Mimizan, 25 March 2021

Full-year 2020 results

At the meeting on 25 March 2021 chaired by Dominique Coutière, Gascogne's Board of Directors examined the accounts for the 2020 fiscal year. The annual and consolidated accounts were audited. The certification reports will be released once the procedures required to publish the annual financial report have been finalised.

The Group is convincingly resilient in an unprecedented context

The Covid-19 health crisis logically influenced business starting in mid-March, although overall, the Group was able to ensure the continuity of its operations and the quality of its services in accordance with the health rules recommended by the authorities. Only the paper mill had to stop its activity for nearly three weeks between mid-March and early April.

The Packaging Division showed resilience with sales down by only 4.4%, thanks to its presence in the human and animal agri-food and health markets, which remained dynamic.

The Wood Division was more significantly affected, in view of the crisis' impact on its outlets (decoration shops closed, work on construction sites stopped).

In the end, sales dropped moderately, by 8.0% over the year.

Despite this decline in activity, the Group managed to improve its EBITDA by 12.6%, as the Packaging Division performed well. This compensated for the losses of the Wood Division, which now represents only 10% of consolidated sales. The Group is reaping the benefits of its long-term industrial and commercial policy, its rigorous management and its massive investment in the paper mill's power generation (the biomass boiler in July 2016 and the electricity turbines in November 2019), which allows significant revenue to be generated repeatedly.

The EBITDA margin stood at 8.9% in 2020 and 10.9% for the Packaging Division.

The Group also sought to preserve its financial position during this period. Cash as at 31 December 2020 amounts to €38.3 million after receipt of the €22 million State-Guaranteed Loan. Net debt was reduced by 5% over the year, helped by a good EBITDA margin, controlled investments and the ongoing improvement in WCR.

The Group took advantage of measures contained in the business recovery plan: the sack manufacturing site in Mimizan obtained a subsidy of €0.8 million, the equivalent of 23% of the total amount invested in a new production line for Small and Medium Capacity Sacks which was ordered at the end of the year and will be commissioned in 2022.

Income statement

In €m	2020	2019
Sales	358.7	389.9
EBITDA	32.1	28.5
Underlying operating profit	16.3	14.3
Operating profit	13.3	13.7
Net financial items	-4.8	-4.0
Pre-tax profit	8.4	9.8
Consolidated net profit	8.3	9.7

Sales dropped by 8.0% to €358.7 million, of which -10.5% in the 1st half of 2020 and -5.3% in the 2nd half of 2020.

The Wood Division's sales (10% of consolidated sales) are down 31% and were strongly affected by the closure of DIY shops and the shutdown of construction sites for several weeks starting in mid-March.

Packaging Division sales (90% of consolidated sales) were down by only 4.4%.

EBITDA[1] grew by €3.6 million (i.e. 12.6%) from €28.5 million to €32.1 million.

The **underlying operating profit** grew by €2.0 million due to the increase in EBITDA, which is reduced by the increase in amortisation due primarily to the commissioning of the new electricity turbines at the Mimizan paper mill in late 2019.

Operating profit is almost unchanged at €13.3 million, taking into consideration the recording of non-current expenses under the Planned Redundancy Programme drawn up for the Castets site (Wood Division).

Net financial items stand at -€ 4.8 million, down by €0.8 million due to a less favourable exchange rate (depreciation of the dollar) and changes in debt structure.

The **consolidated net profit** was €8.3 million. As a result, the Group was able to maintain a solid profitability level in an atypical year.

[1] EBITDA: Underlying operating profit + net amortisation allowances + net operating allowances and depreciation

Analysis by activity

In €m	WOOD Division		PACKAGING Division		Of which: Paper Activity		Of which: Sacks Activity		Of which: Flexible Activity	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Sales	36.4	52.7	322.3	337.1	106.8	101.2	111.4	115.5	104.3	120.4
EBITDA	-3.1	-1.5	35.2	30	13.5	11	11.9	8.4	8.8	9.8
Underlying operating profit	-3.9	-2.3	20.1	16.6	7.9	5.7	7.8	4.6	4.4	6.0

The **Wood Division** suffered greatly during the first lockdown in the 2nd quarter.
Sales fell by 25% in the 1st quarter, by 46% in the 2nd quarter and by 25% during the second half-year. Despite the partial activity measures, which provided a way of lowering operating costs, sales were not sufficient to result in positive EBITDA. This Division was further penalised by rising wood prices in Aquitaine, which remain high despite a slight decline since the peak in early 2019.

The industrial restructuring project (elimination of 84 positions), which mainly includes the closure of the Castets site, was announced to the social partners at the end of February and the Planned Redundancy Programme was finalised in May.

The **Packaging Division** continued to grow with an EBITDA up by €5.2 million (up 17%).

- The **Paper Activity** increased its EBITDA by €2.5 million, boosted by the year-round production and sale of electricity (new turbines commissioned in November 2019).

  This performance is even more encouraging, given that the impact of the drop in sales prices (global trend) was only slightly offset by the slight drop in wood supply costs, which remain very high.
  The shutdown of the paper mill for almost 3 weeks at the start of the health crisis also had a strong negative impact on the activity at a time when markets were dynamic, and led to a shifting of the regulatory shutdown period to the 1st quarter of 2021. Demand was sluggish during the 2nd half-year, confirming the cycle of falling sales prices.

- **The Sacks Activity** increased its EBITDA by €3.5 million (up 42%), thanks to the increase in sack manufacturing at the Mimizan and Saint Herblain sites in France and the increase in sack manufacturing in Greece. The industrial and commercial actions implemented have borne fruit, in a context of sustained commercial demand.
  For their part, the sack manufacturing sites in Germany and Tunisia have maintained a nearly constant EBITDA in less dynamic market contexts.
  Overall, the Sacks Activity has been mainly unaffected by the health crisis.

- The **Flexible Activity** saw its EBITDA decrease by €1.0 million (down 10%).
  Gascogne Flexible in Dax is the Packaging Division company most affected by the health crisis, with sales down by 13.3%. Three markets in particular were affected: the building insulation and industrial (adhesives) markets, temporarily due to the shutdown of construction sites and the industrial slowdown, and the aerospace composites market, probably more long-term.
  Thanks to the Group's quick response, the drop in EBITDA at Gascogne Flexible in Dax was limited to just €1.3 million (down 14%).

The German site also saw a drop in sales (down 15%), but in this case, the decline was mainly due to the application of a business strategy designed to refocus on the most profitable customers. On the other hand, EBITDA improved by €0.3 million as a result of careful handling of expenses.

Financial structure

Balance sheet	**2020**	**2019**
Shareholders' equity (€m)	142.8	134.7
Shareholders' equity per share (€)	5.9	5.5
Net debt (€m)	107.4	112.8
Working capital requirement (€m)	98.9	96.7

Flows	**2020**	**2019**
Cash flow from operating activities (€m)	22.8	21.7
Cash flow from investing activities (€m)	-13.8	-25.9
Cash flow from financing activities (€m)	12.6	9.3
Variation in cash flow (€m)	21.6	5.0

Flows from operating activities increased slightly (up €1.1 million) to €22.8 million, the increase driven by the rise in EBITDA having being tempered somewhat by the controlled rise in Working Capital Requirement and (partial) payments under the Planned Redundancy Programme for Castets.

These flows are more than sufficient to cover the flows from investing activities, which amounted to €13.8 million. Fewer investments were made due to the health situation, which resulted in the postponement of projects and restricted the number of visits from people outside the company.

Flows from financing activities amounted to €12.6 million, including activation of the CAPEX line of credit and incorporation of the State-Guaranteed Loan, which will be paid back over a 5-year period starting from the second half of 2021, the Group having opted to boost its cash in a context of uncertainty.

The variation in cash flow is positive at €21.6 million and the cash available as at 31 December 2020 amounts to €38.3 million.

Net debt was reduced by 5% in 2020 to €107.4 million, helped by a good EBITDA margin, controlled investments and the ongoing improvement in WCR.

The financial commitments were respected on 31 December 2020.

Outlook

The Group aims to continue its upward trend in terms of performance, but remains very cautious and vigilant in the short term, in view of the highly uncertain economic and health context which continues to prevail in early 2021, and the inflationary trend observed for certain raw materials.

Financial Information Officer

Julien Ellie - Chief Financial Officer Tel: +33 (0)5 58 04 28 44

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, the No. 3 European producer of industrial and consumer sacks and one of the world's leading producers of packaging and protection flexible solutions.

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