



Mimizan, 23 March 2017

2016 annual results and favourable outcome of CRE5 call for tenders

At its 23 March 2017 meeting chaired by Dominique Coutière, Gascogne's Board of Directors examined the accounts for fiscal year 2016. The annual consolidated financial statements were audited. The certification reports will be issued after finalisation of the requisite procedures for the purposes of the publication of the annual financial report.

2016 featured the Group's continuing turnaround. The investments made in 2014 and 2015 and the savings, downsizing and restructuring plans are starting to bear their fruit. This allowed a significant improvement in profitability in 2016 (the EBITDA doubled in two years) and consolidation of the financial structure.

The banking contracts contain an obligation to comply with financial covenants. One of the two covenants was not complied with as of 31 December 2016: the banks granted a formal waiver on 20 March 2017, thereby renouncing de facto a demand for an advance reimbursement.

As the bank debt was not due on the balance sheet date, the Group decided to classify the share of debt reimbursable beyond one year as long-term debt on the balance sheet.

The auditors' certification report relative to the consolidated accounts on 31 December 2016 will therefore contain a technical reservation on the classification of this debt on the balance sheet given the applicable IFRS accounting rules.

Income statement

In €m	2016	2015	2014
Sales	406.8	415.1	410.9
EBITDA ⁽¹⁾	22.0	16.7	11.0
Underlying operating profit	11.6	7.7	0.8
Operating profit	10.5	9.7	-2.1
Net financial items	-3.1	-1.9	-3.9
Pre-tax profit	7.7	7.9	-5.9
Consolidated net profit	7.4	7.1	-5.7

Sales totalled €406.8m, a slight drop of 2.0% compared to 2015.

This drop is consistent with the Group's strategy to focus on higher-profitability segments that will allow larger margins by working on the market and product mix that we will target in the upcoming years.

The **EBITDA**¹ increased by more than 30% from €16.7m in 2015 to €22.0m in 2016 by controlling the wage bill (down €3.4m) and lower energy costs (down €1.6m), mainly due to the commissioning of the biomass boiler in the second half. The recovery of profitability was however limited by high wood supply costs.

The **underlying operating profit** increased from +€7.7m to +€11.6m. The increase in underlying operating profit is less than the increase in EBITDA because the depreciations rose by €1.4m due to the major investments made the past three years.

The **operating profit** is €10.5m and integrates other non-operating income and expenses for a total of -€1.1m.

Net financial items totalled -€3.1m, a decline of €1.2m compared to 2015 due to the decrease in the foreign exchange result. 2015 had benefited from a stronger dollar, while 2016 was penalised by a weaker pound sterling.

Corporate tax totalled -€0.3m in 2016 compared to -€0.8m in 2015

The **net income for all consolidated accounts** was positive for the 2nd straight year at €7.4m, compared to €7.1m in 2015.

The **results per division** are broken down in the table below:

In €m	Wood Division		Packaging Division		Including Paper Branch		Including Sacks Branch		Including Flexible Branch	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Sales	72.9	74.0	333.8	341.1	106.1	106.8	108.7	11.7	119.0	123.6
EBITDA	-1.5	-0.9	23.5	17.6	8.4	4.1	6.6	5.8	8.1	7.3
Underlying operating profit	-2.6	-1.2	14.2	9.1	6.9	3.3	2.2	1.6	5.1	4.3

The **Wood Division** had begun its turnaround in 2015, with the EBITDA¹ increasing from -€4.1m in 2014 to -€0.9m in 2015 due to the measures taken to discontinue the businesses generating the greatest loss. In 2016, the turnaround slowed.

A comprehensive analysis, site by site and product line by product line, is in progress with the goal of developing an additional short-and medium-term recovery plan.

The **Packaging Division** met its expectations with an EBITDA¹ improved by €6m (+34%)

- The **Paper Branch** doubled its profitability in 2016 due to the measures taken the past 3 years concerning its cost structure: the wage bill decreased significantly and energy costs continued to drop sustainably (non dependent on price of fuel) with the commissioning of the biomass boiler. The division also benefited from a slight fall in the price of wood, which remains nonetheless much higher than historical prices.
- The **Sacks Branch's** EBITDA¹ rose 14% as a result of the recovery of the Greek subsidiary, the increased profitability of the Nantes site following the major investment made in 2015, and despite the weakening of the Tunisian subsidiary, in a difficult economic environment.

¹ EBITDA : Underlying operating profit + net additions to depreciation + net operating provisions and impairments

- The **Flexible Solutions Branch** continued its progression, mainly driven by the Dax site with its optimised industrial organisation and its development strategy on higher added-value segments.

Financial position

	2016	2015
Balance sheet		
Shareholders' equity (€m)	100.1	94.4
Net debt (€m)	98.4	96.0
Net debt / EBITDA	4.5	5.7
Working capital requirement (€m)	87.9	93.1
Flows		
Operating cash flow (€m)	18.7	-3.8
Investments (€m)	-21.4	-32.6
Income from divested businesses (€m)	0.1	1.7
Financing cash flow (€m)	8.4	8.2
Variation in cash flow (€m)	6.2	-26.3

The operating cash flow improved very significantly through the increase in EBITDA and the decrease in the working capital requirements, due mainly to the smaller wood inventory.

The Group achieved a balance with an operating cash flow of €18.7m, allowing it to finance in large part the investments (€21.4m).

The financing cash flow included setting up the existing lines of credit (€5.7m), additional factor drawing (€3m) and the beginning of the reimbursement of the debt pre-action protocol in 2014 (€2m).

The Group's financial structure was strengthened in 2016. Equity increased due to a positive result. At the same time, the debt remained stable.

Result of CRE5 call for tenders

The Mimizan paper plant was selected in March 2017 through the French Ministry of Ecology's biomass call for tenders for the implementation of a cogeneration unit (electricity produced from steam) with electric power of 19.38 MW.

The Gascogne Papier company has already invested close to €30m in a biomass boiler commissioned in the first half of 2016. This cogeneration project will enable completion of this investment with two latest-generation electricity turbines and equipment to improve the site's energy efficiency.

This project, which will generate value, is part of the program to turn around the production site and make it sustainable.

Financial information manager

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About the Gascogne Group:

The Gascogne Group is the leading player in the French wood industry, operating at every stage of forest resource processing. It is the only French player that is totally integrated across the entire wood-paper-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, the #3 European producer of industrial and consumer sacks, and one of the world's leading producers of packaging and protection laminates.

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