

Mimizan, 10 October 2024

## 1st half results of 2024

At the meeting on 10 October 2024, chaired by Dominique Coutière, Gascogne's Board of Directors examined the financial statements for the first half of 2024. The accounts underwent a limited audit by the statutory auditors.

In commercial terms, the first half of 2024 was a continuation of the second half of 2023, with no real improvement in demand. While the Wood activity recovered volumes in sawn timber, sales volumes remained stable in the Paper activity and were down more or less significantly, depending on the sites and the markets, in the Sacks and Flexible transformation activities.

Sales prices fell overall, in line with the trend in raw materials and energy prices, while gross margins were maintained. Sales therefore fell by -14.8% in the first half.

As a result, the decrease in business automatically weighed on the Group's profitability. EBITDA in the first half of 2024 fell to €7.4mi compared with €22.9m in the first half of 2023, bearing in mind that profitability was particularly penalized by the regulatory shutdown, followed by the ban imposed by the control authority on restarting the oldest MAP3 paper machine (lifted after a few weeks), which led to the loss of almost 2 months' production at the paper mill.

Development of the new paper machine continues. Construction of the logistics building is well advanced, and work on the building for the new paper machine will begin in the next few weeks. The Yankee dryer, the machine's key component, was delivered to the Mimizan site.

## Income statement

<i>(in €m)</i>	1st half year 2024	1st half year 2023
<b>Sales</b>	<b>194,5</b>	<b>228,4</b>
<b>EBITDA</b>	<b>7,4</b>	<b>22,9</b>
<b>Underlying operating profit</b>	<b>-2,7</b>	<b>12,7</b>
Operating profit	-2,4	12,6
Net financial items	-2,3	-3,2
Pre-tax profit	-4,7	9,4
<b>Consolidated net profit</b>	<b>-4,9</b>	<b>8,7</b>

**Sales** dropped by 14.8% to €194.5m in the first half, reflecting the more difficult economic environment, which weighed on demand, and the decrease in sales prices in a less pronounced inflationary context.

**EBITDA**<sup>1</sup> was down from €22.9m to €7.4m, mainly due to the drop in EBITDA from the Paper activity as a result of the regulatory shutdown in March and a longer-than-expected restart.

**Underlying operating profit** dropped by €15.4m to € - 2.7m, reflecting the decline in EBITDA and the rise in depreciations.

**Operating profit** was negative at € -2.4m, compared with €12.6m in the first half of 2023.

**Net financial items** amounted to €- 2.3m, an improvement of €0.9m compared with the first half of 2023.

**Consolidated net profit** was negative at € - 4.9m.

## **Analysis by activity**

	<i>In €m</i>	<b>Wood Activity</b>		<b>Paper Activity</b>		<b>Sacks Activity</b>		<b>Flexible Activity</b>	
		2024	2023	2024	2023	2024	2023	2024	2023
Sales		22,1	20,1	49,6	64,9	57,4	68,1	65,3	75,2
EBITDA		0,9	0,3	-7,0	7,3	4,9	7,2	7,7	7,9
Underlying operating profit		-0,6	-1,1	-11,3	3,1	2,8	4,9	6,1	6,3

**The Wood Activity improved its operational performance, with an increase in EBITDA to €0.9m, benefiting from the rebound in sawn timber sales since March, mainly used in the manufacture of pallets.**

**The Paper Activity** saw its EBITDA decrease by €14.3m, and turn negative at € -7.0m, due to the regulatory shutdown followed by the ban imposed by the control authority on restarting the oldest MAP3 paper machine (lifted after a few weeks), which led to the loss of almost 2 months' production at the paper mill.

**The Sacks Activity** saw its EBITDA drop by €2.3m in the first half, due to the decline in business at the Mimizan and German sites, which still suffer from the weakness of their markets in the run-up to the second half of 2023. The 3 other sack sites maintained or improved their performance.

**The Flexible Activity** recorded stable EBITDA, confirming its robustness despite the economic activity decline.

<sup>1</sup> EBITDA : Current operating income + net depreciation and amortisation charges + net charges to operating provisions and impairment losses

## Financial Structure

Balance sheet	1st half year 2024	1st half year 2023
Shareholders' Equity (€m)	188,4	193,2
Shareholders' Equity per share (€)	7,7	8,0
Net debt (€m)	152,6	142,2
Working capital requirement (€m)	86,4	101,3

Flows	1st half year 2024	1st half year 2023
Cash flow from operating activities(€m)	20,2	8,0
Cash flow from investing activities (€m)	-29,2	-28,5
Cash flow from financing activities (€m)	10,6	8,6
Variation in cash flow (€m)	1,7	-11,8

**Operating cash flow** was positive at €20.2m. The €12.2m increase compared with the first half of 2023 was mainly due to the drop in working capital requirement, partly offset by the fall in EBITDA.

**Cash flows from investing activities** were virtually unchanged at € -29.2m, including €20m of payments for the new paper machine project.

**Cash flow from financing activities** amounted to €10.6m, including new draw-downs on lines of credit of €15m dedicated to financing the new paper machine, which more than offset loan repayments.

**The cash flow** was positive at €1.7m. Available cash at 30 June 2024 was €48.5m.

**Net debt** increased by €10.4m over the first half to €152.6m (81% of equity).

## Financing

The increased investment in the new paper machine and the shift in the project timetable led the Group to hold discussions over the last 6 months with all its financial partners.

Discussions resulted in the following financing plan:

*In €m*

<b>Investment Paper Machine</b>	<b>275</b>
Credit Commercial banks	125
European Investment Bank (EIB) credit	40
Bpifrance credits	35
Advance from the Nouvelle-Aquitaine Region	20
<b>Sub-total loans and advances</b>	<b>220</b>
ADEME <sup>(1)</sup> subsidy	13,8
Capital increase	22,5
Self-financing	18,8
<b>Total financing</b>	<b>275</b>

<sup>(1)</sup> Agreement concluded in March 2023

The loans include deductibles and repayment periods compatible with the construction time for the new paper machine, which will be commissioned in 2026.

The commercial bank loan is refundable from July 2027 with maturity in July 2032.

The EIB credit is refundable with a grace period of 3 years after each drawdown date and is then will be repaid over a period of 7 years.

Bpifrance loans have repayment periods of between 7 and 10 years, including a 2-year grace period.

The capital increase with preferential subscription rights for all shareholders will be implemented between by the end of 2024, in accordance with the 7th resolution approved by the Extraordinary General Meeting held on 6 June 2024, for a maximum amount of €21m. Details of the schedule and conditions will be communicated in the coming weeks. The balance of the capital contribution provided for in this financing plan will be the subject of a 2nd capital increase to be carried out before the end of 2025.

Gascoigne plans to commission the new paper machine in 2026 at its Mimizan site (Landes) in the building constructed for the purpose. This new state-of-the-art equipment will replace three older-generation machines. Gascoigne's teams and partners are mobilised and motivated for this major industrial investment project for Gascoigne and the region.

## Outlook

The 2<sup>nd</sup> half of 2024 is better oriented in terms of volumes for the Wood, Sacks and Flexible Activities. The Paper Activity's performance will be determined by the paper mill's capacity to maintain a good level of production.

In operational terms, the Group is also making the necessary adjustments to the drop in business, as it has done up to now, while stepping up its commercial prospections in all of its Activities.

The Group is also pursuing its R&D and new product development efforts, with production facilities more available for industrial trials. Demand from markets and our customers remains very strong for alternatives to petro-sourced materials, reflecting recognition of the Group's know-how in its ability to adapt to the changes in the markets.

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### **Financial Information Officer**

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### **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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