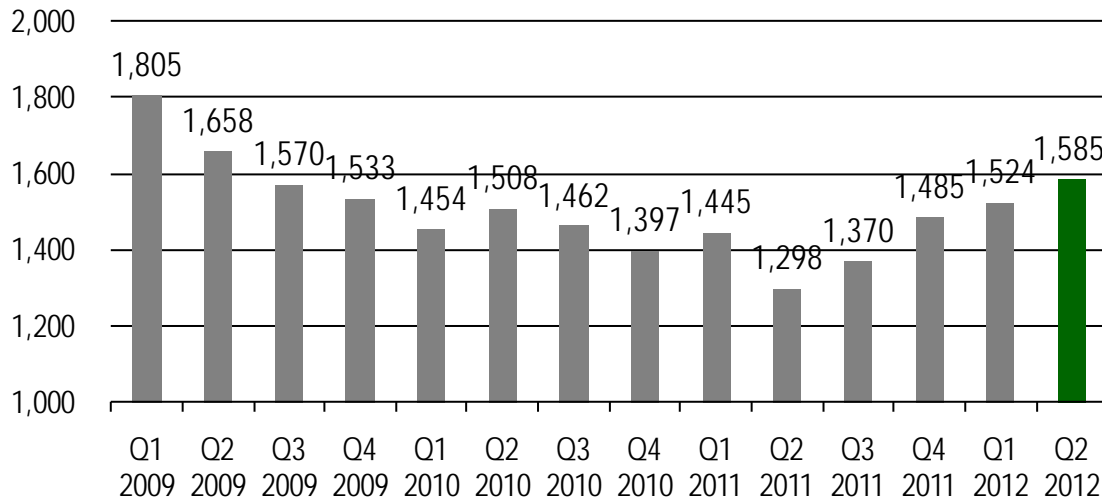
Progressing on all fronts, except for working capital

FINANCIAL REVIEW – DEBT PROFILE

Net Debt

Long-term Debt Maturities Distribution

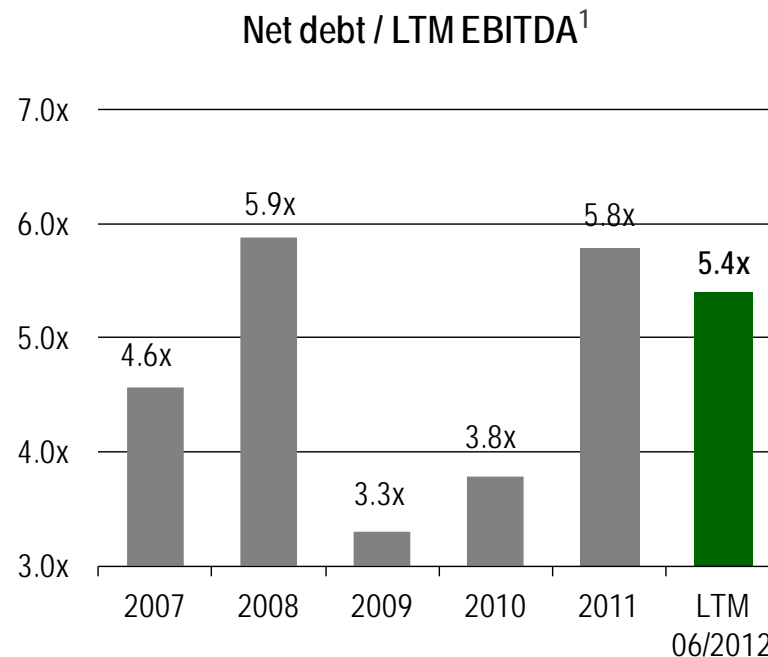
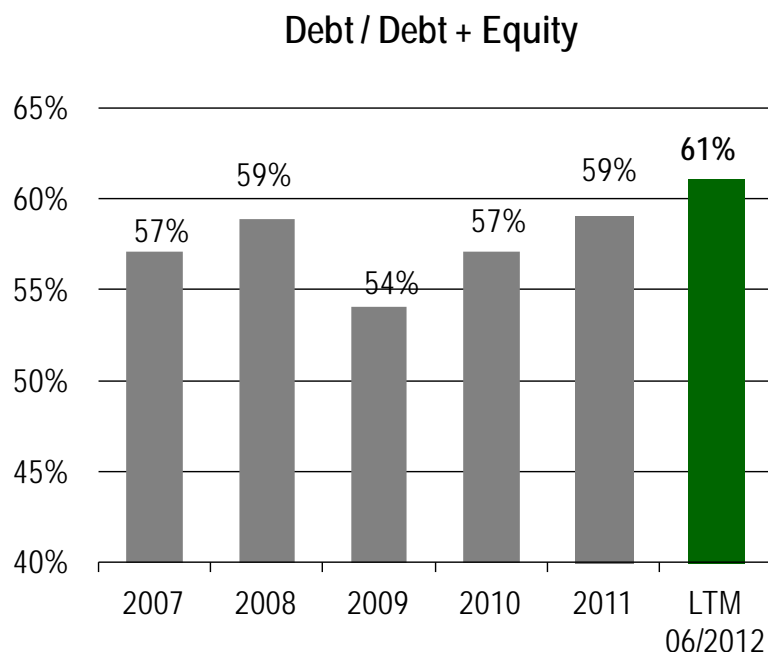
(M CAN\$)



- Cascades' Unsecured Senior Notes
- 2020 - USD\$250M @ 7.875% (YTW 6.80%)
 - 2017 - USD\$500M @ 7.75% (YTW 6.28%)
 - 2016 - CAD\$200M @ 7.75%

90% of debt not maturing until 2016

FINANCIAL REVIEW – LEVERAGE RATIOS & COVENANTS



- Cascades' financial bank covenant ratios:
 - Net funded debt to capitalization
 - Interest coverage ratio

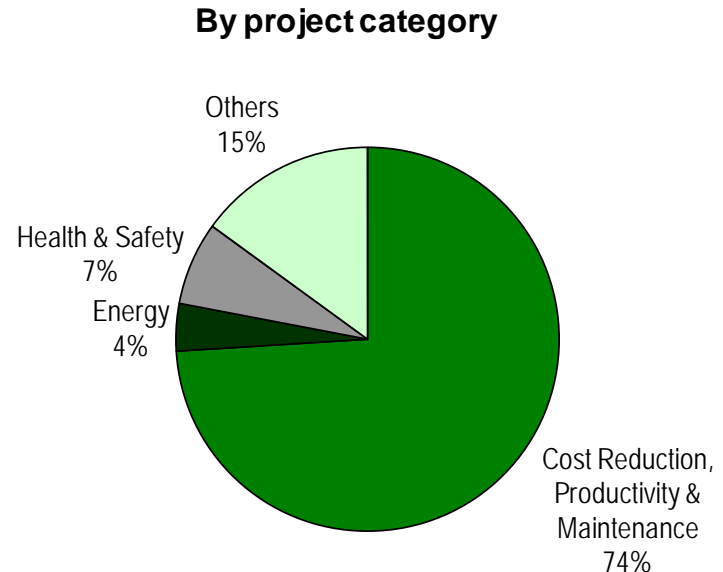
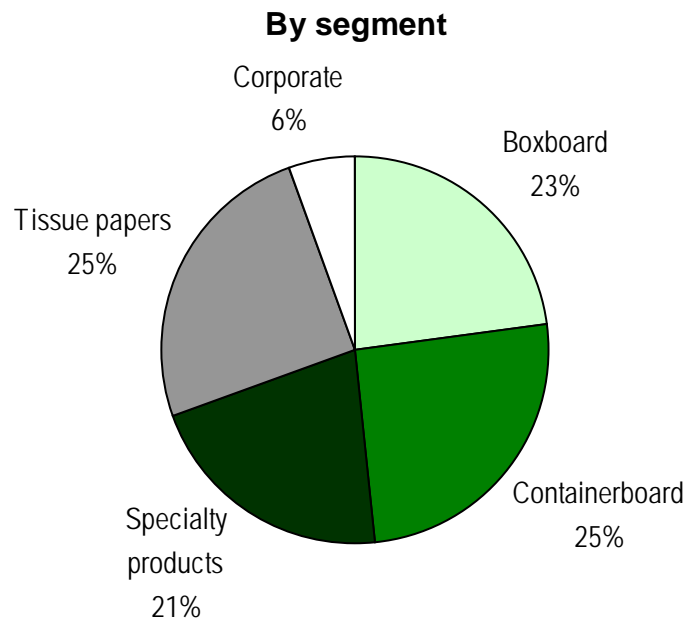
Covenant	Now
≤ 65%	54%
≥ 2.25x	2.9x

Increase in ratios due to a more challenging H2 2011 and CAPEX program

FINANCIAL REVIEW – CAPEX PROGRAM

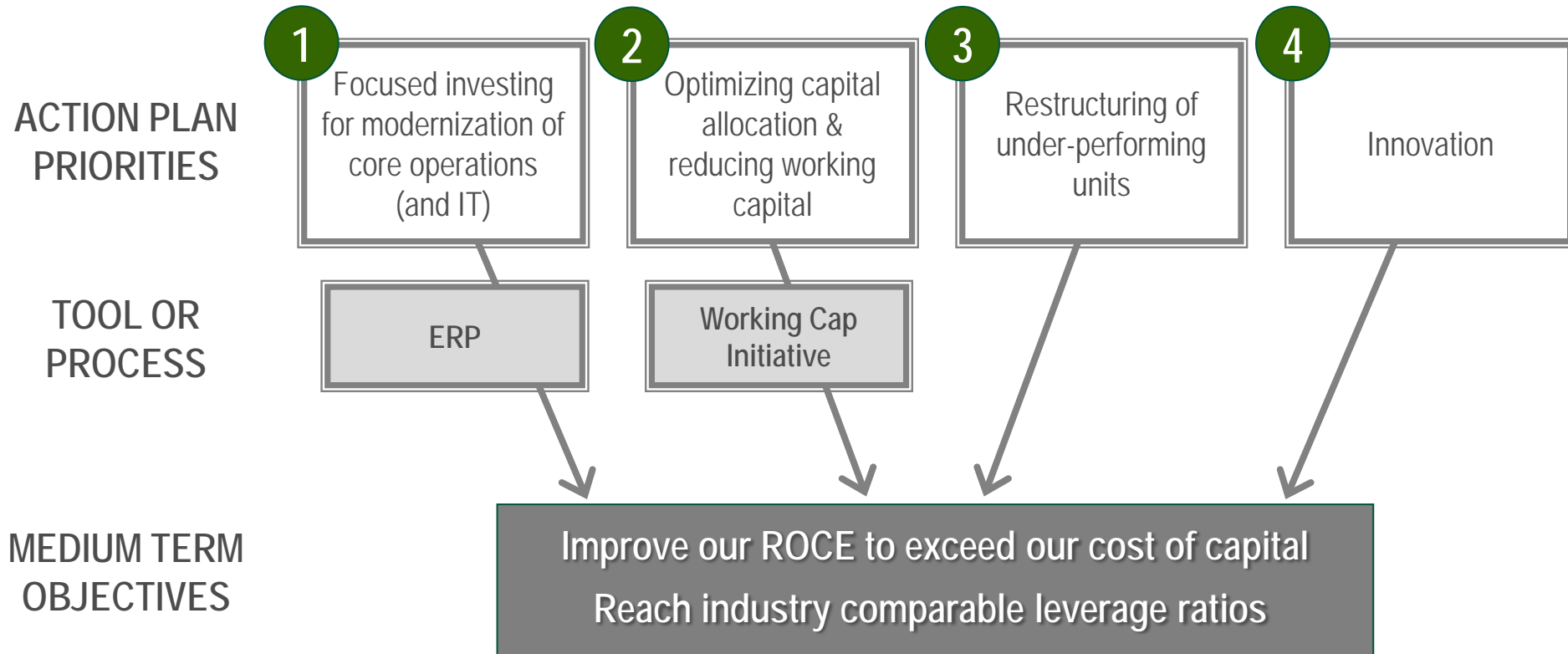
- Capex requests for 2012 initially approved at approximately \$150M
 - Amount subject to change depending on operating results and economic conditions.

Capital Expenditures Distribution in 2011 - \$141M



Gradual capex program to improve asset base while maintaining financial flexibility

STRATEGIC ACTION PLAN



Improving our profitability and financial situation through our Action Plan

STRATEGIC ACTION PLAN – PRIORITY #1

1

Focused investing for modernization of core operations and IT

CONSOLIDATION OF OUR PACKAGING OPERATIONS WITH CONCURRENT INVESTMENTS

- Recent investment announcements:
 - \$30M in our containerboard sector
 - \$22M in our boxboard sector

ERP IMPLEMENTATION

- \$80M investment program
- Blueprint and programming:
2011-2012
- Implementation:
2011-2015

Challenging Market Evolution ⇒ Proactive measures ⇒ Improved profitability

STRATEGIC ACTION PLAN – PRIORITY #1 (cont'd)

OUR GREENPAC PROJECT

- **Competitive advantage – Recycled liner**
 - Largest in NA
 - 540,000 short tons capacity
 - Most technologically advanced equipment
 - Well-aligned with current market trends
- **Financial flexibility not affected**
 - \$99M total investment
 - \$84M in equity
 - \$15M in bridge loan
 - Debt non-recourse to Cascades



- **Strong partnership**

• Norampac (Cascades)	59.7%
• Caisse de dépôt et placement du Québec	20.2%
• Two industry converters	20.1%

Will position us amongst leaders in terms of product offering, productivity and profitability

STRATEGIC ACTION PLAN – PRIORITY #2

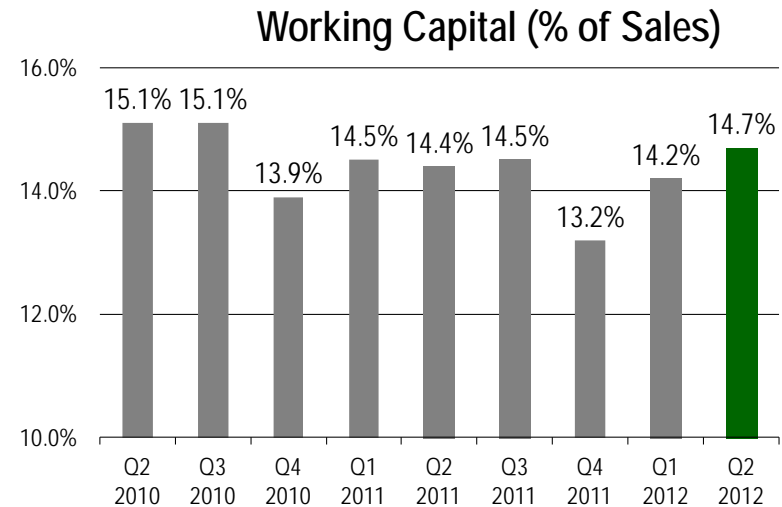
2

Optimizing capital allocation between sectors and investments

Tuck-in acquisitions

- Papersource
 - Modern converting plant
 - Integration increased to 70% +
- Bird Packaging
 - Broadens market presence in Ontario
 - Allows streamlining of production base

W/C Reduction Initiative



Challenging Market Evolution ⇒ Proactive measures ⇒ Improve profitability

STRATEGIC ACTION PLAN – PRIORITY #3

3

Restructuring of under-performing units

Periods	2004-2006	2006-2008	2008-2010	2011	2012
Strategic measures	<u>Packaging</u> 5 acquisitions 7 closures 2 sales <u>Tissue</u> 1 sale 1 closure 1 acquisition	<u>Packaging</u> 2 mergers 4 closures 4 sales 2 acquisitions 1 partnership	<u>Packaging</u> 2 closures 2 acquisitions <u>Tissue</u> 1 investment 1 acquisition	<u>Packaging</u> 4 sales 1 investment 4 closures <u>Tissue</u> 1 acquisition	<u>Packaging</u> 1 investment 4 closures <u>Tissue</u> 1 closure

Challenging Market Evolution ⇒ Proactive measures ⇒ Improved profitability

INVESTMENT CONSIDERATIONS – RECOMMENDATIONS

Brokerage Firm	Rating	Target	EBITDA (M\$)	EPS
			2012	2012
BMO CAPITAL MARKETS	Outperform	\$5.75	326	\$0.31
DESJARDINS SECURITIES	Buy	\$6.50	341	\$0.43
NATIONAL BANK FINANCIAL	Outperform	\$6.00	331	\$0.32
SCOTIA BANK	Sector outperform	\$5.50	370	\$0.42
TD	Hold	\$5.00	311	\$0.26
RBC	Outperform	\$6.00	320	\$0.21
AVERAGE		\$5.79	333	\$0.33

Share price - Sept 10, 2012

\$4.89

Potential Upside

18%

Outperform rating by most buy-side analysts

INVESTMENT CONSIDERATIONS – VALUATION METRICS

Sector	Comparable companies	Entreprise Value (M\$)	Price / BV	EV / EBITDA (next)	P / E (next)	Dividend yield (%)
Packaging	Graphic Packaging	US\$4,328	1.8x	6.4x	17.0x	0.0%
	Kapstone	US\$1,254	1.7x	5.9x	12.5x	0.0%
	Meadwestvaco	US\$6,509	1.6x	6.6x	20.6x	3.4%
	PCA	US\$3,900	3.5x	6.9x	16.3x	2.8%
	Rock Tenn	US\$8,067	1.3x	5.7x	15.0x	1.2%
	Sonoco	US\$4,267	2.2x	6.7x	13.2x	3.8%
	Average - Packaging	US\$4,721	2.0x	6.4x	15.8x	1.9%
Tissue Papers	Clearwater Paper	US\$1,382	1.8x	5.5x	12.5x	0.0%
	Orchids Paper	US\$146	1.8x	8.0x	15.5x	3.9%
	Wausau	US\$571	2.2x	6.3x	22.8x	2.0%
	Average - Tissue	US\$700	1.9x	6.6x	16.9x	2.0%
Cascades		\$2,179	0.5x	6.0x	15.3x	3.3%

Undervalued compared to peer group

INVESTMENT CONSIDERATIONS – POTENTIAL IMPROVEMENTS

Improvement
in the
economic
environment
in
North America
and
Europe

- Modernization initiatives (\pm \$150M capex program)
- Papersource integration
- Bird Packaging integration
- Containerboard productivity rate reverting to historical levels
- Streamlining of converting operations in New England, Ontario and Québec
 - 17 sales or closures since 2008, some of which unprofitable units
 - Announced price increase in containerboard sector
 - Recent weakness in recycled paper prices
 - Greenpac contribution and valuation
 - Complete turnaround and modernization of European platform
 - Complete ramp-up of Atmos tissue paper machine
- Boralex major project start-up and potential impact on valuation

Taking the steps to be ready for tailwinds

NEAR TERM OUTLOOK: Confidence



- Lower to stable raw material costs
- Announced price increase in containerboard sector
- Impacts of restructuring and optimization measures
- Potential to improve utilization rate
- Additional contribution from Papersource and Bird



- Economic uncertainty, particularly in Europe
- Higher demand volatility
- Recent recycled white paper price increase
- Energy and chemical costs remaining high

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