EXACOMPTA CLAIREFONTAINE

ORDINARY AND EXTRAORDINARY
SHAREHOLDERS' MEETINGS

OF 31 MAY 2018

FISCAL YEAR 2017

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

Board of Directors

François Nusse, Chairman and Chief Executive Officer

Dominique Daridan

Céline Nusse

Charles Nusse

Christine Nusse

Frédéric Nusse

Guillaume Nusse

Jérôme Nusse

Monique Prissard, permanent representative of Ets Charles Nusse

Caroline Valentin

Statutory Auditors

BATT AUDIT, 54500 Vandœuvre–lès–Nancy, France
Pascal François

SEREC AUDIT, 75015 Paris, France
Benoît Grenier

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Ordinary Shareholders' Meeting

ORDINARY SHAREHOLDERS' MEETING

Agenda:

- Board of Directors' report on operations and the parent company financial statements for fiscal year 2017;

- Board of Directors' report on operations and the consolidated financial statements for fiscal year 2017;

- Board of Directors' report on corporate governance;

- Statutory Auditors' Reports
  - on the parent company financial statements
  - on regulated agreements and commitments
  - on the consolidated financial statements

- Approval of the parent company financial statements for the year ended 31 December 2017;

- Approval of the consolidated financial statements for the year ended 31 December 2017;

- Appropriation of earnings;

- Agreements governed by Article L. 225-38 of the French Commercial Code;

- Discharge of the Directors;

- Director appointments.

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 and liabilities, financial position and earnings 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, earnings 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-Marie Nusse
Executive Vice President

REPORT OF THE BOARD OF DIRECTORS

TO THE ORDINARY SHAREHOLDERS' MEETING

OF 31 MAY 2018

To the Shareholders,

1. REVIEW AND APPROVAL OF THE PARENT COMPANY FINANCIAL STATEMENTS

(€000)	**2017**	**2016**
Operating revenue	8,385	8,289
Operating income/(loss)	(38)	(358)
Net financial items	(8,393)	2,501
Net income/(loss)	(9,231)	485

A €12 million investment write-down was recorded in the 2017 financial statements.

EXACOMPTA CLAIREFONTAINE, the holding company, serves the Group companies, 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 royalty equal to 0.2% of their added value for the previous year.

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

The amount of non-tax deductible expenses was €13,229.

INCOME FOR THE LAST FIVE YEARS (€)

Balance sheet date **Duration of the reporting period (in months)**	**31/12/2017** **12**	**31/12/2016** **12**	**31/12/2015** **12**	**31/12/2014** **12**	**31/12/2013** **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 excluding tax	1,278,105	1,220,327	1,478,146	2,231,400	2,259,071
Income before taxes, profit-sharing, depreciation, amortisation and provisions	4,260,995	2,065,601	3,525,087	2,960,074	2,567,292
Income taxes	825,352	829,951	2,271,913	3,659,941	(584,550)
Net depreciation, amortisation and provisions	12,666,797	750,344	658,681	1,018,221	26,052,984
Net income	(9,231,154)	485,306	594,493	(1,718,088)	(22,901,142)
Distributed income	*3,054,996	2,941,848	2,262,960	1,301,202	565,740
EARNINGS PER SHARE					
Income after taxes and profit-sharing and before depreciation, amortisation and provisions	3	1	1	(1)	3
Income after taxes, profit-sharing, depreciation, amortisation and provisions	(8)	0	1	(2)	(20)
Dividend paid	*2.70	2,60	2	1.15	0.50
PERSONNEL					
Average number of employees	44	43	44	44	49
Payroll	3,793,875	3,795,882	3,873,499	3,892,716	3,903,372
Sums paid in employee benefits (social security, fringe benefits, etc.)	1,503,407	1,518,929	1,562,125	1,518,652	1,495,369

* Dividend proposed

INVOICES RECEIVED AND ISSUED NOT SETTLED AT THE YEAR-END AND PAST DUE DATE

	Invoices received					**Invoices issued**				
	1-30 days	31-60 days	61-90 days	91 days and more	Total	1-30 days	31-60 days	61-90 days	91 days and more	Total
	(A) - Late payments by age									
Number of invoices concerned					8					2
Total amount for the invoices concerned in € net of taxes	6,177	–	–	10,927	17,104	16,991	–	–	1,201	18,192
Percentage of total amount of purchases for the fiscal year	0.4%			0.8%	1.2%					
Percentage of revenue for the fiscal year						0.2%			0.0%	0.2%
	(B) - Invoices excluded from (A) relating to amounts receivable and amounts payable disputed or not recorded									
Number of invoices excluded	None					None				
Total amount for excluded invoices in € net of taxes	None					None				
	(C) - Standard payment terms used (contractual or legal - Article L.441-6 or Article L.443-1 of the French Commercial Code)									
Payment terms used for calculating late payments	Contractual payment terms					Contractual payment terms				

SHARE AND SHAREHOLDER INFORMATION

The share listed at €117 on 2 January 2017 and closed the year at €121.11 (up 3.51%). The number of shares traded during the year was 30,817.
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, held 910,395 shares with double voting rights, representing 80.46% of the capital, at 31 December 2017.
Financière de l'Echiquier, a minority shareholder, crossed the 5% ownership threshold in 2005.

2. REVIEW AND APPROVAL OF THE 2017 CONSOLIDATED FINANCIAL STATEMENTS

2.1 EARNINGS

(€000)	**2017**	**2016**
Income from continuing activities	597,709	597,865
Operating income	22,581	17,264
Net income before tax	19,441	13,728
Net income after tax	12,866	12,704
Minority interests	0	(1,105)
Group share	12,866	13,809

- Goodwill impairment is recorded under 2017 and 2016 net income, amounting to €1,342,000 and €3,347,000 respectively. A €1,498,000 impairment charge on other intangible assets was recorded in 2017.
- The 2017 consolidated financial statements also include a €7,893,000 earnout payment in relation to the purchase of a subsidiary and a €4,714,000 write-back of the provision recorded in 2016.

2017 Group cash flow amounted to €37,253,000 and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) was €46,849,000, compared to €41,276,000 and €50,186,000 respectively in 2016.

The consolidated financial statements include transactions performed by the Group with Etablissements Charles Nusse, which provides advice and assistance to Group companies. Services provided are paid for in the form of a fee equal to 0.6% of their added value for the previous year.

2.2 BUSINESS SECTORS

Paper

European production of uncoated printing and writing papers continued to fall, at a rate of 2.6% in 2017 (source CEPI). Reeled paper production by our five machines remained constant at 229,000 tonnes.
The average price of virgin pulp that we use increased by over €140/tonne between December 2016 and December 2017, while the average price of our papers rose only slightly. This discrepancy exerted increasing pressure on profit margins.

Processing

The stationery market remained flat over the year as a whole, after a spike in the fourth quarter (source I+C).
Although this sector was also hit by rising raw material prices, value added crept upwards thanks to robust sales of brand items and our diversification strategy.

2.3 FINANCIAL POSITION

2.3.1 Debt

The Group posted 2017 revenue of €597,709,000. At 31 December 2017, gross borrowings stood at €121,586,000 and shareholders' equity totalled €393,900,000.

In order to provide for its growth, the Group has negotiated several lines of credit with its banks. At the balance sheet date, no commercial paper had been issued out of a global programme of €125,000,000.

Gross cash and cash equivalents amounted to €136,618,000 and the Group was able to fund capital expenditure from cash flow. Net cash at 31 December 2017 amounted to €15,032,000.

2.3.2 Financial instruments

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

2.4 RISK MANAGEMENT

The Group has conducted an analysis of the risks that may have a material adverse impact on its business, financial position and earnings. The results of this analysis indicate that there are no significant risks other than those listed below.

2.4.1 Risks related to economic activity

The majority of our assets are located in France (93%). Our sales are generated primarily in France (64.7%) and in Europe (30.4%), largely in Western Europe.

The purchase price of our primary raw material, paper pulp, is influenced by the world market.
The price of raw materials can vary by more than €200 per tonne over relatively short periods depending on global production capacity, demand from emerging countries and the Euro to US Dollar exchange rate which is the market's benchmark currency. It is to be noted that the Group uses about 150,000 tonnes of pulp across all its production units.

Consumption of papers for office use and stationery items changes regularly according to the needs of businesses and households. It is relatively unaffected by economic conditions.

However, data transmission, note-taking, information exchange and training are increasingly carried out via digital means. This has resulted in a continual decline in consumption of printing and writing papers, which fell by 3% per year in Europe from 2009 to 2016. This downward trend also impacts our various categories of stationery items to different degrees.

The quality of our products, our sales presence, customer brand recognition and our research and diversification efforts are key advantages in helping us to adapt to this changing environment.

2.4.2 Financial risks

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.

Credit risk

Credit risks represent the risk of financial loss for the Group if a third party fails to meet 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 by 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 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 policies.
The Group determines a level of write-downs that represents its estimate of losses that will be incurred in respect of trade and other receivables. Impairment charges correspond to specific losses related to individual risks.

→ 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.

Liquidity risk

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

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

Exchange rate and price risk

The Group operates internationally. Risks related to commercial transactions denominated in a currency other than the respective functional currencies of Group entities are related mainly to purchases of raw materials denominated in US dollars.
In order to manage exchange rate risk, the Group hedges approximately 50% of its expected future transactions in USD for the coming three months using options contracts.

2.4.3 Risks related to proceedings, tax audits and litigation

To the best of the Group's knowledge, there are no pending or threatened government, judicial or arbitration proceedings that may have, or have had over the past 12 months, a significant impact on the Group's financial position or profitability.

2.4.4 Financial risks relating to the impacts of climate change

No law or regulation defines the components of climate change, the physical criteria of measurement, the timeframe or related values. Therefore, the financial risk related to the impact of climate change cannot be objectively measured.

However, the Group does not expect any major financial risk in the short or medium term directly linked to the rise in global average temperatures, the rise in sea levels or changes in biodiversity. In application of Articles R.516-1 et seq. of the French Environmental Code, the Group has set up financial guarantees for ensuring plant safety in the event of a shutdown.
The social and environmental report sets out the Group's environmental policy as well as providing details of energy consumption, greenhouse gas emissions and measures taken to reduce the carbon footprint of the Group's operations.

2.5 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

2.5.1 Definition of internal control

Internal control is defined as a process implemented simultaneously by the Board of Directors, senior management and the 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 and accounting information
- → compliance with the laws and regulations in force.

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

2.5.2 Purposes and limits

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

- → irregularities and fraud, including computer 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, however efficient the system is, 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 financial and accounting information to guide its operations:

- → the annual and interim parent company and consolidated financial statements;
- → the quarterly statements (March and September – not published);
- → the projected financial statements (not published).

2.5.3 Procedures for processing financial and accounting information

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

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

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

- → 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 subsidiaries' short- and medium-term financial commitments, with transmission and control of operating working capital requirements.

The internal control of financial instruments is specifically monitored by senior management, with regard to the types of instruments used as well as 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.

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 authorised representatives 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.

For processing financial and accounting information, the Group and its subsidiaries use the following systems:

- Yourcegid fiscalité (tax management)
- Talentia Consolidation and Intercompany (consolidation)
- SAP, Navision (accounting & finance)
- Zadig (personnel management)
- Excalibur (accounting and financial intranet)

3. OUTLOOK

Demand for our papers and stationery remained satisfactory at the start of this year. Pulp prices continue to rise and weigh on our margins. 2018 earnings guidance is therefore down on 2017 figures.

4. POST-BALANCE SHEET EVENTS

No significant event occurred between 1 January and 22 March 2018.

5. RESEARCH AND DEVELOPMENT

Internally, we have successfully developed new levels of quality for offset and inkjet printing, Indigo and heat-resistant printer cards and technical papers for packaging. The Everbal facilities enable the production of extremely white recycled paper that does not require deinking.

In terms of stationery items, over the past few years the three departments have created entire teams of product design professionals and graphic designers. The Photoweb laboratory has cutting-edge digital applications geared to the production of custom articles.

6. EMPLOYMENT INFORMATION

The Exacompta Clairefontaine Group had 3,063 employees at 31 December 2017.

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

The Group Committee, which met on 21 June 2017, commented on the Group’s business and the economic and employment outlook for the year.

7. SOCIAL AND ENVIRONMENTAL REPORT

The information required under Article L. 225-102-1 of the French Commercial Code is included in a separate document entitled "Social and Environmental Responsibility", which is an integral part of this management report.
It provides information on the manner in which the Group takes into account the social and environmental consequences of its activity as well as its commitments to society in favour of sustainable development, the circular economy, combating discrimination and promoting diversity.

8. DRAFT RESOLUTIONS

8.1 APPROPRIATION OF EARNINGS

Earnings (€):
2017 loss €9,231,154.39

We propose the following appropriation:
Deduction from other reserves.............................. €9,231,154.39

We propose the payment of a €3,054,996 dividend from other reserves.

Given that the company's share capital is divided into 1,131,480 shares, each of these shares will receive a total dividend of €2.70.

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

Year	Dividend	Number of shares
2014	1.15	1,131,480
2015	2.00	1,131,480
2016	2.60	1,131,480

8.2 DIRECTORS

Your Board proposes that you renew the appointment of Charles Nusse, residing at 105 rue de Lille, Paris (7th district), as director.

This appointment, which is valid for six years, will terminate at the close of the Shareholders' Meeting called to approve the financial statements for fiscal year 2023.

REPORT ON CORPORATE GOVERNANCE

1. List of offices and positions held by corporate officers

Céline Nusse
- Managing Director, Zadig Productions

Charles Nusse
- Member of the Supervisory Board of Ets Charles Nusse
- Chairman, Exaclair Ltd (GB)
- Joint Managing Director, Ernst Stadelmann (AT)
- Joint Managing Director, Exaclair GmbH (DE)
- Manager of the German companies: Brause Produktion and Rodeco
- Member of the Exaclair SA Board (BE)

Christine Nusse
- Chairwoman of the Supervisory Board of Ets Charles Nusse
- Chairwoman, Quo Vadis International (CA)
- Chairwoman, Exaclair Inc. (US)
- Vice-President, Quo Vadis Editions (US)

François Nusse
- Chairman of the Executive Board of Ets Charles Nusse
- Chairman, Exacompta
- Chairman, Papeteries Sill
- Chairman, Claircell Ingénierie
- Joint Managing Director, Ernst Stadelmann (AT)
- Managing director, Exaclair SA (BE)

Frédéric Nusse
- Chairman, Papeteries de Clairefontaine
- Joint Managing Director, Exaclair GmbH (DE)

Guillaume Nusse
- Chairman, Clairefontaine Rhodia
- Chairman, CFR
- Chairman, Madly
- Sole director, Exaclair SA (ES)
- Manager of the Moroccan companies: Makane Bouskoura, Publiday and Clair Maroc

Jean-Claude Gilles Nusse
- Member of the Ets Charles Nusse Executive Board
- Manager, AFA
- Chairman, Photoweb
- Chairman of the Board of Directors, Exaclair Ltd (GB)

Jean-Marie Nusse
- Member of the Ets Charles Nusse Executive Board
- Director, Exaclair SA (BE)

Jérôme NUSSE

- Chairman, Editions Quo Vadis
- Chairman, Exaclair Italia (IT)
- Chairman, Quo Vadis Japan (JP)
- Chairman, Quo Vadis Editions (US)

Monique Prissard, permanent representative of Ets Charles Nusse

- Member of the Ets Charles Nusse Executive Board

Caroline Valentin

- Member of the Supervisory Board of Ets Charles Nusse
- Manager, Cartier et Cie
- Director, Lancel Sogedi

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

The Board has ten members. Its composition is optimised to bring together members with direct responsibilities from the various areas of the Group's businesses and specialists in financial, economic and staff matters.

Terms of office expire at the end of the year stated in brackets:

- Charles Nusse (2017)
- Christine Nusse (2018)
- François Nusse (2019)
- Frédéric Nusse (2021)
- Guillaume Nusse (2021)
- Jérôme Nusse (2021)
- Ets Charles Nusse, represented by Monique Prissard (2021)
- Dominique Daridan (2022)
- Céline Nusse (2022)
- Caroline Valentin (2022)

In accordance with statutory requirements, the proportion of each gender on the Board is not less than 40%.

The Chief Executive Officer is the Chairman of the Board of Directors.
He is supported by two non-director Executive Vice Presidents, assisting him in the following areas:

- Jean-Claude Gilles Nusse – Executive Vice President: Exacompta, AFA and Photoweb departments.
- Jean-Marie Nusse – Executive Vice President: Papeteries de Clairefontaine and Clairefontaine Rhodia departments. Administration and Finance Department.

The Board has placed no limitations on the powers of the Chairman and Chief Executive Officer.

The Board does not currently hold any delegation of authority granted at the Shareholders' Meeting for the purposes of capital increases.

Notices of Board meetings 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 called to approve the annual and interim financial statements and to all meetings that review the financial statements.

The Board met four times in 2017.

- The 30 March Board meeting approved the financial statements for the previous year and prepared the Shareholders' Meeting.
- The 7 September Board meeting reviewed the half-yearly position, particularly the economic environment at the beginning of the year, the interim operating statements and other specific items.
- The 31 May and 16 November Board meetings discussed the economic environment, the business and other issues

The March and September Board meetings were followed by an announcement to all shareholders.

One or more additional Board meetings may be held if circumstances require, particularly if there are significant acquisition or investment opportunities.

Board members are not required to be physically present at Board meetings, as video conferencing is authorised by the Board's internal procedure. Board members' attendance rate is very high. No meetings were called at the initiative of the directors.

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.

During the Board meetings, each head of department presents an analysis of the following points:
→ raw materials and energy
→ earnings for the period
→ capital expenditure
→ outlook and risks

The directors review the consolidated financial statements of the Group and those of the different departments.
The consolidated statements contain a number of analyses, including:
→ changes in shareholders' equity;
→ contribution to consolidated income by company;

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 requests, the Chairman shall immediately or promptly provide any additional information or documents to said party.

3. Shareholder attendance at Shareholders' Meetings

There are no particular procedures for shareholders to attend Shareholders' Meetings. The main provisions of the Articles of Association governing voting rights and attendance are:

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 that have been pledged are exercised by the owner of the 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): "Fully paid-up shares registered 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 notice, pursuant to the procedures and deadlines set forth in the regulatory provisions".

Excerpt from the Articles of Association (Article 16): "Any shareholder has the right to attend shareholders' meetings or to be represented, provided the shares have been fully paid up
The company may also require that registered shares be held in the name of their holder in the company's securities register before a date set out in the letter and the notice of meeting, must be no earlier than five (5) days before the date of the Shareholders' Meeting".

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' Meeting only: said appointment shall be valid for two sessions, an ordinary and an extraordinary session, provided said sessions 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."

4. Corporate governance

Given the nature of the company, its strong family shareholding, company values upheld by its members etc., the Board of Directors does not deem it necessary to refer to a corporate governance code.
The operation of the Board of Directors is governed by a set of internal procedural rules and their amendments are decided at the different meetings.

A Code of conduct governing behaviour for the prevention and detection of corruption or influence-peddling was also approved at the Board of Directors' meeting of May 2017.

Audit Committee:

The Audit Committee is represented by the Board of Directors, on which the senior executives from the Group's five departments sit.
The Board has not formally established any other permanent committees tasked with monitoring particular areas. Ad hoc committees may be put in place according to the issues that need to be dealt with.

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 Group applies the principle of fixed remuneration for senior executives and there are no variable remuneration measures in place.

The compensation and benefits of all kinds granted to the corporate officers are set on the basis of the following principles:

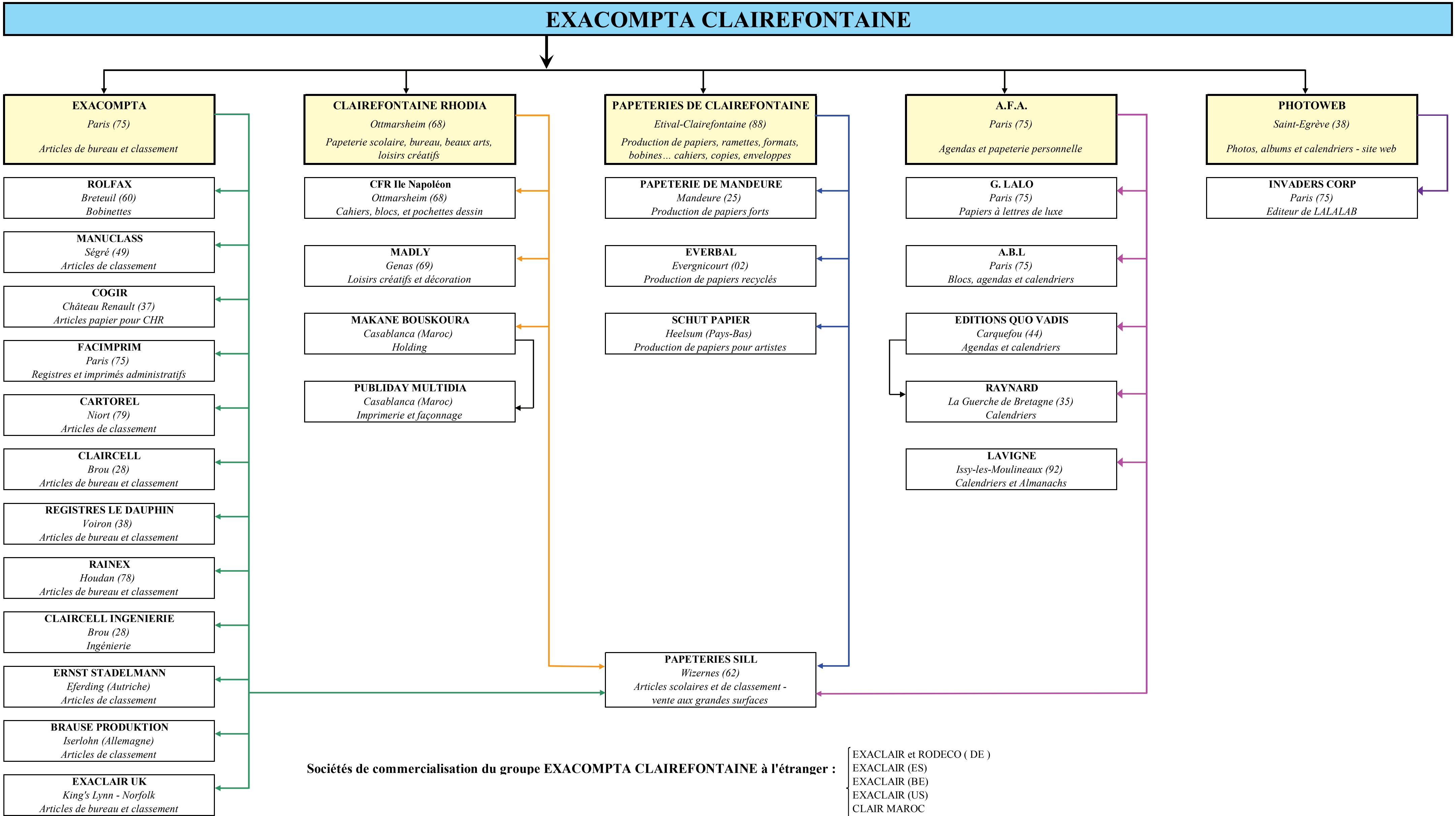
- salaries: based on experience and the responsibilities of the position held;
- directors' fees: distributed equally among the members of the Board taking into account attendance at meetings.

Corporate officers do not benefit from any retirement commitments or other advantages awarded in connection with the assumption or termination of duties. Nor do they receive any other annuities from Exacompta Clairefontaine.

Directors' fees:

The total amount of director's fees shared among directors totalled €60,000 in 2017 and was awarded by a decision of the 27 May 2015 Shareholders' Meeting.

ORGANIGRAMME DU GROUPE



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

EXACLAIR et RODECO (DE)
EXACLAIR (ES)
EXACLAIR (BE)
EXACLAIR (US)
CLAIR MAROC
QUO VADIS : Canada - Italie - Japon - USA

Exacompta Clairefontaine S.A.

Parent Company Financial Statements for the year ended
31 December 2017

BALANCE SHEET AND INCOME STATEMENT

ASSETS (€000)	31/12/2017	31/12/2016
Intangible assets		
Concessions, patents, licences, trademarks	28	42
Intangible assets in progress		
Property, plant and equipment		
Land	3,619	3,622
Buildings	7,746	8,183
Other PP&E	18	28
Property, plant and equipment in progress	230	57
Non-current financial assets		
Equity interests	315,570	314,557
Intercompany receivables	10,135	8,223
Loans	2,061	1,080
Other financial assets	7	254
TOTAL NON-CURRENT ASSETS	**339,414**	**336,046**
Inventories	198	198
Advances and progress payments made on orders	25	39
Receivables		
Trade and intercompany receivables	1,937	1,975
Other receivables	38,102	40,597
Prepaid expenses	154	180
Cash and cash equivalents	60,457	23,911
TOTAL CURRENT ASSETS	**100,873**	**66,900**
Currency translation adjustment	341	76
TOTAL ASSETS	**440,628**	**403,022**

LIABILITIES AND SHAREHOLDERS' EQUITY (€000)	31/12/2017	31/12/2016
Share capital	4,526	4,526
Share, merger and contribution premiums	162,566	162,566
Revaluation surplus	485	485
Reserves		
Statutory reserve	453	453
Other reserves	132,026	134,483
Retained earnings		
Net income/(loss) for the year	**(9,231)**	**485**
Regulated provisions	2,334	2,527
SHAREHOLDERS' EQUITY	**293,159**	**305,525**
Provisions		
For contingent liabilities	47	76
For charges	336	325
TOTAL PROVISIONS	**383**	**401**
Financial liabilities		
Bank loans and borrowings	46,717	21,409
Operating payables		
Trade payables	261	290
Taxes and social security contributions payable	1,142	1,061
Other payables	98,643	74,303
Deferred income	29	33
TOTAL PAYABLES	**146,792**	**97,096**
Currency translation adjustment	294	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**440,628**	**403,022**

INCOME STATEMENT (€000)	2017	2016
Revenues	1,278	1,220
Operating subsidies		
Reversals of depreciation, amortisation and provisions, expense transfers	6,658	6,645
Other income	449	424
REVENUE FROM OPERATIONS	**8,385**	**8,289**
Purchases and other supplies	1	2
Other purchases and external expenses	1,720	1,945
Taxes, duties and similar payments	411	393
Salaries and wages	3,794	3,796
Social security contributions	1,503	1,519
Increases in depreciation/amortisation of non-current assets	877	852
Provision charges	49	73
Other expenses	68	67
OPERATING EXPENSES	**8,423**	**8,647**
OPERATING INCOME/(LOSS)	**(38)**	**(358)**
Financial income from equity investments	4,584	2,157
Income from other securities and receivables from non-current assets	22	55
Other interest and similar income	740	1,156
Reversals of provisions, expense transfers	76	5
Positive currency translation adjustments	50	343
Net profit on sales of marketable securities		
FINANCIAL INCOME	**5,472**	**3,716**
Increases in depreciation, amortisation and provisions	12,047	76
Interest expense and similar expenses	1,191	1,009
Negative currency translation adjustments	628	130
Net expenses on sales of marketable securities		
FINANCIAL EXPENSES	**13,866**	**1,215**
NET FINANCIAL INCOME/(EXPENSE)	**(8,394)**	**2,501**
INCOME/(LOSS) BEFORE TAXES	**(8,432)**	**2,143**
Extraordinary income		
On operating transactions		8
On capital transactions		
Reversals of provisions, expense transfers	356	351
EXTRAORDINARY INCOME	**356**	**359**
Extraordinary expenses		
On operating transactions	167	
On capital transactions		1,055
Increases in depreciation, amortisation and provisions	163	132
EXTRAORDINARY EXPENSES	**330**	**1,187**
NET EXTRAORDINARY INCOME/(EXPENSE)	**26**	**(828)**
Income taxes	825	830
NET INCOME/(LOSS) FOR THE YEAR	**(9,231)**	**485**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. KEY EVENTS OF THE YEAR

Notes to the balance sheet prior to earnings appropriation for the year ended 31/12/2017, for which:

- Total assets amounted to €440,628,775
- Net loss amounted to €9,231,154

1.1. Accounting principles, 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;
- constant accounting methods from one year to the next;
- accruals concept, 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 financial statements are prepared in accordance with French accounting standards authority (ANC) Regulations 2014-03 et seq. regarding the French chart of accounts.

1.2. Comparability of the financial statements

The fiscal year is a period of 12 months that runs from 01/01/2017 to 31/12/2017.

1.3. Changes in accounting methods

There were no changes in the valuation and presentation methods applied to the parent company financial statements for the fiscal year ended compared to the previous year.

1.4. Key events of the year

On 07/04/2017, Exacompta Clairefontaine became the sole shareholder of Photoweb via the acquisition of the 25% minority interests.
A €12 million investment write-down was recorded in the 2017 financial statements.

2. ACCOUNTING RULES AND METHODS

2.1. Fixed assets

2.1.1 Intangible assets and property, plant and equipment

Valuation:

Fixed assets are valued at acquisition cost (purchase price excluding ancillary expenses) or production cost.

Depreciation and amortisation:

Depreciation and amortisation are calculated using the straight line method based on the estimated useful life of each asset component, on the following bases:

❑ Software	1 to 3 years
❑ Buildings	25 to 40 years
❑ Fixtures and furnishings	10 to 20 years
❑ Office supplies and computer hardware	3 to 10 years

The difference between tax-related and economic depreciation/amortisation is recognised under accelerated depreciation/amortisation.

Write-downs:

At the end of each year, the company assesses the value of its fixed assets 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.

2.1.2 Non-current financial assets

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

If fair value is less than gross value, a write-down is taken for the amount of the difference.

The fair value of equity interests is assessed on the basis of the fair value of the shareholders' equity, as measured based on discounted future cash flows and net debt. The outlook of each subsidiary or group of subsidiaries is taken into account, in which case consolidated data may be included in the assessment.

2.2. Inventories

Inventories include the purchase of resinous wood made in 1997.

2.3. Receivables and payables

Valuation and impairment:

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

Receivables and payables denominated in foreign currencies:

These items are valued using the closing exchange rate on the balance sheet date.
Differences resulting from this valuation are recorded as currency translation adjustments, in assets or liabilities. Provisions are recorded for unrealised foreign exchange losses recognised under assets.

2.4. Cash

Short-term cash:

Short-term needs are financed by commercial paper issued by Exacompta Clairefontaine. A fixed rate determined at the moment of issue is paid on the commercial paper, which has a fixed maturity and a maximum term of 365 days.
There was no commercial paper outstanding at year-end. The maximum amount issuable was €125,000,000.

Lines of credit:

Lines of credit are in place with several banks for a total amount of €135,000,000, with maturities not exceeding five years. The term of drawdowns ranges from 10 days to twelve months. As at 31 December 2017, none of these lines of credit had been used.

Marketable securities:

Marketable securities are assets held for trading. The book value of €10,293,000 is their market value at 31 December 2017. The book value is equal to the fair value.

2.5. Financial instruments

Valuation:

The Group uses derivatives products mainly to hedge against interest rate risks. Transactions performed to hedge exchange rate risks are non-material.
The valuation of the financial instruments was -€217,000 as at 31/12/2017.

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 31/12/2017 (current notional amounts):

Residual maturity (€000)	**< 1 year**	**1-5 years**	**> 5 years**	**Total**
Interest rate swaps	951	2,489	2,867	6,307

2.6. <u>Accelerated depreciation/amortisation</u>

Accelerated depreciation consists 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 €2,334,000 at year-end.

2.7. <u>Provisions for contingent liabilities and charges</u>

2.7.1 Provisions for retirement indemnities

The method used to calculate the provision is the projected unit credit method. The discount rate is determined using the French average bond market rate, based on blue chip corporate bonds.

The calculation is based on the following main assumptions:

- probability of retirement from the company, turnover, death;
- total amount of benefits outstanding under the cardboard packaging (*"Cartonnage"*) collective agreement;
- retirement age: between 60 and 67 years of age depending on the employee's year of birth and status
- social security contributions rate: 45%
- discount rate: 0.95%

A provision for the full amount of the retirement commitment – including social security contributions – was taken at year-end and totalled €336,000.

2.7.2 Other provisions

Other provisions recorded correspond to foreign exchange losses resulting from currency translation differences. They amounted to €47,000 at 31/12/2017.

2.8. <u>Competitiveness and employment tax credit (Crédit d'impôt pour la compétitivité et l'emploi – CICE)</u>

The CICE tax credit amounted to €15,000 for fiscal year 2017. It is recorded as a reduction in personnel expenses.
This tax credit is designed to finance capital expenditure and investment in research, training, hiring, environmental or energy transition and the reconstitution of working capital.

In accordance with the law, the CICE was not used to finance an increase in dividends distributed or corporate officers' remuneration.

3. OTHER INFORMATION

3.1. Identity of the parent company consolidating the company's financial statements

Exacompta Clairefontaine is 80.46% owned by Ets Charles Nusse SA, a French limited company (*société anonyme*) with an Executive Board and a Supervisory Board, with a share capital of €1,603,248, registered at 15 Rue des Ecluses Saint-Martin, 75010 Paris.

3.2. Staff

The average headcount of the parent company totalled 44 persons in 2017 (2 administrative managers and 42 sales staff).

3.3. Tax consolidation

A tax consolidation agreement has been signed with all the French companies except Photoweb and Invaders Corp, in which the company holds a 100% interest since 2017. This agreement is automatically renewed every year.
The parent company of the tax group is Exacompta Clairefontaine.
The reported tax expense is the expense that would have been incurred in the absence of tax consolidation, subject to the following provisions:

- no limit on the profit against which loss carryforwards may be applied
- refunding of tax credits not applied by the company when these credits may be applied by the parent company

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 group incurred a tax expense of €737,000 for 2017.

3.4. Remuneration of administrative and management bodies

The members of the Board of Directors receive no remuneration from the company.
The total amount of director's fees to be shared among the directors for 2017 is €60,000 and was awarded by a decision of the 27 May 2015 Shareholders' Meeting.

3.5. Related party transactions

No material non-arm's length transactions involving related parties were executed.

3.6. Off-balance sheet commitments

The companies that head sub-groups (Exacompta, Papeteries de Clairefontaine, Clairefontaine Rhodia, AFA and Photoweb) guarantee all repayments of their subsidiaries that 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 contracted by Papeteries de Clairefontaine.

4. 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 31/12/2016	**305,525**
Dividends distributed	(2,942)
Change in regulated provisions	(193)
Net income for fiscal year 2017	(9,231)
Shareholders' equity at 31/12/2017	**293,159**

Change in gross non-current assets

€000	Gross value b/fwd	Purchases	Sales	Other activity	Gross value c/fwd
Concessions, patents, licences	331				331
Intangible assets	**331**				**331**
Land	3,628				3,628
Buildings and fixtures	21,037	410			21,447
Other PP&E	121	3			124
PP&E in progress	57	173			230
Property, plant and equipment	**24,843**	**586**			**25,429**
Equity interests	339,557	13,013			352,570
Intercompany receivables	8,223	2,400	488		10,135
Loans	1,080	1,790	809		2,061
Other financial assets	254	3	250		7
Non-current financial assets	**349,114**	**17,206**	**1,547**		**364,773**

Change in depreciation/amortisation of non-current assets

€000	Amounts b/fwd	Additions	Reversals	Provisions c/fwd
Concessions, patents, licences	289	14		303
Intangible assets	**289**	**14**		**303**
Land	6	3		9
Buildings and fixtures	12,854	847		13,701
Other PP&E	93	13		106
Property, plant and equipment	**12,953**	**863**		**13,816**

Table of subsidiaries and equity interests (€)

Subsidiaries	**Share capital and shareholders' equity**	**% interest**	**Shares gross value net value**	**Loans and advances**	**Dividends received**
PAPETERIES DE CLAIREFONTAINE 88480 Etival Clairefontaine SIREN no. 402 965 297	91,200,000 173,814,895	100%	103,001,491 103,001,491		2,280,000
EXACOMPTA 75010 Paris SIREN no. 702 047 564	2,160,000 83,389,011	100%	115,692,905 90,692,905		1,404,000
AFA 75010 Paris SIREN no. 582 090 452	1,440,000 42,996,795	100%	49,633,433 37,633,433	56,250	
CLAIREFONTAINE RHODIA 68490 Ottmarsheim SIREN no. 339 956 781	22,500,000 32,052,616	100%	40,912,423 40,912,423		
PHOTOWEB 38120 Saint-Egrève SIREN no. 428 083 703	40 000 14,084,080	100%	43 329 750 43 329 750		900,395
Equity interests					
Forestry cooperative FORÊT & BOIS DE L'EST	variable	non-material	3,038 3,038		

Change in provisions and write-downs

€000	Amounts b/fwd	Additions	Reversals (used)	Reversals (not used)	Provisions c/fwd
Accelerated depreciation/amortisation	2,527	163	356		2,334
Regulated provisions	**2,527**	**163**	**356**		**2,334**
Foreign exchange losses	76	47		76	47
Pensions and similar obligations	302	49		15	336
Other expenses	23		23		0
Provisions for contingent liabilities and charges	**401**	**96**	**23**	**91**	**383**
Equity interests	25,000	12,000			37,000
Write-downs	**25,000**	**12,000**			**37,000**

Increases and reversals		
○ operating	49	38
○ financial	12,047	76
○ extraordinary	163	356
Total	**12,259**	**470**

Receivables schedule

Receivables due (€000)	Gross amounts	< 1 year	> 1 year
Non-current receivables			
Intercompany receivables	10,135		10,135
Loans	2,061	774	1,287
Other financial assets	7	4	3
Current receivables			
Trade receivables	1,937	1,937	
Personnel and related	10	10	
Income taxes	4,987	4,987	
Value added tax	26	26	
Group and associates	33,078	33,078	
Other receivables	1	1	
Prepaid expenses	154	154	
Total	**52,396**	**40,971**	**11,425**

Payables schedule

Payables due (€000)	Gross amounts	< 1 year	1-5 years	> 5 years
Bank loans and borrowings	46,717	10,467	34,067	2,183
Trade payables	261	261		
Personnel and related	511	511		
Social security organisations	498	498		
Value added tax	115	115		
Other taxes, duties and similar items	18	18		
Group and associates	97,958	91,625	6,333	
Other payables	685	685		
Deferred income	29	29		
Total	**146,792**	**104,209**	**40,400**	**2,183**

Breakdown of prepaid expenses and deferred income

€000	Prepaid expenses	Deferred income
Operating income/expenses	110	
Financial transactions	44	29
Total	**154**	**29**

Breakdown of accrued expenses and accrued income

€000	Accrued expenses	Accrued income
Invoices not received/to be issued	106	72
Tax and social security payables/receivables	651	
Financial transactions	28	295
Total	**785**	**367**

Breakdown of expense transfers

€000	Expense transfers
Transfer of external expenses	1,330
Transfer of personnel expenses	5,071
Transfer of taxes & duties	219
Total	**6,620**

Extraordinary income and expenses

€000	2017	2016
Sale of property, plant and equipment		
Reversal of accelerated depreciation	356	351
Other extraordinary reversals		
Other income		8
Total extraordinary income	**356**	**359**
Sale of property, plant and equipment		
Increase in accelerated depreciation	163	132
Other extraordinary additions		
Other expenses	167	1,055
Total extraordinary expenses	**330**	**1,187**

Deferred and future tax position

€000 (at corporate income tax rate of 28%)	Amount
Tax on:	
Accelerated depreciation/amortisation	653
Total increases	653
Prepaid tax on:	
Paid holiday	84
Other	94
Total reductions	178
Net deferred tax position	**475**

Tax loss carryforwards	405
Net future tax position	**(405)**

Breakdown of income taxes

Breakdown – €000	**Income before tax**	**Taxes owed**	**Net income after tax**
Income from ordinary activities	(8,432)		(8,432)
Extraordinary income	26		26
Tax expense			
• Tax consolidation		737	(737)
• Other tax effects		88	(88)
Total	**(8,406)**	**825**	**(9,231)**

Exacompta Clairefontaine S.A.

Statutory Auditors' Reports

- **Report on the parent company financial statements**
- **Special report on regulated agreements and commitments**

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REPORT OF THE STATUTORY AUDITORS ON THE PARENT COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2017

Dear Shareholders of EXACOMPTA CLAIREFONTAINE,

Opinion

In accordance with the assignment entrusted to us by your Shareholders' Meeting, we have audited the financial statements of EXACOMPTA CLAIREFONTAINE for the year ended 31 December 2017, which are appended to this report.

We hereby certify that the parent company 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, assets and liabilities of the company at the end of that year.

The opinion expressed above is consistent with the content of our report to the Audit Committee of the Board of Directors.

Basis of the opinion

Audit standards
We performed our audit in accordance with the professional standards applicable in France. We believe that the evidence we have gathered provides a reasonable basis for our opinion.

Our responsibilities pursuant to these standards are set forth in the section "Responsibilities of the Statutory Auditors relating to the audit of the parent company financial statements" of this report.

Independence
We have performed our audit in compliance with the rules of independence applicable to us, for the period running from 1 January 2017 to the date of issue of our report, and in particular we have not provided services prohibited under Article 5, paragraph 1, of regulation (EU) No. 537/2014 or the French Code of Ethics for statutory auditors.

Justification of our assessments - Key audit matters

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code on the justification of our assessments, we draw your attention to the key audit matters relating to the risk of material misstatements which, in our professional judgement, have been the most significant for the audit of the parent company financial statements, and how we addressed these risks.

The assessments carried out are part of our audit of the parent company financial statements, taken as a whole, and formed our opinion, which is expressed above. We do not express an opinion on individual items of these financial statements.

Valuation of equity interests

Risk identified

Equity interests, of a net amount of €316 million on the balance sheet as at 31 December 2017, represent one of the most significant items of the balance sheet. They are initially recognised at acquisition cost and depreciated based on their carrying amount.

As stated in Note 2.1.2 to the financial statements, the carrying amount is assessed on the basis of the fair value of the shareholders' equity, as measured based on discounted future cash flows and net debt. The outlook of each subsidiary or group of subsidiaries is taken into account, in which case consolidated data may be included in the assessment.

The estimated carrying amount of these equity interests, based in particular on projected discounted future cash flows, requires the use of assumptions and estimates and the exercise of judgement by management.

Competition and the economic environment facing certain subsidiaries may lead to a decline in their business and a deterioration of the operating income.

Therefore and given the uncertainties inherent to certain elements and in particular the probability of achievement of the forecasts, we are of the opinion that the proper valuation of equity interests, intercompany receivables and related provisions for risks constitute a key audit matter.

Audit procedures implemented to address this risk

To assess the reasonableness of the estimated carrying amount of equity interests, based on information provided to us, our work consisted mainly in verifying that the estimate of these values determined by management is based on an adequate justification of the valuation method and the figures used and in:

- obtaining the cash flow and business forecasts of the concerned entities prepared by their operational departments;

- verifying the consistency of assumptions used for prior periods with the economic environment at the accounts closing and preparation dates;

- comparing the forecasts used for prior periods with the corresponding actual figures in order to assess the achievement of previous targets;

- verifying that the value obtained from the cash flow forecasts has been adjusted for the debt amount of the entity under consideration.

Besides the assessment of the value in use of the equity interests, our work also consisted in assessing the recoverability of intercompany receivables in light of the analyses of equity interests.

Verification of the management report and other documents sent to shareholders

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

Information provided in the management report and other documents sent to shareholders on the financial position and the parent company financial statements.

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

Report on corporate governance

We hereby certify that the Board of Directors' report on corporate governance contains the information required by Article L. 225-37-4 of the French Commercial Code. As required by law, we hereby inform you that that the information set out in Article L. 225-37-3 is not mentioned in the Board of Directors' report on corporate governance. We cannot therefore certify whether this report contains the required information, nor the accuracy and fair presentation of information on remuneration and benefits paid to corporate officers.

Other information

Pursuant to the law, we made certain that the other information regarding acquisitions of equity interests and control and the identity of the holders of the capital or voting rights was communicated to you in the management report.

Information deriving from other legal and regulatory obligations

Appointment of Statutory Auditors
We have been appointed as the Statutory Auditors of EXACOMPTA CLAIREFONTAINE by the Shareholders' Meeting of 31 May 1996 for SEREC AUDIT and of 22 May 2008 for BATT AUDIT.

On 31 December 2017, SEREC AUDIT was in the 22nd continuous year of its engagement and BATT AUDIT in the 10th year since the company's shares were admitted for trading on a regulated market.

Responsibilities of senior management and of those charged with corporate governance relating to the parent company financial statements

It is the management's responsibility to prepare the parent company financial statements representing a true and fair view in accordance with the French accounting rules and principles and to establish the internal control that it deems necessary for the preparation of the parent company financial statements free of material misstatements, whether due to fraud or error.

During the preparation of the parent company financial statements, it is the responsibility of management to assess the company's ability to continue as a going concern, to present in these financial statements, if applicable, the necessary information on the going concern basis and to apply the standard accounting policy for a going concern, unless it is planned to wind up the company or discontinue operations.

It is the responsibility of the Audit committee of the Board of Directors to monitor the process for the preparation of financial information and the effectiveness of internal control and risk management systems, and, where applicable, of the internal audit system, as regards the procedures relating to the preparation and processing of accounting and financial information.

The parent company financial statements were approved by the Board of Directors.

Responsibilities of Statutory Auditors relating to the audit of the parent company financial statements

Audit objective and approach

It is our responsibility to prepare a report on the parent company financial statements. Our objective is to obtain reasonable assurance that the parent company financial statements, taken as a whole, are free of material misstatements. Reasonable assurance is a high level of assurance without however guaranteeing that an audit performed in accordance with the professional standards applicable would systematically detect any material misstatement. Misstatements may be due to frauds or errors and are considered as material when it is reasonable to expect that they can, taken separately or together, influence the economic decisions that users of the financial statements take based on them.

As set out in Article L. 823-10-1 of the French Commercial Code, our engagement relating to the certification of the financial statements does not consist in guaranteeing the viability or quality of your company's management.

As part of an audit performed in accordance with auditing standards applicable in France, the Statutory Auditor exercises their professional judgement throughout the audit. The auditor also:

- identifies and assesses the risks that the parent company financial statements contain material misstatements, whether due to fraud or error, defines and implements audit procedures to address these risks, and gathers the evidence that the auditor deems sufficient and appropriate to base their opinion. The risk of non-detection of a material misstatement due to a fraud is higher than that of a material misstatement due to an error, since a fraud may involve collusion, forgery, wilful omissions, misrepresentations or the circumvention of internal control;

- the auditor examines the aspects of the internal control system relevant to the audit in order to define appropriate audit procedures under the circumstances, and not with the objective of expressing an opinion on the effectiveness of the internal control;

- the auditor assesses the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as the disclosures on these provided in the financial statements;

- the auditor assesses the appropriateness of management's application of the going concern principle and, depending on the evidence gathered, whether or not there is a significant uncertainty relating to these events or circumstances that might compromise the company's ability to continue as a going concern. This assessment is based on the evidence gathered up to the date of the auditor’s report, it being noted however that subsequent circumstances or events could compromise the going concern basis. If the auditor concludes that there is a significant uncertainty, they draw the reader's attention within their report to the disclosures provided in the parent company financial statements regarding this uncertainty or, if such disclosures are not provided or are not relevant, issues a qualified opinion or refuse to issue an opinion;

- the auditor assesses the overall presentation of the parent company financial statements and assesses whether the parent company financial statements reflect the underlying transactions and events in such a way as to give a true and fair view.

Report to the Audit committee of the Board of Directors

We submit a report to the Audit Committee of the Board of Directors, defining the scope of the audit work and the audit programme implemented, as well as the findings based on our work. We also draw their attention to significant internal control weaknesses that we have identified, as regards procedures relating to the preparation and processing of accounting and financial information.

The report submitted to the Audit Committee of the Board of Directors also contains information on the risks of material misstatements that we deemed to have been the most significant for the audit of the parent company financial statements and which therefore constitute key audit matters. These matters are described in this report.

We also submit to the Audit Committee of the Board of Directors the declaration set out in Article 6 of Regulation (EU) No. 537-2014 confirming our independence, within the meaning of the rules applicable in France as they are defined in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and the French Code of Ethics for statutory auditors. If necessary, we discuss with the Audit Committee of the Board of Directors the risks to our independence and the safeguards applied.

Executed in Paris and Vandœuvre-lès-Nancy, 20 April 2018

The Statutory Auditors,

SEREC AUDIT

Benoît GRENIER

BATT AUDIT

Pascal FRANCOIS

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SPECIAL REPORT OF THE STATUTORY AUDITORS ON THE REGULATED AGREEMENTS AND COMMITMENTS

Year ended 31 December 2017

Dear Shareholders of EXACOMPTA CLAIREFONTAINE,

In our role as the statutory auditors of your company, we hereby 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, as well as the reasons justifying the company's interest in said agreements and commitments, 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 carried out the procedures that we judged necessary pursuant to the professional policies of the *Compagnie Nationale des Commissaires aux Comptes* (National Institute of Statutory Auditors) relating to this assignment.

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

We hereby inform you that we have not been informed of any agreement or commitment already approved by the Shareholders' Meeting and whose performance continued during the past year.

Executed in Paris and Vandœuvre-lès-Nancy, 20 April 2018

The Statutory Auditors,

SEREC AUDIT	BATT AUDIT
Benoît GRENIER	**Pascal FRANCOIS**

Exacompta Clairefontaine S.A.

Consolidated financial statements for the year ended
31 December 2017

Consolidated balance sheet

€000	31/12/2017	31/12/2016	Notes
NON-CURRENT ASSETS	**259,943**	**261,943**	
Intangible assets	12,779	14,982	(2.1.4)
Intangible assets – Goodwill	26,924	28,266	(2.1.4)
Property, plant and equipment	216,924	213,883	(2.1.5)
Financial assets	2,442	3,750	(2.1.6)
Deferred taxes	874	1,062	(2.4)
CURRENT ASSETS	**429,890**	**391,180**	
Inventories	171,998	170,346	(2.2.1)
Trade and other receivables	113,927	114,389	(2.2.2)
Advances	2,207	2,257	
Taxes receivable	5,140	837	
Cash and cash equivalents	136,618	103,351	(2.2.3)
TOTAL ASSETS	**689,833**	**653,123**	

SHAREHOLDERS' EQUITY	**393,900**	**387,415**	
Share capital	4,526	4,526	
Capital reserves	225,709	228,166	
Consolidated reserves	152,381	140,415	
Currency translation reserve	(1,582)	(1,169)	
Net income – Group share	12,866	13,809	
Shareholders' equity – Group share	**393,900**	**385,747**	
Minority interests	0	1,668	
NON-CURRENT LIABILITIES	**135,099**	**94,871**	
Interest-bearing debt	88,144	48,636	(2.6)
Deferred taxes	23,626	24,184	(2.4)
Provisions	23,329	22,051	(2.5)
CURRENT LIABILITIES	**160,834**	**170,837**	
Trade payables	61,815	66,798	
Short-term portion of interest-bearing debt	33,442	40,957	(2.6)
Provisions	4,354	8,869	(2.5)
Tax liabilities	554	137	
Other payables	60,669	54,076	(2.8)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**689,833**	**653,123**	

Consolidated income statement

€000	2017	2016	Notes
Revenue	597,709	597,865	
- Sales of products	589,898	590,326	
- Sales of services	7,811	7,539	
Other operating income	13,198	5,964	
- Reversal of depreciation/amortisation	487	-	(2.1.4, 2.1.5)
- Subsidies	721	432	
- Other income	11,990	5,532	
Change in inventories of finished products and work-in-progress	(101)	(1,229)	(2.2.1)
Capitalised production costs	1,207	849	
Goods and materials used	(280,588)	(279,373)	(2.2.1)
External expenses	(98,843)	(102,202)	
Personnel expenses	(160,150)	(154,382)	(2.12)
Taxes and duties	(11,793)	(11,196)	
Depreciation/amortisation	(29,742)	(27,467)	(2.1.4, 2.1.5)
Other operating expenses	(8,316)	(11,565)	
OPERATING INCOME – before goodwill impairment	**22,581**	**17,264**	
Goodwill impairment	(1,342)	(2,484)	(2.1.4, 2.1.1)
OPERATING INCOME – after goodwill impairment	**21,239**	**14,780**	
Financial income	2,595	3,671	
Financial expenses	(4,393)	(4,723)	
Net financial items	(1,798)	(1,052)	(2.13)
Income taxes	(6,575)	(1,024)	(2.4, 2.11)
Net income after tax	**12,866**	**12,704**	

Net income/(loss) – minority share	**0**	**(1,105)**	
Net income – Group share	**12,866**	**13,809**	

Net income for the period	12,866	13,809	
Number of shares	1,131,480	1,131,480	(2.3)
EARNINGS PER SHARE (basic and diluted)	**11.37**	**12.20**	

Comprehensive income statement

€000	2017	2016
Net income for the period	**12,866**	**12,704**
• Currency translation differences arising from foreign entities' financial statements	(414)	(370)
• Actuarial gains/(losses)	(887)	(932)
• Changes in scope of consolidation	0	(34)
Total comprehensive income	**11,565**	**11,368**
Attributable to:		
- minority interests	0	(1,160)
- the Group	11,565	12,528

Statement of changes in consolidated shareholders' equity

€000	Shareholders' equity – Group share	Shareholders' equity – minority	Total shareholders' equity
Balance at 31/12/2015	**376,803**	**3,034**	**379,837**
Currency translation difference	(370)		(370)
Actuarial gains and losses and other variations	(911)	(54)	(965)
Put option on Photoweb minority interests	(1,305)		(1,305)
Total transactions not posted to earnings	(2,586)	(54)	(2,640)
Net income/(loss) for the year	13,809	(1,105)	12,704
Dividends	(2,279)	(207)	(2,486)
Balance at 31/12/2016	**385,747**	**1,668**	**387,415**
Currency translation difference	(414)		(414)
Actuarial gains and losses and other variations	(887)		(887)
Other changes	(470)		(470)
Acquisition of exclusive control of Photoweb		(1,668)	(1,668)
Total transactions not posted to earnings	(1,771)	(1,668)	(3,439)
Net income/(loss) for the year	12,866		12,866
Dividends *	(2,942)		(2,942)
Balance at 31/12/2017	**393,900**	**0**	**393,900**

* Dividend paid out by Exacompta Clairefontaine at €2.60 per share.

Statement of consolidated cash flows

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

€000	31/12/2017	31/12/2016	Notes
Cash and cash equivalents (assets)	136,618	103,351	(Assets)
Bank overdrafts payable	(33,406)	(40,900)	(2.6)
Accrued interest on debt	(36)	(56)	(2.6)
Cash per statement of cash flows	**103,176**	**62,395**	

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

Statement of cash flows

€000	2017	2016	Notes
Total consolidated net income	**12,866**	**12,704**	
Elimination of non-cash and non-operating expenses and income:			
• Depreciation, amortisation and provisions	27,400	35,468	(2.1.4 to 2.1.6, 2.5)
• Change in deferred taxes	(558)	(6,015)	(2.4)
• Post-tax gains on asset sales	(684)	419	
• Currency translation adjustments	(414)	(370)	
• Other	(1,357)	(930)	
Cash flow of consolidated companies	*37,253*	*41,276*	
• Change in operating working capital	657	1,773	Balance sheet
• Change in income taxes	811	7,343	
• Income taxes paid	(4,697)	(1,861)	
(1) Net cash flow from operating activities	**34,024**	**48,531**	
• Purchases of fixed assets	(32,061)	(30,085)	(2.1.4 to 2.1.6)
• Sales of fixed assets	3,920	1,339	
• Changes in consolidation – acquisitions	(1,668)	(708)	
• Changes in consolidation – disposals			
(2) Net cash flow from investing activities	**(29,809)**	**(29,454)**	
• Dividends paid	(9,727)	(8,775)	(Change in shareholders' equity)
• Dividends received	6,785	6,289	
• New borrowings	82,460	25,353	
• Loans repaid	(42,590)	(25,797)	
• Interest paid	(918)	(1,010)	
• Interest received	556	793	
(3) Net cash flow from financing activities	**36,566**	**(3,147)**	
(1+2+3) Total cash flow	**40,781**	**15,930**	

Opening cash	62,395	46,465
Closing cash	103,176	62,395
Change in cash	**40,781**	**15,930**

Presentation of the consolidated financial statements

1- General principles – statement of compliance

The EXACOMPTA CLAIREFONTAINE Group consolidated financial statements are prepared in accordance with IFRS (International Financial Reporting Standards), as adopted within the European Union.
The Exacompta Clairefontaine Group consolidated financial statements were approved by the Board of Directors on 22 March 2018. 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 2017:

- Amendments to IAS 7 – *Disclosure initiative*
- Amendments to IAS 12 – *Recognition of deferred tax assets for unrealised losses*
- Annual improvements – *2014-2016 cycle: IFRS 12 – Disclosure of interests in other entities*

Standards, amendments and interpretations adopted by the European Union and mandatory after 2017

The Group did not apply any optional standard, amendment or interpretation.

- IFRS 9 - *Financial instruments*
  The transition will have no impact on total shareholders' equity since the Group does not apply hedge accounting. The Group does not expect the expected credit losses to have a significant impact on trade credits either.

- IFRS 15 – *Revenue from contracts with customers*
  The impacts of the new revenue recognition standard are expected to be limited. The terms of contracts entered into by the Group are much shorter than one year and the contracts do not contain any significant financial component. The recognition of variable considerations, mainly volume discounts and back margins are expected to remain unchanged. The current analysis of advertising costs may lead to a reclassification between revenue and expenses, with no impact on operating income.

- IFRS 16 – *Leases*
  The identification of contracts entered into by the Group is under way and so is the collection of information necessary for the application of the standard.

Standards, amendments and interpretations not yet adopted by the European Union in 2017

- Amendments to IFRS 2 – *Classification and measurement of share-based payment transactions*

- Amendments to IFRS 9 – *Pre-payment features with negative compensation*
- Amendments to IAS 28 – *Long-term interests in associates and joint ventures*
- Annual improvements – *2015-2017 cycle*
- IFRIC 22 – *Foreign currency transactions and advance consideration*
- IFRIC 23 – *Uncertainty over income tax treatments*

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

3- Bases of preparation of the financial statements

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

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

The accounting 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 Exacompta Clairefontaine Group entities.

4- Consolidation of subsidiaries

The consolidated financial statements include the financial statements of the parent company, Exacompta Clairefontaine, and those of the entities controlled by the parent company (the "subsidiaries").
Control means the power to direct, directly or indirectly, the financial and operating policies of the entity in order to obtain benefits from its activities.
The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control was obtained until the date on which control is no longer held.

The balances shown in the balance sheet, unrealised losses and gains, and the income 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 the entity operates. For the purposes of the consolidated financial statements, the profit or loss and the financial position of each entity are stated in euros, which is the functional currency of Exacompta Clairefontaine S.A. and the currency in which the consolidated financial statements are presented.

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

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

6- Business combinations

As of 1 January 2010, business combinations are accounted for by the acquisition method in accordance with revised IFRS 3 - *Business combinations*.

Goodwill arising from a business combination is valued as the excess of the consideration transferred over the net balance, as at the acquisition date, of identifiable assets acquired and liabilities assumed, measured at fair value.
Where applicable, the non-controlling interest in the acquired entity is measured either at fair value or at the share of the fair value of assets and liabilities of the subsidiary acquired. This option is available at each business combination and cannot be changed subsequently.

In the case of a step acquisition, the share of the interest held prior to the acquisition date is measured at its fair value. The related profit or loss is recorded in income.

The initial valuation of the business combination can be adjusted against goodwill if there is new information on circumstances existing at the acquisition date. The adjustment period in respect of the initial valuation is limited to 12 months from the acquisition date.
The Group records acquisition-related costs as expenses in the periods over which the costs were incurred and the services rendered.

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 operations that are grouped are ultimately controlled by the same party, both before and after the combination, and where this control is not temporary.
In the absence of specific provisions in the accounting standards, the Group applies the book value method to all transactions involving the entities under common control.

7- Property, plant and equipment

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

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

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

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

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

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

8- Intangible assets

Research and development costs

Research costs are recorded as expenses in the year in which they are incurred.
Development expenses are recorded as a non-current asset if the costs can be reliably measured and if the Group can demonstrate the technical and commercial feasibility of the product or procedure, the existence of probable future economic benefits and its intention, as well as the availability of sufficient resources, to complete the development of and use or sell the asset. When the requirements for recording development expenses in assets are not met, they are recognised as expenses for the year in which they are incurred.
Following a review of development costs incurred, the Group did not capitalise any development expenses.

Goodwill

Goodwill arises from the acquisition of subsidiaries. It is the difference between the purchase cost and the fair value of identifiable net assets minus contingent liabilities at the acquisition date.

Goodwill is initially valued at cost and recorded as an asset in accordance with the principles set out in paragraph 6 above. It is thereafter valued at cost, less accumulated impairment.

For the purposes of impairment testing, goodwill is allocated to cash generating units (CGUs) consisting mainly of subsidiaries or groups of subsidiaries with synergies and no independent cash flows.
These CGUs are largely independent of the consolidated Group and are smaller 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 balance sheet date if there is an indication that the unit may have lost value as specified below in accordance with the method set out in IAS 36:

- Discount rate equal to the expected market return for an equivalent investment, regardless of the financing sources. This discount rate is a post-tax rate applied to post-tax cash flows. Its use leads to the determination of recoverable values identical to those obtained by using a pre-tax rate applied to pre-tax cash flows.
- 3-year Business Plans approved by management.
- Extrapolation of cash flow from operations beyond 3 years based on a growth rate specific to the industry.

If the recoverable value of the cash generating unit is less than that unit's book value, the loss in value is first allocated to reducing the book value of any goodwill allocated to that cash generating unit, and then to other assets of the unit, pro rata to the book value of each asset in the unit.
Impairment of goodwill recorded in the income statement is not reversed in a subsequent period.

Trademarks

Trademarks are recorded as intangible assets at fair value as at the purchase date. In the absence of a foreseeable limit on their capacity to generate net cash flows, the useful life of the trademarks used by the Group is considered to be indefinite.

They are not amortised but undergo an impairment test once a year and at each balance sheet date if there is an indication of any loss in value. The recoverable value is determined based on expected discounted cash flows.

Expenses for internally generated trademarks are expensed as incurred.

Other intangible assets

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

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

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

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

The recoverable value of an asset is the higher of the fair value less costs to sell and the value in use. The value in use is estimated using the discounted future cash flows method. If the recoverable value is estimated to be less than the book value, impairment is recognised immediately in expenses in the income statement.

Impairment recorded for an asset during a prior period may be reversed if there has been a change in the estimates used to determine the recoverable value. However, any book values that have been increased following a reversal of impairment may not exceed the book value that would have been determined after depreciation or amortisation, if no impairment had been recorded. Impairment reversals are recorded in the income statement.

10- Financial assets

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

Intercompany receivables and other non-current financial assets are measured initially at fair value and subsequently at amortised cost.

11- Trade and other receivables

Trade and other receivables are included in the IAS 39 category "loans and receivables". They are measured initially at fair value and subsequently at amortised cost. Any losses in value are recorded in the income statement when the recoverable value is less than the book value.

12- Inventories

Inventories are recorded at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.
The cost of inventories includes direct raw materials costs and direct labour costs, and directly attributable general expenses incurred to put the inventories in place in their existing condition. In general, the cost is calculated using the weighted average cost method.

Greenhouse gas emission rights

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

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

The Group applies the accounting principles set forth in Regulation 2012-03 of 4 October 2012 on the accounting treatment of greenhouse gas emission allowances and similar units, as adopted by the French accounting standards authority ("*Autorité des normes comptables*" or ANC).
Pursuant to the regulation, the Group applies the "production" model, in which the holding of allowances is linked to a production process that generates greenhouse gas emissions. The allowances are used in order to comply with the requirement to surrender them to the State.

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

- The allowances are recorded under inventories
  - Allowances allocated by the State are recorded at zero value. They are treated purely in terms of volume.
  - Purchased allowances are recorded at purchase cost.
- Balance sheet valuation
  - An impairment charge is recorded when the present value of inventories is lower than the book value.
  - No specific valuation is carried out in the case of allocated allowances, as they are recorded at zero value.
- Inventory withdrawal
  - The allowances are withdrawn from inventories on an ongoing basis in line with actual CO_2 emissions. Allocated allowances have no impact on the financial statements.
  - Any gains or losses arising from the sale of emission allowances are recorded under operating income.
- Requirements related to greenhouse gas emissions
  - The basic requirement to surrender the CO_2 emission allowances in accordance with emissions produced remains unchanged from the previous allocation periods.
  - At the end of each reporting period, if the Group lacks a sufficient number of allowances [allocated + purchased] to meet its obligation to surrender allowances to the State, a liability representing the value of missing allowances to be purchased is recorded.

13- Cash and cash equivalents

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

14- Derivative financial instruments

The Group uses derivative financial instruments to limit its exposure to the interest rate risks resulting from its operating, financing and investing activities.

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

15- Interest-bearing debt

All financial instruments are measured initially at fair value and subsequently at amortised cost. Transaction costs are included in the initial measurement of financial instruments that are not measured 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.

Put options granted to third-party minority shareholders of controlled subsidiaries constitute a financial liability. The liability is measured on the basis of the contracts and may be remeasured based on the results achieved by the entity.
The Group records these put options as financial liabilities at the present value of the exercise price of these options after deduction of the related minority interests with an offsetting entry to shareholders' equity, Group share.
Subsequent changes in the liability are treated in the same manner.

16- Employee benefits

Defined contribution plans

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

Provisions for retirement indemnities

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

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

Actuarial gains and losses are recorded under items of other comprehensive income.

17- Provisions

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

18- Income

Revenue

Sales of products and services are measured 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 the provision of services is recorded in the income statement based on the percentage of completion of the service at the balance sheet date and is valued based on the work performed.

Public subsidies

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

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

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

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

19- Expenses

Payments under operating leases

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

Net financial items

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

20- Income tax

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

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

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

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

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

- Goodwill not deductible for tax purposes;
- Initial recording of an asset or liability that 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 involves mainly exchange rate and interest rate risks.

- Foreign exchange risk

The Group operates internationally. Risks related to commercial transactions denominated in a currency other than the respective functional currencies of Group entities are related mainly to purchases of raw materials denominated in US dollars.
In order to manage exchange rate risk, the Group hedges approximately 50% of its expected future transactions in USD for the coming three months using options contracts.

- Interest rate risk

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

Liquidity risk

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

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

Credit risk

Credit risk represents the risk of financial loss for the Group if a 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 by 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 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 policies.

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

- Investments

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

22- Segment information

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

The Group's operating segments corresponding to its main areas of activity are as follows:

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

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

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

Notes to the consolidated financial statements

1. CONSOLIDATED ENTITIES

All of the companies have been consolidated at 31 December 2017 under the full consolidation method (F.C.).

Name	Address	% interest	% controlling interest	Consolidation method	SIREN No.
EXACOMPTA CLAIREFONTAINE	88480 ETIVAL CLAIREFONTAINE			Parent company	505 780 296
A.B.L.	132 Quai de Jemmapes 75010 PARIS	100	100	F.C.	622 033 124
A.F.A.	132 Quai de Jemmapes 75010 PARIS	100	100	F.C.	582 090 452
CARTOREL	358 Avenue de Paris 79025 NIORT	100	100	F.C.	025 770 470
CFR Ile Napoléon	RD 52 68490 OTTMARSHEIM	100	100	F.C.	439 721 697
PAPETERIES DE CLAIREFONTAINE	88480 ETIVAL CLAIREFONTAINE	100	100	F.C.	402 965 297
CLAIREFONTAINE RHODIA	RD 52 68490 OTTMARSHEIM	100	100	F.C.	339 956 781
CLAIRCELL	ZI – Rue de Chartres 28160 BROU	100	100	F.C.	432 357 358
COGIR	10 Rue Beauregard 37110 CHATEAU-RENAULT	100	100	F.C.	885 783 159
REGISTRES LE DAUPHIN	27 Rue George Sand 38500 VOIRON	100	100	F.C.	055 500 953
MADLY	6 Rue Henri Becquerel 69740 GENAS	100	100	F.C.	400 210 449
EVERBAL	2 Route d’Avaux 02190 EVERGNICOURT	100	100	F.C.	542 091 194
EXACOMPTA	138-140 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-EN-ANJOU-BLEU	100	100	F.C.	318 110 665
CLAIRCELL INGENIERIE	ZI – Rue de Chartres 28160 BROU	100	100	F.C.	490 846 763
EDITIONS QUO VADIS	14 Rue du Nouveau Bêle 44470 CARQUEFOU	100	100	F.C.	054 807 748
RAYNARD	6 Rue de la Peltière – 35130 LA GUERCHE DE BRETAGNE	100	100	F.C.	659 200 786
RAINEX	Lieudit Saint-Mathieu - ZI 78550 HOUDAN	100	100	F.C.	709 805 717
ROLFAX	ZI Route de Montdidier 60120 BRETEUIL	100	100	F.C.	432 030 088
PAPETERIES SILL	Rue du Moulin 62570 WIZERNES	100	100	F.C.	085 650 141
PHOTOWEB	1 Rue des Platanes 38120 SAINT-EGREVE	100	100	F.C.	428 083 703
INVADERS CORP	144 Quai de Jemmapes 75010 PARIS	100	100	F.C.	538 606 377
BRAUSE Produktion	D – 51149 KÖLN	100	100	F.C.	
EXACLAIR GmbH (Germany)	D – 51149 KÖLN	100	100	F.C.	
RODECO	D – 51149 KÖLN	100	100	F.C.	
MAKANE BOUSKOURA	Parc industriel de Bouskoura, lot no. 4 20180 BOUSKOURA	100	100	F.C.	
CLAIR MOROCCO	Parc industriel de Bouskoura, lot no. 4 20180 BOUSKOURA	100	100	F.C.	
PUBLIDAY MULTIDIA	Parc industriel de Bouskoura, lot no. 4 20180 BOUSKOURA	100	100	F.C.	
ERNST STADELMANN	Bahnhofstrasse 8 A – 4070 EFERDING	100	100	F.C.	
EXACLAIR (Spain)	E – 08110 MONTCADA I REIXAC	100	100	F.C.	
EXACLAIR (Belgium)	Boulevard Paepsem, 18D B – 1070 ANDERLECHT	100	100	F.C.	
EXACLAIR Inc (USA)	143 West 29th Street USA – NEW YORK	100	100	F.C.	
EXACLAIR Ltd (UK)	Oldmedow Road KING'S LYNN, Norfolk PE30 4LW	100	100	F.C.	

QUO VADIS International Ltd	1055 Rue Begin – Ville Saint Laurent QUEBEC H4R 1V8	100	100	F.C.	
EXACLAIR Italia Srl	Via Soperga, 36 I – 20127 MILANO	100	100	F.C.	
QUO VADIS Japon Co Ltd	Sangenjaya Combox 4F 1–32–3 Kamjuma Setagaya-Ku, TOKYO	100	100	F.C.	
QUO VADIS Editions Inc.	120 Elmview Avenue HAMBURG, NY 14075–3770	100	100	F.C.	
SCHUT PAPIER	Kabeljauw 2 NL – 6866 HEELSUM	100	100	F.C.	

Changes affecting the scope of consolidation	
Companies newly consolidated - acquisitions	Companies deconsolidated
• None	• None

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

2. INFORMATION ON THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

2.1 Non-current assets

2.1.1 Intangible assets

Trademarks

"Concessions, licences, trademarks and similar rights" includes trademarks totalling €7,367,000 after the recognition of an impairment loss of €1,498,000 in the 2017 financial statements.

Goodwill

The goodwill recorded applied mainly to three subsidiaries at 31 December 2017. The segment information shows the breakdown of goodwill by business and geographic segment.

The annual impairment test of CGUs was performed in 2017 based on the cash flow value-in-use method, by discounting the future cash flows generated by the continuous use of the CGU. The methods used for determining the value in use in 2017 are similar to those used in 2016.

The key assumptions used for determining the recoverable amounts are the discount rate and the growth rate used to determine the terminal value.

- The discount rate used for CGUs was estimated based on the weighted average cost of capital, i.e. a rate before tax of 7.57% in the CGUs in the Processing industry and of 9.52% for those in Paper industry.
- The long term perpetual growth rate of the CGUs is mainly between -0.5% and +0.5%.

The loss of value based on impairment tests of the CGUs was recognised as an impairment of goodwill for €1,342,000 and of trademarks for €1,498,000, i.e. a total of €2,840,000.

Sensitivity of impairment losses to changes in key assumptions (€000)

Cost of capital	**6.57%**	**7.57%**	**8.57%**
Perpetual growth rate			
• -0.5%	0	**2,830**	7,640
• +0.5%	0	0	3,440

2.1.2 Property, plant and equipment

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

Finance leases included in the respective tables

€000	**31/12/2017**	**31/12/2016**
Property, plant and equipment	**9,376**	**9,376**
Land	5	5
Buildings	689	689
Plant and equipment	8,682	8,682
Depreciation	**9,371**	**9,371**
Accumulated b/fwd	9,371	9,371
Increase for the period	0	0
Disposals of fixed assets		
Loans	**0**	**0**

2.1.3 Financial assets

Unconsolidated equity interests and other long-term investments are stated at cost if there is no reliable fair value.
Equity interests not included in the consolidation scope cannot be consolidated and are not material.
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 2017 (€000)	Goodwill	Concessions, licences, trademarks and similar rights	Other	Total
Gross value b/fwd	38,507	29,751	6,015	74,273
Purchases		1,506	47	1,553
Sales		(678)	(279)	(957)
Changes in scope of consolidation				
Currency translation adjustments		(8)	(81)	(89)
Transfers and other	(9,876)	305	(305)	(9,876)
Gross value c/fwd	**28,631**	**30,876**	**5,397**	**64,904**
Amortisation and write-downs b/fwd	10,241	17,921	2,863	31,025
Sales		(98)	(279)	(377)
Changes in scope of consolidation				
Amortisation		1,567	527	2,094
Write-downs	1,342	1,498		2,840
Reversals		(328)	(93)	(421)
Currency translation adjustments		(8)	(76)	(84)
Transfers and other	(9,876)	101	(101)	(9,876)
Amortisation and write-downs c/fwd	**1,707**	**20,653**	**2,841**	**25,201**
Net book value b/fwd	**28,266**	**11,830**	**3,152**	**43,248**
Net book value c/fwd	**26,924**	**10,223**	**2,556**	**39,703**

At 31 December 2016 (€000)	Goodwill	Concessions, licences, trademarks and similar rights	Other	Total
Gross value b/fwd	39,257	28,221	6,052	73,530
Purchases		1,321	171	1,492
Sales		(123)		(123)
Changes in scope of consolidation			78	78
Currency translation adjustments		(8)	22	14
Transfers and other	(750)	340	(308)	(718)
Gross value c/fwd	**38,507**	**29,751**	**6,015**	**74,273**
Amortisation and write-downs b/fwd	7,644	16,329	2,181	26,154
Sales		(99)		(99)
Changes in scope of consolidation			49	49
Amortisation		1,649	569	2,218
Write-downs	3,347		94	3,441
Reversals				
Currency translation adjustments		(8)	20	12
Transfers and other	(750)	50	(50)	(750)
Amortisation and write-downs c/fwd	**10,241**	**17,921**	**2,863**	**31,025**
Net book value b/fwd	**31,613**	**11,892**	**3,871**	**47,376**
Net book value c/fwd	**28,266**	**11,830**	**3,152**	**43,248**

2.1.5 Property, plant and equipment

At 31 December 2017 (€000)	Land and buildings	Plant and equipment	Other PP&E	Advances and PP&E in progress	Total
Gross value b/fwd	141,138	440,386	36,210	8,800	626,534
Purchases	2,082	17,137	3,094	8,614	30,927
Sales	(2,402)	(12,889)	(2,079)		(17,370)
Changes in scope of consolidation					
Currency translation adjustments	(656)	(787)	(136)		(1,579)
Transfers and other	1,013	5,387	280	(6,680)	0
Gross value c/fwd	**141,175**	**449,234**	**37,369**	**10,734**	**638,512**
Depreciation and write-downs b/fwd	77,906	305,753	28,768	224	412,651
Sales	(2,190)	(12,101)	(1,754)		(16,045)
Changes in scope of consolidation					
Depreciation	4,456	19,404	2,267		26,127
Write-downs		8		14	22
Reversals				(65)	(65)
Currency translation adjustments	(294)	(690)	(118)		(1,102)
Transfers and other					
Depreciation and write-downs c/fwd	**79,878**	**312,374**	**29,163**	**173**	**421,588**
Net book value b/fwd	**63,232**	**134,633**	**7,442**	**8,576**	**213,883**
Net book value c/fwd	**61,297**	**136,860**	**8,206**	**10,561**	**216,924**

At 31 December 2016 (€000)	Land and buildings	Plant and equipment	Other PP&E	Advances and PP&E in progress	Total
Gross value b/fwd	138,871	423,082	34,331	4,921	601,205
Purchases	2,729	16,305	2,482	7,714	29,230
Sales	(437)	(3,392)	(991)		(4,820)
Changes in scope of consolidation		2,627	826		3,453
Currency translation adjustments	(553)	(1,222)	(94)		(1,869)
Transfers and other	528	2,986	(344)	(3,835)	(665)
Gross value c/fwd	**141,138**	**440,386**	**36,210**	**8,800**	**626,534**
Depreciation and write-downs b/fwd	74,160	288,406	27,270	0	389,836
Sales	(402)	(2,858)	(962)		(4,222)
Changes in scope of consolidation		2,466	797		3,263
Depreciation	4,380	18,407	2,145		24,932
Write-downs				224	224
Reversals					
Currency translation adjustments	(232)	(1,059)	(91)		(1,382)
Transfers and other		391	(391)		
Depreciation and write-downs c/fwd	**77,906**	**305,753**	**28,768**	**224**	**412,651**
Net book value b/fwd	**64,711**	**134,676**	**7,061**	**4,921**	**211,369**
Net book value c/fwd	**63,232**	**134,633**	**7,442**	**8,576**	**213,883**

2.1.6 Financial assets

At 31 December 2017 (€000)	Unconsolidated equity interests	Loans	Other receivables	Total
Gross value b/fwd	997	924	2,402	4,323
Purchases		70	17	87
Sales				
Changes in scope of consolidation				
Currency translation adjustments			(22)	(22)
Transfers and other		(33)	(1,298)	(1,331)
Gross value c/fwd	**997**	**961**	**1,099**	**3,057**
Write-downs b/fwd	571	0	2	573
Purchases/sales				
Changes in scope of consolidation				
Write-downs	42			42
Reversals				
Currency translation adjustments				
Transfers and other				
Write-downs c/fwd	**613**	**0**	**2**	**615**
Net book value b/fwd	**426**	**924**	**2,400**	**3,750**
Net book value c/fwd	**384**	**961**	**1,097**	**2,442**

At 31 December 2016 (€000)	Unconsolidated equity interests	Loans	Other receivables	Total
Gross value b/fwd	1,507	920	2,540	4,967
Purchases		102	374	476
Sales	(510)		(2)	(512)
Changes in scope of consolidation			13	13
Currency translation adjustments			4	4
Transfers and other		(98)	(527)	(625)
Gross value c/fwd	**997**	**924**	**2,402**	**4,323**
Write-downs b/fwd	1,013	0	4	1,017
Purchases/sales			(2)	(2)
Changes in scope of consolidation				
Write-downs	68			68
Reversals	(510)			(510)
Currency translation adjustments				
Transfers and other				
Write-downs c/fwd	**571**	**0**	**2**	**573**
Net book value b/fwd	**494**	**920**	**2,536**	**3,950**
Net book value c/fwd	**426**	**924**	**2,400**	**3,750**

Other receivables consist mainly of deposits and bonds totalling €805,000 at 31 December 2017, compared to €2,102,000 at 31 December 2016.

2.1.7 Table of maturities of other financial assets

At 31 December 2017 (€000)	< 1 year	1-5 years	> 5 years	Total
Loans	86	210	665	961
Other financial assets	514	26	559	1,099
Financial assets and receivables	**600**	**236**	**1,224**	**2,060**

At 31 December 2016 (€000)	< 1 year	1-5 years	> 5 years	Total
Loans	73	200	651	924
Other financial assets	1,818	26	558	2,402
Financial assets and receivables	**1,891**	**226**	**1,209**	**3,326**

2.2 Current assets

2.2.1 Inventories by type

At 31 December 2017 (€000)	Raw materials	Work-in-progress	Semi-finished and finished goods	Total
Gross value b/fwd	63,806	19,576	99,499	182,881
Change	3,141	(214)	(1,142)	1,785
Gross value c/fwd	**66,947**	**19,362**	**98,357**	**184,666**
Write-downs b/fwd	6,167	1,069	5,299	12,535
Additions	6,151	1,113	5,177	12,441
Reversals	(6,025)	(1,059)	(5,216)	(12,300)
Currency translation adjustments and other	(2)		(6)	(8)
Write-downs c/fwd	**6,291**	**1,123**	**5,254**	**12,668**
Net book value b/fwd	**57,639**	**18,507**	**94,200**	**170,346**
Net book value c/fwd	**60,656**	**18,239**	**93,103**	**171,998**

At 31 December 2016 (€000)	Raw materials	Work-in-progress	Semi-finished and finished goods	Total
Gross value b/fwd	58,600	19,460	101,007	179,067
Change	5,206	116	(1,508)	3,814
Gross value c/fwd	**63,806**	**19,576**	**99,499**	**182,881**
Write-downs b/fwd	5,846	1,056	5,294	12,196
Additions	6,005	1,031	5,147	12,183
Reversals	(5,672)	(1,018)	(5,140)	(11,830)
Currency translation adjustments and other	(12)		(2)	(14)
Write-downs c/fwd	**6,167**	**1,069**	**5,299**	**12,535**
Net book value b/fwd	**52,754**	**18,404**	**95,713**	**166,871**
Net book value c/fwd	**57,639**	**18,507**	**94,200**	**170,346**

2.2.2 Write-down of other current assets

€000	Write-downs b/fwd	Additions	Reversals	Other changes	Write-downs c/fwd
Trade receivables	3,101	756	(978)	(14)	2,865
Other receivables	241				241
Total	**3,342**	**756**	**(978)**	**(14)**	**3,106**

Statement of maturities of trade and other receivables

€000	< 1 year	1-5 years	> 5 years	Total
Trade and similar receivables	98,945	955		99,900
Taxes and social security contributions receivable	12,085			12,085
Shareholder loan accounts (debit balance)				
Other receivables	2,576			2,576
	113,606	**955**		**114,561**
Impairment				(3,106)
Financial assets				**111,455**
Prepaid expenses				2,472
Reported trade and other receivables				**113,927**

2.2.3 Cash and cash equivalents

Financial assets held for trading (marketable securities) are assets valued at fair value through profit or loss. The book value of €33,529,000 is their market value at 31 December 2017. The book value is equal to the fair value.

2.3 Shareholders' equity

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

ETABLISSEMENTS CHARLES NUSSE holds 80.46% of the share capital.

2.4 Deferred taxes

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

The change in balance sheet deferred taxes amounted to a €370,000 reduction in the net deferred tax liability.

Income statement:
- The change in deferred taxes recorded in net income was a €31,000 reduction (deferred tax income).
- The change in deferred taxes under comprehensive income was a €345,000 reduction due to restatement of actuarial gains and losses pursuant to IAS 19R.

The tax calculation is presented in Note 2.11.

Statement of changes in deferred tax

€000	Closing balance	Opening balance	Change
Deferred tax assets	874	1,062	(188)
Deferred tax liabilities	23,626	24,184	(558)
Net deferred tax	**22,752**	**23,122**	**(370)**

2.5 Provisions

Provisions break down as follows:

€000	Provisions b/fwd	Additions	Reversals	Provisions not used	Other changes	Provisions c/fwd
Provisions for pensions and similar obligations	22,051	1,555	(1,177)	(321)	1,221	23,329
Non-current provisions	**22,051**	**1,555**	**(1,177)**	**(321)**	**1,221**	**23,329**
Provisions for contingent liabilities	3,743	1,987	(878)	(737)	142	4,257
Other provisions for charges	5,126	91	(4,975)		(145)	97
Current provisions	**8,869**	**2,078**	**(5,853)**	**(737)**	**(3)**	**4,354**

The reversal of other provisions for charges mainly comprise a €4,714,000 earnout provision recorded in 2016 in relation to the purchase of a subsidiary.
Other changes in provisions for pensions and similar obligations correspond to €1,232,000 of actuarial adjustments recorded under comprehensive income, amounting to €887,000 after tax.

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

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

- probability of retirement, staff turnover and mortality;
- projected salary increases;
- discounting the resulting liability at 0.95%.

The amounts paid to insurance organisations are deducted from provisions.

Net change in the provision for pensions and similar obligations

€000	2017	2016
Liability b/fwd	**22,051**	**20,691**
Cost of services rendered	1,190	1,024
Financial expense	283	369
Changes for the period	(1,427)	(1,430)
→ *o/w new recruits*	*100*	*338*
→ *o/w departures during the period*	*(1,527)*	*(1,768)*
Liability excluding actuarial gains and losses	**22,097**	**20,654**
Actuarial gains and losses under comprehensive income	1,232	1,397
Liability c/fwd	**23,329**	**22,051**

The recorded liability includes €19,886,000 of obligations under the plan applicable to French companies and €3,443,000 under plans applicable to foreign companies.

2.6 Loans and borrowings with financial institutions

Statement of liquidity risk

€000	< 1 year	1-5 years	> 5 years	Total
Loans from financial institutions	23,703	70,256	2,519	96,478
Other borrowings	207	369		576
Bank loans and overdrafts	1,494			1,494
Subtotal	**25,404**	**70,625**	**2,519**	**98,548**
Shareholder loan accounts (credit balance)	8,002		15,000	23,002
Accrued interest	36			36
Total	**33,442**	**70,625**	**17,519**	**121,586**
Estimated interest to maturity (including the impact of hedging)				*1,308*

- Including current liabilities €33,442,000
- Including non-current liabilities €88,144,000

All short and medium term financing transactions are based on Euribor. The average commitment fee charged on credit lines is 0.22%. Drawdowns are charged at a variable rate negotiated on the basis of the amount and the maturity date of each line of credit. Long-term financing is arranged through loans mainly negotiated at fixed rates.

The fair value of borrowings is equal to the book value.

2.7 Issuance & financial instruments programmes

Commercial paper

Short-term needs are financed by commercial paper issued by Exacompta Clairefontaine. A fixed rate determined at the moment of issue is paid on the commercial paper, which has a maximum term of 365 days.
There was no commercial paper outstanding at year-end. The maximum amount issuable was €125 million.

Lines of credit

Lines of credit are in place with several banks for a total amount of €135 million, with maturities not exceeding five years. The term of drawdowns ranges from ten days to twelve months. As at 31 December 2017, none of these lines of credit had been used. As there have been no drawdowns, the 2016 financial statements have not been affected by the related covenants.

Financial instruments

The Group uses derivatives mainly to hedge against interest rate risks. Transactions performed to hedge exchange rate risks are non-material.
The fair value of the financial instruments is communicated by the financial institutions from which they are obtained.
The change in fair value was recorded as net financial income amounting to €133,000.

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 an impact of €29,000 effect on income as at 31 December 2017.

Portfolio of financial instruments

Residual maturity (€000)	< 1 year	1-5 years	> 5 years	Total
Interest rate swaps	2,151	4,889	2,867	9,907

The amounts shown in the table are current notional amounts.

2.8 Other current liabilities

€000	31/12/2017	31/12/2016
Advances and down payments received	1,506	547
Taxes and social security contributions payable	33,218	33,927
Fixed asset payables	3,990	2,705
Other liabilities	21,669	16,532
Deferred income	58	4
Derivative financial instruments	228	361
Total	**60,669**	**54,076**

Derivative financial instruments are recorded at fair value.

2.9 Fair value of financial instruments

Accounting classes and fair value

The table below shows the fair value of financial assets and liabilities as well as their book value as recorded in the statement of financial position.

€000	Note	Assets at acquisition cost	Measured at FVTPL	Loans and receivables	Total book value	Fair value
Unconsolidated equity interests	**2.1.6**	384			384	384
Loans	**2.1.6**			961	961	826
Other receivables	**2.1.6**			1,097	1,097	1,097
Cash and cash equivalents	**Assets**		136,618		136,618	136,618
Trade and intercompany receivables	**2.2.2**			97,035	97,035	97,035
Total assets		**384**	**136,618**	**99,093**	**236,095**	**235,960**

€000	Note	Fair value of derivatives	Other financial liabilities	Total book value	Fair value
Interest rate swaps	**2.8**	228		228	228
Loans from financial institutions	**2.6**		96,478	96,478	96,478
Other borrowings	**2.6**		576	576	576
Bank loans and overdrafts	**2.6**		1,494	1,494	1,494
Shareholder loan accounts (credit balance)	**2.6**		23,002	23,002	23,002
Amounts payable on fixed assets	**2.8**		3,990	3,990	3,990
Trade payables	**Liabilities**		61,815	61,815	61,815
Total liabilities		**228**	**187,355**	**187,583**	**187,583**

Ranking of fair values

The table below shows the breakdown of financial instruments accounted for at fair value based on their valuation method. The levels are defined as follows:

- Level 1: fair value measured using (unadjusted) prices quoted on active markets for identical assets and liabilities.
- Level 2: fair value measured using observable data, other than the quoted prices included in level 1, for the asset or liability, either directly (prices) or indirectly (derived from prices).
- Level 3: fair value measured using data not based on observable market data.

€000	Note	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	**Assets**	136,618	–	–
Liabilities				
Interest rate swaps	**2.8**	–	228	–

2.10 Off-balance sheet commitments

- Greenhouse gas emission allowances

The principles applied by the Group are set forth in Note 12 of the presentation of the consolidated financial statements.
The quantities allocated for 2017 amounted to 67,283 tonnes, while CO_2 emissions totalled 88,205 tonnes.
The remaining allowances due for the current allocation period amount to 191,592 tonnes.

➢ Sureties and guarantees

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

2.11 Income tax – Tax calculation

€000	2017	2016
Consolidated net income after tax	12,866	12,704
Goodwill impairment, net of badwill gain	1,342	2,484
Income taxes	6,606	6,505
Deferred taxes	(31)	(5,481)
Consolidated tax base	20,783	16,212
Statutory tax rate applicable to parent company	33.33%	33.33%
Theoretical tax charge	**6,928**	**5,404**
Tax rate differences	(177)	(367)
Accounting/tax timing differences	(1,486)	1,124
Tax debits and credits	248	(682)
Transition of deferred tax rate of 28%		(4,455)
Earnout	1,062	
Actual tax charge	**6,575**	**1,024**

Income taxes	6,606	6,505
Deferred taxes	(31)	(5,481)
Reported tax charge	**6,575**	**1,024**

2.12 Group headcount and employee benefits

Average headcount	2017	2016
Management	493	494
Employees	876	866
Labourers and other salaried workers	1,694	1,784
Total	**3,063**	**3,144**

Expenses recorded for defined contribution schemes (€000)	40,470	41,064

The competitiveness and employment tax credit (CICE) is recorded as a reduction in personnel expenses and came to €4,213,000 for the year.

2.13 Financial income and expenses

€000	2017	2016
Equity interests and income from other financial assets	6	6
Income from other receivables and marketable securities	556	793
Other financial income	123	277
Financial instruments – change in fair value	133	244
Reversal of provisions and write-downs	-	511
Foreign exchange losses	1,777	1,831
Net gain on sale of marketable securities	-	9
Total financial income	**2,595**	**3,671**
Increase in provisions and write-downs	42	68
Interest and financial expenses	918	1,010
Financial instruments – change in fair value	-	78
Foreign exchange losses	3,202	3,103
Other financial expenses	231	464
Total financial expenses	**4,393**	**4,723**

2.14 Related parties

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

€000	31/12/2017 (12 months)	31/12/2016 (12 months)
Balance sheet		
Current account balances:		
Interest-bearing debt	15,000	15,000
Short-term portion of interest-bearing debt	8,000	6,000
Income statement		
Financial expenses	224	248
Fees	1,327	1,258
Leases	7,308	6,473

Group 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.
Manufacturing, logistics and office facilities are leased to certain Group companies on arm's length terms.

➢ Remuneration of administrative and management bodies

The total direct and indirect remuneration of all kinds received by all Group managers amounted to €1,830,000 in 2017, of which €1,323,000 was paid by the Exacompta Clairefontaine Group, compared to €1,771,000 and €1,286,000 respectively in 2016.
No other benefits are granted to Group senior executives.

The total amount of director's fees to be shared among the directors for 2017 is €60,000 and was awarded by a decision of the 27 May 2015 Shareholders' Meeting.

2.15 Statutory auditors' fees

ANC Regulation 2016-09 of 2 December 2016 on disclosures in the notes to consolidated financial statements prepared in accordance with international standards.

€000	2017	2016
SEREC AUDIT	340	319
BATT AUDIT	229	228
Other auditors	196	228
Total - certification of financial statements	**765**	**775**
BATT AUDIT	-	20
Total - other services	**765**	**795**

Other auditors mainly include statutory auditors of foreign subsidiaries, comprising
- In 2016: 10 firms auditing 14 subsidiaries
- In 2017: 10 firms auditing 13 subsidiaries

3. SEGMENT INFORMATION

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

- <u>Segment information by business – 31/12/2017 (12 months)</u>

€000	Paper	Processing	Inter-segment transactions	Total
Segment income statement				
Revenue	266,921	459,266	(128,478)	597,709
Depreciation/amortisation (net of reversals)	11,693	17,562		29,255
Write-downs and provisions	582	(5,120)		(4,538)
Operating income/(loss) (excl. goodwill impairment)	12,689	10,572	(680)	22,581
Goodwill impairment		1,342		1,342
Segment assets				
Net PP&E and intangible assets	110,153	119,550		229,703
o/w capex	*15,549*	*16,931*		*32,480*
Goodwill		26,924		26,924
Trade receivables	39,641	79,969	(22,575)	97,035
Other receivables	2,381	14,593	(82)	16,892
Balance sheet total	*42,022*	*94,562*	*(22,657)*	*113,927*
Other assets allocated	59,079	117,916	(2,790)	174,205
Unallocated assets				*6,014*
Total assets	211,254	358,952	(25,447)	550,773
Segment liabilities				
Current provisions	2,255	2,099		4,354
Trade payables	23,140	61,250	(22,575)	61,815
Other payables	16,428	44,330	(89)	60,669
Unallocated liabilities				*554*
Total liabilities	41,823	107,679	(22,664)	127,392

- <u>Segment information by geographic area – 31/12/2017 (12 months)</u>

€000	France	Europe	Outside Europe	Total
Revenue	386,633	181,835	29,241	597,709
Net PP&E and intangible assets	214,191	9,601	5,911	229,703
o/w capex	*29,161*	*3,053*	*266*	*32,480*
Goodwill	26,924			26,924
Trade receivables	78,737	16,648	1,650	97,035
Other receivables	12,678	568	3,646	16,892
Balance sheet total	*91,415*	*17,216*	*5,296*	*113,927*
Other assets allocated	162,864	5,521	5,820	174,205
Unallocated assets				*6,014*
Total assets	495,394	32,338	17,027	550,773

➤ Segment information by business – 31/12/2016 (12 months)

€000	Paper	Processing	Inter-segment transactions	Total
Segment income statement				
Revenue	265,491	460,316	(127,942)	597,865
Depreciation/amortisation (net of reversals)	11,599	15,868		27,467
Write-downs and provisions	65	4,702		4,767
Operating income/(loss) (excl. goodwill impairment)	11,746	4,967	551	17,264
Goodwill impairment		2,484		2,484
Segment assets				
Net PP&E and intangible assets	106,579	122,286		228,865
o/w capex	*13,703*	*17,019*		*30,722*
Goodwill		28,266		28,266
Trade receivables	40,450	79,014	(23,883)	95,581
Other receivables	3,635	15,255	(82)	18,808
Balance sheet total	*44,085*	*94,269*	*(23,965)*	*114,389*
Other assets allocated	56,178	118,544	(2,119)	172,603
Unallocated assets				*1,899*
Total assets	206,842	363,365	(26,084)	546,022
Segment liabilities				
Current provisions	2,262	6,607		8,869
Trade payables	26,261	64,424	(23,887)	66,798
Other payables	14,866	39,305	(95)	54,076
Unallocated liabilities				*137*
Total liabilities	43,389	110,336	(23,982)	129,880

➤ Segment information by geographic area – 31/12/2016 (12 months)

€000	France	Europe	Outside Europe	Total
Revenue	387,681	180,764	29,420	597,865
Net PP&E and intangible assets	212,884	9,159	6,822	228,865
o/w capex	*27,917*	*2,688*	*117*	*30,722*
Goodwill	28,266			28,266
Trade receivables	79,662	14,412	1,507	95,581
Other receivables	14,813	933	3,062	18,808
Balance sheet total	*94,475*	*15,345*	*4,569*	*114,389*
Other assets allocated	160,045	6,200	6,358	172,603
Unallocated assets				*1,899*
Total assets	495,670	30,704	17,749	546,022

Exacompta Clairefontaine S.A.

Statutory Auditors' report
on the consolidated financial statements

❖ ❖
❖

Resolutions submitted to the Ordinary Shareholders' Meeting

SEREC AUDIT	BATT AUDIT
Statutory Auditor	Statutory Auditor
Member of the Paris Institute of Statutory Auditors	Member of the Nancy Institute of Statutory Auditors
70 bis rue Mademoiselle	25 rue du Bois de la Champelle
75015 PARIS	54500 VANDOEUVRE LES NANCY

REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2017

Dear Shareholders of EXACOMPTA CLAIREFONTAINE,

Opinion

In accordance with the assignment entrusted to us by your Shareholders' Meeting, we have audited the consolidated financial statements of EXACOMPTA CLAIREFONTAINE for the year ended 31 December 2017, which are appended to this report.

We hereby certify that the consolidated financial statements are, with regard to the IFRS adopted within the European Union, in order and accurate and fairly present the results of operations for the year ended as well as the financial position and the assets and liabilities, at the year-end, of the persons and entities included in the consolidation.

The opinion expressed above is consistent with the content of our report to the Audit Committee of the Board of Directors.

Basis of the opinion

Audit standards
We performed our audit in accordance with the professional standards applicable in France. We believe that the evidence we have gathered provides a reasonable basis for our opinion.

Our responsibilities pursuant to these standards are set forth in the section "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" of this report.

Independence
We have performed our audit in compliance with the rules of independence applicable to us, for the period running from 1 January 2017 to the date of issue of our report, and in particular we have not provided services prohibited under Article 5, paragraph 1, of Regulation (EU) No. 537/2014 or the French Code of Ethics for statutory auditors.

Justification of our assessments - Key audit matters

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code on the justification of our assessments, we draw your attention to the key audit matters relating to the risk of material misstatements which, in our professional judgement, have been the most significant for the audit of the consolidated financial statements, and how we addressed these risks.

The assessments carried out are part of our audit of the consolidated financial statements, taken as a whole, and formed our opinion, which is expressed above. We do not express an opinion on individual items of these consolidated financial statements.

Measurement of goodwill

Risk identified

For the purposes of its development, the Group has made corporate acquisitions and recognised the related goodwill.

This goodwill is the difference between the price paid and the fair value of the assets and liabilities acquired. It is set forth in Note 8 of the paragraph "Presentation of the consolidated financial statements" to the consolidated financial statements. It has been allocated to the Cash Generating Units (CGUs) in which the acquired companies have been integrated.

Management ensures in each fiscal year that the carrying amount of goodwill, totalling a net amount of €27 million on the balance sheet, is not higher than its recoverable amount and does not present a risk of impairment loss. However, any adverse change in the expected future cash flows of the cash generating units to which the goodwill has been allocated, due to internal or external factors such as those linked to the economic and financial environment in which the cash generating units operate, could significantly affect the recoverable amount and require the recognition of an impairment. Such a change would call for the reassessment of the relevance of all the assumptions made for determining this amount as well as the reasonableness and coherence of the calculation parameters.

The methods used for the impairment test is set forth in Note 8 of the paragraph "Presentation of the consolidated financial statements". The recoverable amount of each cash generating unit was determined using the value in use calculated from the discounted value of expected future cash flows from the group of assets comprising that CGU.

The determination of the recoverable amount of goodwill, which is a particularly material amount, is largely based on management's judgement, in particular as regards the growth rate used for projected future cash flows and the discount rate applied.

We are therefore of the opinion that the measurement of goodwill is a key audit matter.

Audit procedures implemented to address this risk

We have reviewed the compliance of the method applied by the company with the applicable accounting standards. We also conducted a critical review of how this method was applied and in particular verified:

- the completeness of the items comprising the carrying amount of each cash generating unit and the consistency of the determination of this amount with the way in which the projected future cash flows was determined for the value in use;

- the reasonableness of the projected future cash flows with regard to the economic and financial situation in which the CGUs operate and the reliability of the estimation process by looking into the reasons for differences between forecasts and actuals;
- the consistency of these cash flow projections with the latest estimates made by management;
- the consistency between the growth rate used for projected cash flows with market analyses and the consensus of main market players;
- the calculation of the discount rate applied to estimated cash flows by checking that the different discounting parameters comprising the weighted average cost of capital (gearing, risk free rate, market premium, unlevered beta, and cost of debt) would be aligned on the rate of return that market players currently expect for such an activity;
- the sensitivity test of the value in use performed by management to a change in the main assumptions used.

Verification of information on the Group contained in the management report

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 Board of Directors' management report.

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

Information deriving from other legal and regulatory obligations

Appointment of Statutory Auditors
We have been appointed as Statutory Auditors of EXACOMPTA CLAIREFONTAINE by the Shareholders' Meeting of 31 May 1996 for SEREC AUDIT and of 22 May 2008 for BATT AUDIT.

On 31 December 2017, SEREC AUDIT was in the 22nd continuous year of its engagement and BATT AUDIT in the 10th year since the company's shares were admitted for trading on a regulated market.

Responsibilities of senior management and of those charged with corporate governance relating to the consolidated financial statements

It is the management's responsibility to prepare the consolidated financial statements representing a true and fair view in accordance with the IFRS (International Financial Reporting Standards), as adopted within the European Union and to establish the internal control that it deems necessary for the preparation of the consolidated financial statements free of material misstatements, whether due to fraud or error.

During the preparation of the consolidated financial statements, it is the responsibility of management to assess the company's ability to continue as a going concern, to present in these financial statements, if applicable, the necessary information on the going concern basis and to apply the standard accounting policy for a going concern, unless it is planned to wind up the company or discontinue operations.

It is the responsibility of the Audit committee of the Board of Directors to monitor the process for the preparation of financial information and the effectiveness of internal control and risk management systems, and, where applicable, of the internal audit system, as regards the procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements were prepared by the Board of Directors.

Responsibilities of Statutory Auditors relating to the audit of the consolidated financial statements

Audit objective and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements, taken as a whole, are free of material misstatements. Reasonable assurance is a high level of assurance without however guaranteeing that an audit performed in accordance with the professional standards applicable would systematically detect any material misstatement. Misstatements may be due to frauds or errors and are considered as material when it is reasonable to expect that they can, taken separately or together, influence the economic decisions that users of the financial statements take based on them.

As set out in Article L. 823-10-1 of the French Commercial Code, our engagement relating to the certification of the financial statements does not consist in guaranteeing the viability or quality of your company's management.

As part of an audit performed in accordance with auditing standards applicable in France, the Statutory Auditor exercises their professional judgement throughout the audit. The auditor also:

- identifies and assesses the risks that the consolidated financial statements contain material misstatements, whether due to fraud or error, defines and implements audit procedures to address these risks, and gathers the evidence that he deems sufficient and appropriate to base his opinion. The risk of non-detection of a material misstatement due to a fraud is higher than than of a material misstatement due to an error, since a fraud may involve collusion, forgery, wilful omissions, misrepresentations or the circumvention of internal control;

- the auditor examines the aspects of the internal control system relevant to the audit in order to define appropriate audit procedures under the circumstances, and not with the objective of expressing an opinion on the effectiveness of the internal control;

- the auditor assesses the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as the disclosures on these provided in the consolidated financial statements;

- the auditor assesses the appropriateness of management's application of the going concern principle and, depending on the evidence gathered, whether or not there is a significant uncertainty relating to these events or circumstances that might compromise the company's ability to continue as a going concern. This assessment is based on the evidence gathered up to the date of the auditor’s report, it being noted however that subsequent circumstances or events could compromise the going concern basis. If the auditor concludes that there is a significant uncertainty, they draw the reader's attention within their report to the disclosures provided in the parent company financial statements regarding this uncertainty or, if such disclosures are not provided or are not relevant, issues a qualified opinion or refuse to issue an opinion;

- the auditor assesses the overall presentation of the consolidated financial statements and assesses whether the consolidated financial statements reflect the underlying transactions and events in such a way as to give a true and fair view.

- regarding financial information on persons and entities included in the consolidation, the auditor gathers evidence that he deems sufficient and appropriate to express his opinion on the consolidated financial statements. The auditor is responsible for the management, supervision and conduct of the audit of the consolidated financial statements and for the opinion expressed on these financial statements.

Report to the Audit committee of the Board of Directors

We submit a report to the Audit Committee of the Board of Directors, defining the scope of the audit work and the audit programme implemented, as well as the findings based on our work. We also draw their attention to significant internal control weaknesses that we have identified, as regards procedures relating to the preparation and processing of accounting and financial information.

The report submitted to the Audit Committee of the Board of Directors also contains information on the risks of material misstatements that we deemed to have been the most significant for the audit of the consolidated financial statements and which therefore constitute key audit matters. These matters are described in this report.

We also submit to the Audit Committee of the Board of Directors the declaration set out in Article 6 of Regulation (EU) No. 537-2014 confirming our independence, within the meaning of the rules applicable in France as they are defined in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and the French Code of Ethics for statutory auditors. If necessary, we discuss with the Audit Committee of the Board of Directors the risks to our independence and the safeguards applied.

Executed in Paris and Vandœuvre-lès-Nancy, 20 April 2018

The Statutory Auditors,

SEREC AUDIT	BATT AUDIT
Benoît GRENIER	**Pascal FRANCOIS**

RESOLUTIONS SUBMITTED

TO THE ORDINARY SHAREHOLDERS' MEETING OF 31 MAY 2018

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 2017.

SECOND RESOLUTION

That, following a reading by the Board of Directors and the Statutory Auditors of their respective reports, the Meeting approve these reports in their entirety, as well as the operations described therein, and the consolidated financial statements for the year ended 31 December 2017.

THIRD RESOLUTION

That, at the recommendation of the Board of Directors, the Shareholders' Meeting resolve to distribute and appropriate earnings for the year as follows:

2017 loss €9 231,154.39

Deduction from other reserves............................... €9,231,154.39

We propose the payment of a €3,054,996 dividend from other reserves.

Given that the company's share capital is divided into 1,131,480 shares, each of these shares will receive a total dividend of €2.70.

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

Year	Dividend	Number of shares
2014	1.15	1,131,480
2015	2.00	1,131,480
2016	2.60	1,131,480

FOURTH RESOLUTION

That, following a reading of the Statutory Auditors' special report, the Shareholders' Meeting formally note the absence in 2017 of any operations related to Article L. 225-38 of the French Commercial Code.

FIFTH RESOLUTION

That the Shareholders' Meeting give a full discharge to the directors for their management during the past year.

SIXTH RESOLUTION

That the Shareholders' Meeting resolve in favour of the Board of Directors' recommendation to renew the appointment of Charles Nusse, residing at 105 Rue de Lille, Paris (7th district), as director.
This appointment, which is valid for six years, will terminate at the close of the Shareholders' Meeting called to approve the financial statements for fiscal year 2023.

Exacompta Clairefontaine S.A.

EXTRAORDINARY SHAREHOLDERS' MEETING

Agenda: Amendment to the Articles of Association

- Report of the Board of Directors
- Resolution submitted to the Extraordinary Shareholders' Meeting

REPORT OF THE BOARD OF DIRECTORS

TO THE EXTRAORDINARY SHAREHOLDERS' MEETING OF

31 MAY 2018

To the Shareholders,

We have convened this Extraordinary Shareholders' Meeting to request that you approve the amendments to the Articles of Association necessary for the appointment of directors representing employees on the Board of Directors, in accordance with the provisions of French Act no. 2015-994 of 17 August 2015.

Exacompta Clairefontaine, which has more than a thousand employees through its direct or indirect subsidiaries having their registered office in France, falls under the scope of application of this new law.

There must be at least two directors representing employees in companies where more than twelve directors are appointed by shareholders, and at least one otherwise.
With ten directors currently appointed by shareholders on the Board of Directors, only one director representing employees has to be appointed.

The Articles of Association must be amended in order to define the terms and conditions under which directors representing employees will be appointed.
The Group Committee met on 21 June 2017 and agreed to the appointment by this committee of one employee who will be a director representing employees on the Board of Directors of Exacompta Clairefontaine.

The resolution, submitted to the vote of the Extraordinary Shareholders' Meeting, splits the current Article 10 on the company's administration, into directors appointed by shareholders (without any amendment) and directors representing employees who will be appointed by the Group Committee for a term of office of 6 years.

The Board of Directors recommends that you adopt this resolution.

RESOLUTION SUBMITTED

TO THE EXTRAORDINARY SHAREHOLDERS' MEETING OF

31 MAY 2018

SOLE RESOLUTION

The Extraordinary Shareholders' Meeting decides to amend the Articles of Association as follows:

ARTICLE 10 - ADMINISTRATION OF THE COMPANY

Article 10.1 - Directors appointed by shareholders

This new article includes the current provisions of the Articles of Association numbered from 10.1 to 10.6 inclusive which will be renumbered from 10.1.1 to 10.1.6. The content remains unchanged.

Article 10.2 - Directors representing employees

10.2.1 If the company together with its direct or indirect subsidiaries cross the thresholds set out in Article L. 225-27-1 of the French Commercial Code, the Board of Directors shall include, in addition to the directors appointed by the Ordinary Shareholders' Meeting, directors representing employees.

There must be two directors representing employees in companies where the number of directors mentioned in Article 10.1 is more than twelve and one otherwise.

Directors representing employees are not counted when determining the minimum and maximum number of directors set out in Article L. 225-17 of the French Commercial Code, or for the application of the first paragraph of Article L.225-18-1 of the same Code.

10.2.2 Directors representing employees are appointed by the Group Committee.

The term of office is six (6) years and may be renewed.

They are not required to be shareholders of the company or of one of its subsidiaries.

10.2.3 Directors appointed by the Group Committee must have an employment contract with the company or with one of its direct or indirect subsidiaries which have their registered office located on French territory prior to their appointment by at least two years and relating to an actual employment. They shall not lose the benefit of their employment contract. Their remuneration as an employee may not be reduced as a result of the exercise of their office.

Any amendment to the employment contract of a director representing employees is subject to the special procedure set out in Article 13 of the Articles of Association, in the event of an agreement between the company and one of its directors.

The terms of office of directors representing employees are incompatible with any other office of employee representative.
Directors who, upon their appointment, hold one or more such offices will have eight days to resign. Should they fail to do so, they will be deemed to have resigned their office of director.

10.2.4 The term of office of a director representing employees may end for the same reasons as those set out for directors appointed by shareholders. The termination of the employment contract will also end the term of office of the concerned director.

Directors representing employees may not be dismissed other than for fault in the performance of their office, by order of the presiding judge of the Tribunal de Grande Instance, ruling by way of summary proceedings at the request of the majority of the members of the board of directors.

In the event of vacancy due to death, resignation, dismissal, breach of employment contract or for any other reason whatsoever, the office of director representing employees is filled by an employee appointed under the same conditions. The term of office of the director thus appointed will end at the end of the normal term of office of the other directors appointed by the Group Committee.

10.2.5 Directors representing employees have the same powers and the same responsibilities as directors appointed by shareholders' meetings.

NOTES