

# SEQUANA



Press release

Paris, March 11, 2009

## 2008

In a challenging market environment with a new decline in volumes in the second half, Sequana demonstrated its true resilience in 2008:

- Antalis improved its operating performance and successfully integrated Map (€14 million synergies in 2008);
- ArjoWiggins's results showed a good resilience thanks to €33 million in cost savings and higher prices in several segments.
- Nevertheless, the implementation of the strategic plan (restructuring and asset disposals) combined with the current market downturn generated non-recurring expenses of €496 million, including €346 million in assets impairment and €116 million in restructuring expenses.
- Bank covenants were met at December 31, 2008.
- The Board of Directors decided to propose to the next Shareholders annual meeting to suspend the payment of a dividend this year.

## 2009

- The downturn observed in fourth-quarter 2008 continued in the first two months of 2009, and visibility remains poor for the rest of the year.
- To adapt to this situation, new measures have been launched to cut costs and scale back production capacity that should generate full-year savings from €35 million to €50 million.
- The process of selling the Arjowiggins' Security division is in the final stage.

The Board of Directors of **Sequana**, chaired by Tiberto Ruy Brandolini d'Adda, met in Paris on March 10, 2009 and has examined and approved the audited financial statements for 2008.

## Simplified Consolidated Income Statement

(€ millions, except for EPS)	2008	2007 pro-forma*	% change pro-forma	2007 reported
<b>Sales</b>	<b>4,951</b>	<b>5,158</b>	(4.0)%	<b>4,290</b>
<b>EBITDA**</b>	<b>221</b>	<b>232</b>	(14.7)%	<b>192</b>
EBITDA margin (%)	4.5%	4.5%		4.5%
<b>Recurring operating income</b>	<b>136</b>	<b>158</b>	(13.9)%	<b>113</b>
Operating margin (%)	2.7%	3.1 %	(0.4) pt	2.6%
<b>Recurring net income***</b>	<b>68</b>	<b>99</b>	(31)%	<b>74</b>
Recurring diluted EPS (€)	€1.38	€2.01	na	€1.50
Non-recurring income (expenses)	(496)	56	na	68
<b>Net income (loss) attributable to shareholders</b>	<b>(428)</b>	<b>155</b>	na	<b>142</b>
Diluted earnings (loss) per share	€(8.70)	€3.14	na	€2.88
Average number of shares after dilution	49,222,070	49,319,116		49,319,116

(\*) Pro-forma 2007 results (not audited) include the business of Dalum Papir A/S and the Map Merchant Group as from 1 January 2007, and the reclassification of Arjowiggins' carbonless paper and decor paper activities in Asia as "Net income from discontinued operations".

(\*\*) EBITDA: Recurring operating income before depreciation and amortisation and net (additions to) reversals of provisions

(\*\*\*) Recurring net income: Recurring operating income after net financial income (expense) and income tax on recurring operating income

Consolidated sales declined by 4.0% on a pro-forma basis to €4,951 million in 2008 (-0.5% at constant exchange rates). In a challenging environment marked by higher raw material and energy costs and a downturn in demand in the second half of the year, EBITDA declined by 4.7% to €221 million compared to the pro-forma 2007 figure. Recurring operating income amounted to €136 million from the pro-forma 2007 figure of €158 million. Recurring net income declined 31% to €68 million from the pro-forma 2007 figure of €99 million. After taking into account €496 million in non-recurring expenses for 2008, the net loss attributable to shareholders was €428 million and the diluted net loss per share was €8.70.

## **IMPLEMENTATION OF THE STRATEGIC PLAN**

To counter the downturn in its markets, as of June 2008 Sequana decided to reduce costs and accelerate its strategy of focusing on its core specialised distribution business.

### **Achievements in 2008**

- Greater autonomy for Arjowiggins' divisions has already reduced head office expenses (€35 million annual savings as of 2009).
- Arjowiggins is in the process of focusing its European production of carbonless paper in Belgium while closing its Dartford and Bor plants. This will reduce production capacity by 30% and costs by €20 million on an annual basis as of the end of 2009.
- Disposals of non-strategic assets totalled nearly €50 million: Bernard Dumas' industrial activity and Antalis Promotional Products (cash-in in 2009).

### **Plans initiated in 2008 and to be completed in 2009**

- Disposal of the Security business: the process is in the final stage.
- Carbonless activities: the disposal of this business is currently under discussion with a Belgian manager to try to associate the team of managers and local investment partners.
- Decor paper in China: a project is in the works to sell this plant.
- AWA Ltd (the entity liable for the Fox River pollution claim): a disposal is under discussion to outsource the risk.

In addition to these actions, Antalis optimised its sales and logistics structures in 2008 as part of the integration of Map, leading to €14 million synergies in the year as per the initial plan. Cost savings actions generated additional €20 million savings in 2008.

A non-recurring expense of €496 million was recognised in 2008 to cover these measures and to adapt to the current market downturn. The main non-recurring expenses are:

- €116 million in restructuring expenses, including €35 million for the carbonless paper activity,
- €176 million in assets impairment, including €130 million for the carbonless paper activity and the decor paper business in China (both being in the process to be disposed).
- €170 million in goodwill impairment for Arjowiggins recognised on Sequana's income statement.

## **OUTLOOK AND INITIATIVES IN 2009**

The volume trends observed in fourth-quarter 2008 were confirmed in the first months of 2009. The decline in volumes is particularly sharp in the UK, Spain and the countries of Eastern Europe. The severity of the downturn in demand undermines Sequana's operating performance.

While all Arjowiggins' segments should benefit from the decline in external costs (raw materials, pulp and energy), its positive impact on earnings should be insufficient to offset the current decline in volumes. Two notable exceptions are the Security and Graphic segments, which report significant improvements in their results for the beginning of 2009, thanks in particular to the boom in environmentally-friendly products using recycled or FSC-certified pulp.

Faced with this general market environment, Sequana has decided to launch new initiatives to develop sales and reduce costs.

## Antalis

- In 2009, Antalis should have the full impact of synergies generated from the integration of Map (€28 million on an annual basis).
- The product mix should improve thanks to the integration of Arjowiggins' creation paper business.
- Antalis will continue and reinforce structural cost-cutting plans in all regions.

## Arjowiggins

The major restructuring plan launched in the second half of 2008 has proven to be a crucial first step towards adapting to a tough environment in 2009. Further measures will be taken to reduce production capacity, which could be scaled back by as much as 20% in key segments like Creation papers. Some of these actions will require cutbacks in permanent staff, which will be discussed with labour organisations. By scaling back its production capacity, the Group should be able to maintain its pricing policy.

Together, these plans should generate annual savings of about €35 million to €50 million.

Pascal Lebard, Chief Executive Officer of Sequana, commented the priorities for 2009: *"In a challenging period with low visibility, the group reacted strongly and swiftly, and has announced cost-cutting plans, some of which have already been completed, that will save more than €100 million on an annual basis. In 2009, our goal is to preserve margins and reduce the group's debt."*

## **BALANCE SHEET**

The bank covenants of the syndicated credit lines were met at December 31, 2008.

- Antalis: net debt/EBITDA = 3.16 (<4.25x); net debt/equity = 0.97 (<1.2x); recurring operating income/net interest expense = 2.67 (>2.50x)
- ArjoWiggins: net debt/ EBITDA = 3.0 (<3.5x)

Thanks to its efforts to manage operating working capital and capital expenses, which remain top priorities for both subsidiaries in 2009 as in 2008, the group has the necessary financial resources to cover all of its action plans.

## **UPCOMING EVENTS**

First-quarter 2009 sales	April 24, 2009
Annual General Meeting of shareholders	May 27, 2009
First-half 2009 results	July 24, 2009
Third-quarter 2009 sales	October 29, 2009

## About Sequana

**Sequana** (NYSE Euronext Paris: VOR) is a diversified paper group active in paper manufacturing and distribution, with two fully-owned subsidiaries:

- **Antalis**: the European leader in the distribution of paper and packaging products, with more than 7,900 employees operating in 55 countries,
- **ArjoWiggins**: world leader in creative and technical papers, with 7,300 employees operating in 82 countries.

With 15,200 employees worldwide, Sequana generated sales of €5 billion in 2008.

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## APPENDIX

### Breakdown of sales by subsidiary

€ millions	2008	2007 pro forma	% change pro forma	2007 reported
Antalis	3,357	3,574	(6.1)%	2,525
Arjowiggins	1,808	1,840	(1.7)%	2,001
Other activities	19	22	na	22
Eliminations	(233)	(278)	na	(258)
<b>Total</b>	<b>4,951</b>	<b>5,158</b>	<b>-4.0%</b>	<b>4,290</b>

### Antalis

€ millions	2008	2007 pro forma	% change pro forma	2007 reported
Sales	3,357	3,574	(6.1)%	2,525
EBITDA	121	115	5.2%	80
EBITDA margin (%)	3.6%	3.2%	+0.4 pt	3.2%
Recurring operating income	92	92	-	61
Recurring operating margin (%)	2.7%	2.6%	+0.1 pt	2.4%
Capital employed	738	907	na	na
ROCE	12.5%	10.2%	+2.3 pts	na

In a market down 4.4% in value, Antalis generated sales of €3,357 million, down 6.1% compared to the pro-forma 2007 figure (-2.7% at constant exchange rates), mainly due to the controlled revenue melt following the merger of Map and Antalis. EBITDA was €121 million, up 5.2% compared to the pro-forma figure for the previous year (+9% at constant exchange rates). Recurring operating income was €92 million, in line with last year, with an operating margin improving from 2.6% to 2.7%.

In 2008, Antalis benefited from stronger leadership positions in Europe, thanks to the successful integration of Map and its presence in fast-growing regions and business sectors. In the first half, EBITDA increased 15% compared to the year-earlier period. As of the second half, in contrast, all of its markets in Europe, and to a lesser extent, in the rest of the world, were severely impacted by the economic crisis, and sales declined. Despite the second-half downturn in volumes, the positive impact of the integration of Map enabled Antalis to maintain operating income and to improve the operating margin to 2.7% and ROCE to 12.5%.

### Arjowiggins

€ millions	2008	2007 pro forma	% change pro forma	2007 reported
Sales	1,808	1,840	(1.7)%	2,001
EBITDA	112	137	(18.2)%	143
EBITDA margin (%)	6.2%	7.4%	(1.2) pt	7.2%
Recurring operating income	56	86	(34.9)%	73
Recurring operating margin (%)	3.1%	4.7%	(1.6) pt	3.6%
Capital employed	561	658	na	na
ROCE	10.0%	13.1%	(3.1) pts	na

Arjowiggins sales declined by 1.7% to €1,808 million compared to the pro-forma 2007 figure (+1.5% at constant exchange rates). EBITDA was €112 million with an EBITDA margin of 6.2%. Recurring operating income was €56 million and the operating margin was 3.1%, down 1.6 point compared to pro-forma 2007.

In the first half in a flat volume environment, Arjowiggins' policy of price increases has succeeded to limit the negative impact of higher energy and raw material costs on earnings. In the second half, Arjowiggins began to benefit from the decline in external costs, but the sharp drop in fourth-quarter volumes resulted in a 18% decline in EBITDA for the year.

### Key figures by division using the new organisation in 2008

€ millions	Creative paper	Graphic	Coated paper US	Industrial solutions	Security
Sales	366	597	289	292	264
EBITDA	42	23	10	(3)	41
EBITDA margin (%)	11.5%	3.9%	3.5%	(1.0)%	15.5%
Recurring operating income	32	2	3	(14)	33
Operating margin (%)	8.7%	0.3%	1.0%	(4.8)%	12.5%
Cash flows from operating activities	41	48	0.4	9	30
Capital employed	98	192	73	96	102
ROCE	32.6%	1.0%	4.6%	(14.4)%	32.4%

Key figures not audited.

### Key figures by division using the new organisation for pro forma 2007

€ millions	Creative paper	Graphic	Coated paper US	Industrial solutions	Security
Sales	395	581	294	331	240
EBITDA	51	39	9	5	34
EBITDA margin (%)	12.9%	6.7%	3.1%	1.5%	14.2%
Recurring operating income	44	15	4	(4)	26
Recurring operating margin (%)	11.1%	2.2%	1.4%	(1.2)%	10.8%
Cash flows from operating activities	49	20	12	(5)	27
Capital employed	135	222	65	127	110
ROCE	32.4%	6.8%	6.7%	(2.6)%	24.0%

Key figures not audited.

### Balance sheet

Consolidated net debt was €791 million at December 31, 2008, compared to €771 million at December 31, 2007. The main cash movements for the year were a dividend payout of €35 million, restructuring outlays of €81 million and an improvement in working capital requirements of €142 million.

At December 31, 2008, Antalis and Arjowiggins had a significant cash reserve dedicated to the financing of gross debt. Antalis has a total drawing capacity of €685 million, including a €635 million syndicated credit line at December 31, 2008 (€15 million repaid at October 31, 2008), and Arjowiggins has a total drawing capacity of €485 million, including a €400 million syndicated credit line. These two syndicated credit lines were taken out in 2007 for an initial period of 5 years with no significant repayments before 2012.

### Debt repayment schedule

(€m)	2008	2009	2010	2011	2012
Arjowiggins	-	-	-	-	400 (max. drawdown)
Antalis	15	15	20	20	580 (max. drawdown)

### Debt ratio commitments (net debt/EBITDA)

	31/12/08	30/06/09	31/12/09	30/06/10
Arjowiggins	3.5x	3.5x	3.5x	3.5x
Antalis	4.25x	4.00x	3.75x	3.5x

## **CONSOLIDATED FINANCIAL STATEMENTS (IFRS)**

The activities of Map Merchant Group are consolidated since October 31, 2007 and Dalam Papir A/S from July 1, 2007.

Arjowiggins' carbonless paper and decor paper activities in Asia divisions were reclassified in 2007 as "Net income from discontinued operations" in compliance with IFRS 5.

### **Consolidated income statement**

<i>(€ millions)</i>	<b>2008</b>	<b>2007</b>
Sales	4,951	4,077
Other operating income	67	83
Purchases consumed and change in inventories	(3,448)	(2,769)
Personnel expenses	(719)	(656)
External expenses	(561)	(485)
Taxes other than income taxes	(28)	(28)
Depreciation and amortisation	(78)	(86)
Net (additions to) reversals of provisions	(8)	16
Other operating expenses	(40)	(28)
<b>Recurring operating income</b>	<b>136</b>	<b>124</b>
Other operating income and expenses	(298)	(44)
<b>Operating income</b>	<b>(162)</b>	<b>80</b>
Income from cash and cash equivalents		3
Cost of gross debt	(57)	(10)
Other financial income and expenses	(8)	10
<b>Net financial income (expense)</b>	<b>(65)</b>	<b>3</b>
Income taxes	(5)	(43)
<b>Net income of consolidated companies</b>	<b>(232)</b>	<b>40</b>
Share of earnings of associates	1	
<b>Net income from continuing operations</b>	<b>(231)</b>	<b>40</b>
Net income from discontinued operations	(199)	101
<b>Net income – total</b>	<b>(430)</b>	<b>141</b>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>(428)</b>	<b>142</b>
Minority interests	(2)	(1)

<b>Earnings per share</b>		
- Weighted average number of shares outstanding	49,222,070	49,226,201
- Diluted number of shares	49,222,070	49,319,116
<b>Basic earnings per share</b>		
- Earnings (loss) from continuing operations per share	(4.66)	0.83
- Earnings (loss) from discontinued operations per share	(4.04)	2.06
- Consolidated earnings (loss) per share	(8.70)	2.89
<b>Diluted earnings (loss) per share</b>		
- Earnings from continuing operations per share - diluted	(4.66)	0.83
- Earnings (loss) from discontinued operations per share - diluted	(4.04)	2.05
- Consolidated earnings (loss) per share - diluted	(8.70)	2.88

## Consolidated balance sheet

<b>ASSETS</b> (€ millions)	<b>31 December 2008</b>	<b>31 December 2007</b>
<b>Non-current assets</b>		
Goodwill	630	857
Other intangible assets	60	63
Property, plant and equipment	512	666
Investments in associates	3	3
Non-current financial assets	54	91
Deferred tax assets	34	13
Other non-current assets	157	33
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,450</b>	<b>1,726</b>
<b>Current assets</b>		
Inventories	594	646
Trade receivables	778	1,024
Other receivables	193	202
Current financial assets	52	61
Cash and cash equivalents	201	199
<b>TOTAL CURRENT ASSETS</b>	<b>1,818</b>	<b>2,132</b>
Assets held for sale	60	4
<b>TOTAL ASSETS</b>	<b>3,328</b>	<b>3,862</b>
<b>EQUITY AND LIABILITIES</b> (€ millions)	<b>31 December 2008</b>	<b>31 December 2007</b>
<b>Equity</b>		
Share capital	74	74
Additional paid-in capital	95	95
Cumulative translation adjustment	(158)	(64)
Retained earnings and other consolidated reserves	1,123	1,030
Net income attributable to shareholders	(428)	142
<b>SHAREHOLDERS' EQUITY</b>	<b>706</b>	<b>1,277</b>
Minority interests	8	10
<b>TOTAL EQUITY</b>	<b>714</b>	<b>1,287</b>
<b>Non-current liabilities</b>		
Provisions	255	221
Debt	909	847
Deferred tax liabilities	84	51
Other non-current liabilities	2	9
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,250</b>	<b>1,128</b>
<b>Current liabilities</b>		
Provisions	84	93
Debt	102	168
Trade payables	738	785
Other payables	342	401
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,266</b>	<b>1,447</b>
Liabilities related to assets held for sale	98	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,328</b>	<b>3,862</b>

## Consolidated cash flow statement

(€ millions)	2008	2007
<b>Cash flows from operating activities</b>		
Net income – total	(430)	141
<b>Elimination of non-cash and non-operating income and expenses:</b>		
+/- Depreciation, amortisation and allowances to provisions (except on current assets), net	226	(38)
+/- Disposal gains and losses	7	(155)
+/- Other non-cash income and expenses	(1)	(1)
+/- Income tax expense and benefits (including deferred taxes)	6	44
- Share of earnings of associates	(1)	
<b>Gross cash flows from operating activities</b>	<b>(193)</b>	<b>(9)</b>
- Dividends received from non-Group companies	(7)	(6)
- Taxes paid	(21)	(41)
- Change in operating working capital	272	(111)
+/- Change in loans and guarantee deposits	11	104
<b>NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES</b>	<b>62</b>	<b>(63)</b>
<b>Cash flows from investing activities</b>		
- Expenditure on acquisitions of property, plant & equipment and intangible assets	(72)	(77)
+ Proceeds from disposals of property, plant & equipment and intangible assets	22	63
- Expenditure on acquisitions of financial assets	(3)	(4)
+ Proceeds from disposal of financial assets	17	13
+/- Impact of changes in scope of consolidation	(29)	(40)
+/- Impact of operations held for sale	38	177
+/- Other flows related to investing activities	(8)	(38)
<b>NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(35)</b>	<b>94</b>
<b>Cash flows from financing activities</b>		
Dividends paid to parent company shareholders	(35)	(29)
Dividends paid to minority interests in consolidated companies		
Dividends received from associates and non-Group companies	7	6
Increase (or decrease) in share capital - cash		
Increase (or decrease) in share capital - minority interests	2	
+ Payments received on exercise of stock options		6
+/- Purchases and sales of treasury shares	(5)	(2)
+ Cash received on new borrowings	120	219
- Repayment of borrowings	(95)	(317)
+/- Change in marketable securities with maturities greater than three months	(5)	49
- Net interest paid	1	(4)
+/- Other flows related to financing activities		(7)
<b>NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES</b>	<b>(10)</b>	<b>(79)</b>
Effects of fluctuations in foreign exchange rates	(6)	(10)
<b>CHANGE IN NET CASH AND CASH EQUIVALENTS</b>	<b>11</b>	<b>(58)</b>
Net cash and cash equivalents at start of year	149	207
Net cash and cash equivalents at end of year	160	149
<b>INCREASE (DECREASE) IN NET CASH AND CASH EQUIVALENTS</b>	<b>11</b>	<b>(58)</b>
<b>Analysis of net cash and cash equivalents at end of year</b>		
Cash and cash equivalents	201	199
Current bank borrowings and bank overdrafts	(41)	(50)
<b>NET CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>160</b>	<b>149</b>