EXACOMPTA CLAIREFONTAINE

HALF-YEAR FINANCIAL REPORT

30 JUNE 2014

SA with share capital of €4,525,920 – Registered office 88480 ÉTIVAL-CLAIREFONTAINE
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Board of Directors

François Nusse, Chairman and Chief Executive Officer
  Chairman of the Executive Board of Ets Charles Nusse
  Chairman, Exacompta

Dominique Daridan

Charles Nusse
  Chairman, Exaclair Ltd (GB)
  Manager, Ernst Stadelmann (AT)
  Joint Managing Director, Exaclair GmbH (DE)

Christine Nusse
  Chairwoman of the Supervisory Board of Ets Charles Nusse
  Chairwoman, Exaclair Inc. (USA)

Frédéric Nusse
  Chairman, Papeteries de Clairefontaine
  Chairman, Papeterie de Mandeure
  Chairman, Everbal

Guillaume Nusse
  Chairman, Clairefontaine Rhodia
  Chairman, Madly
  Managing Director, Publiday Multidia (MA)

Jean-Claude Gilles Nusse, Executive Vice President
  Member of the Ets Charles Nusse Executive Board
  Manager, AFA

Jean-Marie Nusse, Executive Vice President
  Member of the Ets Charles Nusse Executive Board

Jérôme Nusse
  Chairman, Editions Quo Vadis

Monique Prissard, permanent representative of Ets Charles Nusse
  Member of the Ets Charles Nusse Executive Board

Statutory Auditors

BATT AUDIT, 54500 Vandœuvre–lès–Nancy, France
Jéhanne Garrait

SEREC AUDIT, 75015 Paris, France
Dominique Gayno

To the Shareholders,

1. REVIEW AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated results – (€000)	**H1 2014**	**H1 2013**
Revenue	265,549	254,128
Operating income/(loss)	1,734	(1,729)
Income/(loss) before tax	1,980	(1,980)
Income /(loss) after tax	751	(2,061)
Minority interests	(9)	(1)
Net income/(loss), Group share	760	(2,060)

The first half 2013 comparative figures have been adjusted in accordance with changes to IAS 19 – *Employee benefits*. After this adjustment, the H1 2013 consolidated net loss came to €2,061,000, a €210,000 increase on the €1,851,000 loss initially published in the 2013 half-year financial report.

First half 2014 consolidated net income is stated after €2 million goodwill impairment.

The consolidation scope has increased with the addition of Photoweb after the Group acquired 75% of the company's equity at the end of January. At constant consolidation, consolidated revenue was up 1.8%.

The consolidated cash flow of the Exacompta Clairefontaine Group for the first half of 2014 was €17,626,000, compared to €11,352,000 for the first half of 2013.

1.1 PAPER PRODUCTION

After a sharp fall over several years, demand for printing and writing paper in Europe has picked up (2% growth) since the first half of 2013 (source: Eurograph), which, coupled with our quality and marketing drives, enabled us to run our paper plants at full capacity.
The relative decrease in short-fibre pulp prices also contributed to the improvement in earnings.

1.2 PROCESSING

After a sharp decline in May and June, the French stationery market fell again by more than 2% compared to the first half of 2013 (source: I+C). However, some product categories, such as filing articles, posted improved results on the back of demand being more in line with supply.
These factors have resulted in further improvements in productivity and diversification initiatives.
Note that first half Processing results are misleading given that the segment is affected by major seasonal fluctuations.

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1.3 FINANCIAL POSITION - DEBT

As at 30 June 2014, with revenue of €265,549,000, Group borrowings amounted to €116,747,000 and shareholders' equity totalled €369,802,000.

The Group has negotiated lines of credit with its banks totalling €117 million. At 30 June 2014, the outstanding balance on these lines of credit was €15 million. The Group also issued commercial paper, which amounted to €80 million at 30 June 2014.

At 30 June 2014 the Group held cash of €55,870,000, while net debt amounted to €60,877,000.

1.4 OTHER ITEMS

The Group parent company EXACOMPTA CLAIREFONTAINE has no share buyback programme and there are no employee shareholders.

The principal shareholder, Etablissements Charles Nusse, holds 910,395 shares with double voting rights, representing 80.46% of the share capital at 30 June 2014. Financière de l'Echiquier, a minority shareholder, holds more than 5% of the share capital.

2. RESEARCH AND DEVELOPMENT

Group companies participate in various research programmes in cooperation with the Grenoble Paper Technical Centre and various university laboratories.
Development projects are mainly geared towards the product ranges.

3. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The social and environmental report for 2013 was circulated prior to the Exacompta Clairefontaine Group shareholders' meeting on 27 May 2014. The report provides information on the Group's human resources management, environmental policy and social indicators. The social and environmental report has been certified by Bureau Veritas. All information is regularly updated and published annually.
The following information supplements and updates the information provided in the report.

3.1 EMPLOYMENT INFORMATION

↳ Staff

The Exacompta Clairefontaine Group had 3,229 employees at 30 June 2014, compared to 3,143 at 30 June 2013. The 30 June 2014 headcount includes 135 employees who joined the Group after the acquisition of Photoweb.

The companies apply the collective agreement for the production of papers, cardboard and cellulose, or the collective agreement for cardboard packaging.

Group Works Council

The Group's Works Council, which met on 11 June 2014, commented on its operations and on the economic and employment outlook.

3.2 ENVIRONMENTAL INFORMATION

Monitoring of gross CO_2 emissions at the Group's French paper mills

The CO_2 emission allowance trading scheme is now in its third phase, which runs from 2013 to 2020.

The European Commission has published a draft decision under which pulp, paper and cardboard manufacture will continue to be classified as a sector exposed to a risk of carbon leakage during the 2015-2019 period.
In concrete terms, this highly favourable decision means that the paper production industry will continue to receive free allowances after 2015.

Site	CO_2 emissions (tonnes)		Change
	H1 2014	H1 2013	
CLAIREFONTAINE	42,224	40,920	↑ 3.2%
MANDEURE	4,967	4,946	↑ 0.4%
EVERBAL	320	2,724	↓ 88.3%
Total	**47,511**	**48,590**	**↓ 2.2%**

Given that fuel consumption has increased, CO_2 emissions for the Clairefontaine and Mandeure sites are marginally up.
After the commissioning of its second biomass boiler in 2013, Everbal has further reduced its fossil-based CO_2 emission to almost zero.

Site	Gross production (tonnes)		Change
	H1 2014	H1 2013	
CLAIREFONTAINE	98,729	94,077	↑ 4.9%
MANDEURE	18,820	18,298	↑ 2.9%
EVERBAL	21,953	21,170	↑ 3.7%
Total	**139,502**	**133,545**	↑ 4.5%

Business was slightly more buoyant in first half 2014 than in the same period last year.

↳ Changes in environmental regulations

The emissions limits applicable to the industrial facilities must not exceed the emissions levels associated with the best available technology (BAT) as defined in the BREF (Best available techniques REFerences document) applicable to each sector.
The findings of the paper industry BREF, adopted by the EU member states on 6 May, will shortly be published in the European Union's official journal. During the four years following the publication of this document, the government will carry out a revision of all of the prefectural decrees concerning the authorisation of paper mills producing more than 20 tonnes per day.

↳ Energy audit

Companies whose balance sheet total, revenue or headcount exceeds certain levels are required to perform an energy audit every four years.

The French decree of 4 December 2013 imposes this requirement on a company if, for the two consequent financial years preceding the required audit date:

- the headcount exceeds 250, or
- the company's annual revenue exceeds €50 million or balance sheet total exceeds €43 million.

The 25 October 2012 European directive defines an energy audit as "a systematic procedure with the purpose of obtaining adequate knowledge of the existing energy consumption profile of a building or group of buildings, an industrial or commercial operation or facility or a private or public service, identifying and quantifying cost-effective energy saving opportunities, and reporting the findings".

The directive’s aim is to encourage major companies to introduce energy saving schemes and, more broadly, to enable the European Union to increase its energy efficiency by 20% by 2020.

The first audit is scheduled to be carried out no later than 5 December 2015.

↳ Ecofolio contribution

Papeteries de Clairefontaine already makes an annual contribution of nearly €1.6 million for reams and envelopes under the Extended Producer Responsibility (EPR) programme. Apparently there are plans to extend the EPR principle to exercise books and registers. The Exacompta Clairefontaine Group firmly opposes this development.

3.3 INFORMATION ON COMMUNITY PROJECTS

Papeteries de Clairefontaine supports the MEROCEANS association.
Launched from Brest on 28 November 2013, the OceanoScientific - Atlantic Mission 2013 - 2014 campaign, conducted from a 16-metre scientific environmental observation sailing ship (NAVOSE) bearing the colours of the MEROCEANS foundation, ended its voyage in Monaco on 26 April 2014.

In addition to the tests carried out by the OceanoScientific System (OSC System) Version 3.0, a unique device that collects scientific data for ten quality variables at the air-sea interface, this 10,000 nautical mile (18,520 km) expedition enabled the deployment of drifting scientific equipment in compliance with the requirements of JCOMMOPS, a UNESCO agency.
This campaign, carried out in four phases, is conclusive and paves the way for further ambitious expeditions in oceanic regions that have received little or no exploration.

4. OUTLOOK

4.1 GENERAL OUTLOOK

Demand for paper is expected to slow in the coming months, which could decrease the workload of the paper plants. The average price of purchased pulp will probably continue to fall.
Initial third quarter results seem to indicate that our brands are well positioned for the start of the school year, although volumes are slightly down.

For the full year we expect to post net income before goodwill impairment (€2 million in the first half) similar to 2013 net income of €4.3 million.

4.2 RISKS AND UNCERTAINTIES

Due to the nature of its operations, the Group is exposed to different kinds of risk as well as a certain number of uncertainties. These were explained in detail in the report circulated to the shareholders prior to the 27 May 2014 Ordinary General Meeting. The following information supplements and updates the information provided in the report.

- Risks related to economic activity

The fall in pulp prices, especially short-fibre pulp, would be mitigated if the US dollar continued to strengthen in relation to the euro. We will continue to apply our forward currency hedging policy to cover our USD requirements.
The economic certainty currently affecting France and part of Europe could exacerbate the decline in paper and stationery consumption.

- Financial risks

To avoid being solely dependent on short-term financing in spite of low interest rates, in July 2014 the Group took out five loans for a total of €26 million with maturities between 5 and 10 years.

- Credit risk

Since the beginning of 2014 the Group has not faced any major customer default.

Exacompta Clairefontaine S.A.

Consolidated financial statements for the 6 months ended 30 June 2014

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Consolidated balance sheet

€000	30/06/2014	31/12/2013	Notes
NON-CURRENT ASSETS	**270,375**	**240,838**	
Intangible assets	13,740	14,172	(2.1.4)
Intangible assets – Goodwill	32,233	10,550	(2.1.4)
Property, plant and equipment	218,392	212,668	(2.1.5)
Financial assets	5,112	2,871	(2.1.6)
Deferred taxes	898	577	2.4
CURRENT ASSETS	**382,933**	**332,807**	
Inventories	178,042	164,232	(2.2.1)
Trade and other receivables	143,771	105,315	(2.2.2)
Advances	1,828	1,941	
Taxes receivable	3,422	3,009	
Cash and cash equivalents	55,870	58,310	(2.2.3)
TOTAL ASSETS	**653,308**	**573,645**	

SHAREHOLDERS' EQUITY	**369,802**	**367,270**	
Share capital	4,526	4,526	
Capital reserves	232,854	256,321	
Consolidated reserves	130,584	103,489	
Currency translation reserve	(1,170)	(1,389)	
Net income – Group share	760	4,277	
Shareholders' equity – Group share	**367,554**	**367,224**	
Minority interests	2,248	46	
NON-CURRENT LIABILITIES	**56,661**	**50,212**	
Interest-bearing debt	8,553	2,809	(2.6)
Deferred taxes	29,976	29,790	(2.4)
Provisions	18,132	17,613	(2.5)
CURRENT LIABILITIES	**226,845**	**156,163**	
Trade payables	56,250	47,024	
Short-term portion of interest-bearing debt	108,194	58,080	(2.6)
Provisions	3,913	3,277	(2.5)
Other payables	58,488	47,782	(2.8)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**653,308**	**573,645**	

Consolidated income statement

€000	H1 2014	H1 2013	Notes
Revenue	265,549	254,128	
- Sales of products	262,961	250,696	
- Sales of services	2,858	3,432	
Other operating income	2,679	2,562	
- Reversal of depreciation/amortisation		76	(2.1.4, 2.1.5)
- Subsidies	4	9	
- Other income	2,675	2,477	
Change in inventories of finished products and work-in-progress	14,937	18,294	(2.2.1)
Capitalised production costs	259	151	
Goods and materials used	(136,224)	(135,817)	(2.2.1)
External expenses	(44,880)	(43,021)	
Personnel expenses	(75,322)	(75,241)	(2.11)
Taxes and duties	(5,908)	(6,299)	
Depreciation/amortisation	(13,578)	(12,637)	(2.1.4, 2.1.5)
Other operating expenses	(3,778)	(3,849)	
OPERATING INCOME/(LOSS) – before goodwill impairment	**3,734**	**(1,729)**	
Goodwill impairment	2,000		(2.1.4, 2.1.1)
OPERATING INCOME/(LOSS) – after goodwill impairment	**1,734**	**(1,729)**	
Financial income	1,222	1,300	
Financial expenses	(976)	(1,551)	
Net financial items	246	(251)	(2.12)
Income taxes	(1,229)	(81)	(2.4.2.10)
Income/(loss) after tax	**751**	**(2,061)**	

Minority interests	**(9)**	**(1)**
Net income/(loss) – Group share	**760**	**(2,060)**

Net income/(loss) for the period	760	(2,060)	
Number of shares	1,131,480	1,131,480	(2.3)
EARNINGS PER SHARE (basic and diluted)	**0.67**	**(1.82)**	

Comprehensive income statement

€000	H1 2014	H1 2013
Net income/(loss) for the period	**751**	**(2,061)**
• Currency translation differences resulting from the conversion of foreign entities' financial statements	216	(440)
• Actuarial gains/(losses)	(81)	210
Total comprehensive income/(loss)	**886**	**(2,291)**
Attributable to:		
- minority interests	(9)	(1)
- the Group	895	(2,290)

Statement of changes in consolidated shareholders' equity

€000	Shareholders' equity – Group share	Shareholders' equity – minority share	Total shareholders' equity
Balance at 31/12/2012	**364,709**	**45**	**364,754**
Currency translation difference	(665)	1	(664)
Other changes	(531)	(1)	(532)
Total transactions not posted to earnings	(1,196)	–	(1,196)
Net income/(loss) for the period	4,277	1	4,278
Dividends	(566)		(566)
Balance at 31/12/2013	**367,224**	**46**	**367,270**
Currency translation difference	216		216
Other changes	(80)		(80)
Photoweb acquisition – minority interests		2,211	2,211
Total transactions not posted to earnings	136	2,211	2,347
Net income/(loss) for the period	760	(9)	751
Dividends *	(566)		(566)
Balance at 30/06/2014	**367,554**	**2,248**	**369,802**

* €0.50 per share

Statement of consolidated cash flows

The opening and closing cash in the cash flow statement is determined as follows:

€000	30/06/2014	31/12/2013	Notes
Positive cash and cash equivalents	55,870	58,310	(assets)
Bank overdrafts payable	(108,182)	(58,080)	(2.6)
Accrued interest on debt	(12)	-	(2.6)
Cash per statement of cash flows	**(52,324)**	**230**	

The reconciliation to the "Short-term portion of interest-bearing debt" recorded in liabilities is presented in Note 2.6.

Statement of cash flows

€000	H1 2014	2013	Notes
Total consolidated net income/(loss)	**751**	**4,278**	
Elimination of non-cash and non-operating expenses and income:			
• Depreciation, amortisation and provisions	16,775	26,147	(2.1.4 to 2.1.6, 2.5)
• Change in deferred taxes	186	96	(2.4)
• Post-tax gains on asset sales	(222)	60	
• Currency translation adjustments	216	(665)	
• Other	(80)	(531)	
Cash flow of consolidated companies	*17,626*	*29,385*	
• Change in operating working capital	(32,542)	(720)	Balance sheet
• Change in income taxes	(413)	(2,031)	
• Income taxes paid		(174)	
(1) Net cash flow from operating activities	**(15,329)**	**26,460**	
• Purchases of fixed assets	(9,975)	(26,489)	(2.1.4 to 2.1.6)
• Sales of fixed assets	767	3,312	
• Changes in consolidation – acquisitions	(33,195)		
• Changes in consolidation – disposals			
(2) Cash flow from investing activities	**(42,403)**	**(23,177)**	
• Dividends paid	(2,487)	(4,313)	(Change in shareholders' equity)
• Dividends received	1,921	3,747	
• Borrowings received	9,069	3,413	
• Loans repaid	(3,308)	(1,349)	
• Interest paid	(348)	(453)	
• Interest received	331	803	
(3) Cash flow from financing activities	**5,178**	**1,848**	
(1+2+3) Total cash flow	**(52,554)**	**5,131**	

Opening cash	230	(4,901)
Closing cash	(52,324)	230
Change in cash	**(52,554)**	**5,131**

Presentation of the consolidated financial statements

1- General principles – statement of compliance

The EXACOMPTA CLAIREFONTAINE Group consolidated financial statements were prepared in accordance with IFRS (International Financial Reporting Standards), as adopted within the European Union.
The Exacompta Clairefontaine Group consolidated interim financial statements were prepared in accordance with IAS 34 – *Interim financial reporting*.
The Exacompta Clairefontaine Group consolidated financial statements were approved by the Board of Directors on 29 August 2014.

2- Adoption of international standards

The first half 2013 comparative figures have been adjusted in accordance with changes to IAS 19 – *Employee benefits,* given that the new changes also apply to comparative figures. Actuarial gains and losses are recorded under other comprehensive income.
The adjusted H1 2013 consolidated net loss came to €2,061,000, a €210,000 increase on the €1,851,000 loss initially published in the 2013 half-year financial report.
The first half 2013 financial data has been restated where necessary in order to ensure comparability between the financial years.

➢ Mandatory standards, amendments and interpretations in 2014:

- IFRS 10 – *Consolidated financial statements*
- IFRS 11 – *Joint arrangements*
- IFRS 12 – *Disclosure of interests in other entities*
- IAS 28 revised 2011 – *Investments in associates and joint ventures*
- Amendments to IAS 32 – *Presentation - Offsetting financial assets and financial liabilities*
- Amendments to IAS 36 – *Impairment of assets – Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39 – *Financial instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting*
- Amendments to IFRS 10, 11 and 12 - *Transition guidance*
- Amendments to IFRS 10 and 12 and IAS 27 – *Investment entities*

The adoption of these standards and amendments did not have a material impact on the Group's consolidated financial statements.

The Group did not apply any optional standard, amendment or interpretation.
Group management is currently analysing the impact of these new standards, amendments and interpretations, in particular that of IFRIC 21 – *Levies*.

- <u>Standards and amendments not yet adopted by the European Union</u>

- IFRS 9 - *Financial instruments*
- Amendments to IAS 19 – *Employee benefits – Defined benefit plans: employee contributions*
- Annual improvements – *2010-2012 cycle*
- Annual improvements – *2011-2013 cycle*
- IFRS 15 – *Revenue from contracts with customers*
- Amendments to IFRS 11 – *Accounting for acquisitions of interests in joint operations*
- Amendments to IAS 16 and 38 – *Clarification of acceptable methods of depreciation and amortisation*

The Group is currently analysing the impact of the application of these new standards, improvements and amendments.

3- Bases of preparation of the financial statements

The financial statements are presented in euros, rounded to the nearest one thousand euros. They are prepared on the basis of historical cost, with the exception of financial instruments, which are stated at fair value.

Preparation of financial statements under IFRS requires the exercise of judgement by Management in making estimates and assumptions that have an impact on the application of the accounting policies and on the amounts of the assets, liabilities, revenues and expenses.
The underlying estimates and assumptions are made based on past experience and other factors deemed reasonable in view of the circumstances. They also form the basis for the exercise of judgement required for determining the book values of assets and liabilities that cannot be obtained directly from other sources. The actual values may differ from the estimated values.
The estimates and underlying assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recorded during the period in which the change occurs and all subsequent periods affected.

The accounting policies described below have been applied on a consistent basis to all the periods presented in the consolidated financial statements. Furthermore, said policies have been applied uniformly to all Exacompta Clairefontaine Group entities.

4- Consolidation of subsidiaries

The consolidated financial statements include the financial statements of the parent company, Exacompta Clairefontaine, and those of the entities controlled by the parent company (the "subsidiaries").
Control means the power to direct, directly or indirectly, the financial and operating policies of the entity in order to obtain benefits from its activities.
The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control was obtained, and until the date on which control is no longer held.
The balances shown in the balance sheet, unrealised losses and gains, and the revenues and expenses resulting from Group transactions are eliminated on consolidation.

Unrealised gains arising from transactions with affiliates are eliminated in proportion to the Group's equity interest.
Unrealised losses are similarly eliminated only if they do not represent a loss in value.

5- Foreign currencies

The individual financial statements of each of the Group’s entities are presented in the currency of the economic environment in which that entity operates. For the purposes of the consolidated financial statements, the profit or loss and the financial position of each entity are stated in euros, which is the functional currency of Exacompta Clairefontaine S.A. and the currency in which the consolidated financial statements are presented.

Transactions in foreign currency are recorded at the exchange rate in effect on the date of the transaction.
Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are converted to euros at the closing rate. The currency translation differences resulting from this conversion are recorded in the income statement as income or expense, as applicable.

The assets and liabilities of each individual entity that engages in its activity abroad are converted to euros at the exchange rates in effect at the balance sheet date. Income and expenses are converted at the average exchange rates for the period, which is a sufficient approximation of the rates on the transaction dates, in the absence of major fluctuations.
The currency translation differences resulting from the conversion are recorded under currency translation adjustment as a separate shareholders’ equity account.

6- Business combinations

Acquisitions of subsidiaries are recorded using the acquisition method set forth in revised IFRS 3. The identifiable assets acquired and the liabilities taken over are measured at fair value as at the acquisition date, which is the date on which control of the entity is obtained.

The goodwill acquired as part of a business combination is recorded as an asset and is valued as the excess [a - b] of:

a) the sum of the consideration transferred, the non-controlling interest in the acquired entity and, in the case of a step acquisition, the fair value of the previously held interest as at the acquisition date, over
b) the book value, as at the acquisition date, of the identifiable assets and liabilities acquired.

If a business combination takes place under favourable conditions, the purchaser records any corresponding gain under income as at the acquisition date.

A business combination involving a number of entities under common control is a grouping in which all of the entities or operations that are grouped are ultimately controlled by the same party, both before and after the combination, and where such control is long term.

Unless there are any specific rules in accounting standards, the Group applies book values to all transactions involving entities under common control.

7- Property, plant and equipment

Group land and buildings are intended for use in the production or supply of goods and services, or for administrative purposes.
The Group does not hold any material real estate that should be classified an investment property. The industrial facilities and other equipment are operating assets for the production or supply of goods and services.

All Group property, plant and equipment is recorded at historical purchase cost, less accumulated depreciation and impairment.
Property, plant and equipment under construction are assets intended for use in production and are recorded at cost, less any impairment identified.
When items of property, plant and equipment have different useful lives, they are recorded as separate assets. All ongoing service and maintenance costs are recorded as expenses at the time they are incurred.

Lease agreements that involve the transfer to the Group of substantially all the risks and benefits inherent in owning an asset are classified as finance leases.
The respective assets are booked as fixed assets at fair value or, if lower, at the discounted value of the minimum lease payments less accumulated depreciation and impairment, as the offset to a financial liability. The minimum payments under these agreements are divided between interest expense and repayment of the debt. The interest expense is charged to each period covered by the finance lease so as to obtain a constant periodic interest rate on the balance of the remaining debt shown in liabilities.
These assets are depreciated over their expected useful life on the same basis as owned assets.

Depreciation is recognised as expenses using the straight line method, without any residual value. The depreciation is calculated based on the estimated useful life of each component of fixed assets on the following bases and by year:

- Land	not depreciated
- Buildings	25 to 40 years
- Fixtures and furnishings	10 to 20 years
- Plant and equipment	10 to 20 years
- Other office supplies and computer hardware	3 to 10 years

The useful life of the main assets is reviewed when the accounts are closed. Any change in the useful life is recorded on a prospective basis as a change in an accounting estimate.

8- Intangible assets

Research and development costs

Research costs are recorded as expenses in the year in which they are incurred.
Development expenses are recorded as a non-current asset if the costs can be reliably measured and if the Group can demonstrate the technical and commercial feasibility of the product or

procedure, the existence of probable future economic benefits and its intention, as well as the availability of sufficient resources, to complete the development of and use or sell the asset.
When the requirements for recording development expenses in assets are not met, they are recognised as expenses for the year in which they are incurred.
Following a review of development costs incurred, the Group did not capitalise any development expenses.

Goodwill

Goodwill arises from the acquisition of subsidiaries. Goodwill is the difference between the purchase cost and fair value of identifiable net assets minus contingent liabilities.
Following the application of revised IFRS 3 – *Business combinations*, as of 1 January 2010 goodwill is measured in accordance with the principles described in paragraph 6 above.
Goodwill recorded prior to this date is not adjusted.

Goodwill is valued at cost, less accumulated impairment.

For the purposes of impairment testing, goodwill is allocated to cash generating units (CGUs) or groups of CGUs consisting mainly of subsidiaries or groups of subsidiaries with synergies.
Most of these CGUs are outside the consolidated Group, and they are smaller in size than the operating segments defined by IFRS 8 *Operating segments*.
Impairment tests are carried out on all cash generating units to which goodwill is allocated; these tests are performed annually, and at each account statement date if there is an indication that the unit may have lost value, using the discounted future cash flows method. The future cash flows are calculated for an average period of 5 years, are discounted at a rate between 8% and 10%, and include a terminal value. There is no major variation in the principal key assumptions used to calculate expected cash flows.
If the recoverable value of the cash generating unit is less than that unit's book value, the loss in value is first allocated to reducing the book value of any goodwill allocated to that cash generating unit, and then to other assets of the unit, pro rata to the book value of each asset in the unit.
Impairment of goodwill recorded in the income statement is not reversed in a subsequent period.

Trademarks

Trademarks are recorded as intangible assets at fair value as at the purchase date. In the absence of a foreseeable limit on their capacity to generate net cash flows, the useful life of the trademarks used by the Group is considered to be indefinite.
They are not amortised but undergo an impairment test once a year and at each balance sheet date if there is any indication of loss in value. The recoverable value is determined based on expected cash flows discounted at the rate of 8%.

Trademark internally generated expenses are expensed when incurred.

Other intangible assets

The Group's other intangible assets are recorded at cost less amortisation and accumulated impairment.
Amortisation is recognised as an expense under the straight line method over the estimated useful life, on the following bases and by year:

- Patents, licences and software 3 to 8 years
- Other intangible assets 5 to 10 years

9- Impairment of property, plant and equipment and intangible assets (excluding goodwill and trademarks)

At the end of each period, the Group reviews the book values of property, plant and equipment and intangible assets in order to determine whether there is any indication that an asset has suffered impairment. If it has, the recoverable value of the asset is estimated in order to determine the potential impairment.

The recoverable value of an asset is the higher of the fair value less costs to sell and the value in use. The value in use is estimated using the discounted future cash flows method. If the recoverable value is estimated to be less than the book value, impairment is recognised immediately in expenses in the income statement.
Impairment recorded for an asset during a prior period may be reversed if there has been a change in the estimates used to determine the recoverable value. However, any book values that have been increased following a reversal of impairment may not exceed the book value that would have been determined after depreciation or amortisation, if no impairment had been recorded. The reversal of impairment is recorded in the income statement.

10- Financial assets

Unconsolidated equity interests are classified as assets available for sale, and are valued at fair value; changes in fair value are recorded under shareholders' equity.
If the fair value cannot be reliably estimated, equity interests continue to be measured at purchase cost. In the event of a write-down, the loss in value is recorded in the income statement.

Intercompany receivables and other non-current financial assets are valued at fair value when initially recorded and at amortised cost at the time of subsequent valuations.

11- Trade and other receivables

Trade and other receivables are included in the IAS 39 category "loans and receivables". They are valued at fair value when initially recognised and at cost at the time of subsequent valuations. Any losses in value are recorded in the income statement when the recoverable value is less than the book value.

12- Inventories

Inventories are recorded at the lower of cost and net realisable value. The net realisable value is the estimated sales price in the normal course of business, less the estimated costs for completion and the estimated costs to make the sale.

The cost includes direct raw materials costs and direct labour costs, and directly attributable general expenses incurred to put the inventories in place in their existing condition. In general, the cost is calculated using the weighted average cost method.

Greenhouse gas emission rights

The Group's paper subsidiaries engage in an activity that is regulated by Order no. 2004-330 of 15 April 2004, with the adaptation to French law, in the environmental code, of Directive no. 2003/87/EC of the European Parliament and the Council, establishing a scheme for trading greenhouse gas emission allowances, adopted on 13 October 2003.

An allowance is a unit of account that represents the emission of one tonne of carbon dioxide. The current greenhouse gas emission allowance allocation period runs from 2013 to 2020.

The Group applies the accounting principles set forth in Regulation no. 2012-03 of 4 October 2012 on the accounting treatment of greenhouse gas emission allowances and similar units, as adopted by the French accounting standards authority ("*Autorité des normes comptables*" or ANC).
Pursuant to the regulation, the Group applies the "production" model, in which the holding of allowances is linked to a production process that generates greenhouse gas emissions. The allowances are used in order to comply with the requirement to surrender them to the State.

The main features of the model applied by the Group are as follows:

- The allowances are recorded under inventories.
  - Allowances allocated by the State are recorded at zero value. They are treated purely in terms of volume.
  - Purchased allowances are recorded at purchase cost.

- Balance sheet valuation
  - An impairment charge is recorded when the present value of inventories is lower than the book value.
  - No specific valuation is carried out in the case of allocated allowances, as they are recorded at zero value.

- Inventory withdrawal
  - The allowances are withdrawn from inventories on an ongoing basis in line with actual CO_2 emissions. Allocated allowances have no impact on the financial statements.
  - Any gains or losses arising from the sale of emission allowances are recorded under operating income.

- Requirements related to greenhouse gas emissions
  - The basic requirement to surrender the CO_2 emission allowances in accordance with emissions produced remains unchanged from the previous allocation periods.
  - At the end of each reporting period, if the Group lacks a sufficient number of allowances [allocated + purchased] to meet its obligation to surrender allowances to the State, a liability representing the value of missing allowances to be purchased is recorded.

13- Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and short-term investments in money market instruments. These investments can be converted into a known amount of cash within one week at most and are subject to a negligible risk of a change in value.
Marketable securities are classified under assets held for trading.
Bank overdrafts repayable on demand and current borrowings, which are an integral part of the Group's cash management, are included in cash and cash equivalents for the purposes of the cash flow statement.

14- Derivative financial instruments

The Group uses derivative financial instruments to limit its exposure to the interest rate risks resulting from its operating, financing and investing activities.
The Group does not apply hedge accounting (cash flow and fair value hedges). Derivative financial instruments are included in financial assets and liabilities, at their fair value through profit/loss. The profit or loss resulting from subsequent valuations of the fair value is recorded immediately in income.
Interest rate swaps are recorded at fair value, which corresponds to the price that would be exchanged between knowledgeable and willing parties in an arm's length transaction. This value is communicated by the financial institutions with which these instruments are contracted.

15- Interest-bearing debt

All financial instruments are initially valued at their fair value and at their amortised cost at the time of subsequent valuations.
Transaction costs are included in the initial valuation of the financial instruments that are not valued at fair value through profit or loss. The transaction costs are the marginal costs directly attributable to the purchase or issuance of a financial instrument and do not include internal administration costs.
All loan expenses are recorded as expenses for the period in which they are incurred.

16- Employee benefits

Defined contribution plans

Payments to a defined contribution plan are recorded as expenses at the time they are incurred.

Provisions for retirement indemnities

The Group's net liability for defined benefit plans is estimated separately for each scheme by estimating the amount of the future benefits acquired by personnel in exchange for services rendered during the present and prior periods.

This amount is discounted to determine its present value, and is reduced by the fair value of the assets of the scheme. The discount rate is determined using the French average bond market rate on the balance sheet date, based on blue chip corporate bonds. The calculations are performed using the projected unit credit method.

Actuarial gains and losses have been recorded under items of other comprehensive income in accordance with amendments to IAS 19 – *Employee benefits*. The first half 2013 financial data has been restated where necessary in order to ensure comparability between the financial years.

17- Provisions

A provision is recorded in the balance sheet when the Group has a current legal or constructive obligation resulting from a prior event and it is probable that that an outflow of resources representing economic benefits will be necessary to satisfy the obligation.
A restructuring provision is recorded when a transaction is approved by the Group and has been the subject of a communication.
The amount recorded in provisions is the best estimate of the expense that will be required to satisfy the obligation, and it is updated when the effect is significant.

18- Income

Revenue

Sales of products and services are valued at the fair value of the consideration received or receivable, net of trade discounts and sales taxes.

Sales of goods are recorded in the income statement at the time of delivery of the goods and transfer of ownership to the buyer, who takes on their risks and benefits.
Income obtained from provision of services is recorded in the income statement based on the degree of progress in provision of the service at the balance sheet date, and is valued based on the work performed.

Public subsidies

The public subsidies that offset some expenses incurred by the Group are recorded systematically as income in the income statement, for the period in which the expenses are incurred.

The subsidies that cover all or part of the costs of an asset are deducted from this asset to determine its cost price.
The subsidy is recorded as income over the useful life of the asset and can be amortised through a decrease in the depreciation expense.

Competitiveness and Employment tax credit (Crédit d'impôt pour la compétitivité et l'emploi – CICE)

The Competitiveness and Employment tax credit (CICE) was introduced under Article no. 66 of the Amending French Finance Act no. 2012-1510 of 29 December 2012.
It is calculated based on the total remuneration paid during the calendar year and the income is accounted for in line with personnel expenses. CICE is recorded as a reduction in personnel expenses.

19- Expenses

Payments under operating leases

Payments under operating leases are recognised as expenses on a straight line basis over the term of the lease.
The benefits received or receivable by the lessee are recorded as income according to the same rule, spread out over the term of the lease.

Net financial items

Net financial items include interest payable on loans and cash liabilities, interest receivable on investments, foreign exchange gains and losses, and gains and losses on financial instruments. All are recorded in the income statement.

20- Income tax

Income taxes include current tax expense or income and deferred tax expense or income. The tax is recorded in income unless it is related to items posted directly to shareholders' equity, in which case it is also recorded in shareholders' equity.

The *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE – French business value added tax) is not classified as an income tax and does not come within the scope of IAS 12. The charges are recorded under operating expenses.

Current tax is the estimated tax due on taxable income for a period and any adjustment to current tax for prior periods.
It is determined by using the tax rates that have been adopted or substantially adopted at the balance sheet date.

Deferred tax is determined under the accrual method for all timing differences between the book value of the assets and liabilities and their tax bases, based on tax rates that were adopted or substantially adopted at the balance sheet date.

No deferred tax is posted in respect of the following items:

- Goodwill not deductible for tax purposes;
- Initial recording of an asset or liability that has no impact on accounting and taxable income (except in the case of a business combination).

A deferred tax asset is not recorded unless it is probable that the Group will have future taxable income against which this asset can be charged. Deferred tax assets are reduced when it is no longer probable that sufficient taxable income will be available.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities due, and when they involve taxes on income withheld by the same tax authority and the Group intends to pay over the net amount.

21- Management of financial risk

Generally, the Exacompta Clairefontaine Group does not engage in any complex financial transactions. However, it is exposed to certain risks related to the use of financial instruments in the context of its activities.
Risk management is performed by the operating units, in accordance with the policy established by Senior Management.

Market risks

Exposure to market risks involves mainly exchange rate and interest rate risks.

- Foreign exchange risk

The Group operates internationally. Risks related to commercial transactions denominated in a currency other than the respective functional currencies of Group entities are related mainly to purchases of raw materials denominated in US dollars.
In order to manage exchange rate risk, the Group hedges approximately 50% of its anticipated future transactions in USD for the coming three months using options contracts.
Exchange rate variations did not have a material impact on the first half 2014 financial statements.

- Interest rate risk

The risk to which the Group is exposed comes from borrowings. The borrowings initially undertaken at floating rates expose the Group to the risk of cash flow changes. Accordingly, the Group enters into interest rate swap contracts.

Liquidity risk

The Group's approach to managing this risk is to ensure that it always has sufficient liquid assets to meet its liabilities as they fall due without incurring unacceptable losses or damaging its reputation.
To this effect, short-term financing (maturities of less than one year) is provided by commercial paper on which a fixed rate is paid.
The Group also has lines of credit to cover medium-term maturities.

The Group has conducted a specific review of its liquidity risk and deems that it will be able to meet future maturities.

Credit risk

Credit risk represents the risk of financial loss for the Group if a customer or counterparty to a financial instrument fails to perform its contractual obligations.

- Trade and other receivables

The concentration of credit risk is not significant. It is divided among a large number of customers. The risk of default by business sector and country in which the customers engage in their activities does not have a significant influence on credit risk.

The Group has implemented tools to monitor outstandings that enable it to ensure that its customers have an appropriate credit history. Customers that do not satisfy solvency requirements cannot carry out transactions with the Group without making advance payments. In addition, credit risk is limited by taking out credit insurance contracts.

The Group determines a level of write-downs that represent its estimate of losses that will be incurred in respect of trade and other receivables. Impairment charges correspond to specific losses related to individual risks.
The amounts presented in the balance sheet are net of impairment recorded.

- Investments

The Group limits its exposure to credit risk from investments, short-term deposits and other cash instruments, by investing only in liquid securities.
As the counterparties are leading banks, the Group does not expect that any of them will default.

22- Segment information

Based on the Group's internal organisation, the operating segments for financial reporting purposes are defined by area of activity.

The main activities, by area of activity, are as follows:

- Paper: production, finishing and formatting of paper
- Processing: manufacture of stationery, office and filing items.

Transactions between the different operating segments are carried out on arm's length terms.

Segment information by geographic area is also presented and is divided by sales-to-customer area in respect of revenues and by the area in which the consolidated companies are located in respect of other information.

Notes to the consolidated financial statements

1. CONSOLIDATED ENTITIES

All subsidiaries have been consolidated at 30 June 2014 under the full consolidation method (F.C.).

Name	Address	% interest	% controlling interest	Consolidation method	SIREN No.
EXACOMPTA CLAIREFONTAINE	88480 ETIVAL CLAIREFONTAINE			Parent company	505 780 296
A.B.L.	132, Quai de Jemmapes 75010 PARIS	100	100	F.C.	622 033 124
A.F.A.	132, Quai de Jemmapes 75010 PARIS	100	100	F.C.	582 090 452
L'AGENDA MODERNE	144, Quai de Jemmapes 75010 PARIS	100	100	F.C.	552 097 347
CARTOREL	358, Avenue de Paris 79025 NIORT	100	100	F.C.	025 770 470
CFR Ile Napoléon	RD 52 68490 OTTMARSHEIM	100	100	F.C.	439 721 697
PAPETERIES DE CLAIREFONTAINE	88480 ETIVAL CLAIREFONTAINE	100	100	F.C.	402 965 297
CLAIREFONTAINE RHODIA	RD 52 68490 OTTMARSHEIM	100	100	F.C.	339 956 781
CLAIRCELL	ZI – Rue de Chartres 28160 BROU	100	100	F.C.	432 357 358
COGIR	10, Rue Beauregard 37110 CHATEAU RENAULT	100	100	F.C.	885 783 159
REGISTRES LE DAUPHIN	27, Rue Georges Sand 38500 VOIRON	100	100	F.C.	055 500 953
MADLY	6, Rue Henri Becquerel 69740 GENAS	100	100	F.C.	400 210 449
EVERBAL	2, Route d'Avaux 02190 EVERGNICOURT	100	100	F.C.	542 091 194
EXACOMPTA	138, Quai de Jemmapes 75010 PARIS	100	100	F.C.	702 047 564
FACIMPRIM	15, Rue des Ecluses Saint Martin 75010 PARIS	100	100	F.C.	702 027 665

LALO	138, Quai de Jemmapes 75010 PARIS	100	100	F.C.	572 016 814
LAVIGNE	139-175, Rue Jean Jacques Rousseau 92130 ISSY LES MOULINEAUX	100	100	F.C.	332 346 444
PAPETERIE DE MANDEURE	14, Rue de la Papeterie 25350 MANDEURE	100	100	F.C.	339 310 807
MANUCLASS	ZI d'Etriché 49500 SEGRE	100	100	F.C.	318 110 665
CLAIRCELL INGENIERIE	ZI – Rue de Chartres 28160 BROU	100	100	F.C.	490 846 763
EDITIONS QUO VADIS	14, Rue du Nouveau Bêle 44470 CARQUEFOU	100	100	F.C.	054 807 748
IMPRIMERIE RAYNARD	6, Rue de la Peltière – 35130 LA GUERCHE DE BRETAGNE	100	100	F.C.	659 200 786
ROLFAX	ZI Route de Montdidier 60120 BRETEUIL	100	100	F.C.	432 030 088
PAPETERIES SILL	Rue du Moulin 62570 WIZERNES	100	100	F.C.	085 650 141
PHOTOWEB	1, Rue des Platanes 38120 SAINT–EGREVE	75	75	F.C.	428 083 703
BRAUSE Produktion	D – 51149 KÖLN	100	100	F.C.	
EXACLAIR GmbH (Germany)	D – 51149 KÖLN	100	100	F.C.	
RODECO	D – 51149 KÖLN	100	100	F.C.	
MAKANE BOUSKOURA	Parc industriel de Bouskoura, lot no. 4 20180 BOUSKOURA	100	100	F.C.	
CLAIR MOROCCO	Parc industriel de Bouskoura, lot no. 4 20180 BOUSKOURA	100	100	F.C.	
PUBLIDAY MULTIDIA	Parc industriel de Bouskoura, lot no. 4 20180 BOUSKOURA	100	100	F.C.	
ERNST STADELMANN	Bahnhofstrasse 8 A – 4070 EFERDING	99	99	F.C.	
EXACLAIR (Spain)	E – 08110 MONTCADA I REIXAC	100	100	F.C.	
EXACLAIR (Belgium)	18 D, Boulevard Paepsem B – 1070 BRUSSELS	100	100	F.C.	
EXACLAIR Inc. (USA)	143 West 29th Street USA – NEW YORK	100	100	F.C.	
EXACLAIR Ltd (UK)	Oldmedow Road KING'S LYNN, Norfolk PE30 4LW	100	100	F.C.	

QUO VADIS International Ltd	1055, Rue Begin – Ville Saint Laurent QUEBEC H4R 1V8	100	100	F.C.	
EXACLAIR Italia Srl	26 via Ferrante Aporti I – 20125 MILANO	100	100	F.C.	
QUO VADIS Japon Co Ltd	Sangenjaya Combox 4F 1–32–3 Kamjuma Setagaya-Ku, TOKYO	100	100	F.C.	
QUO VADIS Polonia Spzoo	Ul Oeniadeckich 18 60–773 POZNAN	100	100	F.C.	
QUO VADIS Editions Inc.	120 Elmview Avenue HAMBURG, NY 14075–3770	100	100	F.C.	
SCHUT PAPIER	Kabeljauw 2 NL – 6866 HEELSUM	100	100	F.C.	

Changes affecting the scope of consolidation	
Companies newly consolidated - acquisitions	Companies deconsolidated
• Acquisition of 75% of the equity of PHOTOWEB on 22 January 2014	• None

The effects of the changes in the scope of consolidation are detailed in the information in the balance sheet and income statement below.

2. INFORMATION ON THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

2.1 Non-current assets

2.1.1 Intangible assets

Trademarks

"Concessions, patents, licences" include trademarks totalling €8,655,000.
No impairment was recorded in the first half 2014 financial statements.

Goodwill

Reported goodwill at 30 June 2014 largely applied to five subsidiaries.

€23,682,000 goodwill was recognised in the consolidated financial statements following the January 2014 acquisition of a 75% controlling interest in PHOTOWEB. Assets and liabilities arising from this transaction will be identified during the second half of the year.

A €2 million impairment loss was recorded in the first half 2014 financial statements pursuant to the rules and methods described under Note 8 in the section entitled "Presentation of the consolidated financial statements".

The segment information shows the goodwill breakdown by business and geographic segment.

2.1.2 Property, plant and equipment

The useful life of the principal assets has been reviewed by the Group. No changes in useful lives leading to a material change in the accounting estimates were identified during the year.

Finance leases included in the respective accounts

€000	30/06/2014	31/12/2013
Property, plant and equipment	**9,376**	**10,049**
Land	5	22
Buildings	689	1,345
Plant and equipment	8,682	8,682
Depreciation	**8,720**	**8,988**
Accumulated b/fwd	8,988	8,409
Increase for the period	251	579
Disposals of fixed assets	(519)	0
Loans	**0**	**0**

2.1.3 Financial assets

Unconsolidated equity interests and other non-current securities are stated at cost if there is no reliable fair value.
Intercompany receivables, loans and other financial assets are valued at amortised cost. The book value is equal to the fair value.

2.1.4 Intangible assets

H1 2014 (€000)	Goodwill	Concessions, patents, licences and similar rights	Other	Total
Gross value b/fwd	13,666	25,742	3,589	42,997
Purchases		235	115	350
Sales		(49)		(49)
Changes in scope of consolidation	23,682	245		23,927
Currency translation adjustments		3	8	11
Transfers and other	1	782	(669)	114
Gross value c/fwd	**37,349**	**26,958**	**3,043**	**67,350**
Amortisation and write-downs b/fwd	3,116	13,651	1,508	18,275
Sales		(22)		(22)
Changes in scope of consolidation		157		157
Amortisation		790	169	959
Write-downs	2,000			2,000
Reversals				
Currency translation adjustments		3	5	8
Transfers and other				
Amortisation and write-downs c/fwd	**5,116**	**14,579**	**1,682**	**21,377**
Net book value b/fwd	**10,550**	**12,061**	**2,111**	**24,722**
Net book value c/fwd	**32,233**	**12,379**	**1,361**	**45,973**

2013 (€000)	Goodwill	Concessions, patents, licences and similar rights	Other	Total
Gross value b/fwd	13,676	27,543	1,606	42,825
Purchases		484	1,914	2,398
Sales		(281)	(5)	(286)
Changes in scope of consolidation				
Currency translation adjustments		(12)	(33)	(45)
Transfers and other	(10)	(1,992)	107	(1,895)
Gross value c/fwd	**13,666**	**25,742**	**3,589**	**42,997**
Amortisation and write-downs b/fwd	3,056	12,353	1,461	16,870
Sales		(281)	(5)	(286)
Changes in scope of consolidation				
Amortisation		1,590	135	1,725
Write-downs	70			70
Reversals			(61)	(61)
Currency translation adjustments		(11)	(22)	(33)
Transfers and other	(10)			(10)
Amortisation and write-downs c/fwd	**3,116**	**13,651**	**1,508**	**18,275**
Net book value b/fwd	**10,620**	**15,190**	**145**	**25,955**
Net book value c/fwd	**10,550**	**12,061**	**2,111**	**24,722**

2.1.5 Property, plant and equipment

H1 2014 (€000)	Land and buildings	Plant and equipment	Other PP&E	Advances and PP&E in progress	Total
Gross value b/fwd	132,680	399,228	30,306	6,383	568,597
Purchases	1,615	2,478	1,034	2,046	7,173
Sales	(686)	(1,929)	(252)		(2,867)
Changes in scope of consolidation	857	6,787	3,116	7,615	18,375
Currency translation adjustments	176	356	40		572
Transfers and other	9,798	2,315	182	(12,408)	(113)
Gross value c/fwd	**144,440**	**409,235**	**34,426**	**3,636**	**591,737**
Depreciation and write-downs b/fwd	72,590	258,293	25,046	0	355,929
Sales	(524)	(1,727)	(219)		(2,470)
Changes in scope of consolidation	13	4,217	2,622		6,852
Depreciation	2,132	9,460	1,027		12,619
Write-downs					
Reversals					
Currency translation adjustments	72	305	38		415
Transfers and other					
Depreciation and write-downs c/fwd	**74,283**	**270,548**	**28,514**	**0**	**373,345**
Net book value b/fwd	**60,090**	**140,935**	**5,260**	**6,383**	**212,668**
Net book value c/fwd	**70,157**	**138,687**	**5,912**	**3,636**	**218,392**

2013 (€000)	Land and buildings	Plant and equipment	Other PP&E	Advances and PP&E in progress	Total
Gross value b/fwd	127,958	387,021	29,853	5,324	550,156
Purchases	4,404	13,217	1,464	5,161	24,246
Sales	(226)	(3,659)	(929)		(4,814)
Changes in scope of consolidation					
Currency translation adjustments	(208)	(310)	(106)	(8)	(632)
Transfers and other	752	2,959	24	(4,094)	(359)
Gross value c/fwd	**132,680**	**399,228**	**30,306**	**6,383**	**568,597**
Depreciation and write-downs b/fwd	68,788	243,858	24,376	0	337,022
Sales	(183)	(2,919)	(910)		(4,012)
Changes in scope of consolidation					
Depreciation	4,064	17,761	1,715		23,540
Write-downs					
Reversals			(53)		(53)
Currency translation adjustments	(79)	(266)	(82)		(427)
Transfers and other		(141)			(141)
Depreciation and write-downs c/fwd	**72,590**	**258,293**	**25,046**	**0**	**355,929**
Net book value b/fwd	**59,170**	**143,163**	**5,477**	**5,324**	**213,134**
Net book value c/fwd	**60,090**	**140,935**	**5,260**	**6,383**	**212,668**

2.1.6 Financial assets

H1 2014 (€000)	**Unconsolidated equity interests**	**Intercompany receivables**	**Loans**	**Other receivables**	**Total**
Gross value b/fwd	1,840	0	883	1,349	4,072
Purchases	250		13	2,022	2,285
Sales					
Changes in scope of consolidation				112	112
Currency translation adjustments				6	6
Transfers and other			(34)	(86)	(120)
Gross value c/fwd	**2,090**	**0**	**862**	**3,403**	**6,355**
Write-downs b/fwd	1,177	0	0	24	1,201
Purchases/Sales					
Changes in scope of consolidation					
Write-downs	42				42
Reversals					
Currency translation adjustments					
Transfers and other					
Write-downs c/fwd	**1,219**	**0**	**0**	**24**	**1,243**
Net book value b/fwd	**663**	**0**	**883**	**1,325**	**2,871**
Net book value c/fwd	**871**	**0**	**862**	**3,379**	**5,112**

2013 (€000)	**Unconsolidated equity interests**	**Intercompany receivables**	**Loans**	**Other receivables**	**Total**
Gross value b/fwd	1,840	0	842	1,795	4,477
Purchases			81	21	102
Sales				(2)	(2)
Changes in scope of consolidation					
Currency translation adjustments				(40)	(40)
Transfers and other			(40)	(425)	(465)
Gross value c/fwd	**1,840**	**0**	**883**	**1,349**	**4,072**
Write-downs b/fwd	1,092	0	0	26	1,118
Purchases/Sales					
Changes in scope of consolidation					
Write-downs	85				85
Reversals				(2)	(2)
Currency translation adjustments					
Transfers and other					
Write-downs c/fwd	**1,177**	**0**	**0**	**24**	**1,201**
Net book value b/fwd	**748**	**0**	**842**	**1,769**	**3,359**
Net book value c/fwd	**663**	**0**	**883**	**1,325**	**2,871**

Other receivables consist mainly of deposits and bonds totalling €2,850,000 at 30 June 2014, compared to €801,000 at 31 December 2013.

2.1.7 Table of maturities of other financial assets

At 30 June 2014 (€000)	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Loans	53	123	686	862
Other financial assets	1,644	1,002	757	3,403
Financial assets and receivables	**1,697**	**1,125**	**1,443**	**4,265**

At 31 December 2013 (€000)	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Loans	78	160	645	883
Other financial assets	391		958	1,349
Financial assets and receivables	**469**	**160**	**1,603**	**2,232**

2.2 Current assets

2.2.1 Inventories by type

H1 2014 (€000)	**Raw materials**	**WIP**	**Semi-finished and finished goods**	**Total**
Gross value b/fwd	58,104	17,307	99,895	175,306
Change	(1,294)	1,452	13,505	13,663
Gross value c/fwd	**56,810**	**18,759**	**113,400**	**188,969**
Write-downs b/fwd	5,003	816	5,255	11,074
Additions	3,393	469	2,318	6,180
Reversals	(3,385)	(633)	(2,310)	(6,328)
Currency translation adjustments and other	2		(1)	1
Write-downs c/fwd	**5,013**	**652**	**5,262**	**10,927**
Net book value b/fwd	**53,101**	**16,491**	**94,640**	**164,232**
Net book value c/fwd	**51,797**	**18,107**	**108,138**	**178,042**

2013 (€000)	**Raw materials**	**WIP**	**Semi-finished and finished goods**	**Total**
Gross value b/fwd	55,599	16,916	105,350	177,865
Change	2,505	391	(5,455)	(2,559)
Gross value c/fwd	**58,104**	**17,307**	**99,895**	**175,306**
Write-downs b/fwd	4,767	667	5,370	10,804
Additions	4,858	763	4,846	10,467
Reversals	(4,620)	(614)	(4,951)	(10,185)
Currency translation adjustments and other	(2)		(10)	(12)
Write-downs c/fwd	**5,003**	**816**	**5,255**	**11,074**
Net book value b/fwd	**50,832**	**16,249**	**99,980**	**167,061**
Net book value c/fwd	**53,101**	**16,491**	**94,640**	**164,232**

2.2.2 Write-down of other current assets

€000	Write-downs b/fwd	Additions	Reversals	Other changes	Write-downs c/fwd
Trade receivables	3,312	620	(530)	1	3,403
Other receivables	177				177
Total	**3,489**	**620**	**(530)**	**1**	**3,580**

Statement of maturities of trade and other receivables

€000	Less than 1 year	1 to 5 years	More than 5 years	Total
Trade and similar receivables	130,260	1,134		131,394
Taxes and social security contributions receivable	10,168			10,168
Debit current accounts	175			175
Other receivables	2,266			2,266
	142,869	**1,134**		**144,003**
Impairment				(3,580)
Financial assets				**140,423**

Prepaid expenses	3,348
Reported trade and other receivables	**143,771**

2.2.3 Marketable securities

Marketable securities are assets held for trading. The book value of €33,245,000 is their market value at 30 June 2014. The book value is equal to the fair value.

2.3 Shareholders' equity

The parent company's share capital consists of 1,131,480 shares, each with a €4 nominal value totalling €4,525,920, and did not change during the year. A double voting right is granted to each fully paid-up share which has been registered for at least two years in the name of the same shareholder.
The Group has not implemented any specific capital management policy.

ETABLISSEMENTS CHARLES NUSSE holds 80.46% of share capital.

2.4 Deferred taxes

The principal sources of deferred taxes are regulated provisions, finance leases, public subsidies, trademarks, inter-company profits on inventories and provisions.

The change in balance sheet deferred taxes amounted to a€135,000 reduction in the net deferred tax liability.

Income statement:
- The change in deferred tax under income was a €17,000deferred tax expense.
- The change in deferred taxes under comprehensive income was a €39,000 reduction due to restatement of actuarial gains and losses pursuant to IAS 19R.

The tax calculation is presented in paragraph 2.10.

Statement of changes in deferred tax

€000	Closing balance	Opening balance	Change
Deferred tax assets	898	577	321
Deferred tax liabilities	29,976	29,790	186
Net deferred tax	**29,078**	**29,213**	**(135)**

2.5 Provisions

Provisions break down as follows:

€000	Provisions b/fwd	Additions	Reversals	Provisions not used	Other changes	Provisions c/fwd
Provisions for pensions and similar obligations	17,613	1,358	(590)	(442)	193	18,132
Other non-current provisions	0					0
Non-current provisions	**17,613**	**1,358**	**(590)**	**(442)**	**193**	**18,132**
Provisions for contingent liabilities	3,080	797	(116)	(67)	41	3,735
Other provisions for charges	197		(19)			178
Current provisions	**3,277**	**797**	**(135)**	**(67)**	**41**	**3,913**

Other changes in provisions for pensions and similar obligations correspond to €116,000 of actuarial adjustments recorded under comprehensive income, amounting to €77,000 after tax.

Provisions for pensions and similar obligations consist mainly of provisions for retirement indemnities and are calculated at each balance sheet date.

They are valued (including social security contributions) based on the following main criteria:

- probability of retirement, staff turnover and mortality;
- projected salary increases;
- discounting the resulting liability at 2.73%.

Amounts paid to insurance companies are deducted from provisions.

Net change in the provision for pensions and similar obligations

€000	**H1 2014**	**2013**
Liability b/fwd	**17,613**	**16,746**
Cost of services rendered	912	1,139
Financial expense	459	484
Changes for the year	(968)	(1,553)
→ *o/w new recruits*	*118*	*62*
→ *o/w departures during the year*	*(1,086)*	*(1,615)*
Liability excluding actuarial gains and losses	**18,016**	**16,816**
Actuarial gains and losses under comprehensive income	116	797
Liability c/fwd	**18,132**	**17,613**

The recorded liability includes €14,848,000 of obligations under the plan applicable to French companies and €3,284,000 under plans applicable to foreign companies.

2.6 Loans and borrowings with financial institutions

Statement of liquidity risk

€000	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Loans from financial institutions	756	3,141	2,362	6,259
Other borrowings	2,148	3,012	38	5,198
Bank loans and overdrafts	100,278			100,278
Subtotal	**103,182**	**6,153**	**2,400**	**111,735**
Current accounts with credit balances	5,000			5,000
Accrued interest	12			12
Total	**108,194**	**6,153**	**2,400**	**116,747**
Estimated interest to maturity				*615*

- Including current liabilities €108,194,000
- Including non-current liabilities €8,553,000

All short, medium and long term financing transactions are based on Euribor. The average commitment fee charged on credit lines is 0.25%. Drawdowns are charged at a variable rate negotiated on the basis of the amount and the maturity date of each line of credit. The fair value of borrowings is equal to the book value.

2.7 Issuance & financial instruments programmes

Commercial paper

Short-term needs are financed by commercial paper issued by Exacompta Clairefontaine. A fixed rate as at the date of issue is paid on the commercial paper, which has a maximum term of 365 days.
The amount recorded under “Current portion of interest-bearing debt” was €80 million at the balance sheet date. The maximum amount of commercial paper that may be issued was €125 million at 30 June 2014.

Lines of credit

Lines of credit are in place with several banks for a total amount of €117 million, with maturities not exceeding 4 years. The term of drawdowns ranges from one week to six months. The amount recorded in the item “Current portion of interest-bearing debt” was €15 million at 30 June 2014.
The financial statements for the period have not been affected by the related covenants.
Long-term financing is arranged through negotiated loans.

Financial instruments

The Group uses derivatives mainly to hedge against interest rate risks. Transactions performed to hedge exchange rate risks are non material.
The fair value of the financial instruments is communicated by the financial institutions from which they are obtained.
The change in the fair value recorded in income amounted to €89,000.

Interest rate risks

In order to hedge against changes in interest rates, the Group has taken out interest rate swaps.
The types of instruments that may be used, as well as the maximum risk levels incurred, are determined by Senior Management. The risk is checked daily.
A change of 1 percent (100 basis points) in interest rates would have a
€981,000 effect on first half 2014 income.

Portfolio of financial instruments

Residual maturity (€000)	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Interest rate swaps	3,819	3,158	0	6,977

The amounts shown in the table are current notional amounts.

2.8 Other current liabilities

€000	30/06/2014	31/12/2013
Advances and down payments received	2,032	501
Taxes and social security contributions payable	40,315	32,679
Fixed asset payables	1,890	3,038
Other liabilities	13,570	10,861
Deferred income	446	379
Derivative financial instruments	235	324
Total	**58,488**	**47,782**

Derivative financial instruments are recorded at fair value.

2.9 Off-balance sheet commitments

- Greenhouse gas emission allowances

The greenhouse gas emission allowance trading system is in its third phase, running from 2013 to 2020.

The principles applied by the Group are set forth in note 12 of the presentation of the consolidated financial statements.
There is no measurable commitment given that freely allocated allowances are only accounted for in terms of volumes.

The 24 January 2014 Decree establishing the list of operators who have been attributed greenhouse gas emission allowances and the total amount of allowances issued free of charge for the 2013-2020 period were published in the French government's official journal on 14 February 2014.
The volume allocated for 2014 is 72,436 tonnes. The Group did not purchase any allowances on the market.

- Sureties and guarantees

Exacompta Clairefontaine jointly and severally guarantees payment to Exeltium for all liabilities arising from purchases of blocks of electricity contracted by Papeteries de Clairefontaine.

2.10 Income tax – Tax reconciliation

€000	H1 2014	H1 2013
Consolidated net income/ (loss) before goodwill impairment	751	(2,061)
Goodwill impairment	2,000	–
Income taxes	1,212	(15)
Deferred taxes	17	96
Consolidated tax base	3,980	(1,980)
Statutory tax rate applicable to parent company	33.33%	33.33%
Theoretical tax charge	**1,327**	**(660)**
Uncapitalised tax assets on foreign companies	461	541
Tax rate differences	(104)	164
Accounting/tax timing differences	(414)	(254)
Tax debits and credits	(41)	291
Other		(1)
Actual tax charge	**1,229**	**81**

Income taxes	1,212	(15)
Deferred taxes	17	96
Reported tax charge	**1,229**	**81**

2.11 Group headcount and employee benefits

Average headcount	H1 2014	H1 2013
Management	490	466
Employees	890	760
Labourers and other salaried workers	1,849	1,917
Total	**3,229**	**3,143**

Expenses recorded for defined contribution schemes (€000)	20,479	20,386

Photoweb employed 135 people at 30 June 2014.
The Competitiveness and Employment tax credit (CICE) is recorded as a reduction in personnel expenses and amounted to €1,743,000 for first half 2014.

2.12 Financial income and expenses

€000	H1 2014	H1 2013
Equity interests and income from other financial assets	5	6
Income from other receivables and marketable securities	331	460
Other financial income	84	75
Financial instruments – change in fair value	89	220
Reversal of provisions and write-downs		2
Foreign exchange gains	693	524
Net gain on sale of marketable securities	20	13
Total financial income	**1,222**	**1,300**
Increase in provisions and write-downs	42	42
Interest and financial expenses	348	214
Foreign exchange losses	456	1,102
Other financial expenses	130	193
Total financial expenses	**976**	**1,551**

2.13 Related parties

- The consolidated financial statements include transactions with Etablissements Charles Nusse.

€000	H1 2014 (6 months)	2013 (12 months)
Balance sheet		
Short-term portion of interest-bearing debt: current account	5,000	–
Income statement		
Financial expenses	5	–
Fees	569	1,135
Leases	2,586	5,734

Group companies receive management services from Etablissements Charles Nusse and pay a fee amounting to 0.6% of the value added of the previous year.

- Remuneration of administrative and management bodies:

The total direct and indirect remuneration of all kinds received by all Group senior executives amounted to €937,000.
No other benefits are granted to Group senior executives.

The total amount of director's fees distributed between the Directors totalled €60,000 in 2014, and was awarded by a decision of the 27 May 2014 Shareholders’ Meeting.

3. SEGMENT INFORMATION

Correspondence with the consolidated balance sheet:

- “Other assets allocated” includes inventories and advances;
- “Unallocated assets” consists of tax receivables and deferred tax assets.

➢ Segment information by business – First half 2014

€000	**Paper**	**Processing**	**Intersegment transactions**	**Total**
Segment income statement				
Revenue	135,750	194,180	(64,381)	265,549
Depreciation/amortisation (net of reversals)	5,925	7,653		13,578
Write-downs and provisions	548	316		864
Operating income/(loss) (excl. goodwill)	7,092	(3,136)	(222)	3,734
Goodwill impairment		2,000		2,000
Segment assets				
Net PP&E and intangible assets	109,953	122,179		232,132
o/w investments	*1,634*	*5,889*		*7,523*
Goodwill		32,233		32,233
Trade receivables	46,084	116,653	(34,746)	127,991
Other receivables	3,754	12,153	(127)	15,780
Balance sheet total	*49,838*	*128,806*	*(34,873)*	*143,771*
Other assets allocated	53,089	129,093	(2,312)	179,870
Unallocated assets				*4,320*
Total assets	212,880	412,311	(37,185)	592,326
Segment liabilities				
Current provisions	1,772	2,141		3,913
Trade payables	22,763	68,220	(34,733)	56,250
Other payables	21,487	37,190	(188)	58,488
Unallocated liabilities				*0*
Total liabilities	46,021	107,551	(34,921)	118,651

➢ Segment information by region – First half 2014

€000	**France**	**Europe**	**Outside Europe**	**Total**
Revenue	171,840	80,346	13,363	265,549
Net PP&E and intangible assets	215,354	8,818	7,960	232,132
o/w investments	*6,552*	*500*	*471*	*7,523*
Goodwill	32,233			32,233
Trade receivables	111,099	14,122	2,770	127,991
Other receivables	12,565	757	2,458	15,780
Balance sheet total	*123,664*	*14,879*	*5,228*	*143,771*
Other assets allocated	164,906	7,725	7,239	179,870
Unallocated assets				*4,320*
Total assets	536,157	31,422	20,427	592,326

➢ Segment information by business – First half 2013

€000	Paper	Processing	Intersegment transactions	Total
Segment income statement				
Revenue	134,232	185,719	(65,823)	254,128
Depreciation/amortisation (net of reversals)	5,859	6,702		12,561
Write-downs and provisions	272	(557)		(285)
Operating income/(loss) (excl. goodwill)	3,253	(4,810)	(172)	(1,729)
Goodwill impairment				
Segment assets				
Net PP&E and intangible assets	115,833	113,154		228,987
o/w investments	*10,208*	*5,333*		*15,541*
Goodwill		10,620		10,620
Trade receivables	46,290	115,648	(33,292)	128,646
Other receivables	3,787	11,026	(198)	14,615
Balance sheet total	*50,077*	*126,674*	*(33,490)*	*143,261*
Other assets allocated	54,656	136,324	(2,400)	188,580
Unallocated assets				*2,093*
Total assets	220,566	386,772	(35,890)	573,541
Segment liabilities				
Current provisions	1,507	1,994		3,501
Trade payables	23,098	66,391	(33,270)	56,219
Other payables	23,502	35,751	(287)	58,966
Unallocated liabilities				*0*
Total liabilities	48,107	104,136	(33,557)	118,686

➢ Segment information by region – First half 2013

€000	France	Europe	Outside Europe	Total
Revenue	163,333	76,675	14,120	254,128
Net PP&E and intangible assets	212,942	8,549	7,496	228,987
o/w investments	*12,935*	*1,203*	*1,403*	*15,541*
Goodwill	10,620			10,620
Trade receivables	111,781	14,242	2,623	128,646
Other receivables	11,859	639	2,117	14,615
Balance sheet total	*123,640*	*14,881*	*4,740*	*143,261*
Other assets allocated	172,057	8,556	7,967	188,580
Unallocated assets				*2,093*
Total assets	519,259	31,986	20,203	573,541

Exacompta Clairefontaine S.A.

Certification
of the half-year financial report

I hereby certify that, to the best of my knowledge, the financial statements for the half year ended have been prepared in accordance with applicable accounting standards and present a true and fair view of the assets and liabilities, financial position and earnings of the company and all the companies included in the consolidation. I also certify that the half-year activity report enclosed herein presents a true and fair view of the main events occurring during the first six months of the year, the impact thereof on the financial statements and the main related party transactions, as well as a description of the main risks and uncertainties affecting the remaining six months of the year.

Jean Marie Nusse
Executive Vice President

Exacompta Clairefontaine S.A.

Statutory Auditors' Report
on the half-year financial report

SEREC AUDIT
70 bis, Rue Mademoiselle
75015 PARIS

BATT AUDIT
25 Rue du Bois de la Champelle
54500 VANDŒUVRE-LES-NANCY

EXACOMPTA CLAIREFONTAINE

STATUTORY AUDITORS' REPORT
ON THE FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2014

To the Shareholders,

In accordance with our engagement by your Shareholders' General Meeting, and in application of Article L. 451-1-2 III of the French Monetary and Financial Code, we have:

- conducted a limited review of the attached consolidated financial statements of **EXACOMPTA CLAIREFONTAINE** for the period from 1 January to 30 June 2014;

- verified the information contained in the half-year activity report.

The consolidated half-year financial statements were prepared under the responsibility of the Board of Directors. It is our responsibility, based on our limited review, to express an opinion on those statements.

1. Opinion on the financial statements

We performed our limited review in accordance with professional standards applicable in France. A limited review mainly involves the conducting of interviews with the senior executives responsible for accounting and financial matters and the implementation of analytical procedures. The work is of limited scope compared to the work required for an audit performed in accordance with auditing standards applicable in France. Accordingly, a limited review provides only a moderate degree of assurance, less than that provided by an audit, that the financial statements, taken as a whole, are free from material misstatements.

On the basis of our limited review, we did not identify any material misstatements that cause us to question, with regard to IFRS as adopted by the European Union, the validity and accuracy of the consolidated half-year financial statements and the fact that they give a true and fair view of the assets, liabilities and financial position as at 30 June 2014 and of the earnings for the six months ended 30 June 2014 of the persons and entities included in the consolidation.

2. Specific verifications

We have also verified the information provided in the half-year activity report commenting on the consolidated half-year financial statements on which we performed our limited review. We have no comments to make about the accuracy of the said activity report or about its consistency with the consolidated half-year financial statements.

Paris, 29 August 2014

Statutory Auditors

SEREC AUDIT	BATT AUDIT
Dominique Gayno	**Jéhanne Garrait**