



St Paul-Lès-Dax, 29 April 2013

2012 Annual results and Group financial structure review

The Board of Directors of Gascogne, which convened on 18 April 2013 under the chairmanship of Frédéric Doulcet, closed the accounts of the 2012 financial year. The audit procedures were conducted on the consolidated accounts. The certification report is currently being issued.

In accordance with standard IFRS 5, the contributions of the sites sold or currently being sold are included in the discontinued businesses. Thus, the businesses on the Dax and Linnich (Germany) sites were reintegrated in the accounts pursuant to the decision of the Board of Directors to keep the main sites of this division within the scope of the Group, given their short- and medium-term growth potential. To allow comparisons, the same presentation was used for the 2011 accounts.

Income statement

in €m	2011 adjusted (*)	2012
Sales	430.5	419.7
EBITDA	21.7	18.4
Underlying operating profit	(0.1)	(1.2)
Operating profit	(27.9)	(68.4)
Net financial items	(7.1)	(9.4)
Pre-tax profit	(34.9)	(77.6)
Net profit from business activities	(26.2)	(78.7)
Net profit from businesses being sold	(6.3)	(12.6)
Consolidated net profit	(32.7)	(91.3)

(*) Data in application of standard IFRS 5 i.e. excluding businesses sold/being sold (businesses of Gascogne Laminates Switzerland, Mupa Emballages and Jarnac)

- The 2012 financial year unfolded in a particularly difficult market context. The Group generated sales of €419m, down -2.5%. This drop is mainly attributable to the “Wood” division, which was especially hard hit by the market this year, and the “Laminates” division, hurt by the uncertainty regarding its future. The Paper and Sacks divisions had a solid year, confirming their capacity to preserve their respective market shares.
- The 2012 EBITDA totalled €18.4m, down €3.3m compared to last year, i.e. an EBITDA margin of 4.4%. It is noteworthy that this margin was 5.8% in second half 2012, partially offsetting the extraordinary negative elements of the first half: additional cost tied to paper plant stoppage in April (-€2.0m impact) and sawmill stoppage in February due to freezing weather (-€5.0m impact).

- Underlying operating profit totalled -€1.2m. The drop relative to 2011 was limited to €1.1m due to lower additions to amortizations than the previous year. This decrease is mainly attributable to the wood division, which generated a negative UOP of €4.1m.
- The operating profit of -€68.4m was significantly penalized by an extraordinary accounting expense of €60.2m, with no impact on cash flow. Indeed, given the decline of the macro-economic environment and the economic performances of its Wood and Paper divisions, the Group adjusted the value of its assets as part of its impairment tests (comparison between recorded asset value and the going concern value obtained from discounting of expected future cash flows) in accordance with the IFRS. It also includes provisions for litigation (mainly asbestos and prud'hommes labour courts) (-€2.2m), and extraordinary expenses for operational and financial restructuring (-€4.9m).
- Net financial items went from -€7.1m to -€9.4m under the impact of unfavourable exchange rates (€1.3m) and an increase in interest rates (€1.2m).
- The net profit of the continued businesses totals -€78.7m compared to -€26.2m in 2011 with comparable data.
- After integration of the net loss of businesses currently being sold (Laminates) of -€12.6m (including the capital loss from asset sales), the Group net consolidated profit is -€91.3m in 2012 compared to -€32m in 2011.

Main financial indicators

	2011	2012
Balance sheet		
Shareholders' equity (€m)	153.7	60.7
Shareholders' equity per share (€)	77	30
Net debt (€m)	100.8	99.5
Working capital requirement (€m)	92.1	71.4
Cash flow statement		
Operating cash flow (€m)	10.6	17.1
Investments (€m)	(21.9)	(25.5)
Income from disposals (€m)	1.7	13.5
Financing cash flow (€m)	(20.6)	(15.6)
Change in net cash (€m)	(30.0)	(10.5)

The strong improvement in working capital requirements under the effect in particular of a significant decrease in stocks due to partial freezing of certain social security and tax costs in 2012 led the Group to generate an increase in operational cash flows to €17.1m, compared to €10.6m in 2011. However, the latter was not sufficient to fully cover the year's investments, which totalled €25.5m, and a tax and social security liability of €11.4m was provisioned. The main investments of the year were dedicated to the industrial reorganization of the Dax site (Laminates division) (€8.6m) and the installation of a new biomass boiler on the Castets site (Wood Division) (€2.3m).

The amount of asset sales, up to €13.5m, was directly assigned to the Group's debt reduction. In the end, the Group's financial debt stabilized at around €100m, compared to shareholders' equity of €60.7m in sharp decline due to the impact of the losses recorded in 2012, and in particular the depreciation totalling €60.2m of assets.

2012 financial position – Information on Group financial structure

Faced with the increase of its net debt and its non-compliance with the financial commitments of the syndicated contract, in 2012 Gascogne Group began a renegotiation process for all its loans. In accordance with IFRS standards, outstanding debt is classified as short-term debt as of 31 December 2011 and 2012.

In July 2012, signature of a reconciliation protocol with the banks and the shareholder EEM

On 18 July 2012, the Group signed a certified reconciliation agreement by decision of the Commercial Court of Dax.

The main provisions are:

- a. The syndicated loans were rescheduled with a deductible up to 30 March 2014.
- b. The bilateral lines are maintained in full until February 2014 and the terms for reimbursement will be examined in September 2013.
- c. The main shareholder EEM made a current account contribution of €6m on signing of the Protocol.
- d. The New Loan and the advance on shareholder current account will be reimbursed in proportion to the amount of their outstandings, up to an amount of €7.4m at the latest on 31 December 2012, and by instalments of €1.7m from January to June 2013.
- e. The maintaining of the factoring contracts with the Group's French companies up to July 2014, for a total net envelope of €40m.
- f. Various commitments were made by Gascogne, including the quarterly transmission of financial aggregates such as the EBITDA and the cash flow. Non-compliance with these aggregates is one of the prematuring cases provided in the Protocol.

In September 2012, Gascogne Group reimbursed, as planned, an instalment of €7.4m on bank loans and shareholder advances made available in first half 2012.

On 31 December 2012, given that the Group did not honour the commitments of the syndicated contract and the reconciliation protocol, the partner banks and the principal shareholder accepted a **waiver of default cases and freezing of the reimbursement** of the monthly instalments of €1.7m until 30 April 2013.

Since then, Gascogne Group has initiated new discussions concerning the Group's entire debt with its creditors, in order to finalize a new agreement in the course of 2013, and will communicate the result of these discussions as soon as possible.

Analysis per Division:

In €m	<i>Wood</i>		<i>Paper</i>		<i>Sacks</i>		<i>Laminates</i>	
	2011	2011	2011	2012	2011	2012	2011	2012
<i>Sales</i>	85.8	81.2	100.6	101.2	122.0	121.3	121.5	115.7
<i>Working capital requirement</i>	-2.2	-4.1	2.8	-0.7	0.3	3.6	2.9	2.5
<i>Operating cash flow</i>	-0.4	10.3	9.7	7.2	2.6	7.5	8.4	4.8
<i>Investment cash flow</i>	-1.8	-3.0	-6.3	-7.5	-5.3	-2.7	-5.8	-10.2

🔴 **Wood: declining profits in a market context that remains difficult**

Wood Division sales fell 5.4% to €81.2m as a result of the decreasing sales posted on the Industry and Decoration markets (-7% each), despite the continued growth of the Timber Frame Walls Division (+70%).

This decrease in volumes was particularly sharp at the beginning of the year due to production losses resulting from bad weather that caused sawmill stoppages, as well as the slowdown in decoration sales due to major destocking by our DIY and Dealer customers during the first half of the year.

The underlying operating profit of -€4.1m compared to -€2.2m on 31 December 2011 was impacted by a decrease in the variable cost margin of -€5.6m (including -€2.5m in invoiced sales prices and +€0.3m in material costs net of released subsidies) partially offset by the improvement in fixed costs (+€1.7m) and by the decrease in additions to amortizations and provisions (+€2.1m).

The year 2012 also featured the use of €15.4m worth of sprinkled wood stored in earlier years, allowing the division to generate a €10.4m surplus in its operating cash flows through its improved working capital requirements.

🔴 **Paper: stable sales and profitability impacted by programmed plant stoppage**

Sales rose slightly from €100.6m to €101.2m (+0.6%), despite the 15-day programmed plant stoppage that occurred during the month of April 2012.

The year's business in the division was characterised by the following factors:

- a steady demand in the first half and a sharp decline in the second half which, combined with the stoppage of the paper plant for maintenance, resulted in a -2% decrease in the sales volume,
- continued strong growth of the coating business, with a 25% increase in sales

The underlying operating profit totalled -€0.7m compared to +€2.8m as of 31 December 2011, mainly impacted by a cost differential of €2m tied to a longer plant stoppage in 2012 and to a decline in volumes, partially offset by a decrease in fixed costs.

● **Sacks: improved profitability despite rising material costs**

The year 2012 posted virtually stable sales of €121.3m, compared to €122m in 2011, but improved profitability with an increase in the underlying operating profit of €3.3m (€3.6m compared to €0.3m in 2011), due to:

- an activity recovery on most markets
- a policy of transferring the increased cost of raw materials onto our sales prices,
- restructuring of our German subsidiary; 34 jobs out of an initial total of 110 were cut and part of the management team was renewed

In 2012 the Sacks Division generated an operating cash flow of €7.5m

● **Laminates: decrease in underlying operating profit, in a context of decreased sales and structuring investments**

Laminate Division sales (businesses that were kept) totalled €115.7m compared to €121.5m in 2011, i.e. a drop of 4.8% for an underlying operating profit of €2.5m, compared to €2.9m in 2011.

2012 witnessed significant changes for this division, from which the sources of losses Gascogne Laminates Switzerland and Mupa Emballages were removed. Their 2012 underlying operating profits totalled -€0.7m and -€0.8m, respectively. The financial year was also affected by substantial investments made on the Dax site.

More specifically, the sales trend was favourable in cutting-edge industries such as aeronautics and medical equipment, and was impacted by the situation in Southern Europe in building insulation, and by the temporary reduction of the Dax plant's flexible packaging capacity due to its immobilization in order to revamp an extrusion line. The Group also sought to reduce its stock level (-€4m), which impacted the underlying operating profit. In 2012, the businesses continued by the Laminates Division generated an operating cash flow of €4.8m.

The General Meeting will be held at Mont de Marsan on 20 June 2013 to approve the 2012 accounts.

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About Gascogne group:

Major player in the French wood industry, the Gascogne group is present at every stage in optimising the forest resource; it is the only French player fully integrated throughout the entire chain of the wood-paper-conversion sector. It has four complementary divisions: Gascogne is France's leading multi-specialist producer of wood products, the world's leading producer of natural machine glazed kraft paper, one of the European leaders of industrial and consumer sacks and one of the world's leading producers of laminates for packaging and protection applications.

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