THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

CAS.TO - Q2 2013 Cascades Earnings Conference Call

EVENT DATE/TIME: AUGUST 08, 2013 / 2:00PM GMT

CORPORATE PARTICIPANTS

Riko Gaudreault *Cascades Inc. - Director of IR*

Mario Plourde *Cascades Inc. - President & CEO*

Allan Hogg *Cascades Inc. - VP & CFO*

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

Patrick Chaperon *Cascades Inc. - VP of Finance*

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

CONFERENCE CALL PARTICIPANTS

Leon Aghazarian *National Bank Financial - Analyst*

Pierre Lacroix *Desjardins Securities - Analyst*

Paul Quinn *RBC Capital Markets - Analyst*

PRESENTATION

Operator

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 second-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). (Speaking French).

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

Thank you, operator. Good morning, everyone, and welcome to our conference call for the second 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, VP Finance of our Containerboard group. Patrick is replacing Marc-Andre Depin who could not join us today. And you will hear from Luc Langevin, President of our Specialty Products group.

Mario will begin with his comments followed by Allan and the group's representative. 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 results. Also, the statements in 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 call us after the session. I will now turn the call over to Mario Plourde. Mario?

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

Thank you, Riko, good morning, everyone. Earlier this morning we released the results for the second quarter of 2013 which show a significant sequential improvement. Excluding specific items our EBITDA increased by 22% to stand at CAD83 million for the quarter. This translates into net earnings of CAD0.09 per share.

On a segmented basis our Containerboard group contributed 32% more than during the previous quarter. The productivity of these manufacturing units continues to improve and this is encouraging. However, we are not yet where we should be, particularly in our Boxboard activity. And we are actively working in resolving certain operational issues.

We are pleased with the successful production start-up of Greenpac; it is quite an achievement for a project of this magnitude and we are very proud of our team. The performance of our Boxboard sector in Europe was stable compared to the first quarter and the slight decrease in profitability was essentially linked to higher raw material costs. With $16 million EBITDA for the quarter the specialty product group increased its contribution significantly to reach a level that is more reflective of its earning power.

Finally, the Tissue Paper group continues to be a strong contributor despite pressures from additional capacity coming to the market. Also, our team continued to achieve successful inroads, particularly in the US.

Looking at our KPIs, our shipments have continued to increase, allowing for an improvement of our utilization rate. Seasonality explained the absolute increase in our working capital. But as a percentage of sales we continue to improve.

Recycled fiber prices continue to be quite stable. Price of white paper grades declined compared to the last quarter and the same period in 2012. Brown grade experienced a slight increase in price versus Q1 but traded at lower prices than last year. Availability continued to be good for all grades and our inventory level is satisfactory.

It is worth mentioning that we were able to successfully supply the Greenpac start-up. As of now our team carefully implemented its strategy to secure the volume required by the mill. As for the price of virgin pulp, it increased in the period and impacted the result of our operation in Tissue Paper and in virgin Boxboard in Europe.

Overall the quarter was as anticipated and similar to what we experienced in 2012. There are still improvements to come, particularly as the Canadian dollar is showing signs of weakness and the fiber market is not as volatile as in 2013 due to the Green Fence Program. This is important as we pursue our modernization initiative and aim to increase our financial flexibility.

I will discuss our outlook for the remainder of the year later, but before I will let my colleagues give you more specific data and information starting with Allan. Allan?

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

Thank you, Mario, and good morning, everyone. As mentioned by Mario, each of our business segments increased their contribution in this quarter except for our European Boxboard operations. Compared to last year sales were up 4% at CAD982 million due to a favorable exchange rate and a 5% increase in shipments, especially in Containerboard. These were offset by lower average selling prices in our European operations. Compared to last quarter sales increased by 7% due to higher shipments and average selling prices.

EBITDA for this quarter is down CAD1 million compared to last year. Improved volume and lower energy costs combined with the positive impact of closed units in the last 12 months were offset by lower average selling prices in Europe, higher raw material cost in Containerboard and other production costs in Tissues.

As mentioned last quarter, our corporate activities include additional costs required for the modernization of our ERP platform started in 2010. As we mentioned, these costs are no longer capitalized and will continue at the same level for the next few quarters. Sequentially our EBITDA was up 22% due to higher volume and average selling prices in our Containerboard and Tissue businesses, which were offset by higher raw material costs.

Slide 13 illustrates the impact of specific items that affected our results during the quarter. Other than the unrealized loss on financial instruments, we recorded a CAD2 million gain on the sale of a piece of land.

On page 14 cash flow from operations amounted to CAD41 million, 10% higher than Q2 last year, but CAD5 million less than previous quarters due to our interest payments during the quarter. Free cash flow excluding working capital change was slightly positive for the period.

Our net debt increased by CAD94 million due to the lower Canadian dollar and working capital requirements. We also increased our ownership in Reno de Medici to 57% following the exercise of a put option by a shareholder and we invested CAD12 million in the Greenpac project.

Recent price increase implementation, higher shipments and inventory of raw materials left cash requirements for our working capital during the period. Of this amount of debt CAD134 million is nonrecourse. We expect our debt to decrease in the second half of the year based on current performance, careful monitoring of our CapEx and cash inflows for our working capital due to seasonality.

Regarding our cash availability and taking into account our letters of credit, we have approximately CAD235 million available at this time and no significant maturities before 2016.

In terms of financial ratios, our debt to capitalization is at 62% and our net debt to EBITDA ratio increased to 5.6 times on an LTM basis. I thank you for attention and I will ask Suzanne to discuss the Tissue paper results. Suzanne?

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

Thank you, Allan. Good morning, everyone. As you can see from the results released today, the Tissue group continued to deliver good performance despite a challenging marketplace. This performance is a result of our good overall operational efficiency and market inroads in the US in our consumer product and away from home segment.

If we first look at our total shipments, they increased by 6%. More specifically, shipments of converted products increased by 7%. This was mainly driven by market seasonality in the away from home segment both US and in Canada. This segment continued to benefit from a good overall economic environment.

In the customer product segment shipments remain flat compared to the first quarter both in the US and in Canada. This segment has been challenged by the additional capacity coming on stream during the last six months.

Lastly, our parent roll shipment experienced a 3% sequential decrease due to higher volume of converted product.

Now turning to our average selling prices, the overall increase can be mainly explained by a favorable integration rate, a parent roll selling price increase and a favorable exchange rate, which has more than offset the impact of the higher share of volume sold in the away from home segment where average selling prices are lower.

In terms of market prices, they remain stable compared to the first quarter for the away from home and consumer product segments. As a result our sales were 10% higher compared to the first quarter and reached CAD264 million.

In terms of profitability, our EBITDA reached CAD33 million, a 13% margin on sale. The sequential EBITDA increase was mainly driven by additional volume, better integration rates, favorable exchange rate impact and good overall operational efficiency. These factors more than offset an increase in the price of virgin pulp and additional subcontracting costs related to the execution of certain contracts in the US consumer product segment.

To conclude, entering the third quarter of 2013 we remain cautious about the market conditions given the competitive environment, particularly in the US, due to the additional capacity. Nevertheless we expect our operation to perform well and the third quarter usually allows us for a good level of shipment. Hence, higher volume and favorable white recycle fabric costs should result in a stable performance.

Thank you. And now I will ask -- I will let Patrick Chaperon present the results of our Containerboard group. Patrick?

Patrick Chaperon - *Cascades Inc. - VP of Finance*

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 fourth quarter of 2010, with CAD33 million of EBITDA. This performance is a consequence of the CAD[2.50] per short ton price increase in the Containerboard sector. Stable OCC prices and the impact of a 9% improvement representing 29,000 short tons in our global shipments compared to the previous quarter.

In the quarter our manufacturing activities increased external shipments of paper by 17% compared to the first quarter of 2013. Since the fourth quarter of 2012 the increase adds up to 27%. As a result of these higher external shipments only two days of market-related downtime were taken in our Boxboard Mills compared to eight days in the previous quarter.

On the productivity front the operating rate of our Containerboard manufacturing activities continued to improve and averaged 91% during the quarter compared to 88% in the first three months of the year. In the second quarter we took five days of maintenance downtime, mainly at our Niagara Falls specialty, to continue to improve efficiency and reliability of our equipment.

At our Boxboard [Trenton] mill, despite increasing volume for a second quarter in a row we continue to experience quality and efficiency issues. As a result the mill has generated negative results from April to June. In July the efficiency of the mill improved and the action plan in place is starting to show some results.

Moving to our converting activities. Our shipments have sequentially increased by 5%. While shipments went down by 15% in our folding carton sub segment, we have experienced a 10% increase in our corrugated product sub segment. This is in line with the North American and Canadian Containerboard industry statistics.

On the pricing front our Containerboard manufacturing activities average selling price increased by CAD21 per short ton during the quarter. The CAD50 short ton price increase announced in May is now fully implemented and we will add the full benefit in the coming quarter. In converting activities the average selling price of non-specialty boxes has increased by 6% in the quarter. This price increase represents the full benefit of the first price increase and a partial impact of the second price increase. We are expecting the second price increase announcement to be fully implemented by the end of the next quarter with full benefits reflected in the last quarter of 2013.

Also following the CAD50 per short ton price increase announcement in April on SBS grades and the CAD40 price increase on CRB grade, the market index has gone up by CAD35 per short ton. Accordingly, our selling price in the Boxboard manufacturing subsector when up by an average of CAD17 per short ton in the quarter. At the end of June our same prices in that sub segment have increased to reflect market publication.

Looking at our second-quarter EBITDA, as mentioned earlier on, our results increased by CAD33 million compared to CAD 25 million in the first quarter of the year, representing a margin of 10% on sales. These results include a negative contribution of CAD4 million from our Boxboard activities. If we look at the margin of our Containerboard activities separately, it reached 13% for the quarter.

Additional volumes and higher selling prices mentioned earlier added a positive contribution of CAD10 million and CAD7 million respectively. Furthermore, you have probably noticed on page 5 of the presentation that we have experienced a CAD12 million raw material cost increase in the quarter compared to the first three months of the year.

Higher OTC costs negatively impacted our result by CAD3 million or CAD13 per short ton, which is in line with market price variation. In the quarter demand from our internal and external customers at this time of the year increased more than our improvement of productivity. Consequently we had to buy an extra 25,000 short tons from external sources to meet our obligation. This situation negatively impacted our material cost by CAD12 million. These two factors were partially offset by a positive product mix.

Finally, even though our operating costs per short ton were pretty stable in the quarter and each business segment our overall variable cost improved by CAD5 million due to a more favorable product mix.

On the strategic front, after four years of intensive work and two years of construction we were proud to announce that we produced our first lightweight liner board role at Greenpac on July 15 as initially planned. Since then we have been working on ramping up the paper machine. At the end of July we had produced 3,000 short tons of paper and we are continuing to improve on a daily basis. Our expectation is to fully ramp up the machine within the next 12 months or earlier.

Budget wise the final project cost will be known at the end of the ramp up period. But at this time we are forecasting a total project cost of approximately CAD460 million, which is approximately 7% over the initial project cost of CAD430 million.

Additional cost incurred to remediate (inaudible) soil find under old building that we had to demolish explained a portion of the extra cost. Accordingly, we have filed a lawsuit amending compensatory damages against Greenpac land previous owner in order to recoup those extra costs. The slight difference in expected product cost does not alter our views on the tremendous potential of the assets.

If the actual market condition prevails in the future the return on our investment will be better than initially planned. We would like to take this opportunity to thank all partners, employees, suppliers and financial backers for their support and the incredible effort they put in this project to make it a successful startup.

Regarding the other strategic action we announced last year, the investment of CAD22 million in certain of our folding carton and micro lithographic plants in Canada with the concurrent closure of the Lachute folding card plant and the consolidation of our corrugated product activities in Ontario were completed by the end of June. As mentioned during the last conference call, while we are expecting a ramp up period, we will start to benefit from these actions in the second half of 2013.

With regards to the short-term outlook, on July 19, our Niagara Falls middle basement was flooded following severe thunderstorms. Consequently it took four days to bring production back on track costing us CAD1 million in repairs. On a more positive note, the impact of price increases in both the Containerboard and Boxboard segments combined with the [current] OCC pricing environment and improved productivity allow for a certain amount of [optimism] in the coming quarter.

I thank you for your attention and 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 de Medici released its result for the second quarter recently and these are publicly available. Looking at the performance of our European operations you can see that shipments were 1% higher than Q1. Market conditions are better than last year and demands for both coated virgin and recycled Boxboard grade were still decent during the second quarter.

Our backlog remains healthy at the end of the quarter. On the pricing front average prices in Canadian dollar were 1% higher than the previous quarter. In euro they remained stable as the previously announced price hike for recycled grade was not effective during the quarter. We expect these price increases to be implemented gradually over the next quarters.

For virgin grades the state of the market is more challenging as prices remain stable despite higher fiber costs. These factors explained why compared to the first quarter in 2013 sales were higher 1% at CAD215 million. Despite the increase in sales the EBITDA of our Boxboard Europe sector slightly decreased by CAD1 million to reach CAD10 million for the quarter. This is essentially related to high raw material costs during the second quarter.

With regards to the outlook in Europe, it remains uncertain for 2013. The flow of orders, however, is expected to be satisfactory, but the next quarter is usually a slow period as almost every mill in Europe will take two to three weeks of downtime to balance inventory and proceed with annual maintenance work. We expect higher prices, production efficiency and energy saving to counterbalance the impact of a potential increase in fiber cost. I will thank you and I will ask Luc to follow up with the overview of the specialty product group. Luc?

THOMSON REUTERS

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

Thank you, Mario, good morning, everyone. I will begin with a review of our Q2 results versus the previous quarter. Sales for the Specialty Products group were up 4% to CAD196 million compared to CAD181 million in Q1 2013. Higher volumes in the recovery and consumer packaging segments provided most of this increase. Neither the product mix nor the price variation had a significant impact on our top-line.

We completed our quarter with an EBITDA of CAD[60] million, a 45% increase over the previous quarter and a 7% more than a year ago. Again, higher volumes in our recovery and consumer packaging segments contributed in large part to the significant sequential improvement in EBITDA. We also benefited from a favorable exchange rate, lower energy, labor and freight costs. Profitability improved across all core segments versus Q1 2013. Three of our four segments were also up versus Q2 2012.

Looking more specifically at our four segments, our recovery operations are trending positively in 2013, increasing their EBITDA versus the first quarter. Higher volume, labor efficiencies and a favorable exchange rate more than offset higher fixed and SG&A expenses. The industrial segment slightly increased its profitability despite a stable level of shipments compared to the first quarter. Thanks to reduced operating costs and a favorable exchange rate.

We proceeded with some organizational changes in the quarter with the objective of improving the overall profitability by addressing less performing assets. The EBITDA of our consumer packaging activities increased versus the first quarter, both our molded pulp and plastic operations benefited from higher volume taking advantage of the normal seasonal pickup in demand and growing volumes in general.

US (inaudible) capacity in our Warrenton plant in Missouri is currently being installed with a start-up scheduled during the month of August. We actually did our first production yesterday. This additional capacity will support our growth strategy in the US.

In our specialty paper segment the EBITDA increased sequentially, saving on energy cost, better productivity, lower freight cost and a favorable exchange rate contributed to this positive trend.

To conclude, we expect relatively stable business conditions in most of our operations for the next quarters. The volume should slightly increase in our specialty paper units and remain at least stable in our other segments. Product innovation and business growth in our packaging activities remains our focus in the coming months.

Thank you for your attention, 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*

My first question and I know you touched off on it, I just want to clarify a couple of things. The first is on the raw material pricing for the Containerboard side and the CAD12 million decline. Can you just walk us through a little bit as to why there were more purchases externally and kind of the mechanics of how that works?

Patrick Chaperon - *Cascades Inc. - VP of Finance*

So this is in line with our Greenpac start-up strategy. So we had a lot of demand and in order to add very good (inaudible) it is orders on end. We decided to buy some paper on the market to be able to fulfill all the demands as we started to ramp the Greenpac ramp up.

Leon Aghazarian - *National Bank Financial - Analyst*

So was the full CAD12 million related to that Greenpac or was that a certain percentage of that?

Patrick Chaperon - *Cascades Inc. - VP of Finance*

A significant portion.

Leon Aghazarian - *National Bank Financial - Analyst*

A significant portion, okay, great. Then I guess if I can switch on to the Boxboard side, I mean you mentioned also that there were -- Mario mentioned that there was a European price -- I mean negotiations occurring. Can you just give us a status report on that and what the likelihood of the increase would be there?

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

Amounts in Europe were made in July for CAD50 -- for EUR50. So we expect these price increases to be reflected in our result mostly in the third and fourth quarter during the year. So in Europe the implementation of these price increases normally takes some time. So it is a EUR50 announcement on recycle Boxboard, not on the virgin.

Leon Aghazarian - *National Bank Financial - Analyst*

Okay. And then regarding some of the decline in the EBITDA for the Boxboard Europe side, I mean we see that selling prices and the mix represented a decline of about CAD10 million. Can you just walk us through a little bit -- can you just provide more color on that, I would say?

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

Well, as we said in our release, Europe -- the market in Europe is fairly good on the recycle side, but on the Virgin side we have been affected today by a price increase -- price decrease I should say, from starting at the end of 2012 and beginning of 2013. And these price increases have remained low now. And at the same time we also have a price increases in virgin pulp. So we were squeezed in margin. So most of the impact you see in Europe is basically due to those two factors.

Leon Aghazarian - *National Bank Financial - Analyst*

Okay, and just a final one from me then would be regarding the Boxboard budget in North America. You referred to an action plan in the outlook. Could you just provide us more color on that, please?

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

Well, you know the Jonquiere, we have been talking about it for quite some time. Jonquiere is struggling to produce a good quality product. They are missing a little bit of volume, so today they are switching on too many grades. So this is affecting their efficiency. So what we are doing today is focusing on a few grades, diminishing the number switch and improving the efficiency of the mill. So we are tracking the productivity of this mill very closely.

Leon Aghazarian - *National Bank Financial - Analyst*

Thank you.

Operator

Pierre Lacroix, Desjardins.

Pierre Lacroix - *Desjardins Securities - Analyst*

On the Greenpac you mentioned an investment in the quarter of CAD12 million related to Greenpac. Is that included in the CAD83 million total investment that you had to do there? What -- how should we read that CAD12 million? Is it on top of your initial investments?

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

Yes, yes it is on top. As Patrick mentioned, it's our portion of the 7% increase. So -- but it is a portion of it because there are some costs that are not finalized yet. So Patrick gave you the estimated total cost, but that is a portion of what has been incurred as of now.

Pierre Lacroix - *Desjardins Securities - Analyst*

Okay. And in terms of the ramp up, you mentioned 3,000 tons by the end of July. How does that compare with the -- your schedule there for the ramp up? I would have thought it would have been a bit higher than that, am I too optimistic about this, or --.

Patrick Chaperon - *Cascades Inc. - VP of Finance*

First you need to keep in mind that we had only 15 days of operations is the first thing and we are right in line with our initial plan on ramp up.

Pierre Lacroix - *Desjardins Securities - Analyst*

Good. So in terms of the upcoming ramp up, how do you expect that to go in terms of the curve, the ramp up curve? Is it going to be faster in let's say August, September or is it going to be more toward the end of the year or is it going to be pretty much constant from now and --?

Patrick Chaperon - *Cascades Inc. - VP of Finance*

So we are trying to be very conservative and we are forecasting to fully ramp up the mission within the next 12 months. So slowly but surely to have a very successful and strong start-up.

Pierre Lacroix - *Desjardins Securities - Analyst*

Okay, good. Are you on track to generate positive EBITDA by the end of this year on Greenpac?

Patrick Chaperon - *Cascades Inc. - VP of Finance*

Sorry?

Pierre Lacroix - *Desjardins Securities - Analyst*

Do you expect to generate positive EBITDA on the Greenpac by the end of this year?

Patrick Chaperon - *Cascades Inc. - VP of Finance*

By the end of this year, no.

Pierre Lacroix - *Desjardins Securities - Analyst*

On a run rate basis?

Patrick Chaperon - *Cascades Inc. - VP of Finance*

On a run rate basis at the end of the year, yes, but overall in the [sixth first] month it should be close to breakeven.

Pierre Lacroix - *Desjardins Securities - Analyst*

Okay, good. And, Allan, on the corporate cost side you mentioned that you expect the current level to be sustained. I just wanted to confirm that. So it's something like CAD8 million, CAD9 million a quarter going forward?

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

Yes, exactly, exactly, just as we said last time, yes.

Pierre Lacroix - *Desjardins Securities - Analyst*

For the next 12 to 18 months?

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

At least, yes.

Pierre Lacroix - *Desjardins Securities - Analyst*

At least? Okay. Thanks, that's it for me for now.

Operator

(Operator Instructions). Paul Quinn, RBC Capital.

Paul Quinn - *RBC Capital Markets - Analyst*

Just a question on Greenpac. I understand that you all have a slight loss or close to breakeven results in 2013. What is the projection for 2014, 2015, 2016? Do you have anything that you can share with us?

Patrick Chaperon - *Cascades Inc. - VP of Finance*

What I can share with you is what has been presented two years ago when we presented the project to you guys. So we had a run rate of something like 25% of EBITDA on the run rate representing something like CAD65 million of EBITDA. So overall if market conditions continue to be as it was in the past should be the run rate.

Paul Quinn - *RBC Capital Markets - Analyst*

Okay, then just switching over to the outlook on recycled fiber, what is that looking like for you guys over the next six to 12 months?

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

At the moment, Paul, market seems to be well-balanced with the Green Fence slowing down the export. We don't expect any spike in pricing. We do expect a little increase in second and fourth quarter but nothing major, maybe CAD5 to CAD10 on both grades. But at the same time, as you know, we are really playing with our inventory to compensate for these increase. So nothing major that we see in the next two quarters.

Paul Quinn - *RBC Capital Markets - Analyst*

Okay, so given that outlook and sort of improving fundamentals in Containerboard, I suspect free cash will be up in the balance of the year. Are we using that to pay down debt and put debt at a priority at some point?

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

Right now our priority is to finalize the investment of our strategic plan and our target today with the debt is to remain no more than where we were in 2012.

Paul Quinn - *RBC Capital Markets - Analyst*

Okay, that is all I had. Good luck, guys.

Operator

There are no further questions at this time. I now turn the call back over to Mr. Mario Plourde.

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

Thank you. So to conclude we remain confident that our recent initiative will translate into a better performance in the second half of 2013. The sale of the (inaudible) paper market has been favorable so far in 2013 but we expect a slight increase in cost for the remainder of the year. Now that we restructured our folding carton and our corrugated product operation and Ontario are completed we are in good position to harvest the benefits of these initiatives we have undertaken. But the Canadian economy needs to be firming up.

In Europe and in the US the environment remains unclear. Even if there seems to be more positive signs for the, moment, we should benefit from expected price increases in packaging and we will pursue our initiatives to grow our market presence in Tissue despite the impact of additional supply, which we believe will be manageable.

Finally, the management of our balance sheet remains a priority and we will continue to pace our investment and act cautiously so that our debt ratio can move back to the level of 2012. I will thank you for your support and I wish you a very good day. Thank you, everyone.

Operator

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