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PRESS RELEASE

Full-year 2013 results and review of the Group's financial structure

At its meeting held on 19 March 2014 chaired by Frédéric Doulcet, Gascogne's Board of Directors accepted the accounts for the 2013 financial year. The audit procedures have been performed on the consolidated financial statements. The certification report is being issued.

In accordance with the IFRS 5 standard, contributions from divested business and business classified as held for sale are included in the income from discontinued operations.

2013 financial situation: income statement

In €m	**2012**	**2013**
Sales	419.7	418.3
EBITDA (1)	18.5	10.0
Underlying operating profit	-1.2	-4.0
Operating profit	-68.4	-42.7
Net financial items	-9.4	-7.5
Pre-tax profit	-77.6	-50.3
Net profit from continuing operations	-78.7	-54.5
Net income from discontinued operations	-12.6	-1.2
Consolidated net profit	-91.3	-55.7

[1] EBITDA: Underlying operating profit + net additions to amortizations + net operating provisions and impairments

In a persistently difficult economic climate, sales for continuing operations stand at €418.3m, a 0.3% drop compared to 2012. This variation incorporates the loss of sales estimated at €3m following the technical incident at the Mimizan paper plant which stopped paper pulp production for 1 month (from 10 December 2013 to 10 January 2014). Excluding this impact, annual sales would have recorded a slight increase of +0.4%.

Growth for activities recorded in the Paper and Laminates divisions of +2.6% and +3.3% respectively allowed the short-term decline in sales of the Sacks division (-6.3%) to be offset. The Wood division shows almost stable sales.

In terms of group profit:

- The **EBITDA**[1] shrank significantly as it stood at €10.0m in 2013 (compared with €18.5m in 2012). In addition to the €3.3m impact associated with the technical incident at the Mimizan paper plant and the €1m start-up costs for the new line at the Dax site, the Group was penalised in 2013 by the impact of the increased price of wood of €2.3m combined with a reduction in the use of "storm wood". All of the extra operating costs could not be immediately passed on to the sales prices.

- The **underlying operating profit** represents a loss of €4.0m, a drop limited to €2.8m, the €6.7m decrease in additions to amortization having allowed the sharp drop in EBITDA to be offset.

- The **operating profit** of -€42.7m incorporates an exceptional noncash expense of €35m, without impact on cash. In compliance with the IFRS standards and considering the deterioration of the macro-economic situation and the economic performance of its Paper and Wood branches, the Group has adjusted its asset values within the framework of impairment tests (comparison between the posted asset value and the value in use based on discounting of future cash flows).

- **Net financial items** stand at -€7.5m, up by €1.9m compared with 2012 (-€9.4m) due to lower financial expenses of €0.6m, a €0.7m improvement of the exchange rate result and a €0.6m reduction in other financial items (related to interest on the Brussels fine).

- After impairment amounting to €3.8m for previously capitalised tax loss, **corporation tax** stands at -€3.7m.

- **Net profit** from continuing operations remains heavily negative, -€53.9m compared with -€78.7m in 2012.

2013 financial situation: main financial indicators

	2012	**2013**
Balance sheet		
Shareholders’ equity (€m)	60.7	6.1
Shareholders’ equity per share (€)	31.3	3.1
Net debt (€m)	99.5	104.9
Working Capital Requirement (€m)	71.0	50.7
Flows		
Operating cash flow (€m)	17.3	19.4
Investments (€m)	-24.4	-14.7
Income from divested businesses (€m)	13.4	2.4
Financing cash flow (€m)	-15.8	-7.1
Variation in cash flow (€m)	-10.5	0.2

The net change in cash over the 2013 financial year showed an excess of €0.2m, i.e. a positive variation of €10.7m in relation to 2012 under the combined effect of:

- A sharp increase in the variation in working capital requirement totalling €8.4m, mainly as the result of a significant reduction of stocks.

- Control of investments which totalled €14.7m, essentially dedicated to the finalisation of projects started in 2012 (industrial reorganisation of the Dax site (Laminates division) for €3.3m and the installation of a new biomass boiler at the Castets site (Wood division) for €1.9m). The balance is made up of operating investments for industrial tool maintenance.

- A €8.8m decrease in financial reimbursements, apart from the syndicated debt and the New Money loan whose repayments are frozen.

Finally, on 31 December 2013, the Group shows net debt of slightly less than €105m, up €5.4m. This increase is the direct result of the definitive ruling imposed on the companies Gascogne SA and Gascogne Sack Deutschland by the European Commission (see press release of 26 November 2013). The €13.2m fine, together with accrued interest of €3.6m, was covered by a bank guarantee which was invoked, leading to a €10.5m increase in the Group's net debt. All of these sums had been previously provisioned.

2013 financial situation: information on the financial structure

Faced with increasing debt and the non-respect of financial covenants and its syndicated contract agreements, in 2012 the Gascogne Group initiated a process to renegotiate all of its loans. This negotiation continued in 2013 under the auspices of the French Inter-ministerial Committee on Industrial Restructuring (CIRI), and the Group's financial creditors granted payment deferments during this period for all of the due debt.

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

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

2013 financial situation: analysis by division

In €m	***WOOD***		***PAPER***		***SACKS***		***LAMINATES***	
	2012	***2013***	***2012***	***2013***	***2012***	***2013***	***2012***	***2013***
Sales	81.2	80.9	101.0	103.6	121.3	113.7	116.2	120.0
EBITDA	*0.3*	*-1.8*	*6.1*	*3.0*	*7.9*	*6.6*	*5.1*	*3.1*
UOP	*-4.1*	*-2.3*	*-0.8*	*-1.3*	*3.6*	*2.5*	*2.5*	*-1.8*
Operating cash flow	*10.3*	*10.0*	*7.2*	*5.7*	*7.5*	*7.2*	*3.4*	*4.7*
Capex	*-2.9*	*-2.7*	*-7.5*	*-5.1*	*-2.7*	*-1.1*	*-10.3*	*-2.8*

- **Wood division: declining profits in an economic climate that is still difficult**

In a difficult economic context, the Wood division has managed to maintain sales at a level very close to that of the previous financial year: €80.9m in 2013 compared with €81.2m in 2012 (-0.3%).

The growth of sawing, by-products and machined wood sales for industrial markets (+€4.2m) combined with the development of the Wood for energy market (+€2.4m) and the Timber Frame Walls business (+€0.7m) allows an offset of the decline recorded on the interior decoration segments (-€7.5m) mainly as a result of announced product delisting to a total of approximately -€5m.

Underlying operating profit stands at -€2.3m compared with -€4.1m on 31 December 2012. The Division in particular benefited from the significant reduction of additions to amortization, which largely offset the impact of extra material costs and reduced sales prices.

Continuing on from 2012, investments were limited. Destocking of wood in sprinkler storage continued for an amount of €11.2m with an additional €4.4m for additional disposal of stocks of finished products. Taking these factors into account, in 2013 the Wood division generated an operating cash flow of +€10.0m and cash flow after investment of -€2.7m.

- **Paper division: A solid performance, significantly impacted at the end of the year by a major technical incident**

The incident with the boiler that occurred in December conceals the good performance of Gascogne Paper over the first 11 months of 2013. This incident resulted in reduced growth and significantly reduced the underlying operating profit for the year.

The sales for the division at €103.6m recorded growth of 2.6% compared to that of the previous year, carried by an average sales price increase of 2% over the year. In terms of volumes, demand remained sustained over a large part of our markets (SMC in particular).

Underlying operating profit stands at -€1.3m compared with -€0.7 in 2012, hence incorporating the -€3.3m impact of the boiler accident. Without this impact, the Division would have become profitable again, thanks in particular to the €2.7m decrease in amortization.

Operating cash flow is down €1.5m (€5.7m compared with €7.2m in 2012) penalised by the €2.9m decline in EBITDA, which was however offset by strict control of the working capital requirement and more particularly of stocks, down €0.9m.

Investments, which totalled €5.1m compared with €7.5m in 2012, mainly concern renewal expenses.

- **<u>Sacks division: decreased profitability in a declining market</u>**

Overall sales for the Sacks division in 2013 at €113.7m are down €7.6m from 2012. This 6.3% decline mainly concerns the two French sites, for which demand experienced a net slowdown in both the construction and powdered milk markets impacted by the financial crisis.

For each of the sites, the changes in underlying operating profit are as follows:

- For France, the impact of the decrease has been partially eased by refocusing sales on specialist markets, and by a decrease in overhead costs (particularly staff costs). The Underlying Operating Profit for Gascogne Sack France hence stands at €0.8m in 2013 compared with €3.1m in 2012.

- The profitability for the German site (GSD) was significantly restored despite a slight decrease in activity of -€0.4m. The Underlying Operating Profit hence went from -€0.3m in 2012 to +€0.3m in 2013, based on the effects over twelve months of the significant reduction of the headcount brought about in 2012.

- The Aigis Greek site experienced a sharp drop in sales (from €8.9m in 2012 to €7.7m in 2013), as a result of a construction market (84% of sales) that locally has been hit particularly hard. However, Aigis has been able to partially redeploy itself for exports (Bulgaria, Albania and Israel) to reduce the impact. Profitability has hence been maintained (+€0.2m) thanks in part to increased control of staff costs.

- Strong development in the Libyan market along with increased presence in local markets has allowed the Tunisian subsidiary (GST) to significantly increase its sales (+24%), from €8.2m to €10.2m. Underlying Operating Profit is naturally up, going from €0.8m to €1.2m.

Driven by these variations, the division generated an Underlying Operating Profit of €2.5m over the 2013 financial year, compared with €3.6m in 2012, showing resilience.

At €7.2m, Operating Cash Flow is down €0.3m in relation to 2012. This variation is however less than the decrease in EBITDA (€1.3m) taking into account increased control over working capital requirement, and in particular stocks down €0.4m.

Investments, which totalled €1.6m compared with €2.3m in 2012, mainly concern renewal expenses.

- **<u>Laminates division: Decreased underlying operating profitability despite the rise in sales</u>**

Sales of the Laminates division (retained companies) stand at €120.2m compared with €115.0m in 2012, i.e. a +4.5% increase. The composites, building insulation and medical sectors were the main driving forces of this rise, with increases of more than 10%. The other sectors remained stable, with the exception of safety envelopes, which was significantly down.

Underlying Operating Profit was down, at €3.0m compared with €5.1m in 2012. The group recorded a temporary drop in productivity of €0.9m, including €0.6m attributable to the launch costs of the new coating line and €0.3m attributable to the fire on the German site. This depreciation is added to the slight decline in the gross margin related to the product mix.

At €4.7m, Operating Cash Flow has improved by €1.2m in relation to 2012. This variation results from the sale of discontinued operations, which offsets the decrease in EBITDA (€2.0m).

Investments, which totalled €2.8m compared with €10.3m in 2012, mainly concern the final payments on the new production line at the Dax site.

The General Meeting will be held on 13 June 2014 in Mont de Marsan to approve the accounts for the 2013 financial year and to decide on the capital increases and reductions stipulated in the restructuring agreement (conciliation protocol) signed on 9 April 2014. The conciliation protocol is between Gascogne and certain of its French subsidiaries and the group's bank, tax and social security creditors, EEM (the principal shareholder of Gascogne) and a company called Attis 2 formed by a consortium of investors comprising the Landes region companies Biolandes Technologies and Les Dérivés Résiniques et Terpéniques (DRT), Bpifrance Participations and Crédit Agricole group.

Financial information manager
Patrick Bordessoule, Chief Operating Officer – Tel.: +33 (0)5 58 56 54 01 - Fax: +33 (0)5 58 74 55 48

Investor Relations
Guillaume Le Floch, Actus - Tel.: +33 (0)1 72 74 82 25

Press Relations
Jean-Michel Marmillon, Actus - Tel.: +33 (0)1 53 67 07 80

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

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