EXACOMPTA CLAIREFONTAINE

ORDINARY SHAREHOLDERS'
MEETING

OF 27 MAY 2020

FISCAL YEAR 2019

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

Board of Directors

François Nusse, Chairman and Chief Executive Officer

Dominique Daridan

Louise de L'Estang du Rusquet

Céline Nusse

Charles Nusse

Frédéric Nusse

Guillaume Nusse

Jérôme Nusse

Monique Prissard

Emmanuel Renaudin

Caroline Valentin

Statutory Auditors

BATT AUDIT, 58 boulevard d'Austrasie – 54000 Nancy, France
Pascal François

SEREC AUDIT, 70 bis rue Mademoiselle – 75015 Paris, France
Benoît Grenier

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ORDINARY SHAREHOLDERS' MEETING

Agenda:

- Board of Directors' report on operations and the parent company financial statements for fiscal year 2019;

- Board of Directors' report on operations and the consolidated financial statements for fiscal year 2019;

- Board of Directors' report on corporate governance;

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

- Approval of the parent company financial statements for the year ended 31 December 2019;

- Approval of the consolidated financial statements for the year ended 31 December 2019;

- Appropriation of earnings;

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

- Discharge of the Directors;

- Elements of remuneration;

- Director appointments.

- Terms of office of the Statutory Auditors;

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 27 May 2020

To the Shareholders,

1. REVIEW AND APPROVAL OF THE PARENT COMPANY FINANCIAL STATEMENTS

(€000)	**2019**	**2018**
Operating revenue	8,361	8,227
Operating income/(loss)	-16	-169
Net financial items	5,700	4,330
Net income/(loss)	4,931	5,487

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

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

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

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

Non-tax deductible expenses amounted to €19,889.

INCOME FOR THE LAST FIVE YEARS (€)

Balance sheet date Duration of the reporting period (in months)	31/12/2019 12	31/12/2018 12	31/12/2017 12	31/12/2016 12	31/12/2015 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	1,248,997	1,192,493	1,278,105	1,220,327	1,478,146
Income before taxes, profit-sharing, depreciation, amortisation and provisions	6,520,151	5,072,573	4,260,995	2,065,601	3,525,087
Income taxes	943,463	(903,725)	825,352	829,951	2,271,913
Net depreciation, amortisation and provisions	645,751	488,883	12,666,797	750,344	658,681
Net income/(loss)	4,930,937	5,487,415	(9,231,154)	485,306	594,493
Distributed income	*3,394,440	3,054,996	3,054,996	2,941,848	2,262,960
EARNINGS PER SHARE					
Income after taxes and profit-sharing and before depreciation, amortisation and provisions	4.93	5.28	3.04	1.09	1.11
Income after taxes, profit-sharing, depreciation, amortisation and provisions	4.36	4.85	-8.16	0.43	0.53
Dividend paid	*3.00	2.70	2.70	2.60	2.00
PERSONNEL					
Average number of employees	40	41	44	43	44
Payroll	3,704,075	3,710,118	3,793,875	3,795,882	3,873,499
Sums paid in employee benefits (social security, fringe benefits, etc.)	1,413,392	1,478,584	1,503,407	1,518,929	1,562,125

* Dividend proposed

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

	Invoices received					Invoices issued				
	1-30 days	31-60 days	61-90 days	91 days and more	Total	1-30 days	31-60 days	61-90 days	91 days and more	Total
	(A) - Late payments by age									
Number of invoices concerned					2					3
Total amount for the invoices concerned in € net of taxes	626	–	–	–	626	5,921	–	–	5,893	11,814
Percentage of total amount of purchases for the fiscal year	0.0%				0.0%					
Percentage of revenue for the fiscal year						0.4%			0.4%	0.7%
	(B) - Invoices excluded from (A) relating to amounts receivable and amounts payable disputed or not recorded									
Number of invoices excluded	None					None				
Total amount for excluded invoices in € net of taxes	None					None				
	(C) - Standard payment terms used (contractual or legal - Article L.441-6 or Article L.443-1 of the French Commercial Code)									
Payment terms used for calculating late payments	Contractual payment terms					Contractual payment terms				

SHARE AND SHAREHOLDER INFORMATION

The share listed at €100 on 2 January 2019 and closed the year at €115 (up +15%). The number of shares traded during the year was 8,669.
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 2019.
Financière de l'Echiquier, a minority shareholder, crossed the 5% ownership threshold in 2005.

2. REVIEW AND APPROVAL OF THE 2017 CONSOLIDATED FINANCIAL STATEMENTS

2.1 EARNINGS

(€000)	**2019**	**2018**
Income from continuing activities	703,436	603,099
Operating income	19,828	14,922
Net income before tax	22,571	14,924
Net income after tax	17,067	12,480
Minority interests	0	0
Group share	17,067	12,480

The Group consolidated financial statements include Eurowrap and Biella, two companies acquired in 2019, for 9 and 6 months of operation respectively. 2019 net income includes a €5,024,000 badwill gain on first-time consolidation and a €708,000 goodwill impairment charge. The total impact of these items was a €4,316,000 increase.
The application of IFRS 16 leading to the capitalisation of leases had no material impact on net income but affected the Group's financial indicators. The most noteworthy effects are a €10,400,000 increase in EBITDA, offsetting additional depreciation charges and interest expense, and an increase in Group debt.

2019 Group cash flow amounted to €62,874,000 and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) was €62,819,000, compared to €38,706,000 and €40,240,000 respectively in 2018.

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

2.2 BUSINESS SECTORS

Paper

In 2019, deliveries of uncoated printing and writing papers from European plants to Western Europe fell 6% (source: CEPI). Exacompta paper sales increased 2.5% to 224,225 tonnes.
The decrease in pulp prices during the second half of 2019 was largely offset by the increase in energy costs. There was strong demand for recycled paper and high-end specialised products. Capital expenditure in the paper division amounted to €15 million and was mainly invested in production lines.

Processing

The French stationery market posted an average decline of 1.4% for manufactured papers and 4.8% for filing articles (source: GFK). The prices of our products did not sufficiently reflect rising raw material costs. Our own sales were largely maintained thanks to our adaptation to changes in distribution, geographical expansion and the broadening of our product ranges. From this perspective, the prospects for development and synergy that led us to purchase Eurowrap and Biella are confirmed. Capital expenditure in the processing division totalled €21 million.

2.3 FINANCIAL POSITION

2.3.1 Debt

The Group posted 2019 revenue of €703,436,000. At 31 December 2019, gross borrowings stood at €258,895,000 and shareholders' equity totalled €419,348,000.

The Group has negotiated several lines of credit with its banks.
At the balance sheet date, outstanding commercial paper issued by the Group amounted to €30 million out of a global programme of €125 million.

With gross cash and cash equivalents of €179,250,000 at 31 December 2019, Group net borrowings amounted to €79,645,000. Application of IFRS 16 led to the recognition of a €36,843,000 financial liability.

2.3.2 Financial instruments

The Group no longer holds rate hedging instruments. Due to the current low fixed rates, it was not considered appropriate to use new derivative financial instruments.

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 Group's European operations have grown following the acquisitions in 2019.
The weighting of our assets in Europe – excluding France – has increased 5-fold and now represents 16.5% compared with 4.5% in 2018.
The same applies to our sales. The revenue generated in France accounts for 56.6% in 2019 compared with 63.5% in 2018, whereas revenue generated in Europe now accounts for 39.3% in 2019, up from 31.9% in 2018. The growth of the European dimension will be much more significant in 2020 as the Eurowrap and Biella are consolidated at 9 and 6 months only in the consolidated 2019 accounts.

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

Consumption of papers for office use and stationery items changes regularly according to the needs of businesses and households. It has a relatively low correlation with the economic climate, except during exceptional periods such as 2008-2009.

However, data transmission, note-taking, information exchange and training are increasingly carried out via digital means. This has resulted in an annual reduction of around 3% in the consumption of printing and writing paper in Europe over the last ten years. This downward trend also impacts our various categories of stationery items to different degrees.

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

2.4.2 Financial risks

Generally, the Exacompta Clairefontaine Group does not engage in any complex financial transactions. However, it is exposed to certain risks related to the use of financial instruments in the context of its activities.

Risk management is performed by the operating units, in accordance with the policy established by senior management.

Credit risk

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

→ Trade and other receivables
  Our credit risk remains spread over a large number of clients even though there is a concentration of distributors of our products. 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.

  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, which can substitute or supplement commercial paper issuance. The related covenants 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 this foreign exchange risk, the Group may use options contracts to hedge forecast transactions in this currency.

2.4.3 Risks related to proceedings, tax audits and litigation

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

2.4.4 Financial risks relating to the impacts of climate change

No law or regulation defines the components of climate change, the physical criteria of measurement, the timeframe or related values. Therefore, the financial risk related to the impact of climate change cannot be objectively measured.
However, the Group does not expect any major financial risk in the short or medium term directly linked to the rise in global average temperatures, the rise in sea levels or changes in biodiversity.

Three of the Group's subsidiary paper mills are subject to the European regulation on greenhouse gas emissions.
The allowance allocations are considered sufficient to cover the forecast emissions in 2020. However, the Group is pending confirmation of the free allocations for the 2021-2030 period, which opens two specific yet non-quantifiable risks related to:

- Volumes allocated
- Price levels on the market

The Non-financial Performance Declaration sets out the Group's environmental policy. In particular, it provides details of energy consumption, greenhouse gas emissions and measures taken to reduce the carbon footprint of the Group's operations.

2.5 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

2.5.1 Definition of internal control

Internal control is defined as a process implemented simultaneously by the Board of Directors, senior management and the employees of a group, which is designed to provide reasonable assurance that objectives are reached in the following areas:

- → effectiveness and efficiency of operations;
- → reliability of financial and accounting information;
- → compliance with the laws and regulations in force.

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

2.5.2 Purposes and limits

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

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

An internal control system, however efficient the system is, can provide only reasonable assurance and not an absolute guarantee as to the achievement of the company's objectives, both because of the limits inherent in any process implemented by human beings and because of the limits on resources which all companies must take into account.

The Group relies on four types of financial and accounting information to guide its operations:

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

2.5.3 Procedures for processing financial and accounting information

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

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

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

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

The internal control of financial instruments is specifically monitored by senior management, with regard to the types of instruments used as well as the maximum risk levels incurred, which are measured daily.

These financial instruments (contracts or options) constitute a transaction that helps to reduce the risk of a variation in the value of an asset or liability, an unrealised future transaction to which they relate, or a future commitment.

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

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

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

3. PRE-PANDEMIC FORECASTS

The persistent demand for our products and margins generated over the first few weeks of 2020 led us to forecast earnings growth for this year.

4. POST-BALANCE SHEET EVENTS

The information known after 31 December 2019 corresponds to the 2020 period which cannot be used to adjust the amounts recognised at 31 December 2019. The WHO did not declare a public health emergency until 30 January 2020 and the Covid-19 epidemic was declared a pandemic on 11 March 2020.

The new situation created by the current Covid-19 epidemic has disrupted our economic forecasts. However, as of the end of March, all units are continuing operations so as to meet customer requirements and safeguard our employees' jobs.

The Group has implemented measures designed to protect the health of its employees, such as limiting travel, promoting remote work, monitoring employees' temperature on sites and the provision of hydroalcoholic gel and face masks.

- Activity

The logistics and supply chains were relatively unaffected at the end of March. We had adapted the organisation of our workshops in view of a higher rate of absenteeism. Paper production remained stable although the volumes produced by the processing workshops were down by around 20%.

The fall in retail sales is cause for concern for the months ahead, particularly as we do not know how long the lockdowns will last in the different European nations or their effect on consumption. However, the impact is likely to be different depending on the nature of the products manufactured, their seasonality and other local factors.

- Financial position

In order to bolster immediate liquidity, short-term investments were recovered in the amount of €34m.
The Group considers itself to have a healthy financial position that will enable it to face up the consequences of the pandemic. Although commercial paper can no longer be issued, credit lines remain accessible up to €135m until 2022.

- Outlook

The Group's activities are primarily focused on Europe, with the other regions accounting for just 4% of consolidated revenues. The outlook is therefore closely linked to the development of the epidemic in Europe and the duration of the resulting fall in consumption.

The Group believes that it is not currently realistic to make forecasts for 2020 as the range of possible scenarios is too broad.
It has always shown the resilience required to manage difficult periods, notably the 2008 financial crisis.

5. RESEARCH AND DEVELOPMENT

In paper production, we work to develop the uniformity, brightness and coatings of paper used for printing or specialised packaging. In particular, we have developed lightly coated paper, paper for ink-jet printing and card for luxury products. Multiple tests are carried out on our five machines. We also make use of recycled fibres in the creation of beautiful prints.

For stationary, one of our workshops works on the development of specialised equipment. We also have design studios and are pioneers in the creation of multi-use covers under the KOVERBOOK brand. The development of our fine arts product range is winning over an increasing number of clients. Finally, the Photoweb laboratory has cutting-edge customised digital applications, both in-house and for the recently acquired subsidiaries.

6. EMPLOYMENT INFORMATION

The Exacompta Clairefontaine Group had 3,631 employees at 31 December 2019, including 629 in the acquired groups, Eurowrap and Biella. The companies apply the collective agreement for the production of papers, cardboard and cellulose, or the collective agreement for cardboard packaging.

The Group Works Council met on 20 June 2019 to comment on the Group's business and the economic and employment outlook for the year.

7. NON-FINANCIAL PERFORMANCE DECLARATION

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

8. DRAFT RESOLUTIONS

8.1 APPROPRIATION OF EARNINGS

Earnings (€):
2019 earnings €4,930,937.06

We propose the following appropriation:
First dividend €226,296.00
Second dividend €3,168,144.00
Total dividends €3,394,440.00

Transfer to other reserves €1,536,497.06

Given that the company's share capital is divided into 1,131,480 shares, each of these shares will receive a total dividend of €3.00.

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

Year	Dividend	Number of shares
2016	2.60	1,131,480
2017	2.70	1,131,480
2018	2.70	1,131,480

8.2 DIRECTORS

Your Board proposes that you renew the appointment of François Nusse, residing at 105 rue de Lille, Paris, 7th *arrondissement*, 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 2025.

8.3 STATUTORY AUDITORS

As the terms of office of the Statutory Auditors are due to expire, a tender was launched and the Board, on the recommendation of the Audit Committee, proposes:

- The renewal of the company BATT AUDIT, 58 boulevard d'Austrasie – 54000 Nancy, France
- The appointment of the company ADVOLIS, 38 avenue de l'Opéra – 75002 Paris, France

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 2025.

REPORT ON CORPORATE GOVERNANCE

1. List of offices and positions held by corporate officers

Céline Nusse
- Managing Director, Zadig Productions

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

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

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

Guillaume Nusse
- Chairman, Clairefontaine Rhodia
- Chairman, CFR
- Chairman, Madly
- Sole director, Exaclair SA (ES)
- Manager of the Moroccan companies: Makane Bouskoura, Publiday and Clair Maroc
- Director, Eurowrap Ltd (GB)
- Chairman, AE4 2012 Holding (SE) and Eurowrap A/S (DK)

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

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

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

Monique Prissard
- Member of the Ets Charles Nusse Executive Board

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

Dominique Daridan
- Chairman of Daridan Conseil, Recherche Crédit et Investissements

Louise de L'Estang du Rusquet
- Executive at Société Générale Equipment Finance

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

The Board of Directors is comprised of ten directors appointed by shareholders and one director representing employees.

Exacompta Clairefontaine pursues a long-term policy through a primarily family shareholding structure.
Its Board of Directors brings together members with direct responsibilities from the various divisions of the Group's businesses and specialists in financial and staff matters. They collectively provide the qualifications and experience required to determine the direction of the Group's businesses and monitor their implementation.
The other elements of the diversity policy result not only in an adherence to legal provisions regarding the gender balance among directors, but also in the renewal of the Board of Directors. The average age of directors has fallen by over six years since 2015 as a consequence.

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

- François Nusse (2019)
- Frédéric Nusse (2021)
- Guillaume Nusse (2021)
- Jérôme Nusse (2021)
- Dominique Daridan (2022)
- Céline Nusse (2022)
- Caroline Valentin (2022)
- Charles Nusse (2023)

- Emmanuel Renaudin, Director representing employees (2023)
- Monique Prissard (2024)
- Louise de L'Estang du Rusquet (2024)

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

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

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

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

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

The Board met five times in 2019.

- The Board Meeting of 15 February discussed acquisition projects;
- The 28 March Board meeting approved the financial statements for the previous year and prepared the Shareholders' Meeting.
- The 12 September Board meeting reviewed the half-yearly position, particularly the economic environment at the beginning of the year, the interim operating statements and other specific items.
- The 6 June and 28 November Board meetings discussed the economic environment, the business and other issues.

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

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

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

To allow Board members to make the necessary preparations for meetings, the Chairman provides them with all necessary information or documents prior to the meeting.

During the Board meetings, each head of department presents an analysis of the following points:

- → raw materials and energy
- → earnings for the period
- → capital expenditure
- → outlook and risks

The directors review the consolidated financial statements of the Group and those of the different departments.
The consolidated statements contain a number of analyses, including:

- → changes in shareholders' equity;
- → contribution to consolidated income by company;

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

3. Shareholder attendance at Shareholders' Meetings

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

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

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

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

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

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

4. Corporate governance

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

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

Audit Committee:

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

5. Agreements

There are no agreements governed by Article L. 225-38 of the French Commercial Code.
The 0.2% fee corresponding to the assistance agreement binding Exacompta Clairefontaine and its wholly-owned subsidiaries is excluded pursuant to the first paragraph of Article L. 225-39 of the said Code and is entered into under normal conditions.

Under the procedure implemented by the Board of Directors to assess the current nature and the normal conditions of this agreement, the said agreement is qualified following any update or amendment.
The most recent update of the agreement was approved by the Board of Directors on 26 March 2014. The Board of Directors’ meeting of 27 May 2015 qualified it as a “current operation entered into under normal conditions”.
This agreement has been in place in intent and amount since 2003, as detailed in the management report.

6. Remuneration of the corporate officers

6.1 Remuneration excluding attendance fees

The corporate officers are members with direct responsibilities from the various divisions of the Group's businesses and specialists in financial and staff matters. They collectively provide the qualifications and experience required to determine the direction of the Group's businesses and therefore directly represent the interests of the company and the group.

The remuneration policy for the corporate officers of Exacompta Clairefontaine is based on the same principles as those applied to all the Group's employees.

The Group applies the principle of fixed remuneration for corporate officers and there is no variable remuneration. Neither does the Group offer any stock options, free share allocations, performance-related shares or supplementary pension schemes.
Similarly, 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.

Excluding attendance fees, no directors are remunerated by the company Exacompta Clairefontaine. Differences in remuneration reflect the level of responsibility, the specific nature of the position and experience. Increases in remuneration are applied on an individual basis.

This remuneration policy shall be submitted to a vote of the shareholders in accordance with the provisions of the French Commercial Code.

The total amount of remuneration received, excluding attendance fees, by the corporate officers in 2019 amounted to €1,259,000 in the consolidated financial statement of the Exacompta Clairefontaine Group, compared with €1,333,000 in 2018.

The following amount of remuneration and benefits in kind, excluding attendance fees, was paid or owed for the 2019 fiscal year to the Chairman and Chief Executive Officer and the Executive Vice Presidents in respect of their duties in the companies included within the scope of consolidation of the Exacompta Clairefontaine Group. The 2018 fiscal year is presented in accordance with the same scope for the calculation of the annual change.

Remuneration and benefits in kind (in euros)	2019	2018	Annual change
François Nusse Chairman and Chief Executive Officer	184,375	220,971	-36,596
Jean-Marie Nusse Executive Vice President	139,478	159,813	-20,335
Jean-Claude Gilles Nusse Executive Vice President	68,918	68,072	+846

Remuneration is set exclusively in accordance with the policy set out above.

The ratios between the remuneration of each of these executives and the average and median remuneration of the employees of the company Exacompta Clairefontaine (excluding the corporate officers) must be present pursuant to Article L. 225-37-3.
These ratios are not applicable as no corporate officers are remunerated by the company Exacompta Clairefontaine. The details of the change in remuneration required by paragraph six of the same article are also not applicable.

The Ordinary Shareholders' Meeting of 6 June 2019, in its seventh resolution, approved the remuneration and benefits of any kind paid in respect of 2018 to the Chairman and Chief Executive Officer and the the Executive Vice Presidents and, in its eighth resolution, approved the remuneration policy as defined pursuant to the legal provisions in effect in 2018.

6.2 Directors' fees

The Board assesses the appropriateness of the director's fees allocated to each director in view of the tasks and responsibilities incumbent upon them and the time they require to perform their duties.

The Board of Directors' meeting of 28 November 2019 approved the allocation of an equal share of remuneration between each director in view their participation at Board meetings, as well as the allocation of an additional variable portion to directors that are not on the payroll of the Exacompta Clairefontaine group or Établissements Charles Nusse shareholders. The variable portion concerns two directors and corresponds to a doubling of the fixed portion prorated to the number of Board meetings they attend.

For the 2019 fiscal year the total amount of attendance fees to be shared among the directors amounted to €91,000 and was awarded by a decision of the 6 June 2019 Shareholders' Meeting.

ORGANIGRAMME DU GROUPE

EXACOMPTA CLAIREFONTAINE

- **EXACOMPTA** — *Paris (75)* — *Articles de bureau et classement*
  - **ROLFAX** — *Breteuil (60)*
  - **MANUCLASS** — *Ségré-en-Anjou-Bleu (49)*
  - **COGIR** — *Château-Renault (37)*
  - **FACIMPRIM** — *Paris (75)*
  - **CARTOREL** — *Niort (79)*
  - **CLAIRCELL** — *Brou (28)*
  - **REGISTRES LE DAUPHIN** — *Voiron (38)*
  - **RAINEX** — *Houdan (78)*
  - **CLAIRCELL INGENIERIE** — *Brou (28)*
  - **ERNST STADELMANN** — *Eferding (Autriche)*
  - **BRAUSE PRODUKTION** — *Iserlohn (Allemagne)*
  - **EXACLAIR UK** — *King's Lynn (Royaume-Uni)*
  - **BIELLA SCHWEIZ** — *Brügg (Suisse)*
    - **BIELLA FALKEN** — *Peitz (Allemagne)*
      - **DELMET PROD** — *Buftea (Roumanie)*
  - **PAPETERIES SILL** — *Wizernes (62)*
- **CLAIREFONTAINE RHODIA** — *Ottmarsheim (68)* — *Papeterie scolaire, bureau, beaux arts, loisirs créatifs*
  - **CFR Ile Napoléon** — *Ottmarsheim (68)*
  - **MADLY** — *Genas (69)*
  - **AE4 2012 Holding AB** — *Stockholm (Suède)*
    - **EUROWRAP A/S** — *Ringsted (Danemark)*
      - **EUROWRAP Ltd** — *Skelmersdale (Royaume-Uni)*
  - **MAKANE BOUSKOURA** — *Casablanca (Maroc)*
    - **PUBLIDAY MULTIDIA** — *Casablanca (Maroc)*
  - **PAPETERIES SILL** — *Wizernes (62)*
- **PAPETERIES DE CLAIREFONTAINE** — *Etival-Clairefontaine (88)* — *Production de papiers, ramettes, formats, bobines… cahiers, copies, enveloppes*
  - **PAPETERIE DE MANDEURE** — *Mandeure (25)*
  - **EVERBAL** — *Evergnicourt (02)*
  - **SCHUT PAPIER** — *Heelsum (Pays-Bas)*
  - **PAPETERIES SILL** — *Wizernes (62)*
- **A.F.A.** — *Paris (75)* — *Agendas et papeterie personnelle*
  - **Ets. LALO** — *Paris (75)*
  - **A.B.L** — *Paris (75)*
  - **EDITIONS QUO VADIS** — *Carquefou (44)*
    - **RAYNARD** — *La Guerche de Bretagne (35)*
  - **LAVIGNE** — *Issy-les-Moulineaux (92)*
  - **PAPETERIES SILL** — *Wizernes (62)*
- **PHOTOWEB** — *Saint-Egrève (38)* — *Photos, albums et calendriers - site web*
  - **INVADERS CORP** — *Paris (75)*

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

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

Exacompta Clairefontaine S.A.

Parent Company Financial Statements for the year ended
31 December 2019

BALANCE SHEET AND INCOME STATEMENT

ASSETS (€000)	31/12/2019	31/12/2018
Intangible assets		
Concessions, patents, licences, trademarks	6	14
Intangible assets in progress		
Property, plant and equipment		
Land	3,854	3,563
Buildings	5,895	6,612
Other PP&E	21	13
PP&E in progress	3,879	158
Non-current financial assets		
Equity interests	315,570	315,570
Intercompany receivables	9,925	7,483
Loans	65,954	3,840
Other financial assets	507	7
TOTAL NON-CURRENT ASSETS	**405,611**	**337,260**
Inventories	198	198
Advances and progress payments made on orders	24	42
Receivables		
Trade and intercompany receivables	1,874	2,533
Other receivables	40,390	46,377
Prepaid expenses	229	151
Cash and cash equivalents	78,739	35,168
TOTAL CURRENT ASSETS	**121,454**	**84,469**
Currency translation adjustment	52	27
TOTAL ASSETS	**527,117**	**421,756**

LIABILITIES AND SHAREHOLDERS' EQUITY (€000)	31/12/2019	31/12/2018
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	122,173	119,740
Retained earnings		
Profit/(loss) for the year	**4,931**	**5,487**
Regulated provisions	1,773	1,959
SHAREHOLDERS' EQUITY	**296,907**	**295,216**
Provisions		
For contingent liabilities	52	27
For charges	331	363
TOTAL PROVISIONS	**383**	**390**
Financial liabilities		
Bank loans and borrowings	128,725	36,273
Operating payables		
Trade payables	229	210
Taxes and social security contributions payable	4,717	1,146
Other payables	96,123	88,490
Deferred income	33	31
TOTAL PAYABLES	**229,827**	**126,150**
Currency translation adjustment		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**527,117**	**421,756**

INCOME STATEMENT (€000)	31/12/2019	31/12/2018
Revenues	1,249	1,192
Operating subsidies		
Reversals of depreciation, amortisation and provisions, expense transfers	6,675	6,579
Other income	437	456
REVENUE FROM OPERATIONS	**8,361**	**8,227**
Purchases and other supplies		
Other purchases and external expenses	1,871	1,847
Taxes, duties and similar payments	438	388
Salaries and wages	3,704	3,710
Social security contributions	1,413	1,478
Increases in depreciation/amortisation of non-current assets	821	875
Provision charges	31	30
Other expenses	99	68
OPERATING EXPENSES	**8,377**	**8,396**
OPERATING INCOME/(LOSS)	**-16**	**-169**
Financial income from equity investments	5,520	4,748
Income from other securities and receivables from non-current assets	178	25
Other interest and similar income	1,098	739
Reversals of provisions, expense transfers	27	47
Positive currency translation adjustments	145	243
Net profit on sales of marketable securities		
FINANCIAL INCOME	**6,968**	**5,802**
Increases in depreciation, amortisation and provisions	52	27
Interest expense and similar expenses	1,177	1,367
Negative currency translation adjustments	39	78
Net expenses on sales of marketable securities		
FINANCIAL EXPENSES	**1,268**	**1,472**
NET FINANCIAL INCOME/(EXPENSE)	**5,700**	**4,330**
INCOME/(LOSS) BEFORE TAXES	**5,684**	**4,161**
Extraordinary income		
On operating transactions		62
On capital transactions	81	560
Reversals of provisions, expense transfers	304	505
EXTRAORDINARY INCOME	**385**	**1,127**
Extraordinary expenses		
On operating transactions		
On capital transactions	77	575
Increases in depreciation, amortisation and provisions	118	130
EXTRAORDINARY EXPENSES	**195**	**705**
NET EXTRAORDINARY INCOME/(EXPENSE)	**190**	**422**
Income taxes	943	-904
NET INCOME/(LOSS) FOR THE YEAR	**4,931**	**5,487**

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 31/12/2019, for which:

- Total assets amounted to €527,117,332
- Net income amounted to €4,930,937.06

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 01/01/2019 to 31/12/2019.

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

There are no significant events warranting disclosure of specific information.

1.5. Post-balance sheet events

The COVID-19 public health crisis has not had a major impact on the activity of Exacompta Clairefontaine, the business continuity of which has not been threatened.

2. ACCOUNTING RULES AND METHODS

2.1. Fixed assets

2.1.1 Intangible assets and property, plant and equipment

Valuation:

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

Depreciation and amortisation:

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

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

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

Write-downs:

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

2.1.2 Non-current financial assets

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

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

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

2.2. Inventories

Inventories include the purchase of resinous wood made in 1997.

2.3. Receivables and payables

Valuation and impairment:

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

Receivables and payables denominated in foreign currencies:

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

2.4. Cash

Short-term cash:

Short-term needs are financed by commercial paper issued by Exacompta Clairefontaine. A fixed rate determined at the moment of issue is paid on the commercial paper, which has a fixed maturity and a maximum term of 365 days.
At the balance sheet date, the amount issued by the Group was €30 million out of an authorised limit of €125 million.

Lines of credit:

Lines of credit are in place with several banks for a total amount of €135 million, with maturities not exceeding five years. The term of drawdowns ranges from 10 days to twelve months. As at 31 December 2018, none of these lines of credit had been used.

Marketable securities:

Marketable securities are assets held for trading. The book value of €23,437,000 is their market value at 31 December 2019. The book value is equal to the fair value.

2.5. 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 €1,773,000 at year-end.

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

2.6.1 Provisions for retirement indemnities

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

The calculation is based on the following main assumptions:

- probability of retirement from the company, turnover, death;
- total amount of benefits outstanding under the cardboard packaging (*"Cartonnage"*) collective agreement;
- retirement age: between 60 and 67 years of age depending on the employee's year of birth and status
- social security contributions rate: 45%
- discount rate: 0.83%

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

2.6.2 Other provisions

Other provisions recorded correspond to foreign exchange losses of €52,000 resulting from currency translation differences.

3. OTHER INFORMATION

3.1. <u>Parent company consolidating the company's financial statements</u>

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 138 Quai de Jemmapes 75010 Paris.

3.2. <u>Staff</u>

The average headcount of the parent company totalled 40 persons in 2019 (1 administrative manager and 39 sales staff).

3.3. <u>Tax consolidation</u>

A tax consolidation agreement was entered into with all the French companies. 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 €889,000 for 2019.

3.4. Remuneration of administrative and management bodies

The members of the Board of Directors receive no remuneration from the company.
The total amount of director's fees to be shared among the directors for 2019 is €60,000 and was awarded by a decision of the 6 June 2019 Shareholders' Meeting.

3.5. Related party transactions

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

3.6. Off-balance sheet commitments

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

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

4. BALANCE SHEET AND INCOME STATEMENT DATA

Share capital

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

Change in shareholders' equity (€000)

Shareholders' equity at 31/12/2018	**295,216**
Dividends distributed	-3,055
Change in regulated provisions	-185
Net income for fiscal year 2019	4,931
Shareholders' equity at 31/12/2019	**296,907**

Change in gross non-current assets

€000	Gross value b/fwd	Purchases	Sales	Other activity	Gross value c/fwd
Concessions, patents, licences	253		7		260
Intangible assets	**253**		**7**		**260**
Land	3,576	370	76		3,870
Buildings and fixtures	20,793	78	23		20,848
Other PP&E	123	17	10		130
PP&E in progress	158	3,721			3,879
Property, plant and equipment	**24,650**	**4,186**	**109**		**28,727**
Equity interests	352,570				352,570
Intercompany receivables	7,483	3,042	600		9,925
Loans	3,840	64,700	2,586		65,954
Other financial assets	7	500			507
Non-current financial assets	**363,900**	**68,242**	**3,186**		**428,956**

Change in depreciation/amortisation of non-current assets

€000	Amounts b/fwd	Additions	Reversals and outflows	Provisions c/fwd
Concessions, patents, licences	239	15		254
Intangible assets	**239**	**15**		**254**
Land	13	3		16
Buildings and fixtures	14,181	795	23	14,953
Other PP&E	110	8	9	109
Property, plant and equipment	**14,304**	**806**	**32**	**15,078**

Table of subsidiaries and equity interests (€)

Subsidiaries	Share capital and shareholders' equity	% interest	Shares gross value net value	Dividends received
PAPETERIES DE CLAIREFONTAINE 88480 Etival Clairefontaine SIREN no. 402 965 297	91,200,000 183,204,637	100%	103,001,491 103,001,491	2,451,000
EXACOMPTA 75010 Paris SIREN no. 702 047 564	2,160,000 87,440,137	100%	115,692,905 90,692,905	1,451,250
AFA 75010 Paris SIREN no. 582 090 452	1,440,000 42,198,967	100%	49,633,433 37,633,433	
CLAIREFONTAINE RHODIA 68490 Ottmarsheim SIREN no. 339 956 781	22,500,000 34,741,172	100%	40,912,423 40,912,423	722,500
PHOTOWEB 38120 Saint-Egrève SIREN no. 428 083 703	40,000 18,988,757	100%	43,329,750 43,329,750	895,000

Equity interests	Share capital and shareholders' equity	% interest	Shares gross value net value	Dividends received
Forestry cooperative FORÊT & BOIS DE L'EST	variable	non-material	3,038 3,038	

Change in provisions and write-downs

€000	Amounts b/fwd	Additions	Reversals (used)	Reversals (not used)	Provisions c/fwd
Accelerated depreciation/amortisation	1,959	118	304		1,773
Regulated provisions	**1,959**	**118**	**304**		**1,773**
Foreign exchange losses	27	52		27	52
Pensions and similar obligations	346	31		46	331
Other expenses	17		17		
Provisions for contingent liabilities and charges	**390**	**83**	**17**	**73**	**383**
Equity interests	37,000				37,000
Write-downs	**37,000**				**37,000**

Increases and reversals ○ operating ○ financial ○ extraordinary	31 52 118	46 27 321
Total	**201**	**394**

Receivables schedule

Receivables due (€000)	Gross amounts	< 1 year	> 1 year
Non-current receivables			
Intercompany receivables	9,925		9,925
Loans	65,954	7,252	58,702
Other financial assets	507		507
Current receivables			
Trade receivables	1,874	1,874	
Personnel and related	14	14	
Income taxes			
Value added tax	24	24	
Group and associates	40,352	40,352	
Prepaid expenses	229	229	
Total	**118,879**	**49,745**	**69,134**

Payables schedule

Payables due (€000)	Gross amounts	< 1 year	1-5 years	> 5 years
Bank loans and borrowings	128,725	48,117	50,505	30,103
Trade payables	229	229		
Personnel and related	523	523		
Social security organisations	401	401		
Income taxes	3,533	3,533		
Value added tax	122	122		
Other taxes, duties and similar items	138	138		
Group and associates	95,283	95,283		
Other payables	840	840		
Deferred income	33	33		
Total	**229,827**	**149,219**	**50,505**	**30,103**

Breakdown of prepaid expenses and deferred income

€000	Prepaid expenses	Deferred income
Operating income/expenses	182	
Financial transactions	47	33
Total	**229**	**33**

Breakdown of accrued expenses and accrued income

€000	Accrued expenses	Accrued income
Invoices not received/to be issued	91	90
Tax and social security payables/receivables	624	
Financial transactions	32	446
Total	**747**	**536**

Breakdown of expense transfers

€000	Expense transfers
Transfer of external expenses	1,427
Transfer of personnel expenses	5,019
Transfer of taxes & duties	184
Total	**6,630**

Extraordinary income and expenses

€000	31/12/2019	31/12/2018
Sale of property, plant and equipment	81	560
Reversal of accelerated depreciation	304	505
Other income		62
Total extraordinary income	**385**	**1,127**
Sale of property, plant and equipment	77	575
Increase in accelerated depreciation	118	130
Other expenses		
Total extraordinary expenses	**195**	**705**

Deferred and future tax position

€000 (at corporate income tax rate of 28%)	Amount
Tax on:	
Accelerated depreciation/amortisation	497
Total increases	497
Prepaid tax on:	
Paid holiday	78
Other	93
Total reductions	171
Net deferred tax position	**326**

Tax loss carryforwards	204
Net future tax position	**-204**

Breakdown of income taxes

Breakdown – €000	Income before tax	Taxes owed	Net income after tax
Income from ordinary activities	5,684		5,684
Extraordinary income	190		190
Tax expense			
• Tax consolidation expense		889	889
• other tax effects		54	54
Total	**5,874**	**943**	**4,931**

Exacompta Clairefontaine S.A.

Statutory Auditors' Reports

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

SEREC AUDIT	**BATT AUDIT**
Statutory Auditor	Statutory Auditor
Member of the Paris Institute of Statutory Auditors	Member of the Nancy Institute of Statutory Auditors
70 bis rue Mademoiselle	58, boulevard d'Austrasie
75015 PARIS	54000 NANCY

REPORT OF THE STATUTORY AUDITORS ON THE PARENT COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2019

Dear Shareholders of EXACOMPTA CLAIREFONTAINE,

Opinion

In accordance with the assignment entrusted to us by your Shareholders' Meeting, we have audited the financial statements of EXACOMPTA CLAIREFONTAINE for the year ended 31 December 2019, which are appended to this report. These financial statements were prepared by the Board of Directors on 26 March 2020 on the basis of the elements available on that date within the changing context of the public health crisis related to Covid-19.

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

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

Basis of the opinion

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

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

Independence
We have performed our audit in compliance with the rules of independence applicable to us, for the period running from 1 January 2018 to the date of issue of our report, and in particular we have not provided services prohibited under Article 5, paragraph 1, of regulation (EU) No. 537/2014 or the French Code of Ethics for statutory auditors.

Justification of our assessments - Key audit matters

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

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

Valuation of equity interests

Risk identified

Equity interests, of a net amount of €316 million on the balance sheet as at 31 December 2019, represent one of the most significant items of the balance sheet. They are initially recognised at acquisition cost and depreciated based on their carrying amount.

As stated in Note 2.1.1 to the financial statements, the carrying amount is assessed on the basis of the fair value of the shareholders' equity, as measured based on discounted future cash flows and net debt. The outlook of each subsidiary or group of subsidiaries is taken into account, in which case consolidated data may be included in the assessment.

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

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

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

Audit procedures implemented to address this risk

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

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

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

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

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

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

Specific verifications

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

Information provided in the management report and in the other documents addressed to the shareholders concerning the financial position and the annual financial statements

We have no comments to make about the accuracy and consistency with the annual financial statements of the information provided in the management report of the Board of Directors of 26 March 2020 and in the documents addressed to the shareholders concerning the financial position and the annual financial statements.

We hereby confirm the accuracy and the consistency with the annual financial statements of the information relating to payment terms listed in Article D. 441-4 of the French Commercial Code.

Report on corporate governance

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

Other information

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

Disclosures pursuant to other statutory and regulatory requirements

Appointment of statutory auditors
We were appointed as statutory auditors of EXACOMPTA CLAIREFONTAINE by the Shareholders' Meeting of 31 May 1996, in the case of SEREC AUDIT, and of 22 May 2008 in the case of BATT AUDIT.

On 31 December 2019, SEREC AUDIT was in the 23rd consecutive year of its engagement and BATT AUDIT in the 11th year since the company's shares were admitted for trading on a regulated market.

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

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

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

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

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

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

Audit objective and approach

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

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

As part of an audit performed in accordance with auditing standards applicable in France, the statutory auditor exercises their professional judgement throughout the audit. Furthermore:

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

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

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

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

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

Report to the Audit Committee of the Board of Directors

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

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

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

Executed in Paris and Nancy, 30 April 2020

The Statutory Auditors,

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

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

BATT AUDIT
Statutory Auditor
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58, boulevard d'Austrasie
54000 NANCY

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

Year ended 31 December 2019

Dear Shareholders of EXACOMPTA CLAIREFONTAINE,

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

It is our responsibility to inform you, on the basis of the information provided to us, of the essential characteristics and conditions of the agreements and commitments of which we have been informed or which we have discovered during the course of our audit, as well as the reasons justifying the company's interest in said agreements and commitments, without having to express an opinion on their usefulness or appropriateness or to seek out the existence of other agreements and commitments. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code, to assess the interest attached to entering into these agreements and commitments with a view to their approval.

It is also our responsibility, where appropriate, to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code in relation to the performance, during the past year, of those agreements and commitments already approved by the Shareholders' Meeting.

We have carried out the procedures that we judged necessary pursuant to the professional policies of the *Compagnie Nationale des Commissaires aux Comptes* (National Institute of Statutory Auditors) relating to this assignment.

Agreements and commitments submitted to the Shareholders' Meeting for approval

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

Agreements and commitments already approved by the Shareholders' Meeting

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

Executed in Paris and Nancy, 30 April 2020

The Statutory Auditors,

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

Exacompta Clairefontaine S.A.

Consolidated financial statements for the year ended
31 December 2019

Consolidated balance sheet

€000	31/12/2019	31/12/2018	Notes
NON-CURRENT ASSETS	**352,001**	**256,563**	
Intangible assets	13,922	13,170	(2.1.4)
Intangible assets – Goodwill	37,383	26,924	(2.1.4)
Property, plant and equipment	290,010	213,054	(2.1.5)
Financial assets	9,764	2,464	(2.1.6)
Deferred taxes	922	951	(2.4)
CURRENT ASSETS	**514,310**	**429,947**	
Inventories	207,341	197,155	(2.2.1)
Trade and other receivables	125,121	108,080	(2.2.2)
Advances	2,114	1,700	
Taxes receivable	484	7,667	
Cash and cash equivalents	179,250	115,345	(2.2.3)
TOTAL ASSETS	**866,311**	**686,510**	

SHAREHOLDERS' EQUITY	**419,348**	**402,269**	
Share capital	4,526	4,526	
Capital reserves	215,856	213,423	
Consolidated reserves	180,189	173,449	
Currency translation reserve	1,710	-1,609	
Net income – Group share	17,067	12,480	
Shareholders' equity – Group share	**419,348**	**402,269**	
Minority interests	0	0	
NON-CURRENT LIABILITIES	**221,425**	**128,012**	
Interest-bearing debt	170,090	80,826	(2.6)
Deferred taxes	25,985	23,729	(2.4)
Provisions	25,350	23,457	(2.5)
CURRENT LIABILITIES	**225,538**	**156,229**	
Trade payables	71,098	61,013	
Short-term portion of interest-bearing debt	88,895	37,597	(2.6)
Provisions	3,383	2,192	(2.5)
Tax liabilities	3,829	163	
Other payables	58,333	55,264	(2.8)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**866,311**	**686,510**	

Consolidated income statement

€000	31/12/2019	31/12/2018	Notes
Revenue	703,436	603,099	
- Sales of products	691,502	594,516	
- Sales of services	11,934	8,583	
Other operating income	7,464	12,258	
- Reversal of depreciation/amortisation	272	23	(2.1.4, 2.1.5)
- Subsidies	433	452	
- Other income	6,759	11,783	
Change in inventories of finished products and work-in-progress	-8,101	15,067	(2.2.1)
Capitalised production costs	1,543	1,334	
Goods and materials used	-342,593	-309,599	(2.2.1)
External expenses	-109,261	-103,761	
Personnel expenses	-171,924	-155,198	(2.12)
Taxes and duties	-12,270	-12,522	
Depreciation/amortisation	-41,367	-28,124	(2.1.4, 2.1.5)
Other operating expenses	-7,099	-7,632	
OPERATING INCOME – before goodwill impairment	**19,828**	**14,922**	
Goodwill impairment / badwill gain	4,316		(2.1.4, 2.1.1)
OPERATING INCOME – after goodwill impairment	**24,144**	**14,922**	
Financial income	2,758	3,076	
Financial expenses	-4,331	-3,074	
Net financial items	-1,573	2	(2.12)
Income taxes	-5,504	-2,444	(2.4, 2.10)
Net income after tax	**17,067**	**12,480**	

Net income – minority share	**0**	**0**	
Net income/(loss) – Group share	**17,067**	**12,480**	

Net income for the period	17,067	12,480	
Number of shares	1,131,480	1,131,480	(2.3)
EARNINGS PER SHARE (basic and diluted)	**15.08**	**11.03**	

Comprehensive income statement

€000	31/12/2019	31/12/2018
Net income for the period	**17,067**	**12,480**
• Currency translation differences arising from foreign entities' financial statements	3,319	-27
• Actuarial gains/(losses)	-252	-320
Total comprehensive income	**20,134**	**12,133**
Attributable to:		
- minority interests	0	0
- the Group	20,134	12,133

Statement of changes 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	3,319		3,319
Actuarial gains and losses and other variations	-252		-252
Total transactions not posted to earnings	3,067		3,067
Net income for the year	17,067		17,067
Dividends *	-3,055		-3,055
Balance at 31/12/2019	**419,348**	**0**	**419,348**

* 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	31/12/2019	31/12/2018	Notes
Cash and cash equivalents (assets)	179,250	115,345	(Assets)
Financial liabilities (short-term)	-88,857	-37,565	(2.6)
Accrued interest on debt	-38	-32	(2.6)
Cash per statement of cash flows	**90,355**	**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	31/12/2019	31/12/2018	Notes
Total consolidated net income	**17,067**	**12,480**	
Elimination of non-cash and non-operating expenses and income:			
• Depreciation, amortisation and provisions	40,327	26,143	(2.1.4 to 2.1.6, 2.5)
• Change in deferred taxes	2,256	103	(2.4)
• Post-tax gains on asset sales	158	1,036	
• Currency translation adjustments	3,319	-27	
• Other	-253	-1,029	
Cash flow of consolidated companies	*62,874*	*38,706*	
• Change in operating working capital	-14,456	-25,088	Balance sheet
• Change in income taxes	6,346	-2,242	
• Income taxes paid	4,503	-676	
(1) Net cash flow from operating activities	**59,267**	**10,700**	
• Purchases of fixed assets	-43,680	-26,767	(2.1.4 to 2.1.6)
• Sales of fixed assets	1,037	1,097	
• Changes in consolidation – acquisitions	-43,280	-85	
(2) Net cash flow from investing activities	**-85,923**	**-25,755**	
• Dividends paid	-14,839	-11,370	(Change in shareholders' equity)
• Dividends received	11,784	8,315	
• New borrowings	98,948	27,045	
• Changes in consolidation – acquisitions	9,285		
• Loans repaid	-55,163	-34,011	
• Interest paid	-1,213	-923	
• Interest received	565	571	
• Repayment of leasing debt	-10,104		
(3) Net cash flow from financing activities	**39,263**	**-10,373**	
(1+2+3) Total cash flow	**12,607**	**-25,428**	

Opening cash	77,748	103,176
Closing cash	90,355	77,748
Change in cash	**12,607**	**-25,428**

The presentation of the cash flow statement is impacted by the application of the new IFRS 16 regulation, which increases cash flows from activities and reduces cash flows from financing operations.

<u>Presentation of the consolidated financial statements</u>

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 26 March 2020. They will not be final until they have been approved by the Shareholders' Meeting.

In the context of the risks related to the Covid-19 public health crisis, the Group Management has implemented a prevention and business continuity plan intended to both protect all employees in accordance with the directives issued by the public authorities and ensure business continuity. This post-balance sheet event has no impact on these financial statements.

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*

<u>Standards, amendments and interpretations adopted by the European Union and mandatory after 2019</u>

- Amendments to IAS 1 and IAS 8 – *Definition of the term "material"*
- Amendment of references to the Conceptual Framework in IFRS standards

The Group did not opt for the early application of any standard, amendment or interpretation approved by the European Union in 2019.

3- Change in accounting methods: IFRS 16 – Leases

The main elements of this standard, which entered into force on 1 January 2019, are:

<u>Recognition of operating leases</u>

All operating leases must be recognised pursuant to a single model that records a leasing liability corresponding to the sum of the discounted future lease payments and a right-of-use asset amortised over the residual term of the lease.

The discount rate applied is the incremental borrowing rate, which corresponds to the borrowing rate for the acquisition of an asset of the same type over a similar term to that of the lease.

The Exacompta Clairefontaine Group opted to apply the simplified retrospective method. The option of valuing the right of use at the amount of the leasing debt recorded in the balance sheet immediately prior to the date of first application was used for all the leases.

Low-value leases and leases expiring during 2019 were not included.

Lease types

The leases are almost 90% real estates leases, with the remainder primarily corresponding to vehicles and handling equipment.
For the specific case of commercial leases, the term used for these leases is the generally enforceable period. The Group is in the process of reviewing the decision of the IFRS Interpretations Committee of 26 November 2019 but does not foresee any significant impact.

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

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 7 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 activities carried out by the Group's paper mill subsidiaries are subject to the European regulations on greenhouse gas emission allowances 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 recognition methods applied by the Group are those derived from ANC regulation 2012-03. 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 interest rate risks. Since 31 December 2018, the Group holds no interest rate hedging instruments as these have 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

Our credit risk remains spread over a large number of clients even though there is a concentration of distributors of our products. 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

The operating segments are based on the Group's internal organisation and are defined by area of activity.

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

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

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

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

Notes to the consolidated financial statements

1. CONSOLIDATED ENTITIES

All of the companies have been consolidated at 31 December 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	19, rue de l'Abbaye - 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 (Netherlands)	Kabeljauw 2 NL – 6866 HEELSUM	100	100	F.C.	
BIELLA SCHWEIZ (Switzerland)	Erlenstrasse 44 CH – 2555 BRÜGG	100	100	F.C.	
BIELLA-FALKEN (Germany)	Am Bahnhof 5 03185 PEITZ	100	100	F.C.	
DELMET PROD (Romania)	Industriei 3 070000 BUFTEA	100	100	F.C.	
AE4 2012 HOLDING (Sweden)	Hamilton Advokatbyrå, Box 715 101 33 STOCKHOLM	100	100	F.C.	
EUROWRAP A/S (Denmark)	Odinsvej 30, 4100 RINGSTED	100	100	F.C.	
EURO WRAP Ltd (UK)	Unit 2 Pikelaw Place West Pimbo Industrial State SKELMERSDALE WN8 9PP	100	100	F.C.	

Changes affecting the scope of consolidation	
Companies newly consolidated - acquisitions	Companies deconsolidated
• AE4 2012 HOLDING AB, EUROWRAP A/S, EURO WRAP Ltd Acquired in full by Clairefontaine Rhodia on 28 March 2019 • BIELLA SCHWEIZ AG, BIELLA-FALKEN GmbH, DELMET PROD Srl Acquired in full by Exacompta on 23 May 2019	

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

2. INFORMATION ON THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

2.1 Non-current assets

2.1.1 Intangible assets

Trademarks

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

Goodwill

The goodwill recorded applied mainly to three subsidiaries at 31 December 2019. The segment information shows the breakdown of goodwill by business and geographic segment.

The annual impairment test of CGUs was performed in 2019 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 2019 are similar to those used in 2018.

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

- The cash flow discount rate used for CGUs was estimated based on the weighted average cost of capital, giving a pre-tax rate of between 7.40% and 6.77% for processing division CGUs and 10.15% for paper division CGUs.
- The long term perpetual growth rate of the CGUs is mainly between 0% and 1.5%.

No loss in value was recorded in respect of the CGU impairment testing. However, specific goodwill was impaired for a total amount of €708,000.

Sensitivity of impairment losses to changes in key assumptions:
- A one percentage point increase in the discount rate for all Group CGUs would generate an impairment loss risk of €1.7 million.
- A one percentage point reduction in the perpetual growth rate for all Group CGUs would generate an impairment loss risk of €1.2 million.

Acquisition of the Eurowrap and Biella groups

- Goodwill of €11,166,000 was recorded in the consolidated financial statements following the acquisition of 100% of the Eurowrap group by the subsidiary Clairefontaine Rhodia
- The acquisition of the Biella group by Exacompta resulted in a badwill gain of €5,024,000. It was recorded in accordance with the provisions of Note 7 to the consolidated financial statements and is included on the line "Goodwill impairment" in the income statement.
- The Group consolidated financial statements include Eurowrap and Biella, two companies acquired in 2019, for 9 and 6 months of operation respectively. They contributed €75,370,00 to revenues from ordinary activities and €2,851,000 to operating income excluding badwill gain.

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.

Leases included in the respective tables (IFRS 16)

The Exacompta Clairefontaine Group opted to apply the simplified retrospective method. The option of valuing the right of use at the amount of the leasing debt recorded in the balance sheet immediately prior to the date of first application was used for all the leases.
Similarly, low-value leases and leases expiring during 2019 were not included.

As it is not possible to determine the implicit interest rates of the leases, the Group uses its marginal borrowing rate to value the leasing obligation. It is established by reference to the interest rates of loans, whether taken out or not, that have similar maturities and payment profiles. In particular, it is established based on 7- to 10-year maturities applicable to the real estate leases that represent almost 90% of leases in right-of-use value.

Lease categories at 31/12/2019

€000	**Real estate**	**Industrial equipment**	**Other**	**Total**
Rights of use	40,890	2,300	3,521	46,711
Depreciation	8,169	516	1,275	9,960
Net amount	**32,721**	**1,784**	**2,246**	**36,751**

The leasing debt is presented in note 2.6.
In the income statement: the right-of-use amortisation expense amounts to €10,177,000 and the leasing interest to €299,000.

2.1.3 Financial assets

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 31 December 2019 (€000)	Goodwill	Concessions, licences, trademarks and similar rights	Other	Total
Gross value b/fwd	27,289	32,269	5,541	65,099
Purchases		495	692	1,187
Sales		-417		-417
Changes in scope of consolidation	11,166	11,456	886	23,508
Currency translation adjustments		447	51	498
Transfers and other	-1,072	2,478	-446	960
Gross value c/fwd	**37,383**	**46,728**	**6,724**	**90,835**
Depreciation and write-downs b/fwd	365	21,310	3,330	25,005
Sales		-417		-417
Changes in scope of consolidation		11,003	885	11,888
Depreciation		1,864	1,073	2,937
Write-downs	708			708
Reversals				
Currency translation adjustments		432	50	482
Transfers and other	-1,073			-1,073
Depreciation and write-downs c/fwd	**0**	**34,192**	**5,338**	**39,530**
Net book value b/fwd	**26,924**	**10,959**	**2,211**	**40,094**
Net book value c/fwd	**37,383**	**12,536**	**1,386**	**51,305**

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**
Depreciation 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
Depreciation		1,583	448	2,031
Write-downs				
Reversals				
Currency translation adjustments		-3	33	30
Transfers and other	-1,342	-8	8	-1,342
Depreciation 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 31 December 2019 (€000) IFRS 16 right-of-use included	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	43,603	19,560	7,558	11,736	82,457
Sales	-2,309	-20,998	-1,879		-25,186
Changes in scope of consolidation	95,355	69,475	9,551	228	174,609
Currency translation adjustments	2,967	1,471	320	10	4,768
Transfers and other	1,944	5,489	86	-9,550	-2,031
Gross value c/fwd	**288,507**	**533,544**	**55,501**	**11,726**	**889,278**
Depreciation and write-downs b/fwd	83,608	326,508	31,060	431	441,607
Sales	-2,175	-20,162	-1,833		-24,170
Changes in scope of consolidation	69,939	61,914	8,110		139,963
Depreciation	13,921	20,401	4,108		38,430
Write-downs					
Reversals				-272	-272
Currency translation adjustments	2,170	1,282	258		3,710
Transfers and other					
Depreciation and write-downs c/fwd	**167,463**	**389,943**	**41,703**	**159**	**599,268**
Net book value b/fwd	**63,339**	**132,039**	**8,805**	**8,871**	**213,054**
Net book value c/fwd	**121,044**	**143,601**	**13,798**	**11,567**	**290,010**

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 31 December 2019 (€000)	Unconsolidated equity interests	Loans	Other receivables	Total
Gross value b/fwd	1,379	982	1,175	3,536
Purchases	5,250	60	573	5,883
Sales		-82	-97	-179
Changes in scope of consolidation	27,483		269	27,752
Currency translation adjustments			23	23
Transfers and other				
Gross value c/fwd	**34,112**	**960**	**1,943**	**37,015**
Write-downs b/fwd	1,037	33	2	1,072
Purchases/sales				
Changes in scope of consolidation	25,705			25,705
Write-downs	464			464
Reversals				
Currency translation adjustments	10			10
Transfers and other				
Write-downs c/fwd	**27,216**	**33**	**2**	**27,251**
Net book value b/fwd	**342**	**949**	**1,173**	**2,464**
Net book value c/fwd	**6,896**	**927**	**1,941**	**9,764**

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 of unconsolidated equity interests primarily corresponds to the Fizzer securities acquired on 20 December 2019.
The other receivables are primarily comprised of deposits and bonds totalling €1,462,000.

2.1.7 Table of maturities of other financial assets

At 31 December 2019 (€000)	< 1 year	1-5 years	> 5 years	Total
Loans	86	191	683	960
Other financial assets	740	7	1,196	1,943
Financial assets and receivables	**826**	**198**	**1,879**	**2,903**

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 31 December 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	-1,151	-1,232	-5,665	-8,048
Changes in scope of consolidation	8,861	1,944	10,463	21,268
Gross value c/fwd	**87,862**	**22,163**	**115,718**	**225,743**
Write-downs b/fwd	9,539	1,114	4,715	15,368
Additions	10,276	1,239	4,776	16,291
Reversals	-10,036	-991	-4,282	-15,309
Changes in scope of consolidation	756	40	1,235	2,031
Currency translation adjustments and other	2	2	17	21
Write-downs c/fwd	**10,537**	**1,404**	**6,461**	**18,402**
Net book value b/fwd	**70,613**	**20,337**	**106,205**	**197,155**
Net book value c/fwd	**77,325**	**20,759**	**109,257**	**207,341**

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	Changes in scope of consolidation and other differences	Write-downs c/fwd
Trade receivables	2,198	759	-1,438	727	2,246
Other receivables	241				241
Total	**2,439**	**759**	**-1,438**	**727**	**2,487**

Statement of maturities of trade and other receivables

€000	< 1 year	1-5 years	> 5 years	Total
Trade and similar receivables	108,817	1,123		109,940
Taxes and social security contributions receivable	11,883			11,883
Other receivables	2,739			2,739
	123,439	**1,123**		**124,562**
Impairment				-2,487
Financial assets				**122,075**

Prepaid expenses	3,046
Reported trade and other receivables	**125,121**

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 €62,375,000 is their market value at 31 December 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 was a €2,285,000 (increase in the net deferred tax liability), including €1,342,000 from first-time consolidations.

Income statement:
- The change in deferred taxes recorded in net income was a €68,000 reduction (deferred tax income).
- The change in deferred taxes under comprehensive income was a €124,000 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	922	951	-29
Deferred tax liabilities	25,985	23,729	2,256
Net deferred tax	**25,063**	**22,778**	**2,285**

2.5 Provisions

Provisions break down as follows:

€000	Provisions b/fwd	Changes in scope of consolidation	Additions	Reversals	Provisions not used	Other changes	Provisions c/fwd
Provisions for pensions and similar obligations	23,457	434	3,348	-1,892	-406	409	25,350
Non-current provisions	**23,457**	**434**	**3,348**	**-1,892**	**-406**	**409**	**25,350**
Provisions for contingent liabilities	2,080	1,297	778	-903	-186	50	3,116
Other provisions for charges	112		303	-148			267
Current provisions	**2,192**	**1,297**	**1,081**	**-1,051**	**-186**	**50**	**3,383**

Other changes in provisions for pensions and similar obligations correspond to €351,000 of actuarial adjustments recorded under comprehensive income, amounting to €253,000 after tax, and to translation adjustments.

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 0.83%.

The amounts paid to insurance organisations are deducted from provisions.

Net change in the provision for pensions and similar obligations

€000	31/12/2019	31/12/2018
Liability b/fwd	**23,457**	**23,329**
Cost of services rendered	2,659	1,261
Financial expense	467	211
Changes for the period	-1,584	-1,788
→ *o/w new recruits*	*688*	*139*
→ *o/w departures during the period*	*-2,272*	*-1,927*
Liability excluding actuarial gains and losses	**24,999**	**23,013**
Actuarial gains and losses under comprehensive income	351	444
Liability c/fwd	**25,350**	**23,457**

The recorded liability includes €19,842,000 of obligations under the plan applicable to French companies and €5,508,000 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	40,374	83,565	34,047	157,986
Financial leasing liabilities	9,372	22,365	5,106	36,843
Other financial debt	181	7		188
Bank loans and overdrafts	34,430			34,430
Subtotal	**84,357**	**105,937**	**39,153**	**229,447**
Shareholder loan accounts (credit balance)	4,500		25,000	29,500
Accrued interest	38			38
Total	**88,895**	**105,937**	**64,153**	**258,985**
Estimated interest to maturity				*2,876*

- Including current liabilities €88,895,000
- Including non-current liabilities €170,090,000

Medium- and long-term financing, excluding financial leasing liabilities under IFRS 16 treatment, are the object of loans 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.
At the balance sheet date, the amount issued by the Group was €30 million out of an authorised limit of €125 million.

Lines of credit

Lines of credit are in place with several banks for a total amount of €135 million, with maturities not exceeding five years. Lines of credit are indexed to the Euribor. The average commitment fee charged is 0.22%. Drawdowns are charged on the basis of the amount and the maturity date of each line of credit.

The term of drawdowns ranges from 10 days to twelve months. As at 31 December 2018, none of these lines of credit had been used. The related covenants are respected.

Financial instruments

The Group previously used derivatives mainly to hedge against interest rate risks in the form of swaps. There are no ongoing contracts since 31/12/2018.

Transactions performed to hedge exchange rate risks are non-material for the fiscal year.
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	**31/12/2019**	**31/12/2018**
Advances and down payments received	1,736	1,483
Taxes and social security contributions payable	34,745	34,322
Fixed asset payables	3,892	2,938
Other liabilities	16,575	15,811
Deferred income	1,385	710
Total	**58,333**	**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**	6,896			6,896	6,896
Loans	**2.1.6**			927	927	838
Other receivables	**2.1.6**			1,941	1,941	1,941
Cash and cash equivalents	**Assets**		179,250		179,250	179,250
Trade and intercompany receivables	**2.2.2**			107,694	107,694	107,694
Total assets		**6,896**	**179,250**	**110,562**	**296,708**	**296,619**

€000	Note	Fair value of derivatives	Other financial liabilities	Total book value	Fair value
Loans from financial institutions	**2.6**		157,986	157,986	157,986
Financial leasing liabilities	**2.6**		36,843	36,843	36,843
Other borrowings	**2.6**		188	188	188
Bank loans and overdrafts	**2.6**		34,430	34,430	34,430
Shareholder loan accounts (credit balance)	**2.6**		29,500	29,500	29,500
Amounts payable on fixed assets	**2.8**		3,892	3,892	3,892
Trade payables	**Liabilities**		71,098	71,098	71,098
Total liabilities		**–**	**333,937**	**333,937**	**333,937**

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**	179,250	–	–
Liabilities	–	–	–	–

2.10 Income tax – Calculation of tax

€000	31/12/2019	31/12/2018
Consolidated net income after tax	17,067	12,480
Goodwill impairment, net of badwill gain	-4,316	
Income taxes	7,344	2,292
Deferred taxes	-1,840	152
Consolidated tax base	18,255	14,924
Statutory tax rate applicable to parent company	33.33%	33.33%
Theoretical tax charge	**6,085**	**4,975**
Tax rate differences	-439	-5
Accounting/tax timing differences	-703	-1,695
Tax debits and credits	324	-556
Other effects	237	-275
Actual tax charge	**5,504**	**2,444**

Income taxes	7,344	2,292
Deferred taxes	-1,840	152
Reported tax charge	**5,504**	**2,444**

2.11 Group headcount and employee benefits

Average headcount	31/12/2019	31/12/2018
Management	541	512
Employees	1,018	874
Labourers and other salaried workers	2,072	1,671
Total	**3,631**	**3,057**
Including the Eurowrap and Biella groups	629	

Expenses recorded for defined contribution schemes (€000)	43,476	42,024

The competitiveness and employment tax credit (CICE) recorded as a reduction in personnel expenses came to €3,560,000 in 2018. The mechanism was replaced by a reduction in expenses in 2019.

2.12 Financial income and expenses

€000	31/12/2019	31/12/2018
Equity interests and income from other financial assets	-	5
Income from other receivables and marketable securities	565	571
Other financial income	107	137
Financial instruments – change in fair value	-	228
Reversal of provisions and write-downs	-	-
Foreign exchange losses	2,086	2,135
Net gain on sale of marketable securities	-	-
Total financial income	**2,758**	**3,076**
Increase in provisions and write-downs	464	75
Interest and financial expenses	1,512	923
Financial instruments – change in fair value	-	-
Foreign exchange losses	1,895	1,812
Other financial expenses	460	264
Total financial expenses	**4,331**	**3,074**

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 amounted to 63,859 tonnes, while CO_2 emissions totalled 84,405 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

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. The leases are restated in accordance with IFRS 16.

Transactions carried out by the Group with Etablissements Charles Nusse.

€000	31/12/2019	31/12/2018
Balance sheet		
Current account balances:		
Interest-bearing debt	25,000	15,000
Short-term portion of interest-bearing debt	4,500	8,000
Income statement		
Financial expenses	301	233
Fees	1,291	1,349
Leases excluding expenses	6,773	6,664

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	31/12/2019	31/12/2018
SEREC AUDIT	344	338
BATT AUDIT	232	231
EY	138	
PWC	45	
Other auditors	168	166
Total - certification of financial statements	**927**	**735**
EY	96	
PWC	8	
Total - other services	**104**	**-**

Other auditors mainly include statutory auditors of foreign subsidiaries, comprising 9 firms for 12 subsidiaries in 2019.
The other services are delivered to the foreign subsidiaries of the Eurowrap and Biella groups.

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 – 31/12/2019 (12 months)

€000	Paper	Processing	Inter-segment transactions	Total
Segment income statement				
Revenue	285,754	540,945	-123,263	703,436
Depreciation/amortisation (net of reversals)	11,788	29,307		41,095
Write-downs and provisions	232	966		1,198
Operating income (excl. goodwill impairment)	11,068	8,712	48	19,828
Impairment of goodwill and badwill		-4,316		-4,316
Segment assets				
Net PP&E and intangible assets	114,443	189,489		303,932
o/w capex	*15,371*	*21,357*		*36,728*
Goodwill		37,383		37,383
Trade receivables	38,927	89,701	-20,934	107,694
Other receivables	2,653	14,875	-101	17,427
Balance sheet total	*41,580*	*104,576*	*-21,035*	*125,121*
Other assets allocated	64,421	148,173	-3,139	209,455
Unallocated assets				*1,405*
Total assets	220,444	479,621	-24,174	677,296
Segment liabilities				
Current provisions	832	2,551		3,383
Trade payables	23,388	68,637	-20,927	71,098
Other payables	16,179	42,265	-111	58,333
Unallocated liabilities				*3,829*
Total liabilities	40,399	113,453	-21,038	136,643

➢ Segment information by geographic area – 31/12/2019 (12 months)

€000	France	Europe	Outside Europe	Total
Revenue	398,479	276,723	28,234	703,436
Net PP&E and intangible assets	247,496	50,203	6,233	303,932
o/w capex	*32,534*	*3,472*	*722*	*36,728*
Goodwill	26,217	11,166		37,383
Trade receivables	73,709	31,964	2,021	107,694
Other receivables	13,546	1,710	2,171	17,427
Balance sheet total	*87,255*	*33,674*	*4,192*	*125,121*
Other assets allocated	176,707	26,055	6,693	209,455
Unallocated assets				*1,405*
Total assets	537,675	121,098	17,118	677,296

➢ Segment information by business – 31/12/2018 (12 months)

€000	**Paper**	**Processing**	**Inter-segment transactions**	**Total**
Segment income statement				
Revenue	274,042	458,971	-129,914	603,099
Depreciation/amortisation (net of reversals)	11,963	16,138		28,101
Write-downs and provisions	1,735	-2,218		-483
Operating income (excl. goodwill impairment)	5,026	10,299	-403	14,922
Goodwill impairment				-
Segment assets				
Net PP&E and intangible assets	109,125	117,099		226,224
o/w capex	*12,265*	*14,092*		*26,357*
Goodwill		26,924		26,924
Trade receivables	41,089	73,146	-22,029	92,206
Other receivables	3,196	12,736	-58	15,874
Balance sheet total	*44,285*	*85,882*	*-22,087*	*108,080*
Other assets allocated	69,796	132,252	-3,193	198,855
Unallocated assets				*8,618*
Total assets	233,206	362,157	-25,280	568,701
Segment liabilities				
Current provisions	1,104	1,088		2,192
Trade payables	23,561	59,469	-22,017	61,013
Other payables	16,324	39,021	-81	55,264
Unallocated liabilities				*163*
Total liabilities	40,989	99,578	-22,098	118,632

➢ Segment information by geographic area – 31/12/2018 (12 months)

€000	**France**	**Europe**	**Outside Europe**	**Total**
Revenue	382,819	192,117	28,163	603,099
Net PP&E and intangible assets	210,326	10,287	5,611	226,224
o/w capex	*23,661*	*2,391*	*305*	*26,357*
Goodwill	26,924			26,924
Trade receivables	76,831	13,719	1,656	92,206
Other receivables	13,451	394	2,029	15,874
Balance sheet total	*90,282*	*14,113*	*3,685*	*108,080*
Other assets allocated	186,859	5,739	6,257	198,855
Unallocated assets				*8,618*
Total assets	514,391	30,139	15,553	568,701

Exacompta Clairefontaine S.A.

Statutory auditors' report
on the consolidated financial statements

❖ ❖
❖

Resolutions submitted to the Ordinary Shareholders' Meeting

SEREC AUDIT	**BATT AUDIT**
Statutory Auditor	Statutory Auditor
Member of the Paris Institute of Statutory Auditors	Member of the Nancy Institute of Statutory Auditors
70 bis rue Mademoiselle	58, boulevard d'Austrasie
75015 PARIS	54000 NANCY

REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

Dear Shareholders of EXACOMPTA CLAIREFONTAINE,

Opinion

In accordance with the assignment entrusted to us by your Shareholders' Meeting, we have audited the consolidated financial statements of EXACOMPTA CLAIREFONTAINE for the year ended 31 December 2019, which are appended to this report. These financial statements were prepared by the Board of Directors on 26 March 2020 on the basis of the elements available on that date within the changing context of the public health crisis related to Covid-19.

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

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

Basis of the opinion

Audit standards

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

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

Independence

We have performed our audit in compliance with the rules of independence applicable to us, for the period running from 1 January 2018 to the date of issue of our report, and in particular we have not provided services prohibited under Article 5, paragraph 1, of regulation (EU) No. 537/2014 or the French Code of Ethics for statutory auditors.

Observation

Without qualifying the opinion expressed above, we draw your attention to Note 3 to the financial statements "Change in accounting method: IFRS 16 – Leases" which describes the impact of the application of IFRS 16 "Leases" from 1 January 2019.

Justification of our assessments - Key audit matters

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

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

Measurement of goodwill

Risk identified

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

This goodwill is the difference between the price paid and the fair value of the assets and liabilities acquired. It is set forth in Note 9 of the paragraph "Presentation of the consolidated financial statements" to the consolidated financial statements. It has been allocated to the cash generating units (CGUs) in which the acquired companies have been integrated.

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

The methods used for the impairment test is set forth in Note 9 of the paragraph "Presentation of the consolidated financial statements". The recoverable amount of each cash generating unit was determined using the value in use calculated from the discounted value of expected future cash flows from the group of assets comprising that CGU.

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

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

Audit procedures implemented to address this risk

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

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

- the reasonableness of the projected future cash flows with regard to the economic and financial situation in which the CGUs operate and the reliability of the estimation process by looking into the reasons for differences between forecasts and actuals;

- the consistency of these cash flow projections with the latest estimates made by management;

- the consistency between the growth rate used for projected cash flows and market analyses and the consensus among key main market players;

- the calculation of the discount rate applied to estimated cash flows by checking that the different discounting parameters comprising the weighted average cost of capital (gearing, risk free rate, market premium, unlevered beta, and cost of debt) would be aligned on the rate of return that market players currently expect for such an activity;

- the sensitivity test of the value in use performed by management to a change in the main assumptions used.

Specific verifications

In accordance with the professional standards applicable in France, we also performed the specific verifications required under statutory and regulatory provisions regarding the information on the Group included in the Board of Directors' management report prepared on 26 March 2020.

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

We hereby confirm that the consolidated statement of non-financial performance provided for by Article L.225-102-1 of the French Commercial Code is included in the Group information provided in the management report, on the understanding that, in accordance with the provisions of Article L.823-10 of the said Code, we have not verified the accuracy of the information contained in this statement, nor its consistency with the consolidated financial statements, which should be subject to a report drawn by an independent third party.

Disclosures pursuant to other statutory and regulatory requirements

Appointment of statutory auditors
We were appointed as statutory auditors of EXACOMPTA CLAIREFONTAINE by the Shareholders' Meeting of 31 May 1996, in the case of SEREC AUDIT, and of 22 May 2008 in the case of BATT AUDIT.

On 31 December 2019, SEREC AUDIT was in the 23rd consecutive year of its engagement and BATT AUDIT in the 11th year since the company's shares were admitted for trading on a regulated market.

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

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

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

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

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

Responsibilities of the statutory auditors relating to the audit of the consolidated financial statements

Audit objective and approach

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

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

As part of an audit performed in accordance with auditing standards applicable in France, the statutory auditor exercises their professional judgement throughout the audit. Furthermore:

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

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

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

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

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

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

Report to the Audit Committee of the Board of Directors

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

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

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

Executed in Paris and Nancy, 30 April 2020

The Statutory Auditors,

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

RESOLUTIONS SUBMITTED

TO THE ORDINARY SHAREHOLDERS' MEETING OF 27 MAY 2020

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 approve the parent company financial statements for the year ended 31 December 2019.

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 approve the consolidated financial statements for the year ended 31 December 2019.

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:

2019 earnings	€4,930,937.06
Appropriated as follows:	
First dividend	€226,296.00
Second dividend..	€3,168,144.00
Total dividends	€3,394,440.00
Transfer to other reserves	€1,536,497.06

Given that the company's share capital is divided into 1,131,480 shares, each of these shares will receive a total dividend of €3.00.

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

Year	Dividend	Number of shares
2016	2.60	1,131,480
2017	2.70	1,131,480
2018	2.70	1,131,480

FOURTH RESOLUTION

That, following a reading of the statutory auditors' special report, the Shareholders' Meeting formally note the absence in 2019 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

The Shareholders' Meeting, having reviewed the report provided for in Article L. 225-37 of the French Commercial Code, approves the corporate officer remuneration policy presented therein.

SEVENTH RESOLUTION

The Shareholders' Meeting approves the remuneration package and benefits of all kind paid or allocated in respect of fiscal year 2019 to François Nusse, Chairman and Chief Executive Officer, as presented in the corporate governance report (point 6).

EIGHTH RESOLUTION

The Shareholders' Meeting approves the remuneration package and benefits of all kind paid or allocated in respect of fiscal year 2019 to Jean-Marie Nusse, Executive Vice President, as presented in the corporate governance report (point 6).

NINTH RESOLUTION

The Shareholders' Meeting approves the remuneration package and benefits of all kind paid or allocated in respect of fiscal year 2019 to Jean-Claude Gilles Nusse, Executive Vice President, as presented in the corporate governance report (point 6).

TENTH RESOLUTION

The Shareholders' Meeting resolved in favour of the Board of Directors' recommendation to renew the appointment of Mr François Nusse, residing at 105 rue de Lille, Paris 7, 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 2025.

ELEVENTH RESOLUTION

In view of the expiration of the mandates of the auditors, the Shareholders' Meeting, voting on the proposal of the Board of Directors, approved:

- The renewal of the company BATT AUDIT, 58 boulevard d'Austrasie – 54000 Nancy, France
- The appointment of the company ADVOLIS, 38 avenue de l'Opéra – 75002 Paris, France

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 2025.

NOTES