

## P R E S S   R E L E A S E

### 2017 FIRST-HALF RESULTS

At the meeting on 21 September 2017 chaired by Dominique Coutière, Gascogne's Board of Directors examined the accounts for the first-half 2017. The accounts underwent a limited audit by the statutory auditors.

In €m	1st half-year 2017	1st half-year 2016
<b>Sales</b>	213.7	212.8
<b>EBITDA</b>	15.3	11.7
<b>Underlying operating profit</b>	10.2	7.0
<b>Operating profit</b>	6.8	6.0
<b>Net financial items</b>	-1.6	-1.3
<b>Pre-tax profit</b>	5.2	4.9
<b>Consolidated net profit</b>	5.0	5.1

In the first-half 2017, the Group continued the restructuring and investments provided for in its recovery plan.

First-half highlights:

- Wood Division: a series of short-term measures were initiated and the preparation of a Wood plan was announced in June in order to restore the profitability of this division.
- Packaging Division: the Mimizan paper plant was selected through the CRE5 biomass call for tenders for the implementation of a co-generation unit (electricity produced from steam) with electric power of 19.38 MW.

First-half **sales** totalled €213.7m, which is stable compared to first-half 2016.

The **EBITDA**<sup>1</sup> rose 30%, from €11.7m to €15.3m.

This €3.6m increase is mainly the result of:

- a stable gross margin
- energy savings of €1m (-3%) with the biomass boiler in full operation, which substantially reduces fuel consumption
- globally controlled staff costs: down €1.4m (-3%).
- a €1.1m decrease in overhead costs, mainly through savings in the Wood Division

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<sup>1</sup> EBITDA: Underlying operating profit + net additions to depreciation + net operating provisions and impairments

The **underlying operating profit** thus increased from €7.0m to €10.2m.

The **operating profit** totalled €6.8m and includes -€3.4m in other non-operating income and expenses, mainly comprising additions to provisions for the Planned Redundancy Programme in the Wood Division.

**Net financial items** are negative at -€1.6m, down €0.3m mainly due to the decrease in the foreign exchange result (-€0.4m vs -€0.2m in first half 2016).

**Net profit** stands at €5.0m, compared to €5.1m in first half 2016.

The second half of the year should be inferior to the first half in terms of profit due to the scheduled shut-down of the Mimizan paper plant in October and seasonal trends in sales. However, it will allow first-half results to be consolidated and the Group's recovery to continue.

## Analysis by division

In €M	WOOD Division		PACKAGING Division		incl. Paper Activity		incl. Sacks Activity		incl. Flexible Activity	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
SALES	37.9	38.8	175.8	173.9	56.7	53.1	56.4	56.8	62.7	64.0
EBITDA	1.7	0.0	13.6	11.7	5.8	3.3	3.3	3.6	4.5	4.7
Recurring operating income	1.3	-0.3	8.8	7.3	4.4	2.8	1.5	1.5	3.1	3.2

The **Wood Division** improved its EBITDA in first-half 2017 due to a first series of measures taken early 2017 and including the shut-down of the Escource smallwood sawmill, the sale of the timber frame walls business, the ending of the use of temp workers, greater productivity at the Saint Symphorien cutting-jointing unit, and the continued development of box panelling on the North American market.

The Wood plan announced in June comprises the following items:

- A new sales strategy: rationalisation of decoration line through a focus on profitable products and a gradual opting out of products generating losses, and continued growth of machined woods
- A new industrial strategy: beginning of rationalisation of industrial tool, which is too scattered and unproductive, by increasing productivity on certain sites such as Levignacq and Saint Symphorien and stopping production on the Belvès and Marmande sites
- Rationalisation of Division structures

Application of the wood plan requires a Planned Redundancy Programme that will be implemented by the end of the year and which provides for 92 position closings, the cost of which is provisioned in the June 30 accounts.

The **Packaging Division** is following its operating plan with a new increase in EBITDA of €1.9m (+16%), driven by the Paper Activity this half-year.

The **Paper Activity** experienced solid growth in first-half 2017. The second half will be impacted by the scheduled stoppage in October.

The **Sacks Activity** declined slightly by €0.3m.

The **Flexible Activity** was stable: the growth of the Dax site in France was offset by the poor performance of the Linnich site in Germany.

## Financial structure

<b>Balance sheet</b>	<b>30.06.17</b>	<b>31.12.16</b>
Shareholders' equity (€m)	104.8	100.4
Shareholders' equity per share (€)	5.1	4.9
Net debt (€m)	97.1	98.4
Working capital requirement (€m)	89.7	87.9

<b>Flows</b>	<b>1st half-year 2017</b>	<b>1st half-year 2016</b>
Operating cash flow (€m)	9.0	8.2
Net investment cash flow (€m)	(5.1)	(10.6)
Financing cash flow (€m)	(4.7)	8.7
Variation in cash flow (€m)	(0.9)	6.3

The variation in cash flow was slightly negative in the first half of the year, at - €0.9m.

The operating cash flow was relatively stable at €9.0m vs €8.2m in first-half 2016.

The investment plan continues with €6.5m in expenditures in first-half 2017 and should accelerate in the second half.

The financing cash flow included the reimbursement of the French environment and energy management agency (ADEME) advance after obtaining the co-generation project with CRE, the depreciation of the lines of credit and additional factor drawing.

The balance sheet structure (net debt and equity) was stable compared to 31 December 2016.

This press release is available on the new Gascogne Group web site [www.groupe-gascogne.com](http://www.groupe-gascogne.com)

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### **About the Gascogne Group:**

The Gascogne Group is the leading player in the French wood industry, operating at every stage of forest resource processing. It is the only French player that is totally integrated across the entire Wood-Paper-Packaging chain. With its four complementary 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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