SEQUANA

Press release

Boulogne-Billancourt, 26 October 2012

Results as of 30 September 2012

- **Improved operating performance in third-quarter 2012 in a sharply deteriorating economic environment:**
  - **Sales down 4% to €909 million**
  - **EBITDA up 17.7% to €21 million**
- **Nine months to 30 September 2012:**
  - **Sales down 2.4% to €2,886 million**
  - **EBITDA down 4.5% to €100 million versus €105 million at 30 September 2011; EBITDA margin stable at 3.5%**

ACTIVITY FOR THIRD-QUARTER 2012

The worsening economic conditions during the summer accelerated the fall in volumes and dragged down Group sales, with lower-than-forecast sales of printing and writing papers across Europe and in North America. The drop in demand noted in August gathered pace in September in both the distribution and production businesses, putting strong pressure on selling prices. Nevertheless, Arjowiggins' specialty businesses (Security and Medical/Hospital segments) and Antalis' non-paper businesses (Packaging and Visual Communications) held up well.

Sales were down by 4% to €909 million (down 7.1% at constant exchange rates). The positive impact of the fall in raw material prices over the period – albeit by less than forecast – and a tight rein on costs helped offset the drop in volumes and the downward pressure on selling prices. Third-quarter EBITDA came in at €21 million, or 2.3% of sales, up €3 million on the same period in 2011.

Following the capital increase carried out on 9 July 2012 which helped to bolster the Group's financial structure, Sequana implemented a number of strategic decisions in September:

- Arjowiggins brought its production capacity into line with market demand for printing and writing papers. It shut down one plant in Argentina in September and is in the process of closing two others in Denmark and the UK. These capacity reduction measures are being carried out in accordance with the planned timeline and with the restructuring expenditure initially budgeted for. Of the €23 million in restructuring expenses booked in the third quarter, around €8 million will be disbursed in the last quarter of 2012 and most of the balance in 2013. The Group's restructuring plan will generate €17 million in full-year net cost savings, mostly from 2013 on.

- Continued expansion of Antalis in fast-growing market segments and in emerging economies with the acquisition of two packaging product distributors in Chile and the Czech Republic for an enterprise value of €17 million.

RESULTS FOR THE NINE MONTHS TO 30 SEPTEMBER

Consolidated sales for the first nine months of 2012 dropped 2.4% year-on-year to €2,886 million (down 4.4% at constant exchange rates).

EBITDA totalled €100 million, against €105 million for the first nine months of 2011 (down 4.5%), giving a stable EBITDA margin representing 3.5% of sales. Recurring operating income was €47 million compared to €71 million at end-September 2011 (which included a €17 million gain related to a pension fund with no impact on EBITDA).

The Group generated a recurring net loss of €4 million for the period. After net non-recurring expenditure representing €47 million (mainly business restructuring costs), the net loss attributable to owners for the period was €51 million, compared to net income of €6 million for the same period in 2011.

OUTLOOK

The economic crisis in Europe should continue to hit corporate marketing and communication budgets and squeeze demand for printing and writing papers in the fourth quarter of 2012. These market conditions will make it difficult to implement the price increases decided upon before the summer. Given the drop in printing and writing paper volumes and slower growth in Antalis' non-paper businesses, Sequana considers that its full-year sales factoring in the positive impacts of changes in exchange rates and in the scope of consolidation will be slightly down on 2011.

In the last three months of the year, Arjowiggins should continue to benefit from the favourable impact of lower raw material prices, the reduction in its overheads and resilient performances in its specialty businesses (Security and Medical/Hospital segments).

Antalis should reap the rewards of logistics and commercial restructuring measures implemented in 2012 and benefit from continued growth in emerging countries and non-paper businesses – albeit at lower-than-forecast rates.

In light of the market conditions anticipated for the end of the year, Sequana estimates that its full-year EBITDA margin should come in close to the lower limit of 3.6% forecast in June 2012.

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APPENDICES

1. UNAUDITED RESULTS FOR THE THIRD QUARTER OF 2012 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

Condensed analytical income statement for the third quarter of 2012

€ millions, except for per share data	Third-quarter 2012	Third-quarter 2011 (reported)	% change Q3 2012 / Q3 2011*
Sales	**909**	**947**	**-4.0%**
EBITDA**	**21**	**18**	**+17.7%**
EBITDA margin (%)	*2.3%*	*1.8%*	*+0.5 points*
Recurring operating income	**3**	**0**	**-**
Operating margin (%)	*0.3%*	*0.0%*	-
Recurring net loss***	**(17)**	**(15)**	**-14.7%**
Net loss attributable to owners	**(44)**	**(30)**	

(*) Percentage changes and per-share data are based on figures rounded out to one decimal place.
(**) EBITDA: recurring operating income before depreciation and amortisation and excluding movements in provisions.
(***) Recurring net income (loss): recurring operating income after net financial income (expense) and income tax on recurring operating income.

Condensed analytical income statement for the nine months ended 30 September 2012

€ millions, except for per share data	Nine months ended 30 Sept. 2012	Nine months ended 30 Sept. 2011 (reported)	% change 2012/2011 *
Sales	**2,886**	**2,957**	**-2.4%**
EBITDA**	**100**	**105**	**-4.5%**
EBITDA margin (%)	*3.5%*	*3.5%*	-
Recurring operating income	**47**	**71**(1)	**-34.1%**
Operating margin (%)	*1.6%*	*2.4%*	-0.8 points
Recurring net income (loss)***	**(4)**	**21**	**-**
Recurring diluted earnings (loss) per share (€)	€(0.04)	€0.27	
Net income (loss) attributable to owners	**(51)**	**6**	
Diluted earnings (loss) per share (€)	€(0.49)	€0.07	
Average number of shares after dilution ****	104,937,613	75,999,683	

(1) Includes a €17 million gain related to a pension fund with no impact on EBITDA.
(*) Percentage changes and per-share data are based on figures rounded out to one decimal place.
(**) EBITDA: recurring operating income before depreciation and amortisation and excluding movements in provisions.
(***) Recurring net income (loss): recurring operating income after net financial income (expense) and income tax on recurring operating income.
(****) In accordance with IAS 33, the diluted number of shares at 30 September 2012 and 2011 was adjusted to reflect the lower-than-market issue price for the capital increase with preferential subscription rights for existing shareholders.

2. BUSINESS REVIEW

Third-quarter 2012 sales

Sales (€ millions)	Third-quarter 2012	Third-quarter 2011 (reported)	% change 2012/2011
Antalis	647	661	*-2.1%*
Arjowiggins	336	353	*-4.9%*
Eliminations and other	(74)	(67)	-
Total	**909**	**947**	***-4.0%***

Nine-month sales

Sales (€ millions)	Nine months ended 30 Sept. 2012	Nine months ended 30 Sept. 2011 (reported)	% change 2012/2011
Antalis	2,014	2,065	*-2.5%*
Arjowiggins	1,080	1,108	*-2.5%*
Eliminations and other	(208)	(216)	-
Total	**2,886**	**2,957**	***-2.4%***

Antalis

Antalis reported third-quarter sales of €647 million, down 2.1% year-on-year and down 4.7% at constant exchange rates.

Since the end of the summer, there has been a sharp drop in demand for printing and writing papers in Europe. As a result, volumes declined by 5.5% in third-quarter 2012. This situation has also put pressure on selling prices. Business was more buoyant in emerging Asian and Latin American markets and in the Packaging and Visual Communications segments, even though these markets have been significantly hit by the fallout from the European economic crisis.

As of 30 September 2012, sales were down by 2.5% year-on-year to €2,014 million[(1)] (down 3.9% at constant exchange rates), and by 4.2% based on a comparable scope of consolidation (down 5.6% at constant exchange rates), reflecting the combined impact of lower volumes and the downward pressure on selling prices.

Arjowiggins

Arjowiggins reported third-quarter sales of €336 million, down 4.9% year-on-year and down 8.6% at constant exchange rates.

Amid strong pressure on selling prices for printing and writing paper, third-quarter 2012 witnessed a sharp drop in volumes, particularly in North America and in creative papers. Business was however more upbeat in the Security Solutions and Medical/Hospital divisions.

As of 30 September 2012, sales were down by 2.5% year-on-year to €1,080 million (down 5.2% at constant exchange rates).

In order to enhance its production model and reduce its costs, Arjowiggins has continued to adjust its capacities in line with market demand for printing and writing papers. The Witcel plant in Argentina was closed in September and the Dalum Papir A/S plant in Denmark is in the process of being shut down and will close before the end of the year. The Ivybridge plant in the UK is also scheduled to close in the first quarter of 2014. These capacity reduction measures are being carried out in accordance with the planned timeline and with the restructuring expenditure initially budgeted for. They represent approximately 126,000 tonnes (including 103,000 tonnes for Dalum Papir A/S), or 10% of the Group's total capacity.

(1) Including €36 million relating to the acquisitions carried out in the packaging sector in early 2012 (in Germany and the UK) and in September of the same year (in Chile and the Czech Republic).