Mimizan, 21 September 2018

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

2018 FIRST-HALF RESULTS

At the meeting on 20 September 2018 chaired by Dominique Coutière, Gascogne's Board of Directors examined the accounts for the first-half 2018. The accounts underwent a limited audit by the statutory auditors.

In €m	1st half-year 2018	1st half-year 2017
Sales	207.2	213.7
EBITDA	13.3	15.3
Underlying operating profit	7.2	10.2
Operating profit	6.9	6.8
Net financial items	-2.0	-1.6
Pre-tax profit	4.9	5.2
Consolidated net profit	5.0	5.0

The first half-year was characterised by the continued rise in the cost of materials (wood and paper) and energy. With regard to wood, the price of standing timber has risen by more than 30% over the past 18 months, making a considerable impact on the Group's accounts.

The Group pursued its investment programme (€11m over the course of the half-year period) with the launch of initial investments related to the paper plant "CRE 5" project (most significantly, ordering of the turbines) and the installation of a new printing facility (plus the building which houses it) within the sack manufacturing plant in Mimizan. The new production line for flat-bottom plastic sacks, Single Lip sacks, acquired in 2017 for the Mimizan sack manufacturing plant, went into service during the 1st half-year 2018, and production will be ramped up progressively to the end of 2018.

First-half **sales** totalled €207.2m, down 3% compared to the first half-year 2017.
Sales for the Wood Division decreased by 12%, largely due to the rises in wood price, which led to stop or reduce the least profitable production lines.
Sales for the Packaging Division are practically stable.

EBITDA[1] decreased by 12.9%, from €15.3m to €13.3m.

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

This €2m decrease is mainly the result of:

- A €2m decline in gross profit margin due to the sharp rise in the cost of materials, especially the price of wood, as well as operating issues affecting the paper plant, which led to loss of volumes.
- A €1.1m increase in energy costs
- Limited personnel expenses: the €1.4m decrease comes largely from the Wood Division.

The **underlying operating profit** decreased from €10.2m to €7.2m as a result of the €2m EBITDA drop and a €0.9m increase in the depreciation level.

The **operating profit** is €6.9m and integrates other non-operating income and expenses for a total of - €0.3m.

Net financial items are negative and stand at -€2.0m, a decrease of €0.4m mainly due to the implementation of new financing measures in late 2017.

Net profit stands at €5.0m, stable compared with the first half-year 2017.

In operational terms, the second half-year 2018 should be more favourable than the equivalent period in 2017, thanks in particular to the fact that no stoppage of the Gascogne Papier plant is scheduled.

At the end of the first half-year, the capital raising operation with shareholders' preemptive subscription rights maintained, for a total gross amount of €9.8m, proved successful in July: the rights issue take-up rate was 98.2% and the over-subscription rate stood at 1.5, proof of investors' renewed confidence in the Group's turn-around.

The company now has consolidated equity to bolster the €110m line of credit signed in late December 2017, enabling it to finance its ambitious 2018-2020 investment programme, the goal of which is to reinforce the industrial tool. With these new funds, the total amount of investments for the 2014-2020 period will rise to €200m.

Analysis by Division

In €m	Wood Division		Packaging Division		Of which: Paper Activity		Of which: Sacks Activity		Of which: Flexible Activity	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Sales	33.1	37.9	174.1	175.8	53.7	56.7	58.5	56.4	61.9	62.7
EBITDA	0.7	1.7	12.6	13.6	5.2	5.8	2.9	3.3	4.5	4.5
Underlying operating profit	0.1	1.3	7.1	8.8	3.3	4.4	1.2	1.5	2.8	3.1

EBITDA for the **Wood Division** decreased by €1m compared with the first half-year 2017. The very sudden, sharp rise in wood prices was only partially passed on to customers (in particular in the decorative wood sector), leading to reduced profitability. Furthermore, in an inflationary context, the decision was made to stop or reduce certain production lines, which resulted in a further decrease in sales.

The **Packaging Division** posted slightly lower EBITDA than that of the first half-year 2017 in a context characterised by a rise in the cost of materials.

Paper Activity took advantage of a generally favourable commercial climate in the paper industry, with high demand and sales prices on the rise.

However, despite this favourable commercial climate, EBITDA dropped slightly, due on the one hand to a new, sharp rise in the price of wood, and on the other, to a series of failures (mainly concentrated during the first 4 months of the year) which disrupted paper production. The situation improved in May and June.

Sacks Activity posted lower EBITDA, mainly due to the performance of the French site.

EBITDA was stable for **Flexible Activity.**
EBITDA for the Dax site decreased slightly due to the rise in the cost of paper, which was partially passed on to customers.
The German site compensated for the lower performance of the Dax site by boosting its profitability once again, thanks to the implementation of a new industrial organisation.

Financial structure

Balance sheet	30/06/2018	31/12/2017
Shareholders' equity (€m)	113.0	108.2
Shareholders' equity per share (€)	5.5	5.3
Net debt (€m)	100.5	90.3
Working capital requirement (€m)	93.7	84.2

Flows	1st half-year 2018	1st half-year 2017
Cash flow from operating activities (€m)	1.0	9.0
Cash flow from investing activities (€m)	(11.0)	(5.1)
Cash flow from financing activities (€m)	2.6	(4.7)
Variation in cash flow (€m)	(7.4)	(0.9)

The variation in cash flow was negative in the first half of the year, at -€7.4m.

Cash flow from operating activities dropped by €8m compared with the first half-year 2017, due to a decrease in operating cash flow (-€3.8m), an unfavourable variation in Working Capital Requirement (-€3.6m) and an increase in the amount of interest paid (-€0.4m).

Cash flow from investing activities stood at €11m and corresponds to the ongoing investment programme, including initial investments related to the paper plant CRE 5 project (most significantly, ordering of the turbines) and the new printing facility (plus the building which houses it) for the sack manufacturing plant in Mimizan.

Cash flow from financing activities stood at €2.6m, including €7m drawdowns on the new €50m line of credit for investments set up in late 2017, a €2.8m increase in the factor and the reimbursement of existing debts for a total of €7.2m.

The balance sheet structure (net debt and equity) was stable compared to 31 December 2017.

This press release is available on the Gascogne Group web site www.groupe-gascogne.com.

Financial information manager
Julien Ellie – Chief Financial Officer   Tel: +33 (0)5 58 09 79 74

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 complementary 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.