2012
GASCOGNE ANNUAL REPORT

20.1.1. CONSOLIDATED FINANCIAL STATEMENTS FOR 2012

20.1.1.1. CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(In thousands of euros)	Notes	Fiscal year 2012	Fiscal year 2011
CONTINUING OPERATIONS			
Sales	V.1	419 693	430 519
Changes in inventories of work in progress and finished products	V.2	(16 778)	6 172
Purchases used in the business	V.3	(179 727)	(195 359)
External expenses		(98 785)	(110 270)
Staff costs	V.4	(98 903)	(101 447)
Taxes other than income tax		(7 831)	(7 827)
Additions to depreciation		(19 983)	(22 692)
(Additions to) / releases from provisions	V.5	(105)	(404)
Other operating income and expenses	V.6	1 217	1 233
Underlying operating profit		**(1 202)**	**(75)**
Other non-operating income and expenses	V.7	(67 168)	(27 843)
Operating profit		**(68 370)**	**(27 918)**
Cost of net debt		(7 219)	(6 295)
Other financial income and expenses		(2 225)	(801)
Net financial items	V.8	**(9 444)**	**(7 096)**
Share in earnings of equity affiliates	V.9	236	74
Pre-tax profit		**(77 578)**	**(34 940)**
Income tax	V.10	(1 095)	8 703
Net income from continuing operations		**(78 673)**	**(26 237)**
attributable to:			
. Gascogne SA shareholders		(78 672)	(26 240)
. non-controlling interests		(1)	3
Change in translation differences		(292)	(24)
Change in fair value of financial instruments		691	(1 484)
Change in actuarial gains and losses on pension plans		(2 913)	(453)
Taxes on operations of other items of the comprehensive income		674	705
Income and expenses recorded for other items of the comprehensive income		**(1 840)**	**(1 256)**
Comprehensive income from continuing operations	V.12	**(80 513)**	**(27 493)**
DISCONTINUED OPERATIONS			
Net income from discontinued operations, net of tax		**(12 615)**	**(6 327)**
attributable to:			
. Gascogne SA shareholders		(12 615)	(6 327)
. non-controlling interests			
Income and expenses recorded for other items of the comprehensive income		**(4)**	**241**
Comprehensive income from discontinued operations, net of tax	V.12	**(12 619)**	**(6 086)**
NET PROFIT OF THE CONSOLIDATED WHOLE			
Net profit of the consolidated whole, net of tax		**(91 288)**	**(32 564)**
attributable to:			
. Gascogne SA shareholders		(91 287)	(32 567)
. non-controlling interests		(1)	3
Income and expenses recorded for other items of the comprehensive income		**(1 844)**	**(1 015)**
Comprehensive income of the consolidated whole, net of tax	V.12	**(93 132)**	**(33 579)**
attributable to:			
. Gascogne SA shareholders		(93 131)	(33 582)
. non-controlling interests		(1)	3
Net profit per share of the consolidated whole			
Base earnings per share (in €)	V.11	(47.01)	(16.78)
Diluted earnings per share (in €)	V.11	(47.01)	(16.78)
Net profit per share of continuing operations			
Base earnings per share (in €)	V.11	(40.52)	(13.52)
Diluted earnings per share (in €)	V.11	(40.52)	(13.52)

20.1.1.2. CONSOLIDATED BALANCE SHEET

(In thousands of euros)	Notes	Fiscal year 2012	Fiscal year 2011
Assets			
Intangible assets	IV.2	6 754	13 216
Property, plant and equipment	IV.3	111 027	136 039
Investments in equity affiliates	IV.4	2 831	2 595
Other non-current financial assets	IV.5	15 048	13 436
Deferred tax assets	IV.6	4 059	2 719
Non-current assets		**139 719**	**168 005**
Inventories	IV.7	107 821	106 482
Trade and other receivables	IV.8	53 489	39 465
Other current assets	IV.9	650	926
Recoverable income tax	IV.19	1 549	1 399
Current financial assets	IV.5	150	346
Cash and equivalents	IV.12	5 058	5 111
Current assets		**168 717**	**153 729**
Assets classified as held for sale	II.4	**7 947**	**118 045**
Total assets		**316 383**	**439 779**

Shareholders' equity and liabilities	Notes	Fiscal year 2012	Fiscal year 2011
Shareholders' equity	IV.10		
Share capital		9 970	29 909
Share premiums		64 500	44 561
Consolidated reserves		85 504	118 232
Reserves relating to changes in fair value of financial instruments		(1 373)	(1 833)
Reserves related to actuarial gains and losses		(3 184)	(1 144)
Own shares		(3 044)	(3 368)
Translation differences		(360)	(96)
Consolidated profit		(91 287)	(32 567)
Shareholders' equity attributable to equity holders of the parent		**60 726**	**153 694**
Minority interests		33	34
Total consolidated shareholders' equity		**60 759**	**153 728**
Liabilities			
Debt due in more than one year	IV.12	7 591	11 829
Liabilities relating to pensions and other benefits	IV.15	18 024	10 285
Provisions, more than one year	IV.16	15 207	16 682
Other non-current liabilities	IV.18	4 025	3 473
Deferred tax liability	IV.6	878	449
Non-current liabilities		**45 725**	**42 718**
Debt due in less than one year (*)	IV.12	98 605	88 770
Provisions, less than one year	IV.16	6 104	2 026
Trade and other payables	IV17	90 323	77 545
Other current liabilities	IV.18	8 811	8 236
Income tax payable	IV.19	896	7 556
Current liabilities		**204 739**	**184 133**
Liabilities associated with assets classified as held for sale	II.4	**5 160**	**59 200**
Total liabilities		**255 624**	**286 051**
Total liabilities and shareholders' equity		**316 383**	**439 779**
(*) of which bank borrowings and overdrafts		38 165	22 587

20.1.1.3. CONSOLIDATED CASH FLOW STATEMENT

(In thousands of euros)	Fiscal year 2012	Fiscal year 2011
Net profit of the consolidated whole	**(91 288)**	**(32 564)**
Income tax	468	(8 294)
Share in net profit of equity affiliates	(236)	(74)
Net financial items	9 863	7 561
Additions to depreciation	19 983	24 536
Additions to / (releases from) provisions	67 583	27 326
Losses / (gains) on sales of non-current assets	4 541	441
Other non-cash expenses / (income)	(1 017)	(1 302)
Self-financing capacity from operating activities	**9 897**	**17 630**
Changes in inventories	25 989	(9 198)
Change in trade and other receivables	9 138	15 304
Change in trade and other payables	(19 709)	(7 289)
Change in other receivables and payables	542	449
Funds from operations	**25 857**	**16 896**
Interest paid	(8 441)	(6 097)
Tax paid	(338)	(169)
Cash flow from operating activities	**17 078**	**10 630**
of which discontinued operations	*(1 680)*	*(2 972)*
Acquisitions of non-current assets	(25 487)	(21 858)
Disposals of non-current assets	13 536	1 745
Cash flows from investing activities	**(11 951)**	**(20 113)**
of which discontinued operations	*9 899*	*(898)*
Financing surplus (requirement)	**5 127**	**(9 483)**
Investment subsidies received	110	19
Increase in financial debt	855	4 008
(Decrease) in financial debt	(16 583)	(24 588)
Cash flow from financing activities	**(15 618)**	**(20 561)**
of which discontinued operations	*(7 583)*	*2 715*
Change in net cash	**(10 491)**	**(30 044)**
of which discontinued operations	*636*	*(1 155)*
Other movements	(5)	30
of which discontinued operations	*10*	*48*

Cash and equivalents at start of period	**(20 712)**	**9 302**
of which discontinued operations	*1 286*	*2 393*
Change in net cash	(10 491)	(30 044)
of which discontinued operations	*636*	*(1 155)*
Other movements (including exchange rate fluctuation)	(5)	30
of which discontinued operations	*10*	*48*
Cash and equivalents at end of period	**(31 208)**	**(20 712)**
of which discontinued operations	*1 932*	*1 286*

20.1.1.4. STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(In thousands of euros)	Share capital	Share premiums	Consolidated reserves and earnings	Reserves related to actuarial gains and losses	Reserves relating to changes in fair value of financial instruments	Own shares	Translation differences	Shareholders' equity attributable to equity holders of the parent
Position at 31/12/2010	**29 909**	**44 561**	**118 243**	**(988)**	**(844)**	**(3 113)**	**(226)**	**187 542**
Other items of the comprehensive income				(156)	(989)		130	**(1 015)**
Net profit for the period			(32 567)					**(32 567)**
Total income and expenses recognised for the period			**(32 567)**	**(156)**	**(989)**		**130**	**(33 582)**
Capital increase								
Dividends paid								
Share-based payments								
Shares controlled by the company			(11)			(255)		**(266)**
Other items recognised in equity								
Position at 31/12/2011	**29 909**	**44 561**	**85 665**	**(1 144)**	**(1 833)**	**(3 368)**	**(96)**	**153 694**
Other items of the comprehensive income				(2 040)	460		(264)	**(1 844)**
Net profit for the period			(91 287)					**(91 287)**
Total income and expenses recognised for the period			**(91 287)**	**(2 040)**	**460**		**(264)**	**(93 131)**
Capital decrease (*)	(19 939)	19 939						
Dividends paid								
Share-based payments								
Shares controlled by the company			(439)			324		**(115)**
Other items recognised in equity			278					**278**
Position at 31/12/2012	**9 970**	**64 500**	**(5 783)**	**(3 184)**	**(1 373)**	**(3 044)**	**(360)**	**60 726**

(*) Share value changed from €15 to €5 following the decision taken at the General Meeting on 5 June 2012.

20.1.1.5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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I. ENTITY PRESENTING THE FINANCIAL STATEMENTS

Gascogne SA is a company domiciled in France. The company's head office is located at 650, avenue Pierre Benoit, 40990, Saint-Paul-lès-Dax. Gascogne SA's consolidated financial statements for the period ended 31 December 2012 include the parent company and its subsidiaries (together referred to as the "Group" or "Gascogne") and the Group's interests in associated companies. Gascogne's main activities are the processing of wood, and the production of paper, sacks and laminates.
The Group's consolidated financial statements for the year ended 31 December 2011, along with the summarised interim consolidated financial statements for the six months ended 30 June 2012, are available on request from the head office or from the www.groupe-gascogne.com website.

II. BASIS OF PREPARATION

II.1. Statement of compliance

By application of regulation No.1606/2002 of 19 July 2002 amended by European regulation No.297/2008 of 11 March 2008, the consolidated financial statements for the fiscal year 2012 were prepared in compliance with the IFRS (International Financial Reporting Standards) as adopted by the European Union and in compliance with the IFRS as published by the International Accounting Standards Board (IASB). These standards are available on the European Union's website at: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

The financial statements were accepted by the Board of Directors on 18 April 2013, and will be submitted for approval at the next Combined Shareholders' Meeting on 20 June 2013.

II.2. Basis of measurement

The financial statements are prepared according to the historic cost convention, with the exception of derivative financial instruments, which are measured at fair value, and of liabilities resulting from transactions for which payment is share-based, which are also measured at fair value.

Losses in 2011, in addition to increased net debt, meant that Gascogne had to enter into discussions at the beginning of 2012 with all its banking partners in order to secure the structure of its financing.

Within this framework,

- New Money was granted by the banks and the State through the FDES (Economic and Social Development Fund) amounting to €11.6m, in February 2012, and by the shareholder EEM amounting to €6m, in July 2012,
- a conciliation agreement was signed on 13 July 2012 and was approved by the Commercial Court of Dax on 18 July 2012 (see paragraph IV.14.2), providing for, in particular:
    - a new repayment schedule for the syndicated debt (€70m) over a period covering 2014-2018,
    - maintaining the bilateral funding and factoring until February and July 2014 respectively and miscellaneous obligations for Gascogne to provide information and to comply with financial aggregates.

Since signing this agreement, the following measures have been taken:

- on a financial level:
    - €7.4m were paid back on the New Money loan in September 2012
    - A moratorium was signed at the end of January 2013 concerning the settlement of company and tax liabilities amounting to €13.8m
    - In 2013:
        - an agreement from the banks not to request advance repayment of the entire debt (excluding new money) until 30 April 2013 at the earliest
        - an agreement from the banks and the shareholder EEM to postpone the scheduled repayments of the balance of the loan of New Money until 30 April 2013

- on an operational level:
  - Operational governance was strengthened with the recruitment of a Chief Operating Officer at the end of September 2012
  - A series of short-term actions have kicked off to reduce the operating working capital requirement, in particular inventories, and to limit or defer investment expenses
  - A strategic financial audit was carried out during the last quarter of 2012
  - The programme for the divestment of non-strategic activities was finalised at the start of 2013

The Group is pursuing its discussions with all of its financial partners in order to reinforce its financial structure in the medium term, and is confident that a new agreement will be signed during 2013.

On this basis, the consolidated financial statements were drawn up, applying the going concern concept.

However, even if management anticipates the success of the discussions with the banks, there is inherent uncertainty regarding their outcome and, in the case of an unfavourable outcome, the implementation of accounting principles that are generally accepted in a normal going concern context, especially regarding the measurement of assets and liabilities, could prove inappropriate.

II.3. New IFRS standards

II.3.1. New standards, amendments and interpretations in force within the European Union and applicable to fiscal years underway on 31 December 2012

The Group has applied to its consolidated statements the amendments to standards and interpretations that came into force on 31 December 2012, and were adopted by the European Union.

The only new text the application of which is obligatory to fiscal years starting on 1 January 2012 is the amendment to IFRA 7 - Disclosures to include about transfers of financial assets.

This text has been applied and has led to the completion of the information in the notes relating to the factoring operations. (See note IV.14.2)

II.3.2. New standards, amendments and interpretations yet to be applied

The group did not opt for an advance application of the following texts published by the IASB and that could have been applied from 1 January, 2012:

- the amendment of IAS 1 – *Presentation of the OCI – items of other comprehensive income*
- the amendment of IAS 19 – *Employee benefits*

The potential impact of this text is limited for the Group: the elimination of the “corridor” method has no effect on the Group, since actuarial gains and losses are already fully accounted for as items of other comprehensive income.

Also, the impact of the other new texts published but yet to enter into force should be limited for the Group, in particular the impact of the standards on consolidation IFRS 10, IFRS 11, IFRS 12 and the amendments of standard IAS 28 R applicable as of 1 January 2014 and adopted by the European Union at the end of December 2012.

II.4. Non-current assets held for sale and discontinued operations

The divested business comprises the assets of the company Gascogne Laminates Switzerland, sold to UPM on 30 August 2012.
The business classified as held for sale comprises the assets of the company Mupa, which were sold on 1 January 2013 and the assets from the Jarnac site (part of Gascogne Laminates) which were sold on 1 March 2013.
The two other companies from the Laminates division, Gascogne Laminates (excluding the Jarnac site) and Gascogne Laminates Germany, were re-classified as continuing operations following the decision taken in December 2012 to halt the divestment of these entities.

In terms of presentation, the following positions have been selected:
- On the income statement: in compliance with the standard IFRS 5, the line 'net income from discontinued operations' includes:
In 2012: 8 months of operations and the income from the sale of Gascogne Laminates Switzerland, sold on 30 August 2012 and 12 months of Mupa and Jarnac operations.
In 2011: 12 months of Gascogne Laminates Switzerland, Mupa and Jarnac operations

- On the balance sheet, the 'assets classified as held for sale' lines include:
In 2012: the assets and liabilities of Mupa and Jarnac as well as the residual assets and liabilities of Gascogne Laminates Switzerland.
In 2011: the assets and liabilities for the entire Laminates division.

Income from discontinued operations

(In thousands of euros)	**Fiscal year 2012 (*)**	**Fiscal year 2011**
Sales	44 881	62 840
Changes in inventories of work in progress and finished products	(2 117)	(797)
Purchases used in the business	(27 592)	(41 864)
External expenses	(6 993)	(11 285)
Staff costs	(8 705)	(11 182)
Taxes other than income tax	(402)	(348)
Additions to depreciation		(1 844)
(Additions to) / releases from provisions	44	(38)
Other operating income and expenses	(1 007)	(802)
Underlying operating profit	**(1 891)**	**(5 320)**
Other non-operating income and expenses	(10 932)	(133)
Operating profit	**(12 823)**	**(5 453)**
Cost of net debt	(450)	(489)
Other financial income and expenses	31	24
Net financial items	**(419)**	**(465)**
Pre-tax profit	**(13 242)**	**(5 918)**
Income tax	627	(409)
Net income from discontinued operations	**(12 615)**	**(6 327)**

(*) including 8 months of Gascogne Laminates Switzerland operations

Other non-operating income and expenses include the income from the divestment of Gascogne Laminates Switzerland (€-1.8m), and provisions for the losses expected from divesting the assets of Mupa (€-5.7m) and Jarnac (€-3.4m).

Balance sheet for discontinued operations

(In thousands of euros)	Fiscal year 2012
Intangible assets	10
Property, plant and equipment	313
Other non-current financial assets	2
Deferred tax assets	6
Non-current assets	**331**
Inventories	1 686
Trade and other receivables	2 419
Other current assets	831
Recoverable income tax	748
Cash and equivalents	1 932
Current assets	**7 616**
Total assets from discontinued operations	**7 947**
Debt due in more than one year	240
Liabilities relating to pensions and other benefits	560
Provisions, more than one year	13
Non-current liabilities	**813**
Debt due in less than one year (*)	99
Trade and other payables	3 651
Other current liabilities	597
Current liabilities	**4 347**
Total liabilities from discontinued operations	**5 160**
Net assets and liabilities associated with discontinued operations	**2 787**

Cash flow for discontinued operations

(In thousands of euros)	Fiscal year 2012	Fiscal year 2011
Cash flow from operating activities	(1 680)	(2 972)
Cash flows from investing activities	9 899	(898)
Cash flow from financing activities	(7 583)	2 715
Net cash flow for the year	636	(1 155)

II.5. Functional and presentation currency

The consolidated financial statements are presented in Euros, which is Gascogne's functional currency. All financial data presented in Euros are rounded to the nearest thousand Euros.

II.6. Use of estimates and judgements

Preparing IFRS-compliant consolidated financial statements requires management to make a certain number of estimates and make certain assumptions that have an impact on amounts included in assets and liabilities, such as depreciation and provisions, on financial information relating to contingent assets and liabilities at the date of the consolidated statements and on amounts of income and expenses during the year. These estimates are made on a going concern basis and are based on information available at the time they are made. Estimates may be revised if the circumstances on which they are based change, or if new information emerges. Actual results may be different from these estimates.
The main estimates made by management when preparing the financial statements primarily concern assumptions used for calculating pension liabilities, asset impairment losses and provisions.

II.7. Reminder of the main IFRS initial application options

The main adjustments to be made when converting to IFRS on the changeover date of 1 January 2004, and which continue to have an effect to date, relate to the application of IAS 16 Property, plant and equipment and IAS 38 Intangible assets on the one hand and IAS 36 Impairment of assets on the other hand.

II.7.1. Property, plant and equipment and intangible assets

In accordance with the option available under IFRS 1, the Group has decided not to revalue property, plant and equipment at fair value in the opening balance sheet, but to apply the historical amortised cost method. The Group has applied IAS 16 retrospectively to 1 January 2004 to all of its property, plant and equipment. This has prompted it to revise their useful lives and to apply a component-based approach.
This has resulted in many cases in the extension of the useful lives adopted in relation to former life spans. Consequently, with gross values remaining unchanged, accumulated depreciation and additions to depreciation have been reduced.
On the opening balance sheet of 1 January 2004, net property, plant and equipment and intangible assets were increased (reduction in accumulated depreciation). In return, equity and net deferred tax liabilities were increased.
In total, this adjustment resulted in an increase in equity of €50m at 1 January 2004.

II.7.2. Impairment of assets

Assets (goodwill, intangible assets and property, plant and equipment) are tested in accordance with the terms stipulated by the standard and outlined in note III.9.
On the opening balance sheet of 1 January 2004, goodwill and net intangible assets and property, plant and equipment were reduced. In return, equity and net deferred tax liabilities were reduced.
In total, this adjustment resulted in a decrease in equity of €45m at 1 January 2004.

III. MAIN ACCOUNTING POLICIES

This note sets out the main accounting policies adopted by the Group, in accordance with the IFRS.
The accounting policies described below were applied consistently throughout all periods covered by the consolidated financial statements.

III.1. Scope of consolidation and consolidation methods

III.1.1. Consolidation methods
A subsidiary is an entity controlled by the Group. Control is defined as the power to direct a company's financial and operational policies in order to derive benefit from its activities. When assessing control, potential voting rights that are currently exercisable or convertible are taken in consideration.
The financial statements of subsidiaries are included in the consolidated financial statements from the date the control starts until the date the control ends.

Subsidiaries' financial statements are adjusted as required to bring their accounting policies into line with those of the other companies within the scope of consolidation.
All intra-group transactions and balances are eliminated.

Associated companies over which the Group has significant influence are accounted for under the equity method. Significant influence is assumed if the Group holds 20% or more of the company's voting rights.

III.1.2. Scope of consolidation

Consolidated companies at 31 December 2012:

Company	Registered office	SIREN number	% control	% interest
FINANCIAL				
Gascogne	40990 F-Saint Paul lès Dax	895 750 412		
Aquitaine Landes Industries	40990 F-Saint Paul lès Dax	421 228 545	100.00	100.00
Gascogne Deutschland	Wieda (Germany)	HRB54618	100.00	100.00
WOOD DIVISION				
Foresco	40210 F-Escource	388 628 166	100.00	100.00
Forestière de Gascogne	40210 F-Escource	323 491 662	100.00	100.00
Gascogne Habitat Bois	47200 F-Marmande	421 228 701	100.00	100.00
Gascogne Wood Products	40210 F-Escource	501719413	100.00	100.00
Gascogne Wood Products Iberica	San Sebastian (Spain)	M.09.112.929	100.00	100.00
Allwood France	65300 F-Campistrou	349772624	100.00	100.00
Gascogne All Wood	Liège (Belgium)	BE-425608482	99.33	99.33
PAPER DIVISION				
Gascogne Paper	40200 F-Mimizan	334612967	100.00	100.00
Gascogne Paper Germany	Münster (Germany)	HRB1009	100.00	100.00
Gascogne Spain	Barcelona (Spain)	29487F141B152448	100.00	100.00
Gascogne Italia	Milan (Italy)	M3090005/7762/5	51.00	51.00
Gascogne USA	Atlanta (USA)	CBP-2.953.531	100.00	100.00
Depland	87200 F-Saint Junien	760500587	100.00	100.00
SACKS DIVISION				
Gascogne Sack	40200 F-Mimizan	493467989	100.00	100.00
Gascogne Sack Deutschland	Wieda (Germany)	HRB 1200 55	100.00	100.00
Aigis	Chalkida (Greece)	13138/12/B/86/11	100.00	100.00
Gascogne Sack Tunisia	Rades (Tunisia)	B0233542005	99.99	99.99
LAMINATES DIVISION				
Gascogne Laminates	40100 F-Dax	312757347	100.00	100.00
Gascogne Laminates Switzerland (*)	Martigny (Switzerland)	CH-621.3.0001.891-1	100.00	100.00
Gascogne Laminates Germany	Düren (Germany)	HRB3891	100.00	100.00
Kris Duff Management	Sacramento (USA)	EIN 68-0416774	100.00	100.00
Mupa Emballages (**)	40100 F-Dax	389613498	100.00	100.00

(*) Company whose assets have been divested
(**) Company classified as held for sale

Companies consolidated using the equity method:

Company	Registered office	SIREN number	% control	% interest
SACKS DIVISION				
Sacchificio Veneto	Grezzana (Italy)	V4720	40.00	40.00

There are no proportionally consolidated companies.

III.2. Presentation of financial statements

Gascogne's financial statements are presented in accordance with IAS 1 *"Presentation of financial statements."* They comprise the consolidated comprehensive income statement, consolidated balance sheet, consolidated statement of changes in shareholders' equity, consolidated cash flow statement and notes.

III.2.1. Income statement

The Group has elected to present its expenses on the income statement according to their nature.

III.2.2. Balance sheet

Operating cycle-related assets expected to be realised and liabilities due to be settled within twelve months of the balance sheet date are classified as current. Other assets and liabilities as well as deferred tax deemed non-current are classified as non-current.

III.2.3. Changes in shareholders' equity

The statement of changes in shareholders' equity shows:
- changes resulting from transactions with shareholders,
- net profit for the year,
- gains and losses recorded for other items of the comprehensive income,
- the cumulative impact of changes in accounting policies.

III.2.4. Cash flow statement

The Group has selected the indirect method for preparing the cash flow statement, pursuant to IAS 7 "Cash flow statements". The indirect method consists in determining cash flows relating to operating activities based on profit adjusted for:
- transactions with no impact on the cash position,
- any deferral or accrual of past or future operation cash inflows or outflows,
- income or expenses relating to cash flows concerning investments or financing.

III.3. Segment reporting

In accordance with IFRS 8 "Operating segments", and taking into account the Group's internal management and reporting organisation, the Group presents segment reports by business sector.
The Chief Operating Decision-Maker is the Group's Chief Executive Officer.
The Group has four segments, as described below, which correspond to the Group's strategic operating units. The divisions are managed by segment managers as per the standard IFRS 8 and they report to the Chief Executive Officer.
The Group's strategic operating units offer distinct products and services, and are managed separately insofar as they require the implementation of different technological and commercial strategies. The operations performed in each of the Group's segments are summarised as follows:

- Wood division: production of lumber and pulp wood, flooring, finished panelling, mouldings, panels, home improvement products and accessories,
- Paper division: production of natural machine-glazed kraft paper and natural kraft paper for sacks,
- Sacks division: production of small-, medium- and large-capacity sacks,
- Laminates division: production of multilayer laminates (standard or reinforced), silicone-coated backing paper, gummed paper and self-adhesive laminates.

The Group's segment information is prepared in accordance with the accounting policies adopted for preparing and presenting the financial statements.

III.4. Foreign currencies

III.4.1. Transactions in foreign currencies

The recognition and measurement of transactions denominated in foreign currencies are defined by IAS 21 “Effects of changes in foreign exchange rates”.
Transactions in foreign currencies are translated at the exchange rate prevailing on the transaction date. At period-end, monetary assets and liabilities denominated in foreign currencies are translated at the period-end exchange rate. The resulting translation differences are recognised as foreign-exchange gains (losses) under “net financial items”.

III.4.2. Financial statements of businesses abroad

The accounts of the Group’s foreign subsidiaries are stated in their functional currencies. Balance-sheet items of companies whose functional currency is not the Euro are translated into Euros at the period-end exchange rate, except for shareholders’ equity, which is translated at the historical exchange rate. Income-statement items are translated at a rate similar to the rate on the transaction date.
Cash-flow statement items are translated at the average exchange rate for the period, with the exception of cash which is translated at the period-end exchange rate.
Translation differences on the balance sheet are recorded separately as “Translation differences” under shareholders’ equity, and include the impact of changes in exchange rates on assets and liabilities.

III.5. Exchange-rate and interest-rate hedging

The principle of hedging is to neutralise the economic effect of exposure to a particular risk (exchange-rate risk, interest-rate risk, credit risk, etc.), present or future, through a contract whose exposure to the same risks results in an opposite economic effect.
The hedge ensures that the economic effects of exposure to the related risk will be offset through symmetrical variations.

III.5.1. Definition

IAS 39 “Financial Instruments: Recognition and Measurement" specifies three possible types of hedges:
- fair-value hedges: hedging of the exposure of an asset, liability or firm commitment that may affect profit,
- cash-flow hedges: hedging of a future cash flow associated with a recognised asset or liability or with an expected transaction that may affect profit,
- hedging of a net investment in a foreign company.

III.5.2. Eligibility for hedge accounting

For a hedging transaction to be eligible for hedge accounting, the following conditions must be met:
- from the outset, the hedging relationship and objective must be formally identified and documented,
- the hedge must be measured and deemed to be “highly effective” during all periods covered by the financial statements for which the hedge has been identified,
- the effectiveness of the hedge must be reliably measured,
- transactions covered by cash flow hedges must be “highly probable”.

III.5.3. Recognition of hedging instruments

Hedging instruments are measured at fair value. Companies concerned measure the effectiveness or otherwise of hedging instruments intended to offset the hedged item’s exposure to changes in fair value or in cash flows arising from the hedged risk.

Changes in fair value of these instruments are treated as follows:

Fair value hedges
If the hedge is eligible for hedge accounting, the gain or loss resulting from the revaluation of the hedging instrument at fair value is taken to income. The gain or loss on the hedged item attributable to hedged risk is also taken to income.

Cash flow hedges
If the hedge is eligible for hedge accounting, the gain or loss resulting from the revaluation of the hedging instrument at fair value is recognised as follows:
- the portion of the gain or loss on the hedging instrument considered to constitute an effective hedge is taken directly to other items of the comprehensive income, until the transaction is realised, then taken to income when the transaction has been completed,
- the ineffective portion of the gain or loss on the hedging instrument is taken immediately to income.

Net investment hedges
The hedging of a net investment in a foreign operation is recognised under the same conditions as cash-flow hedges. As a result:
- the portion of the gain or loss considered to constitute an effective hedge is taken directly to other items of the comprehensive income,
- the ineffective portion of the hedge is taken immediately to income.

Derivatives contracted for economic hedges, but that do not respect the requirements of IAS 39 hedge accounting are taken to the fair value through profit or loss.

III.6. Goodwill and other intangible assets

The applicable standards for recognising goodwill and other intangible assets are IAS 38 "*Intangible assets*", IAS 36 "*Impairment of assets*" and IFRS 3 *"Business combinations."* In accordance with IAS 38, only items controlled by the company whose future economic benefits are likely to benefit the Group and whose cost can be reliably determined are recognised as intangible assets. Intangible assets include the following: patents and licences, software, lease rights and the cost of developing new products or in-house software.

III.6.1. Goodwill

All business combinations are accounted for using the purchase method.

Business combinations are measured and recognised in line with the provisions of revised standard IFRS 3: the consideration transferred (acquisition cost) is measured at the fair value of assets given, equity issued and liabilities assumed at the date of exchange. The identifiable assets and liabilities of the acquired company are measured at their fair value at the date of acquisition. The costs directly attributable to the acquisition are recorded as an expense.
Any excess of the consideration transferred over the Group's proportionate share in the net fair value of the acquiree's identifiable assets and liabilities is recognised as goodwill.

All goodwill is attached to a Group cash generating unit (CGU).

Under standard IFRS 3, goodwill is not amortised. Goodwill is subject to an impairment test as soon as indications of an impairment loss appear, and at least once a year. Goodwill impairment losses are irreversible. The profit resulting from an acquisition under advantageous conditions is taken immediately to income.

III.6.2. Patents and licences

Patents and licences are amortised on a straight-line basis over their legal protection period. Software is amortised on a straight-line basis over its useful life, which is between 1 and 10 years.

III.6.3. Development costs

In accordance with IAS 38, *"Intangible assets,"* development costs are capitalised if the company can demonstrate:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- its intention to complete the intangible asset and use or sell it,
- its ability to use or sell the intangible asset,
- the manner in which the intangible asset will generate probable future economic benefits,
- the availability of adequate (technical, financial and other) resources for completing the development,
- its ability to reliably measure the expenditure attributable to the intangible asset during its development.

Research and development costs that do not meet the above criteria are recognised as expenses in the period in which they are incurred. Capitalised development costs that meet the above criteria are recognised as assets on the balance sheet. They are amortised on a straight-line basis over their useful lives.

Expenditure thus capitalised includes the direct labour costs and an appropriate proportion of overheads.

Capitalised development costs are recognised at cost less accumulated amortisation and less any impairment losses.

III.6.4. Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only if it satisfies the conditions defined in the IAS 38 standard and set out below. Other expenditure is recognised as an expense when it is incurred.

III.7. Property, plant and equipment

In accordance with IAS 16 *"Property, plant and equipment"*, only items controlled by the company whose cost can be determined reliably, from which it is probable that future economic benefits will flow to the Group and which are used for a period of more than one accounting period are recognised as property, plant and equipment. Items of property, plant and equipment are stated at their historical cost less accumulated depreciation and impairment losses. Property, plant and equipment are evaluated in line with the rate at which the expected economic benefits are consumed in each asset category, on the basis of purchase cost. The Group has not adopted any residual value for its property, plant and equipment. Most of the Group's industrial assets are intended to be used until the end of their useful lives and there is generally no intention to sell them.

In addition, the Group has analysed all of its industrial processes, and has isolated the major components of its industrial equipment that require a specific depreciation plan. As part of this work, the effective useful lives of industrial assets have been reviewed. This component-based approach has also been applied to buildings.

As a result, there is no longer any need to book provisions for major maintenance work. Major repairs are now treated as a component of the asset's value.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful life for each type of asset or component. The following depreciation periods are used:

Buildings	15-50 years
Plant and tools	5-30 years
Transportation equipment	3-5 years

Subsequent costs:
Within the carrying value of an item of property, plant and equipment, the Group records the cost of replacing a component of the item at the moment the cost is incurred if it is likely that the future economic benefits associated with this asset will flow to the Group and if its cost can be measured reliably. All maintenance costs are recognised as expenses at the time at which they are incurred.

III.8. Leases

In accordance with IAS 17 "Leases" leases are classified as finance leases when the terms of the lease transfer substantially almost all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.
Finance leases are recognised within fixed assets at an amount equal to the lower of the present value of the minimum lease payments under the lease and the fair value of the fixed assets, with a balancing entry under debt. These assets are depreciated over their expected useful lives on the same basis as the assets held or, if shorter, over the duration of the corresponding lease.
Lease payments under an operating lease are expensed on a straight-line basis over the lease term.

III.9. Impairment of property, plant and equipment, intangible assets and goodwill

In accordance with IAS 36, *"Impairment of assets,"* intangible assets with an indefinite useful life and intangible assets that are not yet ready for use are subject to impairment tests at every period-end and every time an indication arises that a significant impairment loss has occurred. The carrying value of other assets: i.e. intangible assets with definite useful lives – mainly patents and software — as well as property, plant and equipment are also subject to impairment tests when events or changes in the market environment indicate the risk of an impairment loss in these assets.

If there is an indication that an asset may have lost value, the recoverable value of the individual asset must be estimated. If it is not possible to estimate the recoverable value of the individual asset, the recoverable value of the cash-generating unit (CGU) to which the asset belongs is determined. A CGU is defined as the smallest identifiable group of assets whose continued use generates cash inflows that are largely independent of cash inflows generated by other assets or groups of assets. The identification of CGUs consisting of an asset or group of assets must be consistent from one period to the next, unless a change is justified.

The Group has organised its assets into seven Cash Generating Units (CGUs):

- Wood CGU: companies in the Wood division (corresponding to the sector of the same name in the segment reporting).
- Paper CGU: companies in the Paper division (corresponding to the sector of the same name in the segment reporting).
- Gascogne Sack CGU: Gascogne Sack company in France.
- Gascogne Sack Deutschland CGU: Gascogne Sack Deutschland company in Germany.
- Aigis CGU: Aigis company in Greece.
- GST CGU: Gascogne Sack Tunisia company in Tunisia.
- Laminates CGU: companies in the Laminates division (Gascogne Laminates France and Gascogne Laminates Germany).

The impairment test consists in determining whether the net carrying value of the asset tested is lower than its recoverable value, which is defined as the higher fair value net of disposal costs and value in use. If the asset's recoverable value is lower than its net carrying value, an impairment loss equal to the difference between the two amounts is recognised. This impairment loss is recorded under "Other non-operating income and expenses" and is charged first and foremost to goodwill. Impairment losses relating to property, plant and equipment and

intangible assets with a definite useful life (such as patents and software) are reversible and may be reversed subsequently if the recoverable value becomes higher than the net carrying value (up to the limit of the impairment loss initially recognised). Goodwill impairment losses are irreversible. Any impairment losses remaining after the maximum has been charged to goodwill are charged to the net value of the property, plant and equipment and intangible assets in proportion to the carrying value of each asset within the unit. This method of charging impairment losses reduces the depreciable base and therefore reduces the amount of depreciation in subsequent years.

If no fair value figure based on market prices is available, the recoverable value of assets is determined on the basis of value in use. This corresponds to the value of the expected future economic benefits of their use and their disposal. In practice, value in use is the sum of the present values of future cash flows generated by the tested asset, taking into account a terminal value based on a long-term cash flow growth rate. Projections are made for five-year periods and result from business plans based on economic assumptions and forecasts of operating conditions adopted by management.

III.10. Financial assets and liabilities

Principles for the recognition and measurement of financial assets and financial liabilities are set out in standards IAS 39 *"Financial instruments*: *recognition and measurement"* and IAS 32 *"Financial instruments: Presentation*" and by IFRS 7 "Financial instruments - disclosures."

Financial assets include financial assets at fair value using the income statement for purposes of transaction, financial assets at fair value through profit or loss on option, assets available for sale, asset derivative instruments, as well as loans and receivables.
Initially, financial assets are measured on their fair value plus transaction costs, when the assets in question are not subsequently measured on their fair value through profit or loss. For assets measured at fair value through profit or loss, transaction costs are directly recorded to income. These financial assets are valued at fair value, with the exception of loans and receivables valued at amortised cost.

Securities in unconsolidated companies are measured at fair value.

The loss in value of a financial asset measured at amortised cost corresponds to the difference between its carrying value and the value of estimated future cash flows, recalculated using the asset's original effective interest rate. The losses are taken to the income statement and recorded in a depreciation account as a deduction from loans and receivables or held-to-maturity investments. Interest on an impaired asset continues to be recognised. When an event occurs after the impairment was recognised, and it has the effect of reducing the amount of the loss in value, the reversal of the loss in value is taken to the income statement.

Accounts receivable are impaired case-by-case, based on their precedence.

The Group derecognises a financial asset when the contractual rights to the cash flows on the asset expire, or when the Group has transferred the contractual rights to receive the cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

Financial liabilities include borrowings, other bank financing and overdrafts and liabilities relating to derivative instruments.

Borrowings and other financial liabilities are measured at amortised cost, derivative instruments (assets and liabilities) at fair value minus transaction costs, then at amortised cost using the effective interest rate method.

III.11. Cash and equivalents

Cash and equivalents include cash at hand, sight deposits and investments in money-market funds constituting short-term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.

III.12. Assets held for sale and discontinued operations

An asset or group of assets is classified as an "asset held for sale/discontinued operations" insofar as its carrying value is to be recovered mainly through its sale, not through its continued use. For an asset to qualify as a non-current asset held for sale, it must be effectively available for immediate sale and its sale must be highly probable. These assets or groups of assets are presented separately from other assets if their value is significant. These assets or groups of assets are measured at the lower of carrying value and estimated selling price net of disposal-related costs.

III.13. Own shares

Own shares (Gascogne shares held by the Group) are measured at acquisition cost and are deducted from shareholders' equity. Gains or losses from the sale of these shares are taken directly to equity, not to income.

III.14. Provisions

In accordance with IAS 37, "*Provisions, contingent liabilities and contingent assets,*" provisions are booked when, at the end of an accounting period, the Group has a present obligation to a third party under which it is probable that an outflow of resources will take place towards the third party, and which does not constitute a future economic benefit for the Group.

This obligation may be legal, regulatory or contractual. It may also result from Group practice or from public commitments that have created a legitimate expectation among the third parties concerned that the Group will assume certain responsibilities.

The estimate of the amount provisioned corresponds to the outflow of resources that the Group is likely to bear in order to extinguish its obligation. If no reliable estimate of the amount of the obligation can be made, no provision is booked and a disclosure is made in the notes.

Contingent liabilities consist of:
- potential obligations resulting from past events, the existence of which will only be confirmed by the occurrence of uncertain future events that are not under the Group's control,
- present obligations resulting from past events but that are not recognised since it is not probable that an outflow of resources representing economic benefits will be necessary to extinguish the obligation and since the amount of the obligation cannot be reliably measured.

In the event of restructuring, an obligation is recognised when the restructuring has been announced and has been the subject of a detailed plan or has commenced before the period-end.

The present value of provisions is calculated if the effect of discounting is significant.

III.15. Inventories

Inventories are measured at cost using the weighted average cost method or at their probable net realisable value if lower. If the probable net realisable value of inventories is lower than their cost, they are written down to probable net realisable value through an inventory impairment charge. Cost corresponds to acquisition or production cost.

Indirect costs taken into account in valuing inventories of finished products and work in progress only include production-related costs.

III.16. Employee benefits

Employee benefits consist mainly of pensions (defined-benefit or defined-contribution), termination benefits and long-service benefits.
As regards defined-contribution pension plans, the Group has no obligation other than to pay contributions and the expense corresponding to contribution payments is recognised under profit for the period.
In accordance with IAS 19 *"Employee benefits,"* defined-benefit pension plans are subject to an actuarial assessment based on the Projected Unit Credit Method. Under this method, each period of service gives rise to an additional unit of benefit rights and each of these units is assessed separately when valuing the final obligation. The present value of this final obligation is then calculated.
These actuarial calculations include various assumptions for each entity (in France and abroad) and take into account each entity's macro-economic and social context, i.e.:
- mortality tables,
- retirement ages,
- wage growth rates and employee turnover,
- rate of return on plan assets, if applicable,
- discount rate.

Actuarial gains and losses comprise:
- experience adjustments (effects of differences between the previous actuarial assumptions and that which has actually occurred),
- adjustments resulting from changes in actuarial assumptions.

Actuarial calculations of post-employment benefits are carried out by an independent actuary and recognised as follows:

On the balance sheet
The amount of liabilities recognised with respect to defined benefit pensions appears under "Liabilities relating to pensions and other benefits" and equals:
- the present value of the defined benefit obligation at the balance sheet date,
- less the fair value at the balance sheet date of plan assets used directly to pay for or finance obligations,
- less any past service cost not yet recognised and payments made.

As the company has not opted to use the corridor method, all actuarial gains or losses are taken to the other items of the comprehensive income.

The other components of change in the provision are recorded under the following items of the income statement:
- Service cost: Staff costs (underlying operating profit),
- Financial interest related to accretion costs: Other financial income and expenses (financial items),
- The expected return on plan assets: Other financial income and expenses (financial income),
- Past service cost: Staff costs (underlying operating profit).

III.17. Consolidated sales

Sales are measured at the fair value of the consideration received or receivable for goods and services sold as part of the Group's business: they are recognised net of any discounts and rebates offered to the customer.
Sales include sales of finished products and services related to these products, sales of waste, sales of merchandise and invoiced transport costs.
For the sale of goods and merchandise (constituting the largest portion of the sales), the income is recognised as sales when the risks and rewards inherent in the ownership of the goods, as well as their control, have been transferred to the purchaser. This transfer of risks and rewards depends on incoterms: generally concerning French customers, the transfer is effective ex-factory and concerning export or long distance export customers, the transfer is effective when the goods are delivered to the customer.
For services (a minor portion of the sales), recognition depends on the progress of the transaction at period end, measured on the basis of the work completed.

III.18. Other non-operating income and expenses

Other non-operating income and expenses correspond to income and expenses unrelated to the Group's everyday management activities. They are mainly characterised by their unusual nature and their significant amount.
These other non-operating income and expenses include:
- gains or losses on disposals of fixed assets,
- impairment losses or reversals of impairment losses on property, plant and equipment, intangible assets and goodwill arising from impairment tests required by IAS 36,
- reorganisation and restructuring provisions or expenses.

III.19. Operating profit

Operating profit corresponds to profit from operating activities before net financial items, tax and non-controlling interests.

III.20. Net financial items

Net financial items consist of interest payable on borrowings calculated using the effective interest method, interest receivable on investments, translation gains and losses and gains and losses on hedging instruments recognised on the income statement (see accounting method described in note III.5).

Interest income is recognised on the income statement as soon as the Group acquires the right to receive the related payments.
Interest expenses included in payments made under a finance lease are recognised using the effective interest method.

III.21. Deferred tax

Deferred tax is calculated on the temporary differences that exist between the carrying value of assets and liabilities and their tax basis. Deferred tax assets and liabilities are measured using the liability method, i.e. at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.
The following items do not give rise to the recognition of deferred tax:
- goodwill that is not tax-deductible,

- initial recognition of an asset or liability that does not result from a business combination and that affects neither accounting profit nor taxable profit,
- temporary differences related to equity stakes in subsidiaries to the extent that they will not be reversed in the foreseeable future.

In accordance with IAS 12 *"Income taxes,"* the Group presents deferred tax on the consolidated balance sheet separately from other assets and liabilities. Deferred tax assets are recognised on the balance sheet insofar as it is probable that they will be recovered in subsequent periods. Deferred tax assets and liabilities are not discounted.
To assess the Group's ability to recover these assets, the following items are taken into account:
- expected future tax results as part of the Group's tax consolidation system,
- historical tax results from previous years.

Deferred tax assets and liabilities are netted when there is a legally enforceable right to net payable tax assets and liabilities, when they concern income taxes levied by a single tax authority and when the Group has the intention to settle them based on their net amount.

III.22. Research and Development tax credit

The Group presents the Research and Development tax credit deducting it from staff costs, which constitute the majority of the research expenditure funded by the research tax credit.

III.23. Earnings per share

Earnings per share are calculated in accordance with IAS 33 "*Earnings per share.*"

Net basic earnings per share are calculated by dividing net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period excluding own shares held by Gascogne SA that are deducted from equity.

Net diluted earnings per share are calculated by dividing net profit by the weighted average diluted number of shares in issue during the period, excluding own shares held by Gascogne SA, which are deducted from shareholders' equity, and taking into account the dilutive effect of stock options and bonus share allotments.
The weighted average diluted number of shares is calculated using the share repurchase method provided for by IAS 33. It is assumed that the proceeds from the underlying rights of these dilutive instruments are applied for repurchasing shares at the average market price during the reference period. The resulting number of shares is deducted from the total number of shares resulting from the exercise of rights.

III.24. Recognition of public subsidies

Subsidies received by the Group consist exclusively of investment grants and are classified as "Other liabilities" (current and non-current). They are then reversed to "Other operating income and expenses" on a straight-line basis over the useful life of the asset concerned.

III.25. Recognition of greenhouse gas emission quotas

In the Paper Division, the Group has been allocated a greenhouse gas emission quota.

With respect to this quota, and while waiting for an amendment to an accounting standard and/or a definitive interpretation published by the IASB/IFRIC, the Group has decided to recognise an intangible asset and a public subsidy measured initially at market value.

The quotas are allocated yearly and free of charge, they are valid for the entire reference period as long as they have not been used.

As the Group emits greenhouse gases, it recognises a liability corresponding to the emission quotas to be returned to the State. A balancing entry for this liability is recognised as a charge representing gas emissions during the period.
This liability is measured on the basis of the entry value of allocated quotas held at period-end or, for the portion exceeding quotas held, at period-end market value.

The public subsidy item initially adjusted when the State delivers the quotas is reversed to the extent that the liability is recognised as a balancing entry of an income.

At period-end, an impairment test is carried out on emission quota assets. When an impairment provision is booked under assets, the public subsidy recognised under liabilities is released in the same amount. As a result, the net impact on profit is zero.

Income from selling emission quotas is recorded under other income.
Purchases of emission quotas in the market are recorded under other expenses.
A provision is booked if it is probable that the Group's actual emissions will exceed the amount of its quotas.
At 31 December 2012, no net impact was recorded on the income statement. Movements that affected quotas are discussed in note IV.2 (Intangible assets). At the same date, estimated emissions were lower than the amount of quotas allocated to date.

IV. - NOTES TO THE BALANCE SHEET

IV.1. Change in the scope of consolidation

The only change in scope occurring over the fiscal year 2012 concerns the disposal of Gascogne UK which was wound up at the end of 2012.
Gascogne Laminates Switzerland still comes within the scope at the end of 2012 since it was just the business that was sold on 30 August 2012, it will be wound up in 2013.

IV.2. Intangible assets

In thousands of euros	Goodwill	Development costs, patents acquired	Software and software development	Other intangible assets	IAS 36 Depreciation adjustments	Impairment of intangible assets (excl. Goodwill)	Total
Gross value at 01/01/2011	**27 173**	**44**	**8 674**	**2 046**			**37 937**
Changes in the scope							
Acquisitions			587	61			648
Disposals			(268)				(268)
Translation differences	12						12
Other			345	(128)			217
Discontinued operations	(6 102)	(44)	(1 019)	(153)			(7 318)
Gross value at 31/12/2011	**21 083**		**8 319**	**1 826**			**31 228**
Gross value at 01/01/2012	**21 083**		**8 319**	**1 826**			**31 228**
Changes in the scope							
Acquisitions		29	299	77			405
Disposals			(203)				(203)
Translation differences	(150)		(2)				(152)
Other	344		198	(388)			154
Operations written back	5 340	44	873	152			6 409
Discontinued operations							
Gross value at 31/12/2012	**26 617**	**73**	**9 484**	**1 667**			**37 841**
Cumulative depreciation at 01/01/2011	**(16 644)**	**(44)**	**(5 562)**	**(263)**	**34**	**(199)**	**(22 678)**
Changes in the scope							
Additions to depreciation			(985)	(45)			(1 030)
Deductions from depreciation			248				248
Impairment of intangible assets							
Translation differences							
Other movements (*)			(174)		(34)	199	(9)
Discontinued operations	4 584	44	676	153			5 457
Cumulative depreciation at 31/12/2011	**(12 060)**		**(5 797)**	**(155)**			**(18 012)**
Cumulative depreciation at 01/01/2012	**(12 060)**		**(5 797)**	**(155)**			**(18 012)**
Changes in the scope							
Additions to depreciation		(6)	(1 113)	(45)			(1 164)
Deductions from depreciation			202				202
Impairment of intangible assets	(6 992)						(6 992)
Translation differences			2				2
Other movements							
Operations written back	(4 279)	(44)	(648)	(152)			(5 123)
Discontinued operations							
Cumulative depreciation at 31/12/2012	**(23 331)**	**(50)**	**(7 354)**	**(352)**			**(31 087)**
Net value at 31 December 2011	**9 023**		**2 522**	**1 671**			**13 216**
Net value at 31 December 2012	**3 286**	**23**	**2 130**	**1 315**			**6 754**

(*) The impact of impairment of assets was allocated to the assets in question

The change in intangible assets linked to movements of greenhouse gas emission quotas is as follows:

In thousands of euros	Fiscal year 2011	Annual allotment	Remaining balance	Fiscal year 2012
Gross value	1 334	580	(771)	**1 143**
Impairment				
Amount at end of period	**1 334**	**580**	**(771)**	**1 143**

As described in the "Accounting principals and valuation methods" section, (note III.26) the Group has decided to recognise an intangible asset and a public subsidy measured initially at market value.
Since 2009, the group only records the annual allotment during the Seringas enrolment day, i.e. €580k with respect to the period ended.
On 31 December 2012, a remaining balance of quotas used for €771k was recognised.

The balancing entry is listed under other non-current and current liabilities (see note IV.18).

The table below provides details of net goodwill by cash-generating unit:

In thousands of euros	Fiscal year 2011	Operations written back	Increase (Decrease)	Exchange rate fluctuation	Fiscal year 2012
WOOD CGU	6 648		(6 648)		
GST CGU	2 375			(129)	2 246
LAMINATES CGU		1 061		(21)	1 040
Amount at end of period	**9 023**	**1 061**	**(6 648)**	**(150)**	**3 286**

IV.3. Property, plant and equipment

IV.3.1. Property, plant and equipment

	Land	Construc -tion	Plant and tools	Other property, plant and equipment	Non-current assets in progress	IAS 36 Depreciat-ion adjustments	Impair-ment of property, plant and equip-ment	Total
Gross value at 01/01/2011	**16 762**	**93 373**	**437 754**	**22 510**	**5 865**			**576 264**
Changes in the scope								
Acquisitions	218	1 653	7 549	1 850	8 770			20 040
Disposals		(185)	(2 617)	(2 234)	(112)			(5 148)
Translation differences	(3)	206	543	93	12			851
Other	376	1 162	5 556	(4)	(6 181)			909
Discontinued operations	(1 743)	(23 167)	(102 166)	(5 351)	(2 924)			(135 351)
Gross value at 31/12/2011	**15 610**	**73 042**	**346 619**	**16 864**	**5 430**			**457 565**
Gross value at 01/01/2012	**15 610**	**73 042**	**346 619**	**16 864**	**5 430**			**457 565**
Changes in the scope								
Acquisitions	45	1 347	5 998	2 563	18 370			28 323
Disposals	(211)	(3 550)	(1 473)	(1 953)	(205)			(7 392)
Translation differences	(18)	(26)	(195)	(32)	(1)			(272)
Other	132	597	9 578	97	(9 889)			515
Operations written back	1 220	11 924	68 549	1 403	2 419			85 515
Discontinued operations								
Gross value at 31/12/2012	**16 778**	**83 334**	**429 076**	**18 942**	**16 124**			**564 254**
Cumulative depreciation at 01/01/2011	**(3 847)**	**(51 175)**	**(298 368)**	**(17 471)**	**(309)**	**18 934**	**(23 271)**	**(375 507)**
Changes in the scope								
Additions to depreciation	(923)	(3 087)	(18 001)	(1 982)				(23 993)
Deductions from depreciation		223	2 282	1 624				4 129
Impairment of property, plant and equipment	(1 270)	(2 421)	(19 343)	(308)				(23 342)
Translation differences		(135)	(442)	(80)				(657)
Other movements (*)	(1 771)	(137)	(2 389)	(53)		(18 934)	23 271	(13)
Discontinued operations	149	14 160	79 119	4 429				97 857
Cumulative depreciation at 31/12/2011	**(7 662)**	**(42 572)**	**(257 142)**	**(13 841)**	**(309)**			**(419 383)**
Cumulative depreciation at 01/01/2012	**(7 662)**	**(42 572)**	**(257 142)**	**(13 841)**	**(309)**			**(321 526)**
Changes in the scope								
Additions to depreciation	(1 123)	(2 395)	(14 322)	(1 468)				(19 308)
Deductions from depreciation	82	796	1 995	892	309			4 074
Impairment of property, plant and equipment	(4 111)	(12 443)	(35 806)	(530)				(52 890)
Translation differences		4	149	14				167
Other movements	10	(10)						
Operations written back	(149)	(7 664)	(54 877)	(1 054)				(63 744)
Discontinued operations								
Cumulative depreciation at 31/12/2012	**(12 953)**	**(64 284)**	**(360 003)**	**(15 987)**				**(453 227)**
Net value at 31 December 2011	**7 948**	**30 470**	**89 477**	**3 023**	**5 121**			**136 039**
Net value at 31 December 2012	**3 825**	**19 050**	**69 073**	**2 955**	**16 124**			**111 027**

(*) The impact of impairment of assets was allocated to the assets in question

IV.3.2. Leases

Finance leases

The assets linked to finance leases are the following:

In thousands of euros	Intangible assets	Land	Construction	Plant and tools	Other property, plant and equipment	Total
Gross value at 31 December 2011	77	366	1 616	2 553	8 055	12 667
Depreciations and provisions	(77)		(233)	(1 686)	(5 844)	(7 840)
Net value at 31 December 2011		**366**	**1 383**	**867**	**2 211**	**4 827**
Discontinued operations (net)		(366)	(1 383)	(135)	(477)	(2 361)
Net value at 31 December 2011				**732**	**1 734**	**2 466**
Gross value at 31 December 2012	77			2 532	7 650	10 259
Depreciations and provisions	(77)			(1 230)	(6 041)	(7 348)
Net value at 31 December 2012				**1 302**	**1 609**	**2 911**

Minimum future payments

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Less than one year	1 157	1 105
Two to five years	2 093	1 714
More than five years		
Total	**3 250**	**2 819**

Operating leases

In thousands of euros	Fiscal year 2012	Fiscal year 2011
One year	1 962	1 670
Two to five years	2 933	3 030
More than five years	4 908	6 126
Total	**9 803**	**10 826**

The amount of operating lease payments recognised as expenses during the period was €2,944k.

IV.4. Investments in equity affiliates

Value of investment in equity affiliates

In thousands of euros	Sacchificio Veneto
Percentage owned	**40%**
Value of investment at 31 December 2010	**2 521**
Profit	74
Value of investment at 31 December 2011	**2 595**
Profit	236
Value of investment at 31 December 2012	**2 831**

Key data from equity affiliates' individual financial statements (100%)

In thousands of euros	Fiscal year 2012	Fiscal year 2011
	Sacchificio Veneto (*)	Sacchificio Veneto
Total assets	20 087	20 229
Shareholders' equity	10 220	8 706
Sales	17 523	17 235
Net profit	588	185

(*) Unaudited

Sacchificio Veneto, a sack producer operating in Northern Italy, purchased paper from the Group during the period.

The main transactions with and receivables from related parties (equity affiliates) are summarised below:

(In thousands of euros)	Fiscal year 2012	Fiscal year 2011
Balance sheet		
Trade and other receivables		176
Trade and other payables		
Income statement		
Sales	34	507
Services provided		
Purchases		

IV.5. Financial assets

In thousands of euros	Fiscal year 2012	Fiscal year 2011
NON-CURRENT FINANCIAL ASSETS		
Loans (long-term)	1 549	1 568
Factoring guarantees	5 880	4 602
Other	7 619	7 266
TOTAL NON-CURRENT FINANCIAL ASSETS	**15 048**	**13 436**
CURRENT FINANCIAL ASSETS		
Loans (short-term)	150	118
Derivative instruments		228
TOTAL CURRENT FINANCIAL ASSETS	**150**	**346**
TOTAL FINANCIAL ASSETS	**15 198**	**13 782**

Loans consist mainly of construction loans totalling €1,514k.

The "Other" section includes €6,374k of guarantee deposits and security, of which €6,150k in pledged investment securities, that are classified as financial assets under the fair value option as the Group manages the performance of this portfolio based on the fair value.
These marketable securities are funds sold and acquired on the eve of the period end. This purchase/resale generated a gain of €47k in 2011 and 56 in 2012.

The "Factoring guarantees" line includes deposits transferred in the framework of factoring contracts. These deposits cover trade disputes which could call into question the existence of the invoices transferred. (See note IV.14.2).
The total transferred assets on 31 December 2012 were €40.2m.

The derivative instruments are interest-rate and exchange rate derivatives used as hedging instruments. (See note IV.13).

IV.6. Deferred tax

Deferred tax on the balance sheet

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Deferred tax assets	4 059	2 719
Deferred tax liabilities	(878)	(449)
Net deferred tax assets (liabilities)	**3 181**	**2 270**

Change in deferred tax

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Amount at start of period	**2 270**	**(6 541)**
Impact operations written back	995	
Impact on reserves	562	633
Impact on profit	(650)	9 700
Impact of translation differences	4	
Impact discontinued operations		(1 522)
Amount at end of period	**3 181**	**2 270**

Sources of main changes in deferred tax

In thousands of euros	Fiscal year 2011	Reserves	Operations written back	Profit	Exchange rate fluctuation	Fiscal year 2012
Tax timing differences	2 308		385	(398)		2 295
Utilisation of tax losses	3 958		1 579	(1 200)		4 337
Regulated provisions	(2 414)			337		(2 077)
Other	(367)		(463)	64		(766)
IAS 01 Presentation of financial statements	55					55
IAS 02 Inventories	(84)		5	59		(20)
IAS 16 Property, plant and equipment	(18 899)	(97)	(1 386)	297	4	(20 081)
IAS 17 Finance leases	134		40	(23)		151
IAS 18 Revenue	4			(3)		1
IAS 19 Employee benefits	2 762	905	807	95		4 569
IAS 20 Accounting for government grants	545			(52)		493
IAS 21 Effects of changes in foreign exchange rates	79		(7)	31		103
IAS 36 Impairment of assets	13 217			90		13 307
IAS 37 Provisions, Contingent Liabilities	(107)	(16)		122		(1)
IAS 32 & 39 Financial instruments	961	(230)		(69)		662
IFRS 3 - Business combinations	118		35			153
Total	**2 270**	**562**	**995**	**(650)**	**4**	**3 181**

The tax losses of the French Group tax consolidation system, of which Gascogne SA is the head of the group, were not utilised in 2012 due to an outlook which did not enable them to be utilised.

IV.7. Inventories

Net value of inventories

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Raw materials and supplies	37 137	39 300
Work in progress: goods	20 848	27 901
Semi-finished and finished goods	40 850	32 820
Merchandise	8 986	6 461
Total	**107 821**	**106 482**

Change in inventory impairment

In thousands of euros	Fiscal year 2011	Increase	Decrease	Operations written back	Fiscal year 2012
Raw materials and supplies	3 196	2 680	(2 551)	946	4 271
Work in progress: goods	1 000	619	(903)		716
Semi-finished and finished goods	3 605	3 376	(3 359)	86	3 708
Merchandise	601	239	(378)	554	1 016
Total	**8 402**	**6 914**	**(7 191)**	**1 586**	**9 711**

Releases from provision during the year relate mainly to the removal of impaired inventories at the end of the previous fiscal year.

IV.8. Trade and other receivables

Net value of trade and other receivables

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Trade receivables	44 058	32 424
Receivables from related parties	0	176
Advance payments	94	85
Other operating items	9 337	6 780
Total trade and other receivables	**53 489**	**39 465**

Change in impairment of trade and other receivables

In thousands of euros	Fiscal year 2011	Increase	Decrease	Exchange rate fluctuation	Operations written back	Fiscal year 2012
Trade receivables	935	230	(272)	(1)	187	1 079
Other operating receivables	207		(2)			205
Total	**1 142**	**230**	**(274)**	**(1)**	**187**	**1 284**

IV.9. Other current assets

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Receivables relating to non-current assets		
Sundry receivables	650	926
Total other current assets	**650**	**926**

IV.10. Shareholders' equity

In thousands of euros	Share capital	Share premium	Total	Number of shares

Total at 31 December 2011	**29 909**	**44 561**	**74 470**	**1 993 963**
Reduction of capital	(19 939)	19 939		
Total at 31 December 2012	**9 970**	**64 500**	**74 470**	**1 993 963**

The capital was reduced to lower the nominal share value, which goes from €15 to €5 following the decision of the General Meeting in 5 June 2012.

IV.10.1. Breakdown of share capital

At 31 December 2012, the share capital consisted of 1,993,963 shares with par value of €5 each.
All shares are fully paid up.

IV.10.2. Own shares

Own shares are the subject of an adjustment explained in note III.13.

	Shares controlled by the company Exc. liquidity contract	Shares controlled by the company Liquidity contract	Total number of shares controlled by the company	Gross value (€k)
Total at 31 December 2011	**40 206**	**12 648**	**52 854**	**3 368**
Variation for the year		(609)	(609)	(324)
Total at 31 December 2012	**40 206**	**12 039**	**52 245**	**3 044**

At 31 December 2012, Gascogne SA owned 52,245 of its own shares, amounting to 2.62 % of the capital.

IV.10.3. Distributions

The Combined Shareholders' Meeting on 5 June 2012 decided to allocate the profit for the year 2011 to the balance carried forward, which on 31 December 2012 stood at €1 480k.

IV.10.4. Translation differences

The table below sets out translation differences taken to equity:

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Amount at start of period	**(96)**	**(226)**
Gascogne Laminates Switzerland	28	153
Gascogne Sack Tunisia	(269)	(36)
Other	(23)	13
Amount at end of period	**(360)**	**(96)**

IV.11. Stock option plans for shares and bonus share allotments

The last plans expired on 2012, there were no more active stock option plans for shares or bonus allotments at the end of 2012.

IV.12 Debt, cash and cash equivalents

In thousands of euros	Fiscal year 2011	Exchange rate fluctuation	Increase	Decrease	Change in cash	Other movements	Operations written back	Fis year
Debt due in more than one year								
Bond issues	2 200		500	(930)		(400)		
Bank borrowings	7 494		25	(477)		(3 246)		
Finance lease borrowings	1 714		1 773			(1 581)	187	
Other financial debt	421			(56)		(33)		
Total	**11 829**		**2 298**	**(1 463)**		**(5 260)**	**187**	
Debt due in less than one year								
Bond issues	430			(430)		400		
Bank borrowings	64 030		300	(9 569)		3 246		5
Finance lease borrowings	1 105			(1 773)		1 581	245	
Other financial debt	500		30					
Accrued interest on debt	118					208		
Bank overdrafts	22 587	(5)			6 649	2	8 933	3
Accrued interest						(19)	37	
Total	**88 770**	**(5)**	**330**	**(11 772)**	**6 649**	**5 418**	**9 215**	**9**
Total debt due	**100 599**	**(5)**	**2 628**	**(13 235)**	**6 649**	**158**	**9 402**	**10**
Cash and cash equivalents								
Securities								
Cash	4 895	(23)			(4 411)	(7)	4 462	
Accrued interest	50					(18)		
Other	166				(67)	11		
Total	**5 111**	**(23)**			**(4 478)**	**(14)**	**4 462**	
Net debt	**95 488**	**18**	**2 628**	**(13 235)**	**11 127**	**172**	**4 940**	**10**

The "Bank overdrafts and accrued interest" item includes the Revolving credit line relating to the syndicated contract for a total of €13.6m and the balance of the New Money loan (banks, shareholder and State) for €10.2m.

Given the failure to meet the financial ratios of the syndicated contract and conciliation protocol, the share of long- and medium-term loans of the syndicated debt at 31 December 2012, for a total of €52.9m, was classified as debt due in less than one year.

IV.12.1. Breakdown of debt by fixed/floating rate

In thousands of Euros	Fiscal year 2012		Fiscal year 2011	
Fixed-rate borrowings	14 892	14.0%	23 592	23.5%
Floating-rate borrowings	91 304	86.0%	77 007	76.5%
TOTAL	**106 196**	**100.0%**	**100 599**	**100.0%**

Floating-rate borrowings are mainly indexed by 3-month Euribor.

Fixed-rate borrowings are mainly made up of storm loans at 1.5%, granted to Forestière de Gascogne following the Klaus windstorm in January 2009.

IV.12.2. Reconciliation with the cash position stated in the cash flow statement

In thousands of euros	Fiscal year 2012			Fiscal year 2011
	Continuing operations	Discontinued operations	Cash flows	Cash flows
Bank overdrafts	38 166		38 166	31 523
Cash and equivalent assets	5 026	1 932	6 958	10 811
Total	**33 140**	**(1 932)**	**31 208**	**20 712**

(*) Accrued interest consists of calculated charges and does not represent cash flows.

IV.12.3. Bond issues

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Long-term non-convertible bonds	1 370	1 230
Short-term non-convertible bonds	400	1 500
Total continuing operations	**1 770**	**2 730**

Bond issues represent the obligations carried by the Gascogne Epargne FCP mutual fund reserved for employees.

IV.12.4. Foreign-currency debt

Net Foreign-currency debt was almost nil on 31 December 2012 and 31 December 2011.

IV.13. Fair value of financial instruments and accounting categories

IV.13.1. Balance sheet

The financial assets and financial liabilities presented according to the accounting categories defined by IAS 39 are broken down in the following table:

Fiscal year 2012 (In thousands of euros)	Financial assets and financial liabilities at fair value based on the income on option	Financial assets and financial liabilities at fair value for purposes of transaction	Assets (loans and receivables) and liabilities measured at amortised cost	Financial assets available-for-sale	Hedging derivatives	Total net booked value of financial assets and financial liabilities	Non-financial instruments (*)	Total net carrying value
Loans (long-term)			1 550			1 550		1 550
Other	6 150		6 103	1 245		13 498		13 498
Non-current assets	**6 150**		**7 653**	**1 245**		**15 048**		**15 048**
Trade and other receivables			44 058			44 058		44 058
Other current assets			10 080			10 080		10 080
Loans (short-term)			151			151		151
Interest-rate and exchange-rate derivatives								
Cash and cash equivalents			5 058			5 058		5 058
Current assets			**59 347**			**59 347**		**59 347**
TOTAL ASSETS	**6 150**		**67 000**	**1 245**		**74 395**		**74 395**
Debt due in more than one year			7 592			7 592		7 592
Non-current liabilities			**7 592**			**7 592**		**7 592**
Debt due in less than one year			98 604			98 604		98 604
Trade and other payables			61 532			61 532	28 792	90 324
Interest-rate, exchange-rate and commodity derivatives		307			2 099	2 406		2 406
Other current liabilities			3 643			3 643	2 761	6 404
Current liabilities		**307**	**163 779**		**2 099**	**166 185**	**31 553**	**197 738**
TOTAL LIABILITIES		**307**	**171 371**		**2 099**	**173 777**	**31 553**	**205 330**

(*) Amounts payable to staff and social security liabilities, ghg emission quota

Fiscal year 2011 (In thousands of euros)	Financial assets and financial liabilities at fair value based on the income on option	Financial assets and financial liabilities at fair value for purposes of transaction	Assets (loans and receivables) and liabilities measured at amortised cost	Financial assets and liabilities available-for-sale	Hedging derivatives	Total net booked value of financial assets and financial liabilities	Non-financial instruments (*)	Total net carrying value
Loans (long-term)			1 568			1 568		1 568
Other	5 788		4 744	1 336		11 868		11 868
Non-current assets	**5 788**		**6 312**	**1 336**		**13 436**		**13 436**
Trade and other receivables			39 465			39 465		39 465
Other current assets			926			926		926
Loans (short-term)			118			118		118
Interest-rate, exchange-rate and commodity derivatives					228	228		228
Cash and cash equivalents			5 111			5 111		5 111
Current assets			**45 620**		**228**	**45 848**		**45 848**
Total assets	**5 788**		**51 932**	**1 336**	**228**	**59 284**		**59 284**
Debt due in more than one year			11 829			11 829		11 829
Non-current liabilities			**11 829**			**11 829**		**11 829**
Debt due in less than one year			88 770			88 770		88 770
Trade and other payables			60 933			60 933	16 612	77 545
Interest-rate, exchange-rate and commodity derivatives		317			3 117	3 434		3 434
Other current liabilities			1 496			1 496	3 306	4 802
Current liabilities		**317**	**151 199**		**3 117**	**154 633**	**19 918**	**174 551**
Total liabilities		**317**	**163 028**		**3 117**	**166 462**	**19 918**	**186 380**

(*) Amounts payable to staff and social security liabilities

Financial assets and liabilities at fair value based on the income on option are described in note IV.5.

IV.13.2. Income statement

The following tables provide information on the presentation of 2011 and 2012 gains and losses by financial asset/liability accounting category:

In thousands of euros	**Fiscal year 2012**	**Fiscal year 2011**
Interest income on cash and equivalents (*)	101	104
Dividends received on available-for-sale assets		
Ineffective portion of the change in fair value of cash-flow hedging instruments		
Net translation gain		417
Other	45	
Financial income	**146**	**521**
Interest expense on financial liabilities measured at amortised cost	7 327	6 118
Ineffective portion of the change in fair value of cash-flow hedging instruments	95	266
Net translation loss	800	
Accretion expense (IAS 19)	642	648
Other (**)	725	585
Financial items	**9 589**	**7 617**
Net financial items	**(9 443)**	**(7 096)**

(*) Financial assets at fair value based on income
(**) Interest related to the Brussels fine (€594k)

IV.13.3. Fair value

The table below sets out the fair value of financial assets and liabilities, along with their carrying value on the balance sheet:

(In thousands of euros)	Fiscal year 2012		Fiscal year 2011	
	Net carrying value	Fair value	Net carrying value	Fair value
Loans	1 700	1 700	1 686	1 686
Trade and other receivables	59 369	59 369	44 067	44 067
Other assets	8 268	8 268	8 192	8 192
Cash and cash equivalents	5 058	5 058	5 111	5 111
Interest-rate derivatives				
Assets				
Liabilities	(2 406)	(2 406)	(2 537)	(2 537)
Exchange-rate derivatives				
Assets			11	11
Liabilities			(801)	(801)
Merchandise derivatives				
Assets			217	217
Liabilities			(96)	(96)
Fixed-rate borrowings	(11 642)	(10 821)	(20 773)	(19 757)
Floating-rate borrowings	(54 548)	(54 548)	(54 420)	(54 420)
Finance lease borrowings	(3 250)	(3 250)	(2 819)	(2 819)
Bank overdrafts facility	(39 283)	(39 283)	(22 587)	(22 587)
Trade and other payables	(61 532)	(61 532)	(60 933)	(60 933)
Other liabilities	(3 643)	(3 643)	(1 496)	(1 496)
TOTAL	**(101 909)**	**(101 088)**	**(107 178)**	**(106 162)**

Method of determining fair value

- Investment in equity securities

The fair value of available-for-sale financial assets is determined with reference to their listed price on an active market on the closing date. If an active market does not exist and if fair value cannot be estimated reliably using measurement methods, these securities are measured at acquisition cost less cumulative impairment.

-Loans and receivables

The fair value of trade receivables and loans is considered equal to their carrying value insofar as these financial assets mainly carry a credit risk that is taken into consideration via impairments and the interest risk is limited.

- Derivatives

The fair value of interest-rate swap contracts, forward exchange-rate contracts and options is based on prices quoted by financial intermediaries. The Group obtains assurance that these quoted prices are reasonable: it values swaps and forward exchange-rate contracts by discounting estimated future cash flows and values options using a Black-Scholes-type valuation model.

- Non-derivative financial liabilities

Fair value corresponds to future cash flows generated by the repayment of the principal and interest, discounted at the market interest rate on the closing date, adjusted by the credit spread defined by the Group.
The fair value of trade payables and trade receivables corresponds to the carrying value on the balance sheet as the discounting of cash flows does not have a significant impact given the short payment and settlement terms.

Financial instruments at fair value are classified according to the following level of hierarchy:
- Level 1: financial instruments subject to listing on an active market;
- Level 2: financial instruments whose measurement calls on the use of evaluation techniques that rely on observable parameters;
- Level 3: financial instruments whose measurement calls on the use of evaluation techniques that rely in whole or in part on unobservable parameters.

On 31 December 2012, the classification of financial instruments at fair value was as follows:

Fiscal year 2012 (in thousands of euros)	Level 1	Level 2	Level 3
Non-current financial assets	6 150		1 245
Exchange-rate derivatives			
Commodity derivatives			
Cash and cash equivalents			
Assets	**6 150**		**1 245**
Interest-rate derivatives		2 406	
Exchange-rate derivatives			
Commodity derivatives			
Liabilities		**2 406**	

Fiscal year 2011 (in thousands of euros)	Level 1	Level 2	Level 3
Non-current financial assets	5 788		1 336
Exchange-rate derivatives		11	
Commodity derivatives		217	
Cash and cash equivalents			
Assets	**5 788**	**228**	**1 336**
Interest-rate derivatives		2 537	
Exchange-rate derivatives		801	
Commodity derivatives		96	
Liabilities		**3 433**	**0**

Non-current financial assets classified at level 3 correspond to the equity investment in 2010 by Gascogne Paper in the Exeltium company, a consortium that brings together 26 major manufacturing electricity consumers whose purpose is to negotiate preferential electricity rates for its clients-shareholders with energy producers.

IV.13.4. Hedge accounting

At 31 December 2012 the Group held derivative instruments qualifying as cash flow hedges.

At 31 December 2012, the fair value of derivative instruments on the balance sheet was as follows:

In thousands of euros	Assets	Liabilities
Forward contracts		
Options		
Exchange-rate hedging instruments		
Options		
Swaps		2 099
Interest-rate hedging instruments		**2 099**
Commodity price hedging instruments		
Total financial instruments		**2 099**

In accordance with IAS 39, changes in fair value regarded as effective are taken to other items of the comprehensive income and the ineffective portion of changes in fair value are taken to income for the period.

The table below sets out changes in the hedging reserve:

In thousands of euros	Fiscal year 2012	Fiscal year 2011
At 1 January	**(1 833)**	**(844)**
Deducted from shareholders' equity	2	701
Added to shareholders' equity	458	(1 690)
At 31 December	**(1 373)**	**(1 833)**

Contractual flows related to rate swaps are paid at the same time as contractual flows of floating-rate borrowing and the total deferred in equity is recognised as profit over the period during which the interest flow of the debt affects the profit.

The amount deferred in equity relating to exchange-rate and commodity price hedging is transferred to the income statement on the date on which the hedged commercial transaction is recognised in income. Derivative exchange-rate and commodity price hedging instruments are arranged to hedge an annual budget and therefore have a maturity of less than one year.

An interest rate swap of €10m subscribed in 2011 and starting at the start of 2012 was not eligible for hedge accounting taking into account the deficiency in underlying shares to hedge on 31 December 2012, so its change in fair value at 31 December 2012 was recognised directly as net financial items for €9k.

IV.14 Management of financial risks

Funding and financial market risk management is referred to in section II.2.2.14.7 of the management report.

IV.14.1. Credit risk

All hedging is arranged with leading banks. The Group does not have any significant investments and is therefore not exposed to significant counterparty risks with these banks. As regards credit risk, SFAC and COFACE insurance programmes have been arranged to cover the Group's main companies against the risk of non-payment for financial or political reasons. In the Group's view, there is no significant concentration of credit risk with respect to a single counterparty.

The year-end carrying values of financial assets, which represent the Group's maximum exposure to credit risk, were as follows:

(In thousands of euros)	**Fiscal year 2012**	**Fiscal year 2011**
Loans	1 700	1 686
Trade and other receivables	59 369	44 067
Other assets	8 268	8 192
Cash and cash equivalents	9 434	5 111
Asset interest-rate derivatives		
Asset exchange-rate derivatives		11
Commodity derivatives		217
TOTAL	**78 771**	**59 284**

Impairment

The table below analyses the maturity of trade receivables (see note IV.8):

Year		Not due	Due for up to 90 days	Due for more than 90 days	**Trade receivables**
2012	Gross	37 112	5 720	2 305	45 137
	Impairment	(9)	(39)	(1 031)	(1 079)
	Net	37 103	5 681	1 274	**44 058**
2011	Gross	24 449	5 974	2 936	33 359
	Impairment	(3)	(108)	(824)	(935)
	Net	24 446	5 866	2 112	**32 424**

The table below sets out changes in impairment on trade receivables in during the fiscal year:

(in thousands of euros)	Fiscal year 2012	Fiscal year 2011
1 January	**935**	**4 933**
Impairment	(43)	(842)
Translation differences	0	(1)
Operations written back	187	(3 155)
Total	**1 079**	**935**

IV.14.2. Liquidity risk

The Group's financing relies mainly on:
. medium and long-term borrowings,
. overdraft facilities and commercial papers, the total use of which remains below the authorised level,
. facilities for using trade receivables.
The Group also uses long-term leasing and rental contracts for some property assets, equipment and vehicles, which feature standard terms used in this type of financing.

Conciliation protocol of July 2012

The Group signed a conciliation agreement (the "Protocol") on 13 July 2012 with its banking partners and shareholder EEM. This agreement was approved by the Dax Commercial Court on 18 July 2012.

Losses in 2011, in addition to increased net debt, have meant that Gascogne has had to renegotiate its syndicated loan with the bank pool. As the covenants were not respected on 31 December 2011, the banks had the option of asking for advance repayment, and, in line with the IFRS standards, the outstanding payment was classed as short-term debt on 31 December 2011. Up to that date, the Group had used €70m out of the total €78m authorised.

During the discussion phase, the banks agreed not to ask for advance repayment, to postpone the principal deadline from the end of March, and to maintain the bilateral lines of credit. On 20 February 2012, the banks also gave Gascogne a bridge loan of €11.6m, with the due date of July 2012, and on 12 April 2012, the French government loaned the company €1.93m which was used to partially repay the bridge loan, thus reducing the amount outstanding on this loan to €9.66m (both loans constitute the "New Loan").

The main provisions of the Protocol are as follows:

a. The payment schedule for the syndicated loans (refinancing loan and revolving loan), the outstanding amount for which stands at €70m, was reorganised and their margin was renegotiated.

   The new refinancing loan repayment schedule of €53m is as follows:
   - exemption regarding the repayments of the principal up to 30 March 2014;
   - 18 quarterly repayments of €2m as of 30 March 2014;
   - the outstanding balance of €16.9m on 31 July 2018

   The revolving loan of €17m will be reduced to €10.5m on divestment of Gascogne Laminates and the outstanding amount shall be paid back on 31 July 2018 at the latest.

   As announced at the start of the year, the Group took the decision to sell its Laminates division entities. The sale of the Swiss subsidiary's assets was already agreed within the context of a sales contract signed on 31 May 2012, with the company UPM AG. The Group is awaiting the completion of conditions precedent pertaining to competition law in some countries. The Protocol stipulates that the income from the sale of these entities is to be allocated to paying back the syndicated loans.

b. The bilateral lines of credit standing at €17.5m are maintained in full up to February 2014 for the same amounts and under the same financial terms and conditions as previously. The terms and conditions of repayment of bilateral credit lines will be examined in September 2013.

c. The main shareholder EEM made a current account deposit of €6m on signing the Protocol.

d. The New Loan amounting to €11.6m and the shareholder's current account advance of which the principal amount is €6m, will be paid off proportionally to the amount of the outstanding debt, up to €7.4m by 31 December 2012 at the latest, and then in lump sums of €1.7m between January and June 2013.

e. The maintaining until July 2014 of factoring contracts with the Group's French companies for a net budget of €40m.

Gascogne made various commitments, including the transmission of financial aggregates such as the EBITDA and cash, in quarterly stages from 30 September 2012. The non-compliance of theses aggregates is one of the Protocol conditions giving rise to early repayment .

Post-Protocol situation

As stipulated in the Protocol, the Gascogne Group repaid a sum of €7.4m on bank loans and shareholder advances made available to it in the first half of 2012.
On 31 December 2012, the Group had not complied with the syndicated contract agreements and the conciliation protocol. In 2013, the Group obtained:

- an agreement from the banks not to request advance repayment of the entire debt (excluding new money) until 30 April 2013 at the earliest
- an agreement from the banks and the shareholder EEM to postpone the scheduled repayments of the balance of the loan of New Money until 30 April 2013

The Group is pursuing its discussions with all of its financial partners in order to reinforce its financial structure in the medium term, with the aim of finalising a new agreement during 2013.

The authorised undrawn debt stood at €11.6m on 31 December 2012, the drawdown for €3.4m of which is subject to conditions (revolving loan):

In millions of euros	Open facilities	Drawings	Undrawn
Revolving loan - syndicated contract	17.5	13.6	3.4
Commercial papers	3.5	3.5	
Authorised overdrafts	17.0	8.8	8.2
Total	38.0	25.9	11.6

Furthermore, the Group uses factoring operations for a total of €37.8m, for a maximum financing total of €44m. The majority of these operations are by French companies (€40m out of €44m) for which the factor commits to maintaining the lines until July 2014, within the framework of the Conciliation Protocol signed in July 2012. The receivables are transferred on an ad-hoc basis at a frequency of 2 to 3 transfers a month.
These receivables are derecognised because practically all the risks are transferred to the factor.

The Group keeps the guarantee deposits of €5.9m on the balance sheet, recognised as non-current financial assets. The guarantee deposits cover any valueless securities (credit notes, trade disputes, deductions). They are not remunerated and represent the Group's maximum exposure on these factoring contracts.
The Group collects the receivables by factor delegation.

The interest paid is representative of the losses recognised on the date of the transfer and stood at €1.1m in 2012, recognised as financial items. Furthermore, the factor also receives factoring commission which amounted to €0.7m in 2012.

The projected cash-flows set out in the table below illustrate the Conciliation Protocol of July 2012 (including interest paid) without taking defaults into consideration:

At 31 December 2012:

(in thousands of euros)	Carrying value	Projected cash flows	2012 Less than one year	1-5 years	More than 5 years
Fixed-rate borrowings	11 642	12 171	6 780	5 335	56
Floating-rate borrowings	93 831	171 071	44 652	126 419	-
Bank loans and other debt	*54 548*	*65 894*	*2 685*	*63 209*	-
. Of which syndicated loan medium/long-term	*52 871*	*64 178*	*1 993*	*62 185*	
. Of which other	*1 677*	*1 716*	*691*	*1 025*	
Bank overdrafts facility	*39 283*	*39 283*	*39 283*	-	-
. Of which syndicated / revolving loan	*13 600*	*13 600*	*13 600*		
. Of which New Money loan	*10 200*	*10 200*	*10 200*		
. Of which overdrafts	*11 983*	*11 983*	*11 983*		
. Of which commercial papers	*3 500*	*3 500*	*3 500*		
Finance lease borrowings	3 250	3 250	1 157	2 093	-
Derivative instruments	2 406	1 879	1 759	120	-
Interest-rate derivatives	*2 406*	*1 879*	*1 759*	*120*	
Exchange-rate derivatives	-	-	-		
Commodity derivatives	-	-	-		
TOTAL	**111 129**	**188 371**	**54 348**	**133 967**	**56**

At 31 December 2011:

(in thousands of euros)	Carrying value	Projected cash flows	Less than one year	2011 1-5 years	More than 5 years
Fixed-rate borrowings	20 774	21 444	11 370	9 990	83
Floating-rate borrowings	77 007	78 412	78 412	-	-
Bank loans and other debt	*53 919*	*55 324*	*55 324*	-	-
Bank overdrafts facility	*23 088*	*23 088*	*23 088*	-	-
Finance lease borrowings	2 818	4 636	1 105	1 713	-
Derivative instruments	3 434	3 593	2 246	1 347	-
Interest-rate derivatives	*2 537*	*2 696*	*1 349*	*1 347*	
Exchange-rate derivatives	*801*	*801*	*801*		
Commodity derivatives	*96*	*96*	*96*		
TOTAL	**104 033**	**108 085**	**93 133**	**13 050**	**83**

IV.14.3. Interest-rate risk

Interest-rate hedging is centralised at the parent company and arranged on a case-by-case basis by the Finance Department. The Group has taken out medium-term variable-rate loans as part of its financing arrangements. To hedge against the risk of a rise in interest rates on its borrowings, swaps (receiving floating rate and paying fixed rate) have been arranged.

The main interest-rate hedging instruments used at 31 December 2012 were as follows:

Instrument used	Hedged item	Hedge (in €k)	Fixed rate (*)	Time to expiry
SWAP	Medium-term loan	20 000	2.66%	1 year
SWAP	Medium-term loan	15 000	2.70%	1 year
SWAP	Medium-term loan	10 000	2.67%	1 year
SWAP	Medium-term loan	10 000	2.70%	1 year
SWAP	Short-term loan	10 000	2.80%	1 year
SWAP	Medium-term loan	5 000	2.65%	1 year
SWAP	Medium-term loan	5 000	2.78%	1 year
SWAP	Medium-term loan	2 143	3.78%	1 year
	Total hedges	**77 143**		
	Hedged debts	**81 324**		

(*) Fixed rate against EURIBOR 3 months

Cash flow sensitivity analysis for floating-rate instruments

A 100-basis-point change in interest rates on the closing date would have affected shareholders' equity and income by the amounts stated in the table below. For the purpose of this analysis, all other variables, particularly exchange rates, were assumed to remain constant.

The analysis for 2012 was performed on €6.7m of unhedged variable-rate net debt for net interest expenses and on the change in fair value for the interest-rate swaps:

Fiscal year 2012	Income statement		Shareholders' equity	
(in thousands of euros)	+100bps shoc	-100bps shock	+100bps shock	-100bps shock
Net interest expense	(118,4)	52,1		
Interest-rate swaps used as cash-flow hedges	129,6	(120,1)	865,7	(791,9)
Interest-rate options used as cash-flow hedges	0,0	0,0		
Total	**11,2**	**(68,0)**	**865,7**	**(791,9)**

Fiscal year 2011	Income statement		Shareholders' equity	
(in thousands of euros)	+100bps shock	-100bps shock	+100bps shock	-100bps shock
Net interest expense	(79,2)	56,5		
Interest-rate swaps used as cash-flow hedges	197,2	(207,1)	1 325,9	(1392,2)
Total	**118,0**	**(150,5)**	**1 325,9**	**(1392,2)**

IV.14.4. Exchange-rate risk

The Group's commercial policy is to hedge an annual budget, except in specific cases. Gascogne Paper and Gascogne Laminates expect sales of USD 32 million as a result of foreign sales.
The Group is mainly exposed to the euro/dollar exchange rate. These risks are hedged using a netting system that enables the parent company to centralise hedging of its subsidiaries' exposure, mainly through forward contracts and currency options. Hedging is governed by strict procedures and is carried out in liaison with senior management.

The Group's particular financial situation in 2012 has not enabled it to subscribe to any new hedging for 2013.

Sensitivity analysis

A 10% change in the euro exchange rate on the closing date would have affected shareholders' equity and income by the amounts stated in the table below. For the purpose of this analysis, all other variables, particularly interest rates, were assumed to remain constant.

The 2012 sensitivity analysis on the non-hedged sheet positions, i.e. 0.9m US dollars and 0.4m GB pounds:

Fiscal year 2012	Income statement (*)		Shareholders' equity (*)	
(in thousands of euros)	+10% shock	-10% shock	+10% shock	-10% shock
Forward contracts				
Currency options				
Non-hedged sheet positions	(61,3)	74,9	0,0	0,0
Total	**(61,3)**	**74,9**	**0,0**	**0,0**

Fiscal year 2011	Income statement		Shareholders' equity	
(in thousands of euros)	+10% shock	-10% shock	+10% shock	-10% shock
Forward contracts	242,2	(296,0)	879,1	(1 073,7)
Currency options	33,5	(38,7)	0,0	0,0
Non-hedged sheet positions	(145,6)	178,0	0,0	0,0
Total	**130,0**	**(156,7)**	**879,1**	**(1 073,7)**

IV.14.5. Commodities risk

The Group had not concluded any hedging contracts for commodities at 31 December 2012.

IV.15. Liabilities relating to pensions and other benefits

Movements in the main benefits during 2012 were as follows:

In thousands of euros	Fiscal year 2011	Exchange rate fluctuation	Service cost	Interest expenses (revenue) related to discounting	Actuarial Gains (losses)	Additions to provisions	Releases from provisions	Operations written back	Fiscal year 2012
Provisions for post-employment benefits	10 278	(2)	(203)	645	2 537	0	0	4 169	17 424
Provisions for funded pension plans	(589)	0	27	(16)	377	0	0	0	(201)
Provisions for other termination benefits	203	0	0	0	0	0	(23)	0	180
Provisions for Pensions and similar benefits, other post-employment benefits	**9 892**	**(2)**	**(176)**	**629**	**2 914**	**0**	**(23)**	**4 169**	**17 403**
Provisions for long-service benefits	393	1	(3)	23	0	0	0	207	621
Total	**10 285**	**(1)**	**(179)**	**652**	**2 914**	**0**	**(23)**	**4 376**	**18 024**

A sensitivity test was carried out on the discount rate used for the calculation of the obligations on the basis of a discount rate variation of +/- 0.50%: the obligation, and therefore the liability, would increase by +/- €1.2m.

IV.15.1. Description of benefit plans

Group employees enjoy short-term benefits (paid holidays, sick leave and profit-sharing), long-term benefits (long-service benefits and bonuses) and defined-contribution and defined-benefit post-employment benefits (termination benefits).
Short-term benefits are recognised as liabilities of the various Group entities that grant them.
Long-term benefits are divided between defined-contribution pension plans and defined-benefit pension plans.

Defined-contribution plans
Under these plans, contributions are made periodically to external organisations, which carry out the administrative and financial management of the plans. These plans release the employer from all subsequent obligations, as the organisation has the responsibility to pay employees the amounts to which they are entitled (basic social security plan, complementary ARRCO and AGIRC retirement plans, defined-contribution pension funds for certain foreign subsidiaries).

The Group's payments are recognised as expenses as follows:

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Pension contributions	10 196	11 099

Defined-benefit plans
The Group offers various defined-benefit plans to certain categories of staff. These plans are characterised by an obligation of the employer with respect to its employees. If these plans are not fully funded, they give rise to a provision.

The present value of the obligation is calculated using the Projected Unit Credit Method based on the following assumptions:
- a retirement age between 60 and 65, with a full-length professional activity giving full pension rights to staff of French companies, and assumptions of retirement ages for staff of foreign companies, taking into account local economic and demographic factors,
- wage growth and inflation,
- mortality,
- the workforce attrition rate, based on historical figures and announced restructuring plans,
- the discount rate allowing the present value of obligations to be determined. In France, the discount rate used is the yield on top-rated bonds.

These assumptions take into account the specific conditions, particularly macroeconomic conditions, of the various countries in which the Group operates.

Changes in actuarial assumptions, or differences between these assumptions and actual experience, give rise to actuarial gains or losses, which are taken to equity when they arise, in accordance with the Group's accounting policies.

Group defined-benefit plans mainly concern:
- pensions:
* termination benefits, which are one-off benefits based on the employee's length of service and his/her annual salary at the time of retirement,
* defined-benefit pension plans for some types of employees in France, who will receive an additional pension corresponding to a certain percentage of their salary if they are with the company when they take retirement.
- other long-term benefits
* long-service benefits in France and Germany,

IV.15.2. Actuarial assumptions used for measurements

Actuarial valuations are based on a certain number of long-term assumptions. These assumptions are reviewed annually and are as follows:

	2012	2011
France		
Retirement age	65 years	65 years
Termination benefit/Long-service benefit discount rate	3.00%	4.25%

Rate of salary increase (*)	2.00%	2.00%
Germany		
Retirement age	65 years	65 years
Discount rate	3.00%	4.25%
Rate of salary increase (*)	3.00%	3.00%
Greece		
Retirement age	65 years	65 years
Discount rate	2.25%	4.25%
Rate of salary increase (*)	2.50%	2.40%
Tunisia		
Retirement age	60 years	60 years
Discount rate	7.00%	7.00%
Rate of salary increase (*)	5.00%	5.00%

(*) Including inflation

The breakdown of plan assets and the expected rate of return are as follows:

	French companies
Bonds	85%
Shares	7%
Real estate	3%
Other assets	1%
Cash assets	4%
Expected rate of return	3.50%

IV.15.3 Summary of the financial position of the plans

Unfunded, partially funded and fully funded plans break down as follows:

In thousands of euros	**Fiscal year 2012**	**Fiscal year 2011**
Present value of unfunded obligations	7 724	3 594
Present value of partially or fully funded obligations	13 012	9 474
Total present value of obligations	**20 736**	**13 068**
Fair value of plan assets	2 712	2 783
Liabilities recognised in relation to defined-benefit plans	**18 024**	**10 285**

The table below sets out the reconciliation between pension liabilities and similar benefits and other post-employment benefits for all activities (continuing and discontinued operations) at the start and end of the period, and details the charges during the period. It also reconciles assets allocated to the plans at the start and end of the period and details changes in assets during the period.

In thousands of euros	**Pensions and similar benefits**					**Other post-employment benefits**					**Total**				
	2012	**2011**	**2010**	**2009**	**2008**	**2012**	**2011**	**2010**	**2009**	**2008**	**2012**	**2011**	**2010**	**2009**	**2008**
EVALUATION OF GROSS OBLIGATIONS BEGINNING OF PERIOD	**22 144**	**21 320**	**19 557**	**18 326**	**18 448**	**452**	**431**	**400**	**359**	**324**	**22 596**	**21 751**	**19 957**	**18 685**	**18 772**
Service costs	799	950	1 133	1 098	947	5	8	21	17	21	804	958	1 154	1 115	968
Interest expenses	794	877	990	946	1 076	16	13	20	22	17	810	890	1 010	968	1 093
Payments				(622)	(494)									(622)	(494)
Disposals	(737)	83	(433)								(737)	83	(433)		0
Other movements	(31)	(33)	146								(31)	(33)	146		0
Actuarial loss (gain)		4		(190)	(1 810)				2	(3)		4		(188)	(1 813)
Charges for the period	**825**	**1 881**	**1 836**	**1 232**	**(281)**	**21**	**21**	**41**	**41**	**35**	**846**	**1 902**	**1 877**	**1 273**	**(246)**
Changes in the scope	(346)		(2 071)		(1)						(346)		(2 071)		(1)
Exchange rate fluctuation	4	142	773	(1)	58						4	142	773	(1)	58
Actuarial loss	3 253	326	1 041			60		(10)			3 313	326	1 031		0

(gain)															
Other	(974)	(1 525)	(2 665)			(49)					(1 023)	(1 525)	(2 665)		0
Movements acct. by acct. (Assets/Liabilities)					103										103
Movements acct. by acct. (Liabilities/Liabilities)			2 849		(1)								2 849		(1)
END OF PERIOD	**24 906**	**22 144**	**21 320**	**19 557**	**18 326**	**484**	**452**	**431**	**400**	**359**	**25 390**	**22 596**	**21 751**	**19 957**	**18 685**
MARKET VALUE OF ASSETS ALLOCATED TO THE PLANS															
BEGINNING OF PERIOD	**7 314**	**7 186**	**4 802**	**4 121**	**3 390**						**7 314**	**7 186**	**4 802**	**4 121**	**3 390**
Return on assets	153	223	269	240	265						153	223	269	240	265
Employer contribution				460	319									460	319
Payments	938	1 365	1 302	(327)	(53)	49					987	1 365	1 302	(327)	(53)
Other movements		1										1			0
Actuarial loss (gain)		1	1	308	200	0						1	1	308	200
INCOME FOR THE PERIOD	**1 091**	**1 590**	**1 572**	**681**	**731**	**49**					**1 140**	**1 590**	**1 572**	**681**	**731**
Exchange rate fluctuation		123	659									123	659		0
Actuarial loss (gain)	12	(60)	(31)									(60)	(31)		0
Other	(974)	(1 525)	(2 665)			(49)					(1 023)	(1 525)	(2 665)		0
Movements			2 849										2 849		0
END OF PERIOD	**7 443**	**7 314**	**7 186**	**4 802**	**4 121**						**7 443**	**7 314**	**7 186**	**4 802**	**4 121**
NET PROVISION TO THE BALANCE SHEET FOR PENSIONS AND OTHER BENEFITS	**17 463**	**14 830**	**14 134**	**14 755**	**14 205**	**484**	**452**	**431**	**400**	**359**	**17 947**	**15 282**	**14 565**	**15 155**	**14 564**

IV.16. Provisions

IV.16.1. Table of changes in provisions

In thousands of euros	**Fiscal year 2011**	**Exchange rate fluctuation**	**Comprehensive additions**	**Comprehensive releases**	**Other movements**	**Operations written back**	**Fiscal year 2012**
Provisions for litigation	15 346		908	(86)	(2 199)		13 969
Provisions for taxes	19				(6)		13
Provisions for restructuring and redundancies							
Environmental provisions	1 270		70	(115)			1 225
Other	47				(47)		
Provisions for long-term liabilities and charges	**16 682**		**978**	**(201)**	**(2 252)**		**15 207**
Provisions for litigation	547		1 088	(262)	2 424	1 093	4 890
Provisions for taxes	6			(6)	6		6
Provisions for losses/loss-making contracts			10	(37)		37	10
Provisions for restructuring and redundancies	1 100			(1 100)	(224)(*)	224	
Environmental provisions							
Other	373		1 124	(555)		256	1 198
Provisions for short-term liabilities and charges	**2 026**		**2 222**	**(1 960)**	**2 206**	**1 610**	**6 104**
Liabilities relating to pensions and other benefits	10 285	(1)		(23)	3 387	4.376	**18 024**
Total	**28 993**	**(1)**	**3 200**	**(2 184)**	**3 341**	**5 986**	**39 335**

(*) Moved to 'litigation'

The distinction between released provisions that are used and unused during the period is set out in note V.5.

IV.16.2. Litigation

In thousands of euros	Fiscal year 2011	Comprehensive additions	Comprehensive releases	Movements	Operations written back	Fiscal year 2012 Continuing operations
Brussels Commission litigation	13 200					13 200
Litigation related to asbestos	1 311	280	(40)			1 551
Litigation related to the former Givet site		556			930	1 486
NCC litigation	792					792
Landes Wood Trading litigation	100		(100)			
Former Executive litigation		611				611
Other	490	549	(208)	224(*)	163	1 219
Total	15 893	1 996	(348)	224	1 093	18 859

(*) Moved from 'provisions for restructuring and redundancies'

Brussels Commission litigation

In 2002, the European Commission (Competition Directorate - Cartels Office) conducted an in-depth investigation into plastic bag producers belonging to the Valveplast association, to establish whether these producers had effectively formed a cartel. The Group's Sachsa Verpackung subsidiary (which has become Gascogne Sack Deutschland), has a small plastic bag production operation (around €5m vs. total sales of €21m) and was involved in this investigation.
Following the European Commission's decision of 30 November 2005, our subsidiary Sachsa Verpackung was ordered to pay a fine of €13.2m relating to this investigation, for which Gascogne SA was held jointly and severally liable for an amount of €9.9m. The company was informed of this decision on 15 December 2005.
In response, the Group lodged an appeal with the Court of First Instance of the European Communities (CFI) on 23 February 2006. The Group has arranged a bank guarantee for the payment of the fine.
The appeal to the CFI and the arrangement of a bank guarantee have enabled the Group to suspend payment of the fine while the appeal remains pending before this authority. On the other hand, interest at an overall rate of 3.56% per year is being added to the principal amount of the fine between 15 March 2006 (initial collection date) and the date the appeal is completed.
Defence pleadings were lodged by the European Commission in August 2006. The companies sent their replies and rejoinders to the CFI on 27 October 2006.
Hearings took place on 2 February 2011.
In a decision made on 16 November 2011, the European Union court rejected the application for annulment.

The companies have decided to institute appeal proceedings before the European Court of Justice, against this ruling by the CFI, and in the alternative, the reduction of the amount of the fine.
The hearing took place on 5 February 2013 and the Court's ruling is expected for the summer of 2013.
This litigation is subject to a provision of €13.2m(made at the end of 2005) and interest accrued for €3.6m.

Asbestos-related litigation

Gascogne Paper
At the end of 2012, 64 employees from Gascogne Paper filed a claim with the regional health insurance body Caisse Régionale d'Assurance Maladie (CRAM) with the aim of establishing that their asbestos-related illnesses were occupational in nature.
In 56 cases, the illness was acknowledged as occupational. Six cases were refused and two required further study.
Of the 56 employees whose cases were acknowledged as occupational, 49 served a writ in the TASS social security affairs court, seeking to establish that the employer was grossly negligent and to obtain additional compensation to that offered by the health insurance bodies.

Of the 49 cases:

- 5 were judged in 2007 by decision of 11 February 2008: gross negligence was found but the cases were declared unenforceable against Gascogne Paper, so the Social Security authorities were ordered to pay compensation. The appeals did not change these judgements.
- 21 were judged in First Instance on 28 June 2010:
  - 8 cases in which gross negligence was found and declared enforceable against Gascogne Paper. Of these 8 cases, of which 2 are pending appeal, the Company was ordered to pay indemnities for an amount of €459k which were recorded in the accounts at 31 December 2010,
  - 13 cases for which gross negligence was found and declared unenforceable against Gascogne Paper, and thus resulting in no request for payment of indemnities.
- 7 received a request for referral at the First Instance dated 28 June 2010, were heard on 7 March 2011, and the TASS gave its decision on 25 July 2011: gross negligence was found for the 7 cases, but 6 were declared unenforceable against Gascogne Paper, and the company was ordered to pay €33k for the last case.
- 3 cases (heard in December 2011) were judged on 10 December 2012: gross negligence was found for the 3 cases and 1 was declared unenforceable against Gascogne Paper, the company was ordered to pay €83k for these 2 cases but has appealed against the decision
- 1 case has been heard and the ruling is expected in April 2013
- 12 cases have not yet been heard (6 of which were filed during 2011)

Gascogne Sack

No significant progress was made in 2012. 2 cases requesting recognition of the occupational nature of the illness had been filed in 2008, and recognised as such.

Summary of financial effects

At the end of 2012, the amount of compensation paid by Gascogne Paper for the 36 cases ruled upon, amounted to €0.7m and the provision for the 15 cases pending amounted to €1.6m.

Litigation related to the former Givet site

Litigation with former employees of the Givet site

Following the announcement of the closure of the Givet site at the end of 2008, 55 employees had taken legal action in individual proceedings to gain the above legal compensation in addition to that already paid.

On 16 May 2011, the Charleville-Mézières employee claims court ordered Gascogne Laminates to pay its former employees indemnities and wages for a total of €930k with a request for provisional execution. The company appealed this judgement on the merits of the case and summarily obtained suspension of the provisional execution.

The court hearing is scheduled for June 2013.

A provision was made for the amount of the order, i.e. €930k.

Litigation with the Ardennes Council (Givet)

Following the announcement of the closure of the Givet site at the end of 2008, the Ardennes council called for the return of a subsidy of €1.5m granted in 2006. Believing this request to be unfounded, the company lodged an appeal at the beginning of 2009 to have the claim annulled.

The Administrative Tribunal in Chalons rejected this appeal in its decision dated 26 October 2012. The company appealed in December 2012.

At 31 December 2012, no amount had been paid, the company made a provision of €1.5m.

NCC litigation

Provisions for litigation notably include a provision of €792k (dating from 2003) to cover the risk ofbeing ordered to pay damages and interest to NCC, an Egyptian customer of Gascogne Paper. The grounds for the claim are of a technical and commercial nature, relating to an alleged failure to meet contractual quality standards and quantities. The claim is in several currencies and amounts to around €3.5m. After consulting its lawyers, the Group believes that the provisioned amount is sufficient to cover the maximum amount of penalties that Gascogne Paper may be ordered to pay.

No significant progress in this dispute has been made to date.

Landes Wood Trading litigation

The company Forestière de Gascogne, in the framework of litigation with the client Landes Wood Trading was ordered on 19 August 2011 by the commercial court of Mont de Marsan to pay Landes Wood Trading damages and interest of €4,425k with a request for provisional execution.
The company Forestière de Gascogne appealed the judgement on the merits of the case and requested that the Court suspend the provisional execution.
The Court of Appeal in Pau reduced the amount to €900k in its ruling dated 9 November 2012. At 31 December 2012, the provision made at the end of 2011 (€100k) was released and the order to pay was recognised as debt for €0.9m. The company paid the amount ordered at the beginning of 2013.
The other party appealed on 11 February 2013.

Litigation with former executives

The former executive of the Wood division contested his dismissal for serious misconduct on 17 October 2011 before the Bergerac employee claims court, and is claiming damage and interests of €0.3m from Gascogne SA.
The Bergerac claims court ruled against Gascogne SA on 28 June 2012 and ordered it to pay compensation and damages in full, i.e. €312k with a request for provisional execution.
The company has appealed this decision on the merits of the case, but has already paid €200k.
Furthermore, the company MEYSSET DEVELOPPEMENT (of which the legal representative is the former executive of the Wood division) instigated legal proceedings against Gascogne SA and Gascogne Wood Products on 28 February 2012 with the Commercial Court of Dax to claim €1.5m in damages and interests for the sudden and improper nature of the removal of his mandate as President of Gascogne Wood Products in October 2011. The hearing at the Commercial Court took place in December 2012 and judgement has been reserved.
To date, MEYSSET DEVELOPPEMENT and its legal representative have been ordered to pay €10k under article 700 of the French Code of Civil Procedure.
Two other former executives from the Group are also instigating legal proceedings before the employee claims court, claiming a total of €1.2m.
The company has made a provision amounting to €0.6m for all of these disputes.

Tax investigations in progress

At 31 December 2012, tax investigations are in progress in the companies Gascogne Wood Products and Gascogne sack Deutschland.

To the company's knowledge, there is no other litigation that may have or has recently had a significant impact on the Group's activity, results, financial position or assets.

IV.17. Trade and other payables

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Trade and other payables		
Trade payables	46 859	51 850
Other payables relating to operating activities	43 464	25 695
Total	**90 323**	**77 545**

IV.18. Other liabilities.

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Other non-current liabilities		
Equipment subsidies	3 598	2 908
Greenhouse gas emission quotas	427	565
Total other non-current liabilities	**4 025**	**3 473**

Other current liabilities		
Equipment subsidies	835	1 296
Employee profit-sharing	0	13
Debt relating to non-current assets	3 643	1 496
Greenhouse gas emission quotas	716	769
Other debt	1 210	1 228
Derivative instruments	2 407	3 434
Total other current liabilities	**8 811**	**8 236**
Total other liabilities	**12 836**	**11 709**

IV.19. Recoverable and payable income tax

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Recoverable income tax	1 549	1 399
Income tax payable	896	7 556
Net income tax - asset (liability)	**653**	**(6 157)**

Recoverable income tax is mostly comprised of receivables for the Research Tax Credit.

V. – NOTES TO THE INCOME STATEMENT

V.1. Sales

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Sales of goods	412 999	421 080
Services provided	6 695	9 439
Sales	**419 693**	**430 519**

V.2. Changes in inventories of finished goods and work in progress

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Change in gross inventories	(17 045)	7 123
Release from provisions for inventories of finished goods and work in progress	4 262	3 528
Additions to provisions for inventories of finished goods and work in progress	(3 995)	(4 479)
Changes in inventories of finished goods and work in progress.	**(16 778)**	**6 172**

V.3. Purchases used in the business

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Purchases of merchandise and raw materials	(173 983)	(199 092)
Changes in inventories of merchandise and raw materials	(5 754)	3 053
Release from provisions for inventories of merchandise and raw materials	2 929	3 947
Additions to provisions for inventories of merchandise and raw materials	(2 919)	(3 267)
Purchases used in the business	**(179 727)**	**(195 359)**

V.4. Staff costs

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Wages	(68 718)	(71 433)
Social security costs	(29 136)	(29 086)

Employee profit-sharing	(388)	(173)
Service costs	(661)	(755)
Staff costs	**(98 903)**	**(101 447)**

Contributions to pension plans included in social security costs amounted to €10.2m, versus €11.1m in 2011.

V.5. (Additions to) / Releases from provisions for liabilities and charges

(Additions to) / Releases from provisions for liabilities and charges on the income statement

31 December 2012	(Additions)	Releases	Net
Provisions in underlying operating profit	(834)	729	(105)
Provisions in other non-operating income and expenses	(2 366)	1 454	(912)
Provisions in operating profit	**(3 200)**	**2 183**	**(1 017)**

Financial expenses do not include provisions for liabilities of a financial nature.

31 December 2011	(Additions)	Releases	Net
Provisions in underlying operating profit	(945)	541	(404)
Provisions in other non-operating income and expenses	(3 755)	353	(3 402)
Provisions in operating profit	**(4 700)**	**894**	**(3 806)**

Breakdown of additions to / releases from provisions for liabilities and charges included on the income statement by type

31 December 2012 In thousands of euros	Liabilities relating to pensions	Litigation	Restructuring and redundancies	Other	Total
Additions					
Underlying operating profit		(442)		(392)	(834)
Other non-operating income and expenses		(1 554)		(812)	(2 366)
Total additions		**(1 996)**		**(1 204)**	**(3 200)**
Releases					
Underlying operating profit	23	112		594	729
Other non-operating income and expenses		140	1 195	119	1 454
Total releases	**23**	**252**	**1 195**	**713**	**2 183**
Net					
Underlying operating profit	23	(330)		202	(105)
Other non-operating income and expenses		(1 414)	1 195	(693)	(912)
Net total	**23**	**(1 744)**	**1 195**	**(491)**	**(1 017)**

31 December 2011 In thousands of euros	Liabilities relating to pensions	Litigation	Restructuring and redundancies	Other	Total
Additions					
Underlying operating profit		(316)	(54)	(575)	(945)
Other non-operating income and expenses		(2 538)	(1 100)	(117)	(3 755)
Total additions		**(2 854)**	**(1 154)**	**(692)**	**(4 700)**
Releases					
Underlying operating profit	72	4	100	365	541
Other non-operating income and expenses		290	63		353
Total releases	**72**	**294**	**163**	**365**	**894**
Net					
Underlying operating profit	72	(312)	46	(210)	(404)
Other non-operating income and expenses		(2 248)	(1 037)	(117)	(3 402)
Net total	**72**	**(2 560)**	**(991)**	**(327)**	**(3 806)**

The table below breaks down releases related to used provisions and those related to unused provisions:

In thousands of euros	Releases total	Used provisions = Charges borne	Releases from unused provisions
Liabilities relating to pensions and other benefits	23	23	
Provisions for litigation	252	229	23
Provisions for redundancies and restructuring	1 195	1 195	
Other	713	679	34
Total provisions released at 31 December 2012	**2 183**	**2 126**	**57**

V.6. Other operating income and expenses

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Other operating income	2 037	2 153
Investment subsidies taken to income	898	995
Other operating expenses	(1 762)	(3 534)
(Additions to) / releases from provisions for trade receivables, other receivables and other current assets	44	1 619
Other operating income and (expenses)	**1 217**	**1 233**

The investment subsidies taken to income include in particular grants relating to the "Klaus" storm.

V.7. Other non-operating income and expenses

In thousands of euros	Fiscal year 2012	Fiscal year 2011
(Additions to) asset impairment provisions	(60 246)	(23 483)
Releases from asset impairment provisions	110	
(Additions to) / Releases from environmental provisions	45	(70)
(Additions to) / Releases from restructuring and litigation provisions	(2 157)	(3 333)
Restructuring charges and litigation	(4 890)	(642)
Net gains and losses on asset disposals	(30)	(315)
Other non-operating income and expenses	**(67 168)**	**(27 843)**

Asset impairment

This entry mainly includes asset impairments following the impairment test for the Paper CGU for €23m and the Wood CGU for €37m (see paragraph on impairmenttests and impairment losses).

Additions to/releases from restructuring and litigation

This entry is made up of provisions for industrial disputes amounting to €0.8m and provisions amounting to €1.3m for other litigation.

Restructuring charges and litigation

This entry mainly includes:

- the net charge of the Gascogne Sack Deutschland restructuring plan carried out in 2012 for €0.9m (a provision of €1.1m had been added at the end of 2011, the global definitive cost is €2m)
- post-conciliation fees relating to the restructuring of the debt and sale of the sites amounting to €23m
- the net charge of the appeal ruling against Forestière de Gascogne in the Landes Wood Trading case amounting to €0.8m.

Impairment tests and impairment losses

Impairment test methodology

Impairment tests were carried out on each CGU on 31 December 2012 using the following methodology:

- the recoverable value of the CGUs equals its estimated value in use, based on future cash flows resulting from the 5-year business plan (2013-2017)
- the discount rate is identical for the Wood, Paper, Gascogne Sack and Gascogne Sack Deutschland CGUs, it reflects the WACC of the Group and these CGUs operate mainly in western Europe in similar economic environments
- the discount rate of the Aigis and Gascogne Sack Tunisia CGUs was revised upwards in 2012 in order to better account for the economic and political risks persisting in Greece for Aigis and in Tunisia for Gascogne Sack Tunisia.

CGU	Rate 2012	Rate 2011
Wood	8.2%	8.2%
Paper	8.2%	8.2%
Gascogne Sack	8.2%	8.2%
Gascogne Sack Deutschland	8.2%	8.2%
Aigis	15.0%	8.2%
Gascogne Sack Tunisia	10.5%	8.2%
Laminates	8.2%	8.2%

- the growth rate used to extrapolate cash flow projections beyond the 5-year period covered by the provisions was 2% for CGUs overall.

Management's business plans were strategically reviewed by an external firm during the last quarter of 2012. The revised and amended business plans resulting from this review were used for the impairment tests.

We mainly measure the profitability using the EBITDA/Sales ratio. The CGUs which have significant changes are:

For the Laminates CGU, this ratio goes up by 45% between 2012 and 2017, due to a major industrial investment made in 2012 on the Dax site, which will make it possible to enter into new high-growth markets such as the market for composites which are more and more popular in the aerospace sector. Furthermore, the sale of Mupa which came within the CGU and which recorded losses, also helps to improve the profitability of the CGU.
For the Gascogne Sack Deutschland CGU, this ratio, negative in 2012, should recover to a level which is more in line with the sector average due to the expected success of the recovery plan implemented in 2012 along with the restructuring plan.

For the Wood and Paper CGUs, which recorded impairment losses in 2012, see the comments in the following paragraph.

Impairment losses

Impairment losses and gains in value recognised at 31 December 2012 break down as follows:

In thousands of euros	Fiscal year 2011	Additions	Releases	Operations written back	Fiscal year 2012
Goodwill	2 547	6 988			9 535
Property, plant and equipment	3 239	30 000			33 239
WOOD CGU	**5 786**	**36 988**	**0**	**0**	**42 774**
Goodwill	186				186
Intangible assets	199				199
Property, plant and equipment	35 250	23 000			58 250
PAPER CGU	**35 635**	**23 000**	**0**	**0**	**58 635**
Property, plant and equipment	2 022				2 022
Gascogne Sack Deutschland CGU	**2 022**	**0**	**0**	**0**	**2 022**
Goodwill	1 323				1 323
Property, plant and equipment	6 102		(110)		5 992
AIGIS CGU	**7 425**	**0**	**(110)**	**0**	**7 315**
Goodwill	0			353	353
LAMINATES CGU (*)	**0**	**0**	**0**	**353**	**353**
Goodwill	4 056	6 988	0	353	11 397
Intangible assets	199	0	0	0	199
Property, plant and equipment	46 613	53 000	(110)	0	99 503
TOTAL	**50 868**	**59 988**	**(110)**	**353**	**111 099**

(*) Laminates division excluding Gascogne Laminates Switzerland

No impairment loss has ever been recognised for the 2 other CGUs: Gascogne Sack (France), Gascogne Sack Tunisia.

The Paper CGU specialises in manufacturing natural kraft paper and natural kraft paper for sacks. It recorded impairment of non-current assets for an amount of €23m over the year, since the recoverable value of the Paper CGU, determined on the basis of its value in use, was lower than its carrying value at period-end. As goodwill was already completely depreciated, this impairment loss was entirely assigned to property, plant and equipment and intangible assets. This impairment of €23m which isadditional to that previously recognised in 2011 amounting to €19m is related to two new elements taken into account in 2012: investment in a waste treatment plant, in consideration of the regulatory changes which go beyond the business plan and higher standardised maintenance investments.

The Wood CGU specialises in the production of lumber and pulp wood, rough wood for industrial use (wooden pallets, etc.) and in wood for decorative use (flooring, panelling, mouldings, etc.). It recorded impairment of non-current assets for an amount of €37m during the fiscal year, sincethe recoverable value of the Wood CGU determined on the basis of its value in use, was lower than its carrying value at period-end. This impairment was allocated to goodwill and property, plant and equipment and intangible assets.
In fact, the sharp drop in the profits in 2012 associated with a strategic review which showed long-term structural difficulties in the markets in which the CGU currently operates, led to a downwards review of the business plans and the EBITDA/Sales ratio in the last year of the business plan, which although up in relation to that of 2012, were still significantly lower than the profits recorded during the previous years.
This test led to depreciation of almost all of the CGU's non-current assets, leaving a residual value of €3.8m, corresponding to the commercial value of the two sites.

Sensitivity tests

Under IFRS standards, the sensitivity of valuing the CGUs is presented when a technically possible change to a key assumption could lead the carrying value of the CGU to exceed its recoverable value.
The figures below show the gap between the recoverable value and the carrying value of the CGU (after consideration of impairment at the end of 2012) in the case of a variation of +/- 10% from each key assumption. A negative figure indicates impairment.

In millions of euros	Recoverable value calculation					
	Cash flow discount rate		Perpetuity growth rate		EBITDA to sales ratio (terminal flow)	
	- 10% :- 0.82%	+10% : + 0.82%	-10% :- 0.2%	+ 10% :+ 0.2%	- 10% EBITDA to sales ratio	+ 10% EBITDA to sales ratio
Paper CGU	8.2	-6.2	-1.3	1.4	-7.0	7.0

For the Wood and Aigis CGUs, the sensitivity tests do not enable less significant depreciation than in 2012 to be envisaged for the Wood CGU or a reversal of the previous depreciations for Aigis CGU with reasonable key assumption values.

These sensitivity tests on the +/- 10% variation of each key assumption were also performed on the Gascogne Sack, Gascogne Sack Tunisia, Gascogne Sack Deutschland and Laminates CGUs: they do not show risks of impairment. Therefore, in addition, for these 4 CGUs, it was calculated how the key assumptions should vary (upwards for the discount rate, downwards for the perpetuity growth rate and the EBITDA/Sales ratio of the terminal flow) for the recoverable value to be equal to the carrying value.

	Discount rate		**Perpetuity growth rate**		**EBITDA to sales ratio (terminal flow)**
CGU	Selected rate (in %)	Increase required for the recoverable value to equal the carrying value *(in % of additional discount rate)*	Selected rate (in %)	Reduction required for the recoverable value to equal the carrying value *(in % of reduction in growth rate)*	Reduction required for the recoverable value to equal the carrying value *(in % of reduction in selected EBITDA/Sales ratio)*
Gascogne Sack	8.20%	+3.2% (1)	2%	na (2)	-31.7%
Gascogne Sack Deustchland	8.20%	+1.1%	2%	-1.6%	-14%
Gascogne Sack Tunisia	10.50%	+8.5%	2%	na (1)	-58.5%
Laminates	8.20%	+2.5%	2%	na (1)	-33.5%

(1) This means that the discount rate must be brought from 8.2% to 11.4% for the recoverable value to equal the carrying value.
(2) The difference between the recoverable value and the carrying value of these CGUs is high enough so that no reduction in the perpetuity growth rate (to a growth rate of nil at the lowest) brings about a reduction of the recoverable value on the CGU's carrying value.

V.8. Net financial items

The table below breaks down financial income and expenses by type:

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Interest and similar income	714	457
Interest and similar expenses	(7 933)	(6 752)
Cost of net debt	**(7 219)**	**(6 295)**
Foreign-exchange income / (expenses)	(908)	424
Financial income from unconsolidated equity stakes		
Discount (expenses) income	(653)	(650)
Other income / (expenses)	(664)	(575)
Other financial income and expenses	**(2 225)**	**(801)**
Net financial items	**(9 444)**	**(7 096)**

Gains and losses by financial asset and liability accounting category are presented in note IV.13.
Changes in financial items are discussed in the management report (note II.2.2.).

V.9. Share in earnings of equity affiliates

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Sacchificio Veneto	236	74

V.10. Income tax

Income tax (expense) / income

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Due tax (expense) / income	(445)	(448)
Deferred tax (expense) / income	(650)	9 151
Income tax	**(1 095)**	**8 703**

The finances act for 2010, voted on 30 December 2009, has removed the liability of French tax bodies to business tax, as of 2010, and has replaced it with the C.E.T regional economic contribution which includes the C.F.E Business Contribution on Property based on the rental value of real property of the current business tax, and the C.V.A.E. Business Contribution on the Added Value.

Regarding the CVAE accounting restriction, the Group considered on the one hand, that the added value is an intermediate level of profit of which the amount is substantially different from that submitted for corporation tax, and on the other hand, that the CET is essentially a new tax instituted in the prolongation of the professional tax that it replaces. Consequently, the Group decided not to qualify the CVAE as income tax and preferred to record the CVAE under operating expense as of 1 January 2010.

Tax evidence

(In thousands of euros)	Fiscal year 2012	Fiscal year 2011
Net profit of the consolidated whole	(91 288)	(32 564)
(-) share in profit of equity affiliates	236	74
Net income of fully-consolidated companies	**(91 524)**	**(32 638)**
Company tax expenses (income) (a)	467	(8 294)
Theoretical tax expense / (income) based on tax rates in force in each country (b)	(30 267)	(12 381)
Difference (a) - (b)	**30 734**	**4 087**
Analysis of the difference:		
Impact of permanent timing differences	573	264
Impact of unused net tax losses	9 706	2 559
Impact of the difference between the due tax rate and the deferred tax rate	257	(308)
Impact of consolidation adjustments excluding tax	(105)	152
Impact of impairment tests	20 908	1 001
Impact of other consolidation adjustments	(605)	307
Impact related to group taxation		112
Total	**30 734**	**4 087**

The tax consolidation group included the following companies in 2012: Gascogne SA, Forestière de Gascogne, Gascogne Wood Products, Allwood France, Gascogne Paper, Depland, Gascogne Sack, Gascogne Laminates, Mupa Emballages, Gascogne Habitat Bois and Aquitaine Landes Industries.

Tax loss carryforwards at our subsidiaries Aigis (Greece) and Gascogne All Wood (Belgium), Gascogne Laminates Germany and Gascogne Sack Deutschland did not give rise to the recognition of a deferred tax asset, since the short-term outlook for the companies concerned does not provide adequate certainty that these losses will be used.
These unused losses stand at €48.5m on 31 December2012.

V.11. Earnings per share

V.11.1. Net earnings per share of the consolidated whole

	Fiscal year 2012	Fiscal year 2011
Net profit (attributable to Group) (€k)	(91 287)	(32 567)
Weighted average number of shares in issue	1 941 718	1 941 109
Basic earnings per share (in €)	**(47,01)**	**(16,78)**

V.11.2 Net earnings per share of continuing operations

	Fiscal year 2012	Fiscal year 2011
Net profit (attributable to Group) (€k)	(78 672)	(26 240)
Weighted average number of shares in issue	1 941 718	1 941 109
Basic earnings per share (in €)	**(40,52)**	**(13,52)**

In the absence of dilutive or accretive equity instruments, the diluted net earnings per share are equal to the net earnings per share.

V.12. Comprehensive income

(In thousands of euros)	Fiscal year 2012			Fiscal year 2011		
	Gross	Tax	Net	Gross	Tax	Net
Net result from continuing operations			**(78 673)**			**(26 237)**
Change in translation differences	(292)	0	(292)	(24)	0	(24)
Change in fair value of financial instruments	691	(231)	460	(1 484)	495	(989)
Change in actuarial gains and losses on pension plans	(2 913)	905	(2 008)	(453)	210	(243)
Income and expenses recorded for other items of the comprehensive income	**(2 514)**	**674**	**(1 840)**	**(1 961)**	**705**	**(1 256)**
Comprehensive income from continuing operations			**(80 513)**			**(27 493)**
Net income from discontinued operations			**(12 615)**			**(6 327)**
Change in translation differences	28	0	28	154	0	154
Change in fair value of financial instruments	0	0	0	0	0	0
Change in actuarial gains and losses on pension plans	(41)	9	(32)	68	19	87
Income and expenses recorded for other items of the comprehensive income	**(13)**	**9**	**(4)**	**222**	**19**	**241**
Comprehensive income from discontinued operations			**(12 619)**			**(6 086)**
Net profit of the consolidated whole, net of tax			**(91 288)**			**(32 564)**
Change in translation differences	(264)	0	(264)	130	0	130
Change in fair value of financial instruments	691	(231)	460	(1 484)	495	(989)
Change in actuarial gains and losses on pension plans	(2 954)	914	(2 040)	(385)	229	(156)
Income and expenses recorded for other items of the comprehensive income	**(2 527)**	**683**	**(1 844)**	**(1 739)**	**724**	**(1 015)**
Comprehensive income of the consolidated whole, net of tax			**(93 132)**			**(33 579)**

VI. – Other information

VI.1. Segment reporting by business division

								31 December 2012
In thousands of euros	**Wood**	**Paper**	**Sacks**	**Laminates**	**Holding**	**Total Continuing Operations**	Discontinued operations	**Group total**
Sales								
. external	132 020	126 548	121 343	118 144	5 350	503 405	46 072	549 477
. intra-group	50 833	25 318	70	2 485	5 006	83 712	1 189	84 901
. net sales	81 187	101 230	121 273	115 659	344	419 693	44 883	464 576
Underlying operating profit	(4 132)	(750)	3 637	2 528	(2 485)	(1 202)	(1 891)	(3 093)
Operating profit	(42 270)	(24 260)	3 086	1 463	(6 389)	(68 370)	(12 822)	(81 192)
Profit from equity affiliates			236			236		236
Additions to depreciation	(4 858)	(6 743)	(4 456)	(2 593)	(1 333)	(19 983)		(19 983)
(Additions to) / Releases from asset impairment provisions	(36 992)	(22 691)	110	44	555	(58 974)	(8 382)	(67 356)
Other non-cash operating income (expenses)	(7 337)	(444)	1 090	(824)	(729)	(8 244)	1 023	(7 221)
Capital expenditure	3 018	7 206	2 689	13 071	272	26 256	108	26 364
Workforce	567	507	531	415	25	2 045	80	2 125
Intangible assets and property, plant and equipment	6 877	36 370	36 396	34 234	3 904	117 781		117 781
Investments in equity affiliates			2 831			2 831		2 831
Segment assets	60 658	31 513	30 359	37 579	1 201	161 310		161 310
Other assets						26 514		26 514
Assets classified as held for sale							7 947	7 947
Total assets						**308 436**	7 947	**316 383**
Segment liabilities	21 078	24 632	18 872	18 822	6 919	90 323		90 323
Other liabilities						160 141		160 141
Liabilities associated with assets classified as held for sale							8 949	8 949
Total liabilities						**250 464**	8 949	**259 413**

In thousands of euros	Wood	Paper	Sacks	Laminates	Holding	Total Continuing Operations	Discontinued operations	31 December 2011 Group total
Sales								
. external	143 184	129 741	122 437	123 365	7 320	526 047	64 565	590 612
. intra-group	57 348	29 142	448	1 868	6 722	95 528	1 725	97 253
. net sales	85 836	100 599	121 989	121 497	598	430 519	62 840	493 359
Underlying operating profit	(2 241)	2 762	271	2 874	(3 741)	(75)	(5 321)	(5 396)
Operating profit	(2 470)	(17 777)	(4 954)	1 751	(4 468)	(27 918)	(5 454)	(33 372)
Profit from equity affiliates			74			74		74
Additions to depreciation	(5 051)	(8 731)	(4 856)	(2 616)	(1 438)	(22 692)	(1 844)	(24 536)
(Additions to) / Releases from asset impairment provisions		(19 073)	(4 269)	109	(250)	(23 483)		(23 483)
Other non-cash operating income (expenses)	(587)	(1 036)	(1 044)	(1 039)	(100)	(3 806)	(38)	(3 844)
Capital expenditure	1 774	7 115	4 292		335	13 516	5 225	18 741
Workforce	569	515	545		30	1 659	635	2 294
Intangible assets and property, plant and equipment	44 583	58 780	38 345		7 547	149 255		149 255
Investments in equity affiliates			2 595			2 595		2 595
Segment assets	77 565	35 175	32 073		1 134	145 947		145 947
Other assets						23 937		23 937
Assets classified as held for sale							118 045	118 045
Total assets						**321 734**	**118 045**	**439 779**
Segment liabilities	27 274	24 739	20 104		5 428	77 545		77 545
Other liabilities						149 306		149 306
Liabilities associated with assets classified as held for sale							59 200	59 200
Total liabilities						**226 851**	**59 200**	**286 051**

VI.2. Related parties

Transactions with the Group's subsidiaries

This is a part of the services provided, and the provision of executives billed to the subsidiaries by the parent company and, on the other hand, current-account advances granted to or by certain subsidiaries that give rise to billing financial interests. Moreover, all the French companies are part of the tax consolidation group, of which Gascogne SA is the parent company. (See section V.10.).

Transactions with related parties

Gascogne SA did not undertake relations of any sort in 2012 with any of the executives (other than compensation or attendance fees).
The company Electricité et Eaux de Madagascar, which holds over 25% of the capital and voting rights made a current account advance of €6m in July 2012, of which €2.5m were paid back by Gascogne as part of the repayment of the New Money loan and the shareholder's advance of €7.4m in September 2012. This advance benefits from the same conditions as the New Money loan: rate of remuneration, guarantees, repayment schedule.
Moreover, there are no other transactions with the related parties that are significant and/or lead to conditions that would be other than market conditions.

Remuneration and benefits granted to corporate officers

Remuneration and benefits granted to corporate officers in 2011 and 2012 were as follows:

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Short-term benefits	1 136	1 541
Post-employment benefits (*)	151	123
Termination benefits paid	0	918
Share-based payments		
Total	1 287	2 582

(*) Variation of the commitment for the year

The remunerations and benefits presented in the table above include 5 corporate officers at the end of 2011, and 6 at the end of 2012.

The post-employment benefits mainly include the funded pension scheme contract still in force for the former President and CEO François Vittoz.

At 31 December 2012, the company does not have any commitments to the President and CEO Frédéric Doulcet in terms of post-employment benefits (funded pension contract or golden parachute).

Remuneration granted to the members of the Board of Directors

Attendance fees paid to the Board of Directors with respect to 2012 totalled €160k, including €38k for attendance at specialist committee meetings.

It should be noted that the Board of Directors meeting of 18 December 2008 decided to adhere to the AFEP/MEDEF recommendations of 6 October 2008, except for commitments prior to this date.

Summary of remuneration and options and shares allotted to each corporate officer

No options or shares were allotted to corporate officers during the 2012 fiscal year.

Other related parties
Information relating to companies accounted for under the equity method is provided in Note IV.4.

VI.3. Off-balance sheet commitments

Movements in off-balance sheet commitments are set out in the table below:

In thousands of euros	Fiscal year 2012	Fiscal year 2011
Guarantees and pledges given	8 425	8 400
Guarantees and pledges received	898	704
Mortgages, pledges and collateral given	20 494	26 957

At 31 December 2012, off-balance sheet commitments broke down as follows:

Type	Purpose	Amount (in thousands of euros)
Guarantees and pledges given		
Liabilities guarantee	on sale of subsidiary	4 000
Joint guarantee	litigation in favour of Landes Wood Trading	4 425
Total		**8 425**
Mortgages, pledges and collateral given		
Pledge	on wood inventories in favour of the banks	6 894
Dailly sale	on receivables in favour of the banks	13 600
Total		**20 494**
Guarantees and pledges received		
Bank guarantee	on investment-related bank borrowings	398
Bank guarantee	on sale of subsidiary	500
Total		**898**

Commitments related to financing

Syndicated contract
With regard to its syndicated loan, banks benefit from a first-rate financial instrument account pledge covering all of the shares held by Gascogne SA in its main subsidiaries. Furthermore, Gascogne SA is a joint, several and indivisible guarantor of its subsidiaries where repayment of the revolving credit facility is concerned.
In addition, again with regard to the syndicated loan, the revolving credit standing at €13.6m on 31 December 2012, is accordingly guaranteed by trade receivables within the framework of assignments under the Dailly law.

Subsidised Storm loans
As part of exceptional operations for storm efforts and wood storage following the Klaus storm, the Group applied for and obtained, through its subsidiary Forestière de Gascogne, 5 subsidised loans at a rate of 1.5% for an overall amount of €22.5m. The remaining share capital due at period-end is at €8.2m broken down in the following manner:
- 3 'storm efforts' loans lasting 3 years for €1.3m;
- 2 'storage' loans lasting 5 years for €6.9m.
Concerning the two 'storage' loans, the banks also enjoy a pledge relating to inventories.

New Money loan and shareholder's advance
The New Money loan amounting to €11.6m granted by the banks and the State in February 2012 and the current account advance of €6m granted in July 2012 by the shareholder Electricité et Eaux de Madagascar the

overall outstanding amount of which was €10.2m at the end of 2012, benefiting from a "New Money" privilege in compliance with the provisions of article L.611-11 of the French Commercial Code. That means that in the event of insolvency proceedings, the parties benefiting from this privilege are paid back by privilege before all the other debts.

Commitments related to operational activities

Landes Wood Trading litigation
As part of the request to suspend the provisional execution of the rulings against the company Forestière de Gascogne in the litigation with Landes Wood Trading, Gascogne SA is joint and several guarantor of the subsidiary for the payment of the amount ordered, i.e. €4.4m if the company must pay the sum at the end of court proceedings. In November 2012 the appeal hearing ruled against Forestière de Gascogne and the company was ordered to pay €0.9m, which it paid at the beginning of 2013.

Commitments related to the scope

The Cenpac Divestiture
Regarding the sale of Cenpac, Gascogne SA granted a liability guarantee to the buyer, Raja, for a maximum amount of €4m until 31 December 2013 except with regards to tax matters (31 January 2014). In exchange, Gascogne SA received a guarantee from Société Générale for €1m until 31 December 2011, then €0.5m until 31 January 2014.

The mortgages, pledges and collateral given relate to the following items:

In thousands of euros	Start date	End date	Amount of guarantees	Net value of assets as guarantees	Total on the balance sheet	% of total
Wood inventories	2011	2014/2015	6 894	6 894	107 821	6.4%
Trade receivables	2008	2018	13 600	13 600	44 058	30.9%

VI.4. Post-balance sheet events

The sale of the MUPA site was finalised in January 2013 and the sale of the Jarnac site was finalised on 1 March 2013.

As mentioned in paragraph II.2. Basis of valuation, the Group obtained in 2013:

- an agreement from the banks not to request advance repayment of the entire debt (excluding new money) until 30 April 2013 at the earliest
- an agreement from the banks and the shareholder EEM to postpone the scheduled repayments of the balance of the loan of New Money until 30 April 2013

On 3 May, the Group obtained an extension on these agreements from all of its partners up to 30 September 2013.