

Mimizan, 22 September 2015

P R E S S R E L E A S E

2015 1st HALF RESULTS

At the meeting on 21 September 2015 chaired by Dominique Coutière, Gascogne's Board of Directors examined the accounts for the first half of 2015. The accounts underwent a limited review by the auditors.

In €m	1st Half 2014	1st Half 2015
Sales	212.6	218.9
EBITDA	3.8	10.8
Underlying operating profit	-2.0	6.4
Operating profit	-4.5	7.3
Net financial items	-2.8	-0.4
Pre-tax profit	-7.1	7.0
Consolidated net profit	-6.9	7.2

The first half of the year was marked by the following macro-economic factors that impacted our accounts favourably (the relatively low price of oil and the euro-dollar exchange rate) and unfavourably (a rise in wood prices in the Landes district forests and a rather weak demand on the sacks markets, especially in the European construction sector and in the powdered milk sector in France).

Sales in the half-year stand at €218.9m, up 2.9% on the first half of 2014, due mainly to the Paper division, which grew by 14% compared with the first half of 2014, which was affected by a shortage of activity in the paper plant in January 2014 following the boiler incident in December 2013.

EBITDA¹ rose from €3.8m to €10.8m in the first half of 2015, reaching the 2014 full-year value.

This €7m increase is mainly the result of:

- a €2.3m improvement in the gross margin in terms of absolute value as a consequence of the rise in sales (up by €6.2m), despite being penalised by the rise in the cost of wood supplies;

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

- a €3.3m drop in energy costs, due mainly to the strong performance of the paper plant in the first half of the year, which reduced consumption, and to moderate oil prices;
- a €1.4m drop in staff costs.

The **underlying operating profit** increased from -€2m to +€6.4m.

Net financial items were slightly negative at -€0.4m, a €2.4m improvement compared to the first half of 2014, due to a sharp drop in financial expenses (-€1.6m) as a consequence of the financial restructuring in 2014 and positive exchange rate results of €0.7m (exchange rate between the euro and the dollar), while they were almost zero in the first half of 2014.

Net profit stands at +€7.2m, compared with -€6.9m in the first half of 2014.

The second half of the year should be inferior to the first half in terms of profit due to the scheduled shut-down of the Mimizan paper plant in October and seasonal trends in sales.

Analysis by division

In €m	WOOD		PAPER		SACKS		FLEXIBLE SOLUTIONS	
	2014	2015	2014	2015	2014	2015	2014	2015
Sales	38.8	39.3	50.3	57.5	58.3	57.7	65.1	64.4
EBITDA	-1.1	0.0	-0.5	3.7	3.5	3.6	2.5	3.6
Underlying Operating Profit	-2.4	-0.4	-0.9	3.4	1.6	1.6	0.8	2.1

EBITDA of the **Wood division** is balanced, due to the "industry" markets, which offset the structural decline of the decoration markets and allowed sales to increase slightly.

Sales of the **Paper division** rose sharply by 14%, against a backdrop of strong Kraft paper markets in the first half of the year, which partly allowed it to offset the increased costs of wood supplies. EBITDA increased by €4.2m, due to reduced energy costs in particular.

The **Sacks division** maintained its EBITDA in an unfavourable economic climate, with weak demand on its two main markets (construction and powdered milk).

Sales of the **Flexible Solutions division** dropped slightly, but not to the detriment of its EBITDA, which increased, due in particular to an improved customer mix and an exchange rate between the euro and the dollar that was more favourable than in the first half of 2014.

Financial structure

Balance sheet	31/12/2014	30/06/2015
Shareholders' equity (€m)	85.6	93.0
Shareholders' equity per share (€)	4.2	4.6
Net debt (€m)	60.7	84.9
Working capital requirement (€m)	85.6	106.8

Flows	1 st half-year 2014	1 st half-year 2015
Operating cash flow (€m)	0.6	-11.7
Net investment cash flow (€m)	-5.6	-12.1
Financing cash flow (€m)	2.6	1.0
Variation in cash flow (€m)	-2.3	-22.8

The variation in cash flow was negative in the first half of the year, at –€22.8m:

- Operating cash flow stands at –€11.7m. The EBITDA of €10.8m does not offset the increase in the operating working capital requirement of €21.2m, due to the sharp rise in stocks, largely as a result of the need to replenish wood inventories (at a time of rising prices) and the increase in customer costs due to the rise in sales and the seasonal nature of the activity.
- The planned investments in growth continued in the first half of the year: €9m in the biomass boiler and €1.5m in the cutting-jointing unit.
- Financing cash flow is close to zero: few reimbursements of existing loans and no draws on bank overdraft facilities to fund investments yet. These overdraft facilities will be drawn on in the second half of the year.

On the balance sheet, net debt increased due to the consumption of cash flow and shareholders' equity improved due to the positive result in the first half of the year.

Financial information manager

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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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