EXACOMPTA CLAIREFONTAINE

ORDINARY SHAREHOLDERS' MEETING

OF 31 MAY 2017

FISCAL YEAR 2016

REPORT 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
    Chairman of the Executive Board of Ets Charles Nusse
    Chairman, Exacompta

Dominique Daridan

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

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

Frédéric Nusse
    Chairman, Papeteries de Clairefontaine
    Chairman, Papeterie de Mandeure
    Chairman, Everbal
    Chairman, Schut Papier (NL)

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

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

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

Jérôme Nusse
    Chairman, Editions Quo Vadis

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

Statutory Auditors

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

SEREC AUDIT, 75015 Paris, France
Dominique Gayno

Contents: page

Ordinary Shareholders' Meeting

ORDINARY SHAREHOLDERS' MEETING

Agenda:

- Report of the Board of Directors on operations and the parent company financial statements for fiscal year 2016;
- Report of the Board of Directors on operations and the consolidated financial statements for fiscal year 2016;
- Statutory Auditors' reports on the financial statements for the fiscal year ended and on regulated agreements and report drawn up pursuant to Article L.225-235 of the French Commercial Code;
- Approval of the parent company financial statements for the year ended 31 December 2016;
- Approval of the consolidated financial statements for the year ended 31 December 2016;
- 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 2017

To the Shareholders,

1. REVIEW AND APPROVAL OF THE PARENT COMPANY FINANCIAL STATEMENTS

(€000)	**2016**	**2015**
Operating revenue	8,289	9,061
Operating income/(loss)	(358)	58
Net financial items	2,501	2,614
Net income	485	594

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.
In 2016, EXACOMPTA CLAIREFONTAINE purchased the shares in Photoweb held by its subsidiary, Lavigne.

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) guarantee all repayments of their subsidiaries that borrow from their parent company.

The amount of non-tax deductible expenses was €10,301.

INCOME FOR THE LAST FIVE YEARS (€)

Balance sheet date Duration of the reporting period (in months)	31/12/2016 12	31/12/2015 12	31/12/2014 12	31/12/2013 12	31/12/2012 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	1,220,327	1,478,146	2,231,400	2,259,071	2,132,810
Income before taxes, profit-sharing, depreciation, amortisation and provisions	2,065,601	3,525,087	2,960,074	2,567,292	2,497,325
Income taxes	829,951	2,271,913	3,659,941	(584,550)	(922,893)
Net depreciation, amortisation and provisions	750,344	658,681	1,018,221	26,052,984	1,014,212
Net income	485,306	594,493	(1,718,088)	(22,901,142)	2,406,006
Distributed income	*2,941,848	2,262,960	1,301,202	565,740	565,740
EARNINGS PER SHARE					
Income after taxes and profit-sharing and before depreciation, amortisation and provisions	1	1	(1)	3	3
Income after taxes, profit-sharing, depreciation, amortisation and provisions	0	1	(2)	(20)	2
Dividend paid	*2.60	2	1.15	0.50	0.50
PERSONNEL					
Average number of employees	43	44	44	49	46
Payroll	3,795,882	3,873,499	3,892,716	3,903,372	3,811,684
Sums paid in employee benefits (social security, fringe benefits, etc.)	1,518,929	1,562,125	1,518,652	1,495,369	1,494,364

* Dividend proposed

SCHEDULE OF TRADE PAYABLES

Schedule in days					
	Total payables	**Payables due**	**Payables not yet due**		
31/12/2016			1-30 days	31-60 days	> 60 days
Trade payables	168	3	110	55	–
Fixed asset payables	22	17	–	5	–
Total	**190**	**20**	**110**	**60**	**–**
31/12/2015			1-30 days	31-60 days	> 60 days
Trade payables	182	–	48	134	–
Fixed asset payables	–	–	–	–	–
Total	**182**	–	**48**	**134**	**–**

SHARE AND SHAREHOLDER INFORMATION

The share listed at €66.50 on 4 January 2016 and closed the year at €118 (up 77.44%). The number of shares traded during the year was 27,949.

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 2016.
Financière de l'Echiquier, a minority shareholder, crossed the 5% ownership threshold in 2005.

2. REVIEW AND APPROVAL OF THE 2016 CONSOLIDATED FINANCIAL STATEMENTS

2.1 EARNINGS

(€000)	**2016**	**2015**
Income from continuing activities	597,865	571,110
Operating income	17,264	16,425
Net income before tax	13,728	15,089
Net income after tax	12,704	10,965
Minority interests	(1,105)	592
Group share	13,809	10,373

- Goodwill impairment is recorded under 2016 and 2015 net income, amounting to €3,347,000 and €2,150,000 respectively. 2016 earnings include an €863,000 badwill gain arising from the acquisition of a subsidiary.
- In connection with the gradual transition towards a 28% corporate income tax rate in France, a deferred tax profit of €4,455,000 was recognised.
- The consolidated financial statements also include a €4,714,000 earnout provision recorded in relation to the purchase of a subsidiary.

2016 Group cash flow amounted to €41,276,000 and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) was €50,186,000, compared to €41,155,000 and €44,685,000 respectively in 2015.

2.2 BUSINESS SECTORS

Paper

In 2016, European production of uncoated printing and writing papers fell 2.9% (source CEPI). This long-term trend is mainly due to the decline in consumption. Nevertheless, we managed to keep our machines running at high capacity thanks to the closure or transfer of some competitors' production capacity and the development of new papers.

Reeled paper production by our five machines remained constant at 228,000 tonnes. Our profit margins recovered during the second half due to a fall in the pulp prices we pay.

Processing

The stationery market remained flat over the year as a whole, after a spike in the fourth quarter (source I+C).

Organisation of Group operations in this sector is being progressively optimised on the basis of European-scale logistics platforms. This generates momentum that helps us to develop exports and specialised products.

In view of our expansion in the field of digital photography, we have decided to set up a special department for this business.

2.3 FINANCIAL POSITION

2.3.1 Debt

The Group posted 2016 revenue of €597,865,000. At 31 December 2016, gross borrowings stood at €89,593,000 and shareholders’ equity totalled €387,415,000.

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 million.

Group cash and cash equivalents amounted to €103,351,000 and the Group was able to fund capital expenditure from cash flow. Net cash at 31 December 2016 amounted to €13,758,000.

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 (64.8%) and in Europe (30.2%), largely in Western Europe. We are not directly impacted by unfavourable economic developments that may affect the various continents.

However, the purchase price of our primary raw material, paper pulp, is influenced by the world market. Market quotations are generally in US dollars. The price may fluctuate by more than €200 per tonne over relatively short periods. It is important to note that each euro difference in the price of pulp, when applied to the amount of pulp we use (around 150,000 tonnes), has an impact of €150,000.

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. As a result, consumption of printing and writing papers fell steadily by around 3% per year between 2008 and 2013, more or less levelled out in 2014 and 2015, then declined again by 3% in 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.

<u>Credit risk</u>

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.

2.5 RELATED PARTIES

The consolidated financial statements include transactions performed by the Group with Etablissements Charles Nusse.
The Group's companies benefit from the leadership provided by Ets Charles Nusse and pay a fee equal to 0.6% of the added value for the previous year.

2.6 CORPORATE OFFICERS

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

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

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

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

Frédéric Nusse
- Chairman, Papeteries de Clairefontaine
- Chairman, Papeterie de Mandeure
- Chairman, Everbal
- Chairman, Schut Papier (NL)

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

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

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

Jérôme Nusse
- Chairman, Editions Quo Vadis

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

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.

3. PROPOSED RESOLUTIONS

3.1 APPROPRIATION OF EARNINGS

Earnings (€):	
2016 earnings	€485,305.73
We propose the following appropriation:	
* First dividend	€226,296.00
* Second dividend………………………………..	€259,009.73
Total dividends	€485,305.73

We propose the payment of an additional €2,456,542.27 dividend taken from other reserves, bringing the total dividend payout to €2,941,848.

Given that the company's share capital is divided into 1,131,480 shares, each of these shares will receive a total dividend of €2.60.

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

Year	Dividend	Number of shares
2013	0.50	1,131,480
2014	1.15	1,131,480
2015	2.00	1,131,480

3.2 DIRECTORS

Jean-Claude Gilles Nusse and Jean-Marie Nusse have decided to resign as directors of the company at the close of the meeting held on Wednesday 31 May 2017. The Board noted this decision and confirmed that Jean-Claude Gilles Nusse and Jean-Marie Nusse would remain in office as Executive Vice Presidents of the company.

Your Board proposes that you renew the appointment of Dominique Daridan, residing at 14 Rue des Saussaies, Paris, 8th district, as director.

Your Board proposes that you appoint Caroline Valentin, residing at 49 Rue de Lisbonne, Paris 8th district, and Céline Nusse, residing at 29 Rue Jacques Louvel-Tessier, Paris 10th district, as directors.

These appointments, which are valid for six years, will terminate at the close of the Shareholders' Meeting called to approve the financial statements for fiscal year 2022.

4. POST-BALANCE SHEET EVENTS

Exclusive control of Photoweb was obtained via the buyout of minority interests.

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 facilities in Everbal 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. SOCIAL AND ENVIRONMENTAL REPORT

Article L.225-102-1 of the French Commercial Code requires the Exacompta Clairefontaine Group to provide information on the manner in which it “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”.
This information is included in a separate document entitled “Social and Environmental Responsibility”, which is an integral part of this management report.

7. EMPLOYMENT INFORMATION

The Exacompta Clairefontaine Group had 3,144 employees at 31 December 2016, compared to 3,130 at the end of 2015.

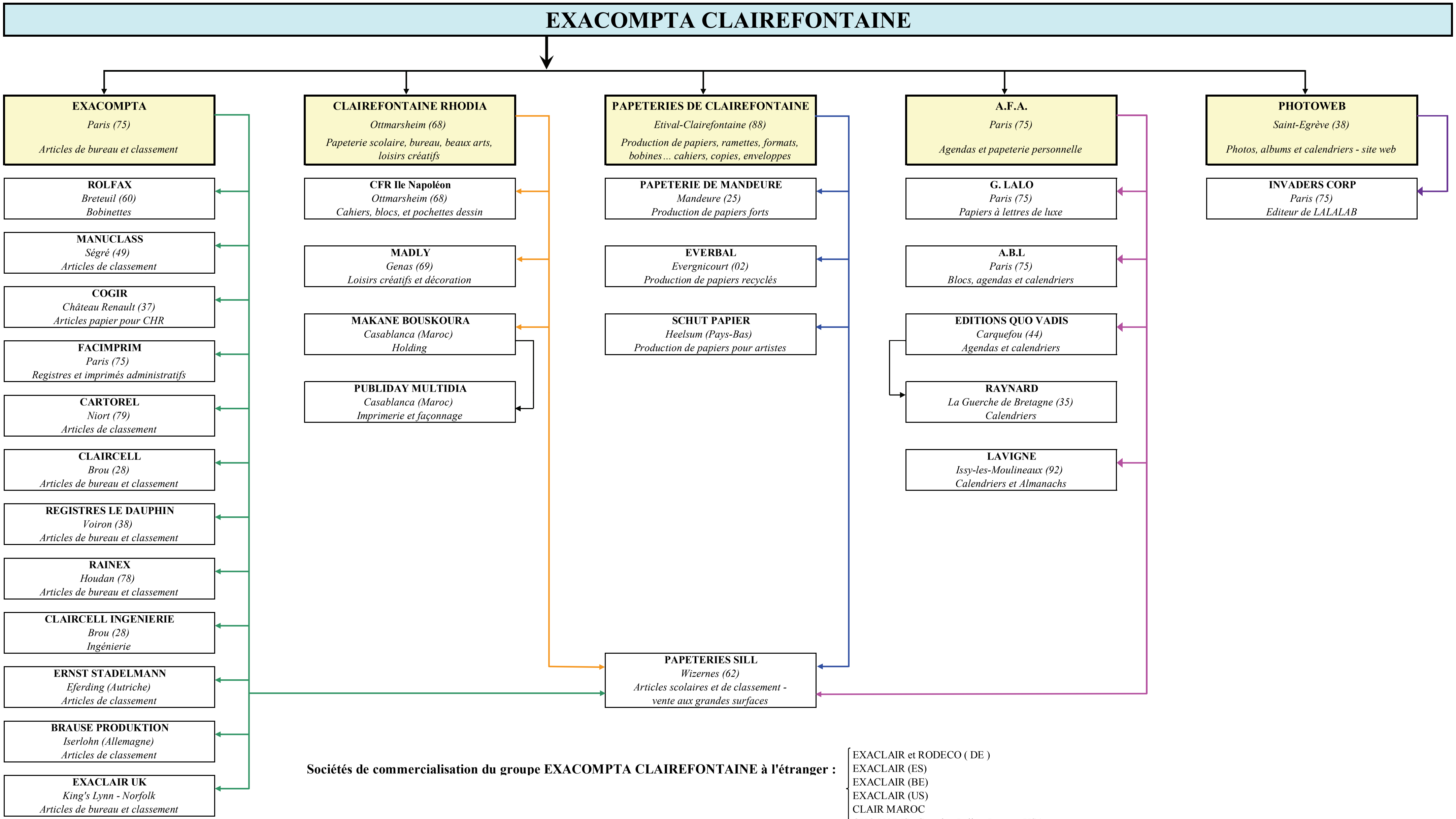
The companies apply the collective agreement for the production of papers, cardboard and cellulose, or the collective agreement for cardboard packaging.

The Group Committee, which met on 22 June 2016, commented on the Group’s business and the economic and employment outlook for the year.

8. OUTLOOK

The distinct upward trend in raw material prices will exert increasing pressure on our margins. Demand for both papers and manufactured articles is reticent. Our financial structure and the reputed quality of our products will continue to underpin our business during the coming years.

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

REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

To the Shareholders,

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

1. <u>Preparation and organisation of the work of the Board of Directors</u>

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

The Board has ten members. In accordance with statutory requirements, the proportion of each gender on the Board is not less than 20%. Terms of office expire at the end of the year stated in brackets:

François Nusse (2019)

Christine Nusse (2018)

Charles Nusse (2017)

Dominique Daridan (2016)

Jean-Marie Nusse (2016)

Frédéric Nusse (2021)

Guillaume Nusse (2021)

Jérôme Nusse (2021)

Jean-Claude Gilles Nusse (2020)

Ets Charles Nusse, represented by Monique Prissard (2021)

The Chairman and Chief Executive Officer, who chairs the Executive Board of the holding company Etablissements Charles Nusse, which manages the Group, and of SAS Exacompta and its subsidiaries, is backed by two Executive Vice Presidents.

They assist the Chairman in the following areas:

- Jean-Claude Gilles Nusse – Executive Vice President: Exacompta and AFA 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 or on those of the Executive Vice Presidents.

Notices are given in writing at least eight days in advance. Meetings are held at the registered office or at the offices of a subsidiary in Paris.
The statutory auditors are called to the meetings of the Board of Directors called to approve the annual and interim financial statements and to all meetings that review the financial statements.

The Board met four times in 2016.

- The 30 March Board meeting approved the financial statements for the previous year and prepared the Shareholders' Meeting.
- The 8 September 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 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 or senior executives.

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 sub-group director presents an analysis of the following points:

→ raw materials (pulp in particular)
→ earnings for the period
→ capital expenditure
→ outlook and risks

The directors review the consolidated financial statements of the Group and those of the sub-groups.

These consolidated statements contain a number of analyses:

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

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

2. Shareholder attendance at Shareholders’ Meetings

Excerpt from the Articles of Association (Article 8.2): “The shares are indivisible vis-à-vis the company. Joint shareholders must be represented at Shareholders’ Meetings by one of those shareholders or a single representative of their choosing. If the shareholders are unable to agree on a representative, the latter shall be appointed pursuant to an order of the Presiding Judge of the Commercial Court ruling in summary proceedings upon the request of the first joint shareholder to seek legal intervention.
The voting rights attached to shares 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 16.2): “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.”

3. 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. Changes to rules and corporate governance are decided during the various meetings.

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.

Directors' fees:

The total amount of director's fees shared among directors totalled €60,000 in 2016, and was awarded by a decision of the 27 May 2015 Shareholders' Meeting.

4. Internal control procedures established by the company

4.1 Definition of internal control

Internal control is defined as a process implemented simultaneously by the Board of Directors, senior management and 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 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.

4.2 Purposes and limits

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

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

An internal control system, 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 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).

4.3 Procedures

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

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

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

➢ accounting and financial

- → preparation of projected financial statements
- → budget monitoring
- → monitoring of intercompany revenue
- → intercompany account reconciliations
- → monitoring of monthly and year-to-date interim operating statements
- → monthly and year-to-date cash position
- → composition and performance of the investment portfolio
- → monthly monitoring of the 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.

➢ in other areas, a number of regular reports are prepared:

- → production reports
- → monitoring of monthly and year-to-date industrial results
- → ISO 9000 and ISO 14000 certification
- → safety
- → environmental audits
- → environmental labels

The Group has no department dedicated to internal control that is responsible for conducting verifications on its behalf (either in the parent company or in the companies it controls).
The transactions contributing to the corporate activities of the Group and their presentation in the financial statements are verified, though not necessarily through the application of formalised procedures, by senior management or by its 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.

- The Group uses the following accounting software and applications:

  - ETAFI (tax management)
  - REFLEX (consolidation)
  - IWS (intercompany reconciliations)
  - SAP, NAVISION (accounting & finance)
  - ZADIG (personnel management)
  - EXCALIBUR (intranet).

- The Group companies have taken out the following main insurance policies:

  - Comprehensive industrial
  - Insurance for machine breakdowns, costs and financial losses on co-generation
  - Comprehensive real property
  - General civil liability
  - Environmental damage liability
  - Car fleet and truck insurance

5. Climate change

Provision derived from French Act no. 2015-992 of 17 August 2015 on energy transition for green growth.
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, 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.
In addition, 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.

Chairman of the Board of Directors

Exacompta Clairefontaine S.A.

Parent Company Financial Statements for the year ended
31 December 2016

BALANCE SHEET AND INCOME STATEMENT

ASSETS (€000)	**31/12/2016**	**31/12/2015**
Intangible assets		
Concessions, patents, licences, trademarks	42	
Intangible assets in progress		
Property, plant and equipment		
Land	3,622	3,610
Buildings	8,183	8,912
Other PP&E	28	41
Property, plant and equipment in progress	57	88
Non-current financial assets		
Equity interests	314,557	274,240
Intercompany receivables	8,223	27,398
Loans	1,080	2,574
Other financial assets	254	4
TOTAL NON-CURRENT ASSETS	**336,046**	**316,867**
Inventories	198	198
Advances and progress payments made on orders	39	141
Receivables		
Trade receivables	1,975	2,354
Other receivables	40,597	55,329
Prepaid expenses	180	187
Cash and cash equivalents	23,911	21,194
TOTAL CURRENT ASSETS	**66,900**	**79,403**
Currency translation adjustment	76	5
TOTAL ASSETS	**403,022**	**396,275**

LIABILITIES AND SHAREHOLDERS' EQUITY (€000)	**31/12/2016**	**31/12/2015**
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	134,483	136,151
Retained earnings		
Net income/(loss) for the year	**485**	**594**
Regulated provisions	2,527	2,746
SHAREHOLDERS' EQUITY	**305,525**	**307,521**
Provisions		
For contingent liabilities	76	5
For charges	325	279
TOTAL PROVISIONS	**401**	**284**
Financial liabilities		
Bank loans and borrowings	21,409	20,033
Operating payables		
Trade payables	290	265
Taxes and social security contributions payable	1,061	1,516
Other payables	74,303	66,553
Deferred income	33	103
TOTAL PAYABLES	**97,096**	**88,470**
Currency translation adjustment		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**403,022**	**396,275**

INCOME STATEMENT (€000)	2016	2015
Revenues	1,220	1,478
Operating subsidies		
Reversals of depreciation, amortisation and provisions, expense transfers	6,645	7,153
Other income	424	429
REVENUE FROM OPERATIONS	**8,289**	**9,060**
Purchases and other supplies	2	3
Other purchases and external expenses	1,945	2,250
Taxes, duties and similar payments	393	361
Salaries and wages	3,796	3,874
Social security contributions	1,519	1,562
Increases in depreciation/amortisation of non-current assets	852	857
Provision charges	73	29
Other expenses	67	66
OPERATING EXPENSES	**8,647**	**9,002**
OPERATING INCOME/(LOSS)	**(358)**	**58**
Financial income from equity investments	2,157	1,311
Income from other securities and receivables from non-current assets	55	135
Other interest and similar income	1,156	1,937
Reversals of provisions, expense transfers	5	
Positive currency translation adjustments	343	797
Net profit on sales of marketable securities		
FINANCIAL INCOME	**3,716**	**4,180**
Increases in depreciation, amortisation and provisions	76	5
Interest expense and similar expenses	1,009	1,306
Negative currency translation adjustments	130	256
Net expenses on sales of marketable securities		
FINANCIAL EXPENSES	**1,215**	**1,567**
NET FINANCIAL INCOME	**2,501**	**2,613**
INCOME BEFORE TAXES	**2,143**	**2,671**
Extraordinary income		
On operating transactions	8	7
On capital transactions		
Reversals of provisions, expense transfers	351	342
EXTRAORDINARY INCOME	**359**	**349**
Extraordinary expenses		
On operating transactions		9
On capital transactions	1,055	4
Increases in depreciation, amortisation and provisions	132	141
EXTRAORDINARY EXPENSES	**1,187**	**154**
NET EXTRAORDINARY INCOME/(EXPENSE)	**(828)**	**195**
Income taxes	830	2,272
NET INCOME/(LOSS) FOR THE YEAR	**485**	**594**

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 31/12/2016, for which:

- Total assets amounted to €403,021,579
- Net income amounted to €485,306

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 01/01/2016 to 31/12/2016.

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 07/11/2016, Exacompta Clairefontaine purchased the 75% equity interest in Photoweb held by Lavigne.

2. ACCOUNTING RULES AND METHODS

2.1. <u>Fixed assets</u>

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. <u>Inventories</u>

Inventories include the purchase of resinous wood made in 1997.

2.3. <u>Receivables and payables</u>

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. <u>Cash</u>

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 million.

Lines of credit:

Lines of credit are in place with several banks for a total amount of €117 million, with maturities not exceeding 4 years. The term of drawdowns ranges from one week to 6 months. As at 31 December 2016, none of these lines of credit had been used.

Marketable securities:

Marketable securities are assets held for trading. The book value of €6,475,000 is their market value at 31 December 2016. The book value is equal to the fair value.

2.5. <u>Financial instruments</u>

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 -€338,000 as at 31/12/2016.

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 31/12/2016 (current notional amounts):

Residual maturity (€000)	**< 1 year**	**1-5 years**	**> 5 years**	**Total**
Interest rate swaps	1,415	2,818	3,489	7,721

2.6. Accelerated depreciation/amortisation

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 €2,527,000 at year-end.

2.7. Provisions for contingent liabilities and charges

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 year in which the employee was born;
- social security contributions rate: 45%
- discount rate: 1.27%

A provision for the full amount of the retirement commitment – including social security contributions – was taken at year-end and totalled €302,000.

2.7.2 Other provisions

Other provisions recorded correspond to tax adjustments notified and not contested. They amount to €23,000 at 31/12/2016.

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

The CICE tax credit amounted to €21,000 for fiscal 2016. 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 43 persons in 2016 (2 administrative managers and 41 sales staff).

3.3. Tax consolidation

A tax consolidation agreement has been signed between all the French companies except Photoweb and Invaders Corp, in which the company holds a 75% interest, and Rainex acquired in 2016. 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 €762,000 for 2016.

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 distributed between the directors totalled €60,000 for 2016 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) 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 31/12/2015	**307,521**
Dividends distributed	(2,263)
Change in regulated provisions	(218)
Net income for fiscal year 2016	485
Shareholders' equity at 31/12/2016	**305,525**

Change in gross non-current assets

€000	Gross value b/fwd	Purchases	Sales	Other activity	Gross value c/fwd
Concessions, patents, licences	289	42			331
Intangible assets	**289**	**42**			**331**
Land	3,614	14			3,628
Buildings and fixtures	20,929	108			21,037
Other PP&E	121				121
Property, plant and equipment in progress	88	57		(88)	57
Property, plant and equipment	**24,752**	**179**		**(88)**	**24,843**
Equity interests	299,240	30,317		10,000	339,557
Intercompany receivables	27,398	2,025	21,200		8,223
Loans	2,574		1,494		1,080
Other financial assets	4	250			254
Non-current financial assets	**329,216**	**32,592**	**22,694**	**10,000**	**349,114**

Change in depreciation/amortisation of non-current assets

€000	Amounts b/fwd	Additions	Reversals	Amounts c/fwd
Concessions, patents, licences	289			289
Intangible assets	**289**			**289**
Land	4	2		6
Buildings and fixtures	12,017	837		12,854
Other PP&E	80	13		93
Property, plant and equipment	**12,101**	**852**		**12,953**

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	91,200,000 167,166,340	100%	103,001,491 103,001,491		1,482,000
EXACOMPTA 75010 Paris SIREN no. 702 047 564	2,160,000 81,897,253	100%	115,692,905 90,692,905		675,000
AFA 75010 Paris SIREN no. 582 090 452	1,440,000 42,882,021	100%	49,633,433 49,633,433	112,500	
CLAIREFONTAINE RHODIA 68490 Ottmarsheim SIREN no. 339 956 781	22,500,000 30,396,395	100%	40,912,423 40,912,423		
PHOTOWEB 38120 Saint-Egrève SIREN no. 428 083 703	40,000 13,426,472	75%	30,316,875 30,316,875		
Equity interests					
Forestry cooperative FORÊT & BOIS DE L'EST	variable	non-material	178 178		

Change in provisions and write-downs

€000	Amounts b/fwd	Additions	Reversals (used)	Reversals (not used)	Provisions c/fwd
Accelerated depreciation/amortisation	2,746	132	351		2,527
Regulated provisions	**2,746**	**132**	**351**		**2,527**
Foreign exchange losses	5	76	5		76
Pensions and similar obligations	279	50	17	10	325
Other expenses		23			23
Provisions for contingent liabilities and charges	**284**	**149**	**22**	**10**	**401**
Equity interests	25,000				25,000
Write-downs	**25,000**				**25,000**

Increases and reversals		
o operating	73	27
o financial	76	5
o extraordinary	132	351
Total	**281**	**383**

Receivables schedule

Receivables due (€000)	Gross amounts	< 1 year	> 1 year
Non-current receivables			
Intercompany receivables	8,223		8,223
Loans	1,080	751	329
Other financial assets	254	250	4
Current receivables			
Trade receivables	1,975	1,975	
Personnel and related	17	17	
Income taxes	721	640	81
Value added tax	71	71	
Group and associates	39,781	39,781	
Other receivables	7	7	
Prepaid expenses	180	180	
Total	**52,309**	**43,672**	**8,637**

Payables schedule

Payables due (€000)	**Gross amounts**	**< 1 year**	**1-5 years**
Bank loans and borrowings	21,409	13,387	8,022
Trade payables	290	290	
Personnel and related	522	522	
Social security organisations	512	512	
Value added tax	18	18	
Other taxes, duties and similar items	9	9	
Group and associates	73,726	67,640	6,086
Other payables	577	577	
Deferred income	33	33	
Total	**97,096**	**82,988**	**14,108**

Breakdown of prepaid expenses and deferred income

€000	**Prepaid expenses**	**Deferred income**
Operating income/expenses	148	
Financial transactions	32	33
Total	**180**	**33**

Breakdown of accrued expenses and accrued income

€000	**Accrued expenses**	**Accrued income**
Invoices not received/to be issued	122	110
Tax and social security payables/receivables	656	6
Financial transactions	39	217
Total	**817**	**333**

Breakdown of expense transfers

€000	Expense transfers
Transfer of external expenses	1,333
Transfer of personnel expenses	5,106
Transfer of taxes & duties	179
Total	**6,618**

Extraordinary income and expenses

€000	2016	2015
Sale of property, plant and equipment		
Reversal of accelerated depreciation	351	342
Other extraordinary reversals		
Other income	8	7
Total extraordinary income	**359**	**349**
Sale of property, plant and equipment		4
Increase in accelerated depreciation	132	141
Other extraordinary additions		
Other expenses	1,055	9
Total extraordinary expenses	**1,187**	**154**

Deferred and future tax position

€000 (at corporate income tax rate of 33.3%)	Amount
Tax on:	
Accelerated depreciation/amortisation	842
Total increases	842
Prepaid tax on:	
Paid holiday	95
Other	101
Total reductions	196
Net deferred tax position	**646**

Tax loss carryforwards	249
Net future tax position	**(249)**

Breakdown of income taxes

Breakdown – €000	Income before tax	Taxes owed	Net income after tax
Income from ordinary activities	2,143		2,143
Extraordinary income	(828)		(828)
Tax expense • Tax consolidation • Other tax effects		 762 68	 (762) (68)
Total	**1,315**	**830**	**485**

Exacompta Clairefontaine S.A.

Statutory Auditors' Reports

- **Report on the parent company financial statements**
- **Special report on regulated agreements and commitments**
- **Report on the Chairman of the Board's report**

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Statutory Auditors' report on the parent company financial statements

Year ended 31 December 2016

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

88480 ETIVAL CLAIREFONTAINE

STATUTORY AUDITORS' REPORT
ON THE PARENT COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2016

EXACOMPTA CLAIREFONTAINE S.A.

88480 ETIVAL CLAIREFONTAINE

To the Shareholders:

In accordance with the assignment entrusted to us by your Shareholders' General Meeting, we hereby present our report on the year ended 31 December 2016, concerning:

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

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

1 - <u>Opinion on the parent company financial statements</u>

We performed our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the parent company financial statements are free from material misstatements. An audit involves the review, by way of sample tests or other means of selection, of the documents underlying the amounts and information set forth in the financial statements. It also involves an assessment of the accounting principles followed, the significant estimates made and the presentation of the statements as a whole.

We believe that the evidence we have gathered provides a reasonable basis for our opinion.

We hereby certify that the 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.

2 - Bases of assessments

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

The section entitled "Non-current financial assets" in the notes on accounting rules and methods explains the methods used for valuing equity interests. Our work included an assessment of the appropriateness of the underlying data used and of the assumptions on which these estimates were based. As part of our assessments, we assured ourselves of the reasonableness of these estimates.

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

3 - Specific verifications and information

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

We have the following comments to make regarding the accuracy of the information provided in the report of the Board of Directors and in the documents addressed to the shareholders concerning the financial position and the parent company financial statements, and on the consistency of such information with the parent company financial statements:

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

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

Executed in Paris and Vandœuvre-lès-Nancy, 26 April 2017

The Statutory Auditors,

SEREC AUDIT	BATT AUDIT
Dominique Gayno	Jehanne Garrait

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Statutory Auditors' special report on regulated agreements and commitments

Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2016

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

88480 ETIVAL CLAIREFONTAINE

STATUTORY AUDITORS' SPECIAL REPORT
ON REGULATED AGREEMENTS AND COMMITMENTS

Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2016

EXACOMPTA CLAIREFONTAINE S.A.

88480 ETIVAL CLAIREFONTAINE

To the Shareholders:

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, 26 April 2017

The Statutory Auditors,

SEREC AUDIT	**BATT AUDIT**
Dominique Gayno	Jehanne Garrait

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

Year ended 31 December 2016

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

88480 ETIVAL CLAIREFONTAINE

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

Year ended 31 December 2016

EXACOMPTA CLAIREFONTAINE S.A.

88480 ETIVAL CLAIREFONTAINE

To the Shareholders:

In our role as statutory auditors of Exacompta Clairefontaine and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby present to you our report on the report prepared by the Chairman of your company in accordance with the provisions of Article L. 225-37 of the French Commercial Code with regard to the year ended 31 December 2016.

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

It is our responsibility to:

- provide you with our comments on the information contained in the Chairman's report concerning the internal control and risk management procedures related to the preparation and treatment of accounting and financial information; and
- certify that the report includes all the other information required by Article L.225-37 of the French Commercial Code, on the understanding that it is not our responsibility to verify the accuracy of said other information.

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

Information concerning the internal control and risk management procedures related to the preparation and treatment of accounting and financial information

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

These procedures include:

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

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

Other information

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

Executed in Paris and Vandœuvre-lès-Nancy, 26 April 2017

The Statutory Auditors,

SEREC AUDIT	**BATT AUDIT**
Dominique Gayno	Jehanne Garrait

Exacompta Clairefontaine S.A.

Consolidated financial statements for the year ended 31 December 2016

Consolidated balance sheet

€000	31/12/2016	31/12/2015	Notes
NON-CURRENT ASSETS	**261,943**	**263,764**	
Intangible assets	14,982	15,763	(2.1.4)
Intangible assets – Goodwill	28,266	31,613	(2.1.4)
Property, plant and equipment	213,883	211,369	(2.1.5)
Financial assets	3,750	3,950	(2.1.6)
Deferred taxes	1,062	1,069	(2.4)
CURRENT ASSETS	**391,180**	**383,023**	
Inventories	170,346	166,871	(2.2.1)
Trade and other receivables	114,389	108,732	(2.2.2)
Advances	2,257	2,611	
Taxes receivable	837	6,319	
Cash and cash equivalents	103,351	98,490	(2.2.3)
TOTAL ASSETS	**653,123**	**646,787**	

SHAREHOLDERS' EQUITY	**387,415**	**379,837**	
Share capital	4,526	4,526	
Capital reserves	228,166	229,834	
Consolidated reserves	140,415	132,821	
Currency translation reserve	(1,169)	(751)	
Net income – Group share	13,809	10,373	
Shareholders' equity – Group share	**385,747**	**376,803**	
Minority interests	1,668	3,034	
NON-CURRENT LIABILITIES	**94,871**	**100,187**	
Interest-bearing debt	48,636	49,297	(2.6)
Deferred taxes	24,184	30,199	(2.4)
Provisions	22,051	20,691	(2.5)
CURRENT LIABILITIES	**170,837**	**166,763**	
Trade payables	66,798	58,760	
Short-term portion of interest-bearing debt	40,957	52,025	(2.6)
Provisions	8,869	4,270	(2.5)
Tax liabilities	137	91	
Other payables	54,076	51,617	(2.8)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**653,123**	**646,787**	

Consolidated income statement

€000	2016	2015	Notes
Revenue	597,865	571,110	
- Sales of products	590,326	563,930	
- Sales of services	7,539	7,180	
Other operating income	5,964	9,869	
- Reversal of depreciation/amortisation			(2.1.4, 2.1.5)
- Subsidies	432	18	
- Other income	5,532	9,851	
Change in inventories of finished products and work-in-progress	(1,229)	4,616	(2.2.1)
Capitalised production costs	849	638	
Goods and materials used	(279,373)	(277,407)	(2.2.1)
External expenses	(102,202)	(94,570)	
Personnel expenses	(154,382)	(149,616)	(2.12)
Taxes and duties	(11,196)	(11,546)	
Depreciation/amortisation	(27,467)	(27,524)	(2.1.4, 2.1.5)
Other operating expenses	(11,565)	(9,145)	
OPERATING INCOME – before goodwill impairment	**17,264**	**16,425**	
Goodwill impairment	(2,484)	(2,150)	(2.1.4, 2.1.1)
OPERATING INCOME – after goodwill impairment	**14,780**	**14,275**	
Financial income	3,671	5,491	
Financial expenses	(4,723)	(4,677)	
Net financial items	(1,052)	814	(2.13)
Income taxes	(1,024)	(4,124)	(2.4, 2.11)
Net income after tax	**12,704**	**10,965**	

Net income/(loss) – minority share	**(1,105)**	**592**
Net income – Group share	**13,809**	**10,373**

Net income for the period	13,809	10,373	
Number of shares	1,131,480	1,131,480	(2.3)
EARNINGS PER SHARE (basic and diluted)	**12.20**	**9.17**	

Comprehensive income statement

€000	2016	2015
Net income for the period	**12,704**	**10,965**
• Currency translation differences arising from foreign entities' financial statements	(370)	255
• Actuarial gains/(losses)	(932)	(662)
• Changes in scope of consolidation	(34)	
Total comprehensive income	**11,368**	**10,558**
Attributable to:		
- minority interests	(1,160)	600
- the Group	12,528	9,958

Statement of changes in consolidated shareholders' equity

€000	Shareholders' equity – Group	Shareholders' equity – minority	Total shareholders' equity
Balance at 31/12/2014	**371,126**	**2,737**	**373,863**
Currency translation difference	255		255
Actuarial gains and losses and other variations	(670)	8	(662)
Put option on Photoweb minority interests	(2,980)		(2,980)
Total transactions not posted to earnings	(3,395)	8	(3,387)
Net income for the year	10,373	592	10,965
Dividends	(1,301)	(303)	(1,604)
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**

* Including, under Group share, the €2.00 per share dividend paid by Exacompta Clairefontaine.

Statement of consolidated cash flows

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

€000	31/12/2016	31/12/2015	Notes
Cash and cash equivalents (assets)	103,351	98,490	(Assets)
Bank overdrafts payable	(40,900)	(51,970)	(2.6)
Accrued interest on debt	(56)	(55)	(2.6)
Cash per statement of cash flows	**62,395**	**46,465**	

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	2016	2015	Notes
Total consolidated net income	**12,704**	**10,965**	
Elimination of non-cash and non-operating expenses and income:			
• Depreciation, amortisation and provisions	35,468	30,674	(2.1.4 to 2.1.6, 2.5)
• Change in deferred taxes	(6,015)	751	(2.4)
• Post-tax gains on asset sales	419	(829)	
• Currency translation adjustments	(370)	256	
• Other	(930)	(662)	
Cash flow of consolidated companies	*41,276*	*41,155*	
• Change in operating working capital	1,773	(3,542)	Balance sheet
• Change in income taxes	7,343	(7,311)	
• Income taxes paid	(1,861)	3,687	
(1) Net cash flow from operating activities	**48,531**	**33,989**	
• Purchases of fixed assets	(30,085)	(24,864)	(2.1.4 to 2.1.6)
• Sales of fixed assets	1,339	4,622	
• Changes in consolidation – acquisitions	(708)	(8,485)	
• Changes in consolidation – disposals			
(2) Net cash flow from investing activities	**(29,454)**	**(28,727)**	
• Dividends paid	(8,775)	(6,473)	(Change in shareholders' equity)
• Dividends received	6,289	4,869	
• New borrowings	25,353	26,073	
• Loans repaid	(25,797)	(9,320)	
• Interest paid	(1,010)	(1,373)	
• Interest received	793	589	
(3) Net cash flow from financing activities	**(3,147)**	**14,365**	
(1+2+3) Total cash flow	**15,930**	**19,627**	

Opening cash	46,465	26,838
Closing cash	62,395	46,465
Change in cash	**15,930**	**19,627**

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 30 March 2017. 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 2016:

- Amendments to IAS 1 – *Financial statement presentation – Disclosure initiative*
- Amendments to IAS 16 and 38 – *Clarification of acceptable methods of depreciation and amortisation*
- Amendments to IAS 19 – *Employee benefits – Defined benefit plans: employee contributions*
- Amendments to IFRS 11 – *Accounting for interests in joint ventures and joint operations*
- Annual improvements – *2010-2012 cycle*
- Annual improvements – *2012-2014 cycle*

- Standards, amendments and interpretations adopted by the European Union and mandatory after 2016

- IFRS 9 - *Financial instruments*
- IFRS 15 – *Revenue from contracts with customers*

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

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

- IFRS 16 – *Leases*
- Amendments to IAS 7 – *Disclosure initiative*
- Amendments to IAS 12 – *Recognition of deferred tax assets for unrealised losses*
- Amendments to IFRS 2 – *Classification and measurement of share-based payment transactions*
- Annual improvements – *2014-2016 cycle*

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. The 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*.

The 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 pre-tax rate applied to pre-tax cash flows. Its use leads to the determination of recoverable values identical to those obtained by using a post-tax rate applied to post-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.

Brands

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.

Trademark internally generated expenses 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 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 communication.
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 provision of services is recorded in the income statement based on the degree of progress in provision of the service at the balance sheet date, and is valued based on the work performed.

Public subsidies

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

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

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

The Competitiveness and Employment tax credit (CICE) was introduced under Article 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.

<u>Market risks</u>

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

Liquidity risk

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

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

Credit risk

Credit risk represents the risk of financial loss for the Group if a 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 the companies have been consolidated at 31 December 2016 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	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	75	75	F.C.	428 083 703
INVADERS CORP	144 Quai de Jemmapes 75010 PARIS	75	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 MAROC	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
• Acquisition of 100% interest in RAINEX on 10 March 2016	• 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 €8,865,000. No impairment was recorded in the financial statements for fiscal year 2016.

Goodwill

The goodwill recorded applied mainly to four subsidiaries at 31 December 2016. The segment information shows the breakdown of goodwill by business and geographic segment.

The annual impairment test of CGUs was performed in 2016 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 2016 are similar to those used in 2015.
A €3,152,000 impairment charge was recorded following the impairment tests performed on the CGUs, to which a €195,000 specific goodwill impairment charge was added.

The key assumptions used for calculating 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 before tax, based on past experience and the weighted average cost of capital (WACC) in the industry, at 7.29%.
- The long term perpetual growth rate in the processing industry was considered as nil.

Sensitivity of changes in key assumptions (€000)

Cost of capital	**6.29%**	**7.29%**	**8.29%**
Perpetual growth rate			
• 0%	0	**3,150**	7,300
• 1%	0	0	3,700

Bargain purchase gain

The Group acquired a 100% interest in Rainex on 10 March 2016 via its subsidiary EXACOMPTA.
The fair value of the assets acquired and liabilities assumed was verified in accordance with IFRS 3.
Negotiations resulted in a bargain purchase price. A gain (negative goodwill) of €863,000 was recorded in accordance with Note 6 of the presentation of the consolidated financial statements. It is presented as a deduction from "Goodwill impairment" on the income statement.

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	**31/12/2016**	**31/12/2015**
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	8,965
Increase for the period	0	406
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 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**

At 31 December 2015 (€000)	Goodwill	Concessions, licences, trademarks and similar rights	Other	Total
Gross value b/fwd	36,956	27,817	2,817	67,590
Purchases	2,301	630	81	3,012
Sales		(605)	(18)	(623)
Changes in scope of consolidation		33	3,105	3,138
Currency translation adjustments		1	66	67
Transfers and other		345	1	346
Gross value c/fwd	**39,257**	**28,221**	**6,052**	**73,530**
Amortisation and write-downs b/fwd	5,494	15,382	1,840	22,716
Sales		(604)	(19)	(623)
Changes in scope of consolidation		19	11	30
Amortisation		1,532	301	1,833
Write-downs	2,150			2,150
Reversals				
Currency translation adjustments			48	48
Transfers and other				
Amortisation and write-downs c/fwd	**7,644**	**16,329**	**2,181**	**26,154**
Net book value b/fwd	**31,462**	**12,435**	**977**	**44,874**
Net book value c/fwd	**31,613**	**11,892**	**3,871**	**47,376**

2.1.5 Property, plant and equipment

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**

At 31 December 2015 (€000)	Land and buildings	Plant and equipment	Other PP&E	Advances and PP&E in progress	Total
Gross value b/fwd	145,441	414,357	33,463	5,090	598,351
Purchases	1,019	14,478	2,650	5,389	23,536
Sales	(8,326)	(11,348)	(2,187)		(21,861)
Changes in scope of consolidation		(36)	15	2	(19)
Currency translation adjustments	654	952	91		1,697
Transfers and other	83	4,679	299	(5,560)	(499)
Gross value c/fwd	**138,871**	**423,082**	**34,331**	**4,921**	**601,205**
Depreciation and write-downs b/fwd	76,668	278,897	27,390	0	382,955
Sales	(7,456)	(10,349)	(2,131)		(19,936)
Changes in scope of consolidation		(36)	4		(32)
Depreciation	4,689	19,088	1,914		25,691
Write-downs					
Reversals					
Currency translation adjustments	259	806	93		1,158
Transfers and other					
Depreciation and write-downs c/fwd	**74,160**	**288,406**	**27,270**	**0**	**389,836**
Net book value b/fwd	**68,773**	**135,460**	**6,073**	**5,090**	**215,396**
Net book value c/fwd	**64,711**	**134,676**	**7,061**	**4,921**	**211,369**

2.1.6 Financial assets

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**

At 31 December 2015 (€000)	Unconsolidated equity interests	Loans	Other receivables	Total
Gross value b/fwd	1,861	876	3,805	6,542
Purchases		107	82	189
Sales	(354)			(354)
Changes in scope of consolidation			82	82
Currency translation adjustments			21	21
Transfers and other		(63)	(1,450)	(1,513)
Gross value c/fwd	**1,507**	**920**	**2,540**	**4,967**
Write-downs b/fwd	1,282	0	2	1,284
Purchases/Sales				
Changes in scope of consolidation				
Write-downs	85		2	87
Reversals	(354)			(354)
Currency translation adjustments				
Transfers and other				
Write-downs c/fwd	**1,013**	**0**	**4**	**1,017**
Net book value b/fwd	**579**	**876**	**3,803**	**5,258**
Net book value c/fwd	**494**	**920**	**2,536**	**3,950**

Other receivables consist mainly of deposits and bonds totalling €2,102,000 at 31 December 2016, compared to €2,144,000 at 31 December 2015.

2.1.7 Table of maturities of other financial assets

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**

At 31 December 2015 (€000)	< 1 year	1-5 years	> 5 years	Total
Loans	96	160	664	920
Other financial assets	1,463	23	1,054	2,540
Financial assets and receivables	**1,559**	**183**	**1,718**	**3,460**

2.2 Current assets

2.2.1 Inventories by type

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**

At 31 December 2015 (€000)	Raw materials	Work-in-progress	Semi-finished and finished goods	Total
Gross value b/fwd	56,023	18,326	97,146	171,495
Change	2,577	1,134	3,861	7,572
Gross value c/fwd	**58,600**	**19,460**	**101,007**	**179,067**
Write-downs b/fwd	4,881	1,016	4,965	10,862
Additions	5,707	1,025	5,129	11,861
Reversals	(4,745)	(985)	(4,802)	(10,532)
Currency translation adjustments and other	3		2	5
Write-downs c/fwd	**5,846**	**1,056**	**5,294**	**12,196**
Net book value b/fwd	**51,142**	**17,310**	**92,181**	**160,633**
Net book value c/fwd	**52,754**	**18,404**	**95,713**	**166,871**

2.2.2 Write-down of other current assets

€000	Write-downs b/fwd	Additions	Reversals	Other changes	Write-downs c/fwd
Trade receivables	3,157	781	(990)	153	3,101
Other receivables	0	241			241
Total	**3,157**	**1,022**	**(990)**	**153**	**3,342**

Statement of maturities of trade and other receivables

€000	< 1 year	1-5 years	> 5 years	Total
Trade and similar receivables	97,648	1,034		98,682
Taxes and social security contributions receivable	12,897			12,897
Shareholder loan accounts (debit balance)				
Other receivables	3,836			3,836
	114,381	**1,034**		**115,415**
Impairment				(3,342)
Financial assets				**112,073**

Prepaid expenses	2,316
Reported trade and other receivables	**114,389**

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 €36,037,000 is their market value at 31 December 2016. 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 2017 Finance Act of 29 December 2016 provided for the gradual transition of the French corporate tax rate from 33.3% to 28%. Deferred taxes were restated at the new rate and a €4,455,000 deferred tax profit was recorded under 2016 consolidated earnings.

The change in balance sheet deferred taxes amounted to a €6,008,000 reduction in the net deferred tax liability.

Income statement:
- The change in deferred taxes recorded in net income was a €5,481,000 reduction (deferred tax income), including the deferred tax profit.
- The change in deferred taxes under comprehensive income was a €466,000 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	1,062	1,069	(7)
Deferred tax liabilities	24,184	30,199	(6,015)
Net deferred tax	**23,122**	**29,130**	**(6,008)**

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	20,691	1,630	(1,290)	(560)	1,580	22,051
Non-current provisions	**20,691**	**1,630**	**(1,290)**	**(560)**	**1,580**	**22,051**
Provisions for contingent liabilities	3,945	950	(704)	(445)	(3)	3,743
Other provisions for charges	325	4,949	(148)			5,126
Current provisions	**4,270**	**5,899**	**(852)**	**(445)**	**(3)**	**8,869**

Other provisions for charges mainly comprise a €4,714,000 earnout provision recorded in relation to the purchase of a subsidiary.
Other changes in provisions for pensions and similar obligations correspond to €1,398,000 of actuarial adjustments recorded under comprehensive income, amounting to €932,000 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 1.27%.

The amounts paid to insurance organisations are deducted from provisions.

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

€000	2016	2015
Liability b/fwd	**20,691**	**19,456**
Cost of services rendered	1,024	1,149
Financial expense	369	504
Changes for the period	(1,430)	(1,411)
→ *o/w new recruits*	*338*	*371*
→ *o/w departures during the period*	*(1,768)*	*(1,782)*
Liability excluding actuarial gains and losses	**20,654**	**19,698**
Actuarial gains and losses under comprehensive income	1,397	993
Liability c/fwd	**22,051**	**20,691**

The recorded liability includes €18,670,000 of obligations under the plan applicable to French companies and €3,381,000 under plans applicable to foreign companies.

2.6 Loans and borrowings with financial institutions

<u>Statement of liquidity risk</u>

€000	< 1 year	1-5 years	> 5 years	Total
Loans from financial institutions	21,718	32,080	855	54,653
Other borrowings	11,615	701		12,316
Bank loans and overdrafts	1,566			1,566
Subtotal	**34,899**	**32,781**	**855**	**68,535**
Shareholder loan accounts (credit balance)	6,002		15,000	21,002
Accrued interest	56			56
Total	**40,957**	**32,781**	**15,855**	**89,593**
Estimated interest to maturity (including the impact of hedging)				*1,955*

- Including current liabilities €40,957,000
- Including non-current liabilities €48,636,000

The short-term portion of other borrowings includes an €11,345,000 put option on minority interests in Photoweb.

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

2.7 Issuance & financial instruments programmes

Commercial paper

Short-term needs are financed by commercial paper issued by Exacompta Clairefontaine. A fixed rate 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 €117 million, with maturities not exceeding 4 years. The term of drawdowns ranges from one week to 6 months. As at 31 December 2016, 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.
Long-term financing is arranged through negotiated loans.

Financial instruments

The Group uses derivatives mainly to hedge against interest rate risks. Transactions performed to hedge exchange rate risks are non-material.
The fair value of the financial instruments is communicated by the financial institutions from which they are obtained.
The change in fair value was recorded as net financial income amounting to €166,000.

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 €30,000 on 2016 earnings.

Portfolio of financial instruments

Residual maturity (€000)	< 1 year	1-5 years	> 5 years	Total
Interest rate swaps	2,615	6,417	3,489	12,521

The amounts shown in the table are current notional amounts.

2.8 Other current liabilities

€000	31/12/2016	31/12/2015
Advances and down payments received	547	405
Taxes and social security contributions payable	33,927	34,327
Fixed asset payables	2,705	2,729
Other liabilities	16,532	13,546
Deferred income	4	83
Derivative financial instruments	361	527
Total	**54,076**	**51,617**

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**	426			426	426
Loans	**2.1.6**			924	924	794
Other receivables	**2.1.6**			2,400	2,400	2,400
Cash and cash equivalents	**Assets**		103,351		103,351	103,351
Trade and intercompany receivables	**2.2.2**			95,581	95,581	95,581
Total assets		**426**	**103,351**	**98,905**	**202,682**	**202,552**

€000	Note	Fair value of derivatives	Other financial liabilities	Total book value	Fair value
Interest rate swaps	**2.8**	361		361	361
Loans from financial institutions	**2.6**		54,653	54,653	54,653
Other borrowings	**2.6**		12,316	12,316	12,316
Bank loans and overdrafts	**2.6**		1,566	1,566	1,566
Shareholder loan accounts (credit balance)	**2.6**		21,002	21,002	21,002
Amounts payable on fixed assets	**2.8**		2,705	2,705	2,705
Trade payables	**Liabilities**		66,798	66,798	66,798
Total liabilities		**361**	**159,040**	**159,401**	**159,401**

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**	103,351	–	–
Liabilities				
Interest rate swaps	**2.8**	–	361	–

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 2016 amounted to 68,999 tonnes, while CO_2 emissions totalled 90,374 tonnes.
The remaining allowances due for the current allocation period amount to 258,875 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	2016	2015
Consolidated net income after tax	12,704	10,965
Goodwill impairment, net of badwill gain	2,484	2,150
Income taxes	6,505	4,118
Deferred taxes	(5,481)	6
Consolidated tax base	16,212	17,239
Statutory tax rate applicable to parent company	33.33%	33.33%
Theoretical tax charge	**5,404**	**5,746**
Unrecognised tax assets on foreign companies		52
Tax rate differences	(367)	(325)
Accounting/tax timing differences	1,124	(1,786)
Tax debits and credits	(682)	437
Transition of deferred tax rate of 28%	(4,455)	
Actual tax charge	**1,024**	**4,124**

Income taxes	6,505	4,118
Deferred taxes	(5,481)	6
Reported tax charge	**1,024**	**4,124**

2.12 Group headcount and employee benefits

Average headcount	2016	2015
Management	494	484
Employees	866	878
Labourers and other salaried workers	1,784	1,768
Total	**3,144**	**3,130**

Expenses recorded for defined contribution schemes (€000)	41,064	40,497

Newly acquired Rainex has a headcount of 37 employees.
The competitiveness and employment tax credit (CICE) is recorded as a reduction in personnel expenses and came to €3,647,000 for the year.

2.13 Financial income and expenses

€000	2016	2015
Equity interests and income from other financial assets	6	21
Income from other receivables and marketable securities	793	589
Other financial income	277	275
Financial instruments – change in fair value	244	86
Reversal of provisions and write-downs	511	528
Foreign exchange gains	1,831	3,971
Net gain on sale of marketable securities	9	21
Total financial income	**3,671**	**5,491**
Increase in provisions and write-downs	68	87
Interest and financial expenses	1,010	1,373
Financial instruments – change in fair value	78	22
Foreign exchange losses	3,103	2,699
Other financial expenses	464	496
Total financial expenses	**4,723**	**4,677**

2.14 Related parties

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

€000	31/12/2016 (12 months)	31/12/2015 (12 months)
Balance sheet		
Current account balances:		
Interest-bearing debt	15,000	15,000
Short-term portion of interest-bearing debt	6,000	11,000
Income statement		
Financial expenses	248	306
Fees	1,258	1,268
Leases	6,473	5,995

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 €1,771,000 in 2016, of which €1,286,000 was paid by the Exacompta Clairefontaine Group, compared to €1,727,000 and €1,246,000 respectively in 2015.
No other benefits are granted to Group senior executives.

The total amount of director's fees to be shared among the directors for 2016 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	**2016**	**2015**
SEREC AUDIT	319	367
BATT AUDIT	228	188
Other auditors	228	187
Total - certification of financial statements	**775**	**742**
BATT AUDIT	20	–
Total - other services	**795**	–

Other auditors mainly include statutory auditors of foreign subsidiaries, comprising

- In 2015: 8 firms auditing 11 subsidiaries
- In 2016: 10 firms auditing 14 subsidiaries

3. <u>SEGMENT INFORMATION</u>

Correspondence with the consolidated balance sheet:

- "Other assets allocated" includes inventories and advances;
- "Unallocated assets" consists of tax receivable and deferred tax assets.

➢ Segment information by 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 (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

➢ Segment information by business – 31/12/2015 (12 months)

€000	Paper	Processing	Inter-segment transactions	Total
Segment income statement				
Revenue	260,335	434,718	(123,943)	571,110
Depreciation/amortisation (net of reversals)	11,691	15,959	(126)	27,524
Write-downs and provisions	1,263	281		1,544
Operating income (excl. goodwill impairment)	5,157	11,045	223	16,425
Goodwill impairment		2,150		2,150
Segment assets				
Net PP&E and intangible assets	105,170	121,962		227,132
o/w capex	*9,167*	*15,080*		*24,247*
Goodwill		31,613		31,613
Trade receivables	39,676	76,572	(24,432)	91,816
Other receivables	3,712	13,354	(150)	16,916
Balance sheet total	*43,388*	*89,926*	*(24,582)*	*108,732*
Other assets allocated	54,337	115,207	(2,062)	169,482
Unallocated assets				*7,388*
Total assets	204,895	358,708	(26,644)	544,347
Segment liabilities				
Current provisions	2,019	2,251		4,270
Trade payables	23,792	59,402	(24,434)	58,760
Other payables	15,893	35,919	(195)	51,617
Unallocated liabilities				*91*
Total liabilities	41,704	97,572	(24,629)	114,738

➢ Segment information by geographic area – 31/12/2015 (12 months)

€000	France	Europe	Outside Europe	Total
Revenue	369,058	173,028	29,024	571,110
Net PP&E and intangible assets	211,191	8,340	7,601	227,132
o/w capex	*22,913*	*1,076*	*258*	*24,247*
Goodwill	31,613			31,613
Trade receivables	74,961	15,252	1,603	91,816
Other receivables	13,873	408	2,635	16,916
Balance sheet total	*88,834*	*15,660*	*4,238*	*108,732*
Other assets allocated	156,292	6,665	6,525	169,482
Unallocated assets				*7,388*
Total assets	487,930	30,665	18,364	544,347

Exacompta Clairefontaine S.A.

Statutory Auditors' report
on the consolidated financial statements

❖ ❖
❖

Resolutions submitted to the Ordinary Shareholders' Meeting

SEREC AUDIT
Statutory Auditor

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

BATT AUDIT
Statutory Auditor

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

Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2016

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

88480 ETIVAL CLAIREFONTAINE

STATUTORY AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

EXACOMPTA CLAIREFONTAINE S.A.

88480 ETIVAL CLAIREFONTAINE

To the Shareholders:

In accordance with the assignment entrusted to us by your Shareholders' Meeting, we hereby present our report on the year ended 31 December 2016, concerning:

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

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

1 - Opinion on the consolidated financial statements

We performed our audit in accordance with the professional standards applicable in France. These standards require the performance of an audit to obtain reasonable assurance that the consolidated financial statements for the year are free from material misstatements.
An audit involves the review, by way of sample tests or other means of selection, of the documents underlying the amounts and information set forth in the consolidated financial statements. It also involves an assessment of the accounting principles followed, the significant estimates made and the presentation of the statements as a whole. We believe that the evidence we have gathered provides a reasonable basis for our opinion.

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

2 - Bases of assessments

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

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

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

3 - Specific verifications

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

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

Executed in Paris and Vandœuvre-lès-Nancy, 26 April 2017

The Statutory Auditors,

SEREC AUDIT	**BATT AUDIT**
Dominique Gayno	Jehanne Garrait

RESOLUTIONS SUBMITTED

TO THE ORDINARY SHAREHOLDERS' MEETING OF 31 MAY 2017

FIRST 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 parent company financial statements for the year ended 31 December 2016.

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 2016.

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:

2016 earnings	€485,305.73
Appropriated as follows:	
* First dividend	€226,296.00
* Second dividend	€259,009.73
Total dividends	€485,305.73

We propose the payment of an additional €2,456,542.27 dividend taken from other reserves, bringing the total dividend payout to €2,941,848.

Given that the company's share capital is divided into 1,131,480 shares, each of these shares will receive a total dividend of €2.60.
The following table shows the dividends paid for the last three years:

Year	Dividend	Number of shares
2013	0.50	1,131,480
2014	1.15	1,131,480
2015	2.00	1,131,480

FOURTH RESOLUTION

That, following a reading of the Statutory Auditors' special report, the Shareholders' Meeting formally note the absence in 2016 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 Dominique Daridan, residing at 14 Rue des Saussaies, Paris (8th 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 2022.

SEVENTH RESOLUTION

That the Shareholders' Meeting resolve in favour of the Board of Directors' recommendation to appoint Caroline Valentin, residing at 49 Rue de Lisbonne, Paris (8th district), as a director of the company.

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 2022.

EIGHTH RESOLUTION

That the Shareholders' Meeting resolve in favour of the Board of Directors' recommendation to appoint Céline Nusse, residing at 29 Rue Jacques Louvel-Tessier, Paris (10th district), as a director of the company.

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 2022.

NOTES