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PRESENTATION

Operator

(spoken in French) Good morning. My name is Steve and I will be your conference operator today. At this time, I would like to welcome everyone to the Cascades Inc. 2013 third-quarter results conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions).

Riko Gaudreault, Director of Investor Relations, you may begin.

Riko Gaudreault - *Cascades, Inc. - Director of IR*

Thank you, operator, and good morning, everyone. Welcome to our conference call for the third quarter of 2013. Members of our management team are joining me today, and you will hear from Mario Plourde, our President and CEO; Allan Hogg, our CFO; Suzanne Blanchet, President of our Tissue Group; Patrick Chaperon, Vice President, Finance of our Containerboard Group. Patrick is replacing Marc-Andre Depin, who is not available today. And Luc Langevin, President of our Specialty Products Group.

Mario will begin with his comments, followed by Allan and the Groups representatives. Mario will present a review of our operations in Europe, and he will 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 registration statement, can have a material impact on our actual results. Also, the statements and our press release include data that are not measures of performance under IFRS. You can have access to or request a copy of these documents through our 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 contact us after the session. I will now turn the call over to Mr. Plourde. Mario?

Mario Plourde - *Cascades, Inc. - President, CEO*

Thank you, Riko. Good morning, everyone. We are pleased to report today our best results since 2010. Our two largest sectors, containerboard and tissue paper, performed in sync and benefited from improved productivity. They respectively contributed 27% and 18% more to our EBITDA, excluding specific items.

Combined with the relatively stable EBITDA from our two other sectors, boxboard Europe and specialty products, Cascades was able to realize CAD96 million for the quarter. We think this number could have been even higher, as various incidents impacted our operation income by more than CAD4 million. I will let my colleagues give you more details later about these operational incidents that affected mostly our specialty products group and Norampac.

The performance translated into a net earnings of CAD0.12 per share, a fourfold increase compared to Q2. When excluding specific items, however, our EPS decreased by CAD0.02, and I will let Allan explain why.

We are pleased with the ramp-up of Greenpac from a manufacturing perspective, but also from the procurement standpoint. Our OCC sorting strategy was implemented smoothly and only had a marginal impact on pricing. The two recent price increases for [both brands grades] and were essentially speculative in anticipation of a potential impact of the new startup.

The daily procurement for our Greenpac Mill is going as planned and supply is not an issue for any of our mills. For the remainder of the year, we might witness a very little increase on OCC costs, strictly due to the potential demand from Asia.

As for the white grades, they only increased marginally during the quarter and we expect stable pricing until the end of the year. Likewise, the price of virgin pulp increased slightly and impacted the results of our tissue operation.

Looking at our KPIs, our shipment decreased slightly, mostly due to the seasonality in Europe. We are pursuing our efforts to reduce working cap and our LTM ratio improved again.

So Q3 was a very good quarter, and I will let each group give you more specific data and information, starting with Allan. I will be back later on to discuss our outlook for the remainder of the year. Thank you. Allan?

Allan Hogg - *Cascades, Inc. - VP, CFO*

Yes, thank you, Mario and good morning, everyone. So let me start with some explanations on the main variances of the quarter. Compared to the last quarter, sales were up 10% at CAD995 million due to a favorable exchange rate and a 4% increase in shipments, especially in containerboard. These were partially offset by lower average selling prices in our European operations.

Compared to the previous quarters, sales increased by 1% due to higher average selling prices and favorable exchange rates. I remind you that in Europe, the third quarter is always impacted by usual downtime taken during that period.

EBITDA for the quarter is up 23%, or CAD18 million compared to last year. Improved volume and lower energy costs combined with the positive impact of plant closures in the last 12 months were offset by lower average selling prices in Europe, higher raw material costs in containerboard and other production costs in tissue. The favorable exchange rate also contributed to our better performance.

Corporate activities continue to include additional costs required for the modernization of our ERP platform, started in 2010.

Sequentially, our EBITDA was up 16%, or CAD13 million, due to higher average selling prices and lower costs, which were offset by higher raw material costs and lower volume, mainly in Europe.

It is also worth mentioning that our operating results of this quarter were impacted by approximately CAD4 million following fall flooding incidents at our existing Niagara Falls containerboard mill and our Saint-Jerome fine paper facility. These acts of God resulted in direct costs in direct cleaning costs and tonnage lost due to the temporary production shutdowns.

Slide 14 illustrates the impact of specific items that affected our results during the quarter. During the period, other than the unrealized gain on financial instruments, we recorded a CAD20 million impairment charge after the review of the recoverable value of assets in our specialty products group.

On page 15, we have included a quarterly reconciliation of our earnings per share by major component. You can see that for the third quarter, our EPS was negatively impacted by a higher tax rate for CAD0.05 and CAD0.04 coming from the share of the results of our associates and joint venture investments, which now includes the new Greenpac containerboard mill, which is ramping up production.

We should now take maybe a few minutes to explain a bit in further detail the page 15. If you look at the gap of CAD0.02 that we show between Q2 and Q3 on the net earnings, excluding specific items, the breakdown is as follows. An additional CAD0.07 is coming from the normal operating results. The CAD0.07 on the table, you can see that the profit before tax increased from (technical difficulty) million -- so that is CAD10 million more. So after a normal tax rate of 30%, that comes to CAD0.07. So we should have expected a CAD0.07 more on the normal EPS, excluding specifics. However, our tax rate between the two periods has a negative impact of CAD0.05 versus a normalized tax rate of 30%.

And also in addition, now that the Greenpac mill is up and running, you can see that the contribution of our share of our investments has reduced the earnings per share by CAD0.04. I hope that this will help you appreciate the earnings-per-share results.

On page 16, cash flow from operations amounted to CAD78 million, 86% higher than Q3 last year and CAD37 million more than during the previous quarter, due to a stronger operational performance.

Net debt decreased by CAD74 million due to the lower Canadian dollar and free cash flow generation. Despite recent price increases and higher shipments, our working capital (technical difficulty) the positive cash flow, which is normally the case in the second half of the year.

We expect our debt to decrease by the end of the year based on current performance, careful monitoring of our CapEx and cash inflows from our working capital due to seasonality.

CapEx should stand at around CAD150 million for the year. We are currently assessing our CapEx needs for 2014 in order to pursue our modernization plans.

Regarding our cash availability and taking into account our letter of credits, we have approximately CAD275 million available at this time and no significant maturities before 2016.

In terms of financial ratios, our debt-to-cap is at 60% and our net debt to EBITDA ratio decreased to 5 times on an LTM basis.

I thank you for your attention, and I will ask Suzanne to discuss the results of the Tissue Paper Group. Suzanne?

Suzanne Blanchet - *Cascades, Inc. - President & CEO, Tissue Group*

Thank you, Allan. Good morning, everyone. Looking at our third-quarter performance, you can see a significant sequential improvement. Our EBITDA increased by 20% compared to the second quarter to stand at CAD39 million, which is our best quarter this year. This good overall performance was mainly driven by an increase in converted products volume in both the away-from-home and consumer products segments.

Total shipments increased by 2%. Our finished products increased by 5%, largely driven by our consumer products and away-from-home operations in the US, while shipments remained almost stable in Canada. A better integration rate resulted in a 2% reduction of parent roll shipments.

In the consumer products segment, the increase in shipment of 8% was driven by the US market. Promotional activities and market inroads allow us to pursue our growth in the highly competitive landscape. In Canada, intense promotional activities from other national brands sequentially limited growth. Nevertheless, our volume remained stable.

Looking at the away-from-home segment, we experienced a 4% sequential growth, as we successfully gained market share as we won new business.

Now turning to our average selling prices, the overall increase can be mainly explained by a favorable integration rate and a favorable exchange rate. In terms of market prices, they remain stable compared to the second quarter in the away-from-home and consumer products segments. As a result, our sales were 6% higher compared to the second quarter and reached CAD279 million.

In terms of profitability, our EBITDA of CAD39 million represents 14% margin on sales. The sequential EBITDA increase was mainly driven by additional sales volumes, better integration rates and good overall operational performance. These gains have more than offset higher costs for virgin pulp and recycled paper.

To conclude, the upcoming quarter should be impacted by the usual lower sales due to seasonality. The competitive market will remain a challenge, particularly in the context of retailer consolidation in Canada, but we are confident in our ability to continue to deliver good results. Thank you and now I will let Patrick present the results of our containerboard group.

Patrick Chaperon - *Cascades, Inc. - VP of Finance, Containerboard Group*

Thank you, Suzanne. Good morning, everyone. Turning now to the results of our containerboard group, we are pleased to report our best quarterly results since the third quarter of 2010, with CAD42 million of EBITDA, representing an improvement of CAD9 million compared to the previous quarter. This performance is a consequence of the price increases in all subsegments, relatively stable OCC prices and the impact of a 2.5% sequential improvement in our global shipments, representing 10,000 short tons.

In the third quarter, our manufacturing activities increased external shipment of paper by 2% compared to the second quarter of 2013. Since the fourth quarter of 2012, the increase adds up to 30%.

On the productivity front, the operating rate of our containerboard manufacturing activities averaged 90% during the quarter compared to 91% in the previous three months of the year.

In the third quarter, we took six days of maintenance downtime, representing 4000 short tons of production shortfall. Also, at our existing Niagara Falls facility, we had a curtailment of production of 5800 short tons related to the flooding incident mentioned at the last conference call. This event had a negative impact of CAD1 million on our results.

At our boxboard Jonquiere mill, despite 18 days of market downtime, we have improved productivity at the mill. Accordingly, when we exclude the market downtime, the mill is running at an operating rate of 97% compared to 82% for the first half of the year. Even with more than 2 weeks of market downtime, the mill has improved its contribution by CAD3 million in the quarter.

Moving to our converting activities, our shipments have sequentially increased by 3%. Shipments went down by 18% in our folding carton subsegment, including the impact of the closure of our Lachute plant.

In our corrugated products subsegment, we have experienced a 5% increase. This compares to the reduction of shipments of 1% experienced by the containerboard industry in both Canada and the US.

On the pricing front, our containerboard manufacturing activities' average selling price increase by CAD17 per short ton during the quarter. This is the result of the full impact of the CAD50 per short ton price increase announced in May.

For our boxboard manufacturing activities, average selling price increased by CAD21 per short ton, in line with the CAD40 CRB price increase announced in August.

In the converting activities, the average selling price of non-specialty boxes has increased by 3% in the quarter. This price increase represents the benefit of the price increase announced in May. As mentioned on the previous call, we were able to complete the implementation of the May price increase as of the end of September, with full benefits for our converting activities expected in Q4 of 2013.

Looking at our third-quarter EBITDA, our results increased to CAD42 million compared to CAD33 million in the second quarter of the year, representing a margin of 12% on sales. These results include a neutral contribution from our boxboard mill activities and the negative impact of CAD1 million related to the flood in Niagara Falls.

If we look at the margin of our containerboard activities separately, it reached 14% for the quarter. Additional volumes and higher selling prices had positive contribution of CAD3 million and CAD5 million, respectively.

Furthermore, as presented on page 6 of the presentation, we have experienced a CAD6 million raw material cost increase. In the quarter, compared to the second quarter of the year, higher OCC costs negatively impacted our results by CAD2 million, which is in line with market prices.

In the quarter, following the startup of Greenpac, we bought 18,000 short tons from the new mill. Because we are presenting Greenpac's results under the equity method, these (inaudible) are considered as external purchases. Consequently, it has changed the raw material mix, resulting in a CAD2 million cost increase on raw materials.

Finally, the reduction of our fixed costs positively impacted our results by CAD3 million, while our overall variable cost improvement also positively impacted our results by CAD5 million, due to a more favorable product mix and better efficiency on labor and freight.

On the strategic front, we are very proud of the Greenpac startup. In 75 days of operation, we have produced 38,000 short tons of prime production and we are receiving very good comments on the quality of the paper. Also, in September, we achieved a positive EBITDA and we continued to pursue the objective to break even on EBITDA for the year 2013.

The ramp-up of the paper machine continues to evolve accordingly to the initial plan, and our expectation continues to be fully ramp up the machine within the next 12 months or earlier.

With regard to the short-term outlook, we will continue to benefit from the positive impact of the Q2 price increases in both the containerboard and boxboard segments.

On the volume front, we are expecting to experience a normal seasonal slowdown in December, reducing our global shipments compared to the third quarter.

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

Mario Plourde - *Cascades, Inc. - President, CEO*

Thank you, Patrick. Before I start, let me remind you that Reno released its results for the third quarter recently, and these are publicly available.

The third quarter in Europe is characterized by normal downtimes in August. This year was no different, and shipment of our European operations were 14% lower than Q2. Our recycled boxboard production capacity is well utilized and our order backlog is satisfactory and remained healthy at the end of the quarter.

We continue to show increased market share compared to last year in most of our regions, especially in Italy. In our virgin board operation, our market share remained stable and demand is stronger this year, but the market environment is more competitive due to additional capacity.

Sequentially, our average selling price was 1% higher as price increase announced in Q2 for recycled grades are being implemented. We expect a more important impact during the next quarter.

For the virgin grades, the state of the market is more challenging, as prices remain stable despite their higher fiber costs. In Canadian dollar terms, we enjoyed a 4% increase in average selling price compared to the previous quarter.

This favorable pricing environment and exchange rate were not sufficient to counterbalance the decline in shipments, and our sales were 10% lower during this quarter at CAD194 million. The decrease in sales also offset lower energy and raw material costs, resulting in an EBITDA of CAD9 million for our boxboard Europe sector. This is slightly lower than during the second quarter, but as we ship less volume overseas, our geographical mix contributed to improve our EBITDA margin.

Looking ahead, our backlog leads us to believe that the flow of order will be satisfactory. Average pricing will benefit from the Q2 price increase, and it should be fully implemented during the next quarter. Energy costs have decreased, but are still relatively high, and we forecast a slight increase in fiber costs.

I thank you and now will ask Luc to follow up with the overview of the performance of the specialty products group.

Luc Langevin - *Cascades, Inc. - President & COO, Specialty Products Group*

Thank you, Mario. Good morning. Let me start by giving you a bit of background on the incident at that occurred on August 13 at our fine paper mail in Saint-Jerome. The mill was affected by a major flood that resulted in an extended shutdown. It took almost a month before we came back to normal operating conditions. As a result, we estimate that we lost close to CAD6 million of sales during this period.

The flooding incident negatively impacted our mill during the quarter, but also indirectly impacted our (inaudible) pulp and our converting facilities. Legal actions have been initiated to recover the damages and losses from this incident.

Nevertheless, sales for the specialty papers group remained stable at CAD197 million, equal to our Q2 sales figure. The lower value of the Canadian dollar had a positive impact on our top line and offset the loss in tonnage in our specialty papers segment. Volumes were almost flat in our consumers and industrial packaging sectors, and we have nothing worth mentioning on selling prices or product mix for this sequential review.

We completed our quarter with an EBITDA of CAD15 million, a 6% decrease from last quarter, but in line with same quarter in 2012. The flooding incident negatively impacted our results by CAD1 million. Although we benefited from a weaker Canadian dollar in average during the period, the foreign exchange rate had a net negative impact on our global EBITDA.

Looking more specifically at our four subsegments, our industrial packaging activities delivered stable results. We maintained good volumes and we have been able to protect our margin despite an increase in raw material costs. We started to see the benefits from the reorganization initiated earlier this year.

Our consumer product packaging segment also achieved stable results compared to previous quarter. The lower volumes in some of our businesses were totally offset by improved spread in general. The startup of our extrusion line in (technical difficulty) went according to plan and we are now pursuing our investment plan with additional capacity in thermoforming. The planned expansion should be completed by Q1 2014.

As for our specialty paper segment, the profitability decreased by almost CAD3 million. In addition to the flooding incident, we also experienced increased raw material costs in our (inaudible) pulp facility.

The EBITDA of our recovery and recycling division has been maintained during the quarter. The improved spread more than offset the slightly lower volume experienced during these three months. This sector was more significantly impacted by the net impact of foreign exchange variations during the quarter, as I described earlier.

Looking forward to the next quarter, our fine paper group recovered totally from the flooding incident and now enjoys a fair order book and good operating efficiencies. In Q4, we will start to benefit from the previously-announced CAD60 per ton price increase on total free sheet. Our uncoated board mill and kraft mill are fairly busy and remain cautiously optimistic about the softening demand normally observed in the month of December.

Likewise, the seasonality (inaudible) to the last quarter will likely impact our consumer packaging activities. Finally, we expect no significant change in the market conditions for our recovery division.

Thank you for your attention, and I will now turn the conference back to the operator for the question period.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Leon Aghazarian, National Bank Financial.

Leon Aghazarian - *National Bank Financial - Analyst*

Hi, good morning. My first question is on the tissue side. You mentioned a more competitive environment, and you are also mentioning that in the following quarter you are expecting volume to be slightly down. Yet you also announced that you are adding -- it was previously announced, but you also reiterated that you are adding more capacity. I just want to know what is the balance that you seek going forward on the tissue side.

Suzanne Blanchet - *Cascades, Inc. - President & CEO, Tissue Group*

Leon, in terms of the competitive environment, for sure the fourth quarter is always lower in terms of its seasonality. December is the slowest month, and more I would say in the States, in regard to reducing inventory from our customer and the consumer.

On the adding paper machine on the West Coast, on the West Coast we have a paper machine and we have a converting plant. They want to continue to grow our inroad to have a better footprint there. And by adding this new machine, it's a different type of product to complete the actual one, and we want to have a stronger presence on the West Coast. And there is -- there have been capacity closure in the last two years which would benefit having a new machine there, add -- exceed the demand.

Leon Aghazarian - *National Bank Financial - Analyst*

Okay. Thanks. On the containerboard side, you mentioned yet again that the full implementation of the price increases will be reflected in the results in the following quarter. I just want to see what your view is on that. What do you expect the impact to be from that price increase in the next coming quarters?

Patrick Chaperon - *Cascades, Inc. - VP of Finance, Containerboard Group*

We are going to see from October the same impact we had in September, so it should be not significant on our results in Q4 compared to Q3.

Leon Aghazarian - *National Bank Financial - Analyst*

So a similar type of increase than what we saw?

Patrick Chaperon - *Cascades, Inc. - VP of Finance, Containerboard Group*

Yes. And on the boxboard side, we should have the full impact also, so it is going to be in Q4 and Q1 mainly on the folding carton side in Q1, so we are going to have the impact there.

Leon Aghazarian - *National Bank Financial - Analyst*

Okay, great. And just one last one from me before I jump back in queue. Specifically on the CapEx, you mentioned that in 2013, you expect that to be CAD150 million. We also saw some debt being lowered in the quarter. I just want to see what your view is for the coming quarter regarding that.

Mario Plourde - *Cascades, Inc. - President, CEO*

It's Mario speaking. We have not changed our plan. We are on schedule to meet the CAD150 million. We are monitoring very closely the CapEx, and at the same time we are monitoring the debt. So we haven't changed our goal and we are still targeting the same objective.

Leon Aghazarian - *National Bank Financial - Analyst*

I guess my question was more specifically, if you have additional cash flow coming from a good Q4, for example, where would the cash flow go towards?

Mario Plourde - *Cascades, Inc. - President, CEO*

Go towards the debt at that time.

Leon Aghazarian - *National Bank Financial - Analyst*

Thank you.

Operator

Sean Steuart, TD Securities.

Sean Steuart - *TD Securities - Analyst*

Thanks. Good morning, everyone. A few questions. Suzanne, can you touch on the integration rate this quarter, and I guess how that has trended over the last few quarters. It seemed to help your results there in the tissue division.

Suzanne Blanchet - *Cascades, Inc. - President & CEO, Tissue Group*

Our integration rate this third quarter was at 82% and the previous one was at 80%. And we know, like usually the second and the third quarter are very strong in shipping finished goods. And we continue our inroads; we're gaining market share and we have the paper capacity to convert more product.

Sean Steuart - *TD Securities - Analyst*

Okay. Mario, with respect to the outlook, you guys gave good context in each of the divisional run-throughs. But the outlook you provide on slide 25, you touch on expected volume increases in containerboard, which would be -- I guess it would be counter to the normal seasonal trend we would see in the fourth quarter. Can you help reconcile that a little bit?

Mario Plourde - *Cascades, Inc. - President, CEO*

Well, our feeling for the moment for the Q4 is that we should have a good beginning of the quarter, the first two months should be good on almost all segments. Volume seems to be good. The incoming costs have not changed. We expected to have a higher pricing on the OCC and on the white grade; so we at the moment see no change. And you know, we have no flooding expected, so hopefully this should help us out.

So other than the usual seasonality at the end of December, everything seems to be looking very positive. So we expect to do better than last year's quarter, Q4, so we remain cautious, but optimistically cautious for Q4.

Sean Steuart - *TD Securities - Analyst*

Okay. And just one last question. Can you remind us -- I guess your expectations for taking dividends out of Greenpac, and I guess more generally the payout philosophy related to that asset, as you take cash out of it eventually.

Mario Plourde - *Cascades, Inc. - President, CEO*

Well, as we mentioned previously, we said that the start of the project that dividends should come in the year 2015, 2016. But now given current market conditions, if everything remains that way, we might expect dividends to come back a bit sooner. So that is what we can say at this time.

Sean Steuart - *TD Securities - Analyst*

Okay, that's helpful. That is all I had. Thank you.

Operator

Bill Hoffmann, RBC Capital Markets.

Bill Hoffmann - *RBC Capital Markets - Analyst*

Yes, good morning. Just a little bit further on the Greenpac asset. I just wonder if you could give us a little bit more detail on the ramp-up, your operating rate, how much good product you are getting off of the mill at this point in time. And then as you look into 2014, I think the original thought was that this may offset some of your existing higher cost capacity selling in the market. Just wondered if you could give us any color on that.

Patrick Chaperon - *Cascades, Inc. - VP of Finance, Containerboard Group*

So since the beginning of the operation, we have produced 532 tons per day on average. And our goal is to continue within the next 12 months to ramp up the machine to its optimal capacity, which is 1500 tons a day. And this is the initial plan, and we are in line with that plan and our goal is to beat that plan. So very positive with that.

And so cost-wise, right now we are in line with the plan, the numbers that were presented to you two years ago when we sold the project and we continue to focus on achieving that plan.

Mario Plourde - *Cascades, Inc. - President, CEO*

And I guess, Bill, it is important to note that in a few occasions, the mill was able to produce 1300 tons. So it is really promising in the way the ramp-up is going.

Bill Hoffmann - *RBC Capital Markets - Analyst*

And then you said the shipments from that mill was 18,000 tons that you purchased this quarter. Where did the rest of it go?

Patrick Chaperon - *Cascades, Inc. - VP of Finance, Containerboard Group*

To an external customer.

Bill Hoffmann - *RBC Capital Markets - Analyst*

Okay. And what kind of mix is that, like from a tonnage standpoint for that quarter?

Patrick Chaperon - *Cascades, Inc. - VP of Finance, Containerboard Group*

Right now for the quarter, we are almost at 50-50. So it is mainly to the partners. A big chunk of that went to the other partners of Greenpac and a small portion went to another external customer. And we are continuing to ramp up those external customers.

Bill Hoffmann - *RBC Capital Markets - Analyst*

Great. Thank you. As you look into 2014, as this continues to ramp up, any thoughts on your existing -- your other mill system?

Patrick Chaperon - *Cascades, Inc. - VP of Finance, Containerboard Group*

Any impact on the other mill system -- is that what is the question?

Bill Hoffmann - *RBC Capital Markets - Analyst*

Yes. Exactly.

Patrick Chaperon - *Cascades, Inc. - VP of Finance, Containerboard Group*

So hopefully, there will be no impact. We are going to continue to manage the capacity within the group with demand. But hopefully, we are not going to have any significant impact.

Bill Hoffmann - *RBC Capital Markets - Analyst*

Okay, thank you. And then a quick question for Suzanne. As you look into 2014, there is other capacity coming in tissue markets. I just wonder your thoughts on the market absorption of that additional capacity.

Suzanne Blanchet - *Cascades, Inc. - President & CEO, Tissue Group*

The additional capacity, it's a lot in the southeast of United States. It is all mainly the [pad] capacity. And these I would say additional capacity has been in the ramp-up process this year. And for next year, I think we will see more maybe a stabilization in terms of -- it would be the big bunch was, you know, in this year. For sure, all the products need to find their niche, and it is a new product. We'll see 2014 -- we'll see in 2014.

Bill Hoffmann - *RBC Capital Markets - Analyst*

Okay. Thank you.

Operator

Pierre Lacroix, Desjardin.

Pierre Lacroix - *Desjardins - Analyst*

Yes, thanks. Mario, I guess on the European boxboard, it seems that Cascades is running at negative EBITDA as per my calculations, and it has been like that for the last couple of quarters. So I understand that the virgin aspect of those mills may be a negative on the results. But what is the plan there? Are you implementing any strategy to turn profitability around there?

Mario Plourde - *Cascades, Inc. - President, CEO*

Yes, we do. We made investments last year that will start to contribute next year. And we do other change in December this year to improve the sheet. So basically, what the virgin mills are affected by is the additional volume in Europe right now. And we had a price decrease on virgin grade early on the year, so that negatively impacted the result of the mill.

But all the changes we made lately are improving a lot the quality of the product, so we can go back in the market and be a little bit more competitive. So we are working hard to gain back some of the market share we lost and to take our place in the market.

Pierre Lacroix - *Desjardins - Analyst*

I understand that you took some market-related downtime there?

Mario Plourde - *Cascades, Inc. - President, CEO*

Yes, we did.

Pierre Lacroix - *Desjardins - Analyst*

Okay. Any idea about -- you talk about the Reno outlook, and the result seems to be okay. I mean, it is going in the right direction. But I was looking at the share price. The share price went from [CAD0.10] to about [CAD0.30]. So do you have any kind of more details or comments to do about how it is going there? It seems that there is more optimism reflected among the investor base.

Mario Plourde - *Cascades, Inc. - President, CEO*

Honestly, it is really tough -- difficult to pinpoint exactly why the share is moving so much. Our estimation is that the market seems to be a little more optimistic about Europe. You know, in a tough market environment, Reno is delivering fairly good results, stable results. So that is how we can see today as explanation about the enthusiasm about the shares.

But to pinpoint exactly why it is going that high, it is tough. So it seems that the European market is picking up right now and people are more confident about Reno and their results.

Pierre Lacroix - *Desjardins - Analyst*

Okay, good. And one other question on containerboard -- and sorry if you mentioned that earlier in the call. I was not -- I came in a bit later. We had issues in the last few quarters in terms of productivity. And I understand that you had some flooding. But in terms of the other aspects of what has caused the productivity issues in the last -- I mean, if you look at last year -- fourth quarter last year, third quarter last year -- and how it is going with the capital mills and all the other mills in the system, do you see that improving? It seems so with the results. But have you noted significant improvement on your productivity side?

Mario Plourde - *Cascades, Inc. - President, CEO*

Yes, we did, and we put action since then and we beef up a team to improve our efficiency. So these problems are getting resolved, and the efficiency in the mills is going much better and the trend right now is really positive. So I think we can go back to where we are and gain back what we lost. So, many actions were taken by the management in Norampac and we are really pleased with the result.

Pierre Lacroix - *Desjardins - Analyst*

And it is sustainable? You are not feeling too much worry about what is going on?

Mario Plourde - *Cascades, Inc. - President, CEO*

Right now, it is sustainable from what we can see, because it is -- on a regular basis, we see the improvement in tonnage from all of these mills.

Pierre Lacroix - *Desjardins - Analyst*

Okay, cool. Just one last, on the CapEx front for 2014, can you discuss a bit what will be the biggest projects that you are looking at from this current point?

Mario Plourde - *Cascades, Inc. - President, CEO*

Well, at this moment, you know the one project we announced was the H2 in Oregon, which this is confirmed, been announced in the market. So other than that project right now, we have nothing to announce. There will be other projects because we are in the CapEx period right now, so people have all good ideas. But in terms of large ones, the H2 will be the one we have right now on the table.

Pierre Lacroix - *Desjardins - Analyst*

Okay, so is tissue going to be the focus in 2014, containerboard as well? What is your view in terms of segments?

Mario Plourde - *Cascades, Inc. - President, CEO*

More tissue at this point, because we have done a lot in the containerboard side. But yes, we are going to be continuing the investment in those segments.

Pierre Lacroix - *Desjardins - Analyst*

Great. Thank you very much and very good results. Thank you.

Mario Plourde - *Cascades, Inc. - President, CEO*

Thank you.

Operator

(Operator Instructions). Paul Quinn, RBC Capital Markets.

Paul Quinn - *RBC Capital Markets - Analyst*

Great, thanks very much. Good morning. Just a couple of questions. I guess starting on the tissue side, Suzanne, you mentioned the capacity additions in 2013 here. I suspect most of the mills are in ramp-up. So trying to determine pricing levels in 2014, do you think it is reasonable to expect more pricing pressure in 2014 as these mills fully ramp up by that time?

Suzanne Blanchet - *Cascades, Inc. - President & CEO, Tissue Group*

I think your assumption is a good assumption. For sure, these products are getting market inroads and especially when you want to market share, you lead with your products, the quality and then the pricing as well. I think your assumption is very good.

Paul Quinn - *RBC Capital Markets - Analyst*

Okay. And then in terms of the -- if you could give us an idea of the relative sort of, I guess, EBITDA margin between your at-home and your away-from-home business subsegments in the tissue side. Is one significantly more profitable than the other?

Mario Plourde - *Cascades, Inc. - President, CEO*

Normally it is not something that we disclose, and we have never disclosed such information. And we do not intend to do so.

Paul Quinn - *RBC Capital Markets - Analyst*

So today is not a good day to start, is what you are saying. Okay, maybe next quarter.

Just a last question on just recycled paper costs. I think you have outlined that you expect a limited price increase in OCC going forward here. I guess 2013 was really characterized by operation Green Fence in China, and now that program seems to be wrapping up. What is the expectation in 2014 on those pricing?

Mario Plourde - *Cascades, Inc. - President, CEO*

Not much, Paul. We were participating in two seminars on the recovery paper in North America as well is in Europe in the last month. And the consensus of everyone participating there is that there is not going to be that much activity coming from Asia. They don't want to pay the high price, so they are not going to be attacking our market and demanding a lot of volume.

So we feel that the market will be quite stable. We don't see a huge peak in terms of pricing. So with the generation here, we even saw a price decrease this month on some of the OCC. So from all this message we are getting from the market -- and we talked to a few customers from Asia in our seminars -- so we feel relatively confident that the market should be quite stable.

Paul Quinn - *RBC Capital Markets - Analyst*

That's great news for you guys. Best of luck going forward. Thanks.

Mario Plourde - *Cascades, Inc. - President, CEO*

Thank you.

Operator

There are no further questions at this time. I will now turn the call back over to the President and CEO, Mario Plourde.

Mario Plourde - *Cascades, Inc. - President, CEO*

Thank you, everyone. To conclude, the third-quarter result confirms our views that the second half of 2013 will be better in terms of profitability. For the next quarter, we also expect to perform better than the last year. Business indicators are still favorable and our operations are running better. However, Q4 results will be impacted by the inherent seasonality associated with the month of December, so business during the quarter might not be as strong as Q3.

We expect higher fiber costs in 2013, but it seems that recycled fiber cost volatility will remain manageable for the remainder of the year.

We will continue to ramp up the Greenpac mill, and you heard from Patrick, our expectation remains unchanged.

We are working on our 2014 budget right now to fine-tune the next step of our modernization plan, with a focus on managing our balance sheet. For the end of the year, normal seasonal reductions from our working capital and careful monitoring of our capital investments should contribute to reduce our debt close to the year-end of 2012 level.

I thank you for your support and I wish you a very good day and see you on the next quarter. Thank you.

Operator

This concludes today's conference call. You may now disconnect.