EXACOMPTA CLAIREFONTAINE

ORDINARY SHAREHOLDERS' MEETING

OF 24 MAY 2012

FISCAL YEAR 2011

REPORTS OF THE BOARD OF DIRECTORS
PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS
REPORTS OF THE STATUTORY AUDITORS
PROPOSED RESOLUTIONS

REGISTERED OFFICE: 88480 ETIVAL CLAIREFONTAINE (VOSGES), FRANCE
SHARE CAPITAL €4,525,920
Telephone: +33 (0)3 29 42 42 42 Fax +33 (0)3 29 42 42 00 Website: http:www.exacomptaclairefontaine.fr
EPINAL TRADE AND COMPANIES REGISTRY No. B 505 780 296 FRENCH BUSINESS REGISTRATION No. (SIRET): 505 780 296 FRENCH INDUSTRY CLASSIFICATION (NAF): 7010Z

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)

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

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

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

Jean-Marie Nusse, Senior 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.
Pascal François

SEREC AUDIT, 75015 Paris, France.
Benoît Grenier

Contents:

ORDINARY SHAREHOLDERS' MEETING

Agenda:

- Report of the Board of Directors on operations and the parent company financial statements for fiscal year 2011;
- Report of the Board of Directors on operations and the consolidated financial statements for fiscal year 2011;
- Reports of the Statutory Auditors on the financial statements for fiscal year 2011 and on regulated agreements and report drawn up pursuant to Article L.225-235 of the French Commercial Code;
- Approval of the parent company financial statements for the year ended 31 December 2011;
- Approval of the consolidated financial statements for the year ended 31 December 2011;
- Appropriation of earnings;
- Agreements governed by Article L.225-38 of the French Commercial Code;
- Discharge of the Directors. Approval of the directors' fees allocated to the members of the Board of Directors;
- Election and appointment of a director.

THE BOARD OF DIRECTORS

Certification of the Annual Report:

I hereby certify that to the best of my knowledge the financial statements have been prepared in accordance with applicable accounting standards and present a true and fair view of the assets, financial position and results of the company and all the companies included in the consolidation and that the management report enclosed herein presents a true and fair view of the operations, results and financial position of the company and all the companies included in the consolidation, as well as a description of the main risks and uncertainties facing them.

Jean-Olivier Roussat
Executive Vice President

REPORT OF THE BOARD OF DIRECTORS

TO THE ORDINARY SHAREHOLDERS' MEETING

OF 24 MAY 2012

To the Shareholders,

1. REVIEW AND APPROVAL OF THE PARENT COMPANY FINANCIAL STATEMENTS

(€000)	2011	2010
Operating revenue	8,845	9,308
Operating profit	105	250
Net financial items	2,119	2,957
Net income	4,080	3,261

EXACOMPTA CLAIREFONTAINE, a holding company, serves the companies of the Group, for which it manages the sales force and certain property assets.

It is also responsible for the Group's financial management, consolidation, legal and tax services, communications and relations with shareholders. It coordinates actions taken relating to environmental certification.

Since January 2003, the subsidiaries have paid EXACOMPTA CLAIREFONTAINE a fee equal to 0.2% of their added value for the previous year.

The companies which head sub-groups (Exacompta, Papeteries de Clairefontaine, Clairefontaine Rhodia, AFA) guarantee all repayments of their subsidiaries which borrow from their parent company.

The amount of non-tax deductible expenses was €6,200.

INCOME FOR THE LAST FIVE YEARS (€)

Balance sheet date **Duration of the reporting period (in months)**	**31/12/2011** **12**	**31/12/2010** **12**	**31/12/2009** **12**	**31/12/2008** **12**	**31/12/2007** **12**
CAPITAL AT YEAR END					
Share capital	4,525,920	4,525,920	4,525,920	4,525,920	4,525,920
Number of ordinary shares	1,131,480	1,131,480	1,131,480	1,131,480	1,131,480
OPERATIONS AND RESULTS					
Revenue before tax	2,,074,928	2,126,168	2,075,703	2,020,024	1,155,501
Income before taxes, profit-sharing, depreciation, amortisation and provisions	2,961,870	4,157,908	14,346,176	3,119,125	(948,950)
Income taxes	(1,996,455)	(174,881)	(2,406,456)	(4,016,659)	(2,273,317)
Net depreciation, amortisation and provisions	878,582	1,071,636	917,296	250,814	226,912
Net income	4,079,743	3,261,153	15,835,336	6,884,970	1,097,455
Distributed income	1,131,480	1,131,480	2,036,664	2,036,664	2,262,960
EARNINGS PER SHARE					
Income after taxes and profit-sharing and before depreciation, amortisation and provisions	4	4	15	6	1
Income after taxes, profit-sharing, depreciation, amortisation and provisions	4	3	14	6	1
Dividend paid	*1	1	1.80	1.80	2
PERSONNEL					
Average number of employees	46	48	57	60	61
Payroll	3,853,255	3,900,675	4,237,840	4,629,187	4,469,507
Sums paid in employee benefits (social security and charitable organisations, etc.)	1,522,838	1,480,837	1,620,311	1,730,248	1,647,595

* Dividend proposed

SCHEDULE OF TRADE PAYABLES

Schedule in days					
	Total payables	**Payables due**	**Payables not yet due**		
31/12/2011			1 to 30 days	31 to 60 days	Over 60 days
Trade payables	684	–	566	118	–
Suppliers - fixed assets	243	–	17	226	–
Total	**927**	–	**583**	**344**	–
31/12/2010					
Trade payables	1,013	12	876	125	–
Suppliers - fixed assets	1	–	1	–	–
Total	**1,014**	**12**	**877**	**125**	–

SHARE AND SHAREHOLDER INFORMATION

The share was quoted at €80.99 on 4 January 2011 and closed the year at €65 (down 19.7%). During the same period, the SBF 250 fell 17.1% and the CAC 40 fell 17.9%. The number of shares traded during the year was 9,345.

The parent company does not have a share buyback programme and there are no employee shareholders.

The capital of the parent company is composed of 1,131,480 shares 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.

Our principal shareholder, Ets Charles Nusse, holds 910,395 shares with double voting rights, representing 80.46% of the capital at 31 December 2011.

“Financière de l'Echiquier”, a minority shareholder, crossed the 5% ownership threshold in 2005.

2. REVIEW AND APPROVAL OF THE 2011 CONSOLIDATED FINANCIAL STATEMENTS

2.1 RESULTS

(€000)	2011	2010
Income from continuing activities (Revenue)	545,447	537,440
Operating profit	5,152	7,459
Net income before income tax	4,114	6,899
Net income after income tax	3,341	3,186
Minority interests	< 5 >	< 1 >
Group share	3,346	3,187

In 2011, the consolidated cash flow of the Exacompta Clairefontaine Group was €26,924,000 and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) was €27,913,000, compared to €31,587,000 and €32,318,000 respectively in 2010.

2.2 PRINTING AND WRITING PAPERS

After a recovery in 2010, the French paper industry was hoping that growth would continue in 2011. Unfortunately, after a promising first half, business deteriorated during the second half of the year.

Apparent consumption of paper and cardboard fell by 2.2%. This fall in consumption was particularly marked for graphics paper, which fell by 3.2 %.

With regard to the cost of fibre raw materials, the benchmark pulp price (NBSK – Nordic long-fibre) followed two consecutive trends. During the first half of 2011, the price rose every month from USD 850 per ton at the beginning of the year to a peak of USD 1,040 per ton in June. The price slid back during the summer, then fell from the beginning of September, finishing the year at USD 830 per ton. Eucalyptus short-fibre followed the NBSK pulp curve but in a more accentuated manner, falling from USD 850 to USD 730 over the year.

In 2010, the INSEE paper and cardboard market price index (base 100 in 2005) recovered after plummeting to a low of 87.7 in 2009. The index continued to climb, reaching a peak of 115.4 in May 2011. Since then, it seems to have levelled out.

Although the economic downturn in the second half of 2011 caused raw material prices to fall, it also led to another slump in sales of fine papers, curtailing the profitability of the paper sector.

Our paper manufacturing division did not escape this overall trend and had to make allowance for these factors in order to maintain its market share.

Our four plants produced a total of 225,300 tons in 2011, 3% up on 2010. Production capacity using recycled papers increased from 29,000 to 35,000 tons. Our manufacturing capacity continues to grow.

2.3 STATIONERY

After a buoyant start to the year, demand tailed off from March onwards. Back-to-school sales were satisfactory, but sales then stagnated over the last three months of the year. Overall market growth for the year is estimated at 0.5%, with specialist chains increasing their market share (source: Institut I+C[1]).

While paper price increases were not sufficient for paper manufacturers, they still drove down paper processors' margins under pressure from the market.

Our exercise book and printing paper workshops capitalised on the quality and diversity of our product offering to increase their production considerably over the year.

After the closure of Châtelles Transformation in August, Clairefontaine acquired some of its machinery and took on some of its staff.

The envelopes business maintained its earnings by developing new products that scored a resounding success with consumers.

In other product categories such as filing and diaries, Exacompta Clairefontaine is growing its market share across all market segments.

Exacompta has set up a high-performance logistics centre north of Paris at Vémars.

2.4 FINANCIAL POSITION

2.4.1 Debt

At 31 December 2011, with revenue of €545,447,000, the Group's financial debt (excluding parent company loans) was €54,336,000, while shareholders' equity totalled €366,657,000.

In order to provide for its growth, the Group has negotiated a €155 million line of credit with its banks. At 31 December 2011, the balance of this line of credit was €47 million. With €57,258,000 of cash funding some capital expenditure among other things, the Group held positive net cash of €2,922,000 at 31 December 2011.

[1] Translator note: French market research firm

2.4.2 Financial instruments

The Group uses financial derivatives instruments to hedge its exposure to interest rate risks resulting from its operating, financing and investing activities. Under its cash management policy, the Group does not hold or issue financial derivatives for transaction purposes.

2.4.3 Management of financial risk

Generally, the Exacompta Clairefontaine Group does not engage in any complex financial transactions. Financial risk management is provided by the operating units in accordance with the policy defined by Senior Management.

<u>Credit risk</u>

Credit risk represents the risk of financial loss for the Group if a third party fails to meet its contractual obligations.

- Trade and other receivables

Credit risk is spread over a large number of customers. The Group has set up tools to monitor outstanding amounts and the risk is limited by credit insurance policies. In the case of some of the Group's distributor customers, the premiums on these policies have recently been reduced by the specialised organisations.

- Investments

The Group limits its exposure to the credit risk on investments, short-term deposits and other cash instruments by investing only in liquid securities; the counterparties are leading banks.

<u>Liquidity risk</u>

The Group's approach to managing this risk is to ensure that it always has sufficient liquid assets to meet its liabilities when due without incurring unacceptable losses or damaging its reputation. For this purpose, short-term financing arrangements are in place along with a line of credit that covers medium-term payments.

<u>Foreign exchange risk</u>

The Group operates internationally, but has little exposure to foreign exchange risks because of the local presence of its main subsidiaries. The risks related to commercial transactions are primarily those related to purchases of raw materials, which are 50% covered by option contracts.

2.5 RELATED PARTIES

The consolidated financial statements include transactions performed by the Group with Etablissements Charles Nusse.

The Group's companies benefit from the leadership provided by Ets Charles Nusse and pay a fee equal to 0.6% of the added value for the previous year.

2.6 CORPORATE OFFICERS

List of the principal offices held by the members of the Board

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

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

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

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

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

Jean-Marie Nusse, Senior 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

3. PROPOSED RESOLUTIONS

3.1 3.1 APPROPRIATION OF EARNINGS

Earnings (€):	
2011 earnings	€4,079,743.42
Retained earnings	€629,673.44
	€4,709,416.86
We propose the following appropriation:	
* First dividend	€226,296.00
* Second dividend	€905,184.00
Total dividends	€1,131,480.00
* Transfer to other reserves	€3,000,000.00
* Transfer to retained earnings	€577,936.86
TOTAL APPROPRIATED	€4,709,416.86

Given that share capital consists of 1,131,480 shares, each share would receive a total dividend of €1.

The following table shows the dividends paid for the last three years:

Year	Dividend	Number of shares
2008	1.80	1,131,480
2009	1.80	1,131,480
2010	1.00	1,131,480

3.2 DIRECTORS' FEES

Your Board proposes that you approve directors' fees in the amount of €60,000 to be paid to the directors of the company in 2012.

3.3 DIRECTORS

The term of Charles Nusse is expiring. We propose that you renew his term of office for six years. His appointment will end at the conclusion of the Shareholders' Meeting to which the financial statements for fiscal year 2017 are submitted.

4. POST-BALANCE SHEET EVENTS

No significant events occurred between 1 January and 29 March 2012.

5. RESEARCH AND DEVELOPMENT

Group companies including Papeteries de Clairefontaine participate in various research programmes in cooperation with the Grenoble Paper Technical Centre and various university laboratories.

6. SAFETY AND WORKING CONDITIONS

Prevention of arduous work

Group companies are working on a system to measure the arduousness of work. This involves analysing risk factors to which workers are exposed at work where such factors could have a permanent, identifiable and irreversible impact on workers' health.

These risk factors are divided into three categories: physical constraints, unpleasant physical environment and work speed.

As a result of these initiatives, agreements or action plans for the prevention of arduous work have been or will be implemented.

Papeteries de Clairefontaine has signed a master agreement with the unions on arduous work and the employment of seniors.

Improvement of working conditions

Safety is a priority for Exacompta Clairefontaine Group. For many years now, the Group has been endeavouring to reduce the amount of work considered as harmful or a source of occupational illnesses, such as musculoskeletal disorders.

The Group continued to implement continuous improvement measures in 2011; for example:

- Papeteries Sill introduced ergonomic forklift trucks to improve the conditions of packaging and handling work.

- Papeteries de Clairefontaine installed robot palletising systems to reduce human load carrying and adapted workstations to make them adjustable to the worker's height.

- Editions Quo Vadis adapted its production lines to reduce repetitive work (automatic stacking systems, cover removing unit) and purchased equipment designed to facilitate handling (pallet stacker/destacker, paper roll transporters).

7. EMPLOYMENT INFORMATION

Exacompta Clairefontaine Group had 3,201 employees at 31 December 2011, compared to 3,230 in 2010.

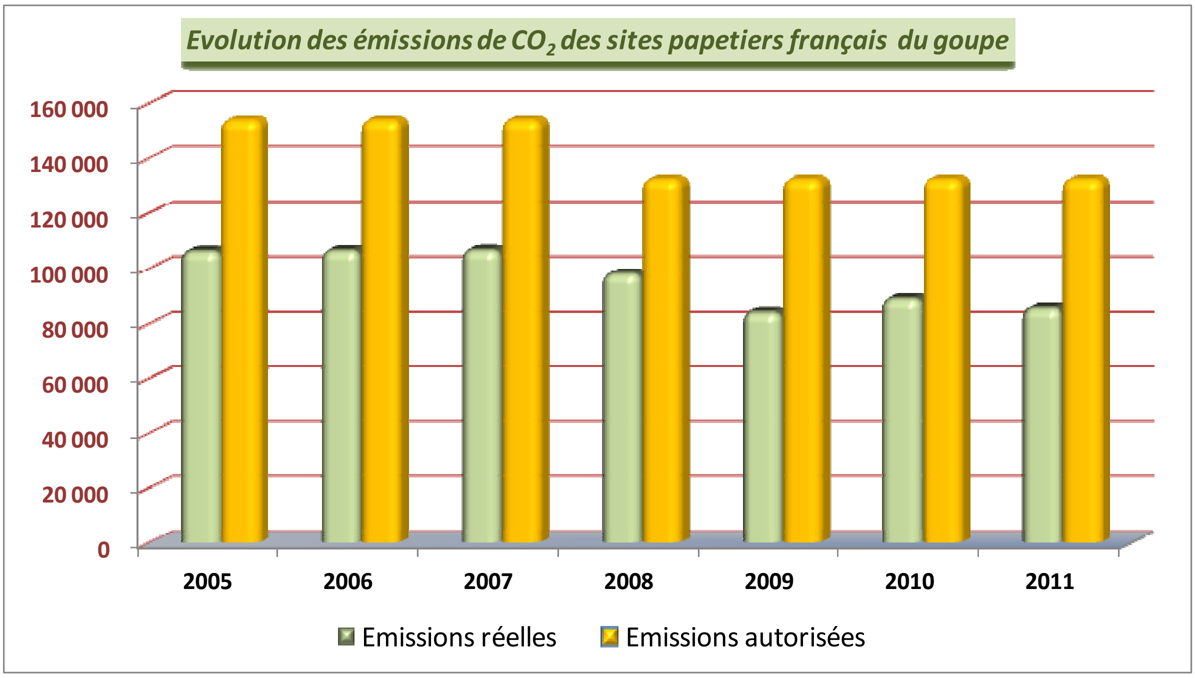
Group companies apply the collective agreement for the production of paper, cardboard and cellulose, or the collective agreement for stationery.

The Group Works Council, which met on 15 June 2011, commented on the activity and the economic and employment outlook for the year.

8. ENVIRONMENTAL INFORMATION

Carbon dioxide (CO_2) emissions at French paper sites

Site	Emissions in tonnes of CO_2		Change
	2011	2010	
CLAIREFONTAINE	66,355	70,303	↓ 5.6%
MANDEURE	9,914	9,811	↑ 1.0%
EVERBAL	9,553	9,075	↓ 5.3%
Total	**85,822**	**89,189**	**↓ 3.8%**



[Translation of graph:
"Evolution des émissions de CO2 des sites papetiers français du groupe" =
"Carbon dioxide (CO_2) emissions at the Group's French paper sites"
"Emissions réelles" = "Actual emissions"
"Emissions autorisées" = "Authorised emissions"]

The total combined gross production of the three sites was up 2.2% compared to 2010.

It is clear from the overall reduction in CO_2 emissions that energy efficiency continues to improve at these sites. The Everbal site is a perfect illustration of this development: despite a 21.8% increase in production, the site's CO_2 emissions rose by only 5.3%.

Studies continue in connection with the project to install biomass boilers at the Mandeure and Clairefontaine sites. Everbal is planning to build an additional biomass boiler. Oil will henceforth be used only as a backup fuel while the wood boilers are undergoing maintenance. Fossil-based CO_2 emissions are expected to fall very sharply.

Environmental certifications

➔ The following sites are certified ISO 14001:

- ***Papeteries de Clairefontaine*** (2001) – Etival Clairefontaine (88)[2]
- ***Papeterie de Mandeure*** (2003) – Mandeure (25)
- ***Everbal*** (2006) – Evergnicourt (02)
- ***Editions Quo Vadis*** (2007) – Carquefou (44)
- ***Ernst Stadelmann*** (2008) – Eferding (Austria)
- ***Papeteries Sill*** (2009) – Wizernes (62)
- ***Imprimerie Raynard*** (2009) – La Guerche de Bretagne (35)
- ***Exaclair Ltd*** (2009) – King's Lynn (UK)

➔ Sustainable Forest Management: the production sites and a large number of the processing sites are PEFC (Programme for the Endorsement of Forest Certification) and/or FSC (Forest Stewardship Council) certified:

Environmental logos and labels:

A number of production and processing sites are also entitled to use certain environmental logos, including NF Environnement, Blue Angel, APUR and Imprim'Vert.

APUR

Clairefontaine's Digital Color Printing (DCP) paper range has recently been awarded the European Ecolabel.

[2] Translator note: number in parentheses indicates French *département.*

Examples of the Group's commitment to the environment

The companies in the Exacompta Clairefontaine Group continue their efforts to improve the environment. Here are some examples of environmental projects:

- Editions Quo Vadis continued its drive to improve energy efficiency by carrying out insulation work on its buildings;
- Papeteries Sill carried out work and set up an in-house intervention plan to improve its fire prevention system;
- Papeteries de Clairefontaine introduced a system to improve the collection of waste water emanating from the boiler system.

9. INFORMATION ON COMMUNITY PROJECTS

Exacompta Clairefontaine Group is involved in the life of local communities, particularly through its support for the following football clubs: S.R. Colmar, A.S. Illzach-Modenheim, S.M. Étival-Clairefontaine and U.S. Raon-L'Étape.

In a similar vein, the Group also supports major NGOs such as UNICEF and smaller ones such as ELLS (Educació Lleure Salut), an organisation for the promotion of education in Africa.

Clairefontaine involved in a school in Equatorial Guinea

10. OUTLOOK

9.1 PAPER:

As affirmed by the French paper industry confederation COPACEL, “the French paper industry is entering a period of sweeping changes”.
New communications technologies require specific types of paper (thermal and laser papers, etc.), forcing manufacturing plants to innovate. And as paper consumers nowadays are more concerned about environmental impact, companies must manage their procurement in a responsible manner and ensure that the raw materials they use are duly certified. Globalisation has intensified the downward pressure on prices, and everybody is having to cut costs and set prices at a level acceptable to the market in order to preserve industry in Europe.

All European players have reduced their growth forecasts several times since the start of 2012. This will undoubtedly have a corresponding knock-on effect on paper consumption. The phenomenon is accentuated by the growing tendency to replace paper with electronic and computerised means of communication such as tablets, mobile phones and readers. The expected fall in demand for paper in Europe is not correlated with trends in raw materials, which are consumed in vast quantities by emerging countries. Thus, whilst growth is slowing in Europe, the overall global demand for materials is growing and prices are rising again in line with demand. Pulp is no exception, and short-fibre pulp is hit hard by this trend.

All of these uncertainties will drag profits down throughout the paper sector in 2012.

After relatively low demand during the first few months of the year, Papeteries de Clairefontaine and its subsidiaries will continue to focus on more sophisticated, technical and environment-friendly papers in order to maintain their market share. The 2012 capital expenditure and R&D programme is designed to support this development.

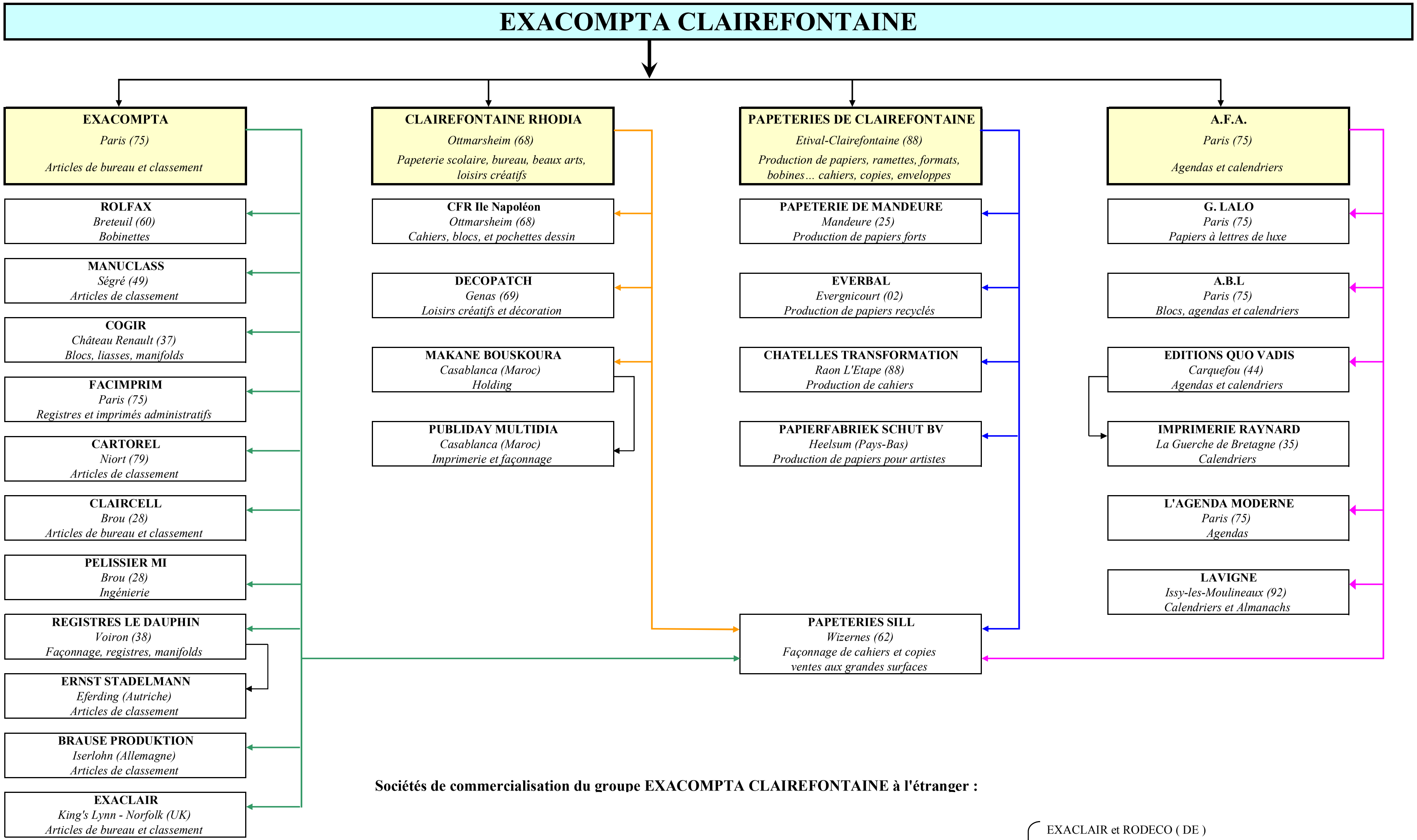
9.2 PROCESSING

Although the paper market continues to slide (total sales down 1% for the start of 2012), the outlook for processing remains favourable.

Sales of school stationery remain stable, whilst sales of craft accessories continue to grow. Sales of filing articles, calendars and diaries are not expected to change significantly.

With the continued success of the classic ranges and the positive reception given to our new products at trade fairs, we can look forward to a satisfactory year in which the prices of manufactured articles will edge up.

ORGANIGRAMME DU GROUPE



Sociétés de commercialisation du groupe EXACOMPTA CLAIREFONTAINE à l'étranger :

EXACLAIR et RODECO (DE)
EXACLAIR (ES)
EXACLAIR (BE)
EXACLAIR (US)
EXACLAIR (PL)
CLAIR MAROC
DIFTAR EXPORT (MA)
QUO VADIS : Canada - Italie - Japon - Pologne - USA

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE OPERATIONS OF THE BOARD AND INTERNAL CONTROL

To the Shareholders,

The Financial Security Act of 1 August 2003 requires that the Chairman of the Board provide a report on the conditions for the preparation and organisation of the work of the Board of Directors, the scope of the powers of the executive officers and the internal control and risk management procedures established by the company.

I hereby notify you of the following information, pursuant to the provisions of Article L.225-37 of the French Commercial Code:

1. Preparation and organisation of the work of the Board of Directors

The Board has nine members, whose terms of office expire at the end of the year stated in brackets:

François Nusse	(2013)
Jean-Claude Gilles Nusse	(2014)
Jean-Marie Nusse	(2016)
Guillaume Nusse	(2015)
Jérôme Nusse	(2015)
Frédéric Nusse	(2015)
Charles Nusse	(2011)
Dominique Daridan	(2016)

Ets Charles Nusse, represented by Monique Prissard (2015)

The Chairman and Chief Executive Officer, who is the Chairman of the holding company Ets Charles Nusse, which manages the Group, and of SAS Exacompta and its subsidiaries, is backed by two senior directorSenior Vice Presidents and one non-director Executive Vice President. The Board has placed no limitations on the powers of the Chairman and Chief Executive Officer or the other Senior Vice Presidents. Notices are given in writing at least eight days in advance. Meetings are held at the registered office or at the offices of a subsidiary in Paris.
The statutory auditors are called to the meetings of the Board of Directors that approve the annual and interim financial statements and to all meetings that review the financial statements.

The Board has met four times since 1 January 2011.
The 29 March Board meeting approved the financial statements for the previous year and prepared the Shareholders' Meeting. The meeting of 31 August reviewed the interim position, particularly the economic environment at the beginning of the year, the interim operating statements and other specific items. The March and August Board meetings were followed by an announcement to all shareholders.

One or more additional Board meetings are held if circumstances require, particularly if there are significant acquisition opportunities. Under these circumstances, decisions are made by consensus, even if this procedure is not explicitly provided for in the Articles of Association. The same applies to decisions on major industrial capital expenditure. Board members must be physically present at Board meetings, as there is no provision for video conferencing.
Board members had a very high attendance rate without missing any meeting. No meetings were called at the initiative of the directors or the Senior Vice Presidents.
To allow Board members to make the necessary preparations for meetings, the Chairman provides them with all necessary information or documents prior to the meeting.

At the Board meetings held to approve the half-year and annual financial statements, each Group company is required to submit a management report, which, in addition to its balance sheet, must contain an analysis of the following items:

- → raw materials (pulp in particular)
- → sales results
- → finishing and logistics
- → technical services
- → manufacturing results
- → accounting and financial management
- → investments
- → outlook and risks

The directors review the consolidated financial statements of the Group and the consolidated statements of the sub-groups. These consolidated statements contain a number of analyses:

- → changes in shareholders' equity;
- → contribution to consolidated income by company;
- → contribution to consolidated reserves by company;
- → contribution to shareholders' equity by company;
- → consolidated interim operating statements.

The drafts of the parent company and consolidated financial statements are submitted to Board members at least eight days before the Board meeting called to approve the final financial statements.
Whenever a member of the Board so requests, the Chairman shall immediately or promptly provide any additional information or documents to said party.

2. Shareholder attendance at Shareholders' General Meetings

Excerpt from the Articles of Association (Article 8.2): "The shares are indivisible vis-à-vis the company. Joint shareholders must be represented at Shareholders' Meetings by one of those shareholders or a single representative of their choosing. If the shareholders are unable to agree on a representative, the latter shall be appointed pursuant to an order of the Presiding Judge of the Commercial Court ruling in summary proceedings upon the request of the first joint shareholder to seek legal intervention.
The voting rights attached to shares are exercised by the owner of the pledged shares. If the ownership of a share is divided, said share belongs to the beneficial owner at Ordinary Shareholders' Meetings and to the legal owner at Extraordinary Shareholders' Meetings."

Excerpt from the Articles of Association (Article 8.3.2): "Registered, fully paid-up shares in the name of the same shareholder for at least two (2) years shall have double voting rights in proportion to the fraction of share capital represented".

Excerpt from the Articles of Association (Article 15.2): "Shareholders' Meetings are held at the registered office or any other location indicated in the notification, pursuant to the procedures and deadlines set forth in the regulatory provisions".

Excerpt from the Articles of Association (Article 16.2): "Shareholders may arrange to be represented by another shareholder or their spouse. Representatives are appointed for one Shareholders' General Meeting only: said appointment shall be valid for two meetings, an ordinary and extraordinary meeting, provided said meetings are held on the same day or within fifteen days of each other. Said appointment shall also be valid for successive meetings called with the same agenda.
Shareholders may vote by post using a form compliant with the regulatory requirements. Said form shall only be valid when received by the company no later than three days prior to the meeting. Where applicable, this form may be incorporated with the power-of-attorney form".

3. Corporate Governance

Audit Committee:
The Audit Committee is represented by the Board of Directors on which the senior executives from the Group's four divisions sit.

Remuneration of the corporate officers:
The recommendation of the *Autorité des marchés financiers* (*AMF* – French Financial Markets Authority) regarding remuneration of the corporate officers is not applied within the Exacompta Clairefontaine Group. Neither does the Group offer any stock options, performance-related shares or supplementary pension schemes.
The remuneration and benefits of all kinds granted to the corporate officers are set on the basis of the following principles:
- salaries: based on experience and the responsibilities of the position held;
- directors' fees: distributed equally among the members of the Board.

Directors' fees:
The remuneration granted to the members of the Board of Directors by way of directors' fees totalled €60,000 in 2011. This was approved by a decision of the Shareholders' Meeting of 26 May 2011.

4. Internal control procedures established by the company

4.1 Definition of internal control

Internal control is defined as a process implemented simultaneously by the Board of Directors, Senior Management and employees of a group, which is designed to provide reasonable assurance that objectives are reached in the following areas:
→ effectiveness and efficiency of operations;
→ reliability of financial information;
→ compliance with the laws and regulations in force.

Internal control consists of all methods which the management have implemented to provide reasonable assurance that objectives are reached and to prevent the occurrence of damaging events.

4.2 Purposes and limits

Internal control ensures control of the company's operations and protects it from various types of risks, including:

- → irregularities and fraud;
- → a material omission or inaccuracy in the processing of information and, therefore, in the financial statements;
- → failure to comply with the company's legal and contractual obligations;
- → destruction, damage or disappearance of assets, or incorrect valuation of assets.

An internal control system, as good as it may be, can provide only reasonable assurance and not an absolute guarantee as to the achievement of the company's objectives, both because of the limits inherent in any process implemented by human beings and because of the limits on resources which all companies must take into account.
The Group relies on four types of information to guide its operations:

- → the annual parent company and consolidated financial statements
- → the consolidated half-yearly financial statements
- → the quarterly financial statements (not published)
- → the projected financial statements (not published).

4.3 Procedures

Systematic identification of risks is the first step in internal control. Mapping the Group's risks presents no specific problems, and the principal challenges are as follows:

- → control of raw materials purchases;
- → control of manufacturing processes;
- → environmental risks;
- → protection of industrial assets and sites;
- → control of the use of financial instruments and hedging foreign currency risk.

The procedures that are applied in the various Group companies may be summarised as follows:

- ➢ accounting and financial
  - → preparation of projected financial statements
  - → budget monitoring
  - → monitoring of intercompany revenue
  - → intercompany account reconciliations
  - → monitoring of monthly and year-to-date interim operating statements
  - → monthly and year-to-date cash position
  - → composition and performance of the investment portfolio
  - → monthly monitoring of the short- and medium-term financial commitments of the subsidiaries, with transmission and control of working capital requirements.

The internal control of financial instruments is specifically monitored by Senior Management, both with regard to the types of instruments used and the maximum risk levels incurred, which are measured daily. These financial instruments (contracts or options) are of two types:

- either they consist of transactions aimed at reducing the risk of a change in the value of an asset or liability or of a related commitment or future transaction not yet realised,
- or they are purely financial in nature in the case of additional outstanding debt.

➢ <u>in other areas, a number of regular reports are prepared:</u>
  → production reports
  → monitoring of monthly and year-to-date industrial results
  → ISO 9000 and ISO 14000 certification
  → safety
  → PEFC and FSC audits
  → environmental labels

The Group has no department dedicated to internal control that is responsible for conducting verifications on its behalf (either in the parent company or in the companies it controls).
The transactions contributing to the corporate activities of the Group and their presentation in the financial statements are verified, though not necessarily through the application of formalised procedures, by Senior Management or by its delegates or agents, with the general goal of complying or ensuring compliance with the laws, regulations and standards in force, and of making every effort to prevent the occurrence of losses that could affect the Group's ability to continue operations.

☞ The Group uses the following accounting software or applications:
  → ETAFI (tax management)
  → REFLEX (consolidation)
  → IWS (intercompany reconciliations)
  → SAP, MOVEX, NAVISION (accounting & finance)
  → ZADIG (personnel management)
  → EXCALIBUR (intranet)

☞ The companies of the Group have taken out the following insurance policies:
  → comprehensive industrial
  → insurance for machine breakdowns, costs and financial losses on co-generation
  → comprehensive real property
  → general civil liability
  → environmental damage liability
  → car fleet and truck insurance

Chairman of the Board of Directors

Exacompta Clairefontaine S.A.

Parent Company Financial Statements for the year ended
31 December 2011

BALANCE SHEET AND INCOME STATEMENT

ASSETS (€000)	31/12/2011	31/12/2010
Intangible assets		
Concessions, patents, licences, trademarks	47	64
Intangible assets in progress	61	
Property, plant and equipment		
Land	3,602	3,602
Buildings	11,577	12,023
Other P, P&E	36	4
Property, plant and equipment in progress	4	
Non-current financial assets		
Equity interests	299,240	299,240
Other non-current securities		
Loans	20,705	29,010
Other financial assets	4	4
TOTAL NON-CURRENT ASSETS	**335,276**	**343,947**
Inventories	198	198
Advances and progress payments made on orders	50	77
Receivables		
Trade and intercompany receivables	2,248	2,499
Other receivables	84,010	78,802
Prepaid expenses	141	167
Cash and cash equivalents	96	2,084
TOTAL CURRENT ASSETS	**86,743**	**83,827**
Currency translation adjustment	210	265
TOTAL ASSETS	**422,229**	**428,039**

LIABILITIES AND SHAREHOLDERS' EQUITY (€000)	31/12/2011	31/12/2010
Share capital	4,526	4,526
Share, merger and contribution premiums	162,566	162,566
Revaluation discrepancy	485	485
Reserves		
Statutory reserve	453	1,251
Other reserves	157,219	154,921
Retained earnings	630	
Profit or (loss) for the year	**4,080**	**3,261**
Regulated provisions	2,446	2,266
SHAREHOLDERS' EQUITY	**332,405**	**329,276**
Provisions		
For contingent liabilities		78
For charges	280	328
TOTAL PROVISIONS	**280**	**406**
Financial debt		
Loans and debt with financial institutions	47,078	32,293
Operating payables		
Trade and similar payables	703	1,063
Taxes and social security contributions payable	1,090	998
Other liabilities	40,284	63,769
Deferred income	160	47
TOTAL PAYABLES	**89,315**	**98,170**
Currency translation adjustment	229	187
TOTAL LIABILITIES AND SHAREHOLDERS'EQUITY	**422,229**	**428,039**

INCOME STATEMENT (€000)	2011	2010
Revenues	2,075	2,126
Operating subsidies		12
Reversals of depreciation, amortisation and provisions, expense transfers	6,399	6,754
Other income	371	416
REVENUE FROM OPERATIONS	**8,845**	**9,308**
Purchases and other supplies	8	6
Other purchases and external expenses	2,070	2,310
Taxes, duties and similar payments	351	361
Salaries and wages	3,853	3,901
Social security contributions	1,523	1,481
Increases in depreciation/amortisation of non-current assets	823	847
Provision charges	45	86
Other expenses	67	66
OPERATING EXPENSES	**8,740**	**9,058**
OPERATING PROFIT/(LOSS)	**105**	**250**
Financial income from equity investments	1,599	2,438
Income from other securities and receivables from non-current assets	945	1,168
Other interest and similar income	1,535	890
Reversals of provisions, expense transfers	78	45
Positive currency translation adjustments	294	479
Net profit on sales of marketable securities		
FINANCIAL INCOME	**4,451**	**5,020**
Increases in depreciation, amortisation and provisions		105
Interest expense and similar expenses	2,051	1,746
Negative currency translation adjustments	281	212
Net expenses on sales of marketable securities		
FINANCIAL EXPENSES	**2,332**	**2,063**
NET FINANCIAL ITEMS	**2,119**	**2,957**
INCOME BEFORE TAXES	**2,224**	**3,207**
Extraordinary income		
On operating transactions		
On capital transactions		
Reversals of provisions, expense transfers	84	91
EXTRAORDINARY INCOME	**84**	**91**
Extraordinary expenses		
On operating transactions		
On capital transactions		
Increases in depreciation, amortisation and provisions	224	212
EXTRAORDINARY EXPENSES	**224**	**212**
EXTRAORDINARY INCOME/(EXPENSE)	**-140**	**-121**
Income taxes	-1,996	-175
NET INCOME FOR THE YEAR	**4,080**	**3,261**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

KEY EVENTS OF THE YEAR

Introduction

Notes to the balance sheet prior to earnings appropriation for the year ended 31/12/2011, for which:

- Total assets were: €422,228,715
- Net income was: €4,079,743

Principal events of the year

There are no significant events warranting disclosure of specific information.

Accounting principles, rules and methods

The annual financial statements were prepared and are presented in accordance with the applicable French regulations, as set forth in the decrees of the *Comité de la Réglementation Comptable* (CRC - Accounting Regulatory Committee).

Comparability of the financial statements

The fiscal year is a period of 12 months that runs from 01/01/2011 to 31/12/2011.

The notes provided below form an integral part of these annual financial statements.

ACCOUNTING RULES AND METHODS

General accounting conventions have been applied, in compliance with the principle of prudence, in accordance with the following underlying assumptions:

- going concern;
- consistent accounting methods from one year to the next;
- accruals concept;

and in accordance with the general rules regarding the preparation and presentation of annual financial statements.

The basic method used to value the items recorded is the historical cost method.

The principal methods used are as follows

Intangible assets

Amortisation was calculated using the straight line method, based on the estimated useful life:

- Software 1 to 3 years

Property, plant and equipment

Valuation:

Property, plant and equipment were valued at their acquisition cost (purchase price excluding ancillary expenses) or production cost.

Depreciation:

Depreciation is calculated using the straight line method based on the estimated useful life of each component of property, plant and equipment on the following bases:

- Buildings 25 to 40 years
- Fixtures and building furnishings 10 to 20 years
- Office supplies and computers 3 to 10 years

Write-downs:

At the end of each year, the company assesses the value of its property, plant and equipment to determine whether there are indications of a loss in value. If so, the recoverable value of the asset is estimated. If the recoverable value is less than the book value, a write-down is taken for the amount of the difference.

Non-current financial assets

The gross value consists of the purchase cost, excluding ancillary expenses.

If the asset value is less than the gross value, a write-down is taken for the amount of the difference. The asset value is assessed on the basis of the net position, which may be consolidated in the case of a group of subsidiaries, and on the outlook of each subsidiary or group of subsidiaries.

Inventories

The purchase made in 1997 of resinous wood is held in stock.

Receivables and payables

Valuation and impairment:

Receivables and payables are valued at their nominal amount. A write-down is taken against receivables when their inventory value is less than their book value.

Receivables and payables denominated in foreign currencies:

These items are valued using the last exchange rate as at the close of the fiscal year. Differences resulting from this valuation are recorded as currency translation adjustments, in assets or liabilities. Provisions for foreign exchange losses are recognised for positive currency translation adjustments.

Cash

Short-term cash:

Short-term needs are financed by commercial paper issued in the market and spot loans.
The commercial paper issued by Exacompta Clairefontaine has a fixed maturity and a maximum term of 365 days. It is subject to a fixed interest rate determined at the time of issue.
The authorised paper limit totalled €125 million. No paper was outstanding at year-end.

Line of credit:

A line of credit is in place with several banks. The maximum authorised amount is €155 million, with maturities not exceeding 5 years. The term of drawdowns ranges from 10 days to one year.
The balance on this line was €47,000 as at 31 December 2011.

Accelerated depreciation/amortisation

Accelerated depreciation consisted of the difference between the depreciation calculated according to tax practices and that calculated according to the straight line method based on the estimated useful life.

Accelerated depreciation totalled €2,446,000 at year-end.

Provisions for contingent liabilities and charges

Provision for pensions:

The method used to calculate this provision is the projected credit units method.
The calculation is based on the following main assumptions:

- payments received pursuant to the collective agreement “Production of papers, cardboard and cellulose”
- discount rate: 3.62 %
- social security contributions rate: 40%

A provision for the full amount of the retirement commitment – including social security contributions – was taken at year end and totalled €218,000.

Other information

- *Identity of the parent company consolidating the company's financial statements:*

Ets Charles NUSSE SA, a French limited company (*Société anonyme*) with an Executive Board and share capital of €1,632,000
15, rue des Ecluses Saint Martin 75010 PARIS

Percentage held: 80.46%

- *Tax consolidation:*

All the subsidiaries consolidated by full consolidation are consolidated for tax purposes, except for the foreign companies.

The parent company of the tax group is Exacompta Clairefontaine.

The tax savings realised by the parent company are returned to the subsidiaries when they become profitable and can charge their own losses.
The tax savings realised in 2011 totalled €1,906,000.

- *Individual training rights:*

At year end, employees had acquired 4,640 unused hours.

- *Staff:*

The average staff of the parent company totalled 46 persons in 2011 (2 administrative managers and 46 sales managers), compared to 48 persons in 2010.

- *Remuneration of administrative and management bodies:*

The members of the Board of Directors receive no remuneration from the company.

The remuneration granted to the members of the Board of Directors as directors' fees totalled €60,000 in 2011, and was awarded by a decision of the Shareholders' General Meeting of 26 May 2011.

BALANCE SHEET AND

INCOME STATEMENT DATA

Share capital

	Number of shares	Par value (€)
At 1 January	1,131,480	4
At 31 December	1,131,480	4

Change in shareholders' equity (€000)

Shareholders' equity at 31/12/2010	**329,276**
Dividends distributed	-1,131
Change in regulated provisions	180
Income for fiscal year 2011	4,080
Shareholders' equity at 31/12/2011	**332,405**

Change in gross non-current assets

€000	Gross value at opening	Purchases	Sales	Other activity	Gross value at closing
Concessions, patents, licences	267	6			273
Intangible assets in progress		61			61
Intangible assets	**267**	**67**			**334**
Land	3,602				3,602
Buildings and fixtures	19,928	351			20,279
Other P, P&E	53	35			88
Property, plant and equipment in progress		4			4
Property, plant and equipment	**23,583**	**390**			**23,973**
Equity interests	299,240				299,240
Other non-current securities					
Loans	29,037	1,000	9,305		20,732
Other financial assets	4				4
Non-current financial assets	**328,281**	**1,000**	**9,305**		**319,976**

Inventory of securities held in the portfolio

Company name	Number of shares	% interest	Net book value
Papeteries de Clairefontaine	5,700,000	100%	103,001,491
Exacompta	135,000	100%	115,692,905
Ateliers de Fabrication d'Agendas	90,000	100%	49,633,433
Clairefontaine Rhodia	256,000	100%	30,912,423
Coopérative Forestière Lorraine	1	insignificant	178

Change in depreciation/amortisation of non-current assets

€000	Provisions b/fwd	Additions	Reversals	Other activity	Amounts c/fwd
Concessions, patents, licences	203	23			226
Intangible assets	**203**	**23**			**226**
Land					
Buildings and fixtures	7,905	797			8,702
Other P, P&E	49	3			52
Property, plant and equipment	**7,954**	**800**			**8,754**

Change in provisions and write-downs

€000	Provisions b/fwd	Additions	Reversals (used)	Reversals (not used)	Provisions c/fwd
Accelerated depreciation/amortisation	2,266	214	34		2,446
Regulated provisions	**2,266**	**214**	**34**		**2,446**
Foreign exchange losses	78		78		
Pensions and similar obligations	176	45		3	218
For taxes	102	10	50		62
Other provisions	50		37	13	
Provisions for contingent liabilities and charges	**406**	**55**	**165**	**16**	**280**
Loans	27				27
Other assets	0				0
Write-downs	**27**				**27**

Increases and reversals		
○ operating	45	53
○ financial		78
○ extraordinary	224	84
Total	**269**	**215**

Receivables schedule

Receivables due (€000)	**Gross amounts**	**Less than 1 year**	**More than 1 year**
Receivables from non-current assets			
Loans	20,732	8,480	12,252
Other financial assets	4		4
Receivables from current assets			
Trade receivables	2,248	2,248	
Personnel and related	10	10	
Social security entities	12	12	
Income taxes	2,089	2,089	
Value added tax	251	251	
Other tax receivables	10	10	
Group and associates	81,621	81,621	
Other receivables	17	17	
Prepaid expenses	141	141	
Total	**107,135**	**94,879**	**12,256**

Payables Schedule

Payables due (€000)	**Gross amounts**	**Less than 1 year**	**From 1 to 5 years**
Loans and debts – financial institutions	47,078	47,078	
Suppliers and related	703	703	
Personnel and related	556	556	
Social security entities	325	325	
Income taxes			
Value added tax	178	178	
Other taxes, duties and similar items	31	31	
Liabilities on non-current assets	243	243	
Group and associates	40,041	40,041	
Deferred income	160	160	
Total	**89,315**	**89,315**	

Breakdown of prepaid expenses and deferred income

€000	**Prepaid expenses**	**Deferred income**
External expenses	103	85
Financial transactions	38	75
Total	**141**	**160**

Breakdown of accrued expenses and accrued income

€000	Accrued liabilities	Accrued income
Invoices not received/to be established	19	141
Tax and social security payables /receivables	609	10
Financial transactions	9	30
Total	**637**	**181**

Breakdown of expense transfers

€000	Expense transfers
Transfer of external expenses	1,159
Transfer of personnel expenses	5,049
Transfer of taxes & duties	138
Total	**6,346**

Extraordinary income and expenses

€000	2011	2010
Sale of property, plant and equipment		
Sale of non-current financial assets		
Reversal of accelerated depreciation	34	54
Other extraordinary reversals	50	37
Other income		
Total extraordinary income	**84**	**91**
Sale of property, plant and equipment		
Sale of non-current financial assets		
Increase in accelerated depreciation	214	212
Other extraordinary additions	10	
Other expenses		
Total extraordinary expenses	**224**	**212**

Breakdown of income taxes

Breakdown – €000	**Income before tax**	**Taxes owed**	**Net income after tax**
Income from ordinary activities	2,224		2,224
Extraordinary income	-140		-140
Taxes receivable – tax consolidation		**-1,996**	**1,996**
Total	**2,084**	**-1,996**	**4,080**

Deferred and future tax position

€000	**Amount**
Tax on:	
Accelerated depreciation/amortisation	815
Total increases	815
Prepaid tax on:	
Paid holiday	107
Other	84
Total reductions	191
Net deferred tax position	**624**

Net future tax position	**0**

Financial instruments

Valuation:

The Group uses derivatives products mainly to hedge against interest rate risks. Transactions performed to hedge exchange rate risks are insignificant.
The valuation of the financial instruments was a €870,000 liability as at 31/12/2011.

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.

Financial instrument portfolio at 31/12/2011 (current notional amounts):

Residual maturity (€000)	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Rate swaps	7,770	11,146	607	19,523

Off-balance sheet commitments

The companies which head sub-groups (Exacompta, Papeteries de Clairefontaine, Clairefontaine Rhodia, AFA) guarantee all repayments of their subsidiaries which borrow from their parent company.

Exacompta Clairefontaine jointly and severally guarantees payment to Exeltium of all liabilities in respect of purchases of blocks of electricity subscribed to by Papeteries de Clairefontaine.

There are no commitments to related companies.

Amounts concerning related companies

€000	**Related companies**
Non-current assets	**319,935**
Equity interests	299,240
Loans	20,695
Current Assets	**83,868**
Trade and intercompany receivables	2,248
Other receivables	81,620
Payables	**40,401**
Trade and similar payables	135
Other payables	40,266
Financial income	**4,475**
Dividends	1,599
Financial expenses	**706**
Operating revenue	**8,732**
Real estate leases	2,051
Other income	362
Expense transfers	6,319

Related party transactions

No material transactions involving related parties were executed under conditions different from normal market conditions.

List of subsidiaries and equity interests (€)

Direct subsidiaries in which more than 50% is held	% held Dividends received	Share capital Shareholders' equity	Shares Gross Amount Net Amount	Loans Advances
Papeteries de Clairefontaine 88480 ETIVAL CLAIREFONTAINE	100% 969,000	91,200,000 152,559,460	103,001,491 103,001,491	
Exacompta 138, Quai de Jemmapes 75010 PARIS	100%	2,160,000 78,660,309	115,692,905 115,692,905	4,553,571
Atelier de Fabrication d'Agendas 132, Quai de Jemmapes 75010 PARIS	100% 630,000	1,440,000 44,610,037	49,633,433 49,633,433	2,000,000
Clairefontaine Rhodia RD 52 68490 OTTMARSHEIM	100%	27,264,000 17,833,779	30,912,423 30,912,423	1,575,000

Some accounting information concerning the subsidiaries has not been provided as its disclosure could cause serious harm.

Exacompta Clairefontaine S.A.

Statutory Auditors' Reports

- **Report on the annual financial statements**
- **Special report on regulated agreements and commitments**
- **Report on the Chairman's report on the operations of the Board of Directors and internal control**

SEREC AUDIT
Statutory Auditor

Member of the Paris Institute
of Statutory Auditors
21 rue Leriche
75015 PARIS

BATT AUDIT
Statutory Auditor

Member of the Nancy Institute
of Statutory Auditors
25 rue du Bois de la Champelle
54500 VANDOEUVRE LES NANCY

Report of the Statutory Auditors on the annual financial statements

Year ended 31 December 2011

EXACOMPTA CLAIREFONTAINE S.A.
A French limited company (*société anonyme*)

88480 ETIVAL CLAIREFONTAINE

REPORT OF THE STATUTORY AUDITORS
ON THE ANNUAL FINANCIAL STATEMENTS

Year ended 31 December 2011

EXACOMPTA CLAIREFONTAINE S.A.

88480 ETIVAL CLAIREFONTAINE

To the Shareholders:

In accordance with the assignment entrusted to us by your Shareholders' General Meeting, we hereby present our report on the year ended 31 December 2011, concerning:

- the audit of the annual financial statements of EXACOMPTA CLAIREFONTAINE S.A., which are appended to this report;
- the bases for our assessments;
- the specific verifications and information required by law.

The annual financial statements were approved by the Board of Directors. It is our responsibility, based on our audit, to express an opinion on those statements.

1 - Opinion on the annual financial statements

We performed our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements do not contain material errors. An audit involves the review, by way of sample tests or other means of selection, of the documents underlying the amounts and information set forth in the annual statements. It also consists of an assessment of the accounting principles followed, the significant estimates made and the presentation of the statements as a whole. We believe that the evidence we have gathered provides a reasonable basis for our opinion.

We certify that the annual financial statements are, with regard to French accounting rules and principles, in order and accurate and fairly present the results of operations for the past year and the financial position and assets of the company at the end of that year.

2 - Bases of assessments

Pursuant to the provisions of Article L.823-9 of the French Commercial Code regarding the justification of our assessments, we provide you with the following information:

- **Equity interests**

The section entitled "Non-current financial assets" in the notes explains the methods used for valuing equity interests. Our work included an assessment of the appropriateness of the underlying data used and of the assumptions on which these estimates were based.

As part of our assessments, we assured ourselves of the reasonableness of these estimates.

The assessments carried out are part of our audit of the annual financial statements, taken as a whole, and thus contributed to the formation of our opinion, which is expressed in the first part of this report.

3 - Specific verifications and information

We also performed the specific verifications required by law, in accordance with the professional standards applicable in France.

We have no comments to make about the accuracy and consistency with the annual financial statements of the information provided in the report of the Board of Directors and in the documents addressed to the shareholders concerning the financial situation and the annual financial statements.

As required by law, we hereby inform you that, contrary to the provisions of Article L.225-102-1 of the French Commercial Code, your company did not provide in its management report the requisite information concerning the remuneration and benefits paid to corporate officers as well as the commitments of any kind made to them.

Pursuant to the law, we assured ourselves that the other information regarding the identity of the holders of the capital was communicated to you in the management report.

Executed in Paris and Vandœuvre-lès-Nancy, 20 April 2012

The Statutory Auditors

SEREC AUDIT	BATT AUDIT
Benoît Grenier	Pascal François

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Special report of the Statutory Auditors on regulated agreements and commitments

Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2011

EXACOMPTA CLAIREFONTAINE S.A.
A French limited company (*société anonyme*)

88480 ETIVAL CLAIREFONTAINE

SPECIAL REPORT OF THE STATUTORY AUDITORS
ON REGULATED AGREEMENTS AND COMMITMENTS

Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2011

EXACOMPTA CLAIREFONTAINE S.A.

88480 ETIVAL CLAIREFONTAINE

To the Shareholders:

In our role as the statutory auditors of your company, we present to you our report on the regulated agreements and commitments.

It is our responsibility to inform you, on the basis of the information provided to us, of the essential characteristics and conditions of the agreements and commitments of which we have been informed or which we have discovered during the course of our audit, without having to express an opinion on their usefulness or appropriateness or to seek out the existence of other agreements and commitments. It is your responsibility, pursuant to Article R.225-31 of the French Commercial Code, to assess the interest attached to entering into these agreements and commitments with a view to their approval.
It is also our responsibility, where appropriate, to provide you with the information stipulated in Article R.225-31 of the French Commercial Code in relation to the performance, during the past year, of those agreements and commitments already approved by the Shareholders' Meeting.

We have conducted the audit which we judged necessary pursuant to the professional policies of the *Compagnie Nationale des Commissaires aux Comptes* (National Institute of Statutory Auditors) relative to this assignment. These procedures consisted of verifying that the information given to us was consistent with the source documents from which it was taken.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE SHAREHOLDERS' MEETING FOR APPROVAL

We have not been informed of any agreement or commitment authorised during the past year and requiring to be submitted to the Shareholders' Meeting for approval pursuant to the provisions of Article L.225-38 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

Pursuant to Article R.225-30 of the French Commercial Code, we were informed that the performance of the following agreements and commitments, which were approved by the Shareholders' Meeting during prior years, continued during this past year.

Agreement with Exacompta and Clairefontaine Rhodia

Nature and purpose: Exacompta and Clairefontaine Rhodia jointly manage part of the Group's communications requirements.

Conditions: For 2011, the following amounts were invoiced and paid by Exacompta Clairefontaine:

- €77,520 invoiced by Exacompta,
- €48,960 invoiced by Clairefontaine Rhodia.

Agreement with companies of the Exacompta Clairefontaine Group

Nature and purpose: Exacompta Clairefontaine S.A. provides companies of the Group with administrative, legal and marketing assistance.

Conditions: Since 1 January 2003, Exacompta Clairefontaine S.A. has received a fee from each of the companies of the Group equal to 0.2% of its value added for the previous year. For fiscal year 2011, the income recorded in the financial statements of Exacompta Clairefontaine was €362,071.

Agreement with Clairefontaine Rhodia

Nature and purpose: Exacompta Clairefontaine S.A. leases to Clairefontaine Rhodia a residential complex located in Mulhouse.

Conditions: Pursuant to this agreement, your company recorded income of €23,000 for the year.

Executed in Paris and Vandœuvre-lès-Nancy, 20 April 2012

The Statutory Auditors,

SEREC AUDIT	BATT AUDIT
Benoît Grenier	Pascal François

SEREC AUDIT
Statutory Auditor

Member of the Paris Institute
of Statutory Auditors
21 rue Leriche
75015 PARIS

BATT AUDIT
Statutory Auditor

Member of the Nancy Institute
of Statutory Auditors
25 rue du Bois de la Champelle
54500 VANDOEUVRE LES NANCY

Report of the Statutory Auditors on the Report of the Chairman of the Board of Directors, drawn up pursuant to Article L.225-235 of the French Commercial Code

Year ended 31 December 2011

EXACOMPTA CLAIREFONTAINE S.A.
A French limited company (*société anonyme*)

88480 ETIVAL CLAIREFONTAINE

Report of the Statutory Auditors on the Report of the Chairman of the Board of Directors, drawn up pursuant to Article L.225-235 of the French Commercial Code

Year ended 31 December 2011

EXACOMPTA CLAIREFONTAINE S.A.

88480 ETIVAL CLAIREFONTAINE

To the Shareholders:

In our role as statutory auditors of EXACOMPTA CLAIREFONTAINE S.A. and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby present to you our report on the report prepared by the Chairman of your company in accordance with the provisions of Article L. 225-37 of the French Commercial Code with regard to the year ended 31 December 2011.

The Chairman is required to draw up and submit a report to the Board of Directors for approval detailing the internal control and risk management procedures established by the company, in addition to other information required by the provisions of Article L.225-37 of the French Commercial Code relating in particular to corporate governance.

It is our responsibility to:

- provide you with our comments on the information contained in the Chairman's report concerning the internal control and risk management procedures related to the preparation and treatment of the accounting and financial information; and

- certify that the report includes all the other information required by Article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to verify the accuracy of said other information.

We carried out our work in accordance with the professional standards applicable in France.

Information concerning the internal control and risk management procedures for preparing and processing accounting and financial information

The professional standards require the performance of procedures that aim to assess the accuracy of the information concerning the internal control and risk management procedures related to the preparation and treatment of accounting and financial information contained in the Chairman's report.

This audit *inter alia* involves:

- acquainting ourselves with the internal control and risk management procedures for the preparation and treatment of the accounting and financial information that underlies the information presented in the Chairman's report, and also the existing documentation;
- acquainting ourselves with the work that enabled the preparation of this information, and with the existing documentation;
- determining whether the main deficiencies in the internal controls for the preparation and treatment of the accounting and financial information which we found during the course of our assignment are appropriately discussed in the Chairman's report.

Based on the work performed, we have no comments to make with regard to the information concerning the internal control and risk management procedures of the company for the preparation and treatment of the accounting and financial information in the report of the Chairman of the Board of Directors, which was prepared in accordance with the provisions of Article 225-37 of the French Commercial Code.

Other information

We hereby certify that the report of the Chairman of the Board of Directors contains the other information required by Article L.225-37 of the French Commercial Code.

Executed in Paris and Vandœuvre-lès-Nancy, 20 April 2012

The Statutory Auditors,

SEREC AUDIT	**BATT AUDIT**
Benoît Grenier	Pascal François

Exacompta Clairefontaine S.A.

Consolidated Financial Statements as at
31 December 2011

Consolidated balance sheet

€000	31/12/2011	31/12/2010	Notes
NON-CURRENT ASSETS	**240,470**	**238,910**	
Intangible assets	14,393	12,813	(2.1.4)
Intangible assets – Goodwill	11,057	11,678	(2.1.4)
Property, plant and equipment	211,152	210,625	(2.1.5)
Financial assets	3,484	3,401	(2.1.6)
Deferred taxes	384	393	(2.4)
CURRENT ASSETS	**345,923**	**331,424**	
Inventories	174,553	158,243	(2.2.1)
Trade and other receivables	108,922	114,851	(2.2.2)
Advances	2,981	1,866	
Taxes receivable	2,209	1,630	
Cash and cash equivalents	57,258	54,834	(2.2.3)
TOTAL ASSETS	**586,393**	**570,334**	

SHAREHOLDERS' EQUITY	**366,657**	**364,044**	
Capital	4,526	4,526	
Reserves related to capital	250,902	249,403	
Consolidated reserves	108,283	107,728	
Currency translation reserve	-446	-850	
Profit/(Loss) – Group share	3,346	3,187	
Shareholders' equity – Group share	**366,611**	**363,994**	
Minority interests	46	50	
NON-CURRENT LIABILITIES	**61,715**	**64,700**	
Interest-bearing debt	16,624	20,899	(2.6)
Deferred taxes	29,057	28,812	(2.4)
Provisions	16,034	14,989	(2.5)
CURRENT LIABILITIES	**158,021**	**141,590**	
Trade payables	52,591	48,618	
Short-term portion of interest-bearing debt	54,213	40,598	(2.6)
Provisions	2,367	3,924	(2.5)
Tax liabilities			
Other liabilities	48,850	48,450	(2.8)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**586,393**	**570,334**	

Consolidated Income Statement

€000	31/12/2011	31/12/2010	Notes
Income from ordinary activities	545,447	537,440	
- Sales of products	537,920	530,326	
- Sales of services	7,527	7,114	
Other operating income	11,012	14,344	
- Reversal of depreciation/amortisation	414	1,047	(2.1.4, 2.1.5)
- Subsidies	70	72	
- Other income	10,528	13,225	
Change in inventories of finished products and work-in-process	11,567	11,957	(2.2.1)
Capitalised production costs	742	440	
Goods and materials used	-277,523	-272,575	(2.2.1)
External expenses	-90,297	-87,774	
Personnel expenses	-148,695	-145,849	(2.11)
Taxes and duties	-10,200	-10,575	
Depreciation/amortisation	-25,393	-24,883	(2.1.4, 2.1.5)
Other operating expenses	-11,508	-15,066	
OPERATING PROFIT – before goodwill impairment	**5,152**	**7,459**	
Goodwill impairment	-506	-800	(2.1.4, 2.1.1)
OPERATING PROFIT – after goodwill impairment	**4,646**	**6,659**	
Financial income	4,640	4,374	
Financial expenses	-5,173	-4,134	
Net financial items	-533	240	(2.12)
Income taxes	-772	-3,713	(2.4, 2.10)
Income after tax	**3,341**	**3,186**	

Net income – minority share	**-5**	**-1**
Net income – Group share	**3,346**	**3,187**

Income for the period	3,346	3,187	
Number of shares	1,131,480	1,131,480	(2.3)
EARNINGS PER SHARE (basic and diluted)	**2.96**	**2.82**	

Comprehensive income statement

€000	2011	2010
Net income for the period	**3,341**	**3,186**
Currency translation differences resulting from the conversion of foreign entities' financial statements	404	753
Total comprehensive income	**3,745**	**3,939**
Attributable to:		
- **minority interests**	**-5**	**-1**
- **the Group**	**3,750**	**3,940**

Statement of changes in consolidated shareholders' equity

€000	Shareholders' equity – Group share	Shareholders' equity – minority share	Total shareholders' equity
Balance at 31/12/2009	**362,090**	**51**	**362,141**
Currency translation difference	**753**		**753**
Other changes	1		1
Total from transactions not affecting earnings	754		754
Profit/(Loss) for the year	3,187	-1	3,186
Dividends	-2,037		-2,037
Balance at 31/12/2010	**363,994**	**50**	**364,044**
Currency translation difference	**404**		**404**
Other changes	-2	1	-1
Total from transactions not affecting earnings	402	1	403
Profit/(Loss) for the year	3,346	-5	3,341
Dividends*	-1,131		-1,131
Balance at 31/12/2011	**366,611**	**46**	**366,657**

* €1.00 per share.

Statement of consolidated cash flows

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

€000	2011	2010	Notes
Cash and cash equivalents in assets	57,258	54,834	(assets)
Bank overdrafts payable on demand	-53,869	-40,157	(2.6)
Accrued interest on financial debt	-9		(2.6)
Cash in statement of changes in cash flow	**3,380**	**14,677**	

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

Change in cash flows

€000	2011	2010	Notes
Total consolidated net income	**3,341**	**3,186**	
Elimination of operating expenses and income that do not affect cash or which are not related to operations:			
• Depreciation, amortisation and provisions	24,540	27,508	(2.1.4 to 2.1.6, 2.5)
• Change in deferred taxes	245	666	(2.4)
• Gains on sales, net of taxes	-1,605	-527	
• Currency translation adjustments	404	753	
• Other	-1	1	
Cash flow of consolidated companies	*26,924*	*31,587*	
• Change in working capital for operations	-7,111	-10,229	Balance sheet
• Change related to income taxes	-1,196	-12,837	
• Income taxes paid	617	7,501	
(1) Net cash flow from operating activities	**19,234**	**16,022**	
• Purchases of fixed assets	-30,502	-34,090	(2.1.4 to 2.1.6)
• Sales of fixed assets	5,370	6,337	
• Effect of changes in consolidation– purchases		-100	
• Effect of changes in consolidation– sales	115		
(2) Cash flow from investing activities	**-25,017**	**-27,853**	
• Dividends paid	-6,782	-11,986	(Change in shareholders ' equity)
• Dividends received	5,651	9,949	
• Borrowings	2,372	1,016	
• Loans repaid	-4,934	-10,763	
• Interest paid	-2,372	-1,016	
• Interest received	551	326	
(3) Cash flow from financing activities	**-5,514**	**-12,474**	
(1+2+3) Total cash flow	**-11,297**	**-24,305**	

Opening cash	14,677	38,982
Closing cash	3,380	14,677
Change in cash	**-11,297**	**-24,305**

Presentation of the consolidated financial statements

1- General principles – statement of conformity

The consolidated financial statements of the EXACOMPTA CLAIREFONTAINE Group were prepared in accordance with the IFRS (International Financial Reporting Standards), as adopted within the European Union.
The consolidated financial statements of the Exacompta Clairefontaine Group were approved by the Board of Directors on 29 March 2012. They will not be final until they have been approved by the Shareholders' Meeting.

2- Adoption of international standards

➢ Mandatory standards, amendments and interpretations in 2011:

- Revised IAS 24– *Related party disclosures*
- Amendment to IAS 32 – *Classification of rights issues*
- IFRIC 19 – *Extinguishing financial liabilities with equity instruments*
- Amendments to IFRIC 14 – *Prepayments of a minimum funding requirement*
- Improvements to International Financial Reporting Standards (IFRS) – *Commission Regulation (EU) No. 149/2011 of 18 February 2011*

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

➢ Standards, amendments and interpretations adopted by the European Union and mandatory after 2011

- Amendments to IFRS 7 – *Disclosures - Transfers of financial assets*

The Group did not apply any optional standard, amendment or interpretation.
The impacts of these new standards are currently being studied. However, the Group does not expect them to have a material impact on the financial statements.

➢ Standards and amendments not yet adopted by the European Union

- IFRS 9 - *Financial instruments*
- IFRS 10 – *Consolidated financial statements*
- IFRS 11 – *Joint arrangements*
- IFRS 12 – *Disclosure of interests in other entities*
- IFRS 13 – *Fair value measurement*
- IAS 27 revised 2011 – *Separate financial statements*
- IAS 28 revised 2011 – *Investments in associates and joint ventures*

- Amendments to IFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*
- Amendments to IAS 1 – *Presentation of items of other comprehensive income*
- Amendments to IAS 12 – *Deferred tax: recovery of underlying assets*
- Amendments to IAS 19 – *Employee benefits*

The impacts of these new standards and amendments are currently under review.

At its 23 and 24 June 2005 meetings, the IASB withdrew the IFRIC 3 interpretation regarding the accounting treatment of greenhouse gas emission rights. Accordingly, the accounting treatment applied is described in Note 8. This treatment is being used provisionally until a definitive IASB position is established.

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 shown at their fair value.

The preparation of the financial statements according to IFRS requires the exercise of judgement by Management in making estimates and assumptions that have an impact on the application of the accounting methods and on the amounts of the assets and liabilities, and 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 are also the basis for the exercise of judgment necessary for the determination of the book values of assets and liabilities that cannot be obtained directly from other sources. The real values may differ from the estimated values. The underlying estimates and 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 the other periods affected.

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

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 gains and losses, and the revenues and expenses resulting from Group transactions are eliminated in the consolidation.
Unrealised gains arising from transactions with affiliates are eliminated in proportion to the Group's equity interest.
Unrealised losses are eliminated in the same way, but 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 sheetdate 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 significant 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 their fair value as at the acquisition date, which is the date on which control of the entity is taken.

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 acquired and liabilities taken over.

If a business combination takes place under favourable conditions, the purchaser records the corresponding profit 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 the activities that are grouped are controlled by the same party, both before and after the combination, and this control is not temporary.
In the absence of specific provisions in the standards, the Group applies the book value method to all operations involving the entities under common control.

7- Property, plant and equipment

The land and buildings held by the Group are intended for use in the production or supply of goods and services, or for administrative purposes.
The Group does not hold any significant real estate that falls within the category of investment property. The industrial facilities and other equipment are assets held in respect of activities related to the production or supply of goods and services.

All of the property, plant and equipment owned by the Group are recorded at the initial 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 the components of fixed assets have different useful lives, they are recorded as a separate asset.
All current service and maintenance costs are recorded as expenses at the time they are incurred.

Lease agreements that involve the transfer to the Group of nearly all of the risks and benefits inherent in owning an asset are classified as financial lease agreements.
The respective assets are booked as fixed assets at their 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 debt.
The minimum payments under these agreements are divided between financial expenses and amortisation of the debt. The financial expense is charged to each period covered by the financial lease agreement so as to obtain a constant periodic interest rate on the balance of the remaining financial 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 computers	3 to 10 years

The useful life of the main assets is reviewed when the accounts are closed. If necessary, the 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 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.
A review of the costs incurred resulted in the Group not capitalising development expenses.

Greenhouse gas emission rights

The paper subsidiaries of the Group 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 2003/87/EC of the European Parliament and the Council, establishing a quota trading system for greenhouse gases, adopted on 13 October 2003.

A quota is a unit of account that represents the emission of one tonne of carbon dioxide that is covered by a certificate issued by the State, which is valid for a specific period of time.

The State allocates a certain number of quotas to operators for each authorised facility.
The total volume of carbon dioxide emitted by each facility during one calendar year is measured or calculated, and stated in tonnes of carbon dioxide.
The operator is required to compensate the State each year for the number of quotas equal to the total of its emissions during the past calendar year.
The State allocates quotas free of charge under a national quota allocation plan. The current plan covers the period from 1 January 2008 to 31 December 2012.

The quotas are movable property that is documented only by an entry in the owner's account in the French national register. They are negotiable and may be transferred from one account to another, and give their holders identical rights.
Although they do not directly increase the future economic benefits of an existing asset, the emission quotas are necessary for the subsidiaries to achieve future economic benefits from their other assets. Therefore, they are recorded under assets as an intangible asset.
The obligation to compensate the State for gas emissions that occur during the period generates the recognition of a liability for that expense.

The greenhouse gas emission quotas are recorded at the value determined in the exchange market on the date they are received plus, if applicable, the value of the quotas purchased in the market.
The liability corresponding to the emission quotas to be compensated is valued based on the initial value of the quotas allocated plus, if applicable, the value of the quotas purchased in the market.

With regard to quotas acquired and in surplus, an impairment test is performed, which consists of comparing the book value to the exchange market value at the end of the period in question.
Quotas issued by the State free of charge are not subject to impairment.

Goodwill

Goodwill arises from the acquisition of subsidiaries. Goodwill is the difference between the acquisition cost and the 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 tests, 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 their fair value, which is determined on 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 do undergo an annual impairment test so that at each account statement date there is an indication of any loss in value. The recoverable value is determined based on expected cash flows discounted at the rate of 8%.

The internally generated expenses related to trademarks are recorded in expenses when they are incurred.

Other intangible assets

Other intangible assets that have been acquired by the Group are recorded at their cost, less amortisation and accumulated losses in value.
Amortisation is recorded as expenses using 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 tangible and intangible assets (excluding goodwill and trademarks)

At the end of each period, the Group reviews the book values of the tangible 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, this book value, increased because of a reversal of impairment, may not exceed the book value that would have been determined, net of 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 their fair value; changes in that fair value are recorded in shareholders' equity.
If the fair value cannot be reliably estimated, the interests continue to be valued at the 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 the amortised cost at the time of subsequent valuations.

11- Trade and other receivables

Trade and other receivables are included in the IAS 39 category of loans and receivables. They are valued at their fair value when initially recognised and at cost at the time of subsequent valuations. Any impairment is 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 activity, 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.

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 month 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 financial derivatives 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). Financial derivatives 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, caps and floors 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 then 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 pensions

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 market rate of the OATs (French treasury bonds) on the balance sheet date, based on blue chip corporate bonds. The calculations are performed using the projected credit units method. All actuarial adjustments are recorded immediately in expenses for the period.

17- Provisions

A provision is recorded in the balance sheet when the Group has a current legal obligation or an implicit 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

Income from ordinary activities

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.

19- Expenses

Payments under operating leases

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

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 the tax expense or income due, and the deferred tax expense or income. The tax is recorded in income unless it is related to items that are recorded directly in 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) does not qualify as an income tax and does not come within the scope of IAS 12. The contributions are recorded under operating expenses.

The tax payable is the estimated tax due on taxable income for a period and any adjustment of the amount of tax payable for prior periods.
It is determined by using the tax rates that have been adopted or about to be adopted at the balance sheet date.

Deferred tax is determined under the liability method for all timing differences between the book value of the assets and liabilities and their tax bases, by using the tax rates that were adopted or about to be adopted at the balance sheet date.

The following items do not result in deferred taxes:

- Goodwill not deductible for tax purposes;
- Initial recording an asset or liability that affects neither accounting income nor 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 them based on their 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 consists mainly of exchange rate and interest rate risks.

- Foreign exchange risk

The Group operates internationally, but has little exposure to foreign exchange risks because of the local presence of its main subsidiaries. Risks related to commercial transactions that are denominated in a currency other than the respective functional currencies of Group entities are related mainly to purchases of raw materials.
In order to manage exchange rate risk, the Group hedges approximately 50% of its anticipated future transactions in each significant currency for the coming three months, using options contracts.
Changes in exchange rates had no significant impact on the income statement or shareholders' equity at 31 December 2011.

- 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 or spot loans on which a fixed rate is paid.

The Group also has a line of credit to cover medium- and long-term maturities.

Credit risk

The credit risk represents the risk of financial loss for the Group if a client 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 clients. The risk of default by business sector and country in which the clients 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 clients have an appropriate credit risk history. Clients 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. Losses in value correspond to specific losses related to individual risks.
The amounts presented in the balance sheet are net of losses in value 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
- Transformation: manufacture of stationery, office and filing articles

Transactions among the different areas of activity are carried out on arm's length terms.

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

Notes to the consolidated financial statements

1. CONSOLIDATED ENTITIES

All the companies have been consolidated at 31 December 2011 using the full consolidation method (FC).

Name	Address	% interest	% controlling	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
CHÂTELLES TRANSFORMATION	Route des Châtelles 88110 RAON L'ETAPE	100	100	F.C.	492 300 561
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
DECOPATCH	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
PELISSIER MI	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
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 n°4 20180 BOUSKOURA	100	100	F.C.	
CLAIR MAROC	Parc industriel de Bouskoura, lot n°4 20180 BOUSKOURA	100	100	F.C.	
PUBLIDAY MULTIDIA	Parc industriel de Bouskoura, lot n°4 20180 BOUSKOURA	100	100	F.C.	
DIFTAR EXPORT	23, rue Tarik Bnou Zlad 40000 GUELIZ – MARRAKECH	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)	249, Boulevard de l'Humanité B – 1620 DROGENBOS	100	100	F.C.	
EXACLAIR Inc (USA)	143 West 29th Street USA – NEW YORK	100	100	F.C.	
EXACLAIR POLSKA	Ul lesnà 23 – Kotowice PL – 55–011 SIECHNICE	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.	
QUO VADIS Italia Srl	19 via Roberto Lepetit I – 20124 MILANO	100	100	F.C.	
QUO VADIS Japan 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	Kabeljauw 2 NL – 6866 HEELSUM	100	100	F.C.	

Changes affecting the scope of consolidation	
Companies newly consolidated - acquisitions	Companies deconsolidated
• DIFTAR EXPORT – Founded on 3 August 2011	• KERLUDE – Transfer of all assets on 30 June 2011 • MAILDOR PRODUCTION – Transfer of all assets on 30 June 2011 • INTERVAL EDITIONS – Sold on 31 May 2011 • EXACLAIR IRELAND – Liquidation as at 31 December 2011 • CLAIREFONTAINE RHODIA Ltd – Liquidation as at 31 December 2011

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

Greenhouse gas emission rights

The greenhouse gas emission quotas are recorded at the value determined in the exchange market on the date they are received.
The net amount of greenhouse gas emission rights recorded in assets totalled €2,002,000 on 31 December 2011.

Trademarks

The item "Concessions, patents, licences" includes trademarks totalling €8,655,000.

Impairment of €150,000 was recorded in the 2011 financial statements pursuant to the rules and methods described in paragraph 8 of the presentation of the consolidated financial statements.

Goodwill

The goodwill recorded applied mainly to five subsidiaries at 31 December 2011.

Impairment of €506,000 was recorded in the 2011 financial statements pursuant to the rules and methods described in paragraph 8 of the presentation of the consolidated financial statements.

The segment information shows the distribution of goodwill 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.

Financial lease agreements aggregated in the respective tables

€000	31/12/2011	31/12/2010
Property, plant and equipment	**16,559**	**16,559**
Land	53	53
Buildings	5,661	5,661
Plant, supplies and equipment	10,845	10,845
Depreciation	**13,250**	**12,378**
Accumulated as at opening	12,378	11,565
Increase for the period	872	813
Loans	**29**	**124**

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

At 31 December 2011 (€000)	Goodwill	Concessions, patents, licences and similar rights	Other	Total
Gross value at opening	**17,141**	**22,750**	**1,947**	**41,838**
Purchases		3,795	437	4,232
Sales	-115	-417	-91	-623
Changes in scope of consolidation		-15	-129	-144
Currency translation adjustments		3	11	14
Transfers and other activity	-3,115	-771	-293	-4,179
Gross value at closing	**13,911**	**25,345**	**1,882**	**41,138**
Depreciation and write-downs at opening	**5,463**	**10,578**	**1,306**	**17,347**
Sales		-266	-91	-357
Changes in scope of consolidation		-9	-46	-55
Depreciation		1,106	186	1,292
Write-downs	506	10		516
Reversals				
Currency translation adjustments		2	8	10
Transfers and other activity	-3,115	25	25	-3,065
Depreciation and write-downs at closing	**2,854**	**11,446**	**1,388**	**15,688**
Net book value at opening	**11,678**	**12,172**	**641**	**24,491**
Net book value at closing	**11,057**	**13,899**	**494**	**25,450**

At 31 December 2010 (€000)	Goodwill	Concessions, patents, licences and similar rights	Other	Total
Gross value at opening	**17,041**	**21,665**	**1,677**	**40,383**
Purchases	100	2,597	385	3,082
Sales		-171	-12	-183
Changes in scope of consolidation				
Currency translation adjustments		13	29	42
Transfers and other activity		-1,354	-132	-1,486
Gross value at closing	**17,141**	**22,750**	**1,947**	**41,838**
Depreciation and write-downs at opening	**4,663**	**9,412**	**1,078**	**15,153**
Sales		-135	-12	-147
Changes in scope of consolidation				
Depreciation		1,212	226	1,438
Write-downs	800			800
Reversals			-10	-10
Currency translation adjustments		11	24	35
Transfers and other activity		78		78
Depreciation and write-downs at closing	**5,463**	**10,578**	**1,306**	**17,347**
Net book value at opening	**12,378**	**12,253**	**599**	**25,230**
Net book value at closing	**11,678**	**12,172**	**641**	**24,491**

2.1.5 Property, plant and equipment

At 31 December 2011 (€000)	Land and Buildings	Plant and equipment	Other fixed assets	Advances and fixed assets in progress	Total
Gross value at opening	**126,175**	**357,345**	**28,238**	**8,785**	**520,543**
Purchases	1,147	16,204	1,990	6,128	25,469
Sales	-227	-7,615	-1,925	-61	-9,828
Changes in scope of consolidation			-25		-25
Currency translation adjustments	204	326	49		579
Transfers and other activity	886	7,250	288	-9,010	-586
Gross value at closing	**128,185**	**373,510**	**28,615**	**5,842**	**536,152**
Depreciation and write-downs at opening	**63,870**	**223,519**	**22,529**	**0**	**309,918**
Sales	-164	-7,146	-1,426		-8,736
Changes in scope of consolidation			-13		-13
Depreciation	4,290	17,572	2,229		24,091
Write-downs					
Reversals		-361	-53		-414
Currency translation adjustments	75	277	43		395
Transfers and other activity		-241			-241
Depreciation and write-downs at closing	**68,071**	**233,620**	**23,309**	**0**	**325,000**
Net book value at opening	**62,305**	**133,826**	**5,709**	**8,785**	**210,625**
Net book value at closing	**60,114**	**139,890**	**5,306**	**5,842**	**211,152**

At 31 December 2010 (€000)	Land and Buildings	Plant and equipment	Other fixed assets	Advances and fixed assets in progress	Total
Gross value at opening	**126,282**	**345,282**	**27,856**	**7,960**	**507,380**
Purchases	1,507	10,327	1,317	15,841	28,992
Sales	-4,106	-8,457	-1,377		-13,940
Changes in scope of consolidation					
Currency translation adjustments	300	434	112		846
Transfers and other activity	2,192	9,759	330	-15,016	-2,735
Gross value at closing	**126,175**	**357,345**	**28,238**	**8,785**	**520,543**
Depreciation and write-downs at opening	**62,716**	**216,166**	**21,770**	**14**	**300,666**
Sales	-2,991	-7,585	-1,324		-11,900
Changes in scope of consolidation					
Depreciation	4,067	17,280	2,098		23,445
Write-downs					
Reversals		-516	-88	-14	-618
Currency translation adjustments	97	363	95		555
Transfers and other activity	-19	-2,189	-22		-2,230
Depreciation and write-downs at closing	**63,870**	**223,519**	**22,529**	**0**	**309,918**
Net book value at opening	**63,566**	**129,116**	**6,086**	**7,946**	**206,714**
Net book value at closing	**62,305**	**133,826**	**5,709**	**8,785**	**210,625**

2.1.6 Financial assets

At 31 December 2011 (€000)	Unconsolidated equity interests	Intercompany receivables	Loans	Other receivables	Total
Gross value at opening	**1,847**	**0**	**1,276**	**1,629**	**4,752**
Purchases			61	645	706
Sales	-50				-50
Changes in scope of consolidation			-9	-3	-12
Currency translation adjustments			3	15	18
Transfers and other activity			-488	-524	-1,012
Gross value at closing	**1,797**	**0**	**843**	**1,762**	**4,402**
Write-downs at opening	**938**	**0**	**383**	**30**	**1,351**
Purchases/Sales					
Changes in scope of consolidation					
Write-downs					
Reversals	-50		-383		-433
Currency translation adjustments					
Transfers and other activity					
Write-downs at closing	**888**	**0**	**0**	**30**	**918**
Net book value at opening	**909**	**0**	**893**	**1,599**	**3,401**
Net book value at closing	**909**	**0**	**843**	**1,732**	**3,484**

At 31 December 2010 (€000)	Unconsolidated equity interests	Intercompany receivables	Loans	Other receivables	Total
Gross value at opening	**1,368**	**417**	**1,254**	**1,559**	**4,598**
Purchases	899		212	935	2,046
Sales	-420			-7	-427
Changes in scope of consolidation					
Currency translation adjustments				32	32
Transfers and other activity		-417	-190	-890	-1,497
Gross value at closing	**1,847**	**0**	**1,276**	**1,629**	**4,752**
Write-downs at opening	**1,358**	**417**	**383**	**3**	**2,161**
Purchases/Sales					
Changes in scope of consolidation					
Write-downs				27	27
Reversals	-420	-417			-837
Currency translation adjustments					
Transfers and other activity					
Write-downs at closing	**938**	**0**	**383**	**30**	**1,351**
Net book value at opening	**10**	**0**	**871**	**1,556**	**2,437**
Net book value at closing	**909**	**0**	**893**	**1,599**	**3,401**

Other receivables consist mainly of deposits and bonds totalling €1,154,000 at 31 December 2011, compared to €1,285,000 at 31 December 2010.

2.1.7 Table of maturities of other financial assets

At 31 December 2011 (€000)	Less than 1 year	1 to 5 years	More than 5 years	Total
Intercompany receivables				0
Loans	56	122	665	843
Other financial assets	1,161	9	592	1,762
Financial assets and receivables	**1,217**	**131**	**1,257**	**2,605**

At 31 December 2010 (€000)	Less than 1 year	1 to 5 years	More than 5 years	Total
Intercompany receivables				0
Loans	499	221	556	1,276
Other financial assets	1,224	80	325	1,629
Financial assets and receivables	**1,723**	**301**	**881**	**2,905**

2.2 Current Assets

2.2.1 Inventories by type

At 31 December 2011 (€000)	Raw materials	In progress	Intermediate and finished goods	Total
Gross value at opening	**56,972**	**16,232**	**97,403**	**170,607**
Change	4,275	1,392	8,107	13,774
Gross value at closing	**61,247**	**17,624**	**105,510**	**184,381**
Write-downs at opening	**4,562**	**610**	**7,192**	**12,364**
Additions	3,801	423	4,633	8,857
Reversals	-4,238	-578	-6,541	-11,357
Currency translation adjustments and other activity	2		-38	-36
Write-downs at closing	**4,127**	**455**	**5,246**	**9,828**
Net book value at opening	**52,410**	**15,622**	**90,211**	**158,243**
Net book value at closing	**57,120**	**17,169**	**100,264**	**174,553**

At 31 December 2010 (€000)	Raw materials	In progress	Intermediate and finished goods	Total
Gross value at opening	**49,269**	**13,022**	**89,682**	**151,973**
Change	7,703	3,210	7,721	18,634
Gross value at closing	**56,972**	**16,232**	**97,403**	**170,607**
Write-downs at opening	**4,203**	**692**	**8,581**	**13,476**
Additions	4,207	579	6,782	11,568
Reversals	-3,851	-649	-8,197	-12,697
Currency translation adjustments and other activity	3	-12	26	17
Write-downs at closing	**4,562**	**610**	**7,192**	**12,364**
Net book value at opening	**45,066**	**12,330**	**81,101**	**138,497**
Net book value at closing	**52,410**	**15,622**	**90,211**	**158,243**

2.2.2 Write-down of other current assets

€000	Write-downs at opening	Additions	Reversals	Other changes	Write-downs at closing
Trade receivables	3,680	1,165	-1,312	-195	3,338
Other receivables	1,007		-748		259
Total	**4,687**	**1,165**	**-2,060**	**-195**	**3,597**

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	98,304	659		98,963
Taxes and social security contributions receivable	8,123			8,123
Debit current accounts	174			174
Other receivables	2,442			2,442
	109,043	**659**		**109,702**
Impairment				-3,597
Financial assets				**106,105**

Prepaid expenses	2,817
Trade and other receivables presented in the balance sheet	**108,922**

2.2.3 Marketable securities

Marketable securities are assets held for trading. The book value of €35,861,000 is their market value at 31 December 2011. The book value is equal to the fair value.

2.3 Shareholders' equity

The capital of the parent company consists of 1,131,480 shares with a par value of 4 euros, therefore equalling €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 the capital.

2.4 Deferred taxes

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

The change in deferred taxes presented in the balance sheet totalled €254,000 (increase in net deferred tax liability). The change in deferred taxes recorded in the income statement was €244,000 (deferred tax expense).

The tax calculation is presented in paragraph 2.10.

Statement of changes in deferred tax

€000	Closing balance	Opening balance	Change
Deferred tax assets	384	393	-9
Deferred tax liabilities	29,057	28,812	245
Net deferred tax	**28,673**	**28,419**	**254**

2.5 Provisions

Provisions break down as follows:

€000	Provisions at opening	Additions	Reversals	Provisions not used	Other changes	Provisions at closing
Provisions for pensions and similar obligations	14,828	2,447	-812	-539	-26	15,898
Other non-current provisions	161	151	-35		-141	136
Non-current provisions	**14,989**	**2,598**	**-847**	**-539**	**-167**	**16,034**
Provisions for contingent liabilities	3,131	874	-1,782	-208	128	2,143
Other provisions for charges	793	35	-325	-153	-126	224
Current provisions	**3,924**	**909**	**-2,107**	**-361**	**2**	**2,367**

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

They are valued (including social security contributions) according to the following main parameters:

- probability of retirement from the company, turnover, death;
- changes in salaries;
- discounting the amount obtained at the rate of 3.62 %.

The amounts paid to insurance entities are deducted from provisions.

Net change in the provision for pensions and similar obligations

€000		2011
Liability b/fwd		**14,828**
Cost of services rendered		758
Financial expense		497
Actuarial gains and losses		-185
→ *o/w actuarial changes*	*773*	
→ *o/w new recruits*	*87*	
→ *o/w departures during the year*	*-1,045*	
Liability c/fwd		**15,898**

The recorded liability includes €12,472,000 of obligations under the plan applicable to French companies and €3,426,000 under plans applicable to foreign companies.

2.6 Borrowings and debt 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	70			70
Financial debts	236	502	122	860
Finance lease liabilities	29			29
Bank loans and overdrafts	53,369			53,369
Subtotal	**53,704**	**502**	**122**	**54,328**
Current accounts with credit balances	500		16,000	16,500
Accrued interest	9			9
Total	**54,213**	**502**	**16,122**	**70,837**
Estimated interest to maturity				*71*

- Including current debt €54,213,000
- Including non-current debt €16,624,000

As at 31 December 2011, the financial debt with financial institutions is all denominated in euros and bears interest at floating rates.
All medium- and long-term financing transactions are based on the Euribor for the applicable financing term plus a spread ranging from 0.25% to 0.45%.
The fair value of financial debts is equal to the book value.

2.7 Issuance & financial instrument programmes

Commercial paper and spot loans

Short-term needs are financed by commercial paper issued by Exacompta Clairefontaine and spot loans. A fixed rate determined at the moment of issue or subscription is paid on the commercial paper, which has a maximum term of 365 days.
The authorised paper limit totalled €125 million. No paper was outstanding at year-end.

Line of credit

A line of credit is in place with several banks for a maximum amount of €155 million, and covers maturities not exceeding 5 years. The term of drawdowns ranges from 10 days to one year. The outstanding amount on the line of credit was €47 million as at 31 December 2011. As the drawdowns have very short-term maturities, this amount is recorded under "Short-term portion of interest-bearing debt". No amounts were recorded under "Interest-bearing debt". Long-term financing may be arranged through negotiated loans.

Financial instruments

The Group uses derivatives products 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 provided by the financial institutions from which they are obtained.
The change in the fair value recorded in income amounted to €242,000.

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 €274,000 effect on income as at 31 December 2011.

Portfolio of financial instruments

Residual maturity (€000)	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Rate swaps	7,770	11,146	607	19,523

The amounts shown in the table are current notional amounts.

2.8 Other current liabilities

€000	31/12/2011	31/12/2010
Advances and down payments received	255	382
Taxes and social security contributions payable	33,704	33,530
Suppliers - fixed assets	3,230	2,759
Other liabilities	9,772	10,553
Deferred income	1,019	114
Derivative financial instruments	870	1,112
Total	**48,850**	**48,450**

Derivative financial instruments are recorded at fair value.

2.9 Off-balance sheet commitments

➢ Greenhouse gas emission quotas

The amount for the commitments received is valued based on the exchange market value. The commitments for the remaining term of the allocation plan are equal to the total annual allocations yet to be obtained, valued at the year-end exchange market value. The Group does not expect an overall deficit for the entire plan.

The quotas to be compensated are valued pursuant to the principles set forth in Note 8 of the presentation of the consolidated financial statements.

€000	31/12/2011	31/12/2010
Greenhouse gas emission rights		
• Commitments given – release	1,289	1,195
• Commitments received – net 2011 allocations	713	20
• Commitments received – annual allocations receivable	914	3,642

➢ Sureties and guarantees

Exacompta Clairefontaine jointly and severally guarantees payment to Exeltium of all liabilities in respect of purchases of blocks of electricity subscribed to by Papeteries de Clairefontaine.

2.10 Income tax – Calculation of tax

€000	2011	2010
Consolidated net income before goodwill impairment	3,341	3,186
Goodwill impairment	506	800
Income taxes	528	3,052
Deferred taxes	244	661
Consolidated tax basis	4,619	7,699
Tax rate applicable to parent company	33.33%	33.33%
Theoretical tax expense	**1,540**	**2,566**
Tax assets not withheld on foreign companies	700	300
Tax rate differences	201	-105
Tax adjustments	-1,888	676
Tax debits and credits	402	333
Other effects	-183	-57
Actual tax expense	**772**	**3,713**

Income taxes	528	3,052
Deferred taxes	244	661
Tax expense in the consolidated financial statements at closing	**772**	**3,713**

2.11 Group staff and employee benefits

Average staff	31/12/2011	31/12/2010
Management	468	446
Employees	777	803
Labourers and other salaried workers	1,956	1,981
Total	**3,201**	**3,230**

Expenses recorded for defined contribution schemes (€000)	**41,694**	**39,656**

2.12 Financial income and expenses

€000	2011	2010
Equity interests and income from other financial assets	5	20
Income from other receivables and marketable securities	551	326
Other financial income	310	249
Financial instruments – change in fair value	242	254
Reversal of provisions and write-downs	1,312	448
Foreign exchange differences	2,145	3,040
Net gain on sale of marketable securities	75	37
Total financial income	**4,640**	**4,374**
Increase in provisions and write-downs	3	261
Interest and financial expenses	2,371	1,011
Financial expenses on finance leases	1	5
Foreign exchange differences	2,155	2,008
Other financial expenses	554	849
Net expenses on sales of marketable securities	89	
Total financial expenses	**5,173**	**4,134**

2.13 Related parties

- The consolidated financial statements include transactions performed by the group with Etablissements Charles Nusse.

€000	31/12/2011	31/12/2010
Balance sheet		
Interest-bearing debt: loans current account	16,000	20,000
Short-term portion of interest-bearing debt	500	700
Income statement		
Financial expenses	251	189
Fees	1,095	1,194
Leases	5,315	3,313

The Group companies benefit from the leadership of Etablissements Charles Nusse and pay a fee equal 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 the managers of the Group amounted to €1,685,000.
No benefits are granted to managers of the Group apart from retirement commitments calculated pursuant to the rules applicable to the entire workforce.

The remuneration granted to the members of the Board of Directors by way of directors' fees totalled €60,000 in 2011. This was approved by a decision of the Shareholders' Meeting of 26 May 2011.

2.14 Statutory Auditors' fees

Information on the total amount of the statutory auditors' fees shown in the consolidated income statement for the fiscal year pursuant to Articles R123-198 and R233-14 of the French Commercial Code, with a distinction made for the fees invoiced for statutory audits of the consolidated financial statements and the fees invoiced for consultancy and other services provided as part of the procedures directly linked to the statutory auditing of the consolidated financial statements.

€000	**2011**	**2010**
Fees invoiced for statutory auditing of the financial statements	745	791
Fees invoiced for related consultancy and other services	–	–

3. <u>SEGMENT INFORMATION</u>

Correspondence with the consolidated balance sheet:
- "Other assets allocated" includes inventories and advances
- "Unallocated assets" consists of tax receivable and deferred tax assets

➢ Segment information by activity – 31/12/2011

€000	Paper	Processing	Intersegment transactions	Total
Segment income statement				
Revenues	265,180	397,768	-117,501	545,447
Amortisation (net of reversals)	11,731	13,251	-3	24,979
Write-downs and provisions	332	-3,290		-2,958
Operating profit (excl. goodwill)	-936	6,303	-215	5,152
Goodwill impairment		506		506
Segment assets				
Net P, P&E and intangible assets	115,161	110,384		225,545
o/w investments	*11,700*	*18,001*		*29,701*
Goodwill		11,057		11,057
Trade receivables	38,284	84,765	-27,424	95,625
Other receivables	3,114	10,501	-318	13,297
Balance sheet total	*41,398*	*95,266*	*-27,742*	*108,922*
Other assets allocated	57,832	121,719	-2,017	177,534
Unallocated assets				*2,593*
Total assets	214,391	338,426	-29,759	525,651
Segment liabilities				
Current provisions	510	1,857		2,367
Trade payables	22,778	57,167	-27,354	52,591
Other payables	18,656	30,584	-390	48,850
Unallocated liabilities				*0*
Total liabilities	41,944	89,608	-27,744	103,808

➢ Segment information by geographic area – 31/12/2011

€000	France	Europe	Outside Europe	Total
Revenues	357,884	159,469	28,094	545,447
Net P, P&E and intangible assets	212,187	8,074	5,284	225,545
o/w investments	*27,173*	*1,519*	*1,009*	*29,701*
Goodwill	11,057			11,057
Trade receivables	77,434	15,326	2,865	95,625
Other receivables	11,308	657	1,332	13,297
Balance sheet total	*88,742*	*15,983*	*4,197*	*108,922*
Other assets allocated	162,239	8,188	7,107	177,534
Unallocated assets				*2,593*
Total assets	474,225	32,245	16,588	525,651

➢ Segment information by activity – 31/12/2010

€000	Paper	Processing	Intersegment transactions	Total
Segment income statement				
Revenues	256,279	385,728	-104,567	537,440
Amortisation (net of reversals)	11,372	12,476	-12	23,836
Write-downs and provisions	1,189	-706		483
Operating profit (excl. goodwill)	-459	7,964	-46	7,459
Goodwill impairment		800		800
Segment assets				
Net P, P&E and intangible assets	116,676	106,762		223,438
o/w investments	*19,978*	*11,995*		*31,973*
Goodwill		11,678		11,678
Trade receivables	38,771	88,523	-26,907	100,387
Other receivables	4,277	10,251	-64	14,464
Balance sheet total	*43,048*	*98,774*	*-26,971*	*114,851*
Other assets allocated	55,754	106,164	-1,809	160,109
Unallocated assets				*2,023*
Total assets	215,478	323,378	-28,780	512,099
Segment liabilities				
Current provisions	698	3,226		3,924
Trade payables	22,566	52,948	-26,896	48,618
Other payables	18,025	30,520	-95	48,450
Unallocated liabilities				*0*
Total liabilities	41,289	86,694	-26,991	100,992

➢ Segment information by geographic area – 31/12/2010

€000	France	Europe	Outside Europe	Total
Revenues	351,453	158,961	27,026	537,440
Net P, P&E and intangible assets	210,510	8,206	4,722	223,438
o/w investments	*29,671*	*1,301*	*1,001*	*31,973*
Goodwill	11,678			11,678
Trade receivables	82,372	15,387	2,628	100,387
Other receivables	12,655	893	916	14,464
Balance sheet total	*95,027*	*16,280*	*3,544*	*114,851*
Other assets allocated	146,521	7,931	5,657	160,109
Unallocated assets				*2,023*
Total assets	463,736	32,417	13,923	512,099

Exacompta Clairefontaine S.A.

Report of the Statutory Auditors
on the consolidated financial statements

Resolutions submitted to the Ordinary Shareholders' Meeting

SEREC AUDIT
Statutory Auditor

Member of the Paris Institute
of Statutory Auditors
21 rue Leriche
75015 PARIS

BATT AUDIT
Statutory Auditor

Member of the Nancy Institute
of Statutory Auditors
25 rue du Bois de la Champelle
54500 VANDOEUVRE LES NANCY

Report of the Statutory Auditors on the consolidated financial statements

Year ended 31 December 2011

EXACOMPTA CLAIREFONTAINE S.A.
A French limited company (*société anonyme*)

88480 ETIVAL CLAIREFONTAINE

REPORT OF THE STATUTORY AUDITORS
ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

EXACOMPTA CLAIREFONTAINE S.A.

88480 ETIVAL CLAIREFONTAINE

To the Shareholders:

In accordance with the assignment entrusted to us by your Shareholders' General Meeting, we hereby present our report on the year ended 31 December 2011, concerning:

- the audit of the consolidated financial statements of EXACOMPTA CLAIREFONTAINE, which are appended to this report;
- the bases of our assessments;
- the specific verifications required by law.

The consolidated financial statements were approved by the Board of Directors. It is our responsibility, based on our audit, to express an opinion on those statements.

I. Opinion on the consolidated financial statements

We performed our audit in accordance with the professional standards applicable in France. These standards require the performance of an audit to obtain reasonable assurance that the consolidated financial statements do not contain material errors. An audit involves the review, by way of sample tests or other means of selection, of the documents underlying the amounts and information set forth in the consolidated financial statements. It also consists of an assessment of the accounting principles followed, the significant estimates made and the presentation of the statements as a whole. We believe that the evidence we have gathered provides a reasonable basis for our opinion.

We hereby certify that the consolidated financial statements for the year are, with regard to the IFRS adopted within the European Union, in order and accurate and fairly present the assets, financial situation and results of the persons and entities included in the consolidation.

II. Bases of assessments

Pursuant to the provisions of Article L.823-9 of the French Commercial Code regarding the bases of our assessments, we hereby provide you with the following information:

Goodwill and trademarks were monitored and, where applicable, written down, pursuant to the terms set forth in Note 8 hereto. Using the information provided to us, we assessed the data and assumptions used regarding goodwill and checked to ensure that Note 8 provides appropriate information.

The assessments carried out are part of our audit of the consolidated financial statements, taken as a whole, and thus contributed to the formation of our opinion, which is expressed in the first part of this report.

III. Specific verifications

In accordance with the professional standards applicable in France, we also performed the specific verifications required by law relating to information on the Group contained in the management report.

We have no comments to make about the accuracy and conformity thereof with the consolidated financial statements.

Executed in Paris and Vandœuvre-lès-Nancy, 20 April 2012

The Statutory Auditors,

SEREC AUDIT	**BATT AUDIT**
Benoît Grenier	Pascal François

RESOLUTIONS SUBMITTED

TO THE ORDINARY SHAREHOLDERS' MEETING OF 24 MAY 2012

FIRST RESOLUTION

Following a reading by the Board of Directors and the Statutory Auditors of their respective reports, the Meeting approved these reports in their entirety, as well as the operations described therein, and the parent company financial statements for the year ended 31 December 2011.

SECOND RESOLUTION

Following a reading by the Board of Directors and the Statutory Auditors of their respective reports, the Meeting approved these reports in their entirety, as well as the operations described therein, and the consolidated financial statements for the year ended 31 December 2011.

THIRD RESOLUTION

At the recommendation of the Board of Directors, the Shareholders' Meeting resolved to distribute and appropriate earnings for the year as follows:

2011 earnings	€4,079,743.42
Retained earnings...	€629,673.44
	€4,709,416.86
Appropriated as follows:	
* First dividend	€226,296.00
* Second dividend	€905,184.00
Total dividends	€1,131,480.00
* Transfer to other reserves	€3,000,000.00
* Transfer to retained earnings	€577,936.86
TOTAL APPROPRIATED	€4,709,416.86

Given that share capital consists of 1,131,480 shares, each share would receive a total dividend of €1.

The following table shows the dividends paid for the last three years:

Year	Dividend	Number of shares
2008	1.80	1,131,480
2009	1.80	1,131,480
2010	1.00	1,131,480

FOURTH RESOLUTION

Following a reading of the Statutory Auditors' special report, the Shareholders' Meeting formally noted the absence in 2011 of any operations related to Article L.225-38 of the French Commercial Code.

FIFTH RESOLUTION

The Shareholders' Meeting gave a full discharge to the Directors for their management during the past year and resolved in favour of the Board of Directors' recommendation to set the fees that will be paid to the company Directors in 2012 at €60,000.

SIXTH RESOLUTION

The Shareholders' Meeting resolved in favour of the Board of Directors' recommendation to renew the appointment of Mr Charles Nusse, residing at 105 rue de Lille, Paris 75007, as a director of the company.

This appointment, which is valid for six years, will terminate at the conclusion of the Shareholders' Meeting to which the financial statements for fiscal year 2017 are submitted.

NOTES