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PRESENTATION

Operator

(Spoken in French).

Riko Gaudreault - *Cascades - Director, IR*

Thank you, operator, and good morning, everyone. My name is Riko Gaudreault, Cascades Director of Investor Relations, and I welcome you to our conference call for the first quarter of 2012.

Our management team is joining me today and you will hear from them in the following order. Alain Lemaire, President and Chief Executive Officer will speak first and he will be followed by Mario Plourde, Chief Operating Officer; Allan Hogg, Vice President and CFO; Suzanne Blanchet, President and CEO of the Cascades Tissue Group; Marc-Andre Depin, President and CEO of Norampac; Christian Dube, Chairman of Reno De Medici and Vice President Corporate Development; and Luc Langevin, President and COO of Cascades Specialty Products Group.

Following the question period, Mr. Lemaire will be back for the conclusion.

During this call we will discuss historical and forward-looking matters. When we talk about the future, there are risk factors that can materially affect our actual results and these factors are listed in our registration statement.

The statements, our press release and a copy of today's presentation are posted on our website at cascades.com. Please note that these documents include certain non-IFRS measures. If you wish to receive a copy of either of them, please call us at 514-282-2600.

I would like to remind the media and internet users that they are on a call listen mode only. If you can any questions, please feel free to call us after the session. Mr. Lemaire, please start now.

Alain Lemaire - *Cascades - President & CEO*

Thank you, Riko. Good morning, everyone. We are pleased to announce today our first quarter 2012 results, which are a significant improvement over both the previous quarter and the same period last year.

Our first quarter did reach CAD72 million excluding specific items. This was almost twice the amount we achieved over the same period last year. Our net results were back in positive territory, which net earnings of CAD0.04, it's not big but it's good. Per share excluding specific items; in a context we are where all our segments improved their EBITDA contribution, you might be surprised to hear me say that these results did not meet all our expectations. This is because the level of productivity of our containerboard manufacturing operation did not allow us to use the planned output.

We are currently working very hard at everything, those specific issues, and important progress is being made. This is not the first time we have operational issues. We successfully faced these challenges before and will do it again this time.

Continuing on our segment results, our Tissue business is performing very well -- thank you, Suzanne -- representing 42% of EBITDA during the past quarter. Our Specialty Group show improved results over the last quarter.

Our European Boxboard operation also added despite the difficult market environment that prevailed in that region of the world.

As we continue to face the challenging business environment, we are focusing on those items and factors we can control. In addition, we have been very active in the past three months with the implementation of our action plan. I will let Mario Plourde tell you more about it. Mario?

Mario Plourde - *Cascades - COO*

Thank you, Alain. Good morning, everyone. Before I highlight the strategy action we took during this quarter, I would like to take a few seconds to discuss the input costs.

Since the end of 2011, the decrease in recycle fiber costs has been beneficial to Cascades. They started to increase again in the first quarter but have slightly pulled back just recently due to the weaker demand from overseas and ample supply.

We want to point out that OCC prices are now only CAD20 lower than SOP, which is highly unusual. When you look at the way OCC and SOP prices have been behaved historically, we feel that OCC pricing should trade at lower price. Hopefully the market environment will be more adequately reflecting in recycle fiber price during the second quarter.

In that sense the recent acquisition of OBM by [RISI] in our opinion is a positive and should help to reflect more adequately market pricing. Since the end of 2011 we have continued to face rising costs for other important input, which oil price gaining 9% and some chemical products showing double-digit increase.

The Canadian dollar continued to be strong and it affects the translation of our earnings from Europe during this quarter.

Now updating you on our action plans, we pursue our strategic initiatives throughout the Company during the first quarter. In Norampac we continue to expend our geographical presence in Ontario and increase our competitiveness in with an improved produce offering.

Marc-Andre will provide you details of that action taken. In Q2 we also announced the closure of our Enviropac honeycomb packaging facility in Toronto, the closure of our Trenton containerboard facility.

Other initiatives, which have been highlighted in previous calls including deployment of our ERP system and the construction of our Greenpac project, both are progressing as planned with rigorous tracking, budget and time line.



Finally, we have invested CAD43 million capital project during the first quarter, including 2011 carryover. We have not authorized additional projects and given the current economic situation, our CAD150 million budget envelope still stands at this time.

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

Allan Hogg - *Cascades - VP & CFO*

Thank you, Mario, and good morning. The increase in our sales compared to Q1, 2011 is mainly attributable to the full consolidation of Reno De Medici since the second quarter of last year.

Sequentially our sales decreased by 2.5%, mostly due to the unfavorable exchange rate of the US dollar and the Euro. As Alain mentioned, EBITDA for this quarter is almost double what it was last year due again to the full consolidation of Reno, the decrease in raw material costs, increased prices in tissue and a favorable product mix in our containerboard business.

Compared to the last quarter of 2011, our EBITDA increased 40%. As expected, the decrease in our raw material costs was the main reason for this improvement. Selling price impact was negative due to a less favorable product mix and the reduction of parental prices in the tissue business.

As discussed earlier, volume contribution from our containerboard group was negative compared to the fourth quarter.

Slide 14 and 15 illustrate the impact of specific items that affected our results during the period. Specific items included gains on financial instruments and on our long-term debt denominated in US dollars. We also recorded a provision for litigation in relation with our Dopaco operation sold last year.

On page 16 cash flow from operations including interest and current tax payments came in at CAD48 million allowing us to pursue our capital program. Free cash flow was slightly negative for the first quarter.

In terms of KPIs, when excluding the impact of closures and divestitures and the full consolidation of rental, shipments were down 4% in comparison to last year. On a sequential basis, shipments were up 3%.

Working capital was higher during the quarter due to the increase in inventory for the forth coming summer season and the decrease in accounts payable in Europe.

In terms of net debt, it increased 2.6% over last year to just over CAD1.5 billion. This increase of CAD39 million is mainly attributed to the cash required by our working capital and our CapEx program. Of this debt, CAD173 million is non-recourse to us.

Regarding our cash availability and taking into account our letters of credit, we had approximately CAD375 million available at the end of the quarter. As well, the maturities of our debt are well spread out and we are in compliance with our bank covenants.

In terms of ratio, our debt to capitalization ratio rose to 60%. As for our net debt to EBITDA it decreased slightly to 5.6 times when including the paper source LTM numbers.

I thank you for your attention and I will ask Suzanne to discuss the tissue paper results. Suzanne?

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

Thank you, Allan. Good morning, everyone. Looking at our first quarter results, business conditions were favorable as fiber costs declined and selling prices remained stable after price hikes were successfully implemented in all segments.



For the period, our sales decreased by 1.9% versus the fourth quarter to reach CAD229 million. The Papersource acquisition combined with volume growth in our away-from-Home and parent role businesses positively impacted our revenue in the first quarter. However, this was offset by lower volume in the consumer business, a strong (inaudible) Canadian dollars and lower average selling prices due to a less favorable product mix and a lower integration rate.

The sequential improvement in volume we experienced was mainly driven by business acquisitions and increased parental role production due to improvement efficiency. On the contracted product production front Away-from-Home volumes grew sequentially.

On the consumer business side we have seen a decrease in shipments in the first quarter due to the usual seasonality slowdown. Both the Away-from-Home and the Consumer Product division continued to benefit from prices increases implemented in 2011. For parent role, price declined in February by USD25 per (inaudible).

In terms of profitability, our EBITDA increased to CAD33 million, a 17% improvement over the fourth quarter. Our margin was also better and reached 14% of sales. The continued decrease in fiber costs resulted in improved spreads and the reduction of our overall production cost plus (inaudible) at some of our [letter] performing units contributed positively to our improvement in EBITDA margin.

Finally, business acquisitions and increased shipments have positively contributed to the EBITDA improvement.

To conclude, entering into the second quarter we expect market conditions to remain favorable given several recycle prices, stable selling price in all segments and more robust Away-from-Home and customer product demands. In this context we are confident that we will maintain a good profitability level in the coming quarter.

Thank you and I will now pass the conference to Marc-Andre to present the Containerboard results. Marc-Andre?

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

Good morning, everyone. Thank you, Suzanne. Turning now to the results of our Containerboard operations, on page 23 you can see that our shipments went down by 20,000 tons compared to the previous period at (inaudible) tons. The external sales of paper of our manufacturing sector went down 17% compared to the fourth quarter of 2012 representing a reduction of 23,000 tons.

Out of that reduction, 5,000 tons are related to the closure of our Burnaby Mill in November. The loss of an important client in our boxboard business has also forced us to take 22 days of downtime representing a loss of production of 8,000 tons.

Finally, the shortfall of shipments in our manufacturing sector can also be attributed to mechanical issues in the manufacturing sector, which have negatively affected our efficiency rates and have resulted in a lack of production of 21,000 tons.

Despite these volume reductions, the closure of Burnaby Mill resulted in a removal of 32,000 ton of quarterly capacity, which help us in keeping the capacity position rate at 88% compared to 87% in the previous quarter.

In our converting segment we have experienced an increase in shipment of 2.2%. While shipment of our corrugated product subsegment are stable and in line with the overall North American industry, our boxboard converting operations increased their shipments by 19%. All those volume variances in our subsector had a significant impact on our product mix.

When you look at the information provided on containerboard in the year-over-year EBITDA waterfall presented on page 13 of the presentation, raw material price and selling price were respectively positively impacted by CAD4 million and CAD6 million related to product mix variation.

On the opposite variable costs were negatively impacted by CAD6 million. Overall the EBITDA of our Containerboard segment increased by CAD2 million to reach CAD21 million compared to the previous quarter, representing a return of 7% on sales.

Compared to the first quarter of 2011, we also have improved EBITDA by CAD2 million. In addition to the product mix impact previously mentioned, profitability was also improved by CAD6 million, consequence of lower raw material price and lower fixed costs. Unfortunately, these gains were more than offset by an average selling price decline of CAD4 million due to a different product mix within the corrugated product subsegment and CAD4 million related to volume reduction as explained earlier.

On April 12th we have announced the closure of our Trenton Mill operation no later than June 1st, 2012 following the rejection of the final offer made to the employees regarding the new collective agreement. Consequently our upcoming result will be affected by the closing cost of this mill.

On the strategic front we continued to be proactive to improve profitability, as we did in the last two years. On April 2nd we have announced the acquisition of Bird Packaging Limited, chief plant located in Guelph, Ontario, Kitchener and Windsor, Ontario. This acquisition will allow us to broaden our market reach in Ontario by integrating plants that benefit from an excellent reputation amongst our customers.

Also, on April 25th we have announced the consolidation of our corrugated product activities in Ontario resulting in investment of CAD30 million to modernize our Vaughan, Etobicoke, Saint Mary's and Beileville Ontario plants and the closure of our North York, Peterborough and our OCD plant in Mississauga Ontario.

These actions will improve our cost structure and our operational efficiencies. We are expecting to benefit from these actions starting in the fourth quarter of 2012.

To conclude, with regard to the outlook for the next quarter, as mentioned on the last conference call, the usual pickup and demand and current price of OCC allow for a certain amount of optimism. We continue to remain cautious given the continuing volatility in the price of raw materials. Also, we are putting tremendous effort to bring back our operations to produce in line with usual standards, which will improve our results.

I thank you for your attention. I will now ask Christian Dube to give you an overview of our Boxboard operation in Europe. Christian?

Christian Dube - Cascades - Chairman of Reno De Medici

Thank you, Marc-Andre. So for information let me just remind you that we have published the result of Reno De Medici for the first quarter last week in Europe.

In the first quarter of this year the situation in Europe and the market remained stable for recycled grades and also for our virgin grades in Cascades, where lower prices were compensated by good volume. In fact, the important destocking by customers at the end of 2011 seems to be over in Q1 and shipments from our European operation were 10% higher in the first quarter compared to Q4 last year.

Our average selling price was 3% lower. This decrease was caused by a different mix due to the higher shipment overseas to compensate for lower local tonnage. Despite this foreign exchange translation that we discussed before, the EBITDA of our operation increased by 30% to reach CAD13 million for the first quarter of 2012 compared to 10 in Q4 of last year. Again, these numbers reflect the combined impact of Reno and the Cascades Mills.

Looking ahead for the next few quarters, the current economic environment makes it hard to predict a recovery in demand, given the political but also financial uncertainty that prevail in Europe.

We should not also underestimate the negative impact of higher gas price on our results, particularly for our mills in Italy.

On the pricing front, major producer, including Reno De Medici, have announced a recycle board increase of EUR50 applicable for mid May. The price of our recycled fiber is still high, even if a shortage of shipping containers in Europe resulted in more abundant supply of recovered paper in certain countries.

As a result, recovered paper price in Italy, for instance, has started to slightly pull back in April. This doesn't change our forecast on spread that could be wider in 2012.

I will now turn to Luc to follow up on an overview of the Specialty Product groups. Luc?

Luc Langevin - *Cascades - President & COO, Specialty Products*

Thank you, Christian. Good morning, everyone. Sales for the Specialty Product Group decreased slightly from CAD206 million to CAD202 million. Globally the volume went up with gains in our industrial packaging in specialty paper sectors. These gains were partly offset by lower volumes in our recovery and consumer packaging sectors.

Sales were also negatively impacted by lower prices in our de-inked pulp business and an unfavorable product mix in our craft paper sector.

Our profitability improved significantly from the previous quarter. We recorded an EBITDA of CAD11 million compared with CAD2 million in the fourth quarter of 2011. All four sectors improved sequentially thanks to higher value, better spreads and improved operation efficiencies. Still unfavorable foreign exchange variation had a negative impact of above CAD1 million.

If we look more closely at our four segments, the profitability of our industrial packaging sector increased by CAD1 million in the quarter. Higher volume and better spreads in our uncoated board business contributed in large part to this improvement. Our recent acquisition in [Aurora], Illinois also performed above expectations.

Our consumer packaging sectors EBITDA improved as well by CAD1 million from last quarter. Both our molded pulp and plastic operations benefited from higher spread, improved operational efficiencies and reduced SG&A expenses. Recently won business in the [Carastar] business has not yet impacted our results.

Our Specialty Paper sectors observed the largest improvement with an increase of CAD6 million in EBITDA. The lower waste paper prices continue to have a positive impact on the profitability of our de-inking operations, while more importantly we benefited from higher volume in our craft paper and fine paper mills, better operation efficiencies in general and reduced maintenance cost.

Finally, the results of our recovery in recycling division remained stable. The lower seasonal volume offset most of the gain achieved in operation efficiencies and fixed cost control.

Looking forward to the next quarter, we are closely monitoring the volumes in our specialty paper sectors, as the softening demand will have a negative influence on our profitability. Our other sectors should benefit from a more favorable seasonality.

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). Your first question comes from the line of Pierre Lacroix with Desjardins Capital.

Pierre Lacroix - *Desjardins Securities - Analyst*

My first question is on the tissue side, Suzanne. Can you tell me if the parental exposure has changed with the recent transaction you had in the sector, notably paper source? And can you tell me what is the exposure right now and along the quarter.



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

It has remained the same. It has improved our integration and to where 50% with the company before and now we are at 74% integration in the parent role.

Pierre Lacroix - *Desjardins Securities - Analyst*

And in terms of total tonnage, do you have the number on the top of your head?

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

No we could provide it later.

Pierre Lacroix - *Desjardins Securities - Analyst*

Okay so you're seeing price going -- being under pressure on this side. You mentioned 25 down in April or in February, sorry?

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

Yes and it was more related with the raw material seeing decreasing. We had to adjust a little bit but at the moment price remains good.

Pierre Lacroix - *Desjardins Securities - Analyst*

Okay and in other segment of the tissue business do you see any kind of price movements in any of the products?

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

Remains very similar and the demand for the product are good and the Away-from-Home and the retail as well and we don't see movement and we don't see pressure on the pricing front.

Pierre Lacroix - *Desjardins Securities - Analyst*

So stable prices going forward with easing or continued favorable cost there?

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

Exactly.

Pierre Lacroix - *Desjardins Securities - Analyst*

Okay. Question also on the maybe for Allan, where is the North American boxboard now? It's obviously there's not a lot of operations remaining but still where do you record that now.



Allan Hogg - *Cascades - VP & CFO*

Maybe I forgot to mention it but we -- I think we've mentioned it on the last call, North American boxboard is now included in the container board sector and Marc-Andre has given some information about the market conditions and the performance but in terms of results, as you saw, you have seen in the last quarter, it's very minimal right now with two mills and four box plants so it's all included in Containerboard right now.

Pierre Lacroix - *Desjardins Securities - Analyst*

Okay thanks. Sorry for the -- and one last question maybe for Marc-Andre, in terms of market conditions on the containerboard side, how do you see that evolving in the next let's say six to 12 months on the containerboard? Any chance to see good conditions enough to have better pricing?

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

I don't want to comment on future price increase but I think that the operating rate of the industry in North America is pretty good. Our backlog remains solid but I've never commented on future price increases and I don't think I should now. But everything is balanced as we speak now going into the busy season, which is Q2 and Q3.

Pierre Lacroix - *Desjardins Securities - Analyst*

Okay thanks. And one final one for Mario; you said, Mario, if I am right CAD150 million is the CapEx budget.

Mario Plourde - *Cascades - COO*

For the first phase for this year and we'll monitor the result of the Q2 and Q3 and depending of the results, we might free up more CapEx but at this time we remain at CAD15 million and below.

Pierre Lacroix - *Desjardins Securities - Analyst*

Okay and you know, assuming that you are freeing up a little bit more money, where do you intend to spend it?

Mario Plourde - *Cascades - COO*

At the best project.

Pierre Lacroix - *Desjardins Securities - Analyst*

The best project, okay.

Mario Plourde - *Cascades - COO*

Best return.

Pierre Lacroix - *Desjardins Securities - Analyst*

Okay that's good, thank you.



Mario Plourde - *Cascades - COO*

But for your knowledge there for the first quarter I think what was the number on CapEx?

Allan Hogg - *Cascades - VP & CFO*

CAD43 million.

Mario Plourde - *Cascades - COO*

So 43 so include a carryover of 2011 was the one that we start at the beginning of the year but we are right at the place that we want to be.

Pierre Lacroix - *Desjardins Securities - Analyst*

Okay thank you.

Operator

Paul Quinn, RBC Capital Markets.

Paul Quinn - *RBC Capital Markets - Analyst*

Just a question on outlook for raw material cost, obviously they came down in the fall, sort of bounced back a little bit. What's your expectation for the balance of the year?

Allan Hogg - *Cascades - VP & CFO*

Right now, Paul, we see the market being very quiet domestically and overseas the same thing. We don't see too much activity in China so our projection for Q2 is stable so we don't see any price movement going forward into the summer.

Paul Quinn - *RBC Capital Markets - Analyst*

And balance of the year?

Allan Hogg - *Cascades - VP & CFO*

It depends. If China comes back in the market, China is now becoming to be a very important factor. If China comes back and decides to pull on our market obviously we should see an upper trend but everything we hear from China right now it's very quiet there, so our expectation if we have to project Q3 should remain also very quiet.

Paul Quinn - *RBC Capital Markets - Analyst*

What do you think about raw material prices long term if we go out three to five years? Do you expect them to stay at this level or come down to historic norms?



Allan Hogg - *Cascades - VP & CFO*

It's pretty tough to predict. It really depends on a lot of factors. Right now China is gearing up to recycle more internally. They don't want to pay prices for the transporting of this material from North America and Europe, so we know there's a lot of movement in China right now so with all these variables in the air right now it's pretty tough to predict. We know it's a commodity people want. We know that all cities are recycling more so all with this balance at the end it's pretty tough to predict.

Paul Quinn - *RBC Capital Markets - Analyst*

All right thanks very much. Good luck.

Operator

Leon Aghazarian, National Bank Financial.

Leon Aghazarian - *National Bank Financial - Analyst*

Thanks for taking my questions. I just have two questions. First of all, what do you think is the sustainable level at tissue? Where do you see that really going this year and next year?

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

(inaudible) in terms of the demand EBITDA but just again in the third quarter are usually very good quarter. Then if the raw material we predict will remain the same, then we should see a similar result as the first quarter.

Leon Aghazarian - *National Bank Financial - Analyst*

Okay and then secondly, on page 28 in the outlook section you're mentioning that there's a higher demand volatility. Could you provide a bit more color on that? Is that particularly for Europe or North America, for a given segment?

Alain Lemaire - *Cascades - President & CEO*

Yes it's mainly attribute to European market. You know, the market in Europe right now, it's quite unstable with the later selections and it's pretty tough to predict so it's up and down there and that's why we see a much more volatility in Europe right now.

Leon Aghazarian - *National Bank Financial - Analyst*

Okay thank you.

Operator

Sean Steuart, TD Securities.



Sean Steuart - TD Securities - Analyst

Mario, just wondering if you could expand a little bit on your comments at the beginning of the call and following on Paul's question. You mentioned that you think OCC should be at a larger discount to SOP versus the CAD20 a ton now. Where do you think that spread should gravitate to long term?

Mario Plourde - Cascades - COO

Well, when we see CAD20 between the SOP and OCC it's something is wrong. The value of SOP right now is probably at the right position but OCC prices are way too high compared to what we see in the market. There's plenty of material in the market right now. The supply is good and demand is stable so, in my opinion, the price we see right now in the index is way too high. It should be probably CAD20 lower, if not more considering that we have plenty of supply to all our mills and there's the export has been very quiet. And we never saw prices so close between the two grades so, in my opinion, it's not reflected of the reality of the market.

Sean Steuart - TD Securities - Analyst

But you haven't seen anything to indicate that the spread's changing yet?

Mario Plourde - Cascades - COO

No not yet but I am not sure if you know that but is it just spot OBM?

Sean Steuart - TD Securities - Analyst

Yes.

Mario Plourde - Cascades - COO

OBM being the reference in the market but always we complain about OBMs pricing. OBM [RISI] right now is making an inquiry to all the different players in the industry and, in my opinion, in the short period of time the RISI index would probably reflect much more what's happening in the market. This is our goal is to reflect more what the spot price is in the market instead of having projection and guessing on those pricing.

Allan Hogg - Cascades - VP & CFO

It's Allan. What I have in my mind, it's not that because the SOP it's too low, it's the OCC that didn't drop proportionally like it happened in the past so something is wrong there.

Sean Steuart - TD Securities - Analyst

Okay understood. Thanks for the context.

Operator

(Operator Instructions). Pierre Lacroix, Desjardins Capital.



Pierre Lacroix - *Desjardins Securities - Analyst*

Just another one, on the presentation you're showing now that oil and chemicals going up in various input costs there. When I look at the page 13 on the cost variation from the fourth quarter though, there's no negative variation. It doesn't seem that it was reflected in this quarter, so is there anything to understand that it's going to flow into second or third quarter, the increase there? And maybe you can give a little bit more details or context of what is the breakdown or the proportion into your cost there.

Allan Hogg - *Cascades - VP & CFO*

Yes because on page 13 when you look at that it's all offset by more efficiency, more production and it's offset by (inaudible) compared to Q4 so but yes it might come in the second quarter a bit more cost but if we produce more we're going to offset these price increases.

Pierre Lacroix - *Desjardins Securities - Analyst*

Okay and, Allan, what is the general proportion of these costs into your overall costs at 10%, 15%? Some kind of ballpark figure would be helpful.

Allan Hogg - *Cascades - VP & CFO*

In that range you're right, 10% to 15% I believe chemical and -- it's okay.

Pierre Lacroix - *Desjardins Securities - Analyst*

Okay good. And one final question I think I asked that on the previous quarter maybe you had time to think about it but we've seen in the first quarter I think, we've seen some recycled paper buyers trying to strike a fixed price deal with their suppliers and I saw it once but have you come across the information and what do you think about that going forward?

Allan Hogg - *Cascades - VP & CFO*

Yes we did and we did that in the past, Paul, -- Pierre, excuse me -- but the recycle market being what it is, we did similar contract in the past but when the market gets tight then the supply gets tight at the same time and we have a tough time having our material so we've been there many years back and we did not continue because we did not get the material even if we had contracts.

So today what we're trying to commit is with large supplier, like the retailer that we know the volume is there steady and we're dealing with some companies. This is contract we're willing to sign for the long period of time. On the recycle market side it's different. It's tougher to have, honors our contracts.

Alain Lemaire - *Cascades - President & CEO*

So maybe demand side can change but with those [frustrations] that we are passing through and maybe some time to people are looking for longer term than short term so it can be positive.

Pierre Lacroix - *Desjardins Securities - Analyst*

Okay appreciate it, thank you.



Operator

Joe Licursi, BMO Capital.

Joe Licursi - *BMO Capital Markets - Analyst*

My questions are for Monsieur Dube. Welcome back from Europe, Monsieur Dube. The question is on the CAD50 price Euro, was that from May one on boxboard?

Christian Dube - *Cascades - Chairman of Reno De Medici*

Yes it was from mid May. It's being implemented right now.

Joe Licursi - *BMO Capital Markets - Analyst*

Okay and you know, with -- you mentioned prices turning down, especially in Italy. What is the justification for that increase like and how do you see it coming in?

Christian Dube - *Cascades - Chairman of Reno De Medici*

Well, I think, as you know, that the balance is always I would say it's a balancing act. We had a lot of price increase in raw material in Europe last fall and that price continued to continue in the first quarter so even though we had tough demand we could not cover and maintain our spread. So I think we have tried and this time this price increase has been announced by (inaudible) and I think they have the same situation as we do, a combination of virgin grades and but mostly it's a recycle producer.

So I can understand that the increase was really related to a cost push and we followed with that increase with a price increase because we have the same pressure on our cost from recycle material. Now, in addition as I mentioned in the call, in Italy there is an additional factor, which is the gas prices. Gas prices in Italy have been going up a lot so we had in addition to fiber we had a different, an additional reason, to increase prices, so -- and this will be our challenge is to balance the demand, which is as Mario said difficult to -- because of the economic uncertainty and the impact on our customers from banking and all sorts of things.

So I think we're going to be in a tough environment and it's for us to manage the supply, so in that context, we said that there was enough reason for us to increase prices because of the cost push.

Alain Lemaire - *Cascades - President & CEO*

So can you give them a price level in a rough compared to a North American level?

Christian Dube - *Cascades - Chairman of Reno De Medici*

Yes if you -- you mean for gas?

Alain Lemaire - *Cascades - President & CEO*

Yes.



Christian Dube - Cascades - Chairman of Reno De Medici

Yes I mean, just as an example, if the price that we pay in the same energy measurement and if you were to pay probably between CAD15 and CAD16 for the gas that we pay at [CAD3] today.

Alain Lemaire - Cascades - President & CEO

Delivered.

Christian Dube - Cascades - Chairman of Reno De Medici

Delivered.

Alain Lemaire - Cascades - President & CEO

(inaudible) about CAD4?

Christian Dube - Cascades - Chairman of Reno De Medici

Yes. So what we are saying is we're probably -- and this is probably compared to what we were paying on the same basis, maybe 10 or 12 last year, and six or eight two years ago, so basically there are some, can I say disguised tax, that are being charged to the company and the consumer to solve some other problem. So I think it will be this is temporary we believe and we believe that on one point the price of gas will come up more on the normal basis but we have to face that right now.

Joe Licursi - BMO Capital Markets - Analyst

When do you see it coming in, like is it over the next let's say two quarters or--?

Christian Dube - Cascades - Chairman of Reno De Medici

Do you mean the price increase on the products?

Joe Licursi - BMO Capital Markets - Analyst

Yes.

Christian Dube - Cascades - Chairman of Reno De Medici

Yes we, as I said, we implemented it now so as any of those price increases announced, we announced it for certain customers and then we balanced that over the next few months but it's never--

Alain Lemaire - Cascades - President & CEO

So you are positive that this announce will pass.



Christian Dube - Cascades - Chairman of Reno De Medici

And we are pushing it.

Joe Licursi - BMO Capital Markets - Analyst

Okay I asked this question last quarter. I want to ask it again just because I want to take advantage of your presence there. You know, like you heard about the CAD60 to CAD100 increase on container board in Europe. How do you see that? Are you seeing that going through, Monsieur Dube?

Christian Dube - Cascades - Chairman of Reno De Medici

Well, as you know, we're not on container board in--

Joe Licursi - BMO Capital Markets - Analyst

No but I just -- I'm just trying to pick on your experience and your knowledge there.

Christian Dube - Cascades - Chairman of Reno De Medici

I would defer that question because honestly I have enough with cardboard so I'll leave the other groups to deal with container board, Joe, if you don't mind.

Joe Licursi - BMO Capital Markets - Analyst

Okay thank you very much.

Christian Dube - Cascades - Chairman of Reno De Medici

My pleasure.

Operator

We have no further questions at this time.

Riko Gaudreault - Cascades - Director, IR

Alain?

Alain Lemaire - Cascades - President & CEO

Okay thank you. In conclusion, looking ahead just to the next quarter, we expect shipments to improve, as we resolve some of our operational issues and benefit from the usual favorable seasonal impact. The agreement for the recycled cardboard costs, like we mentioned, should also be more positive although not of the full extent that shall be benefited by the market at this time in our opinion.

Finally, for the last few quarters now we have been very active and committed to the execution of our strategic plan. These initiatives can take time to impact results but we are already starting to see the benefits, which shall be even more compelling over time. So we have more optimism and we are -- for the coming quarters.

Thank you for your continued support. We invite you to join us at our Annual General Meeting later today. Have a good time this summer.

Operator

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

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