

Mimizan, march 31st 2023

2022 Annual Results

At the meeting on March 2023 chaired by Dominique Coutière, Gascogne's Board of Directors, approved the financial statements for the 2022 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 year 2022 was marked by the continued economic recovery since the end of the 2020 health crisis. This more favourable context has benefited the Group's four activities: Wood, Paper, Sacks and Flexible. They all recorded improved economic performance despite their exposure to rising raw material, energy and transport costs. All the commercial teams mobilised in a general context of strong market demand to make customers accept the impact of this inflation on their sales prices.

The impressive sales (+15% to more than €460 m) and the significant EBITDA increase of €54.5 m (+70% compared with 2021), i.e. 11.8% of sales, demonstrate the robustness of Gascogne's business model and the relevance of the investment policy undertaken since 2015.

The year 2022 was also marked by the start of the investment project for a new paper machine. The manufacturer of the machine (Andritz) has been selected, the construction licence has been granted and construction work on the buildings on the paper mill site will start by the end of the first half of 2023. The commissioning is planned in 2025.

This paper machine will replace 3 of the 4 existing paper machines. It will enable to optimise the quantities of paper produced by making full use of the plant's pulp production capacity, to provide the best grades of unbleached kraft paper, better meet the packaging markets demand, improve the site's energy efficiency and environmental performance, and finally reduce production costs. This should ultimately improve performance and significantly increase Gascogne's EBITDA.

The investment programme amounts to €300 m over the next five years, including €220 m for the paper machine project. As announced by the Group in July 2022, this ambitious investment programme is financed by investment loans and a repayable advance for a total amount of €175 m subscribed with a banking pool, the European Investment Bank, BPI France Financement and the Nouvelle Aquitaine Region and includes a future capital increase of at least €10 m.

The balance will be self-financed.

Income statement

| <i>in €m</i> | 2022 | 2021 |
|------------------------------------|--------------|--------------|
| Sales | 460,2 | 398,9 |
| EBITDA | 54,5 | 32,1 |
| Underlying operating profit | 36,0 | 16,0 |
| Operating profit | 28,5 | 16,6 |
| Net financial items | -3,1 | -2,8 |
| Pre-tax profit | 25,4 | 13,8 |
| Consolidated net profit | 22,5 | 12,9 |

With sales rising sharply (+15.4%) to €460.20 m in 2022, the Group largely exceeded the level of activity prior to the health crisis. This excellent performance was accompanied by a significant increase in EBITDA to €54.5 m (+69.7%) and in Underlying Profit from ordinary activities to €36 m (+125%), which more than doubled compared to 2021. Operating profit at €28.5 m included various non-current expenses of €7.5 m. The consolidated net profit for the consolidated increased by 74% at €22.5 m.

Analysis by activity

| <i>in €m</i> | Wood Activity | | Paper Activity | | Sacks Activity | | Flexible Activity | |
|---------------------------------|----------------------|-------------|-----------------------|-------------|-----------------------|-------------|--------------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Turnover | 46,0 | 40,9 | 133,3 | 124,7 | 143,0 | 121,5 | 137,9 | 111,7 |
| EBITDA | 5,2 | 0,7 | 16,8 | 7,1 | 15,0 | 13,3 | 16,2 | 10,0 |
| Current operating profit | 3,0 | -1,0 | 9,2 | 1,6 | 11,1 | 9,9 | 12,7 | 5,6 |

The **Wood** Activity, which is growing by €5.1 m, recorded a clear increase in profitability. EBITDA was up by €4.5 m to €5.2 m, supported by the strong increase in market prices for sawn timber, mainly used manufacture pallets, whose price rose strongly overall.

The **Paper** Activity recorded a 7% rise in sales thanks to price increases in a buoyant-global environment for all paper markets.

EBITDA improved significantly (€9.7 m) thanks to these increases, to cover inflation of the price of wood, energy and transport costs, and due to good control of other expenses. The 2nd half of the year impacted penalised by the regulatory shutdown in November and restart of the installations slower than expected, which limited production in the following weeks.

Sales in the **Sacks** Activity also rose by 17.7%, driven by dynamic demand. EBITDA increased by €1.7 m despite the highly inflationary context of paper and energy prices.

The **Flexible** Activity saw its sales rise by 23.5% and also improved its profitability with an EBITDA up by €6.2 m (+62%).

Gascogne Flexible's EBITDA in Dax increased by 60% thanks to the development of higher value-added markets. The German site recovered after a difficult year in 2021 and is recorded an EBITDA higher than in 2020.

Financial structure

| Balance sheet | 2022 | 2021 |
|------------------------------------|-------------|-------------|
| Shareholder's Equity (€m) | 184,8 | 158,0 |
| Shareholder's Equity per share (€) | 7,6 | 6,5 |
| Net debt (€m) | 105,7 | 97,7 |
| Working capital requirement (€m) | 104,2 | 94,3 |

| Flows | 2022 | 2021 |
|--|-------------|-------------|
| Cash flow from operating activities (€m) | 38,3 | 34,6 |
| Cash flow from investing activities (€m) | -46,2 | -25,0 |
| Cash flow from financing activities (€m) | 11,0 | -18,1 |
| Variation in cash flow (€m) | 3,1 | -8,5 |

Flows from operating activities increased slightly (+€3.7 m) to €38.3 m due to the EBITDA increase, which was offset by the increase in Working Capital Requirement.

Investment flows rose sharply by more than €20 m, due to the start of the investment project for the acquisition of the new paper machine.

Financing flows amounted to €11 m, including new loans of €25 m, loan repayments of €21.9 m and greater use of the factoring line of €7.3 m in line with the increase in turnover.

The **Variation in cash flow** was positive at €3.1 m. Cash Available amounted to € 32.7 m.

Net debt increased by €8.0 m over the year (57% of equity).

Outlook

The strong demand of the last two years seems to be slowing down since the end of 2022 in some markets, even if the commercial activity of the Group companies is still generally well oriented at the beginning of 2023.

The geopolitical and economic environment worldwide, as well as changes in raw material prices, transport costs and energy costs, remain points of vigilance to which the Group remains attentive.

The implementation of the new paper machine for the Mimizan paper mill is now on track. This is a major priority project for the Group, which has not had one of these for many decades. It represents a challenge and an opportunity for a strong dynamic for all our employees and for many economic players in the region.

Financial Reporting Officer

Julien Ellie - Administrative & Financial Director Tel: +33 5 58 09 90 17

About the Gascogne Group:

A major player in the French wood industry, the Gascogne group is present at all stages of the forests resources development. Anchored in the heart of the « Landes de Gascogne » forest (in the South West of France), it is one of the main specialists in maritime pine processing, with the particularity of fully integrating the entire wood, paper and converting chain. Thus, Gascogne relies on 4 complementary activities (Wood, Paper, Bags and Flexible) to develop on markets where its know-how positions it among the most recognised in its specialities, such as unbleached Machine Glazed kraft paper, human and animal food sacks, laminate solutions for building insulation, technical wood for the carpentry...

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