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PRESENTATION

Operator

(spoken in French spoken) Good afternoon. My name is Jolie and I will be your conference operator today. At this time I would like to welcome everyone to the Cascades 2013 First 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.

Mr. Riko Gaudreault, you may begin your conference.

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

Thank you, operator. Good afternoon, everyone, and welcome to our conference call for the first quarter of 2013. Members of our management team are joining me today and you will hear from Alain Lemaire, our Executive Chairman; Mario Plourde, our President and CEO; Allan Hogg, our CFO, and the three Presidents, Suzanne Blanchet for our Tissue Papers Group; Marc-Andre Depin from our Containerboard Group and Luc Langevin for our Specialty Products Group. Alain and Mario will begin with their comments followed by Allan and the Group's Presidents. Mario will present a review of our operations in Europe.

Following the question period Mr. Lemaire will be back for the conclusion. During this call certain statements we'll discuss historical and forward-looking statements -- matters, sorry. Please note that the accuracy of these statements is subject to a number of risk factors. These factors, which are listed in our registrations statement, can have a material impact on our actual results. Also, the statements and our press release include data that are not measures of performance under IFRS.

You can have access to or request a copy of these documents through our website. I would like to remind the media and Internet users that they can only listen to the call. If you have any questions, please feel free to call us after the session. I will now turn the call to Mr. Lemaire. Alain?

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

Thank you, Riko. Good afternoon, everyone. As we mentioned during the last call our results for the first quarter were similar to that what we experienced towards the end of 2012. Excluding specific items, our EBITDA stood at CAD68 million for the quarter. As a result, we incurred a net loss of CAD0.04 per share.

On the segmented basis our Containerboard Group's productivity has been improving gradually over the last few months. The fall prices increase has now been fully implemented but was overshadowed by the negative contribution from our boxboard activity in North America.

In Europe the EBITDA was stable and met our expectations despite our (inaudible) during the quarter and a lower average prices stemming from the soft market improvement at the end of 2012. After a very difficult quarter our Specialty Product Group improved its performance mostly due to the [order] shipments and a favorable product mix in Specialty Paper segments.

Finally, our Tissue Papers Group suffered from increased competition in the US and promotional activity in Canada. In summary, we see progress in our everyday operation further to our recent incentives but this did not translate into earnings in the first quarter due to a state, the state of the Canadian economy.

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

Mario Plourde - *Cascades Inc. - COO*

Thank you, Alain. Good afternoon, everyone. Let me start with a quick overview of the recycled paperboard and paper market. On a sequential basis you can see that Brown grades were 10% higher during the first quarter. This is not surprising as generation falls after the holiday season.

In addition, new capacity is about to come in line and this has a short impact on the market dynamics. White recycled paper prices decreased by 4% during the first quarter. Contrary to OCC generation is favorable at this time of the year. As a net buyer of recovered paper, we were glad to see that both office paper and OCC shared a (inaudible) CAD5 to CAD10 last week. This has been caused by seemingly improved generation and soft export demand.

In February the Chinese government established a green (inaudible) program aimed at reducing contaminants in recovered paper. As a result, exporters have been holding back shipments because of this program. This resulted in ample supply in domestic markets. At this moment our inventory levels are good in general based on our actual consumption and we are pursuing our preparation in light of the Greenpac startup.

If we look at some of our performance indicators we are following, you will note that the KPI on the same asset based comparison, shipments were up 3% compared to last year, last year first quarter on a sequential basis. We attach increasing importance to the management of our working capital and we will note even if it was higher during the quarter as accounts receivables increased during this period, our working capital level is almost 1% of sale lower than the comparative period last year.

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

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

Thank you, Mario, and good afternoon. Compared to last year sales were up 3% at CAD914 million due to a favorable exchange rate and a 3% increase in shipments. These were offset by lower average selling prices in our European and tissue businesses. Compared to last quarter sales slightly increased by 1% for the same reason.

Despite favorable raw material prices, EBITDA for this quarter is down 6% compared to last year due to lower average selling prices in Europe and in tissue and higher maintenance and operating costs.

You can also notice in our corporate activities that additional costs were required for the modernization of our ERP platform started in 2010. These costs are no longer capitalized and will continue at the same level for the next few quarters.

Sequentially our EBITDA was down 3% due to lower average selling prices in Europe and tissue and higher OCC prices combined with higher purchasing costs of paper on the open market for our containerboard business. These were offset by lower energy costs in Europe, higher volume and favorable exchange rate.

On slide 13 it illustrates the impact of specific items that affected our results during the quarter. During the period we recorded a CAD5 million provision related to post employment benefit obligations arising from employment contracts entered into with (inaudible) executives during the transition process and appointment of our new President and CEO.

Also note that when looking at our net earnings we have an additional interest expense related to pension given the change to the IFRS measure. All the 2012 numbers have been restated accordingly.

On page 14 cash flow from operations amounted to CAD46 million, slightly lower than Q1 last year. Free cash flow excluding working capital change was slightly negative for the period.

Net debt increased by CAD46 million due to the lower Canadian dollar and working capital requirements. Of this debt CAD139 million is non recourse and regarding our cash availability and taking into account all letters of credit, we have approximately CAD300 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 5.3 times.

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

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

Thank you, Allan. Good morning, everyone. Our results for the first quarter show our ability to maintain a good profitability level despite a complicated marketplace and seasonally slower demand in the away-from-home segment compared to the last quarter of 2012.

If we first look at our total shipments they went up by 1%. More specifically, shipments of converted products declined by 1%; in our largest segment, the away-from-home market, the decline was mainly due to the overall economic environment in Canada, which affected consumer spending. This resulted in lower order level from most of our customers.

In the US the away-from-home market remains stable despite the usual seasonality -- despite the usual season that did slow down due to successful inroads with certain customers. In the consumer products segment shipments rebounded nicely after weaker fourth quarter in both the US and in Canada.

Lastly, our parent roll business experienced a [4%] sequential increase in shipments after a slower fourth quarter and good productivity.

Now, turning to our average selling prices, the overall decline can be explained by the combined effects of various items such as first lower average prices in consumer products segment in the US as we continued to grow in sector long-term volumes, also product re-engineering in the away-from-home segment in the US and a higher portion of private label products in our product mix in Canada.

These factors were offset in part by a favorable sub segment mix of branded versus private label in our Canadian away-from-home segment and favorable exchange rate in our US business.

The average selling price of parent rolls also remained stable during the quarter. As a result, our sales were essentially flat compared to the fourth quarter and reached CAD241 million.

In terms of profitability our EBITDA reached CAD29 million, or 12% margin on sales. The sequential EBITDA production was mainly driven by lower average selling price, higher fixed costs and subcontracting volumes as well as increased cost for Virgin pulp and OCC. These factors were partially offset by lower recovered office paper price and good equipment efficiency.

To conclude, entering the second quarter we remain cautious about market conditions given the competitive environment, particularly in the US. During the second quarter we will take more maintenance sometime than first quarter as one of our paper machines will be down for a week for investment projects.

Nevertheless, we expect our operation to continue to deliver solid performance in paper making and operational efficiency on the converting front further to initiate implemented in the beginning of 2012. As a result, we expect a stable performance due to increased volume and favorable white recycled fiber costs.

Now turn to Marc-Andre and the Containerboard.

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

Thank you, Suzanne. Good morning, good afternoon, everyone. Turning now onto the results of our containerboard Group, sequentially you can see on page 19 that our global shipments have increased by 1% to reach 296,000 short tons.

In the quarter our manufacturing sector increased external shipments of paper, which have risen by 9% compared to the fourth quarter of 2012. This increase of external shipments has resulted in only eight days of market down time taken in our boxboard mills compared to 30 days in the previous quarter in both boxboard and containerboard mills. This shortfall represents 3,000 short ton in Q1 compared to 10,000 short ton in the fourth quarter.

On the production front the operating rate of our manufacturing activities in the containerboard segment continues to improve an average of 88% during the quarter. In March this operating rate reached 92%. Unfortunately supply of containerboard in the market is very tight. It has been difficult during the quarter to buy on the open market to adequately supply paper to our converting plant. This has negative affected productivity in some of our corrugated product plant.

In our boxboard Jonquiere mill in Quebec despite higher volume compared to the previous quarter, we have experienced quality and efficiency issues. As a result, even if shipments were better, the mill was not profitable.

In our converting segment our shipments have decreased by 4% compared to the fourth quarter. While shipments went down by 6% in our corrugated products sub segment, we have experienced a 20% increase in our folding cartons segment.

In comparison the North American containerboard industry shipments declined by 2% while the Canadian containerboard industry saw shipments decrease by 5%.

On the pricing front our containerboard manufacturing activities average selling price increased by CAD12 short ton during the quarter. Accordingly the sector benefited from the full CAD50 price increase announced in October 2012.

In the converting segment the average selling price on non-specialty boxes has increased by 2% in the quarter representing a price hike of CAD18. The price increase announced in October for corrugated product is now fully implemented and our corrugated products segment will fully benefit from it in the next quarter. The implementation of the price increases announced for May 2013 in [linerboard] medium and CRB in corrugated products are moving along gradually and will only start to impact our results during the second quarter of the year.

The manufacturing sector expects the full benefit in the third quarter of 2013 while our container converting plant will fully benefit from the price increase in the last quarter of the year.

Despite very good news on the pricing front, you might have noticed earlier in the presentation that we were presenting a negative selling price impact of CAD2 million, which is not in line with comments I have just made. The CAD2 million pricing variance included a negative impact of CAD9 million related to the product mix, which is due to 3% reduction of our integration rate in the manufacturing segment.

Looking at the first quarter EBITDA our results remain stable at CAD25 million representing a margin of 8% on sales. This resulting to the loss of CAD2 million negative contribution from the Jonquiere boxboard mill compared to the previous quarter.

When excluding the unfavorable impact of product mix between paper rolls and converted product of CAD9 million and the negative of 1 million at our Jonquiere mill related to unfavorable product mix resulting from the production issues mentioned earlier, the CAD8 million selling price increase was offset mainly by higher raw material cost, higher OCC cost of CAD10 and higher cost of board fought on the open market, mainly explain the CAD7 million raw material cost increase.

On the strategic front the investment of CAD22 million in certain of our folding carton and [microlithographic] plant in Canada with the concurrent close of our election to make folding carton plant is evolving according to plan and should be completed in the second quarter. As mentioned during the last conference call, while we are expecting some small benefit in this quarter we are expecting to benefit from these actions in the second half of 2013 in May.

In addition, the consolidation of our corrugated productivity in Ontario and the CAD30 million of related investment is almost completed. We should also see the full benefit from these actions in the second quarter of 2013.

Regarding Greenpac, the project is entering the final stages of construction and the team has started to prepare the equipment and the employees for a successful startup, which is expected in July 2013. The budget cuts are mentioned -- are monitored very closely as many sections of the project will be completed in the coming weeks.

With regards to the short-term outlook, the second quarter price increase associated with the current OCC price and the upward trend in our manufacturing productivity combined with the full benefit related to the fourth quarter price hike allow for a certain amount of optimism in the coming quarters.

I thank you for your attention. I will now ask Mario to give us the overview on 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 results for the first quarter recently and these are publicly available.

Looking at the performance of our European operation, you can see that shipments were 6% higher than Q4. The main reason behind this increase are more favorable market conditions and the fact that downtimes were taken during the fourth quarter. The amounts for both coated virgin and recycled boxboard grade improved during the first quarter.

On a pricing front average prices in Europe in Euro decreased by 3% sequentially. A weaker economic environment at the end of 2012 resulted in the decreased prices in Europe. Fortunately a favorable exchange rate more than offset this decrease so average price were actually 1% higher in Canadian dollar terms.

The pricing trend is reversing and a price increase of EUR50 was announced in Europe and UK for May. These factors explain why compared to the fourth quarter of 2012 sales were 7% higher during Q1 at EUR212 million. Despite the increase in sales the EBITDA of our boxboard Europe sector remained stable at EUR11 million for the quarter.

While raw material remained stable quarter-over-quarter, other production costs were higher.

We also incurred higher maintenance expense during Q4 2012 partially related to the incident at our La Rochette facility. This more than offset the lower energy costs and equity and expense related to a closed mill.

To conclude, 2013 performance to date is essentially in line with the final months of 2012 and the flow of orders is satisfactory. Our backlog hasn't been better and healthier since 2011. We expect the cost of recycled fiber to increase in the short term but this should be mitigated by the announced price increases.

I'll thank you and I'll ask Luc to follow up with the overview of the Specialty Product Group. Luc?

Luc Langevin - *Cascades Inc. - President and CEO, Specialty Products Group*

Thank you, Mario. Good afternoon, everyone. I will begin with a review of our Q1 results versus the previous quarter. Sales for the Specialty Products Group increased by 3% to CAD189 million compared to CAD184 million in Q4 2012. Higher volumes in our Specialty papers and industrial packaging sectors accounted for majority of the growth.

In our recovery sector higher selling prices partially offset the lower volume while the consumer pack, product packaging sector was impacted by seasonal volume weakness.

We completed our quarter with an EBITDA of CAD11 million, an increase of 38% from the previous quarter. Improved spread resulting from better product mix in our specialty paper sector reduced fixed costs in general and favorable exchange rate contributed positively to our results.

Looking more specifically at each of our four segments, the profitability of our industrial packaging sector increased by CAD2 million in the quarter driven by better volumes and reduction in energy costs.

The EBITDA of our consumer packaging sector was in line with the fourth quarter at CAD2 million. Better selling prices offset higher raw material costs and lower volumes. I want to take the time to relate the launch this quarter of Cascades new Evoke product line, the first polystyrene foam trays in the North America made of recycled material. We're proud to offer this innovative new product and reaffirm our position of leader in sustainable packaging.

Moving on to our Specialty paper sector, EBITDA increased by approximately CAD2 million compared to the previous quarter. Higher volume, improved spread resulting from a [wider] product mix in the fine paper and a favorable exchange rate more than compensated for higher energy costs.

Finally, the EBITDA of our recovery sector remained in line with the previous quarter. Better selling prices, lower SG&A expenses and favorable exchange rates offset our lower than expected volumes.

To conclude, we anticipate continuous improvement in our profitability in the short time, with seasonal volume pick up in our consumer and industrial packaging sectors. Our specialty papers and recovery sectors are expected to perform at the same pace.

We remain focused on the delivering innovative products to support improved margins and increase profitability in general.

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 Leon Aghazarian from National Bank Financial.

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Leon Aghazarian - *National Bank Financial - Analyst*

Yes thanks. My first question is regarding that on the tissue segment I mean we've seen EBITDA margin decline over the last few quarters. I am just wondering if there's competition that you're seeing is new and what was the effect on promotional activities? Could we just get a bit more color on regarding why the margins are at these levels and if you see that going forward; what do see going forward in the next few quarters?

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

Hi there, Leon. For sure the market is really [come] but it's just in that stage with the additional capacity coming on line and which could be disruptive in the short-term but I think it would temporary and in the parent rolls side it remains stable and we also -- it's stable for the last quarter but there is a price increase and that's just going on right now. That reflects the market conditions of the -- for the parent rolls.

And we think for sure the additional capacity in the market is making it more disruptive but it should be short term.

Leon Aghazarian - *National Bank Financial - Analyst*

I guess I am wondering why do you believe that will be short-term? Is there -- are we losing market share or is there a possibility to gain back some of that or was it just--?

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

No we're growing volume. Right now we have growing our market share in the state and that's and to secure some volume but we think it's a very temporary and right now we have sold more parent rolls and then when you look at the mix there is more parent rolls than finished goods.

But -- and these additional capacity have been on. It's running right now and they're all in production.

Leon Aghazarian - *National Bank Financial - Analyst*

You had also mentioned that there would be a bit more down time in the coming quarter. Can you maybe quantify that for us and what would be the impact of that in the coming quarter?

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

In the coming quarter by that was one place, one machine that we are -- we've been down for maintenance. That was planned to really modify. It was most maintenance and CapEx and it's back to normal in that machine and a few others. Sometimes like a [gate key] that you need to grind that that you need to do. But besides that it's just the regular stuff and also when we look at our competition on the volume side in terms of the market their volume went down but on our side we grew our market share in the US in the retail and the away-from-home.

Leon Aghazarian - *National Bank Financial - Analyst*

Okay thanks, that's helpful. And a quick question on the containerboard front, we saw that the capacity utilization went up in the month of March. I was just wondering if we looked at it from the perspective of if it was 92% for example for the entire quarter I mean what kind of additional EBITDA would we have seen or if that's still the case in Q2 what kind of profitability should we be looking for?

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

I don't think we want to quantify the extra but we're not happy with the 88 as much as we're not happy with 92 but it's progressing well on the containerboard side. We're having more issues on the boxboard side like I mentioned, both on efficiency and issue but I don't think we want to comment the extra EBITDA related to more operating [ring].

Leon Aghazarian - *National Bank Financial - Analyst*

Okay and what do you think will be the impact of the new pricing going forward for the rest of the year?

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

Like I mentioned in my facts at the beginning, we -- everything is in place. We're -- everything is in place. The CAD50 is in place on the containerboard side. Now we're progressing with the customer based on the contract that we have and we should be truly benefiting from this increase being 70, close to 75% integrated. We need to push it through the box plant to make sure that it's -- that we have it in the overall Company so we hope that by the end of the year everything will be fully in place, both in the containerboard and the box plant.

Leon Aghazarian - *National Bank Financial - Analyst*

Thank you.

Operator

Sean Steuart, TD Securities.

Sean Steuart - *TD Securities - Analyst*

A few questions, Allan you mentioned that the higher cost related to the ERP system would continue I guess for a little while. How many quarters should we be looking at for that elevated corporate costs?

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

Well, it's the costs are no longer capitalized, as I mentioned, because it's roll out period and it should continue. I said a few quarters. I would say the next two years, three to four million each quarter but depending, just really depends on the pace of our implementation, so we might accelerate sometime or we can just adjust to manage the rest of the project and to make sure that everything is implemented smoothly in operations.

But this is the ballpark about the next two years but obviously these costs should go down as we get better and so that's -- and more efficient so but that's the benefit and then the costs also, it should go down as we go on later in the program so but the next two years I would say maybe not at three or four million each quarter but the next two years would be the period.

Sean Steuart - *TD Securities - Analyst*

Okay as Greenpac gets ready to start up and there's other capacity expansions that have been announced in North American containerboard, can you speak I guess to your plans to maybe rationalize some higher cost machines as you start up Greenpac. I would presume there's some room to take some older capacity out in your network.

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

As you've seen us do in the last five years, we have taken the approach that when a mill is not profitable we don't keep it in our system so we are -- but we do this every day so the arrival of Greenpac would not change the way we've been running our business. The market is really, really tight now. We're having issues in supplying our own box plant with paper where it's hard to buy paper on the open market now. So the situation -- the start up of Greenpac cannot happen in a better time.

What would happen after Greenpac startup we will evaluate like we've been evaluating all our options before and if we feel that we have too much capacity in our system we will act accordingly but today, like I said, I am repeating myself. The spread in the market dynamics for Greenpac startup has never been better and we didn't expect to be in that position to not to be able to supply our own box plant as we speak and that's costing us some dollars and hopefully with the Greenpac startup in July we will remove this problem in our system and we will be helping our profitability tremendously.

Sean Steuart - *TD Securities - Analyst*

Okay I'll just ask one more and then I'll get back in the queue. Marc-Andre, maybe you can handle this as well. Is the dividend some -- the Greenpac investment should we still expect you to start receiving cash from that middle of next year? Is that still realistic?

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

It's going to be based on it's we own 59% of the Company so there's a Board. There's going to be a Board member decision. We will be receiving management fee only on a quarterly basis based on profitability of the business but for the dividends itself we do need to pay down our debts and to get our covenants in place and after this we will decide if dividends come back. So management fee only to start with when the mill starts.

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

So, Sean, maybe just to complete on that, if at the current condition we could expect that a bit of contribution on earnings per share but not on cash basis this year as you asked.

Sean Steuart - *TD Securities - Analyst*

Understood. Okay I'll get back in the queue. Thanks.

Operator

(Operator Instructions). Bill Hoffmann, RBC Capital Markets.

Bill Hoffmann - *RBC Capital Markets - Analyst*

First off is for Suzanne. I just wondered if you could talk a little bit more about the tissue market and the competitive environment. Are you seeing because of this new capacity that's coming on in a lot of TAD machines, is that pushing your mix into a lower margin product and forcing you to push more parent rolls sales or can you just talk about that a little bit more?

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

So TAD additional capacities, mainly for the retail markets and for the IM and there is one for the away-from-home with IM product but that big portion of the market also is you have the good, better, best and the good, better or the very large portions of the market by itself and there is -- I think there is like the containerboard. Before you know, we look what they have and there is a machine that is maybe less where they need to be a rationalization. It's there will be -- there have been some at the moment.

But I think what we have, look it's about 3% those who have had these additional capacity the TAD, it's about 3% of the total market and usually the markets take 1.5% and then it would be this year and it's for mainly for the private label, where the markets grow a lot and we don't see as disruptive.

Bill Hoffmann - *RBC Capital Markets - Analyst*

So just from your own mix standpoint, you don't see any shifting at this point?

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

Hard to tell, you know, as the consumer needs and product is a different pricing and what the consumer will do there is a product for the higher end but there is product for the (inaudible), the good, better, bad and there is different consumer and this -- and there is need for different level of products, different level of quality.

Bill Hoffmann - *RBC Capital Markets - Analyst*

Okay thank you and then, Marc-Andre, just a question for the -- on the boxboard side you mentioned some of the operating issues. Can you just talk a little bit about the -- that you expect these to be ongoing? Is some of this being caused softness in the market and just talk a little bit more about that?

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

Yes the boxboard market is totally different than the containerboard market. It's that you can see two different markets. It's right on so we're -- we don't have that many orders in our Jonquiere mill, which is an SBS type of replacement and our East Angus CRB mill is doing well. So to offset the lack of orders in the SBS replacement mill, we did run some linerboard, which is the machine is not designed for this, so that did not help us at all.

But it did supply our box plant for it, so we are working now on going back [fully] percent, 100% on boxboard and addressing some of the quality and efficiency issues and we don't see any problem going forward to resolve this. The order book though on the SBS replacement is going to be an issue. We're working really hard now with the sales team to fill the mill with orders and that's going to come in the quarters to come and we will be addressing the situation in the quarter to come.

Bill Hoffmann - *RBC Capital Markets - Analyst*

Okay thank you.

Operator

Sean Steuart, TD Securities.

Sean Steuart - *TD Securities - Analyst*

Thanks. Just one follow-up, can you guys speak to your intentions I guess for taking up more shares of Reno De Medici? I see you're effectively taking a control stake now. I guess intentions this is for consolidating all of that investment over time. What are your plans there?

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

As it was stated, that we're going to get a controlling stake through the 9% purchase, we're going to have to do in the -- by the end of the next quarter so we'll be at 57%, 58%. For the remainder there is nothing there. It's all part of our strategic decision going forward but we have nothing at this time to announce or to discuss.

Sean Steuart - *TD Securities - Analyst*

Okay I get it, thanks.

Operator

Paul Quinn, RBC Capital Markets.

Paul Quinn - *RBC Capital Markets - Analyst*

Just a question on containerboard, I guess for Marc-Andre, just looking at the year-over-year variance just wondering why we're not seeing anything related to last fall's CAD50 price increase in the containerboard side.

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

Yes it's a little -- agree with you. We should have expected a better result in the Q1. As you know, it's a mix of containerboard and boxboard in our sector so some time we forget about this. We have our boxboard into the segment so it's -- it gets confusing sometimes on the mix of both. But we should have had a better result, no doubt about it, so we can go through the explanation of everything I mentioned, the [Jean Pierre] issue.

I mentioned the profitability not being there with the full investment in our [micro fluid], micro [litho] investment with the closure of Lachute, with the closure of our three plants in Toronto, with investment of CAD30 million, so it's a mix of all of this that created the profitability to be at the same level or not being better than Q1. So it's we're working really hard on all those assets and, like I mentioned, the full benefits of this million dollar investment and the fact that we're going to have at one point stop buying tonnage on the open market and start Greenpac will -- you will see the full benefit in the few quarters.

The other thing that we're not talking enough I guess if that, the weakness of the box demand in Canada, we've seen a great drop which we've never seen before, mainly in the Ontario market, which has decreased our demand by about close to 10% just in Ontario. So we're expecting this to get better. We're seeing a small pickup as we speak but not enough to offset all of the losses in the first quarter.

Long answer but it's a mix of everything. But we should have better quarter than this, no doubt.

Paul Quinn - *RBC Capital Markets - Analyst*

Okay well thanks for the detail. Then just remind me of the sensitivity to that CAD50. What should we see year-over-year if you get the next CAD50 on the containerboard side? And then it sounds like you're working hard on fixing some of these operational and some of the other issues on the box side. What are current SBS markets like as well?

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

I mean it's you can make the math so we produce a million ton a year times the CAD50 increase so you can make the math yourself. If we can we should turn the box plant fully, then we have the full benefit if we don't change our mix and if our (inaudible) produce properly. We usually don't forecast the (inaudible).

The efficiency of the paper mill do what we should be doing and we then sell this to our box -- and sell our boxes higher, we should see the full CAD50 improvement. But it's -- and if content is -- if the boxboard segment produced (inaudible) and the pricing is reasonable, we didn't talk much about the box price increase that we're trying to push through but I'd, like I said, the market is totally different in boxboard than on containerboard. So it's tougher to implement the box increase.

Paul Quinn - *RBC Capital Markets - Analyst*

Okay and then just a little color on the SBS market now?

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

We see it improving. I don't want to forecast anything. We don't sell any SBS. We sell SBS replacement so we're not in the market of SBS but we see a small, small improvement. Is it seasonality or a great pick up due to export? This is left to be seen but it will -- we see that.

Paul Quinn - *RBC Capital Markets - Analyst*

All right thanks, guys. Good luck.

Operator

(Operator Instructions). Joseph Licursi, BMO Capital Markets.

Joseph Licursi - *BMO Capital Markets - Analyst*

100 and -- not to beat a dead horse but following up on Paul Quinn's question, could you separate what the mix was in the containerboard and boxboard?

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

No we -- as you know, we merged it into one segment to not to -- in the boxboard side we have two mills and with the closure of our one folding carton business in Lachute, the segment is becoming really, really small so we need to do and I am going to repeat myself. We need to do a better job in -- of efficiency to raise the profitability of the boxboard but we don't want to split the two profitably separate so that's why they're all in one bucket now with containerboard.

Joseph Licursi - *BMO Capital Markets - Analyst*

Can I ask in another way? How much of the CAD50 price increase have you realized so far cumulatively?

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

We have the, like I mentioned before, the CAD50 is in as much as it was publicized in the pulp and paper publication. Now we're working on implementing our box, corrugated box, increase and we're working on it now so the mix has to remain the same for the full CAD50. We're going right into the middle of our produce season. We're heavily producing so you're going to see our selling price going up and the mix change dramatically and we will monitor it as much as we're monitoring the corrugated products increase.

Joseph Licursi - *BMO Capital Markets - Analyst*

When you look at your mix variance, boxboard and containerboard, could you quantify how much of that was geographical, how much was product?

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

What do you mean by geographical?

Joseph Licursi - *BMO Capital Markets - Analyst*

Well, like instead of selling in the US, you sold in Eastern Canada or--

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

There's only one price. There's only one price. It's US short ton. There's no difference in Canada, US. You just ship further at different price so it's one market, and so there's no difference between geographic and non-geographic.

Joseph Licursi - *BMO Capital Markets - Analyst*

Okay thanks for that. I just had one question on the interest related to the employee benefits, Alain. Do we have to include this CAD3 million on a quarterly basis now? Is this the way you see it?

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

Yes, yes. Joseph, look at our 2012 numbers. It has been restated for CAD3 million to CAD4 million a quarter but this is non-cash so that's only pension, actuarial interest expense.

Joseph Licursi - *BMO Capital Markets - Analyst*

Okay. But that's no cash effect.

Joseph Licursi - *BMO Capital Markets - Analyst*

Okay well thank you very much. Good luck, guys.

Operator

Paul Quinn, RBC Capital Markets.

Paul Quinn - *RBC Capital Markets - Analyst*

Yes thanks, just a follow-up on the ERP; could you just remind us what the total cost of that project was and what the expected benefits are?

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

Well, we have not discussed about benefits. We had an initial -- it was disclosed in our investor presentation of [CAD80 million] project at the beginning. We have all the contribution is made but the rollout [not] completed, so we have so far about CAD55 million to CAD60 million investment so we're moving ahead with the remainder of the rollouts and we'll share the benefits once it's there and hard to discuss so for now we will -- we're [guessing] that.

Paul Quinn - *RBC Capital Markets - Analyst*

Okay so when should we expect those benefits and is that eight, six months out or is that a year out or is that just progressive over the future?

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

It will be progressive. It will be gradual depending on the phase of our rollout, depending on what we are doing exactly. It might be different type of benefits in tissue than in containerboard because there's different structure or business so it will be progressive. It will be over time but we're looking at that as a modernization for the future so we needed to do that, so it's part of our strategy plan to modernize our assets.

The -- to be better with our customer base and maybe more efficient also on product (inaudible).

Mario Plourde - *Cascades Inc. - COO*

Maybe we have to remember that we have to change our system so we didn't have the choice so we realized that for the benefit as a first target but it would be of a more modern system to supply or to -- for the future of operations.

Paul Quinn - *RBC Capital Markets - Analyst*

Okay I get it, thanks.

Operator

And there are no further questions at this time. I will turn the call back over to the presenters.

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

Thank you. So to conclude, during the next quarter we will continue to reorganize our boxboard and corrugated products operations and deal with the disruptive impact of additional supply in the tissue sector, which we believe will be manageable. We are confident that our recent incentive will translate in a gradual better performance in the coming quarters. Recent trends on the recovery paper from France are also positive for the remainder of the year.

The [current] in economy has really shifted over the last few months and we hope that this will not continue in the short term. The state of the economy recovery in Europe and in US also remain unclear, even if these seems to show positive signs for the moment.

Again, as we move ahead with the continuation of the -- our strategic action plan, Mario and the team will continue to act cautiously and manage our balance sheet prudently. As you know, today I passed the torch to our next generation of leaders. As Executive Chairman of the Board you will hear less of me in the future. Mario and our -- and other teammates will handle the next conference call.

It was an honor and a pleasure for me to have this dialogue with many of you for all these years. Thank you for the support you have shown to Cascades in the good and the bad times. I gladly see you at our annual meeting or if you never know at one of our facilities, maybe at the start up of the Greenpac, as an example. So have a good summertime. Thank you very much for all of your comments and questions. Thank you.

Operator

This concludes this conference call. You may now disconnect.
