St-Paul-lès-Dax, 24 July 2012

PRESS RELEASE

Half year results down by €12.9m

Signing of a protocol agreement with bank partners and main shareholder

Results of first half 2012

At its meeting held on 20 July 2012 chaired by Frédéric Doulcet, Gascogne's Board of Directors accepted the accounts for the first half of 2012. Audit procedures are underway.

In compliance with the IFRS 5 standard, the 2012 first half accounts show the contribution of the Laminates division, which the Group has undertaken to sell, on the "income from discontinued operations" line. To facilitate comparability, the 2011 accounts are presented in the same way.

In €m	1st half 2011 published	1st half 2011 with presentation of the Laminates division in accordance with IFRS 5	1st half 2012 published
Sales	255.5	162.5	159.6
Underlying operating profit	0.6	1.3	-4.9
Operating profit	-1.0	0.6	-10.7
Net financial items	-4.1	-3.4	-4.3
Pre-tax profit	-5.1	-2.7	-14.8
Net income for continuing operations	-4.8	-2.5	-12.0
Net income for discontinued operations		-2.3	-0.9
Consolidated net profit	-4.8	-4.8	-12.9

- Market conditions in the first half of 2012 were particularly difficult and marked by a sharp decline. Sales are down 1.8% at €159.6m.

- Underlying operating profit stands at -€4.9m. Restated without exceptional factors associated with both the scheduled stoppage of the paper plant in April (€3.0m) and the impact of the shutdown of sawmills in February due to freezing conditions (€0.5m), the underlying operating profit stands at -€1.4m. Compared with the first half of 2011, this drop is mainly due to the Wood division experiencing particularly difficult market conditions.

- The operating profit of -€10.7m is significantly penalised by an exceptional noncash expense of €4.0m, without impact on cash. Considering the deterioration of the macro-economic situation and losses recorded in the first half of the year by the Wood branch, the Group adjusted the asset values for the branch within the framework of impairment tests in compliance with IFRS. Other exceptional factors, of -€1.7m, mainly comprise additional provisions of €0.9m for the restructuring plan in the German subsidiary of the Sacks branch, and additional provisions for litigation and real estate depreciation of €0.7m.

- Net financial items are down from -€3.4m to -€4.3m due to a €0.7m increase in the cost of net debt.

- Based on comparable figures, net income for continuing operations stands at -€12.0m against -€2.5m on 30 June 2011.

- Following integration of discontinued operations (Laminates) net loss of -€0.9m (including a provision for the realised loss on the sale of the Swiss company's assets of €2.4m, and a cessation of depreciation for the entire Laminates division amounting to €2.0m), the Group's consolidated net profit stands at -€12.9m on 30 June 2012 compared with -€4.8m on 30 June 2011.

Financial position on 30 June 2012

Net debt stands at €120.1m compared with €100.8m on 31 December 2011, taking into account an increase in working capital requirement, an underlying operating profit below zero impacted by exceptional factors, and continuing industrial investments of up to €10.3m (including €5.2m for discontinued operations).

Shareholder's equity stands at €139.2m down from €153.7m on 31 December 2011, taking into account the loss recorded over the half year.

Analysis by division

In €m	***Wood***		***Paper***		***Sacks***	
	1st half 2011	*1st half 2012*	*1st half 2011*	*1st half 2012*	*1st half 2011*	*1st half 2012*
Sales	***45.9***	***42.4***	***49.9***	***51.1***	***61.5***	***61.8***
UOP	***1.8***	***(1.3)***	***0.5***	***(3.7)***	***0.4***	***1.5***

- **Wood: clearly declining profits in a very difficult market context**

Business was affected by a reduction in plant activity in the 1st quarter caused by difficult climate conditions (freezing), and by a slowdown in demand in the two key sawn products and decoration markets. Due to these factors, the division posts a drop in sales of 7.6% at €42.4m.

Underlying operating profit stands at -€1.3m compared with +€1.8m on 30 June 2011, i.e. a drop of €3.1m associated with the drop in sales (gross margin impact), partly offset by a drop in production costs.

Paper: declining profits restated following scheduled plant stoppage

Sales are up 2% at €51.1m, including an electricity purchasing-resale contract which generated sales of €2.2m. Without this contract, sales are down 2.4% due to the scheduled plant stoppage for a fortnight in April. During the period, average sales prices, remaining stable in relation to the end of year 2011, are down on the first half of 2011. The rise in raw material and energy costs was partly offset by a decrease in amortization following the recognition of provisions for depreciation of assets at the end of 2011. In this situation, the underlying operating profit stands at -€3.7m, compared with +€0.5m on 30 June 2011. A technical problem that occurred during the 1st half of 2011 resulted in plant stoppage costs of €1m. Excluding the impact of the plant stoppage, the underlying operating profit stands at -€0.7m compared with €1.5m on 30 June 2011.

Sacks: improved profitability at the start of recovery of loss-making sites

Sales in the first half of the year are slightly up by 0.6% at €61.8m, due to the good performance of the Mimizan site (+7.2%).

There is a sharp increase in underlying operating profit at €1.5m versus €0.4m on 30 June 2011. This is due to the improved profitability of sites in France and Tunisia and to the reduction in losses recorded at sites in Germany and Greece.

Sale of the Laminates Division still going through

As announced in March, the Gascogne Group undertook to initiate the sale of its entire Laminates division. An agreement was signed with UPM Raflatac in June concerning the sale of the Swiss production site. The Group is waiting for the lifting of conditions precedent pertaining to competition law in some countries to complete the sale.

The sales process is running its course for other division companies.

The Laminates division posted consolidated sales of €95.5m for the 1st half of 2012, down 4.3%.

Protocol agreement signed with bank partners and shareholder EEM

A conciliation agreement has been signed with the Group's banks and its major shareholder EEM against a backdrop of greater cash flow difficulties than were expected when discussions kicked off with the banks last February. It was approved by the Commercial Court of Dax on 18 July (see press release dated 19 July on www.groupe-gascogne.com). In this context, the consolidated half-yearly results at 30 June 2012 have been drawn up applying the going concern concept.

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

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