EXACOMPTA CLAIREFONTAINE

HALF-YEAR FINANCIAL REPORT

30 June 2019

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

François Nusse, Chairman and Chief Executive Officer

Dominique Daridan

Louise de l’Estang du Rusquet

Céline Nusse

Charles Nusse

Frédéric Nusse

Guillaume Nusse

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Caroline Valentin

Statutory Auditors

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

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Benoît Grenier

To the Shareholders,

1. REVIEW AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

(€000)	H1 2019	H1 2018
Income from continuing activities (Revenue)	307,877	296,381
Operating income	3,955	4,828
Net income before tax	3,880	4,796
Net income after tax	3,219	4,337
Group share	3,219	4,337

The Group consolidated results are presented at constant consolidation scope. They do not include the results of Eurowrap, Biella and their subsidiaries acquired in spring 2019, given that these companies could not provide directly exploitable financial statements for first half 2019. However, the costs of these acquisitions (€1.2 million) are included in the Group consolidated results.

1.1 PAPER PRODUCTION

Sales of printing and writing papers in Western Europe fell 6% (Eurograph statistics).
For Exacompta Clairefontaine, the period was marked by low demand for paper made from new fibres and stronger demand for recycled fibre paper. Production at our four paper mills remained stable at 125,000 tonnes of paper reel. Pulp prices hovered around the same average as in first half 2018 and are trending downwards. Meanwhile, energy prices are rising sharply.

1.2 PROCESSING

According to GfK market research consultants, first half sales of manufactured papers and filing articles in France fell 3.1% and 5.3% respectively year-on-year.
At Exacompta Clairefontaine, stationery sales by volume held up overall despite the uncertainty affecting some retailers. Margins reduced in some product ranges.

The Group has begun to develop synergies with Eurowrap, Biella and their subsidiaries, which are expected to kick in from 2020.

1.3 FINANCIAL POSITION - DEBT

As at 30 June 2019, with first half revenue of €307,877,000, Group gross borrowings amounted to €243,956,000 and shareholders' equity totalled €402,849,000. After deducting gross cash of €93,765,000, Group net borrowings amounted to €150,191,000.

The Exacompta Clairefontaine Group has negotiated several lines of credit with its banks.

Outstanding commercial paper issued by the Group amounted to €80 million at 30 June 2019, out of a global programme of €125 million.

Group cash flow for the first half of 2019 was €19,226,000, compared to €17,129,000 for the first half of 2018.

The increase in debt is mainly due to two factors:

- The establishment of prefinancing arrangements for the Eurowrap and Biella group acquisitions in the form of commercial paper (€64 million).
- Application of IFRS 16, which led to all Group lease agreements being recognised on the consolidated balance sheet. This gave rise to a €36 million financial liability as at 30 June 2019.

Regarding the transition to IFRS 16, the Group has applied the simplified retrospective approach which does not require restatement of the prior period financial statements for comparative purposes. IFRS 16, which came into force on 1 January 2019, has changed the Group's financial indicators via a €4.9 million increase in EBITDA, offset by an additional depreciation charge and interest expense. Application of the standard had no material impact on first half 2019 net income.

1.4 SHARE AND SHAREHOLDER INFORMATION

The share listed at €100 on 2 January 2019 and €118 on 30 June 2019. The number of shares traded during first half 2019 was 3,932.
The parent company does not have a share buyback programme and there are no employee shareholders.

The capital of the parent company is composed of 1,131,480 shares, and did not change during the year. A double voting right is granted to each fully paid-up share which has been registered for at least two years in the name of the same shareholder.

Our principal shareholder, Ets Charles Nusse, held 910,395 shares with double voting rights, representing 80.46% of the capital, at 30 June 2019.
Financière de l'Echiquier, a minority shareholder, crossed the 5% ownership threshold in 2005.

2. RESEARCH AND DEVELOPMENT

Developments in paper production relate to the optimisation of resources, involving better re-use of manufacturing scrap and recovery of recyclable fibres, the improvement of paper quality, and upgrading technical printing paper or specialised packaging.
The stationery departments regularly develop new product ranges and designs to adapt to market demand. Photoweb has renewed digital applications (online storage, sharing, etc.) and has extended its offering to professional photographers.

3. NON-FINANCIAL PERFORMANCE DECLARATION

The 2018 declaration of non-financial performance was published prior to the Exacompta Clairefontaine Group shareholders' meeting on 6 June 2019. It provides information on the manner in which the Group takes into account the social and environmental consequences of its activity as well as its commitments to society in favour of sustainable development.
Information is regularly updated and is published annually. The following information supplements and updates the information provided in this declaration.

3.1 EMPLOYMENT INFORMATION

Staff

The Exacompta Clairefontaine Group had a constant workforce of 3,023 employees at 30 June 2019. The companies apply the collective agreement for the production of papers, cardboard and cellulose, or the collective agreement for cardboard packaging.

Group Works Council

The Group Works Council, which met on 20 June 2019, commented on the Group's business and the economic and employment outlook for the year. The council appoints the employee representative directors.

3.2 ENVIRONMENTAL INFORMATION

Gross CO_2 emissions at the Group's French paper mills

Changes in CO_2 emissions

Site	CO_2 emissions (tonnes)	
	H1 2019	H1 2018
CLAIREFONTAINE	40,482	41,532
MANDEURE	4,958	4,915
EVERBAL	721	1,273
Total	**46,161**	**47,720**

Change in the emissions to production tonnage ratio

Site	Ratio (in kg CO_2/tonne of gross paper production)	
	H1 2019	H1 2018
CLAIREFONTAINE	407	418
MANDEURE	264	267
EVERBAL	30	55
Overall ratio	**324**	**338**

Site CO_2 emissions decreased overall over the first half of 2019, compared to the same period in 2018. Energy efficiency continues to improve as indicated by the ratio of CO_2 emissions per tonne of paper manufactured.

As of 2019, Papeteries de Clairefontaine will be able to deduct from its emissions the CO_2 exported to a production unit for calcium carbonate. This will represent an overall decrease of 12,000 tonnes of CO_2 for this one entity. The first half 2019 data presented above does not take this into account.

The allocation of free CO_2 emission quotas for the fourth phase of the European Union's Emissions Trading System (2021-2030) is underway. Europe aims to reach Carbon neutrality by 2050, and there will be an inexorable decrease in these allowances. By way of example, Papeteries de Clairefontaine's provisional allowance for 2021 is estimated at 38,666, compared to 43,393 in 2019. This results in around 25,000 less of emission allowances requiring purchase on the market. At the current price of around €26 per allowance, this would translate to a cost of €650,000.

Severe drought in 2019

Europe is currently experiencing a significant rainfall deficit. In France, 86 departments were subject to water restrictions in September 2019.

Given that the paper production process uses significant amounts of water, our plants limit their consumption of surface or subterranean natural water sources wherever possible.
Waste from water treatment plants is also closely monitored. The combination of low water levels and high temperatures means that rivers are particularly vulnerable.

3.3 PARTNERSHIPS

Sporting and cultural partnerships have been established with youth associations in particular for many years.
The Group also continues to support UNICEF and the education of children, and sponsors the 2019 Tutankhamen exhibition at Paris La Villette.

4. OUTLOOK

4.1 GENERAL OUTLOOK

Over the year as a whole, paper margins are expected to increase while processing margins continue to decline. At constant consolidation scope, operating income for the year is expected to be close to last year's figure (€14,922,000).
The consolidated financial statements for the year ended 31 December 2019 will include the results of the Group's latest acquisitions.

4.2 AQUISITIONS: EUROWRAP AND BIELLA

- **EUROWRAP**

  Eurowrap A/S, located in Ringsted, Denmark, manufactures wrapping paper rolls, currently sold primarily in the United Kingdom, Scandinavia and Germany.
  Eurowrap Ltd, located in Skelmersdale near Manchester distributes rolls manufactured in Denmark primarily to the United Kingdom, but also bags and accessories purchased in China.
  Full-year 2019 revenues totalled €29.3 million, and the gross profit margin was 29.6%.

  Excluding the potential impact of a "hard Brexit", full-year revenues should be similar to the last year's figures, with the same profit margin. To offset Brexit risks, logistics provisions have been set up in order to guarantee client deliveries in the United Kingdom.
  Eurowrap's 2019 financial year will be consolidated over 9 months to align its closing date with the Group's. Its workforce is expected to be 100 people.

- **BIELLA**

  Biella is a wholly-owned subsidiary of Exacompta following a public tender offer launched on 13 March 2019, which resulted in the acquisition at the end of May, followed by a squeeze out of the remaining shareholders at the end of June 2019.
  The structure was simplified and the current organisation consists of

  - 3 production sites: Biella Schweiz AG (Brügg – Switzerland), Biella-Falken Gmbh (Peitz – Germany), Delmet Prod srl (Buftea – Romania)
  - Company specialising in legal, accounting and IT support: Biella Austria GmbH (Vienna – Austria)

  2019 revenues will be in slight decline compared to 2018, due to restructuring carried out at the Group in the first half. Revenues amounted to €107.1m (CHF 120m) in 2018. The expected workforce at transaction closing is 480 people.

4.3 RISK FACTORS

Risk factors are of the same kind as those described in Section 2.4 of the 2018 Annual Report, and there were no significant changes during the first half of 2019. Provisions for financial risks at 30 June 2019 are presented in Note 2.6 to the consolidated half-year financial statements.

Exacompta Clairefontaine S.A.

Consolidated financial statements for the year ended 30 June 2019

Half-year consolidated financial statements

Consolidated balance sheet

€000	30/06/2019	31/12/2018	Notes
NON-CURRENT ASSETS	**359,624**	**256,563**	
Intangible assets	12,710	13,170	(2.1.4)
Intangible assets – Goodwill	26,924	26,924	(2.1.4)
Property, plant and equipment	252,662	213,054	(2.1.5)
Financial assets	66,314	2,464	(2.1.6)
Deferred taxes	1,014	951	(2.4)
CURRENT ASSETS	**469,369**	**429,947**	
Inventories	206,664	197,155	(2.2.1)
Trade and other receivables	165,996	108,080	(2.2.2)
Advances	1,269	1,700	
Taxes receivable	1,675	7,667	
Cash and cash equivalents	93,765	115,345	(2.2.3)
TOTAL ASSETS	**828,993**	**686,510**	

SHAREHOLDERS' EQUITY	**402,849**	**402,269**	
Share capital	4,526	4,526	
Capital reserves	215,856	213,423	
Consolidated reserves	180,777	173,449	
Currency translation reserve	(1,529)	(1,609)	
Net income – Group share	3,219	12,480	
Shareholders' equity – Group share	**402,849**	**402,269**	
Minority interests	0	0	
NON-CURRENT LIABILITIES	**162,421**	**128,012**	
Interest-bearing debt	117,807	80,826	(2.6)
Deferred taxes	22,993	23,729	(2.4)
Provisions	21,621	23,457	(2.5)
CURRENT LIABILITIES	**263,723**	**156,229**	
Trade payables	69,034	61,013	
Short-term portion of interest-bearing debt	126,149	37,597	(2.6)
Provisions	1,653	2,192	(2.5)
Tax liabilities	153	163	
Other payables	66,734	55,264	(2.8)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**828,993**	**686,510**	

Consolidated income statement

€000	H1 2019	H1 2018	Notes
Revenue	307,877	296,381	
- Sales of products	302,564	292,717	
- Sales of services	5,313	3,664	
Other operating income	3,171	5,691	
- Reversal of depreciation/amortisation	272	23	(2.1.4, 2.1.5)
- Subsidies	12	27	
- Other income	2,887	5,641	
Change in inventories of finished products and work-in-progress	15,304	21,998	(2.2.1)
Capitalised production costs	817	335	
Goods and materials used	(166,814)	(162,164)	(2.2.1)
External expenses	(47,839)	(51,134)	
Personnel expenses	(78,561)	(80,153)	(2.12)
Taxes and duties	(7,761)	(7,425)	
Depreciation/amortisation	(18,981)	(13,983)	(2.1.4, 2.1.5)
Other operating expenses	(3,258)	(4,718)	
OPERATING INCOME – before goodwill impairment	**3,955**	**4,828**	
Goodwill impairment			(2.1.4, 2.1.1)
OPERATING INCOME – after goodwill impairment	**3,955**	**4,828**	
Financial income	1,232	1,603	
Financial expenses	(1,307)	(1,635)	
Net financial items	(75)	(32)	(2.12)
Income taxes	(661)	(459)	(2.4, 2.10)
Net income after tax	**3,219**	**4,337**	

Net income – minority share	**0**	**0**	
Net income – Group share	**3,219**	**4,337**	

Net income for the period	3,219	4,337	
Number of shares	1,131,480	1,131,480	(2.3)
EARNINGS PER SHARE (basic and diluted)	**2.84**	**3.82**	

Comprehensive income statement

€000	H1 2019	H1 2018
Net income for the period	**3,219**	**4,337**
• Currency translation differences arising from foreign entities' financial statements	81	13
• Actuarial gains/(losses)	335	380
Total comprehensive income	**3,635**	**4,730**
Attributable to:		
- minority interests	0	0
- the Group	3,635	4,730

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ges in consolidated shareholders' equity

€000	Shareholders' equity – Group	Shareholders' equity – minority	Total shareholders' equity
Balance at 31/12/2017	**393,900**	**0**	**393,900**
Currency translation difference	(27)		(27)
Actuarial gains and losses	(320)		(320)
Other changes	(709)		(709)
Total transactions not posted to earnings	(1,056)		(1,056)
Net income for the year	12,480		12,480
Dividends	(3,055)		(3,055)
Balance at 31/12/2018	**402,269**	**0**	**402,269**
Currency translation difference	81		81
Actuarial gains and losses and other variations	335		335
Total transactions not posted to earnings	416		416
Net income for the year	3,219		3,219
Dividends *	(3,055)		(3,055)
Balance at 30/06/2019	**402,849**	**0**	**402,849**

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

Statement of consolidated cash flows

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

€000	30/06/2019	31/12/2018	Notes
Cash and cash equivalents (assets)	93,765	115,345	(Assets)
Bank overdrafts payable	(126,122)	(37,565)	(2.6)
Accrued interest on debt	(27)	(32)	(2.6)
Cash per statement of cash flows	**(32,384)**	**77,748**	

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

Statement of cash flows

€000	H1 2019	2018	Notes
Total consolidated net income	**3,219**	**12,480**	
Elimination of non-cash and non-operating expenses and income:			
• Depreciation, amortisation and provisions	16,355	26,143	(2.1.4 to 2.1.6, 2.5)
• Change in deferred taxes	(736)	103	(2.4)
• Post-tax gains on asset sales	(28)	1,036	
• Currency translation adjustments	81	(27)	
• Other	335	(1,029)	
Cash flow of consolidated companies	*19,226*	*38,706*	
• Change in operating working capital	(47,565)	(25,088)	Balance sheet
• Change in income taxes	1,490	(2,242)	
• Income taxes paid	4,492	(676)	
(1) Net cash flow from operating activities	**(22,357)**	**10,700**	
• Purchases of fixed assets	(80,754)	(26,767)	(2.1.4 to 2.1.6)
• Sales of fixed assets	284	1,097	
• Changes in consolidation – acquisitions		(85)	
• Changes in consolidation – disposals			
(2) Net cash flow from investing activities	**(80,470)**	**(25,755)**	
• Dividends paid	(10,599)	(11,370)	
• Dividends received	7,544	8,315	(Change in shareholders' equity)
• New borrowings	20,118	27,045	
• Loans repaid	(19,427)	(34,011)	
• Interest paid	(459)	(923)	
• Interest received	346	571	
• Lease liability repayments	(4,828)		
(3) Net cash flow from financing activities	**(7,305)**	**(10,373)**	
(1+2+3) Total cash flow	**(110,132)**	**(25,428)**	

Opening cash	77,748	103,176
Closing cash	(32,384)	77,748
Change in cash	**(110,132)**	**(25,428)**

The presentation of the cash flow statement was impacted by the first-time application of IFRS 16, which increased operating cash flow and decreased cash flow from financing activities.

Presentation of the consolidated financial statements

1- General principles – statement of compliance

The EXACOMPTA CLAIREFONTAINE Group consolidated financial statements are prepared in accordance with IFRS (International Financial Reporting Standards), as adopted within the European Union. The Exacompta Clairefontaine Group consolidated interim financial statements were prepared in accordance with IAS 34 – *Interim financial reporting*.
The Exacompta Clairefontaine Group consolidated financial statements were approved by the Board of Directors on 12 September 2019.

2- Adoption of international standards

<u>Mandatory standards, amendments and interpretations in 2019:</u>

- IFRS 16 – *Leases*
- Amendments to IFRS 9 – *Pre-payment features with negative compensation*
- IFRIC 23 – *Uncertainty over income tax treatments*
- Amendments to IAS 19 – *Plan amendment, curtailment or settlement*
- Annual improvements – *2015-2017 cycle*

The Group did not apply any optional standard, amendment or interpretation for H1 2019.

3- Changes in accounting methods: IFRS 16 – Leases

This standard entered into force on 1 January 2019 and the main changes are as follows:

<u>*Accounting of operating leases*</u>

All operating leases are to be accounted for in the same way, resulting in a rental liability equal to the discounted present value of future lease payments under liabilities, and a corresponding right of use asset depreciated over the remaining lease term, under assets.
The discount rate used is the incremental borrowing rate, which corresponds to the interest rate on borrowings for the acquisition of an asset in the same class for a similar term as that of the lease.

The Exacompta Clairefontaine Group has decided to apply the simplified retrospective method. The option to measure the right of use asset as the lease liability appearing on the balance sheet immediately before the date of first-time application was applied for all leases.

Leases of low-value assets as well as contracts expiring in 2019 have not been recognised.

<u>*Lease types*</u>

More than 90% of lease agreements cover real estate leases; other leases are for handling equipment and vehicles.

For the specific case of commercial leases, the French accounting standards authority's (ANC) conclusions of 16 February 2018 resulted in the exclusion of any lease renewal option upon expiry. The term used for these agreements is the generally enforceable period, i.e. 9 years.

4- Bases of preparation of the financial statements

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

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

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

5- 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.

6- 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 financial 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.

7- Business combinations

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

Goodwill arising from a business combination is valued as the excess of the consideration transferred over the net balance, as at the acquisition date, of identifiable assets acquired and liabilities assumed, measured at fair value.

Where applicable, the non-controlling interest in the acquired entity is measured either at fair value or at the share of the fair value of assets and liabilities of the subsidiary acquired. This option is available at each business combination and cannot be changed subsequently.

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

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

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

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

8- 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.

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.

9- 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.

Goodwill

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

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

For the purposes of impairment testing, goodwill is allocated to cash generating units (CGUs) consisting mainly of subsidiaries or groups of subsidiaries with synergies and no independent cash flows.
These CGUs are largely independent of the consolidated Group and are smaller than the operating segments defined by IFRS 8 *Operating segments*.

Impairment tests are carried out on all cash generating units to which goodwill is allocated; these tests are performed annually, and at each balance sheet date if there is an indication that the unit may have lost value as specified below in accordance with the method set out in IAS 36:

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

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

Trademarks

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

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

Expenses for internally generated trademarks are expensed as incurred.

Other intangible assets

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

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

10- 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.

11- 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.

12- Trade and other receivables

Trade and other receivables are measured initially at fair value and subsequently at amortised cost. Any losses in value are recorded in the income statement when the recoverable value is less than the book value.

13- Inventories

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

Greenhouse gas emission rights

The Group's paper producing subsidiaries' operations are subject to European regulations on greenhouse gas allowances, as transposed into the French Environment Code. An allowance is a unit of account that represents the emission of one tonne of carbon dioxide. The current emission allowance allocation period runs from 2013 to 2020.

The accounting methods applied by the Group have been adopted from ANC Regulation No. 2012-13. 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.

14- 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.

15- Derivative financial instruments

The Group has used derivative financial instruments to limit its exposure to the interest rate risks resulting from its operating, financing and investing activities.
Since 31 December 2018, the Group has held no interest rate hedging instruments as these had expired.

The Group does not apply hedge accounting (cash flow and fair value hedges). Where applicable, 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.

16- 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.

17- 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.

18- Provisions

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

19- Income and expenses

Revenue from contracts with customers

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

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

Public subsidies

The public subsidies that offset some expenses incurred by the Group are recorded systematically as income in the income statement, for the period in which the expenses are incurred.
The subsidies that cover all or part of the costs of an asset are deducted from this asset to determine its cost price.
The subsidy is recorded as income over the useful life of the asset and can be amortised through a decrease in the depreciation expense.

Net financial items

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

20- Income tax

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

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

Current tax is the estimated tax due on taxable income for a period and any adjustment of the amount of current tax for prior periods.

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

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

- Goodwill not deductible for tax purposes;
- Initial recording of an asset or liability that affects neither accounting income nor taxable income (except in the case of a business combination).

A deferred tax asset is not recorded unless it is probable that the Group will have future taxable income against which this asset can be charged. Deferred tax assets are reduced when it is no longer probable that sufficient taxable income will be available.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities due, and when they involve taxes on income withheld by the same tax authority and the Group intends to pay them based on their net amount.

21- Management of financial risk

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

Market risks

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

❑ Foreign exchange risk

The Group operates internationally. Risks related to commercial transactions denominated in a currency other than the respective functional currencies of Group entities are related mainly to purchases of raw materials denominated in US dollars.
In order to manage this foreign exchange risk, the Group may use options contracts to hedge forecast transactions in this currency.

❑ Interest rate risk

The Group contracted a number of interest rate swaps in respect of loans initially issued at floating rates, which exposed the Group to cash flow fluctuation risk.
Due to the current low fixed rates, it was not considered appropriate to use new derivative financial instruments.

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. Credit risk is also limited by taking out credit insurance policies and, consequently, the application of IFRS 9 in this area has no impact on the Group’s financial statements.

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

Operating segments are based on the internal organisation of the Group and defined by area of activity.

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

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

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

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

Notes to the consolidated financial statements

1. CONSOLIDATED ENTITIES

All of the companies have been consolidated at 30 June 2019 under the full consolidation method (F.C.).

Name	Address	% interest	% controlling interest	Consolidation method	SIREN No.
EXACOMPTA CLAIREFONTAINE	88480 ETIVAL CLAIREFONTAINE			Parent company	505,780,296
A.B.L.	132 Quai de Jemmapes 75010 PARIS	100	100	F.C.	622,033,124
A.F.A.	132 Quai de Jemmapes 75010 PARIS	100	100	F.C.	582,090,452
CARTOREL	358 Avenue de Paris 79025 NIORT	100	100	F.C.	025,770,470
CFR Ile Napoléon	RD 52 68490 OTTMARSHEIM	100	100	F.C.	439,721,697
PAPETERIES DE CLAIREFONTAINE	88480 ETIVAL CLAIREFONTAINE	100	100	F.C.	402,965,297
CLAIREFONTAINE RHODIA	RD 52 68490 OTTMARSHEIM	100	100	F.C.	339,956,781
CLAIRCELL	ZI – Rue de Chartres 28160 BROU	100	100	F.C.	432,357,358
COGIR	10 Rue Beauregard 37110 CHATEAU-RENAULT	100	100	F.C.	885,783,159
REGISTRES LE DAUPHIN	27 Rue George Sand 38500 VOIRON	100	100	F.C.	055,500,953
MADLY	6 Rue Henri Becquerel 69740 GENAS	100	100	F.C.	400,210,449
EVERBAL	2 Route d'Avaux 02190 EVERGNICOURT	100	100	F.C.	542,091,194
EXACOMPTA	138-140 Quai de Jemmapes 75010 PARIS	100	100	F.C.	702,047,564
FACIMPRIM	15 Rue des Ecluses Saint-Martin 75010 PARIS	100	100	F.C.	702,027,665
LALO	138 Quai de Jemmapes 75010 PARIS	100	100	F.C.	572,016,814

LAVIGNE	139-175 Rue Jean Jacques Rousseau 92130 ISSY-LES-MOULINEAUX	100	100	F.C.	332,346,444
PAPETERIE DE MANDEURE	14 Rue de la Papeterie 25350 MANDEURE	100	100	F.C.	339,310,807
MANUCLASS	ZI d'Etriché 49500 SEGRE-EN-ANJOU-BLEU	100	100	F.C.	318,110,665
CLAIRCELL INGENIERIE	ZI – Rue de Chartres 28160 BROU	100	100	F.C.	490,846,763
EDITIONS QUO VADIS	14 Rue du Nouveau Bêle 44470 CARQUEFOU	100	100	F.C.	054,807,748
RAYNARD	6 Rue de la Peltière – 35130 LA GUERCHE DE BRETAGNE	100	100	F.C.	659,200,786
RAINEX	Lieudit Saint-Mathieu - ZI 78550 HOUDAN	100	100	F.C.	709,805,717
ROLFAX	ZI Route de Montdidier 60120 BRETEUIL	100	100	F.C.	432,030,088
PAPETERIES SILL	Rue du Moulin 62570 WIZERNES	100	100	F.C.	085,650,141
PHOTOWEB	1 Rue des Platanes 38120 SAINT-EGREVE	100	100	F.C.	428,083,703
INVADERS CORP	144 Quai de Jemmapes 75010 PARIS	100	100	F.C.	538,606,377
BRAUSE Produktion	D – 51149 KÖLN	100	100	F.C.	
EXACLAIR GmbH (Germany)	D – 51149 KÖLN	100	100	F.C.	
RODECO	D – 51149 KÖLN	100	100	F.C.	
MAKANE BOUSKOURA	Parc industriel de Bouskoura, lot no. 4 20180 BOUSKOURA	100	100	F.C.	
CLAIR MOROCCO	Parc industriel de Bouskoura, lot no. 4 20180 BOUSKOURA	100	100	F.C.	
PUBLIDAY MULTIDIA	Parc industriel de Bouskoura, lot no. 4 20180 BOUSKOURA	100	100	F.C.	
ERNST STADELMANN	Bahnhofstrasse 8 A – 4070 EFERDING	100	100	F.C.	
EXACLAIR (Spain)	E – 08110 MONTCADA I REIXAC	100	100	F.C.	
EXACLAIR (Belgium)	Boulevard Paepsem, 18D B – 1070 ANDERLECHT	100	100	F.C.	
EXACLAIR Inc (USA)	143 West 29th Street USA – NEW YORK	100	100	F.C.	

EXACLAIR Ltd (UK)	Oldmedow Road KING'S LYNN, Norfolk PE30 4LW	100	100	F.C.	
QUO VADIS International Ltd	1055 Rue Begin – Ville Saint Laurent QUEBEC H4R 1V8	100	100	F.C.	
EXACLAIR Italia Srl	Via Soperga, 36 I – 20127 MILANO	100	100	F.C.	
QUO VADIS Japon Co Ltd	Sangenjaya Combox 4F 1–32–3 Kamjuma Setagaya-Ku, TOKYO	100	100	F.C.	
QUO VADIS Editions Inc.	120 Elmview Avenue HAMBURG, NY 14075–3770	100	100	F.C.	
SCHUT PAPIER	Kabeljauw 2 NL – 6866 HEELSUM	100	100	F.C.	

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

The Exacompta Clairefontaine Group's half-year consolidated financial statements were prepared at constant consolidation scope, and do not include the Eurowrap and Biella groups due to lack of exploitable financial statements at 30 June 2019. Details regarding acquisitions are as follows:

Clairefontaine Rhodia took control of the Eurowrap group on 28 March 2019. The amount of unconsolidated equity interests at 30 June 2019 is €30,240,000.
Eurowrap's consolidated equity capital amounted to DKK 149,897,000 (Danish kroner), or €20,086,000 at the end of the last 12-month fiscal year, financial statements certified under Danish standards.

Exacompta took control of the Biella group on 23 May 2019. Unconsolidated equity interests amounted to €33,608,000 at 30 June 2019.
The amount of consolidated equity interests in Biella at 31 December 2018 was CHF 54,573,000 (Swiss francs) or €48,406,000 at the end of the last 12-month fiscal year, financial statements certified under Swiss standards.

2. <u>INFORMATION ON THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT</u>

2.1 Non-current assets

2.1.1 <u>Intangible assets</u>

<u>Trademarks</u>

"Concessions, licences, trademarks and similar rights" includes trademarks totalling €7,367,000. No impairment was recorded in the first half 2019 financial statements.

<u>Goodwill</u>

The goodwill recorded applied mainly to three subsidiaries at 30 June 2019. The segment information shows the breakdown of goodwill by business and geographic segment.
No impairment was recorded in the first half 2019 financial statements, as no indication of loss of value was identified in any of the CGUs.

2.1.2 <u>Property, plant and equipment</u>

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.

<u>Leases included in the respective tables (IFRS 16)</u>

Rights of use assets relating to leases amounted to €36,462,000 at 30 June 2019, €1,869,000 of which was due to new leases entered into over the first half of 2019.
Depreciation charges for rights of use assets amounted to €4,769,000.

2.1.3 <u>Financial assets</u>

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

2.1.4 Intangible assets

At 30 June 2019 (€000)	Goodwill	Concessions, licences, trademarks and similar rights	Other	Total
Gross value b/fwd	27,289	32,269	5,541	65,099
Purchases		152	313	465
Sales		(119)		(119)
Changes in scope of consolidation				
Currency translation adjustments		4	9	13
Transfers and other		167	(70)	97
Gross value c/fwd	**27,289**	**32,473**	**5,793**	**65,555**
Amortisation and write-downs b/fwd	365	21,310	3,330	25,005
Sales		(119)		(119)
Changes in scope of consolidation				
Amortisation		862	161	1,023
Write-downs				
Reversals				
Currency translation adjustments		4	8	12
Transfers and other				
Amortisation and write-downs c/fwd	**365**	**22,057**	**3,499**	**25,921**
Net book value b/fwd	**26,924**	**10,959**	**2,211**	**40,094**
Net book value c/fwd	**26,924**	**10,416**	**2,294**	**39,634**

At 31 December 2018 (€000)	Goodwill	Concessions, licences, trademarks and similar rights	Other	Total
Gross value b/fwd	28,631	30,876	5,397	64,904
Purchases		1,443	109	1,552
Sales		(1,288)		(1,288)
Changes in scope of consolidation		440		440
Currency translation adjustments		(3)	35	32
Transfers and other	(1,342)	801		(541)
Gross value c/fwd	**27,289**	**32,269**	**5,541**	**65,099**
Amortisation and write-downs b/fwd	1,707	20,653	2,841	25,201
Sales		(1,288)		(1,288)
Changes in scope of consolidation		373		373
Amortisation		1,583	448	2,031
Write-downs				
Reversals				
Currency translation adjustments		(3)	33	30
Transfers and other	(1,342)	(8)	8	(1,342)
Amortisation and write-downs c/fwd	**365**	**21,310**	**3,330**	**25,005**
Net book value b/fwd	**26,924**	**10,223**	**2,556**	**39,703**
Net book value c/fwd	**26,924**	**10,959**	**2,211**	**40,094**

2.1.5 Property, plant and equipment

At 30 June 2019 (€000)	Land and buildings	Plant and equipment	Other PP&E	Advances and PP&E in progress	Total
Gross value b/fwd	146,947	458,547	39,865	9,302	654,661
Purchases	38,164	4,521	4,046	10,806	57,537
Sales	(790)	(10,664)	(427)		(11,881)
Changes in scope of consolidation					
Currency translation adjustments	63	45	30		138
Transfers and other	3	2,328	56	(2,484)	(97)
Gross value c/fwd	**184,387**	**454,777**	**43,570**	**17,624**	**700,358**
Depreciation and write-downs b/fwd	83,608	326,508	31,060	431	441,607
Sales	(785)	(10,482)	(416)		(11,683)
Changes in scope of consolidation					
Depreciation	6,299	9,646	1,781		17,726
Write-downs		231			231
Reversals				(272)	(272)
Currency translation adjustments	23	42	22		87
Transfers and other					
Depreciation and write-downs c/fwd	**89,145**	**325,945**	**32,447**	**159**	**447,696**
Net book value b/fwd	**63,339**	**132,039**	**8,805**	**8,871**	**213,054**
Net book value c/fwd	**95,242**	**128,832**	**11,123**	**17,465**	**252,662**

At 31 December 2018 (€000)	Land and buildings	Plant and equipment	Other PP&E	Advances and PP&E in progress	Total
Gross value b/fwd	141,175	449,234	37,369	10,734	638,512
Purchases	4,517	8,983	2,595	8,710	24,805
Sales	(1,189)	(6,453)	(797)	(24)	(8,463)
Changes in scope of consolidation			214		214
Currency translation adjustments	197	175	22		394
Transfers and other	2,247	6,608	462	(10,118)	(801)
Gross value c/fwd	**146,947**	**458,547**	**39,865**	**9,302**	**654,661**
Depreciation and write-downs b/fwd	79,878	312,374	29,163	173	421,588
Sales	(586)	(5,185)	(736)		(6,507)
Changes in scope of consolidation			196		196
Depreciation	4,435	18,969	2,417		25,821
Write-downs				272	272
Reversals		(8)		(14)	(22)
Currency translation adjustments	86	153	20		259
Transfers and other	(205)	205			0
Depreciation and write-downs c/fwd	**83,608**	**326,508**	**31,060**	**431**	**441,607**
Net book value b/fwd	**61,297**	**136,860**	**8,206**	**10,561**	**216,924**
Net book value c/fwd	**63,339**	**132,039**	**8,805**	**8,871**	**213,054**

2.1.6 Financial assets

At 30 June 2019 (€000)	Unconsolidated equity interests	Loans	Other receivables	Total
Gross value b/fwd	1,379	982	1,175	3,536
Purchases	63,848	16	58	63,922
Sales				
Changes in scope of consolidation				
Currency translation adjustments			8	8
Transfers and other		(21)	(38)	(59)
Gross value c/fwd	**65,227**	**977**	**1,203**	**67,407**
Write-downs b/fwd	1,037	33	2	1,072
Purchases/sales				
Changes in scope of consolidation				
Write-downs	21			21
Reversals				
Currency translation adjustments				
Transfers and other				
Write-downs c/fwd	**1,058**	**33**	**2**	**1,093**
Net book value b/fwd	**342**	**949**	**1,173**	**2,464**
Net book value c/fwd	**64,169**	**944**	**1,201**	**66,314**

At 31 December 2018 (€000)	Unconsolidated equity interests	Loans	Other receivables	Total
Gross value b/fwd	997	961	1,099	3,057
Purchases		48	209	257
Sales			(115)	(115)
Changes in scope of consolidation	382			382
Currency translation adjustments			17	17
Transfers and other		(27)	(35)	(62)
Gross value c/fwd	**1,379**	**982**	**1,175**	**3,536**
Write-downs b/fwd	613	0	2	615
Purchases/sales				
Changes in scope of consolidation	382			382
Write-downs	42	33		75
Reversals				
Currency translation adjustments				
Transfers and other				
Write-downs c/fwd	**1,037**	**33**	**2**	**1,072**
Net book value b/fwd	**384**	**961**	**1,097**	**2,442**
Net book value c/fwd	**342**	**949**	**1,173**	**2,464**

The increase in unconsolidated equity interests corresponds to Eurowrap and Biella shares. Other receivables mainly comprise deposits and guarantees for €950,000.

2.1.7 Table of maturities of other financial assets

At 30 June 2019 (€000)	**< 1 year**	**1-5 years**	**> 5 years**	**Total**
Loans	106	197	674	977
Other financial assets	701	57	445	1,203
Financial assets and receivables	**807**	**254**	**1,119**	**2,180**

At 31 December 2018 (€000)	**< 1 year**	**1-5 years**	**> 5 years**	**Total**
Loans	129	175	678	982
Other financial assets	639	38	498	1,175
Financial assets and receivables	**768**	**213**	**1,176**	**2,157**

2.2 Current assets

2.2.1 Inventories by type

At 30 June 2019 (€000)	**Raw materials**	**Work-in-progress**	**Semi-finished and finished goods**	**Total**
Gross value b/fwd	80,152	21,451	110,920	212,523
Change	(5,700)	790	14,007	9,097
Gross value c/fwd	**74,452**	**22,241**	**124,927**	**221,620**
Write-downs b/fwd	9,539	1,114	4,715	15,368
Additions	8,597	800	1,872	11,269
Reversals	(8,434)	(960)	(2,288)	(11,682)
Currency translation adjustments and other			1	1
Write-downs c/fwd	**9,702**	**954**	**4,300**	**14,956**
Net book value b/fwd	**70,613**	**20,337**	**106,205**	**197,155**
Net book value c/fwd	**64,750**	**21,287**	**120,627**	**206,664**

At 31 December 2018 (€000)	**Raw materials**	**Work-in-progress**	**Semi-finished and finished goods**	**Total**
Gross value b/fwd	66,947	19,362	98,357	184,666
Change	13,205	2,089	12,563	27,857
Gross value c/fwd	**80,152**	**21,451**	**110,920**	**212,523**
Write-downs b/fwd	6,291	1,123	5,254	12,668
Additions	9,954	990	4,229	15,173
Reversals	(6,706)	(999)	(4,766)	(12,471)
Currency translation adjustments and other			(2)	(2)
Write-downs c/fwd	**9,539**	**1,114**	**4,715**	**15,368**
Net book value b/fwd	**60,656**	**18,239**	**93,103**	**171,998**
Net book value c/fwd	**70,613**	**20,337**	**106,205**	**197,155**

2.2.2 Write-down of other current assets

€000	Write-downs b/fwd	Additions	Reversals	Other changes	Write-downs c/fwd
Trade receivables	2,198	818	(655)	1	2,362
Other receivables	241				241
Total	**2,439**	**818**	**(655)**	**1**	**2,603**

Statement of maturities of trade and other receivables

€000	< 1 year	1-5 years	> 5 years	Total
Trade and similar receivables	150,966	788		151,754
Taxes and social security contributions receivable	11,634			11,634
Shareholder loan accounts (debit balance)				
Other receivables	1,746			1,746
	164,346	**788**		**165,134**
Impairment				(2,603)
Financial assets				**162,531**

Prepaid expenses	3,465
Reported trade and other receivables	**165,996**

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 €41,586,000 is their market value at 30 June 2019. The book value is equal to the fair value.

2.3 Shareholders' equity

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

ETABLISSEMENTS CHARLES NUSSE holds 80.46% of the share capital.

2.4 Deferred taxes

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

The change in balance sheet deferred taxes amounted to a €799,000 reduction in the net deferred tax liability.

Income statement:
- The change in deferred taxes recorded in net income was a €927,000 reduction (deferred tax income).
- The change in deferred taxes under comprehensive income was a €130,000 reduction due to restatement of actuarial gains and losses pursuant to IAS 19R.

The tax calculation is presented in Note 2.10.

Statement of changes in deferred tax

€000	Closing balance	Opening balance	Change
Deferred tax assets	1,014	951	63
Deferred tax liabilities	22,993	23,729	(736)
Net deferred tax	**21,979**	**22,778**	**(799)**

2.5 Provisions

Provisions break down as follows:

€000	Provisions b/fwd	Additions	Reversals	Provisions not used	Other changes	Provisions c/fwd
Provisions for pensions and similar obligations	23,457	1,214	(340)	(2,248)	(462)	21,621
Non-current provisions	**23,457**	**1,214**	**(340)**	**(2,248)**	**(462)**	**21,621**
Provisions for contingent liabilities	2,080	251	(769)	(21)		1,541
Other provisions for charges	112					112
Current provisions	**2,192**	**251**	**(769)**	**(21)**		**1,653**

Other changes in provisions for pensions and similar obligations include a €465,000 reduction due to actuarial adjustments recorded under comprehensive income, amounting to €335,000 after tax.

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

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

- probability of retirement, staff turnover and mortality;
- projected salary increases;
- discounting the resulting liability at 0.90%.

The amounts paid to insurance organisations are deducted from provisions.

Net change in the provision for pensions and similar obligations

€000	H1 2019	2018
Liability b/fwd	**23,457**	**23,329**
Cost of services rendered	1,245	1,261
Financial expense	207	211
Changes for the period	(2,823)	(1,788)
→ *o/w new recruits*	*24*	*139*
→ *o/w departures during the period*	*(2,847)*	*(1,927)*
Liability excluding actuarial gains and losses	**22,086**	**23,013**
Actuarial gains and losses under comprehensive income	(465)	444
Liability c/fwd	**21,621**	**23,457**

The recorded liability includes €19,841,000 of obligations under the plan applicable to French companies and €1,780,000 under plans applicable to foreign companies.

2.6 Bank loans and borrowings

Statement of liquidity risk

€000	< 1 year	1-5 years	> 5 years	Total
Loans from financial institutions	23,487	64,637	1,075	89,199
Lease financial liabilities	9,335	21,154	5,914	36,403
Other borrowings	181	27		208
Bank loans and overdrafts	85,119			85,119
Subtotal	**118,122**	**85,818**	**6,989**	**210,929**
Shareholder loan accounts (credit balance)	8,000		25,000	33,000
Accrued interest	27			27
Total	**126,149**	**85,818**	**31,989**	**243,956**
Estimated interest to maturity				*1,017*

- O/w current liabilities €126,149,000

- O/w non-current liabilities €117,807,000

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

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

2.7 Issuance & financial instruments programmes

Commercial paper

Short-term needs are financed by commercial paper issued by Exacompta Clairefontaine. A fixed rate determined at the moment of issue is paid on the commercial paper, which has a maximum term of 365 days.
The amount issued was €80 million at the end of the period out of the maximum €125 million issuable, of which €64 million was allocated to pre-financing arrangements for the acquisition of the Eurowrap and Biella groups.

Lines of credit

Lines of credit are in place with several banks for a total amount of €135 million, with maturities not exceeding five years. The term of drawdowns ranges from ten days to twelve months. No amounts were drawn as at 30/06/2019. As there have been no drawdowns, the half-year financial statements have not been affected by the related covenants.

Financial instruments

The Group previously used derivatives mainly to hedge against interest rate risks in the form of swaps. Swaps have not been used since 31/12/2018.

Transactions performed to hedge exchange rate risks are non-material for the period. The Group may use options contracts to hedge forecast transactions, for purchases of raw materials in US dollars in particular.

2.8 Other current liabilities

€000	**30/06/2019**	**31/12/2018**
Advances and down payments received	3,222	1,483
Taxes and social security contributions payable	42,216	34,322
Fixed asset payables	2,394	2,938
Other liabilities	18,126	15,811
Deferred income	776	710
Total	**66,734**	**55,264**

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**	64,169			64,169	64,169
Loans	**2.1.6**			944	944	812
Other receivables	**2.1.6**			1,201	1,201	1,201
Cash and cash equivalents	**Assets**		93,765		93,765	93,765
Trade and intercompany receivables	**2.2.2**			149,392	149,392	149,392
Total assets		**64,169**	**93,765**	**151,537**	**309,471**	**309,339**

€000	Note	Fair value of derivatives	Other financial liabilities	Total book value	Fair value
Loans from financial institutions	**2.6**		89,199	89,199	89,199
Lease financial liabilities	**2.6**		36,403	36,403	36,403
Other borrowings	**2.6**		208	208	208
Bank loans and overdrafts	**2.6**		85,119	85,119	85,119
Shareholder loan accounts (credit balance)	**2.6**		33,000	33,000	33,000
Amounts payable on fixed assets	**2.8**		2,394	2,394	2,394
Trade payables	**Liabilities**		69,034	69,034	69,034
Total liabilities		–	**315,357**	**315,357**	**315,357**

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**	93,765	–	–
Liabilities	–	–	–	–

2.11 Income tax – Tax calculation

€000	H1 2019	H1 2018
Consolidated net income after tax	3,219	4,337
Income taxes	1,588	527
Deferred taxes	(927)	(68)
Consolidated tax base	3,880	4,796
Statutory tax rate applicable to parent company	33.33%	33.33%
Theoretical tax charge	**1,293**	**1,599**
Tax rate differences	(9)	15
Accounting/tax timing differences	(885)	(774)
Tax debits and credits	89	(387)
Other effects	173	6
Actual tax charge	**661**	**459**

Income taxes	1,588	527
Deferred taxes	(927)	(68)
Reported tax charge	**661**	**459**

2.11 Group headcount and employee benefits

Average headcount	H1 2019	H1 2018
Management	514	513
Employees	845	871
Labourers and other salaried workers	1,664	1,733
Total	**3,023**	**3,117**

Expenses recorded for defined contribution schemes (€000)	21,320	21,336

The Competitiveness and Employment tax credit (CICE) is recorded as a reduction in personnel expenses and came to €1,803,000 for the first half of 2018. In 2019 this scheme was replaced by a reduction in expenses.

2.12 Financial income and expenses

€000	H1 2019	H1 2018
Equity interests and income from other financial assets	2	5
Income from other receivables and marketable securities	346	321
Other financial income	32	110
Financial instruments – change in fair value	-	11
Reversal of provisions and write-downs	-	-
Foreign exchange losses	852	1,156
Total financial income	**1,232**	**1,603**
Increase in provisions and write-downs	21	21
Interest and financial expenses	540	450
Foreign exchange losses	746	1,115
Other financial expenses	-	49
Total financial expenses	**1,307**	**1,635**

2.13 Off-balance sheet commitments

➢ Greenhouse gas emission allowances

The principles applied by the Group are set forth in Note 13 of the presentation of the consolidated financial statements.
The quantities allocated for 2019 amount to 63,859 tonnes, while first half CO_2 emissions totalled 46,161 tonnes.
The remaining allowances due for the current allocation period amount to 62,160 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.

2.14 Related parties

The consolidated financial statements include transactions with Etablissements Charles Nusse.

€000	30/06/2019 (6 months)	30/06/2018 (6 months)
Balance sheet		
Current account balances:		
Interest-bearing debt	25,000	15,000
Short-term portion of interest-bearing debt	8,000	8,000
Income statement		
Financial expenses	137	116
Fees	645	675
Leases	3,403	3,346

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. These leases have been adjusted following the application of IFRS 16.

3. SEGMENT INFORMATION

Correspondence with the consolidated balance sheet:

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

➢ Segment information by business – 30/06/2019 (12 months)

€000	Paper	Processing	Inter-segment transactions	Total
Segment income statement				
Revenue	149,588	226,587	(68,298)	307,877
Depreciation/amortisation (net of reversals)	5,896	12,813		18,709
Write-downs and provisions	(1,951)	(213)		(2,164)
Operating income (excl. goodwill impairment)	7,225	(3,147)	(123)	3,955
Goodwill impairment				
Segment assets				
Net PP&E and intangible assets	111,629	153,743		265,372
o/w capex	*6,850*	*9,914*		*16,764*
Goodwill		26,924		26,924
Trade receivables	50,036	132,115	(32,759)	149,392
Other receivables	3,164	13,577	(137)	16,604
Balance sheet total	*53,200*	*145,692*	*(32,896)*	*165,996*
Other assets allocated	70,661	140,587	(3,315)	207,933
Unallocated assets				*2,689*
Total assets	235,490	466,946	(36,211)	668,914

Segment liabilities

Current provisions	581	1,072		1,653
Trade payables	25,430	76,372	(32,768)	69,034
Other payables	19,100	47,768	(134)	66,734
Unallocated liabilities				*153*
Total liabilities	45,111	125,212	(32,902)	137,574

➢ Segment information by geographic area – 30/06/2019 (12 months)

€000	**France**	**Europe**	**Outside Europe**	**Total**
Revenue	189,473	102,555	15,849	307,877
Net PP&E and intangible assets	245,682	13,063	6,627	265,372
o/w capex	*14,858*	*1,128*	*778*	*16,764*
Goodwill	26,924			26,924
Trade receivables	129,698	16,689	3,005	149,392
Other receivables	13,826	646	2,132	16,604
Balance sheet total	*143,524*	*17,335*	*5,137*	*165,996*
Other assets allocated	195,054	5,849	7,030	207,933
Unallocated assets				*2,689*
Total assets	611,184	36,247	18,794	668,914

➢ Segment information by business – 30/06/2018 (12 months)

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

Segment liabilities

Current provisions	1,244	1,022		2,266
Trade payables	23,457	81,035	(36,059)	68,433
Other payables	19,492	43,927	(104)	63,315
Unallocated liabilities				*144*
Total liabilities	44,193	125,984	(36,163)	134,158

➢ <u>Segment information by geographic area – 30/06/2018 (12 months)</u>

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

Exacompta Clairefontaine S.A.

Certification
of the half-year financial report

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

Jean Marie Nusse
Executive Vice President

Exacompta Clairefontaine S.A.

Statutory Auditors’ Report
on the financial report

SEREC AUDIT
Statutory Auditor

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

BATT AUDIT
Statutory Auditor

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25 rue du Bois de la Champelle
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Statutory auditors' report on the financial report for the six months ended 30 June 2019

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

STATUTORY AUDITORS' REPORT
ON THE FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

To the Shareholders,

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

- conducted a limited review of the attached consolidated financial statements of **EXACOMPTA CLAIREFONTAINE** for the period from 1 January to 30 June 2019; and
- verified the information contained in the half-year activity report.

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

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

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

On the basis of our limited review, we did not identify any material misstatements that cause us to question, with regard to IFRS as adopted by the European Union, the validity and accuracy of the consolidated half-year financial statements and the fact that they give a true and fair view of the assets, liabilities and financial position as at 30 June 2018 and of the earnings for the six months ended 30 June 2019 of the persons and entities included in the consolidation.

Without calling into question the conclusion expressed above, we draw your attention to the Notes to the half-year consolidated financial statements:

- “3 - Changes in accounting policies: IFRS 16 – Leases” and “2.1.2 - Property, plant and equipment” which show the impact of the application of IFRS 16 as from 1 January 2019;
- “1 - Consolidation scope”, which specifies that the consolidated half-year financial statements were prepared at constant consolidation scope, and do not include the statements of Eurowrap and Biella, nor their subsidiaries.

2 – Specific verifications

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

Executed in Paris and Vandœuvre-lès-Nancy, 12 September 2019

The Statutory Auditors,

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