

SEQUANA



Press release

Paris, 29 October 2009

Results at 30 September 2009

- **Solid third-quarter operating performance**
- **Nine months to 30 September 2009:**
 - **7.7% rise in recurring operating income at €98 million despite a 16.2% drop in sales**
 - **Continuing improvement in operating margin, to 3.2% of sales (up 0.7 point)**
- **€2 million cost savings target confirmed for full-year 2009**

Sequana reports today its non-audited results for the third quarter of 2009 and its cumulative results for the period January to September 2009.

| Consolidated income statement (€ millions, except per share data) | Third-quarter 2009 | Third-quarter 2008 pro forma* | First 9 months Jan. – Sept. 2009 | First nine months Jan. – Sept. 2008 pro forma* |
|---|-----------------------|-------------------------------------|-------------------------------------|--|
| Sales | 988 | 1,140 | 3,055 | 3,647 |
| EBITDA** | 47 | 41 | 155 | 155 |
| <i>EBITDA margin</i> | 4.7% | 3.6% | 5.1% | 4.2% |
| Recurring operating income | 25 | 15 | 98 | 91 |
| <i>Operating margin</i> | 2.5% | 1.4% | 3.2% | 2.5% |
| Recurring net income (loss)** | 8 | (13) | 41 | 46 |
| Recurring diluted earnings (loss) per share (€) | 0.17 | (0,27) | 0.84 | 0.94 |
| Other income and expenses**** | (14) | (11) | (68) | (48) |
| Net income (loss) attributable to the Group | (6) | (24) | (27) | (2) |
| Diluted earnings (loss) per share (€) attributable to the Group | (0.12) | (0.49) | (0.54) | (0.05) |
| Number of shares after dilution | 49,086,293 | 49,259,122 | 49,086,293 | 49,259,122 |

(*) These figures have been adjusted for the businesses sold in 2009 (Antalis Promotional Products, Arjowiggins Carbonless paper and Decor paper Asia, and Antonin Rodet).

(**) EBITDA: recurring operating income before depreciation, amortization and movements in provisions.

(***) Recurring net income (loss): recurring operating income less net financial income (loss) and income tax on recurring operating income.

(****) Other income and expenses: other operating income and expenses (including restructuring costs) net of taxes and net income (loss) from discontinued operations.

Consolidated net sales for third-quarter 2009 came in at €988 million, down 13% on pro forma 2008 sales, or 11% at constant exchange rates.

The Group's quarterly performance continued to be affected by tough market conditions, though to a lesser extent than in the first half of the year, which saw a decline of 18% in sales (16% at constant exchange rates).

EBITDA totalled €47 million for the third quarter, or 4.7% of sales, representing a 14.6% increase on the year-earlier period. Recurring operating income improved 67% to €25 million, versus €15 million in third-quarter 2008.

Consolidated net sales for the first nine months of 2009 came in at €3,055 million, down 16% year-on-year, or 14% at constant exchange rates. The negative currency impact on sales amounted to €88 million over the period.

Nine-month EBITDA remained stable year-on-year, at €155 million. Recurring operating income up €7 million (7.7%) to €98 million and operating margin improved 0.7 point to stand at 3.2% of sales.

Recurring net income for the nine-month period edged down €5 million year-on-year to €41 million, mainly due to income tax expense and foreign exchange losses. After €68 million in non-recurring expenses (mainly Arjowiggins and Antalis restructuring costs and net losses on discontinued operations), the net loss attributable to the Group totalled €27 million, representing a diluted loss per share of €0.54.

BUSINESS REVIEW

| Breakdown of sales by segment (€ millions) | Third-quarter 2009 | Third-quarter 2008 pro forma* | % change | First 9 months Jan. – Sept. 2009 | First 9 months Jan. – Sept. 2008 pro forma* | % change |
|--|-----------------------|-------------------------------------|---------------|--|---|---------------|
| Antalis | 664 | 787 | -15.6% | 2,062 | 2,456 | -16.0% |
| Arjowiggins | 378 | 429 | -11.8% | 1,148 | 1,367 | -16.0% |
| Other | 1 | - | - | 2 | - | - |
| Eliminations | (55) | (76) | - | (157) | (176) | - |
| Total | 988 | 1,140 | -13.3% | 3,055 | 3,647 | -16.2% |

(*) These figures have been adjusted for the businesses sold in 2009 (Antalis Promotional Products, Arjowiggins Carbonless paper and Decor paper Asia).

Antalis

Third-quarter sales totalled €664 million, a decline of 15.6% versus pro forma sales for third-quarter 2008. Sales for the nine months to 30 September 2009 came in at €2,062 million, down 16% (12.1% at constant exchange rates). The negative €109 million currency impact stemmed mainly from the Pound sterling and Polish zloty.

Demand picked up slightly in some markets (Germany, Poland and Nordic countries) as from September, after a sharp decline in volumes over the first half of 2009. Trading conditions remained challenging in France, Spain and the United Kingdom.

Arjowiggins

Third-quarter sales came in at €378 million, a decline of 11.8% versus pro forma sales for third-quarter 2008, but an improvement on the 18% drop reported in the six months to 30 June 2009. Sales for the first nine months of the year totalled €1,148 million, down 16% or 17.3% at constant exchange rates. The €21 million positive currency impact mainly reflects movements in the US dollar.

The tough market conditions observed in the first half of the year and sharp contraction in volumes compared with 2008 continued during the third quarter, particularly for commodity products and fine papers. In specialty segments such as decor paper, which had been hard hit by businesses running down inventories in the first half, Arjowiggins benefited from a technical recovery in demand over the three months to 30 September.

Sales of security solutions and eco-friendly papers (recycled paper, high-end coated paper and recycled pulp) continued to gain ground. Prices held up across all business segments.

HIGHLIGHTS

Sequana completed its non-strategic asset divestment program in the third quarter, with the sale of Antonin Rodet to the Boisset group and Arjowiggins Carbonless paper to a local management team with the support of the Walloon government. The Board of Directors decided to hold on to Arjowiggins' Security division, which is strongly cash-generative and offers excellent medium-term visibility.

OUTLOOK

No significant pick-up in demand is expected in the fourth quarter for Antalis. However, its balanced geographic footprint in Europe and a tight rein on costs should enable it to curb the impact of a downturn in volumes on results. Given the technical recovery and a growing order book at Arjowiggins, business in the last quarter of the year should be satisfactory. However, this improvement will also drive an increase in working capital requirements.

Following the sale of non-strategic assets in the third quarter, all of Sequana's businesses should generate positive EBITDA in the six months to 31 December 2009. Cost cutting plans will continue apace, and Sequana confirms its target cost savings of €92 million for full-year 2009 and €160 million over a two-year period.

Amid persistently challenging market conditions, the Group will continue to focus on improving operating margin and profitability across all businesses, while further scaling back debt.

About Sequana

Sequana (NYSE Euronext Paris: VOR) is a diversified paper group active in paper manufacturing and distribution and has two wholly-owned subsidiaries:

- **Antalis:** European leader in the distribution of paper and packaging products, with 7,900 employees based in 53 different countries.
- **Arjowiggins:** World leader in creative and technical papers, with 7,300 employees.

Sequana reported sales of €5 billion in 2008 and employed 15,300 people worldwide.

Sequana

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