HALF-YEAR FINANCIAL REPORT

30 JUNE 2018

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

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

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Pascal François

SEREC AUDIT, 75015 Paris, France
Benoît Grenier

To the Shareholders,

1. REVIEW AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

(€000)	H1 2018	H1 2017
Income from continuing activities	296,381	294,764
Operating income	4,828	9,652
Net income before tax	4,796	8,915
Net income after tax	4,337	6,354
Minority interests	0	0
Group share	4,337	6,354

1.1 PAPER PRODUCTION

Despite statistics showing a 4% fall in sales of printing and writing papers in Western Europe, first half 2018 was marked by relatively sustained demand for our paper products. Production tonnage at our four paper mills increased by 2.6%. However, margins were pulled down by a 26% average year-on-year increase in pulp prices that was not matched by a corresponding increase in paper prices.

1.2 PROCESSING

Over a 12-month period, French stationery and office supplies market growth is estimated at 0.7% (Institut I + C). Group consolidated revenue in this sector is flat, given that the decline in certain product categories was offset by sales of new products. Rising raw material prices are pulling margins down.

1.3 FINANCIAL POSITION - DEBT

As at 30 June 2018, with first half revenue of €296,381,000, Group gross borrowings amounted to €140,322,000 and shareholders' equity totalled €395,575,000. After deducting gross cash of €90,164,000, Group net borrowings amounted to €50,158,000.

The Exacompta Clairefontaine Group has negotiated several lines of credit with its banks. At the interim balance sheet date, no commercial paper had been issued out of a global programme of €125 million.

Group cash flow for the first half of 2018 was €17,129,000, compared to €20,080,000 for the first half of 2017.

1.4 SHARE AND SHAREHOLDER INFORMATION

The share listed at €123 on 2 January 2018 and €128 on 29 June 2018 (up 4.07%). The number of shares traded during first half 2018 was 17,730.
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 30 June 2018.
Financière de l'Echiquier, a minority shareholder, holds more than 5% of the Group's shares.

2. RESEARCH AND DEVELOPMENT

We have become a European expert in office and graphic papers thanks to our ability to adapt quickly to new printing methods and aesthetic trends on the market. We also continue to develop technical papers for packaging. Lastly, the improvements made to the Everbal plant enable us to develop ultra-white recycled paper that does not require deinking.
In our three stationery departments, the efforts of our design professionals and graphic designers have enabled us to speed up the process of renewing our product ranges, which helps to offset the decline in consumption. We are also developing IT support programmes in relation to office supplies and custom articles.
The Photoweb workshop is constantly working on new applications for developing digital photos.

3. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The 2017 social and environmental report was published prior to the Exacompta Clairefontaine Group shareholders' meeting on 31 May 2018. The report includes data on the Group's staff management, environmental policy and social indicators. The social and environmental report has been certified by Bureau Veritas. All information is regularly updated and published annually.
The following information supplements and updates the information provided in this report.

3.1 EMPLOYMENT INFORMATION

- **Staff**

The Exacompta Clairefontaine Group had 3,117 employees at 30 June 2018. The companies apply the collective agreement for the production of papers, cardboard and cellulose, or the collective agreement for cardboard packaging.

- **Group Works Council**

The Group Works Council, which met on 21 June 2018, commented on the Group's business and the economic and employment outlook for the year.

3.2 ENVIRONMENTAL INFORMATION

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

Changes in CO_2 emissions

Site	CO_2 emissions (tonnes)	
	H1 2018	H1 2017
CLAIREFONTAINE	41,532	41,562
MANDEURE	4,915	4,953
EVERBAL	1,273	816
Total	**47,720**	**47,331**

Change in the emissions to production tonnage ratio

Site	Ratio (in kg CO_2/tonne of gross paper production)	
	H1 2018	H1 2017
CLAIREFONTAINE	418	433
MANDEURE	267	263
EVERBAL	55	34
Overall ratio	**338**	**341**

While energy saving continues to be a major focus for the Group, overall fossil fuel consumption rose slightly in first half 2018 despite our efforts.

Production time is considerably impacted by the large number of different paper products we produce, exacerbated during the period by a number of unexpected technical problems. Nevertheless, overall CO_2 emissions per tonne of paper produced continued to decline, indicating improved energy efficiency at the sites.

↳ Circular economy

The Group is pursuing its capital expenditure programme geared towards promoting the circular economy.

A large portion of the Group's paper waste is already recycled in-house at Everbal, the production unit specialising in recycled paper manufacture.

During the first half of 2018, Papeteries de Clairefontaine installed a system for recovering and dehydrating the fibres contained in paper machine process water.
Until recently, these fibres were channelled into the site's sewage treatment plant then recovered in the form of sludge and reused as a soil amendment by the farming industry.

From now on, around a third of these fibres will be transported to Everbal and used as a raw material.

3.3 INFORMATION ON COMMUNITY PROJECTS

Global warming

Papeteries de Clairefontaine supports the MEROCEANS foundation's global warming research programme. Between October 2016 and April 2017, a specially designed one-man sailing vessel set off to gather essential data at the air-sea interface off the coast of Australia and scientifically observe climate change. Operations included precise analyses of temperature and salinity. Further operations are slated for 2019.

Partnerships

As in 2017, sporting and cultural partnerships were formed with youth associations in particular.
The Group also continues to support UNICEF and the education of children.

4. OUTLOOK

4.1 GENERAL OUTLOOK

Given further increases in pulp prices, our paper production margin is expected to fall again in the second half. Processing margins will also decline.

The Group expects to generate full-year 2018 operating income below the previous year's figure (€22,581,000) but close to that of 2016 (€17,264,000).

4.2 RISKS AND UNCERTAINTIES

Due to the nature of its operations, the Group is exposed to different kinds of risk as well as a number of uncertainties. These are explained in detail in the report circulated to the shareholders prior to the 31 May 2018 Ordinary General Meeting. The following information supplements and updates the information provided in this report.

- <u>Risks related to economic activity</u>

The general trend in France and Western Europe is towards a decline in paper and stationery consumption. It may not be possible to adapt plant and equipment quickly enough to keep up with these changes, and foreign imports may also disrupt this market.
Furthermore, our business can be severely damaged by exchange rate fluctuations impacting the prices of our raw materials.

- Financial risks

To avoid being solely dependent on short-term financing in spite of continuing low interest rates, in first half 2018 the Group took out several medium-term loans for a total of €25.5 million.

- Credit risk

Since the beginning of 2018 the Group has not faced any major client default.

Exacompta Clairefontaine S.A.

Consolidated financial statements for the six months ended 30 June 2018

Half-year consolidated financial statements

Consolidated balance sheet

€000	30/06/2018	31/12/2017	Notes
NON-CURRENT ASSETS	**256,346**	**259,943**	
Intangible assets	12,441	12,779	(2.1.4)
Intangible assets – Goodwill	26,924	26,924	(2.1.4)
Property, plant and equipment	213,350	216,924	(2.1.5)
Financial assets	2,614	2,442	(2.1.6)
Deferred taxes	1,017	874	(2.4)
CURRENT ASSETS	**461,004**	**429,890**	
Inventories	197,166	171,998	(2.2.1)
Trade and other receivables	167,253	113,927	(2.2.2)
Advances	1,532	2,207	
Taxes receivable	4,889	5,140	
Cash and cash equivalents	90,164	136,618	(2.2.3)
TOTAL ASSETS	**717,350**	**689,833**	

SHAREHOLDERS' EQUITY	**395,575**	**393,900**	
Share capital	4,526	4,526	
Capital reserves	235,900	225,709	
Consolidated reserves	152,381	152,381	
Currency translation reserve	(1,569)	(1,582)	
Net income – Group share	4,337	12,866	
Shareholders' equity – Group share	**395,575**	**393,900**	
Minority interests	0	0	
NON-CURRENT LIABILITIES	**144,977**	**135,099**	
Interest-bearing debt	97,682	88,144	(2.6)
Deferred taxes	23,848	23,626	(2.4)
Provisions	23,447	23,329	(2.5)
CURRENT LIABILITIES	**176,798**	**160,834**	
Trade payables	68,433	61,815	
Short-term portion of interest-bearing debt	42,640	33,442	(2.6)
Provisions	2,266	4,354	(2.5)
Tax liabilities	144	554	
Other payables	63,315	60,669	(2.8)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**717,350**	**689,833**	

Consolidated income statement

€000	H1 2018	H1 2017	Notes
Revenue	296,381	294,764	
- Sales of products	292,717	291,325	
- Sales of services	3,664	3,439	
Other operating income	5,691	2,698	
- Reversal of depreciation/amortisation	23	65	(2.1.4, 2.1.5)
- Subsidies	27	107	
- Other income	5,641	2,526	
Change in inventories of finished products and work-in-progress	21,998	14,566	(2.2.1)
Capitalised production costs	335	298	
Goods and materials used	(162,164)	(147,436)	(2.2.1)
External expenses	(51,134)	(50,374)	
Personnel expenses	(80,153)	(79,100)	(2.12)
Taxes and duties	(7,425)	(7,720)	
Depreciation/amortisation	(13,983)	(13,683)	(2.1.4, 2.1.5)
Other operating expenses	(4,718)	(4,361)	
OPERATING INCOME – before goodwill impairment	**4,828**	**9,652**	
Badwill gain			(2.1.4, 2.1.1)
OPERATING INCOME – after goodwill impairment	**4,828**	**9,652**	
Financial income	1,603	1,336	
Financial expenses	(1,635)	(2,073)	
Net financial items	(32)	(737)	(2.13)
Income taxes	(459)	(2,561)	(2.4, 2.11)
Net income after tax	**4,337**	**6,354**	

Net income – minority share	**0**	**0**	
Net income – Group share	**4,337**	**6,354**	

Net income for the period	4,337	6,354	
Number of shares	1,131,480	1,131,480	(2.3)
EARNINGS PER SHARE (basic and diluted)	**3.82**	**5.62**	

Comprehensive income statement

€000	H1 2018	H1 2017
Net income for the period	**4,337**	**6,354**
• Currency translation differences arising from the conversion of foreign entities' financial statements	13	(290)
• Actuarial gains/(losses)	380	(31)
Total comprehensive income	**4,730**	**6,033**
Attributable to:		
- minority interests	0	0
- the Group	4,730	6,033

Statement of changes in consolidated shareholders’ equity

€000	**Shareholders’ equity – Group share**	**Shareholders’ equity – minority share**	**Total shareholders’ equity**
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 for the year	12,866		12,866
Dividends	(2,942)		(2,942)
Balance at 31/12/2017	**393,900**	**0**	**393,900**
Currency translation difference	13		13
Actuarial gains and losses and other variations	380		380
Total transactions not posted to earnings	393	0	393
Net income for the year	4,337		4,337
Dividends *	(3,055)		(3,055)
Balance at 30/06/2018	**395,575**	**0**	**395,575**

* Dividend paid out by Exacompta Clairefontaine at €2.70 per share.

Statement of consolidated cash flows

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

€000	**30/06/2018**	**31/12/2017**	**Notes**
Cash and cash equivalents (assets)	90,164	136,618	(assets)
Bank overdrafts payable	(42,606)	(33,406)	(2.6)
Accrued interest on debt	(34)	(36)	(2.6)
Cash per statement of cash flows	**47,524**	**103,176**	

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

Statement of cash flows

€000	H1 2018	2017	Notes
Total consolidated net income	**4,337**	**12,866**	
Elimination of non-cash and non-operating expenses and income:			
• Depreciation, amortisation and provisions	12,011	27,400	(2.1.4 to 2.1.6, 2.5)
• Change in deferred taxes	222	(558)	(2.4)
• Post-tax gains on asset sales	166	(684)	
• Currency translation adjustments	13	(414)	
• Other	380	(1,357)	
Cash flow of consolidated companies	*17,129*	*37,253*	
• Change in operating working capital	(68,698)	657	Balance sheet
• Change in income taxes	(2,322)	811	
• Income taxes paid	2,163	(4,697)	
(1) Net cash flow from operating activities	**(51,728)**	**34,024**	
• Purchases of fixed assets	(11,366)	(32,061)	(2.1.4 to 2.1.6)
• Sales of fixed assets	959	3,920	
• Changes in consolidation – acquisitions		(1,668)	
• Changes in consolidation – disposals			
(2) Net cash flow from investing activities	**(10,407)**	**(29,809)**	
• Dividends paid	(11,370)	(9,727)	(Change in shareholders' equity)
• Dividends received	8,315	6,785	
• New borrowings	25,975	82,460	
• Loans repaid	(16,308)	(42,590)	
• Interest paid	(450)	(918)	
• Interest received	321	556	
(3) Net cash flow from financing activities	**6,483**	**36,566**	
(1+2+3) Total cash flow	**(55,652)**	**40,781**	

Opening cash	103,176	62,395
Closing cash	47,524	103,176
Change in cash	**(55,652)**	**40,781**

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 interim financial statements were prepared in accordance with IAS 34 – *Interim financial reporting*.
The Exacompta Clairefontaine Group consolidated financial statements were approved by the Board of Directors on 13 September 2018.

2- Adoption of international standards

Mandatory standards, amendments and interpretations in 2018:

- IFRS 9 – *Financial instruments*
  The Group does not apply hedge accounting.
  Given the lack of statistical or forward-looking information, credit risk with regard to trade receivables is calculated and updated in accordance with individual late payment scenarios.
  The Group applies the simplified method to calculate impairment, given that trade receivables do not include a significant financing arrangement and contract terms are short.
  Credit risk is adjusted on the basis of expected loss estimates and the historical loss rate has been kept down thanks to the debt monitoring systems applied by the Group.

- IFRS 15 – *Revenue from contracts with customers*
  IFRS 15 entails no changes in the Group's previous policy for recognising revenue. Analysis of the potential impact of IFRS 15, including with regard to advertising costs, shows no impact on operating income and requires no reclassification between revenue and expenses.
  The terms of contracts entered into by the Group are much shorter than one year and the contracts do not include a significant financing arrangement.
  There are no changes to the method for recognising variable consideration payable to clients, which mainly consists of volume discounts, back margins and early payment reductions. These are deducted from revenue. The same applies to merchandising services and advertising services rendered by clients, which do not constitute a distinct service received.

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

- IFRIC 22 – *Foreign currency transactions and advance consideration*

Standards, amendments and interpretations adopted by the European Union and mandatory after 2018

- IFRS 16 – *Leases*
  The identification of contracts entered into by the Group is underway, as is the collection of information necessary for the application of the standard.
- Amendments to IFRS 9 – *Pre-payment features with negative compensation*

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

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

- Amendments to IAS 19 – *Plan amendment, curtailment or settlement*
- Amendments to IAS 28 – *Long-term interests in associates and joint ventures*
- Annual improvements – *2015-2017 cycle*
- 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 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 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 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.

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.

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 part 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 30 June 2018 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

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. No impairment was recorded in the first half 2018 financial statements.

Goodwill

The goodwill recorded applied mainly to three subsidiaries at 30 June 2018. The segment information shows the breakdown of goodwill by business and geographic segment.
No impairment was recorded in the first half 2018 financial statements, as no indication of loss of value was identified in any of the CGUs.

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	30/06/2018	31/12/2017
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
Loans	**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 30 June 2018 (€000)	Goodwill	Concessions, licences, trademarks and similar rights	Other	Total
Gross value b/fwd	28,631	30,876	5,397	64,904
Purchases		246	50	296
Sales		(386)		(386)
Changes in scope of consolidation				
Currency translation adjustments		(2)	21	19
Transfers and other	(1,342)	366		(976)
Gross value c/fwd	**27,289**	**31,100**	**5,468**	**63,857**
Amortisation and write-downs b/fwd	1,707	20,653	2,841	25,201
Sales		(386)		(386)
Changes in scope of consolidation				
Amortisation		766	236	1,002
Write-downs				
Reversals				
Currency translation adjustments		(3)	20	17
Transfers and other	(1,342)	(8)	8	(1,342)
Amortisation and write-downs c/fwd	**365**	**21,022**	**3,105**	**24,492**
Net book value b/fwd	**26,924**	**10,223**	**2,556**	**39,703**
Net book value c/fwd	**26,924**	**10,078**	**2,363**	**39,365**

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				
Depreciation		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

2.1.5 Property, plant and equipment

At 30 June 2018 (€000)	Land and buildings	Plant and equipment	Other PP&E	Advances and PP&E in progress	Total
Gross value b/fwd	141,175	449,234	37,369	10,734	638,512
Purchases	389	3,314	1,172	5,816	10,691
Sales	(948)	(2,459)	(506)	(24)	(3,937)
Changes in scope of consolidation					
Currency translation adjustments	134	140	14		288
Transfers and other	562	1,973	127	(3,028)	(366)
Gross value c/fwd	**141,312**	**452,202**	**38,176**	**13,498**	**645,188**
Depreciation and write-downs b/fwd	79,878	312,374	29,163	173	421,588
Sales	(393)	(2,050)	(459)		(2,902)
Changes in scope of consolidation					
Depreciation	2,141	9,479	1,189	173	12,982
Write-downs					
Reversals		(8)		(15)	(23)
Currency translation adjustments	60	119	14		193
Transfers and other	(10)		10		0
Depreciation and write-downs c/fwd	**81,676**	**319,914**	**29,917**	**331**	**431,838**
Net book value b/fwd	**61,297**	**136,860**	**8,206**	**10,561**	**216,924**
Net book value c/fwd	**59,636**	**132,288**	**8,259**	**13,167**	**213,350**

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**

2.1.6 Financial assets

At 30 June 2018 (€000)	Unconsolidated equity interests	Loans	Other receivables	Total
Gross value b/fwd	997	961	1,099	3,057
Purchases		10	264	274
Sales			(80)	(80)
Changes in scope of consolidation				
Currency translation adjustments			10	10
Transfers and other		(11)		(11)
Gross value c/fwd	**997**	**960**	**1,293**	**3,250**
Write-downs b/fwd	613	0	2	615
Purchases/sales				
Changes in scope of consolidation				
Write-downs	21			21
Reversals				
Currency translation adjustments				
Transfers and other				
Write-downs c/fwd	**634**	**0**	**2**	**636**
Net book value b/fwd	**384**	**961**	**1,097**	**2,442**
Net book value c/fwd	**363**	**960**	**1,291**	**2,614**

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**

Other receivables consist mainly of deposits and bonds totalling €1,013,000 at 30 June 2018, compared to €805,000 at 31 December 2017.

2.1.7 Table of maturities of other financial assets

At 30 June 2018 (€000)	**< 1 year**	**1-5 years**	**> 5 years**	**Total**
Loans	126	172	662	960
Other financial assets	687	25	581	1,293
Financial assets and receivables	**813**	**197**	**1,243**	**2,253**

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**

2.2 Current assets

2.2.1 Inventories by type

At 30 June 2018 (€000)	**Raw materials**	**Work-in-progress**	**Semi-finished and finished goods**	**Total**
Gross value b/fwd	66,947	19,362	98,357	184,666
Change	3,256	1,349	20,150	24,755
Gross value c/fwd	**70,203**	**20,711**	**118,507**	**209,421**
Write-downs b/fwd	6,291	1,123	5,254	12,668
Additions	4,626	910	2,525	8,061
Reversals	(4,447)	(1,072)	(2,954)	(8,473)
Currency translation adjustments and other			(1)	(1)
Write-downs c/fwd	**6,470**	**961**	**4,824**	**12,255**
Net book value b/fwd	**60,656**	**18,239**	**93,103**	**171,998**
Net book value c/fwd	**63,733**	**19,750**	**113,683**	**197,166**

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**

2.2.2 Write-down of other current assets

€000	Write-downs b/fwd	Additions	Reversals	Other changes	Write-downs c/fwd
Trade receivables	2,865	667	(951)	4	2,585
Other receivables	241				241
Total	**3,106**	**667**	**(951)**	**4**	**2,826**

Statement of maturities of trade and other receivables

€000	< 1 year	1-5 years	> 5 years	Total
Trade and similar receivables	149,683	862		150,545
Taxes and social security contributions receivable	13,199			13,199
Shareholder loan accounts (debit balance)				
Other receivables	2,590			2,590
	165,472	**862**		**166,334**
Impairment				(2,826)
Financial assets				**163,508**

Prepaid expenses	3,745
Reported trade and other receivables	**167,253**

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 €38,160,000 is their market value at 30 June 2018. 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 period. 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 deferred taxes presented in the balance sheet totalled €79,000 (increase in net deferred tax liability).

Income statement:
- The change in deferred taxes recorded in net income was a €68,000 reduction (deferred tax income).
- The change in deferred taxes under comprehensive income was a €148,000 increase 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	1,017	874	143
Deferred tax liabilities	23,848	23,626	222
Net deferred tax	**22,831**	**22,752**	**79**

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	23,329	1,203	(233)	(330)	(522)	23,447
Non-current provisions	**23,329**	**1,203**	**(233)**	**(330)**	**(522)**	**23,447**
Provisions for contingent liabilities	4,257	353	(1,216)	(1,243)		2,151
Other provisions for charges	97	18				115
Current provisions	**4,354**	**371**	**(1,216)**	**(1,243)**		**2,266**

Other changes in provisions for pensions and similar obligations include a €528,000 reduction due to actuarial adjustments recorded under comprehensive income, amounting to €380,000 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 0.97%.

The amounts paid to insurance organisations are deducted from provisions.

<u>Net change in the provision for pensions and similar obligations</u>

€000	H1 2018	2017
Liability b/fwd	**23,329**	**22,051**
Cost of services rendered	1,254	1,190
Financial expense	215	283
Changes for the period	(823)	(1,427)
→ *o/w new recruits*	*84*	*100*
→ *o/w departures during the period*	*(907)*	*(1,527)*
Liability excluding actuarial gains and losses	**23,975**	**22,097**
Actuarial gains and losses under comprehensive income	(528)	1,232
Liability c/fwd	**23,447**	**23,329**

The recorded liability includes €19,908,000 of obligations under the plan applicable to French companies and €3,539,000 under plans applicable to foreign companies.

2.6 Bank loans and borrowings

<u>Statement of liquidity risk</u>

€000	< 1 year	1-5 years	> 5 years	Total
Loans from financial institutions	27,683	80,338	636	108,657
Other borrowings	564	1,708		2,272
Bank loans and overdrafts	6,357			6,357
Subtotal	**34,604**	**82,046**	**636**	**117,286**
Shareholder loan accounts (credit balance)	8,002		15,000	23,002
Accrued interest	34			34

Total	**42,640**	**82,046**	**15,636**	**140,322**
Estimated interest to maturity				*1,468*

- Including current liabilities €42,640,000
- Including non-current liabilities €97,682,000

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 period 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. No amounts were drawn as at 30/06/2018. As there have been no drawdowns, the half-year 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 €11,000.

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 €9,000 on net income as at 30 June 2018.

Portfolio of financial instruments

Residual maturity (€000)	< 1 year	1-5 years	> 5 years	Total
Interest rate swaps	1,913	4,289	2,555	8,757

The amounts shown in the table are current notional amounts.

2.8 Other current liabilities

€000	30/06/2018	31/12/2017
Advances and down payments received	2,037	1,506
Taxes and social security contributions payable	42,197	33,218
Fixed asset payables	1,883	3,990
Other liabilities	16,925	21,669
Deferred income	56	58
Derivative financial instruments	217	228
Total	**63,315**	**60,669**

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**	363			363	363
Loans	**2.1.6**			960	960	825
Other receivables	**2.1.6**			1,291	1,291	1,291
Cash and cash equivalents	**Assets**		90,164		90,164	90,164
Trade and intercompany receivables	**2.2.2**			147,960	147,960	147,960
Total assets		**363**	**90,164**	**150,211**	**240,738**	**240,603**

€000	Note	Fair value of derivatives	Other financial liabilities	Total book value	Fair value
Interest rate swaps	**2.8**	217		217	217
Loans from financial institutions	**2.6**		108,657	108,657	108,657
Other borrowings	**2.6**		2,272	2,272	2,272
Bank loans and overdrafts	**2.6**		6,357	6,357	6,357
Shareholder loan accounts (credit balance)	**2.6**		23,002	23,002	23,002
Amounts payable on fixed assets	**2.8**		1,883	1,883	1,883
Trade payables	**Liabilities**		68,433	68,433	68,433
Total liabilities		**217**	**210,604**	**210,821**	**210,821**

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**	90,164	–	–
Liabilities				
Interest rate swaps	**2.8**	–	217	–

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 2018 amount to 65,573 tonnes, while first half CO_2 emissions totalled 47,720 tonnes.
The remaining allowances due for the current allocation period amount to 126,019 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	H1 2018	H1 2017
Consolidated net income after tax	4,337	6,354
Goodwill impairment, net of badwill gain	-	-
Income taxes	527	2,637
Deferred taxes	(68)	(76)
Consolidated tax base	4,796	8,915
Statutory tax rate applicable to parent company	33.33%	33.33%
Theoretical tax charge	**1,599**	**2,972**
Tax rate differences	15	(70)
Accounting/tax timing differences	(774)	(332)
Tax debits and credits	(387)	(21)
Other effects	6	12
Actual tax charge	**459**	**2,561**

Income taxes	527	2,637
Deferred taxes	(68)	(76)
Reported tax charge	**459**	**2,561**

2.12 Group headcount and employee benefits

Average headcount	H1 2018	H1 2017
Management	513	503
Employees	871	868
Labourers and other salaried workers	1,733	1,829
Total	**3,117**	**3,200**

Expenses recorded for defined contribution schemes (€000)	21,336	20,798

The Competitiveness and Employment tax credit (CICE) is recorded as a reduction in personnel expenses and came to €1,803,000 for the first half of 2018.

2.13 Financial income and expenses

€000	H1 2018	H1 2017
Equity interests and income from other financial assets	5	2
Income from other receivables and marketable securities	321	379
Other financial income	110	136
Financial instruments – change in fair value	11	96
Reversal of provisions and write-downs	-	-
Foreign exchange gains	1,156	723
Net gain on sale of marketable securities	-	-
Total financial income	**1,603**	**1,336**
Increase in provisions and write-downs	21	21
Interest and financial expenses	450	456
Financial instruments – change in fair value	-	-
Foreign exchange losses	1,115	1,537
Other financial expenses	49	59
Total financial expenses	**1,635**	**2,073**

2.14 Related parties

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

€000	30/06/2017 (6 months)	31/12/2017 (12 months)
Balance sheet		
Current account balances:		
Interest-bearing debt	15,000	15,000
Short-term portion of interest-bearing debt	8,000	8,000
Income statement		
Financial expenses	116	224
Fees	675	1,327
Leases	3,346	7,308

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 €924,000 in first half 2018.
No other benefits are granted to Group senior executives.

The total amount of director’s fees to be shared among the directors for 2018 is €60,000 and was awarded by a decision of the 27 May 2015 Shareholders’ Meeting.

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.

➢ Segment information by business – 30/06/2018 (6 months)

€000	Paper	Processing	Inter-segment transactions	Total
Segment income statement				
Revenue	145,943	223,728	(73,290)	296,381
Depreciation/amortisation (net of reversals)	6,045	7,915		13,960
Write-downs and provisions	(568)	(1,576)		(2,144)
Operating income/(loss) (excl. goodwill impairment)	5,391	(142)	(421)	4,828
Goodwill impairment				
Segment assets				
Net PP&E and intangible assets	108,813	116,978		225,791
o/w capex	*5,173*	*5,814*		*10,987*
Goodwill		26,924		26,924
Trade receivables	51,829	132,179	(36,049)	147,959
Other receivables	3,059	16,343	(108)	19,294
Balance sheet total	*54,888*	*148,522*	*(36,157)*	*167,253*
Other assets allocated	66,477	135,426	(3,205)	198,698
Unallocated assets				*5,906*
Total assets	230,178	427,850	(39,362)	624,572
Segment liabilities				
Current provisions	1,244	1,022		2,266
Trade payables	23,457	81,035	(36,059)	68,433
Other payables	19,492	43,927	(104)	63,315
Unallocated liabilities				*144*
Total liabilities	44,193	125,984	(36,163)	134,158

➢ Segment information by geographic area – 30/06/2018 (6 months)

€000	France	Europe	Outside Europe	Total
Revenue	183,848	96,997	15,536	296,381
Net PP&E and intangible assets	210,520	9,434	5,837	225,791
o/w capex	*10,029*	*744*	*214*	*10,987*
Goodwill	26,924			26,924
Trade receivables	127,545	17,197	3,217	147,959
Other receivables	14,418	762	4,114	19,294
Balance sheet total	*141,963*	*17,959*	*7,331*	*167,253*
Other assets allocated	186,388	5,857	6,453	198,698
Unallocated assets				*5,906*
Total assets	565,795	33,250	19,621	624,572

➢ Segment information by business – 30/06/2017 (6 months)

€000	Paper	Processing	Inter-segment transactions	Total
Segment income statement				
Revenue	143,577	224,479	(73,292)	294,764
Depreciation/amortisation (net of reversals)	5,814	7,804		13,617
Write-downs and provisions	492	256		748
Operating income/(loss) (excl. goodwill impairment)	9,775	181	(304)	9,652
Goodwill impairment				
Segment assets				
Net PP&E and intangible assets	108,700	122,699		231,399
o/w capex	*7,939*	*8,720*		*16,659*
Goodwill		28,266		28,266
Trade receivables	51,976	134,531	(37,350)	149,157
Other receivables	3,778	15,805	(86)	19,497
Balance sheet total	*55,754*	*150,336*	*(37,436)*	*168,654*
Other assets allocated	56,822	132,665	(2,415)	187,072
Unallocated assets				*4,129*
Total assets	221,276	433,966	(39,851)	619,520
Segment liabilities				
Current provisions	2,083	6,921		9,004
Trade payables	24,218	76,385	(37,350)	63,253
Other payables	20,582	45,207	(94)	65,695
Unallocated liabilities				*124*
Total liabilities	46,883	128,513	(37,444)	138,076

➢ Segment information by geographic area – 30/06/2017 (6 months)

€000	France	Europe	Outside Europe	Total
Revenue	188,897	89,642	16,225	294,764
Net PP&E and intangible assets	215,512	9,528	6,359	231,399
o/w capex	*15,370*	*1,144*	*145*	*16,659*
Goodwill	28,266			28,266
Trade receivables	130,237	16,356	2,564	149,157
Other receivables	15,348	750	3,399	19,497
Balance sheet total	*145,585*	*17,106*	*5,963*	*168,654*
Other assets allocated	174,151	6,307	6,614	187,072
Unallocated assets				*4,129*
Total assets	563,514	32,941	18,936	619,520

Exacompta Clairefontaine S.A.

Certification
of the half-year financial report

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

Jean Marie Nusse
Executive Vice President

Exacompta Clairefontaine S.A.

Statutory Auditors’ Report
on the financial report

SEREC AUDIT
Statutory Auditor

Member of the Paris Institute of Statutory Auditors Auditors
70 bis rue Mademoiselle
75015 PARIS

BATT AUDIT
Statutory Auditor

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

Statutory Auditors' report on the financial report for the six months ended 30 June 2018

EXACOMPTA CLAIREFONTAINE
A French limited company (*société anonyme*)
88480 ETIVAL CLAIREFONTAINE

STATUTORY AUDITORS' REPORT
ON THE FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

EXACOMPTA CLAIREFONTAINE
A French limited company (*société anonyme*)
88480 ETIVAL CLAIREFONTAINE

To the Shareholders,

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

- conducted a limited review of the attached consolidated financial statements of **EXACOMPTA CLAIREFONTAINE** for the period from 1 January to 30 June 2018; and
- verified the information contained in the half-year activity report.

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

1 – <u>Opinion on the financial statements</u>

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

On the basis of our limited review, we did not identify any material misstatements that cause us to question, with regard to IFRS as adopted by the European Union, the validity and accuracy of the consolidated half-year financial statements and the fact that they give a true and fair view of the assets, liabilities and financial position as at 30 June 2018 and of the earnings for the six months ended 30 June 2018 of the persons and entities included in the consolidation.

2 – Specific verifications

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

Executed in Paris and Vandœuvre-lès-Nancy, 13 September 2018

The Statutory Auditors,

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