SEQUANA

Press release

Boulogne-Billancourt, 10 April 2018

Full-year 2017 results

- **Sales** down 2.8% year-on-year to **€2,765 million** (down 1.3% at constant exchange rates)
- **EBITDA** down 13.2% to **€104 million;** EBITDA margin rate at 3.7% (down 0.5 points)
  - **Antalis:** EBITDA at €84 million (down 4.3%); EBITDA margin stable at 3.6%
  - **Arjowiggins:** EBITDA of €29 million (down 31.2%), mainly reflecting the decline in printing paper volumes and sharp increases in raw material prices (pulp) in H2 2017
- **Attributable net loss of €115 million following recognition of €131 million in net non-recurring expenses, including €99 million for impairment of Sequana's historic goodwill in Antalis (no impact on the Group's cash position)**
- **Net debt of €335 million vs. €315 million at 31 December 2016**
- **The Board of Directors recommend not paying a dividend for 2017**

The plan announced on 15 February 2017 for fiscal year 2017 has been completed

- **The IPO of Antalis took place on 12 June 2017 and its refinancing was completed in late March 2018**
- **Exit from the banknote paper market (Security division), a heavily loss-making business, is now effective**
  - **Arjowiggins Security BV (Dutch banknote paper business) was sold to Oberthur Fiduciaire in late July 2017**
  - **The sale of Arjowiggins Security (French banknote paper business) to Blue Motion Technologies Holding will be completed before end-April 2018**

Sequana's Board of Directors meeting in Boulogne-Billancourt on 9 April 2018 examined and approved the 2017 financial statements and convened the Annual General Meeting for 24 May 2018.

Condensed analytical income statement

(€ millions) except for per share data	2017(4)	2016 pro forma(1)(4)	Δ	2017(4)	2016(4)	Δ
Sales	**2,764.9**	**2,845.2**	**- 2.8%**	**2,764.9**	**2,883.0**	**- 4.1%**
EBITDA(2) *EBITDA margin (as a % of sales)*	**103.5** *3.7%*	**119.2** *4.2%*	**- 13.2%** *-0.5 points*	**103.5** *3.7%*	**121.4** 4.2%	**- 14.7%** *-0.5 points*
Current operating income *Current operating margin (as a % of sales)*	**73.0 (3)** *2.6%*	**82.0** *2.9%*	**- 11.0%** *- 0.3 points*	**73.0** *2.6%*	**84.0** *2.9%*	**- 13.1%** *- 0.3 points*
Net income (loss) attributable to owners Diluted earnings (loss) per share (€)				**(114.9)** (1.77)	**(52.0)** (0.80)	NA
Average number of shares after dilution				64,885,242	64,922,962	

(1) 2016 pro forma data presented in 2017 exclude the contribution of Arjowiggins Healthcare which was sold in H1 2016.
(2) Current operating income before depreciation and amortisation and excluding movements in provisions.
(3) Includes a €2.3 million gain arising on a change to a pension plan carried on Antalis' books.
(4) The Security Division has been reclassified in discontinued operations in 2017 and 2016 in accordance with IFRS 5.

Sales were down by 2.8% year on year to €2,765 million (down 1.3% at constant exchange rates) compared to 2016 pro form sales. Antalis' Packaging and Visual Communication businesses and Arjowiggins' specialty businesses had a satisfactory year, partially offsetting the structural decline in printing paper volumes. The acquisitions completed by Antalis in late 2016 added €25 million to full-year 2017 sales. The negative forex impact (mainly attributable to sterling), which essentially affected Antalis, amounted to €43 million.

EBITDA came in at €104 million, down 13.2% on the 2016 pro forma figure of €119 million. Sequana was hit by higher raw material and energy prices, the decline in printing paper volumes and a negative forex impact. Conversely, the Group benefited from an improved product mix on both sides of the business and reductions in Antalis' overheads. EBITDA margin was 3.7% (down 0.5 points).

Current operating income was €73 million, down 11.0% when compared with the €82 million recorded in 2016 (on a pro forma basis). Current operating margin represented 2.6% of sales (down 0.3 points).

Sequana recorded net non-recurring expenses of €131 million during the year for continuing operations, mainly comprising €99 million in write-downs taken on Sequana's historic goodwill in Antalis (no impact on the Group's consolidated cash position), €14 million in restructuring costs and €8 million in costs related to the Antalis IPO and refinancing. Moreover, discontinued operations generated a loss of €33 million for the period.

After factoring in these non-recurring items, net loss attributable to owners was €115 million for the year, compared with a net loss of €52 million in 2016.

Non-recurring disbursements for the year amounted to €63 million and included €33 million for the operating requirements of the Security division, €23 million in restructuring costs and other non-recurring items and €7 million in costs related to the Antalis IPO and refinancing. Moreover, the disposal of Arjowiggins Security BV had a positive €11 million impact on the Group's consolidated net debt.

Consolidated net debt stood at €335 million at end-December 2017, compared to €315 million at end-December 2016.

The consolidated financial statements are currently being audited and the audit report will be issued once procedures have been completed.

2017 HIGHLIGHTS AND RECENT EVENTS

Sequana has implemented the measures announced on 15 February 2017 concerning the sale of the Security division and completing the IPO of Antalis.

- **Sale of the Security Division**

Following the sale of Arjowiggins Security BV (Dutch banknote paper business) to Oberthur Fiduciaire, Arjowiggins should complete the sale of Arjowiggins Security (French banknote paper business) to the Blue Motion Technologies Holding group by the end of April 2018. Once this transaction has been completed, Arjowiggins will have exited banknote paper production which had weighed very heavily on the Group's cash resources over the past two years (a total of €72 million, including €33 million in 2017).

The Security Division has been reclassified in discontinued operations in 2017 and 2016 in accordance with IFRS 5. Net proceeds on this disposal – estimated at a net loss of €21 million – will be recognised in H1 2018 and include the impact of recapitalisation of Arjowiggins Security by Arjowiggins to be completed prior to disposal, in accordance with terms agreed with the buyer.

- **IPO of Antalis and changes in Sequana's stake in Antalis**

The IPO of Antalis took place on 12 June 2017 following the distribution of 18.3% of its capital to the shareholders of Sequana, which then held 81.7% of Antalis' capital while the remainder was held by Bpifrance Participations (2.8%) and in free float (15.5%).

In order to finance Arjowiggins' operating needs and meet its contractual obligations, Sequana contracted loans with Bpifrance Participations in April and September 2017, and in March 2018 for an amount of €47 million, repayable in the form of Antalis shares or in cash.

These loans round out those contracted in late 2016 with Bpifrance Participations and Impala Group for an amount of €25 million, of which 45% was repaid in September 2017 in the form of Antalis shares in accordance with the terms of Sequana's safeguard plan (*plan de sauvegarde*). Following completion of this operation, Sequana holds 75.21% of Antalis' capital and Bpifrance Participations 8.54%, while 16.25% are in free float.

Moreover, Sequana does not intend to remain Antalis' controlling shareholder in the long term and its stake in the company should decrease through block sales of shares or private placements, providing it with the resources it needs to conduct its business and repay its debts on a timely basis. Consequently, Sequana remeasured the fair value of Antalis' goodwill on its books, giving rise to a write-down of Antalis' historical goodwill for an amount of €99 million (without any impact on the Group's cash position).

- **Refinancing of Antalis**

In late March 2018, Antalis completed refinancing of its €285 million syndicated credit facility as well as its main factoring programme for an amount of €215 million, with both maturing at 31 December 2021. These agreements will lead to an annual increase of around €10 million in finance costs in the income statement but the impact on the Group's cash position will be limited to approximately €3 million per annum (payment of a portion of the interest has been deferred to 2021). These agreements will enable Antalis to pursue its targeted acquisition strategy, especially in the Packaging and Visual Communication sectors. All legal formalities will be completed during Q2 2018.

- **Litigation with BAT**

As regards the litigation between Sequana and British American Tobacco (BAT), both parties have lodged appeals against the decisions of the High Court of Justice in London handed down on 11 July 2016 and 10 February 2017. Hearings will take place in June 2018 and the Court of Appeal's decision is expected in H2 2018. Sequana considers that it still has solid legal arguments to raise on appeal, both in relation to the decision handed down in the first judgement and based on its own legal advice.
Consequently, as was the case in previous financial periods, no provision was set aside in relation to this matter in the accounts for the year ended 31 December 2017, with the exception of a provision for the legal fees likely to be incurred for the appeals process.

DIVIDEND

At the Annual General Meeting to be held on 24 May 2018, Sequana's Board of Directors will recommend not paying a dividend for 2017.

OUTLOOK

As borne out by trends observed in the early part of 2018, demand for paper should remain at similar levels to 2017 in a more favourable business climate (with the exception of the UK). The Group's other markets (Packaging and Visual Communication and Arjowiggins' specialties) should hold up well.

Antalis should continue to benefit from lower overheads driven by greater flexibility in the supply chain and growth in the Packaging and Visual Communication businesses as well as the increase in the contribution of these businesses to the Group's consolidated gross margin. At constant perimeter and exchange rates, Antalis' sales should register a low-single digit year-on-year decrease and the company should maintain its profitability at a level close to 2017. Antalis should also consolidate its market positions by resuming its targeted acquisition policy.

The considerable increases in raw materials prices (pulp) witnessed since the start of the year are likely to continue unabated in 2018. Waste paper prices should be lower than last year and this will have a positive impact on the Graphic division's "recycled" businesses. Nevertheless, Arjowiggins should benefit from selling price increases for printing and specialty papers already implemented in Q4 2017 and planned in April 2018. These selling price increases will offset the negative impact of higher raw materials (pulp, chemicals, energy) prices although there will be a time lag.

Sequana continues to evaluate its various strategic options in a sector that must continue its process of consolidation.

Commenting on the full-year results, Sequana's Chairman and Chief Executive Officer Pascal Lebard said, *"Despite Antalis' solid operational performances, the Group's EBITDA declined in 2017, hit mainly by higher pulp costs for Arjowiggins, a negative forex impact and the decline in printing paper volumes. We have implemented the plan announced in February 2017: Antalis was listed on Euronext Paris on 12 June 2017 and completed the refinancing of its debt initiated in H2 2017. Obtaining these funds, which have been secured through 31 December 2021, is an important milestone in Antalis' targeted acquisition strategy, especially in the Packaging and Visual Communication sectors. Following the divestment of Arjowiggins Security BV (Netherlands) in July 2017, Arjowiggins is in the process of completing the sale of its France-based Arjowiggins Security business over the next few weeks. This operation will mark its exit from banknote paper production and its complete withdrawal from heavily loss-making businesses."*

FINANCIAL POSITION

Antalis complied with all bank covenants concerning its syndicated credit facilities at 31 December 2017:

Net debt / EBITDA = 2.93 (≤ 3.20)
Current operating income/net interest expense = 4.42 (≥ 2.35)

A detailed presentation of its full-year 2017 results is available on the Sequana website at: www.sequana.com

About Sequana

Sequana (Euronext Paris: SEQ) is a major player in the paper industry, boasting leading positions in each of its two businesses:

- **Antalis**: leader in B2B distribution of Papers and industrial Packaging and number two in the distribution of Visual Communication media in Europe with around 5,500 employees based in 43 countries.
- **Arjowiggins**: global producer of recycled and specialty papers with around 2,600 employees.

Sequana reported sales of €2.8 billion in 2017 and employed some 8,200 people worldwide.

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Sequana
Analysts & Investors
Xavier Roy-Contancin
+33 (0)1 58 04 22 80
Communication
Sylvie Noqué
+33 (0)1 58 04 22 80

contact@sequana.com

www.sequana.com

Image Sept
Claire Doligez
Priscille Reneaume
+33 (0)1 53 70 74 25
cdoligez@image7.fr
preneaume@image7.fr

Appendices

1. Analysis by business

Breakdown of sales by business

(€ millions)	2017	2016 pro forma(1)	Δ	2017	2016	Δ
Antalis	2,377.4	2,458.5	- 3.3%	2,377.4	2,458.5	- 3.3%
Arjowiggins	562.4	580.1	- 3.0%	562.4	617.9	- 9.0%
Eliminations and other	(174.9)	(193.4)	-	(174.9)	(193.4)	-
Total	**2,764.9**	**2,845.2**	**- 2.8%**	**2,764.9**	**2,883.0**	**- 4.1%**

(1) 2016 pro forma data presented in 2017 exclude the contribution of Arjowiggins Healthcare which was sold in H1 2016.

Antalis

Key figures

(€ millions)	2017	2016	Δ
Sales	2,377.4	2,458.5	- 3.3%
EBITDA *Current operating margin (as a % of sales)*	84.4 *3.6%*	88.2 *3.6%*	- 4.3% -
Current operating income *Current operating margin (as a % of sales)*	65.8 *2.8%*	64.4 *2.6%*	2.2% *+0.2 points*

Sales were down by 3.3% year on year to €2,377 million (down 1.8% at constant exchange rates). The acquisitions completed in late 2016 added €25 million to full-year 2017 sales. The unfavourable forex impact on sales amounted to €38 million (mainly attributable to sterling).

The Main European Geographies (UK & Ireland, Germany & Austria, France) generated sales of €1,203 million, down 4.4% year-on year (down 1.1% at constant exchange rates), mainly reflecting the decline in Papers volumes and the depreciation in sterling. UK & Ireland reported sales of €619 million (down 6.6% on a reported basis and down 0.4% at constant exchange rates), Germany & Austria €313 million (down 1.1%) and France €271 million (down 2.7%).
Sales for the Rest of Europe declined by 3.0% year-on-year to €945 million (down 2.7% at constant exchange rates). Sales for the Rest of the World grew by 1.2% in 2017 to €230 million (but down 1.2% at constant exchange rates) due to a favourable forex impact (South African rand).

Broken down by sector, Papers reported sales of €1,654 million, a decrease of 5.4% on 2016, Packaging €502 million (up 3.4%) and Visual Communication €221 million, down 1.8% due to the focus on margins and customer profitability in certain European countries.

Antalis improved its gross margin rate thanks to effective gross margin management in Papers in a context of sharp price increases and continued growth in Packaging and Visual Communication gross margin rates. These two sectors now contribute 35% of Antalis' consolidated gross margin, up 2 points on the previous year.

Antalis held its EBITDA margin at 3.6% thanks to an improved product mix and lower overheads driven by greater flexibility in the supply chain and the development of e-commerce. EBITDA declined by €4 million to €84 million due to the negative forex impact of €2 million (mainly attributable to sterling).

Current operating income rose 2.2% to €66 million and included a €2 million gain arising on a change to a Swiss pension plan. The current operating margin rose by 0.2 points to 2.8%.

Thanks to efficient working capital management, Antalis reduced its debt by €6 million to €248 million.

At the end of March 2018, Antalis completed refinancing of its syndicated credit facility for an amount of €285 million and of its main factoring contract for an amount of €215 million.

Arjowiggins

Key figures

(€ millions)	**2017[(2)]**	**2016 pro forma[(1)(2)]**	**Δ**	**2017[(2)]**	**2016[(2)]**	**Δ**
Sales	562.4	580.1	- 3.0%	562.4	617.9	- 9.0%
EBITDA *EBITDA margin (as a % of sales)*	29.3 5.2%	42.6 7.3%	- 31.2% - 2.1 points	29.3 5.2%	44.8 7.2%	- 34.6% - 2.0 points
Current operating income *Current operating margin (as a % of sales)*	17.4 3.1%	30.4 5.2%	- 42.8% - 2.1 points	17.4 3.1%	32.4 5.2%	- 46.3% - 2.1 points

(1) 2016 pro forma data presented in 2017 exclude the contribution of Arjowiggins Healthcare which was sold in H1 2016.
(2) The Security Division has been reclassified in discontinued operations in 2017 and 2016 in accordance with IFRS 5.

Sales were down by 3.0% on the 2016 pro forma figure to €562 million (down 1.8% at constant exchange rates), mainly reflecting a decline in printing paper volumes, particularly in the fine papers segment. The specialty businesses (especially the laminated segment and Priplak) held up well. The €8 million negative forex impact essentially affected the Graphic Division.

EBITDA declined by 31.2% compared to 2016 pro forma to €29 million, mainly reflecting higher raw material (essentially pulp) and energy prices, lower volumes of and unfavourable trends in the product mix in fine papers, and the negative forex impact. Higher selling prices and an improved overall product mix in both divisions partially helped to offset these unfavourable impacts. EBITDA margin represented 5.2% of sales (down 2.1 points).

Recurring operating income was €17 million, compared with €30 million in 2016 (on a pro forma basis). Current operating margin represented 3.1% of sales (down 2.1 points).

Arjowiggins' net debt stood at €35 million at 31 December 2017 versus €49 million at end-December 2016.

After selling Arjowiggins Security BV (Netherlands) to Oberthur Fiduciaire in late July 2017, Arjowiggins should complete the sale of its Crèvecoeur French mill to Blue Motion Technologies Holding by the end of April 2018 and exit completely from the banknote paper segment.

Key figures by division

(€ millions)	**2017[(2)]**	**2016 pro forma[(1)(2)]**	**Δ**
Sales – Graphic	323.7	329.1	- 1.6%
Sales – Creative papers	204.3	217.0	- 5.8%
Sales – Other businesses	34.4	34.0	1.2%
Sales	**562.4**	**580.1**	**- 3.0%**
EBITDA – Graphic	12.2	18.5	- 34.1%
EBITDA – Creative papers	16.6	22.5	- 26.2%
EBITDA – Other businesses	0.5	1.6	NA
EBITDA	**29.3**	**42.6**	**- 31.2%**
COI – Graphic	6.2	18.2	NA
COI – Creative papers	11.7	12.4	- 5.6%
COI – Other businesses	(0.5)	(0.2)	NA
Current operating income	**17.4**	**30.4**	**- 42.8%**

(1) 2016 pro forma data presented in 2017 exclude the contribution of Arjowiggins Healthcare which was sold in H1 2016.
(2) The Security Division has been reclassified in discontinued operations in 2017 and 2016 in accordance with IFRS 5.

Consolidated statement of financial position

Assets

(€ millions)	31.12.2017	31.12.2016
Non-current assets		
Goodwill	196.8	304.7
Other intangible assets	44.5	48.6
Property, plant and equipment	124.4	134.7
Non-current financial assets	5.3	4.3
Deferred tax assets	8.6	8.7
Other non-current assets	135.1	172.0
Total non-current assets	514.7	673.0
Current assets		
Inventories	299.2	305.3
Trade receivables	416.5	445.2
Other receivables	110.6	117.4
Current financial assets	6.7	8.9
Cash and cash equivalents	128.8	162.6
Total current assets	961.8	1,039.4
Assets held for sale	33.7	22.5
TOTAL ASSETS	1,510.2	1,734.9

Equity and liabilities

(€ millions)	31.12.2017	31.12.2016
Equity		
Share capital	65.2	65.2
Additional paid-in capital	163.2	163.2
Cumulative translation adjustment	(111.9)	(94.3)
Retained earnings and other consolidated reserves	57.3	255.5
Shareholders' equity	173.8	389.6
Non-controlling interests	47.1	0.6
TOTAL EQUITY	220.9	390.2
Non-current liabilities		
Provisions	95.4	123.1
Long-term debt	30.2	281.9
Deferred tax liabilities	1.4	0.7
Other non-current liabilities	8.4	10.9
Total non-current liabilities	135.4	416.6
Current liabilities		
Provisions	17.8	34.4
Short-term debt	433.3	195.5
Trade payables	472.8	494.5
Other payables	200.0	195.1
Total current liabilities	1,123.9	919.5
Liabilities related to assets held for sale	30.0	8.6
TOTAL EQUITY AND LIABILITIES	1,510.2	1,734.9

Consolidated income statement

(€ millions)	**2017**	**2016**
Sales	2,764.9	2,883.0
Purchases consumed and change in inventories	(1,938.2)	(2,002.5)
Personnel expenses	(417.4)	(444.2)
External expenses	(295.9)	(314.0)
Taxes other than income taxes	(9.5)	(10.6)
Depreciation and amortisation	(29.7)	(33.7)
Net (additions to) reversals of provisions	(0.8)	(3.7)
Other recurring income (expense) from operations	(0.4)	9.5
Current operating income	**73.0**	**83.8**
Other operating income	6.0	8.4
Other operating expenses	(137.2)	(62.3)
Other operating income and expenses, net	**(131.2)**	**(53.9)**
Operating income (loss)	**(58.2)**	**29.9**
Cost of net debt	(35.3)	(30.9)
Other financial income and expenses, net	(1.8)	(3.4)
Net financial income (expense)	**(37.1)**	**(34.3)**
Income tax benefit (expense)	(10.8)	(7.1)
Net income (loss) from continuing operations	**(106.1)**	**(11.5)**
Net income (loss) from discontinued operations	(32.6)	(40.5)
NET INCOME (LOSS)	**(138.7)**	**(52.0)**
Attributable to:		
- Sequana shareholders	**(114.9)**	(52.1)
- Non-controlling interests	**(23.8)**	0.1

Earnings per share		
- Weighted average number of shares outstanding	64,885,242	64,922,962
- Diluted number of shares	64,885,242	64,922,962
Basic earnings (loss) per share (in €)		
- Earnings (loss) per share from continuing operations	(1.27)	(0.18)
- Earnings (loss) per share from discontinued operations	(0.50)	(0.62)
- Consolidated earnings (loss) per share	(1.77)	(0.80)
Diluted earnings (loss) per share (in €)		
- Diluted earnings (loss) per share from continuing operations	(1.27)	(0.18)
- Diluted earnings (loss) per share from discontinued operations	(0.50)	(0.62)
- Consolidated diluted earnings (loss) per share	(1.77)	(0.80)

Consolidated statement of cash flows

(€ millions)	**2017**	**2016**
Cash flows from operating activities		
Continued operations		
Operating income (loss)	(58,2)	29,9
Elimination of non-cash and non-operating income and expenses:		
Depreciation, amortisation and provisions (except on current assets), net	95,2	2,1
Disposal gains and losses	(3,6)	(2,0)
Gross operating cash flow	**28,8**	**30,0**
Income taxes paid	(5,6)	(3,9)
Change in operating working capital	(1,3)	(45,8)
Change in loans and guarantee deposits	(1,9)	4,9
Net cash flows from (used in) operating activities – continuing operations	**24,5**	**(14,8)**
Net cash flows from (used in) operating activities – discontinued operations	***(28,7)***	***(31,8)***
Net cash from (used in) operating activities (i)	**(4,2)**	**(46,6)**
Cash flows from investing activities		
Continued activities		
Expenditure on acquisitions of property, plant and equipment and intangible assets	(31,8)	(28,5)
Proceeds from disposals of property, plant and equipment and intangible assets	11,5	14,3
Impact of changes in scope of consolidation	(2,8)	13,4
Net cash flows from (used in) investing activities – continuing operations	**(23,1)**	**(0,8)**
Net cash flows from (used in) investing activities – discontinued operations	***12,2***	***1,2***
Net cash from (used in) investing activities (ii)	**(10,9)**	**0,4**
Cash flows from financing activities		
Continued activities		
Net change in borrowings and debt	13,6	34,9
Net financial expense	(26,9)	(32,1)
Net cash flows from (used in) financing activities – continuing operations	**(13,3)**	**2,8**
Net cash flows from (used in) financing activities – discontinued operations	***(1,3)***	***(0,7)***
Net cash from (used in) financing activities (iii)	**(14,6)**	**2,1**
Effects of fluctuations in foreign exchange rates (iv)	(4,4)	(0,4)
CHANGE IN CASH AND CASH EQUIVALENTS (i+ii+iii+iv)	**(34,1)**	**(44,5)**
Net cash and cash equivalents at start of year	159,8	204,3
Net cash and cash equivalents at end of year	125,7	159,8
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(34,1)**	**(44,5)**
Analysis of net cash and cash equivalents at end of year		
Cash and cash equivalents	128,8	162,5
Short-term bank borrowings and overdrafts	(3,1)	(2,7)
Net cash and cash equivalents at end of year	**125,7**	**159,8**