

Activity for 1st quarter 2014 Financial position on 31 March 2014

1. Overall trend for sales

The sales in the 1st quarter of 2014 are presented in accordance with IFRS 5. The contribution from divested businesses is included in the discontinued operations.

<i>Consolidated Sales (in €m)</i>	1st quarter		
	2013	2014	Variation
Wood	20.9	19.9	-4.9%
Paper	26.9	24.2	-10.2%
Sacks	29.7	29.9	0.6%
Laminates	32.3	33.6	4.0%
Total Continuing Operations	109.9	107.5	-2.2%
Divested businesses (*)	3.4		
Group total	113.2	107.5	-5.0%

() Sales by Gascogne Laminates Jarnac (€3.4m in 1st quarter 2013), business divested on 1 March 2013*

In a persistently difficult economic climate, the Gascogne Group's sales attained €107.5m, down by 2.2% compared with the previous year. This variation incorporates the loss of sales estimated at €3.7m in the first quarter of 2014 following a technical incident that affected the Mimizan paper plant in December 2013 and disrupted paper pulp production for a good part of January, as announced. Excluding the impact of this incident, annual sales would have increased by +1.3%.

2. Analysis of business by division

Wood

In a depressed economic environment, the Wood business activity declined by -4.9% over the first quarter. The growth of sawing, by-products and machined wood sales for industrial markets (+€0.4m) did not compensate for the downturn in the Timber Frame Walls division (-€0.5m) and the Energy wood markets (-€0.9m) which were penalised by particularly mild climatic conditions this year.

Paper

The incident affecting the boiler in the month of December masks the good performance of Gascogne Paper which would have progressed by +3.7% over the quarter. If there are no plant shutdowns in the second quarter and if the sales price rise planned as of 1st May is confirmed, it should be possible to make up for some or this entire shortfall over the remainder of the financial year.

Sacks

The growth registered in the 1st quarter marks a reversal in the trend observed during the preceding quarters, which could be a sign of stabilisation or even a recovery in the key target markets. This situation nevertheless remains vulnerable and varies from country to country (France -5%, Germany +5%, Greece +6%, Tunisia +40%) and will have to be confirmed in the coming months.

Laminates

This division's sales grew by +4.0% over the first quarter 2014, continuing the trend prevailing at the end of 2013. The regained customer confidence and the successful start-up of the new production line on the Dax site have enabled the division to turn business opportunities into realities.

3. Trends in operating performance

At end of March 2014, the result (not audited) shows an operating loss of €1.6m and a net loss of €3.5m, which is down with respect to the preceding year. This regression can be entirely attributed to the drop of about €2m in the EBITDA of the Paper Division resulting directly from the incident affecting the boiler, which is partly mitigated by the €1m reduction in amortizations.

In €m	End March 2013	End March 2014
Net sales	109.9	107.5
EBITDA	2.5	0.7
Net operating amortization	-3.2	-2.2
Operating income	-0.8	-1.6
Net financial items	-1.9	-1.5
Exceptional income	-0.5	-0.1
Tax	1.1	-0.2
Consolidated net profit	-2.2	-3.5

Information on the Group's financial structure

The trend in the Group's net debt (*) is as follows:

In €m	31-Dec-12	31-March-13	31-Dec-13	31-March-14
Gross debt	106.4	101.8	110.7	111.0
Cash surplus	-6.8	-4.9	-6.0	-3.9
Net debt	99.5	96.9	104.7	107.1

(*) Net debt comprises loans, medium- and long-term financial debt, overdrafts, revolving credit and short-term commercial papers, minus cash and cash equivalents.

On 31 March 2014 the Group has a net debt of €107.1m, up by €2.3m on the position on 31 December 2013. This rise is a direct consequence of the incident affecting the boiler. Apart from the impact resulting from the -2.2% drop in the level of activity, Gascogne has had to face exceptional cash outflows to repair facilities amounting to between €1.5m and €2m.

The authorised undrawn debt stands at €6.0m on 31 March 2014.

Following its announcement on 14 January 2014, Gascogne announced the entry into a restructuring agreement (conciliation protocol) on 9 April 2014. The conciliation protocol is between Gascogne and certain of its French subsidiaries and the group's bank, tax and social security creditors, EEM (the principal shareholder of Gascogne) and a company called Attis 2 formed by a consortium of investors comprising the Landes region companies Biolandes Technologies and Les Dérivés Résiniques et Terpéniques (DRT), Bpifrance Participations and Crédit Agricole group. This protocol is subject to conditions.

The main provisions of the protocol comprise an industrial plan combined with a strengthening of Gascogne's equity and a restructuring of its debt. They were summarised in the Gascogne press release dated 11 April 2014.

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About the Gascogne Group:

The Gascogne Group is the leading player in the wood industry in France, operating at every stage of the processing of forest resources, and the only player in France that is totally integrated along the complete wood-paper-processing chain. With its four close-fitting activities, the Gascogne Group is the leading multi-specialised operator in the wood industry in France, the world's leading producer of machine-glazed natural Kraft paper, one of the European leaders in the industrial and consumer sacks market, and one of the world's leading producers of packaging and protection laminates.

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