

PRESS RELEASE

Planned sale of the whole "Laminates" division

2011 Annual results and evaluation of current negotiations with the bank pool

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The Gascogne group, as part of its reorganisation strategy and its new strategic focus, hereby gives notice that proceedings have started for the sale of the whole Laminates division. At the start of the year, Gascogne had already initiated sale of its Swiss subsidiary, and discussions are still actively taking place.

Once completed, this operation will strengthen the Group's financial resources, allowing it to continue with productivity investments and to substantially reduce debts in its financial structure.

In 2011, the Laminates division generated consolidated sales of €184m and had -€2.4m in underlying operating loss, mainly due to losses at the Swiss site (€3.4m) as, on the whole, the other entities had a positive underlying operating profit.

2011 annual results and evaluation of current negotiations with the bank pool

Gascogne's Board of Directors, chaired by Frédéric Doulcet, met on 22 March 2012, and approved the accounts for the 2011 financial year.

The accounts for 2011, in line with IFRS standards, include the forthcoming deconsolidation of the Laminates division. The Laminates division appears in the line entitled "results for activities currently being sold". In order to enable comparison of accounts, the Group is putting forward a revised 2010 Pro Forma, taking into account the planned sale of the Laminates division.

In €m	published 2010	Laminates division revised 2010 pro forma	published 2011
Sales	454.9	292.5	320.1
Underlying operating profit	-1.3	-3.6	-2.9
Operating profit	-4.4	-5.1	-29.7
Net financial items	-7.6	-7.1	-6.3
Results before tax	-12.1	-12.2	-35.9
Net result for ongoing business activities	-9.9	-9.6	-26.6
Net result for activities currently being sold	15.7(*)	15.4 (**)	-5.9
Consolidated net results	5.8	5.8	-32.6

(*) Results from Distribution

(**) Net results from Distribution and Laminates

Audits are taking place

Results of comparable data, which show an improvement in underlying operations compared to 2010, **are, however, still running at a loss of -€2.9m** in terms of the **underlying operating profit** (of which €2m were exceptional restructuring costs) **Apart from these exceptional items, the underlying operating profit is at -€0.9m, an improvement on 2010.**

Operating profit and net results were struck by exceptional accounting **expenditure of €23.3m which did not affect cash flow.**

Indeed, taking into account the downturn in the macro-economic climate, and the losses encountered by certain subsidiaries, the Gascogne group has adjusted its asset values, with impairment testing, in line with IFRS standards. This has led to impairment (before tax) of €23.3m for assets in the paper and sacks divisions (Greek and German sites). **Net results** are therefore at **-€32.6m**

2011 Financial Situation - Negotiation with the Bank Pool

Operating cash flow is increasing, at **€10.6m** (compared to €3.6m in 2010). This increase did not however, cover **the year's capital expenditure (€20.1m)** bringing **net debt to €100.8m** on 31 December 2011, compared to €89m the previous year.

Equity is at **€153.8m** for the financial year, compared to €187.6m in 2010 which gives a **net debt to equity ratio of 65.5%** compared to 47.4%

Losses in 2011, in addition to increased net debt, have meant that Gascogne has had to renegotiate its syndicated loan with the bank pool. In line with IFRS standards, on 31 December 2011, the amount outstanding was classified as short-term debt. To date, the Group has used €70m out of the total €78m authorised.

Under these conditions, as announced last February, the Group has started discussions with all of its bank partners, in order to ensure that means of funding operations and development are made sustainable.

The main subjects to date, at the time of this release are:

- The banks accepted a waiver for defaults, and postponed the principal deadline of the end of March, and they agreed to maintain bilateral funding during the negotiation phase;
- On 20 February 2012, the banks also gave the company (Gascogne SA) a loan of €11.6m, with specific repayment terms;
- Discussions on restructuring the debt on a medium-term basis are ongoing.

The Gascogne group will inform its shareholders of progress during the negotiations. Management is ready to act, and is committed to ensuring that the reorganisation that commenced in 2011, and the further negotiation with banks reach their full potential.

Analysis of the results for the financial year

Analysis of published results (excluding Laminates):

- **2011 saw an increase in sales by +9.4%, at €320.1m on a like-for-like basis (excluding Laminates).** This positive business development is the result of sustained demand in most markets, increases in sales prices, and increases in investments carried out in 2009 and 2010, despite the substantial increases in the cost of raw materials and energy.
- **The underlying operating profit is at -€2.9m, which is an improvement on comparable data from 2010.** Apart from exceptional expenditure (€2.0m in costs linked to money-saving measures that were initiated in 2011), underlying operating losses should be at **-€0.9m**, which is very close to balance position.
- **Operating profit (-€29.7m)** was affected by exceptional accounting expenditure linked to impairment tests (-€23.3m), provisions for claims (mostly for asbestos and in the form of industrial tribunals) (-€2.2m), provisions for restructuring the German subsidiary GSD (-€1.1m), and the disposal of assets (-€0.5m).
- **Net financial items are improving at €6.3m**(-€7.1m in 2010), and are notably benefiting from improved exchange rates.
- **The net result from ongoing business activities is at -€26.6m** compared to -€9.6m in 2010, in terms of comparable data.
- **Having included net loss from business being sold (Laminates) of -€5.9m the Group's net consolidated result was at -€32.6m in 2011** compared to +€5.8m in 2010, which included the capital gain of €14.9m from the sale of Distribution.

Analysis by activity:

In €m	<i>Wood</i>		<i>Paper</i>		<i>Sacks</i>	
	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>
<i>Sales</i>	<i>85.8</i>	<i>85.8</i>	<i>88.4</i>	<i>100.6</i>	<i>104.3</i>	<i>121.9</i>
<i>Underlying Operating profit</i>	<i>0.1</i>	<i>(2.2)</i>	<i>(0.8)</i>	<i>2.8</i>	<i>(0.3)</i>	<i>0.3</i>

• **Wood: decreasing results due to the difficult situation the sector is still facing**

The division is showing stable sales of €85.8m.

Underlying operating profit is at -€2.2m, compared to +€0.1m on 31 December 2010. The increase in sales prices (+€10.4m) did not completely offset the increase in the prices of raw materials and energy (-€5.9m), the increase in operating costs (-€2.5m), volume effects (-€3.1m), the increase in

depreciations (-€0.5m) following recovery from impairment over the past few years, and the increase in operating provisions (-€1.2m) mainly inslow-moving inventories.

● **Paper: increase in profitability**

Sales increased by +13.8% (+10% after adjustments taking into account the scheduled shut-down of the paper plant in March 2010) at €100.6m.

The underlying operating profit is at +€2.8m, compared to -€0.8m on 31 December 2010, due to the increase in sales prices and volumes (+€17.2m) and the increased "coating" activities (+€0.7m), which more than offset the increase in prices of raw materials (-€7.4m), and production costs (-€6.5m).

● **Sacks: slight increase in profitability, despite the increase in raw material costs**

With an increase in sales of 16.9% (€121.9m), 2011 was a real turnaround for this division.

The underlying operating costs were at +€0.3m, compared to -€0.3m on 31 December 2010. This increase by €0.6m was achieved despite varied levels of development in the different sites:

- France increased significantly, from +€0.4m in 2010 to +€1.4m this year, supported by increased sales prices and an improved product mix;
- Greece and Tunisia remained stable;
- Germany went through a decrease in underlying operating profit at -€1.6m compared to -€1.2m in 2010, which was the main effect of the significant decrease in gross margins.

There will be a General Meeting in Dax on 5 June 2012 in order to approve the accounts for 2011.

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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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