

SEQUANA



Press release

Paris, July 28, 2010

First-half 2010 results

Sequana posts improved operating results

- **Growth in EBITDA to €120 million, up 11% compared to the same period last year**
 - **Recurring operating income up 8.5% to €80 million compared to first-half 2009, reflecting a recurring operating margin of 3.7% (up 0.2 points)**
 - **Consolidated net debt of €670 million compared to €551 million at 31 December 2009, and €732 million at 30 June 2009, reflecting a reduction of €62 million year on year**
 - **Net income of €6 million**
- **Antalis:** 15.2% increase in recurring operating income to €45 million from €39 million in first-half 2009, increase in recurring operating margin to 3.2% (up 0.4 points).
- **Arjowiggins:** 11.1% increase in recurring operating income to €43 million from €39 million in first-half 2009, operating margin firm at 5.0%.

The Board of Directors of **Sequana**, chaired by Tiberto Ruy Brandolini d'Adda, met in Paris on July 27, 2010, and examined and approved the financial statements for first-half 2010.

Condensed analytical income statement

€ millions, except for per share data	First-half 2010	First-half 2009	% change 2010/2009***
Sales	2,144	2,067	+3.8%
EBITDA*	120	108	+11.0%
EBITDA margin (as % of sales)	5.6%	5.2%	
Recurring operating income	80	73	+8.5%
Operating margin (as % of sales)	3.7%	3.5%	
Recurring net income**	30	33	-7.3%
Recurring earnings per share (€)	€0.60	€0.67	
Net income (loss) attributable to owners	6	(21)	N/A
Earnings per share (€)	€0.11	€(0.43)	
Average number of shares	49,253,529	49,041,965	

(*) EBITDA: recurring operating income before depreciation and amortisation and changes in provisions.

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

(***) Percentage changes are based on figures rounded out to one decimal place.

Consolidated sales increased 3.8% to €2,144 million in first-half 2010 compared to first-half 2009 figure (up 1.4% at constant exchange rates).

At €120 million, EBITDA progressed 11.0% compared to the same 2009 figure. Recurring operating income reached €80 million, progressing 8.5% compared to first-half 2009 (€73 million). This reflects a recurring operating margin of 3.7%, up 0.2 points compared to first-half 2009.

Recurring net income of €30 million is €3 million behind last year due to the effect of tax. After non-recurring expenses of €24 million (mainly restructuring costs), net income attributable to owners totalled €6 million.

Consolidated net debt was €670 million at 30 June 2010, compared to €651 million at 31 December 2009 and €732 million at 30 June 2009, representing a €62 million reduction year on year.

Commenting on the first semester's performance, Sequana's Chief Executive Officer Pascal Lebard said: *"In a contrasting environment, Sequana posted solid results in the first half of the year. This performance reflects the strong growth in volumes at Arjowiggins and the increase in selling prices in distribution and production, notably to offset the rise in pulp prices. It also reflects productivity gains and the in-depth work carried out in 2009 on sharply reducing the fixed cost base."*

The Board of Directors also noted the replacement of Carlo Sant'Albano by Pierre Martinet as permanent representative of Exor SA. Pierre Martinet had previously resigned from his office as director. The Board of Directors now comprises 10 members.

COMMENTS ON SUBSIDIARIES

Antalis

Key figures

€ millions	First-half 2010	First-half 2009	Change 2010/2009
Gross sales	1,434	1,399	+2.5%
EBITDA	59	49	+20.0%
<i>EBITDA margin (as % of sales)</i>	<i>4.1%</i>	<i>3.5%</i>	
Recurring operating income	45	39	+15.2%
<i>Operating margin (as % of sales)</i>	<i>3.2%</i>	<i>2.8%</i>	<i>+0.4 points</i>
Capital employed	673	734	
ROCE	11.9%	10.8%	

In a European market experiencing a moderate 2% growth in volume during the first half of 2010, Antalis reported sales of €1,434 million, up 2.5% compared to the first-half 2009 figure (down 0.7% at constant exchange rates). EBITDA reached €59 million, progressing 20.0% compared to the same year-ago period. Recurring operating income reached €45 million, progressing 15.2%, reflecting 0.4 points increase in operating margin at 3.2%.

Business in all European countries returned to levels marginally above those experienced in the first half of 2009, although differences were observed across countries. Outside of Europe, demand was especially robust in South America, in Asia due to the expansion of eco-friendly products, and in South Africa where business was boosted by the soccer World Cup.

In this context, Antalis improved its operating margin by 0.4 points to 3.2% of sales, reflecting the positive impact of the selling price increase policy, improvements in the product mix and the fixed costs reduction measures implemented in 2009 and still pursued in the first half of 2010.

Arjowiggins

Key figures

€ millions	First-half 2010	First-half 2009	Change 2010/2009
Gross sales	856	769	+11.3%
EBITDA	69	64	+8.9%
<i>EBITDA margin (as % of sales)</i>	<i>8.0%</i>	<i>8.4%</i>	
Recurring operating income	43	39	+11.1%
<i>Operating margin (as % of sales)</i>	<i>5.0%</i>	<i>5.0%</i>	
Capital employed	528	523	
ROCE	16.3%	14.8%	

Arjowiggins reported sales of €856 million, up 11.3% compared to the first-half 2009 figure (up 10.9% at constant exchange rates).

EBITDA progressed 8.9% compared to the same year-ago period, to €69 million. Recurring operating income progressed 11.1% to €43 million, representing an operating margin of 5.0%.

In the first half of the year Arjowiggins benefitted from a sharp upswing in demand in certain sectors such as manufacturing activity, and from the impact of customer inventory restocking. Demand was especially strong in the creative and technical paper segments (Decor/Abrasive, Medical/Hospital) and was also sustained in eco-friendly paper and traditional coated papers.

Arjowiggins' operating performance was adversely impacted during the first half of the year by a sharp rise in the prices of pulp and certain raw materials (waste paper, chemical products), which had an especially pronounced impact in the second quarter. The initial selling price increases implemented in April/May only partially offset the increase in the cost of raw materials, notably due to the time lag between the increase in selling prices and in pulp prices. Nevertheless, average selling prices (excluding Security) increased by 7% over the three months to 30 June 2010 compared with fourth-quarter 2009 (but were negatively impacted by selling price trends in the US).

Lastly, lower fixed costs and productivity measures contributed to maintaining Arjowiggins' operating margin.

Key figures by division are provided in Appendix 1.

Financial position

Sequana complied with the bank covenants of the syndicated credit lines at June 30, 2010.

Antalis

- Net debt/EBITDA = 2.63 (\leq 3.5)
- Net debt/equity = 0.78 (\leq 1.1)
- Recurring operating income/net interest expense = 4.04 (\geq 3.0)

Arjowiggins

- Net debt/EBITDA = 2.50 (\leq 3.5)

OUTLOOK

In an economic and financial environment that remains uncertain, changes in demand during the second half of the year should be moderate at both Antalis and Arjowiggins.

Pulp prices should stabilise and start to reduce after the wake of the all-time high reached in the first half of 2010. Arjowiggins will proceed with the price increase policy implemented in all its markets during the first half 2010. Additional selling price increases of at least equal proportion to the ones implemented in the first-half are planned for the third quarter. In parallel, the price trends in the US should begin to reverse during the second half of the year. The full impact of price increases will be felt in the fourth quarter of 2010 and are expected to fully offset the impact of higher raw material prices over full-year 2010.

Additional selling price increases will be implemented in distribution as well during the second half of the year.

Sequana will further deploy its policy towards improved operating margins and reduced debt during the second half of the year. For full-year 2010, Sequana therefore confirms its target of turning in an operating performance ahead of 2009.

UPCOMING EVENTS

Third-quarter 2010 sales
Full-year 2010 results

27 October 2010
March 2011

About Sequana

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

- **Antalis:** European leader in the distribution of paper and packaging products, with more than 6,900 employees based in 51 countries.
- **Arjowiggins:** World leader in creative and technical papers, with around 6,300 employees.

Sequana reported sales of €4.1 billion in 2009 and employed some 13,000 people worldwide.

Sequana

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BREAKDOWN OF SALES BY SUBSIDIARY

<i>€ millions</i>	First-half 2010	First-half 2009
Antalis	1,434	1,399
Arjowiggins	856	769
Eliminations	(146)	(101)
Total	2,144	2,067

APPENDIX 1: ARJOWIGGINS – KEY FIGURES BY DIVISION

Key figures by division for first-half 2010

<i>€ millions</i>	Creative Papers	Graphic	Coated US	Security	Industrial Solutions
Sales	146	281	135	153	141
EBITDA	21	19	-2	22	10
<i>EBITDA margin (as % of sales)</i>	14.3%	6.7%	-1.5%	14.6%	6.9%
Recurring operating income	17	9	-5	16	6
<i>Operating margin (as % of sales)</i>	11.7%	3.3%	-3.6%	10.5%	3.9%

Key figures by division for first-half 2009

<i>€ millions</i>	Creative Papers	Graphic	Coated US	Security	Industrial Solutions
Sales	121	265	122	146	115
EBITDA	8	25	8	23	0
<i>EBITDA margin (as % of sales)</i>	6.6%	9.4%	6.6%	15.8%	0%
Recurring operating income	3	15	9	17	-5
<i>Operating margin (as % of sales)</i>	2.5%	5.7%	7.4%	11.6%	-4.4%

APPENDIX 2: CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated income statement

<i>€ millions</i>	First-half 2010	First-half 2009
Sales	2,144	2,067
Other operating income	25	12
Purchases consumed and change in inventories	(1,443)	(1,386)
Personnel expenses	(334)	(325)
External expenses	(241)	(237)
Taxes other than income taxes	(8)	(14)
Depreciation and amortisation	(37)	(36)
Net (additions to) reversals of provisions	(3)	1
Other operating expenses	(23)	(9)
Recurring operating income	80	73
Other operating income and expenses, net	(25)	(26)
Operating income	55	47
Cost of gross debt	(25)	(26)
Other financial income and expenses, net	(6)	(5)
Net financial loss	(31)	(31)
Income tax expense	(18)	(9)
Net income of consolidated companies	6	7
Share of earnings of associates	-	-
Net income from continuing operations	6	7
Net loss from discontinued operations	-	(29)
Net income – total	6	(22)
Net income (loss) attributable to owners	6	(21)
Non-controlling interests	-	(1)
Earnings per share data		
- Weighted average number of shares outstanding	49,253,529	49,041,965
- Diluted number of shares	50,272,457	49,041,965
Basic earnings per share		
- Earnings per share from continuing operations	0.11	0.18
- Earnings (loss) per share from discontinued operations	-	(0.61)
- Consolidated earnings (loss) per share	0.11	(0.43)
Diluted earnings per share		
- Diluted earnings per share from continuing operations	0.11	0.18
- Diluted earnings (loss) per share from discontinued operations	-	(0.61)
- Consolidated diluted earnings (loss) per share	0.11	(0.43)

Consolidated statement of financial position

€ millions

ASSETS	30 June 2010	31 Dec. 2009
Non-current assets		
Goodwill	642	635
Other intangible assets	64	61
Property, plant and equipment	519	490
Investments in associates	5	3
Non-current financial assets	11	11
Deferred tax assets	33	53
Other non-current assets	51	45
Total non-current assets	1,325	1,298
Current assets		
Inventories and work-in-progress	536	461
Trade receivables	695	658
Other receivables	124	129
Current financial assets	20	13
Cash and cash equivalents	359	301
Total current assets	1,734	1,562
Assets held for sale	2	15
TOTAL ASSETS	3,061	2,875
EQUITY AND LIABILITIES		
Equity		
Share capital	74	74
Additional paid-in capital	95	95
Cumulative translation adjustment	(47)	(96)
Retained earnings and other consolidated reserves	638	645
Net income for the period attributable to owners	6	20
Shareholders' equity	766	738
Non-controlling interests	4	4
Total equity	770	742
Non-current liabilities		
Provisions	127	93
Long-term debt	945	892
Deferred tax liabilities	51	59
Other non-current liabilities	18	24
Total non-current liabilities	1,141	1,068
Current liabilities		
Provisions	67	78
Short-term debt	93	66
Trade payables	645	586
Other payables	345	335
Total current liabilities	1,150	1,065
Liabilities related to assets held for sale	-	-
TOTAL EQUITY AND LIABILITIES	3,061	2,875

Consolidated statement of cash flows

<i>€ millions</i>	First-half 2010	First-half 2009
Cash flows from operating activities		
Net income – total	6	(22)
Elimination of non-cash and non-operating income and expenses:		
+/- Depreciation, amortisation and provisions (except on current assets), net	26	18
+/- Disposal gains and losses	-	(7)
+/- Other operating income and expenses	1	5
+/- Income tax expense and benefits (including deferred taxes)	18	9
Gross cash flows from operating activities	51	3
- Taxes paid	(9)	3
Change in operating working capital	(28)	24
+/- Change in loans and guarantee deposits	-	16
Net cash generated from operating activities	14	46
Cash flows from investing activities		
- Expenditure on acquisitions of property, plant and equipment and intangible assets	(30)	(33)
+ Proceeds from disposals of property, plant and equipment and intangible assets	6	10
- Expenditure on acquisitions of financial assets	(4)	(2)
+ Proceeds from disposals of financial assets	1	2
+/- Impact of changes in scope of consolidation	-	18
+/- Impact of assets held for sale	-	(8)
+/- Other flows related to investing activities	(3)	(5)
Net cash generated used in investing activities	(30)	(18)
Cash flows from financing activities		
Dividends paid to owners of the parent company	(17)	-
+ Cash received on new borrowings	73	45
- Repayment of borrowings	(20)	(9)
+/- Change in marketable securities with maturities greater than three months	(3)	1
+/- Other cash flows related to financing activities	1	2
Net cash generated from financing activities	34	39
Effects of fluctuations in foreign exchange rates	11	2
Change in net cash and cash equivalents	29	69
Net cash and cash equivalents at start of period	291	160
Net cash and cash equivalents at end of period	320	229
Increase in net cash and cash equivalents	29	69
Analysis of net cash and cash equivalents at end of period		
Cash and cash equivalents	359	255
Current bank borrowings and bank overdrafts	(39)	(26)
Net cash and cash equivalents at end of period	320	229