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PRESENTATION

Operator

Good morning. My name is Simon, and I will be your conference operator today. At this time, I would like to welcome everyone to the Cascades Canada 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). Thank you. (spoken in French)

Mr. Gaudreault, you may begin your conference.

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

Thank you, operator, and good morning, everyone. Welcome to our conference call for the third quarter of 2012.

Members of our management team are joining me today, and you will hear from Alain Lemaire, our president and CEO; Mario Plourde, our CEO; Allan Hogg, our CFO; and our three Presidents, Suzanne Blanchet for our Tissue Group; Marc-Andre Depin for our Containerboard Group; and Luc Langevin for our Specialty Products Group. Alain and Mario will begin with their comments, followed by Allan and the Groups' Presidents. Mario will present the review of our operations in Europe. Following the question period, Mr. Lemaire will be back for the conclusion.

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 statements, can have a material impact on our actual 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 to our website.

I would like to remind the media and Internet users that you can only listen to the call. If you have any questions, please feel free to call us after the session.

Mr. Lemaire will now start with his comments.

Alain Lemaire - ***Cascades Inc. - President & CEO***

Thank you, Riko. Good morning. We released our third-quarter results this morning showing an EBITDA of CAD78 million and CAD0.07 of earnings-per-share, both excluding specific items. Given the current state if the wastepaper market and the fact that the third quarter is usually stronger, these results should have been better.

Looking at our results by segment, the overall economic environment had an important impact on our operations in Europe, in addition to the fact that the third quarter is usually a soft one in this part of the world. The strength of the Canadian dollar against the euro also continued to affect the numbers we show for this division.

The performance of our Tissue Paper Group was good, but impacted by the increase in price of our white recycled paper grade. Our Specialty Group posted stable results.

Generally, we show a sequential increase in EBITDA generated by the Containerboard group, but our month of September was very difficult, and unfortunately we still need to address operational issues at some of our manufacturing sites.

I will now let Mario tell you more about the market environment in general and our strategic initiatives. I will be back for the closing comments. Mario?

Mario Plourde - ***Cascades Inc. - COO***

Thank you, Alain. Good morning, everyone. Let me start by talking about the recycled paper market.

As highlighted during our previous call, white recycled paper grade price did increase due to the normal seasonal effect. Most of the white paper we used are in good supply. The export market also contributed to price stability in the Northeast office paper market. As a result, our inventories are good at the moment, and we do not expect significant change in the white recycled paper grade in the short term.

The market for the brown grade is more active. Export prices increased rapidly over the last few weeks, particularly impacting mills that are near ports.

So far, in-land domestic mills have not been impacted. There is sufficient supply, and prices have remained stable. The last two months of the year are usually associated with high generation, and we are expecting the market to stabilize within the next two, three weeks. However, the aftermath of Hurricane Sandy might be disruptive in the short term and cause temporary price increase. The export market should then become more active towards the end of Q1.

As far as other drivers are concerned, nothing significantly different to report as input costs from products such as oil, chemical are still high, and natural gas prices have recently increased. The strength of the Canadian dollar is hurting our competitiveness level in North America, and it has impacted our results in Europe.

Now, an update on our action plan. During the quarter, Marc-Andre and his team committed to improve our position in the folding carton market in Canada with strategic investments. In the Tissue Paper Group, we have decided to permanently close our small napkin plant in Toronto and transfer production to two other plants. We are pursuing the elevation of a few good projects that should go live in 2013, namely the upgrade of certain converting lines.

In Europe, significant equipment upgrades were finalized in the third quarter during the August downtime period. The deployment of our ERP system and the construction of Greenpac are progressing as planned. Our CapEx budget for 2012 still stands at CAD150 million, and overall we have started new projects for approximately CAD100 million for the first three quarters of the year.

Thank you for your attention. I will now ask Allan to give you more specific data and information on our financial performance.

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

Thank you, Mario, and good morning. So the 4% decrease in our sales compared to Q3 2011 is due to lower than average selling prices in Europe and in our Tissue Group following an unfavorable mix of products. Lower volumes in our containerboard and European boxboard businesses also impacted our sales.

Our overall shipments decreased by 2% or 18,000 tons went excluding assets acquired or closed. The stronger Canadian dollar against the euro also lead to a negative impact during this quarter. Sequentially, our sales also decreased by 4% as a result of lower volumes in Europe and a stronger Canadian dollar.

EBITDA for this quarter is down 1% compared to last year on lower average selling prices, mainly in Europe. In addition, the 35% year-over-year drop in average list price for our main recycled paper grade was offset by higher external purchasing costs in our containerboard converting operations due to the lower productivity from our manufacturing mill.

It is worth mentioning that during the third quarter of last year foreign exchange gains on working capital items, following the rapid depreciation of the Canadian dollar at the end of the quarter, combined with an FX gain on the consideration received from the sale of Dopaco, had a significant impact on our EBITDA.

Sequentially, our EBITDA was down 7% due to lower volumes in Europe and lower overall average (technical difficulty) prices. The stronger Canadian dollar also had a CAD5 million negative impact in the quarter. Once again, the productivity issues in the Containerboard sector led to higher raw materials costs, which offset the benefit of lower OCC prices.

Slide 14 illustrates the impact of specific items that affected our results during the period. During the quarter, specific items mainly arose from unrealized gains on financial instruments.

On page 15, cash flow from operations amounted to CAD42 million, slightly higher than Q2. Free cash flow was positive for this quarter.

Turning now to our TTIs, on a same-asset based comparison, shipments were down 2% compared to last year and on a sequential basis. Working capital was lower as accounts receivables and inventories decreased during the period.

Net debt decreased 3% over last quarter. This decrease of CAD43 million is due to a favorable exchange rate at the end of the period and free cash flows generated during the last three months. Of this debt, CAD147 million is nonrecourse.

Regarding our cash availability and taking into account our letters of credit, we have approximately CAD370 million available at this time.

In terms of financial ratios, our debt-to-capitalization ratio remains at 61% as our net debt to EBITDA it also remained stable at 5.4 times when including the recent acquisition's LTM numbers.

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

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

Thank you, Allan. Good morning, everyone.

The third quarter was a good one for the Tissue Group. In terms of profitability, our EBITDA reached CAD35 million or a margin of 14% of sales. This is 94% better than during the same quarter of 2011.

On the comparative product side, overall shipments grew by 1%. The sequential growth was due to a good overall US market performance in our Away-from-Home and At-Home segments, which can be explained by promotional activities and successful inroads with major customers.

In Canada, shipments from both of our Away-from-Home and At-Home segments were down sequentially, mostly due to lower private-label demand from some of our customers, while our Cascades brand slightly grew in all segments.

After an important increase in the second quarter, we were able to keep our current roll shipments stable as they remain strong in this segment.

Looking at our average selling prices, they remained stable for both of our Away-from-Home and At-Home segments. However, some strategic price adjustments on these products in the Away-from-Home market and an unfavorable mix comprising of a higher share of private label in the At-Home business in Canada have contributed to a sequential decrease of our Canadian average selling price. The unfavorable variation that is in the recurring exchange rates also contribute to our lower average prices in Canadian dollar terms.

Current roll selling prices also remained stable during the quarter. As a result, our sales decreased by 1% compared to the second quarter to reach CAD253 million. The sequential decrease of CAD4 million of our EBITDA comes from the increase in white recycled paper costs as of the unfavorable variance such as currency in selling prices were all offset by lower production costs resulting from improved efficiency in production utilization rates amongst our peers.

Despite the significant shutdown of our largest paper machine in Oregon for reasons out of our control, we were able to contain the third quarter with higher production when compared to the second quarter.

To conclude, entering the fourth quarter, we remain cautious about the market conditions, evening the overall economic environment. If we don't experience recycled paper price volatility, we are confident that we will maintain a good profitability. We will continue to focus on efficiency, cost control, and customer satisfaction to maintain our position in the market.

Thank you. And now I will let Marc-Andre present the Containerboard results.

Marc-Andre Depin - *Cascades Inc. - President & CEO, Norampac*

Thank you, Suzanne. Good morning, everyone. Turning now to the result of our Containerboard operations.

Sequentially you can see on page 21 that our shipments remain stable at around 300,000 tons. Our manufacturing sector increased external shipments by 1.4% compared to the second quarter of 2012. Our shipments increased despite 32 days of market downtime taking in our two boxboard mills to balance supply and demand. These shortfalls represent 13,000 short tons compared to 10,000 short tons in the previous quarter.

Also during the quarter, we have continued to experience production shortfalls due to mechanical issues. Our Quebec and Niagara Falls, New York mills have been affected by several small and unrelated mechanical issues that have resulted in lower efficiency rates. When we include the planned and unplanned maintenance downtime, the lower efficiency rate has resulted in the 15,000 ton of production shortage in the quarter.

In our converting segment for the third quarter in a row, we have increased our shipments compared to Q2 2012. Overall shipments were 1.3% higher than in the previous quarter. The 3% decrease in shipments of boxboard to the soft market conditions was more than offset by a 2% increase in shipments of corrugated containers where the industry shipments were stable sequentially.

Prices remained fairly stable during the third quarter. The implementation of the recent price hike announcement in liner board medium and corrugated product is moving along gradually and will only start to impact our results during the last quarter of the year. We expect full benefits in the beginning of 2013.

Looking at our third-quarter EBITDA, we experienced a 13% sequential increase to reach CAD26 million, representing a margin of 9% on sales. The improvement was essentially linked to higher volumes and a CAD5 million decrease in fixed costs, resulting from lower repairs and maintenance expenses, as well as SG&A expenses.

Even if the pricing environment for OCC was beneficial during the quarter, the operational shortfall we experienced caused us to purchase more paper from external sources, resulting in higher input costs for our converting plant.

On the strategic front, on September 5, 2012, we have announced our 10th strategic action since 2008 to improve the competitiveness of our unit.

Consequently, we will invest CAD22 million in several folding carton plants and micro photographic plant in Canada. Unfortunately, to maximize the return related to these investments, we have also announced the closure of our Lachute, Quebec folding carton plant, effective in the first quarter of 2013.

In addition, the consolidation of our corrugated product activities in Ontario and the CAD30 million of related investments are moving ahead according to plan. In the third quarter, we have started the benefits from these initiatives, and we are still expecting to see more benefits from these actions in the fourth quarter of 2012.

Regarding the Greenpac project, the startup of the machine is still expected in July 2013, and the cost of the project remains within budget and plan contingencies.

With regard to the outlook for the next quarters, the previously-mentioned price increase associated with the current OCC prices allow for a certain amount of optimism in the coming quarters.

Finally, as I mentioned in the last conference call, we are continuing to put tremendous effort to bring productivity of our containerboard manufacturing operations in line with historical level, which would also improve our results.

In September we took three days of downtime in our [Cabanol] and Niagara Falls mills to fix this issue. So far, since then, the output has been similar to levels recorded during the third quarter, but gradually improving to meet or exceed our expected output since last winter.

I thank you for your attention. I will ask Mario to give you the overview of the boxboard in Europe.

Mario Plourde - ***Cascades Inc. - COO***

Thank you, Marc-Andre. Before I start, let me remind you that Reno De Medici released its third-quarter results last week, and they are publicly available.

Looking at the performance of our European operations, you can see that shipments were 9% lower than Q2. This was mainly due to normal downtown in August and reduced shipments and export markets. Demand for both coated, virgin and recycled boxboard grade improved slightly during the quarter. However, additional capacity added to the virgin boxboard market softness. The recycled boxboard market was slightly more positive with closure of some capacity contributing to the balance of the market.

Despite the market environment, our average selling price remains stable thanks to a favorable mix both from a product and geographical perspective. In Canadian dollar terms, however, prices were 4% lower than in the previous quarter due to unfavorable exchange rates.

These factors explain why sales were 13% lower during the quarter at CAD181 million. Likewise, the EBITDA of our boxboard Europe sector decreased to reach CAD7 [billion] for the third quarter, 36% less than Q2.

Despite the positive impact of our lower raw material costs, higher energy costs in Italy and lower volume contributed to lower EBITDA significantly. Important maintenance expenditures were also incurred during the quarter. Our boxboard operation in Europe made important equipment upgrades during the downtime period, specifically at the La Rochette and the (technical difficulty) mills. We are glad to report that the new equipment is almost reducing at capacity, already in line with the expected cost savings.

Looking ahead, our order backlog at the end of the quarter was better than in 2011 and stable compared to the previous quarter. The current economic environment makes it hard to predict short-term demand. We do not expect significant change in selling prices and import costs. However, both pulp and recovered paper price could edge up a bit.

Thank you, and I will now ask Luc from Europe to follow up with the overview of the performance of our Specialty Product Group. Luc?

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

Thank you, Mario. Good morning. Sales for the Specialty Products Group decreased by 6% during the third quarter from CAD209 million to CAD197 million. Globally, we experienced a slight reduction in our volumes during this last quarter. Lower volume in our recovery sector more than offset the increased tonnage in our Specialty Paper segment. Volumes were almost flat in our consumers and industrial packaging business activities.

The single most important factor affecting our top line during the quarter with the decrease in waste material prices in our recovery sector. In fact, no other significant variation in pricing occurred during this quarter. We completed our quarter with a stable EBITDA at CAD15 million, similar to what we earned during the previous quarter, but 15% higher than in Q3 2011.

It is important to mention that the unfavorable exchange rate negatively impacted our profitability by CAD2.5 million in this period. Thanks to reduce fixed costs and SG&A management, we offset that shortfall.

Looking more specifically at our four subsegments, the industrial packaging delivered stable results. In August, our industrial packaging unit in South Sea, France completed the installation of their new extruding coating line. We should see the benefit of this investment in the coming quarter.

Our consumer packaging sector's EBITDA continued to improve and delivered an additional CAD1 million compared to the previous quarter. This sector benefited mostly from improved spread and reduced fixed costs.

As for our specialty paper sector, it increased its profitability by another CAD1 million since the last quarter, slightly improved volumes and cost management at the mills contributed to higher profitability. A fairly stable operating pace allows our teams to focus on product development, exploration of new sales and opportunities.

In our recovery and recycling division, we recorded a CAD2 million sequential decrease of our EBITDA. The price decrease in OCC used and mixed fibers that took place during the quarter negatively impacted our spread. The situation was aggravated by slightly lower volumes during these three months.

Looking forward to the next quarter, we are carefully monitoring the volumes in our Specialty Paper business, more specifically, our craft paper operations. We remain cautiously optimistic about the softening demand normally observed in the month of December. Seasonality in and around to the last quarter should also impact our consumers packaging activity.

Finally, the recovery division is expected to continue to suffer from soft wastepaper market conditions.

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

QUESTION AND ANSWER

Operator

(Operator Instructions). (spoken in French) Joe Stivaletti, Goldman Sachs.

Joe Stivaletti - ***Goldman Sachs - Analyst***

I just was wondering if -- I just wanted to ask a little bit about some trends here in the fourth quarter in a couple of your segments.

Starting with Specialty, obviously, there were a lot of ups and downs in 2011, and you've had much better EBITDA performance this year, but I'm looking back at a very soft fourth quarter of 2011. I just wondered if you could give us a little bit of color about what trends you're seeing in the fourth quarter and what seasonality is normal? Obviously, last year you had a very soft fourth quarter, but I know there were other things probably from seasonality.

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

Yes, this is Luc. I can answer. Obviously, the recovery division I think Mario mentioned already is going to be impacted by the fiber price, and Mario, at the beginning of the presentation, already shared with you what we expected for year end.

Consumers adds some seasonality, and normally the fourth quarter is our most quiet one. This is not a significant -- doesn't have a significant impact, though, on the total EBITDA of SPG, Specialty Product Group.

This specialty paper, as I mentioned at the conclusion of my presentation, is one, especially on the craft paper business, is one that we are going to look at more carefully, but it is not possible for me to tell you what is going to be the conclusion. Mostly the month of December is the month to look at carefully.

Joe Stivaletti - ***Goldman Sachs - Analyst***

Okay. And then on the boxboard side, I was trying to get a little bit of a feel for -- you're doing much better in the first half of the year, and the third quarter was a bit soft. I was just trying to get a feel for how -- if some of those negatives in the third quarter have subsided. Do you think you can get more back up to levels you saw in the first half of the year in Q4, or maybe you could just expand on that a little?

Mario Plourde - ***Cascades Inc. - COO***

Joe, I guess you're talking about boxboard Europe?

Joe Stivaletti - ***Goldman Sachs - Analyst***

Yes, sorry.

Mario Plourde - ***Cascades Inc. - COO***

Obviously, the third quarter for us is always a slower quarter because most of the downtime is taken in that period. August we normally shut down an operation to make a major CapEx switch at the end of this year. What we do expect for the fourth quarter is obviously a pickup probably similar to what we saw in the second quarter, and backlog seems to be stable at the moment on the recycled side. Virgin is a little soft, but we are still good to operate until year end. So we expect third quarter to be quite similar to what we saw in the second quarter.

Joe Stivaletti - ***Goldman Sachs - Analyst***

Okay. That's helpful. And then finally, on the containerboard side, what would be reasonable for us to assume in terms of your -- the portion of the price increase that would be flowing into the fourth quarter? I know you talked about expecting a more full realization in the first quarter of next year, just wondering if you can give us some guidance on how much of an impact the flowing in of the initial part of the price increase would have on Q4?

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

No, I don't think we want to forecast how much profit we are going to make related to the price increase, but I can tell you that the price increase on containerboard is in place as we speak. And we're working now on the final implementation of the box increase related to contracts, which has formula related to sometime quarterly improvements before we can have the price increase in. But it is firmly in place.

So following this, that's where we are saying that Q1 next year we should have the full benefit of the increase of both containerboard and corrugated product.

Joe Stivaletti - ***Goldman Sachs - Analyst***

All right. Thank you.

Operator

Bill Hoffmann, RBC Capital Markets.

Bill Hoffmann - ***RBC Capital Markets - Analyst***

I just want to follow up on the containerboard sector a little bit. You mentioned some of the operating problems that you had had in Q3. I want to get a sense of -- it sounded like you're past that, but had the intention of making some investments going forward. I just want to get a sense of what the investments are and also where your integration levels are at this point in time.

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

Yes, we don't believe that to come back to the profitability and the performance that we certainly have, it needs a lot of capital expenditure. We have a plan of action which is putting a lot of focus on reliability and on doing the things that we used to be doing right. So that's what we've been doing.

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Our performance is not acceptable, so we have people working on it full-time. And following some of the shutdown that we had in two of our major mills, we feel that it's going better, but it's not at the level that we wanted to be.

We have never seen such a long stretch of bad productivity in our paper mills, so we are trying to focus on finding out what the problems are and we do have the answer. So that's where we are putting -- spending time now on settling those issues, and we feel that we're doing great progress, but it's not where we want. We still want it to be. So that is what we are going to do in this quarter to hopefully start the next year with a better performance of this division.

Bill Hoffmann *- RBC Capital Markets - Analyst*

Will that restrict your availability of capacity this quarter?

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

In Q4 so far October looks like the beginning was a little tougher, mainly probably like the third quarter. But we hope that November and December will be better. Again, December is going to be left to be seen, but based on what we see on our backlog now, there's no intention to be -- there is nothing that tells us that December is going to be a slow month based on the backlog that we have now.

So if I had to say something now, and December looks better than usually, but it's left to be seen in November and December.

Bill Hoffmann *- RBC Capital Markets - Analyst*

Thanks. And then when Greenpac comes up mid next year, how much of the paper do you expect to put into your own converting operations, and what's the status of that at this point?

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

Like we mentioned before, 85% of the tonnage at full capacity, 85% of the over 0.5 million tons we are going to be producing at full capacity will have take or pay contract with partners and with us. And so we have no intention not to respect those 85%, and the rest need to be sold on the open market, as you know.

Those mills don't start off with the full capacity, day one. So the ramp up is going to be over the first 12 months. And again, we have no intention of not meeting supply and demand. So we're going to be producing what is needed to supply our partner box plant in our own box plant.

Bill Hoffmann *- RBC Capital Markets - Analyst*

Okay. Thank you. And if I could switch just quickly to tissue for a second, Suzanne, I wonder if you could just talk about your thoughts about the additional capacity we see coming into the tissue markets within the next year or so impact on pricing in your markets? Thank you.

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

Yes, the tissue, the additional capacity will arrive more at the end of the year, December, beginning of the first six months in 2013, and as new paper machines, there is always a ramp-up. And it's not like paying all at the same day production capacity.

We believe there will be some pressure on pricing, but these products will be more for the IM products like the tabs, the tall tabs, and I would say for the regular, the conventional products, which I think should remain stable in terms of demand. And we don't know, maybe there will be some closure of paper machines in the market. But at the moment, it could put pressure on pricing, but so far we don't see any indication of that.

Bill Hoffmann *- RBC Capital Markets - Analyst*

Is it your thought that as these new tab machines come on, that they pushed the old machines, the capacity and this old machines into more of the Away-from-Home crossover to private label markets?

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

It could, but you need to be in the Away-from-Home. Those who are not in it, they cannot say, well, we push the production from their retail to Away-from-Home. It is taking a medium market and sales force. It's not automatic.

Bill Hoffmann *- RBC Capital Markets - Analyst*

Okay. Thank you.

Operator

Sean Steuart, TD Securities.

Sean Steuart *- TD Securities - Analyst*

Mario, wondering if you can just give a little more context on Europe. The sequential volume decline you saw in the third quarter, can you break out how much of that you would attribute to the normal seasonal decline Q3 versus Q2 and how much would relate to just general volume pressure related to the economic backdrop in Europe?

Mario Plourde *- Cascades Inc. - COO*

I'd say about 50% of the decline was attributed to the economic environment in Europe.

Sean Steuart *- TD Securities - Analyst*

Okay. And then you touched on maintenance costs in Europe this quarter as well. Can you quantify that number?

Mario Plourde *- Cascades Inc. - COO*

I don't have that number in hand, but it was major because we were to shut down two plants for three weeks. It was an important investment in the shoot press in La Rochette, and we invested in the current quarter in Lachute, which also took three weeks. So I know it's around the CAD7 million to CAD8 million, but it is --

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

Of investments.

Mario Plourde *- Cascades Inc. - COO*

-- of investments. So it's a significant investment. But the good part of it is the ramp-up of this new equipment is going as planned, and the efficiency and benefit from it is also as planned.

Sean Steuart *- TD Securities - Analyst*

So the CAD7 million to CAD8 million was capital invested, and the EBITDA impact was just related to the three weeks shut at each plant?

Mario Plourde - ***Cascades Inc. - COO***

Exactly.

Sean Steuart - ***TD Securities - Analyst***

Okay. And then Marc-Andre, you touched on some of the productivity problems in North America on the containerboard side, and you said you've identified a fix. Can you just go into a bit more context of what has been the issue at those two facilities and what fixes you do have in place in terms of specifics?

Marc-Andre Depin - ***Cascades Inc. - President & CEO, Norampac***

I mean it is all related to reliability. When we have breakdowns, when we have and I can go technically a long exposure of this, but it's nothing major in one big breakdown, which caused the mill to go down two weeks. It's all small things -- mechanical, electrics, electrical and nothing that we can -- that's why it took us a long time to fix it. But it's all mills apart from I think there are two or three mills that are producing well out of seven. So more than half of it are not bringing the performance on runability that we wanted to be.

So it's a mixup, so it's hard to fix. But we have a team that is spending time on reliability to make sure that we go back to basics and that we do the maintenance that we have to do. Sometime we cut fixed costs, and sometimes you have a problem with not spending any money.

So we are re-focusing all of our operations with the basics. And I think that it's going to be starting paying off, and it is taking a lot longer than I expected, but we're spending the majority of our time on trying to fix those problems.

Sean Steuart - ***TD Securities - Analyst***

Is it fair to say that some of this is related to Company-wide you haven't spent as much on CapEx as a percentage of sales or depreciation than some of your competitors might have? There's obviously going to be some catchup in CapEx next year as a part of the productivity problem just related to some of these assets being starved for capital over the last little while?

Marc-Andre Depin - ***Cascades Inc. - President & CEO, Norampac***

Yes, I think there's a portion of it -- I agree with you -- that's maybe we did, like I mentioned, is on the fixed costs. But we need to go back to basics on a few things and try to make sure that our operator and our people do the right thing. So there's a mixture of what you said, but the majority is more doing the things that we should be doing properly the first time.

Sean Steuart - ***TD Securities - Analyst***

Okay. That's all I had. Thanks.

Operator

Paul Quinn, RBC.

Paul Quinn - ***RBC Capital Markets - Analyst***

Just a couple of questions on the tissue side. You mentioned some CapEx that's going to be spent on some converting lines. If you could just detail what you're doing there.

And then just if you could expound on the -- I guess there are two theories there on the additional capacity coming into the market. One is that because it's at the high end or the TAD facilities that that is where the pressure is going to occur. The other theory is that as the whole market gets better quality of a tissue, it's going to push down and really impact the bottom- or mid-grade levels. So maybe if you could go into some detail on that.

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

The CapEx, the container line, it is mainly to upgrade to floating two lines for the new one and all the new packaging, and the ready to stack pallets also to respond to consumer needs. And we want to do it in the state, mainly in the retail and the Away-from-Home.

And in terms of the capacity, additional capacity, I think there are all kinds of theories. We will see it when it will happen. If some of our competitors are closing paper machines in August, paper machines then we will release the market like in 2012, there is a couple of companies that have shut down plants that helped to really keep the market, I would say, disciplined, and that's what we have seen in the tissue.

Time will -- I don't have a crystal ball, and I think all the theories could be looked at.

Paul Quinn - ***RBC Capital Markets - Analyst***

Okay. Thanks. It will be exciting to watch.

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

Yes.

Operator

(Operator Instructions). (spoken in French) Amy Levine, Shenkman Capital.

Amy Levine - ***Shenkman Capital Management - Analyst***

On the containerboard side with the outages and the purchase of outside board, could you highlight how much that extra cost was for you in the quarter?

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

No, we don't want to track this. I think it's a mixture of related to purchase and also related to exchange and swap that has been higher than the previous quarter. But we would rather not mention those details.

Amy Levine - ***Shenkman Capital Management - Analyst***

Okay. And do you think that will go down in the fourth quarter? It sounds like some of the issues are dragging into the fourth quarter, but getting better, though it should be lower.

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

Yes. Our box plants are really, really busy. So we've got a mixture of middle of needing more of paper in our box plans for the third quarter, plus the lack of productivity in our containerboard.

So we believe that with the fourth quarter coming in, our mills are producing, as you know, 30 days a month, and our box plans going into the slower season we feel we are going to be able to catch up, which will require less open damaged purchase. So it should decrease in the fourth quarter.

Amy Levine - ***Shenkman Capital Management - Analyst***

And then on the currency side, the negative variance year over year on slide 12 was larger than I would have thought. Is there some hedging in there that is hurting you more than we would think just based on the spot rate?

Mario Plourde - ***Cascades Inc. - COO***

No, no, because you have to refer to the Q3 of last year where we recorded significant effective gains on working capital and on the cash we received from the Dopaco transaction. So that's all related to last year's gains that were recorded in Q3.

Amy Levine - ***Shenkman Capital Management - Analyst***

Okay. All right. Thank you.

Operator

Benoit Laprade, Scotiabank.

Benoit Laprade - ***Scotiabank - Analyst***

Just curious if you could remind us of the timetable and options available to Cascades with respect to the European operations?

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

In terms of the ownership?

Benoit Laprade - ***Scotiabank - Analyst***

Yes.

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

Well, there was the put call option that is in place, but it will be very difficult to get these executed because of the situation in Europe and the conditions, financial conditions then. So the first put call option we don't believe will be executed.

There's a second one that we have with one of the shareholders that is disclosed in our MD&A, and this we expect to be executed next year, in 2013.

So we should maybe we can expect to have -- we are at 48% right now, so there is a 9% option with one of the shareholders. So we could be at 57% mid next year. That is about it.

Benoit Laprade - ***Scotiabank - Analyst***

And are there any other options after that?

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

No. All the other options are disclosed in the MD&A. You have all the detail in there.

Benoit Laprade - ***Scotiabank - Analyst***

Thank you.

Operator

Bill Hoffmann, RBC Capital Markets.

Bill Hoffmann - ***RBC Capital Markets - Analyst***

Just a follow-up with regards to some of these projects. Can you give us some guidance on capital spending for next year?

Alain Lemaire - ***Cascades Inc. - President & CEO***

We are in the budget process at the moment, but like we always said, we'll adjust our CapEx with our results, and you can expect about the same level of CapEx next year than this year. If we are doing better, maybe it would be higher, but for the moment, that is our target, and we'll see what will be the confidence in the future budgets and future results for next year. And also we'll address the more important one and more urgent one to be more competitive maybe on the tissue side and some other gains on efficiency on the other side in containerboard mainly. That will be our target in CapEx next year.

Bill Hoffmann - ***RBC Capital Markets - Analyst***

All right. Thank you.

Operator

(Operator Instructions). (spoken in French) There are no further questions at this time. Gentlemen, back to you.

Alain Lemaire - ***Cascades Inc. - President & CEO***

Thank you, everyone. To conclude, we remain confident as we approach the end of the year. We expect shipments to improve as we benefit from a more favorable seasonal impact in Europe and, most importantly, as we expect to resolve some of our operational issues. The environment for waste paper costs should not change significantly in the fourth quarter, and the price increase in the containerboard market will also start to be felt.

Finally, you can see that during the third quarter our cash flow from operations increased slightly, but most importantly, our prudent cash management allowed us to modestly decrease debt while pursuing our investment program. We will continue to act cautiously as we move with the continuation of our strategic action plan.

Thank you, everyone, for your support, and we will continue to do our best for the rest of the year. Have a good Christmastime.

Operator

Ladies and gentlemen, this concludes today's conference call. You may now disconnect. (spoken in French)