EXACOMPTA CLAIREFONTAINE

ORDINARY SHAREHOLDERS'

MEETING OF 22 MAY 2008

FISCAL YEAR 2007

REPORT OF THE BOARD OF DIRECTORS
PARENT COMPANY AND CONSOLIDATED
FINANCIAL STATEMENTS
REPORTS OF THE AUDITORS
PROPOSED RESOLUTIONS

REGISTERED OFFICE: 88480 ETIVAL CLAIREFONTAINE (VOSGES)
SHARE CAPITAL €4,525,920
Telephone: 03 29 42 42 42 Fax: 03 29 42 42 00 Internet site: http:www.exacomptaclairefontaine.fr
SAINT DIE TRADE REGISTER N° B 505 780 296 SIRET NO.: 505 780 296 NAF : 7010Z

Board of Directors

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

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

Jean-Marie Nusse, Executive Vice President
Chairman, Papeteries de Clairefontaine
Member of the Management Board of Ets Charles Nusse

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

Guillaume Nusse
Chairman and Chief Executive Officer, Clairefontaine Rhodia

Jérôme Nusse
Chief Executive Officer, Quo Vadis

Frédéric Nusse
Chief Executive Officer, Everbal
Co-Manager, Brause

Charles Nusse
Co-Manager, Brause

Dominique Daridan

Henri de Verthamon

Auditors

KPMG S.A, 54600 Villers les Nancy

SEREC AUDIT, 75013 Paris

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- > Report of the Board of Directors on operations and parent company financial statements for fiscal year 2007
- > Report of the Board of Directors on operations and consolidated financial statements for fiscal year 2007
- > Reports of the Auditors on the financial statements for this fiscal year and on the transactions governed by Articles L.225-38 and L.225-235 of the French Commercial Code
- > Approval of the parent company financial statements for the year ended 31 December 2007 consisting of the balance sheet, the income statement and notes thereto
- > Approval of the consolidated financial statements for the year ended 31 December 2007 consisting of the balance sheet, the income statement and the notes thereto
- > Allocation of earnings
- > Approval of the agreements governed by Article L.225-38 of the French Commercial Code
- > Discharge of the Directors. Approval of the directors' fees allocated to the members of the Board of Directors
- > Election of one Director and appointment of the Auditors

THE BOARD OF DIRECTORS

REPORT OF THE BOARD OF DIRECTORS TO

THE ORDINARY SHAREHOLDERS' MEETING

OF 22 MAY 2008

To the Shareholders,

Although it did not reach the profitability achieved earlier in this decade, fiscal year 2007 was a marked improvement over years 2005 and 2006.

1. REVIEW AND APPROVAL OF THE PARENT COMPANY FINANCIAL STATEMENTS

	K€
Operating revenue	8,974
Operating income/loss	(661)
Financial income	2,646
Net income	1,097

EXACOMPTA CLAIREFONTAINE, a holding company, serves the companies of the group, 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.

Its operating result was a deficit of € (661,000) compared with € (510,000) in 2006.

Financial income was € 2,646,000. This includes dividends from the subsidiaries in the amount of € 1,926,000.

The net income of the parent company EXACOMPTA CLAIREFONTAINE was € 1,097,000 in 2007 compared with € 7,011,000 in 2006.

Net income declined because of a subsidy granted, a decrease in the tax consolidation income, and a reduction in internal dividends.

The amount of the non-tax deductible expenses was € 10,671.31.

The parent company has no employee shareholders.

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 which head sub-groups (Exacompta, Papeteries de Clairefontaine, Clairefontaine Rhodia, AFA) guarantee all repayments of their subsidiaries which borrow from the parent company.

INCOME FOR THE LAST FIVE YEARS IN EUROS

Closing date **Duration of the year (in mos.)**	**31/12/2007** **12**	**31/12/2006** **12**	**31/12/2005** **12**	**31/12/2004** **12**	**31/12/2003** **12**
CAPITAL AT YEAR END					
Share capital	4,525,920	4,525,920	4,525,920	4,525,920	4,525,920
Number of shares of common stock	1,131,480	1,131,480	1,131,480	1,131,480	1,131,480
TRANSACTIONS AND RESULTS					
Revenue before tax	1,155,501	395,671	253,886	231,787	224,298
Income before taxes, profit-sharing, depreciation, amortisation and provisions	(948,950)	2,660,784	4,233,376	5,419,743	3,728,096
Income taxes	(2,273,317)	(4,454,216)	(5,072,034)	(550,498)	396,772
Net depreciation, amortisation and provisions	226,912	104,338	236,321	320,049	61,774
Net income	1,097,455	7,010,661	9,069,090	5,650,192	3,269,551
Distributed income	2,262,960	2,262,960	2,262,960	3,960,180	3,960,180
EARNINGS PER SHARE					
Income after taxes, profit-sharing and before depreciation, amortisation and provisions	1	6	8	5	3
Income after taxes, profit-sharing, depreciation, amortisation and provisions	1	6	8	5	3
Dividend paid	2*	2	2	4	4
PERSONNEL					
Average number of employees	61	53	62	63	65
Payroll	4,469,507	4,275,718	4,177,294	4,652,040	4,767,323
Sums paid in employee benefits (social security, social works, etc.)	1,647,595	1,758,007	1,656,715	1,700,096	1,833,570

* Dividend recommended

2. REVIEW AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PREVIOUS YEAR

2.1 RESULTS

(In € thousands)	2007
Income from continuing activities (Revenue)	538,113
Operating income	24,329
Net income before income taxes	20,890
Net income after income taxes	14,250
Minority interests	(61)
Group share	14,311

The scope of consolidation reflects the impact of the consolidation of "Ernst Stadelmann" and "Publiday Multidia".

The consolidated cash flow of the Exacompta Clairefontaine group was € 38,684,000 and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) amounted to € 46,293,000, compared with € 27,254,000 and € 30,429,000, respectively, in 2006.

The group had 3,364 employees, up from 3,295 in 2006.

2.2 PAPER PRODUCTION

The recovery in the printing and writing papers market, which began in 2006, continued in 2007. Apparent consumption of printing and writing papers rose 1.3% in 2007 from the level reached in 2006, which was equal to the level of 2005.

The restructurings launched in 2006 impacted the production of last year. In 2007, production stabilized and reached the 2006 level.

Finally, a better balance in the French and European markets led to an increase in the selling prices for printing and writing papers, the deterioration of which was checked in 2006.

In the uncoated papers sector, the main factor driving the improvement in the market was the stabilisation of imports to Western Europe, particularly for office equipment papers.

Our 5 machines specialise in writing and correspondence papers, and papers for office, the arts and organisation.

The quality of our papers allows us to maintain good commercial positions against large integrated pulp plants.

During this past year, our reeled paper production rose 2.7% to 217,515 tons.

The strong performance of the Euro in large part offset the continued increase in prices for pulp denominated in US Dollars, but our paper selling prices rose only slightly.

2.3 TRANSFORMATION

The entire paper articles market grew by about 2% over the first nine months of the year in non-seasonal data. On the other hand, for the final three months of the year, activity was relatively flat. This phenomenon was especially so for office supplies.

Our various departments specialising in paper articles benefited from this market growth and also increased their export sales.

Our products lines were enhanced by offering a large portion of "collection" type articles and by expansion in the organisation and creative arts segments.

The profitability of this sector also improved because of the reorganisation efforts made in recent years.

2.4 FINANCIAL POSITION

2.4.1 Debt

At 31 December 2007, with revenue of € 538,113,000, the group's financial debt (excluding parent company loans) was € 70,811,000, and shareholders' equity totalled € 357,971,000.

The Exacompta Clairefontaine group finances a large portion of its short-term needs through commercial paper issued on the market and spot loans, in the amount of € 16,000,000 at the end of 2007.

In order to ensure its medium- and long-term growth, the group has negotiated a line of credit with its bank partners. Outstandings under this line were € 38,700,000 at 31 December 2007.

With cash of € 56,084,000, allowing it to finance a portion of its investments, the Group had a net financial debt of € 14,727,000 at 31 December 2007.

2.4.2 Financial instruments

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

2.4.3 Management of the financial risk

Generally, the Exacompta Clairefontaine Group does not engage in any complex financial transactions. Financial risk management is provided by the operating units in accordance with the policy defined by senior management.

<u>Credit risk</u>

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

* Trade and other receivables

  The credit risk is not significant. It is distributed over a large number of customers. The Group has set up tools to monitor outstanding amounts and, in addition, the risk is limited by credit insurance policies.

* Investments

  The Group limits its exposure to the credit risk on investments, short-term deposits and other cash instruments by investing only in liquid securities; the counterparties are banks with high ratings.

<u>Liquidity risk</u>

The Group's approach to managing this risk is to ensure that it always has sufficient liquid assets to meet its liabilities when due without incurring unacceptable losses or damaging its reputation. For this purpose, short-term financing arrangements are in place along with a line for drawing that covers medium and long-term payments.

<u>Foreign exchange risk</u>

The Group operates internationally, but has little exposure to foreign exchange risks because of the local presence of its main subsidiaries. The risks related to commercial transactions are primarily those related to purchases of raw materials, which are 50% covered by option contracts.

3. PROPOSED RESOLUTIONS

3.1 ALLOCATION OF EARNINGS

Earnings to be allocated (in euros) of:

Income for 2007 .... € 1,097,454.77

We propose the following allocation:

First dividend... 226,296.00

Second dividend 2,036,664.00

TOTAL € 2,262,960.00

of which, use made of other reserves .... € 1,165,505.23

As the share capital is divided into 1,131,480 shares, each share would receive a total dividend of €2.00

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

Year	Dividend	Number of shares
2004	3.50	1,131,480
2005	2.00	1,131,480
2006	2.00	1,131,480

3.2 SHAREHOLDERS AND OFFICERS

3.2.1 Shares and trading

The share listed at € 150.30 on 2 January 2007 and closed the year at € 157.00. During the same period, the SBF 250 gained +0.41% and the CAC 40 rose +1.31%. The number of shares traded during the year was 16,807.

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, holds 910,395 shares with double voting rights, representing 80.46% of the capital at 31/12/2007.

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

The companies of the group benefit from the leadership provided by Ets Charles NUSSE and pay a fee equal to 0.6% of the value added of the previous year.

3.2.2 Directors' fees

Your Board proposes that you approve directors' fees in the amount of € 60,000 to be paid to the directors of the company in 2008.

3.2.3 Directors

The term of François Nusse is expiring. We are proposing that you re-elect him to the Board for a term of six years, which will end at the end of the Shareholders' Meeting called to approve the financial statements for the year 2013.

3.2.4 Lists of the principal offices held by the member of the Board

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

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

Jean-Marie Nusse, Executive Vice President
Chairman, Papeteries de Clairefontaine
Member of the Management Board of Ets Charles Nusse

Guillaume Nusse
Chairman and Chief Executive Officer, Clairefontaine Rhodia

Jérôme Nusse
Chief Executive Officer, Quo Vadis

Frédéric Nusse
Chief Executive Officer, Everbal
Co-Manager, Brause

Charles Nusse
Co-Manager, Brause

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

3.2.5 Auditors

The appointments of the auditors and their alternates expire at the conclusion of the Shareholders' Meeting of 22 May 2008.

We are proposing that you renew their appointments for a period of six years, until the end of the Annual Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2013:

□ SEREC AUDIT, with registered offices at 25, rue Charles Fourier 75013 Paris, registered in the Paris Trade Register under No. 324 834 399, as the regular Auditor.

To replace the FAREC company, we are proposing that you appoint for a period of six years, until the conclusion of the Annual Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2013:

□ G.B.A. Audit et Finance, with registered offices at 10, rue du Docteur Finlay 75015 Paris, registered in the Paris Trade Register under No. 342 775 137, as the alternate auditor.

To replace KPMG, we are proposing that you appoint for a period of six years, until the end of the Annual Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2013:

□ BATT AUDIT, with registered offices at 25, rue du Bois de la Champelle 54500 Vandœuvre-lès-Nancy, registered in the Nancy Trade Register under No. 414 570 622, as the regular auditor;

□ The SOVEC company, with registered offices at 661, avenue de la Division Leclerc 88300 Neufchâteau, registered in the Mirecourt Trade Register under No. 328 045 711, as the alternate auditor.

4. POST-CLOSING EVENTS

No significant event occurred between 1 January and 27 March 2008.

5. RESEARCH AND DEVELOPMENT ACTIVITY

The companies of the Group, including Papeteries de Clairefontaine, participate in various research programs in cooperation with the Grenoble Paper Technical Centre and various University laboratories.

6. SAFETY AND MANAGEMENT OF PRODUCTION CONDITIONS

Thirty-eight industrial units of the Exacompta Clairefontaine Group benefit from the consulting and support services of an engineer to guide and apply the Man and Machine safety policy.

For these 38 units, the weighted average declared rate of occupational accidents and illnesses rose from 2.07% to 2.51% between 2001 and 2007. These rates reflect a stable cost of risks because the increase was essentially due to the administrative increase in the collective rate, which rose from 2.26 to 2.62% between 2001 and 2007. Thus, the balance is positive since the weighted average notified rate remained better than the weighted average collective rate in 2007.

In order to improve these results, the emphasis in 2007 was placed on communication, with the distribution of a "Safety Bulletin" that included the safety results for each unit.

Manual operations, pedestrian and machinery traffic, and operations on machinery were the causes of the main occupational accidents and illnesses.
In order to improve risk prevention, measures were taken primarily in the following areas:

- Manual operations
- Machine with manual starts (presses, cutters and compactors)
- The use of general work equipment

The various actions taken were the result of recommendations to improve the technical, organisations and human aspects for handling safety in their unit. Several units now benefit from permanent support from a safety officer to coordinate actions.

7. EMPLOYMENT INFORMATION

The Exacompta Clairefontaine Group had 3,364 employees at 31 December 2007, up from 3,295 in 2006.

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

The group committee, which met 18 June 2007, commented on the activity and the economic and employment outlook for the year.

8. ENVIRONMENTAL INFORMATION

Monitoring of carbon dioxide (CO_2) emissions at French paper sites

Site	PNAQ 1 (2005-2007) Annual allocation (t CO_2)	2007 net emissions (t CO_2)	PNAQ 2 (2008-2012) Annual allocation (t CO_2)
CLAIREFONTAINE	108,010	79,992 *	92,804
MANDEURE	14,538	9,663	12,491
EVERBAL	31,581	17,336	27,135
Total	**154,129**	**106,991**	**132,430**
** Gross emissions from Papeteries de Clairefontaine totalled 91,612 t. A portion of the CO_2 emitted by the boilers is exported to the OMYA company for the production of Precipitate Calcium Carbonate (PCC).*			

For 2007, the quota surplus was 47,138 tons of CO2. Despite the allocation decrease, the balance should remain in surplus for the period 2008-2012.

Several short-term measures are planned to reduce fossil-based CO2 emissions, including:

- in 2008, the modernisation and reduction of capacity of the current co-generation of Papeteries de Clairefontaine;
- Two biomass boiler projects are being studied at Everbal and Papeteries de Clairefontaine. In the second case, the boiler would also feed a steam turbine for combined production of steam and electricity.

Reduction of surface water draw-offs

In 2007, Papeteries de Clairefontaine implemented a new water recovery unit in order to limit draw-offs from the river. In slightly more than eight months, this project will have saved nearly 80,000 cubic meters of water.

Environmental certifications

Four sites are currently ISO 14 001 certified:

- **Papeteries de Clairefontaine** (2001) - Etival-Clairefontaine (88)
- **Papeterie de Mandeure** (2003) - Mandeure (25)
- **Everbal** (2006) - Evergnicourt (02)
- **Quo-Vadis** (2007) - Carquefou (44)

In addition, **Papeteries Sill** - Wizernes (62) should be certified in 2008.

- Forestry certifications : The production sites and some transformation sites are certified PEFC and/or FSC :

- NF Environnement: **Papeteries Sill and Châtelles Transformation** - Raon l'Etape (88) have obtained the right to use the NF Environnement market for notebooks, and **Papeteries de Clairefontaine** for envelopes.

9. OUTLOOK

In the Paper sector, the outlook continues to be uncertain. There is still upward pressure on raw materials (pulp, starches, additives), and energy and employee benefits are still under pressure.

The scenario is the same in 2008 for sales prices. Global competition makes price increases difficult for the more common products like white or recycled reams.

Imports of these items from the emerging countries make the situation complicated, particularly for European and French industry.

Only the specialty products allow the Exacompta Clairefontaine Group to maintain the margins necessary for growth and the investments that ensure its competitiveness.

Exacompta Clairefontaine, a global buyer, but a producer that works primarily in the European market, benefits from the impact of favourable fluctuations in the euro. This situation is cyclical.

The non-integrated paper industry, which is a heavy power consumer, is penalised by continued increases in the price of electricity. Clairefontaine's participation in the Exeltium project and the investments planned in biomass are expected to smooth out energy costs.

On the <u>Transformation</u> side, the outlook is mixed. The Group's logistics organisation, its diversification into the areas of organisation, agendas and the arts sector, and continued improvements in sourcing will win market share and improve the group's productivity.

On the other hand, or as a result, the transformation sector is being impacted by restructurings that are costly for the Group.

The transformation sector will experience more changes than the paper sector, through internal or external growth or restructurings that have become unavoidable to remain in step with a market that is rapidly changing and extremely competitive because of imports.

[Insert Organisational Chart]

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE OPERATION OF THE BOARD AND INTERNAL CONTROL

Year ended 31 December 2007

Dear Shareholders,

The Financial Security Act of 1 August 2003 now requires that the Chairman of the Board provide a report on the conditions for the preparation and organisation of the work of the Board of Directors, the scope of the powers of the executive officers, and the internal control procedures established by the company.

It is in compliance with this obligation set forth in Article L. 225-37 of the French Commercial Code that I provide you with the following information:

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

As I remind you, the Board has ten members:

François Nusse, whose term expires in 2008

Jean-Claude Gilles Nusse, whose term expires in 2009

Jean-Marie Nusse, whose term expires in 2011

Guillaume Nusse, whose term expires in 2010

Jérôme Nusse, whose term expires in 2010

Frédéric Nusse, whose term expires in 2010

Charles Nusse, whose term expires in 2012

Dominique Daridan, whose term expires in 2011

Henri de Verthamon, whose term expires in 2013

Ets Charles Nusse, represented by Monique Prissard, whose term expires in 2010

The Chairman and Chief Executive Officer, who is the Chairman of the family holding company Ets Charles Nusse and of SAS Exacompta and its subsidiaries, is backed by two Executive Vice Presidents and directors, and a non-director Executive Vice President.
The Board has placed no limitations on the powers of the Chairman and Chief Executive officer and the Executive Vice Presidents.

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

* salaries: based on the experience and the responsibilities of the position held;
* directors' fees: equally among the members of the Board.

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

The Board has met five times since 1 January 2007. The March meeting of the Board drew up the financial statements for the previous year and prepared for the Shareholders' Meeting. The August meeting reviewed the interim position, particularly the economic environment at the beginning of the year and the interim operating statements and other specific items.
One or more Board meetings are held if circumstances require, particularly in the event of possibilities for significant acquisitions. Indeed, decisions are made by consensus under these circumstances, even if this approach is not expressly stipulated in the bylaws; this is also the case for the main industrial investments.
The March and August Board meetings are followed by an announcement to all shareholders.

Board members must be physically present at Board meetings, as there is no provision for videoconferencing.
The members of the Board had a very high attendance rate, with no absenteeism.
No meetings were called at the initiative of the directors or the Executive Vice Presidents.

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.

At the Board meeting following the half-year and annual closing of the accounts, each company of the group is required to submit a management report that must contain the following elements, in addition to its financial statements:

* raw materials (pulp in particular)
* sales results
* finishing and logistics
* technical services
* industrial result
* accounting and financial management
* investments
* outlook and risks

At the March and August Board meetings, the directors review the consolidated financial statements of the group and the consolidated statements of the sub-groups. These consolidated statements contain a number of analyses:

* change in shareholders' equity,
* contribution to consolidated results by company,
* contribution to consolidated reserves by company,
* contribution to shareholders' equity by company,
* consolidated SIG.

The draft of the annual financial statements is transmitted to Board members at least eight days before the Board meeting called to prepare the final financial statements.

Whenever a member of the Board requests it, the Chairman shall immediately or rapidly transmit any additional information or documents requested.

2. Internal control procedures established by the company

2.1 Definition of internal control

Internal control is defined as a process implemented simultaneously by the Board of Directors, 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 the operations;
- reliability of the financial information;
- compliance with the laws and regulations in force.

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

2.2 Purposes and limits

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

- irregularities and fraud;
- a significant 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, deterioration or disappearance of assets, or incorrect valuation of assets.

An internal control systems, as good as it may be, 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 must be taken into account.

The group relies on four types of information to guide its operations:

- the parent company financial statements (twice yearly),
- the consolidated financial statements (twice yearly),
- the quarterly accounts (not published),
- the provisional accounts (not published).

2.3 Procedures

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

x accounting and financial

-> establishment of the provisional accounts
-> budget monitoring
-> monitoring of intra-group revenue
-> intra-group accounting reconciliations
-> monitoring of monthly and year-to-date interim management balances
-> monthly and year-to-date cash position
-> composition and performance of the investment portfolio
-> monthly monitoring of the short and medium-term commitments of the subsidiaries, with transmission and control of working capital requirements

Systematic identification of risks is the first step in internal control. Mapping the group's risks presents no specific problems, and the principal challenges are as follows:

x control of raw materials purchases,
x control of manufacturing processes,
x environmental risks,
x protection of industrial assets and sites,
x control of the use of financial instruments and hedging currency risk.

The internal control of financial instruments is specifically monitored by Management, both with regard to the types of instruments used and the maximum risk levels incurred, which are measured daily. These financial instruments (contracts or options) are of two types. They are either a hedging transaction to reduce the risk of a change in the value of an asset or liability or a commitment or future transaction not yet realised with which they are correlated, or they are purely financial in nature in the case of an additional amount outstanding.

x in other areas, a number of regular reports are published

-> production reports,
-> monitoring of monthly and year-to-date industrial results,
-> ISO 9000 and ISO 14000 certification,
-> safety,
-> PEFC and FSC audits.

The company has no organised 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 management or its delegates or agents, with the general goal of complying or ensuring compliance with the laws, regulations and standards in force, and of making every effort to prevent the occurrence of losses that could affect the group's ability to continue operations.

^ The company uses the following accounting software or applications:

- ETAFI (tax management)
- REFLEX (consolidation)
- SAP, MOVEX (accounting & finance)
- ZADIG HYPERVISION (personnel management)
- EXCALIBUR (intranet set up in 2007 at the accounting and finance level).

^ The companies of the group carry the following insurance policies:

- industrial multi-risk
- insurance for machine breakdowns, costs and financial losses on co-generation
- comprehensive real property
- general civil liability
- environmental damage liability
- automobile fleet and work vehicles insurance

The Chairman of the Board of Directors

Exacompta Clairefontaine S.A.

Parent Company Financial Statements as at 31 December 2007

BALANCE SHEET AND INCOME STATEMENT

ASSETS in 000s of €	31/12/2007	31/12/2006
Non-current intangible assets		
Concessions, patents, licenses, trademarks	97	10
Intangible assets in progress		37
Property, plant and equipment		
Land	2,601	1,529
Buildings	15,199	1,400
Other tangible assets	29	31
Fixed assets in progress		
Non-current financial assets		
Equity interests	289,218	289,219
Other non-current securities		229
Loans	34,730	35,999
Other non-current financial assets	4	4
TOTAL NON-CURRENT ASSETS	**341,878**	**328,459**
Inventories	15	15
Advances and progress payments made on orders	60	69
Receivables		
Trade and related receivables	2,937	2,335
Other receivables	77,597	90,991
Prepaid expenses	455	393
Cash and cash equivalents	743	845
TOTAL CURRENT ASSETS	**81,807**	**94,648**
Currency translation adjustment	303	205
TOTAL ASSETS	**423,988**	**423,312**

LIABILITIES AND SHAREHOLDERS' EQUITY in 000s of €	31/12/2007	31/12/2006
Share capital	4,526	4,526
Share, merger and contribution premiums	162,566	162,566
Revaluation discrepancy	485	485
Reserves		
Statutory reserve	453	453
Other reserves	138,238	133,047
Retained earnings		
Profit or (loss) for the year	**1,097**	**7,011**
Regulated provisions	1 719	269
SHAREHOLDERS' EQUITY	**309,084**	**308,799**
Provisions		
For contingent liabilities	820	867
For charges	225	247
TOTAL PROVISIONS	**1,045**	**1,114**
Financial debt		
Loans and debt with credit institutions	56,208	77,386
Operating payables		
Trade and related payables	1,191	961
Taxes and social contributions payable	2,913	1,255
Other payables	53,191	33,499
Prepaid income	145	126
TOTAL DEBT	**113,648**	**113,227**
Currency translation adjustment	211	172
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**423,988**	**423,312**

INCOME STATEMENT in 000s of €	31/12/2007	31/12/2006
Revenues	1,156	396
Operating subsidies	31	33
Reversals of depreciation, amortisation and provisions, transfer of charges	7,388	7,115
Other income	399	409
REVENUE FROM OPERATIONS	**8,974**	**7,952**
Purchases and other supplies	16	20
Other purchases and external expenses	2,556	2,052
Taxes, duties and similar payments	661	231
Salaries and wages	4,470	4,276
Social expenses	1,648	1,758
Increases in depreciation/amortisation of non-current assets	219	61
Other expenses	65	64
OPERATING EXPENSES	**9,635**	**8,462**
OPERATING PROFIT/(LOSS)	**-661**	**-510**
Financial income from equity investments	1,926	3,162
Income from other securities and non-current assets	1,608	1,481
Other interest and similar income	4,538	2,697
Reversals of provisions, expense transfers	141	142
Positive currency translation adjustments		
Net profit on sales of marketable securities		
FINANCIAL INCOME	**8,213**	**7,482**
Increases in depreciation, amortisation and provisions	92	232
Interest expense and similar expenses	5,255	3,955
Negative currency translation adjustments	220	221
Net expenses on sales of marketable securities		
FINANCIAL EXPENSES	**5,567**	**4,407**
FINANCIAL INCOME/(EXPENSE)	**2,646**	**3,074**
INCOME BEFORE TAXES	**1,985**	**2,565**
Extraordinary income		
On operating transactions	121	14
On capital transactions	229	11
Reversals of provisions, expense transfers	5	5
EXTRAORDINARY INCOME	**355**	**29**
Extraordinary expenses		
On operating transactions	3,200	
On capital transactions	231	9
Increases in depreciation, amortisation and provisions	85	29
EXTRAORDINARY EXPENSES	**3,516**	**37**
EXTRAORDINARY INCOME/(EXPENSE)	**-3,161**	**-8**
Income tax	-2,273	-4,454
NET INCOME FOR THE YEAR	**1,097**	**7,011**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

KEY EVENTS OF THE YEAR

Introduction

Note to the balance sheet prior to appropriate for the year ended 31/12/2007, for which:

- Total assets were: € 423,988,099.04
- Net income was: € 1,097,454.77

Principal events of the year

Exacompta Clairefontaine took over its subsidiary SCI du Rhin on 1 December 2007, through a transfer of all assets.
The company granted a subsidy of € 3,200,000 in the context of the reorganisation of Brause GmbH and its subsidiaries.

Accounting principles, rules and methods

The annual financial statements were prepared and are presented in accordance with the French regulations in effect, as set forth in the decrees of the *Comité de la Réglementation Comptable* (CRC) [Accounting Regulatory Committee].

Comparability of the financial statements

The fiscal year is a period of 12 months that runs from 1 January 2007 through 31 December 2007.

The notes provided below form an integral part of these annual financial statements.

ACCOUNTING RULES AND METHODS

General accounting conventions have been applied, in compliance with the principle of prudence, according to the following basic assumptions:

- continuity of operations;
- constant accounting methods from one year to the next;
- independence of years;

and 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 principal methods used are as follows:

<u>Non-current intangible assets</u>

Amortisation was calculated using the straight line method, based on the probable useful life:

- Software 1 to 3 years

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

Valuation:

Property, plant and equipment were valued at their acquisition cost (purchase price excluding ancillary expenses) or production cost.

Depreciation:

Depreciation was calculated using the straight line method, based on the estimated useful life for each component of a fixed asset, on the following bases:

- Buildings 25 to 50 years
- Furnishings and fixtures of buildings 10 to 20 years
- Office and computer equipment 3 to 10 years

Writedowns:

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 writedown is taken for the amount of the difference.

<u>Non-current financial assets</u>

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

If the asset value is less than the gross value, a writedown is recognised for the amount of the difference.
The asset value is assessed on the basis of the net position, which may be consolidated in the case of a group of subsidiaries, and on the prospects of each subsidiary or group of subsidiaries.

<u>Inventories</u>

The purchase made in 1997 of resinous wood is held in stock. A writedown of € 183,000 was taken because of the effects of the storm of 26 December 1999.

Receivables and payables

Valuation and impairment:

Receivables and payables are valued at their nominal amount. A writedown is taken against receivables when their inventory value is less than their book value.

Receivables and payables denominated in foreign currencies:

These items are valued using the last exchange rate as at the close of the fiscal year. Differences resulting from this valuation are recorded as currency translation adjustments, in assets or liabilities. Provisions for foreign exchange losses are recognised for positive currency translation adjustments.

Cash

Short-term cash:

Short-term needs are financed by commercial paper issued in the market and spot loans. These totalled € 16 million at year-end.
The commercial paper issued by Exacompta Clairefontaine has a fixed maturity and a maximum term of 365 days. It bears a fixed rate determined at the time of issuance. The outstanding paper totalled € 125 million at year-end.

Drawing line:

A drawing line is in place with several banks for a maximum amount of € 95,000, with maturities falling between 1 and 2 years from the end of the fiscal year.

The outstanding amount on this line was € 38,700 as at year-end.

Accelerated depreciation

Accelerated depreciation consisted of the difference between the depreciation calculated according to tax practices and that calculated according to the straight line method based on the probable useful life.

Accelerated depreciation totalled € 1,719,000 at year-end.

Provisions for contingent liabilities and charges

Provision for pensions:

The method used to calculate this provision is the projected credit units method. The calculation is based on the following main assumptions:

- payments received pursuant to the collective agreement “Production of papers, cardboard and cellulose”;
- discount rate: 3.28%;
- social security contributions rate: 40%

The amount of the retirement commitment—including social security contributions—has been provisioned in full as at year-end and totalled € 225,000.

Other provisions:

A provision for risks on financial instruments has been established, in the amount of € 728,000 as at year-end.

Other information

Identity of the parent company consolidating the company's financial statements:

Ets Charles NUSSE, S.A., with a Board of Directors and a Supervisory Board, authorized capital of € 1,632,000, at 15, rue des Ecluses St Martin 75010 PARIS.

Percentage held: 80.46%

Tax consolidation:

All the subsidiaries consolidated by full consolidation are consolidated for tax purposes, except for the foreign companies and Belem Editions, Pelissier MI and Châtelles Transformation.

The parent company of the tax group is Exacompta Clairefontaine.

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 savings realised in 2007 totalled € 2,273,000.

Individual training rights:

No request was made by employees. The volume acquired is 3,784 hours as at year-end.

Staff:

The staff of the parent company totalled 61 persons at 31 December 2007 (2 administrative managers and 59 sales managers), compared to 53 persons at 31 December 2006.

Compensation of administrative bodies and management:

The members of the Board of Directors receive no remuneration from the company.

The remuneration granted to the members of the Board of Directors as directors' fees totalled
€60,000 in 2007, and was awarded by a decision of the Shareholders' Meeting of 24 May 2007.

INFORMATION ON THE BALANCE SHEET
AND THE INCOME STATEMENT

Authorized capital

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

Change in shareholders' equity (in 000s of €)

Shareholders' equity at 31/12/2006	**308,799**
Dividends distributed	-2,263
Change in regulated provisions	1,451
Income for fiscal year 2007	1,097
Shareholders' equity at 31/12/2007	**309,084**

Change in gross non-current assets

in 000s of €	Gross amount at beginning of year	Purchases	Sales	Other changes	Gross amount at end of year
Concessions, patents, licenses	63	68		37	168
Intangible assets in progress	37			-37	
Non-current intangible assets	**100**	**68**			**168**
Land	1,529			1,072	2,601
Buildings and fittings	1,921	5,231		13,630	20,782
Other tangible assets	79	9	42		46
Fixed assets in progress					
Property, plant and equipment	**3,529**	**5,250**	**42**	**14,702**	**23,429**
Equity investments	289,219			-1	289,218
Other non-current securities	231		231		
Loans	35,999	7,711	8,980		34,730
Other non-current financial assets	4				4
Non-current financial assets	**325,453**	**7,711**	**9,211**	**-1**	**323,952**

Inventory of securities held in the portfolio

Company name	Number of shares	% stake	Net inventory value
Papeteries de Clairefontaine	5,700,000	100%	103,001,491
Exacompta	135,000	100%	115,692,905
Ateliers de Fabrication d'Agendas	90,000	100%	49,633,434
Clairefontaine Rhodia	161,892	100%	20,889,921
Coopérative Forestière Lorraine	1	insignificant	178

Change in depreciation/amortisation of non-current assets

in 000s of €	Amount at beginning of year	Additions	Reversals	Other changes	Amount at end of year
Concessions, patents, licenses	53	18			71
Intangible assets	**53**	**18**			**71**
Land					
Buildings and fixtures	521	190		4,872	5,583
Other tangible assets	48	11	42		17
Property, plant and equipment	**569**	**201**	**42**	**4,872**	**5,600**

Change in provisions and writedowns

in 000s of €	Amount at beginning of year	Increases	Reversals	Other changes	Amount at end of year
Accelerated depreciation/amortisation	269	85	5	1,370	1,719
Regulated provisions	**269**	**85**	**5**	**1,370**	**1,719**
Risks on financial instruments	834		106		728
Foreign exchange losses	33	92	33		92
Pensions and similar obligations	247		22		225
Provisions for contingent liabilities and charges	**1,114**	**92**	**161**		**1,045**
Other non-current securities	2		2		
Writedown of stocks	183				183
Writedowns	**183**		**2**		**183**

Increases and reversals		
• operating		22
• financial	92	141
• extraordinary	85	5
Total	**177**	**168**

Receivables schedule

Receivables due – in 000s of €	**Gross amounts**	**Less than 1 year**	**More than 1 year**
Receivables from non-current assets	34,730	10,260	24,470
Loans	4		4
Other non-current financial assets	2,937	2,937	
Receivables from current assets	10	10	
Trade receivables	8	8	
Personnel and related			
Social entities	150	150	
Income taxes	77,429	77,429	
Value added tax			
Group and associates	455	455	
Other receivables			
Prepaid expenses			
Total	**115,723**	**91,249**	**24,474**

Payables Schedule

Payables due – in 000s of €	**Gross amounts**	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**
Loans and debts – Credit institutions	56,208	55,592	616	
Suppliers and related	1,191	1,191		
Personnel and related	627	627		
Social entities	391	391		
Income taxes	1,713	1,713		
Value added tax	154	154		
Other taxes, duties and similar items	28	28		
Liabilities on non-current assets	1	1		
Group and associates	53,190	53,190		
Deferred income	145	145		
Total	**113,648**	**113,032**	**616**	

Breakdown of prepaid expenses and deferred income

in 000s of €	**Prepaid expenses**	**Deferred income**
External expenses	154	
Financial transactions	301	145
Total	**455**	**145**

Breakdown of accrued liabilities and accrued income

in 000s of €	Accrued liabilities	Accrued income
Invoices not received / to be established	159	148
Tax and social payables /receivables	725	8
Financial transactions	23	53
Total	**907**	**209**

Breakdown of transfer of charges

in 000s of €	Transfer of charges
Transfer of external charges	1,562
Transfer of personnel charges	5,804
Total	**7,366**

Extraordinary income and expenses

in 000s of €	31/12/2007	31/12/2006
Sale of property, plant and equipment		6
Sale of non-current financial assets	229	5
Reversal of accelerated depreciation	5	5
Other income	121	13
Total extraordinary income	**355**	**29**
Sale of property, plant and equipment		6
Sale of non-current financial assets	231	2
Increase in accelerated depreciation	85	29
Other expenses	3,200	
Total extraordinary expenses	**3,516**	**37**

Breakdown of income taxes

Breakdown – in 000s of €	Income before tax	Taxes owed	Net income after tax
Current income	1,985		1,985
Extraordinary income	-3,161		-3,161
Tax receivable due to previous taxable profits charged		-2,273	2,273
Total	**-1,176**	**-2,273**	**1,097**

Deferred and contingent tax position

in 000s of €	**Amount**
Tax on:	
Accelerated depreciation/amortisation	573
Total increases	573
Prepaid tax on:	
Paid holidays	109
Other	79
Total reductions	188
Net deferred tax position	**385**

Net contingent tax position	**0**

Financial instruments

Valuation:

The company uses derivatives products mainly to hedge against rate risks. Transactions carried out to hedge foreign exchange risks are not significant.
The valuation of the financial instruments was € 690 000 at 31/12/2007.

Interest rate risks

In order to protect itself against changes in interest rates, the group executed hedges in the form of interest rate, swap, cap and floor contracts.
The types of instruments that may be used, and the maximum level of risk incurred, are determined by senior management. The risk is monitored daily.

Portfolio of financial instruments at 31/12/2007:

Time to maturity in 000s of €	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Rate swaps	24,954	16,301	3,692	44,947
Caps purchased	14,250	687		14,937
Floors sold	7,125	344		7,469
Total	**46,329**	**17,332**	**3,692**	**67,353**

Off-balance sheet commitments

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

There are no commitments to related companies.

Amounts concerning related companies

in 000s of €	**Related companies**
Non-current assets	**323,928**
Equity interests	289,218
Loans	34,710
Current Assets	**80,000**
Trade and similar receivables	2,719
Other receivables	77,429
Payables	**53,243**
Supplier and similar payables	52
Other payables	53,191
Financial income	**7,327**
Dividends	1,926
Financial expenses	**1,682**
Operating income	**8,330**
Finance leases	615
Other income	349
Transfer of charges	7,339

List of subsidiaries and equity interests– in euros

Direct subsidiaries in which more than 50% is held	**% held Dividends received**	**Authorized capital Shareholders' equity**	**Shares Gross Amount Net Amount**	**Loans Advances**
Papeteries de Clairefontaine 88480 ETIVAL CLAIREFONTAINE	100% 770 000	91,200,000 158,722,281	103,001,491 103,001,491	2,758,000
Exacompta 138, Quai de Jemmapes 75010 PARIS	100%	2,160,000 82,384,589	115,692,905 115,692,905	
Atelier de Fabrication d'Agendas 132, Quai de Jemmapes 75010 PARIS	100% 1,155,600	1,440,000 44,601,931	49,633,434 49,633,434	1,700,000
Clairefontaine Rhodia RD 52 68490 OTTMARSHEIM	100%	17,241,498 12,565,747	20,889,921 20,889,921	5,625,000

Some accounting information concerning the subsidiaries has not been provided as its disclosure could cause serious harm.

Exacompta Clairefontaine S.A.

Reports of the Auditors

- General report
- Special report on related party agreements and commitments
- Report on the Chairman's report on the actions of the Board of Directors and on internal control

KPMG AUDIT
Auditors
523, avenue André Malraux
BP 01
54602 Villers-lès-Nancy Cedex

SEREC AUDIT
Auditors
25, rue Charles Fourier
75640 Paris Cedex 13

Exacompta Clairefontaine S.A.

General Report
of the Auditors

Year ended 31 December 2007
Exacompta Clairefontaine S.A.
88480 Etival-Clairefontaine
This report contains 4 pages

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Exacompta Clairefontaine S.A.

Registered office: 88480 Etival-Clairefontaine
Authorised capital: € 4,525,920

General report of the auditors

Year ended 31 December 2007

Ladies and Gentlemen:

In accordance with the assignment entrusted to us by your shareholders' meeting, we present to you our report on the year ended 31 December 2007, concerning:

- the audit of the parent company annual financial statements of EXACOMPTA CLAIREFONTAINE S.A., which are appended to this report;
- the justification of our assessments;
- the specific verifications and information required by law.

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

1. Opinion on the parent company annual financial statements

We performed our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements do not contain significant errors. An audit consists of examining, on a test basis, the supporting documentation for the entries contained in the statements. It also consists of an assessment of the accounting principles used and the significant estimates made in the preparation of the statements and of their presentation as a whole. We believe that our audit provides a reasonable basis for the opinion expressed below.

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

2. Justification of assessments

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

Accounting rules and principles

The notes set forth the accounting rules and methods concerning stakes and other securities held.

As part of our assessment of the accounting rules and principles followed by your company, we verified the appropriateness of the accounting methods described above and the information provided in the notes to the statements, and we assured ourselves that they were applied correctly.

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

3. Specific verifications and information

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

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

As required by law, we inform you that, contrary to the provisions of Article L.225-102-1 of the Commercial Code, your company did not provide in its report of the Board of Directors the information concerning the remuneration and benefits paid to authorised representatives of the company, as well as the commitments of any kind made to them at the time or subsequent to their assumption, termination or change in their positions.

Pursuant to the law, we assured ourselves that the other information regarding the identity of the holders of the capital and voting rights was communicated to you in the report of the Board of Directors.

Villers-lès-Nancy and Paris, 23 April 2008

KPMG AUDIT A division of KPMG S.A.	SEREC AUDIT Auditor
Christophe BERNARD *Partner*	**Dominique GAYNO** *Partner*

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Exacompta Clairefontaine S.A.

Special Report of the Auditors on regulated agreements and commitments with related parties

Year ended 31 December 2007
Exacompta Clairefontaine S.A.
88480 Etival-Clairefontaine
This report contains 3 pages

Exacompta Clairefontaine S.A.

Registered office: 88480 Etival-Clairefontaine
Authorized capital: € 4,525,920

Special report of the auditors
on regulated agreements and commitments with related parties

Year ended 31 December 2007

Ladies and Gentlemen:

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

Agreements and commitments authorised during the year

Pursuant to Article L.225-40 of the Commercial Code we have been informed of the agreements and commitments that were subject to the prior approval of your Board of Directors.

It is not our responsibility to seek out the possible existence of any other agreements and commitments, but to inform you, on the basis of the information provided to us, of the essential characteristics and conditions of those of which we have been informed, without having to express an opinion on their usefulness or appropriateness. It is your responsibility, pursuant to Article R.225-31 of the Commercial Code, to assess the interest attached to entering into these agreements and commitments with a view to their approval.

We have carried out our work in accordance with the professional standards applicable in France. Those standards require that we perform procedures so as to verify that the information given to us is consistent with the source documents from which it was taken.

Agreement with: BRAUSE Gmbh

- Persons involved: Charles and Frédéric NUSSE
- Date authorised: 30 August 2007
- Nature and purpose: Subsidy granted
- Essential conditions and consequences during the year:

EXACOMPTA CLAIREFONTAINE granted a subsidy in the amount of € 3,200,000 to BRAUSE Gmbh.

Agreements and commitments approved during prior years the performance of which continued during the past year

In addition, pursuant to the regulatory provisions of the Commercial Code, we were informed that the performance of the following agreements and commitments, which were approved during prior years, continued during this past year.

Agreement with companies of the Exacompta Clairefontaine group

- Nature and purpose: Exacompta Clairefontaine S.A. provides companies of the group with administrative, legal and marketing assistance.
- Conditions: Since 1 January 2003, Exacompta Clairefontaine S.A. has received a fee from each of the companies of the group equal to 0.2% of its value added for the previous year. For fiscal year 2007, the income recorded in the financial statements of Exacompta Clairefontaine was € 349,423.

Agreement with Clairefontaine Rhodia

- Nature and purpose: Exacompta Clairefontaine S.A. leases to the company Clairefontaine Rhodia a residential complex located in Mulhouse.
- Conditions: Pursuant to this agreement your company recorded income of € 23,000 for the year.

Villers-lès-Nancy and Paris, 23 April 2008

KPMG AUDIT
A division of KPMG S.A.

Christophe BERNARD
Partner

SEREC AUDIT
Auditors

Dominique GAYNO
Partner

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Exacompta Clairefontaine S.A.

Report of the Auditors

Prepared pursuant to the final paragraph of Article L. 225-235 of
the Commercial Code, on the report of the Chairman of the
Board of Directors of Exacompta Clairefontaine S.A.,
with regard to the internal control procedures
for the preparation and processing of
accounting and financial information

Year ended 31 December 2007
Exacompta Clairefontaine S.A.
88480 Etival-Clairefontaine
This report contains 3 pages

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SEREC AUDIT
Auditors

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75640 Paris Cedex 13

Exacompta Clairefontaine S.A.

Registered office: 88480 Etival-Clairefontaine
Authorised capital: € 4,525,920

Report of the auditors prepared pursuant to the final paragraph of Article L. 225-235 of the Commercial Code, on the report of the Chairman of the Board of Directors of Exacompta Clairefontaine S.A., with regard to the internal control procedures for the preparation and processing of accounting and financial information.

Year ended 31 December 2007

To the Shareholders:

In our role as auditors of Exacompta Clairefontaine S.A. and pursuant to the provisions of Article L. 225-235 of the Commercial Code, we present to you our report on the report prepared by the Chairman of your company in accordance with the provisions of Article L. 225-37 of the Commercial Code with regard to the year ended 31 December 2007.

It is the responsibility of the Chairman to describe in his report, among other things, the conditions related to the preparation and organisation of the work of the Board of Directors and the internal control procedures implemented at the company. It is our responsibility to provide you with our comments on the information contained in the Chairman's report concerning the internal control procedures for the preparation and processing of the accounting and financial information.

We carried out our work in accordance with the professional standards applicable in France. These standards require the performance of procedures that enable the assessment of the accuracy of the information contained in the Chairman's report concerning the internal control procedures related to the preparation and processing of accounting and financial information. These procedures consist, among others, in:

- acquainting ourselves with the internal control procedures for the preparation and processing of the accounting and financial information that underlies the information presented in the Chairman's report, and also the existing documentation;

- acquainting ourselves with the work that enabled the preparation of this information and with the existing documentation;

- determining whether the main deficiencies in the internal controls for the preparation and processing of the accounting and financial information which we found during the course of our assignment are appropriately discussed in the Chairman's report.

Based on the work performed, we have no comments to make with regard to the information concerning the internal control procedures of the company for the preparation and processing of the accounting and financial information in the report of the Chairman of the Board of Directors, which was prepared in accordance with the provisions of Article 225-37 of the Commercial Code.

Villers-lès-Nancy and Paris, 23 April 2008

KPMG AUDIT
A division of KPMG S.A.

Christophe BERNARD
Partner

SEREC AUDIT
Auditors

Dominique GAYNO
Partner

Exacompta Clairefontaine S.A.

Consolidated Financial Statements
as at 31 December 2007

Consolidated balance sheet

in 000s of €	31/12/2007	31/12/2006	Notes
NON-CURRENT ASSETS	**230,945**	**231,461**	
Intangible assets	11,774	12,805	(2.1.4)
Intangible assets – Goodwill	13,014	15,044	(2.1.4)
Property, plant and equipment	202,859	199,724	(2.1.5)
Financial assets	2,507	2,879	(2.1.6)
Deferred taxes	791	1,009	(2.4)
CURRENT ASSETS	**372,147**	**376,043**	
Inventories	151,773	138,367	(2.2.1)
Trade and other receivables	161,513	154,706	(2.2.2)
Advances	2,515	2,847	
Taxes receivable	262	5,134	
Cash and cash equivalents	56,084	74,989	(2.2.3)
TOTAL ASSETS	**603,092**	**607,504**	

SHAREHOLDERS' EQUITY	**357,971**	**345,600**	
Capital	4,526	4,526	
Reserves related to capital	231,921	227,173	
Consolidated reserves	107,858	109,695	
Currency translation reserve	-699	-620	
Profit/(Loss) – group share	14,311	5,261	
Shareholders' equity – group share	**357,917**	**346,035**	
Minority interests	54	-435	
NON-CURRENT LIABILITIES	**104,919**	**100,120**	
Interest bearing debt	63,379	59,304	(2.6)
Deferred taxes	27,150	25,914	(2.4)
Provisions	14,390	14,902	(2.5)
CURRENT LIABILITIES	**140,202**	**161,784**	
Trade payables	54,872	57,732	
Short-term portion of interest bearing debt	30,787	53,826	(2.6)
Provisions	1,909	1,978	(2.5)
Tax liabilities	1,734	248	
Other liabilities	50,900	48,000	(2.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**603,902**	**607,504**	

Consolidated Income Statement

in 000s of €	**31/12/2007**	**31/12/2006**	Notes
Revenues from ordinary activities	538,113	506,945	
- Sales of products	530,475	499,572	
- Sales of services	7,638	7,373	
Other operating income	9,982	14,280	
- Reversal of depreciation/amortisation	1,038	2,285	(2.1.4, 2.1.5)
- Subsidies	198	92	
- Other income	8,746	11,903	
Change in stocks of finished products and work-in-process	10,963	959	(2.2.1)
Capitalised production costs	259	222	
Goods and materials used	259,479	237,009	(2.2.1)
External expenses	85,249	88,166	
Personnel expenses	143,446	139,591	(2.11)
Taxes and duties	13,649	13,779	
Depreciation/amortisation	23,571	24,180	(2.1.4, 2.1.5)
Other operating expenses	9,594	10,743	
OPERATING PROFIT – before amortisation of goodwill	**24,329**	**8,938**	
Amortisation of goodwill	-80	776	(2.1.4, 2.1.1)
OPERATING PROFIT – after amortisation of goodwill	**24,409**	**8,162**	
Financial income	4,096	4,583	
Financial expenses	7,615	6,942	
Financial Profit/(Expense)	-3,519	-2,359	(2.12)
Income taxes	6,640	797	(2.4, 2.10)
Income after tax	**14,250**	**5,006**	

Net income – minority share	**-61**	**-255**	
Net income – Group share	**14,311**	**5,261**	

Income for the period	14,311	5,261	
Number of shares	1,131,480	1,131,480	(2.3)
EARNINGS PER SHARE (basic and diluted)	**12.65**	**4.65**	

Statement of changes in consolidated shareholders' equity

in 000s of €	Shareholders' equity – Group share	Shareholders' equity – minority share	Total shareholders' equity
Balance at 31/12/2005	**343,762**	**539**	**344,301**
Currency translation difference	-608		-608
Sale of shares to Group – reclassification of minority interests		-719	-719
Other changes	-108		-108
Total from operations that did not affect earnings	-716	-719	-1,435
Profit/(Loss) for the year	5,261	-255	5,006
Dividends	-2,272		-2,272
Balance at 31/12/2006	**346,035**	-435	**345,600**
Currency translation difference	-89		-89
Sale of shares to Group – reclassification of minority interests		440	440
Share of minority interests in acquisitions		110	110
Other changes	-77		-77
Total from operations that did not affect earnings	-166	550	384
Profit/(Loss) for the year	14,311	-61	14,250
Dividends*	-2,263		-2,263
Balance at 31/12/2007	**357,917**	**54**	**357,971**

* €2 per share.

Statement of consolidated cash flows

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

in 000s of €	31/12/2007	31/12/2006	Notes
Cash and cash equivalents in assets	56,084	74,989	(assets)
Bank overdrafts payable on demand	-26,650	-50,504	(2.6)
Accrued interest on financial debt	-48	-34	(2.6)
Cash in statement of changes in cash flow	**29,386**	**24,451**	

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

Change in cash flows

in 000s of €	**31/12/2007**	**31/12/2006**	Notes
Total consolidated net income	**14,250**	**5,006**	
Elimination of operating expenses and income that do not affect cash or are not related to operations: • Depreciation, amortisation and provisions • Change in deferred taxes • Gains on sales, net of taxes • Other	 22,453 1,237 360 384	 22,906 1,516 -451 -1,723	(2.1.4. to 2.1.6, 2.5) (2.4)
Cash flow of consolidated companies	*38,684*	*27,254*	
• Change in working capital requirements for operations • Change related to income taxes • Income taxes paid	3,733 4,674 1,685	-8,791 8,951 -5,086	Balance sheet
(1) Net cash flow from operating activities	**48,776**	**22,328**	
• Purchase of fixed assets • Sale of fixed assets • Effect of changes in consolidation– purchases • Effect of changes in consolidation– sales	-23,615 3,359 -2,841 0	-26,530 6,767 -664 0	(2.1.4 to 2.1.6)
(2) Cash flow from investing activities	**-23,097**	**-20,427**	
• Dividends paid • Dividends received • Capital increase • Borrowings • Loans repaid • Interest paid • Interest received	-8,156 5,893 11,728 -27,041 -4,928 1,760	-10,904 8,632 6,651 -5,590 -4,503 1,786	(Change in shareholders' equity)
(3) Cash flow from financing activities	**-20,744**	**-3,928**	
(1 + 2 + 3) Total cash flow	**4,935**	**-2,027**	

Opening cash	24,451	26,478
Closing cash	29,386	24,451
Change in cash	**4,935**	**-2,027**

Presentation of the consolidated financial statements

1. General principles – statement of conformity

The consolidated financial statements of the EXACOMPTA CLAIREFONTAINE Group were prepared in accordance with the IFRS (International Financial Reporting Standards), as adopted within the European Union.

The consolidated financial statements of the Exacompta Clairefontaine Group were prepared by the Board of Directors on 27 March 2008. They will not be final until they have been approved by the Shareholders' Meeting.

2. Adoption of international standards

The Group has applied IFRS standard 7 *Financial Instruments: Disclosures* since 1 January 2007.

New standards for which application is not mandatory:

- IFRS 8 *Operating segments* – adopted by the European Union on 22 November 2007. It replaces IAS 14 *Sector information.* The Group's application of IFRS 8 beginning 1 January 2009 should not have an impact on the presentation of the financial statements.

Revisions of existing standards not yet adopted by the European Union:

- IAS 1 *Presentation of Financial Statements* – published by the IASB on 6 September 2007. Its impact on the presentation of the Group's financial statements is being determined.

- IAS 23 *Borrowing Costs* – published by the IASB on 29 March 2007.
  The revision requires the capitalisation of borrowing costs that are directly related to the purchase, construction or production of an asset that requires a long preparation period before it can be used or sold.
  The application of this revision of IAS 23 does not currently have any significant impact on the statements of the Group.

These revisions will be applied beginning 1 January 2009, subject to their adoption by the European Union.

At its meeting on 23 and 24 June 2005, the IASB withdrew the IFRIC 3 interpretation regarding the accounting treatment of greenhouse gas emission rights. As a result, the accounting treatment applied is described in note 9. This treatment is being used provisionally while waiting for a definitive IASB position.

3. Bases of preparation of the financial statements

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

The preparation of the financial statements according to IFRS standards requires the exercise of judgement by management in making estimates and assumptions that have an impact on the application of the accounting methods and on the amounts of the assets and liabilities, and revenues and expenses. The underlying estimates and assumptions are made based on past experience and other factors deemed reasonable in view of the circumstances. They are also the basis for the exercise of judgment necessary for the determination of the book values of assets and liabilities that cannot be obtained directly from other sources. The real values may differ from the estimated values.
The underlying estimates and assumptions are re-examined on an ongoing basis. The impact of changes in accounting estimates is recorded during the period in which the change occurs and all the other periods affected.

The accounting methods described below have been applied on an ongoing basis to all the periods presented in the consolidated financial statements.

The accounting methods have been applied uniformly to all the entities of the Exacompta Clairefontaine Group.

4. Consolidation of subsidiaries

The consolidated financial statements include the financial statements of the parent company, Exacompta Clairefontaine, and those of the entities controlled by the parent (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, and until the date on which control is no longer held.

The balances shown in the balance sheet, contingent losses and gains, and the revenues and expenses resulting from transactions within the group are eliminated in the consolidation.
Contingent gains arising from transactions with affiliates are eliminated in the proportion of the Group's ownership percentage. Contingent losses are eliminated in the same way, but only if they do not represent a loss in value.

5 – Foreign currencies

The individual financial statements of each of the Group's entities are presented in the currency of the economic environment in which that 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 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 as of the year-end date are converted to euros at the exchange rate in effect on that date. The currency translation differences resulting from this conversion are recorded in the income statement as income or expense, as applicable.

The assets and liabilities of each individual entity that engages in its activity abroad are converted to euros at the exchange rates in effect as of the year-end 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, in the absence of significant fluctuations.
The currency translation differences resulting from the conversion are recorded in the currency translation adjustment as a separate component of shareholders' equity.

6. Business combinations

Acquisitions of subsidiaries are recorded using the acquisition method set forth in IFRS 3. The acquisition cost is deemed to be the total of the fair values of the assets obtained and the liabilities incurred as of the date on which control of the entity is taken.
The goodwill acquired as part of a business combination is recorded as an asset, and is initially valued at its cost, meaning the excess of the cost of the business combination over the purchaser's share in the net fair value of the assets, liabilities and identifiable potential liabilities. If the purchaser's share exceeds the cost of the business combination, the excess is recorded immediately in the income statement.

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

7. Property, plant and equipment

The land and buildings held by the Group are intended for use in the production or supply of goods and services, or for administrative purposes. The Group does not hold any significant real property that falls within the category of investment property.
The industrial facilities and other equipment are assets held in respect of activities related to the production or supply of goods and services.

All of the fixed assets owned by the Group are recorded at the initial purchase cost, less accumulated depreciation and impairment.
Fixed assets under construction are assets intended for use in production and are recorded at cost, less any impairment identified.
When the components of fixed assets have different useful lives, they are recorded as a separate asset. All current service and maintenance costs are recorded as expenses at the time they are incurred.

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

Depreciation is recognise 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
- Technical installations and equipment	10 to 20 years
- Other office supplies and computers	3 to 10 years

The useful life of the main assets is reviewed at the time the accounts are closed. If necessary, the change in the useful life is recorded on a prospective basis as a change in an accounting estimate.

8. Non-current intangible assets

Research and development expenses

Research expenses 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 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. A review of the costs incurred led the Group not to book development expenses.

Greenhouse gas emission rights

The paper subsidiaries of the Group engage in an activity that is regulated by Order no. 2004-330 of 15 April 2004, with the adaptation to French law, in the environmental code, of directive 2003/87/EC of the European Parliament and the Council, establishing a quota trading system for greenhouse gases, adopted on 13 October 2003.
A quota is a unit of account that represents the emission of one ton of carbon dioxide that is covered by a certificate issued by the State, which is valid for a specific period of time.

The State allocates a certain number of quotas to operators for each authorised facility. The total volume of carbon dioxide emitted by each facility during one calendar year is measured or calculated, and stated in tons of carbon dioxide.
The operator is required to compensate the State each year for the number of quotas equal to the total of its emissions during the past calendar year.
The State allocates the quotas for a period of 3 years, starting from 1 January 2005, and then for periods of 5 years, under a national quota allocation plan. The quotas issued by the State are allocated free of charge for the first three year period starting 1 January 2005. The second, five-year, period, will begin on 1 January 2008.

The quotas are movable property that are documented only by an entry in the owner's account in the French national register. They are negotiable and may be transferred from one account to another, and give their holders identical rights.
Although they do not directly increase the future economic benefits of an existing asset, the emission quotas are necessary for the subsidiaries to achieve future economic benefits from their other assets. Therefore, they are recorded as assets as an intangible asset.
The obligation to compensate the State for gas emissions that occur during the period generates the recognition of a liability for that expense.

The greenhouse gas emission quotas are recorded at the value determined in the exchange market on the date they are received plus, if applicable, the value of the quotas purchased in the market.
The liability corresponding to the emission quotas to be compensated is valued based on the initial value of the quotas allocated plus, if applicable, the value of the quotas purchased in the market. If the value of the quotas held as assets is greater than the value of the quotas for which compensation must be made, an impairment test is performed, consisting of comparing the book value to the exchange market value as of the end of the period in question.

Goodwill

Goodwill arises from the acquisition of subsidiaries.

In the case of acquisitions of companies that have occured after 1 January 2003, goodwill represents the difference between the acquisition cost and the fair value of the net assets, less any identifiable liabilities.
In the case of acquisitions prior to this date, goodwill is maintained at its presumed cost, which represents the mount recorded under the earlier accounting standard.

Goodwill is valued at cost, less accumulated impairment.

For the purposes of impairment tests, goodwill is allocated to cash generating units that are subject to an annual impairment test, so that at each account statement date there is an indication of whether the unit may be written down.

The cash generating units were determined at the level of the entities carrying goodwill. Most of these cash generating units are outside the consolidated Group, and they are smaller in size than the business sectors defined by IAS 14 “Segment Information”.

Each year value tests are performed on all goodwill, using the discounted future cash flows method. The future cash flows are calculated for an average period of 5 years, are discounted at a rate of 8%, and include a terminal value.
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, on a prorated basis, on 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 their fair value, which is determined on 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 do undergo an annual writedown test so that at each account statement date there is an indication of any loss in value. The recoverable value is determined by an independent third party outside the Group based on expected cash flows discounted at the rate of 8%.

The internally generated expenses related to trademarks are recorded in expenses when they are incurred.

Other intangible assets

Other intangible assets that have been acquired by the Group are recorded at their cost, less amortisation and accumulated losses in value.

Amortisation is recorded as expenses using the straight line method over the estimated useful life, on the following bases and by year:

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

9. Depreciation/amortisation of tangible and intangible assets (excluding goodwill and trademarks)

At the end of each period, the Group reviews the book values of the tangible and intangible assets in order to determine whether there is any indication that an asset has lost value. If it has, the recoverable value of the asset is estimated in order to determine the potential impairment. When the recoverable value of a single asset cannot be estimated, the Group determines the recoverable value of the cash generating unit to which the asset belongs.
The recoverable value of an asset is the higher of the fair value less sale costs and the useful value. The useful value 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.

A loss in value 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, this book value, increased because of a reversal of impairmentr, may not exceed the book value that would have been determined, net of depreciation or amortisation, if impairment had been recorded. The reversal of impairment is recorded in the income statement.

10. Financial assets

Securities that are not consolidated are classified as assets available for sale, and are valued at their fair value; changes in that fair value are recorded in shareholders' equity.
If the fair value cannot be reliably estimated, the interests continue to be valued at the purchase cost. In the event of a writedown the loss in value is recorded in the income statement.
Receivables from equity interests and other non-current financial assets are valued at fair value when initially recorded and at the amortised cost at the time of subsequent valuations.

11. Trade and other receivables

Trade and other receivables are included in category IAS 39 of loans and receivables. They are valued at their fair value when initially recognised and at the amortised cost at the time of subsequent valuations. Any losses in value are recorded in the income statement when the recoverable value is less than the book value.

12. Inventories

Stocks are recorded at the lower of cost and net realisable value. The net realisable value is the estimated sales price in the normal course of activity, less the estimated costs for completion and the estimated costs to make the sale. The cost includes direct raw materials costs and direct labour costs, and directly attributable general expenses incurred to put the stocks in place in their existing condition. In general, the cost is calculated using the weighted average cost method.

13. Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and short-term investments in money market instruments. These investments can be converted into a known amount of cash within one month at most and are subject to negligible risk of a change in value. Marketable securities are classified in the category of assets available for sale.

Bank overdrafts repayable on demand, which are an integral part of the Group's cash management, are included in cash and cash equivalents for the purposes of the cash flow statement.

14. Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risks resulting from its operating, financing and investing activities. In accordance with its cash management policy, the Group does not hold or issue derivative financial instruments for trading purposes.

The Group does not apply special hedge accounting (cash flow and fair value hedges). Derivative financial instruments are included in financial assets and liabilities, at their fair value through profit/loss. The profit or loss resulting from subsequent valuations of the fair value is recorded immediately as income.

The fair value of interest rate swaps, caps and floors is the estimated amount the Group would receive or pay to settle the instruments at the closing date.

15. Interest bearing debt

All financial instruments are initially valued at their fair value and at their amortised cost at the time of subsequent valuations.
Transaction costs are included in the initial valuation of the financial instruments that are not valued based on the 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.

16. Personnel benefits

Defined contribution plans

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

Provisions for pensions

The net obligation of the Group 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 assets of the scheme. The discount rate is determined by referring to a market rate on the closing date based on the obligations of leading companies. The calculations are performed using the projected credit units method. All actuarial adjustments are recorded immediately in expenses for the period.

17. Provisions

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

18. Income

Income from ordinary activities

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

Sales of goods are recorded in the income statement at the time of delivery of the goods and transfer of ownership to the buyer, who takes on their risks and benefits.
Income obtained from provision of services is recorded in the income statement based on the degree of progress in provision of the service as of the closing 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.

19. Expenses

Payments under simple lease agreements

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

Financial income/(expense)

The net financial income/(expense) includes interest payable on loans and cash liabilities, interest receivable on investments, foreign exchange gains and losses, and gains and losses on financial instruments. All are recorded in the income statement.

20. Income tax

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

The tax payable is the estimated amount of the tax due on taxable income for a period, which is determined by using the tax rates that have been adopted or nearly adopted at the closing date, and any adjustment of the amount of tax payable for prior periods.

The deferred tax is determined using the accrual method for all timing differences between the book value of the assets and liabilities and their tax bases, by using the tax rates that were adopted or nearly adopted at the closing date.

The following items do not result in the recognition of deferred taxes:

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

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. Financial risk management

In general, the Exacompta Clairefontaine Group does not engage in 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 at the senior management level.

Market risks

Exposure to market risks consists mainly of exchange rate and interest rate risks.

- Exchange rate risk

The Group engages in international activities but has little exposure to exchange rate risk because its main subsidiaries have local operations. Risks related to commercial transactions that are denominated in a currency other than the respective functional currencies of Group entities are related mainly to purchases of raw materials.

In order to manage exchange rate risk, the Group hedges approximately 50% of its anticipated future transactions in each significant currency for the coming three months, using options contracts. Changes in exchange rates had no significant impact on the income statement or shareholders' equity at 31 December 2007.

- Interest rate risk

The risk to which the group is exposed comes from borrowings. The borrowings initially undertaken at floating rates expose the Group to the risk of cash flow changes. The Group adapts its rate hedging decisions based on trends in interest rates and its outstanding debt. To this end, it enters into interest rate swaps.

Liquidity risk

The Group's approach to managing this risk is to ensure that it will always have sufficient liquidity to honour its liabilities when they are due, without incurring unacceptable losses or damaging its reputation.
Short-term financing (maturities of less than one year) is provided by commercial paper and spot loans on which a fixed rate is paid.
The Group also has a drawing line to cover medium- and long-term maturities.

Credit risk

The credit risk represents the risk of financial loss for the Group if a client or counterparty to a financial instrument fails to perform its contractual obligations.

- Trade and other receivables

The concentration of credit risk is not significant. It is divided among a large number of clients. The risk of default by business segment and 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 risk history. Clients that do not satisfy solvency requirements cannot carry out transactions with the group without making advance payments. In addition, credit risk is limited by taking out credit insurance contracts.
The Group determines a level of writedowns that represent its estimate of losses that will be incurred in respect of trade and other receivables. Losses in value correspond to specific losses related to individual risks.
The amounts presented in the balance sheet are net of losses in value 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 banks with top credit ratings the Group does not expect that any of them will default.

22. Segment information

Based on the internal organisation of the Group, the top level segment information is presented by area of activity and the second level segment information is presented by geographic area.

The main activities, by area of activity, are as follows:

- Paper: production, finishing and formatting of paper
- Transformation: making paper, office and filing articles

Transactions among the different areas of activity are carried out under market conditions.

The segment information by geographic area is divided, as to revenues, by sales area to customers and, for other information, by the area in which the consolidated companies are located.

Notes to the consolidated financial statements

1. CONSOLIDATED ENTITIES

All the companies have been consolidated at 31 December 2007 using the full consolidation method (FC).

Name	Address	% of stake	% of control	Consolidation method	SIREN Number
EXACOMPTA CLAIREFONTAINE	88480 ETIVAL CLAIREFONTAINE			Parent company	505 780 296
A.B.L.	132, Quai de Jemmapes 75010 PARIS	100	100	FC	622 033 124
A.F.A.	132, Quai de Jemmapes 75010 PARIS	100	100	FC	582 090 452
EDITIONS BELEM	153, rue de Rome 75017 PARIS	100	100	FC	450 671 565
BRAUSE Produktion	Heckenkamp 30 D-58640 ISERLOHN	100	100	FC	
BRAUSE GmbH	D – 51149 KÖLN	100	100	FC	
BRAUSE Vermögens	D – 51149 KÖLN	100	100	FC	
CARTOREL	358, Avenue de Paris 79025 NIORT	100	100	FC	025 770 470
CFR Ile Napoléon	RD 52 68490 OTTMARSHEIM	100	100	FC	439 721 697
CHÂTELLES TRANSFORMATION	Routes des Châtelles 88110 RAON L'ETAPE	100	100	FC	492 300 561
PAPETERIES DE CLAIREFONTAINE	88480 ETIVAL CLAIREFONTAINE	100	100	FC	402 965 297
CLAIREFONTAINE RHODIA	RD 52 68490 OTTMARSHEIM	100	100	FC	339 956 781
CLAIRCELL	ZI – rue de Chartres 28160 BROU	100	100	FC	432 357 358
CLAIR MAROC	3, rue Kassar Maarif 20100 MAARIF –CASABLANCA	75	75	FC	
EXACLAIR POLSKA	Ul lesnà 23 – Kotowice PL – 55 –011 SIECHNICE	100	100	FC	
COGIR	10, rue Beauregard 37110 CHATEAU RENAULT	100	100	FC	885 783 159

REGISTRES LE DAUPHIN	27, rue Georges Sand 38500 VOIRON	100	100		055 500 953
DECOPATCH	6, rue Henri Becquerel 69740 GENAS	100	100	FC	400 210 449
EVERBAL	2, Route d'Avaux 02190 EVERGNICOURT	100	100	FC	542 091 194
EXACLAIR BARCELONE	E – 08110 MONTCADA Y REIXAC	100	100	FC	
EXACLAIR BRUXELLES	249, Boulevard de l'Humanité B – 1620 DROGENBOS	100	100	FC	
EXACOMPTA	138, Quai de Jemmapes 75010 PARIS	100	100	FC	702 047 564
EXACLAIR IRLANDE	9, Cedar Drive – Millfarm DUNBOYNE	100	100	FC	
EXACLAIR NEW YORK	143 West 29th Street USA – New York	100	100	FC	
FACIMPRIM	15, rue des Ecluses Saint Martin 75020 PARIS	100	100	FC	702 027 665
GRAFOCARTE	125, rue Jean Jacques Rousseau 92130 ISSY LES MOULINEAUX	100	100	FC	342 163 532
IMPRIMERIE GIRAULT MORIN	138, Quai de Jemmapes 75010 PARIS	100	100	FC	312 058 100
INTERVAL EDITIONS	3, rue Fortia 13001 MARSEILLE	100	100	FC	438 399 685
KERLUDE	Pen a Hoat 22780 LOGUIVY PLOUGRAS	100	100	FC	437 350 416
KOHLER	D – 51149 KOLN	100	100	FC	
LALO	138, Quai de Jemmapes 75010 PARIS	100	100	FC	572 016 814
CALENDRIERS LAVIGNE	125, rue Jean Jacques Rousseau 92130 ISSY LES MOULINEAUX	100	100	FC	652 000 498
MAILDOR PRODUCTION	Industrial Zone 76220 GOURNAY EN BRAY	100	100	FC	562 078 519
MAKANE BOUSKOURA	ZI Ouled Saleh – lot I 320 20180 BOUSKOURA	100	100	FC	
PAPETERIE DE MANDEURE	14, rue de la Papeterie 25350 MANDEURE	100	100	FC	339 310 807

MANUCLASS	ZI d'Etriché 49500 SEGRE	100	100	FC	318 110 665
ERNST STADELMANN	Bahnhofstrasse 8 A – 4070 EFERDING	99	99	FC	
PELISSIER MI	ZI – rue de Chartres 28160 BROU	95	95	FC	490 846 763

PUBLIDAY MULTIDIA	3, rue Assaad Ibnou Zarara 20100 MAARIF-CASABLANCA	75	75	FC	
EDITIONS QUO VADIS	14, rue du Nouveau Bêle 44470 CARQUEFOU	100	100	FC	054 807 748
QUO VADIS International Ltd	1055, rue Begin – Ville Saint Laurent QUEBEC H4R 1V8	100	100	FC	
QUO VADIS Italia Srl	19 via Roberto Lepetit I – 20124 MILAN	100	100	FC	
QUO VADIS Japon Co Ltd	Sangenjaya Combox 4F 1-32-3 Kamjuma Setagaya-Ku, TOKYO	100	100	FC	
QUO VADIS Polonia Spzoo	U1 Oeniadeckich 18 60-773 POZNAN	100	100	FC	
QUO VADIS Editions Inc	120, Elmbiew Avenue HAMBURG, NY 14075-3770	100	100	FC	
IMPRIMERIE RAYNARD	6, rue de la Peltière – 35130 LA GUERCHE DE BRETAGNE	100	100	FC	659 200 786
CLAIREFONTAINE RHODIA Ltd	Crest House 7 Highfield Road Edgbaston BIRMINGHAM	100	100	FC	
RODECO	D – 51149 KOLN	100	100	FC	
ROLFAX	ZI route de Montdidier 60120 BRETEUIL	100	100	FC	432 030 088
SCHUT	Kabeljauw 2 NL – 6866 HEELSUM	100	100	FC	
SCI DE PEN HOAT	Pen A Hoat 22780 LOGUIVY PLOUGRAS	100	100	FC	429 748 619
SILL	Rue de Moulin 62570 WIZERNES	100	100	FC	085 650 141
SOFAC	125, rue Jean Jacques Rousseau 92130 ISSY LES MOULINEAUX	100	100	FC	332 346 444
PAPETERIE VERILHAC FRERES	Lieudit Noyer Chut SECHILIENNE 38220 VIZILLE	100	100	FC	054 504 410

Changes that have affected the scope of consolidation:

Additions – acquisitions	Deconsolidated
• ERNST STADELMANN – 30 June 2007 *Office and filing products* • PUBLIDAY MULTIDIA – 17 January 2007 *Graphics creation and Printing*	➢ Mergers • FLAMBO • SCI DU RHIN ➢ Liquidation • LUDAPI

The entities no longer consolidated have not affected the consolidated financial statements. The effects of the acquisitions are described in the notes to the balance sheet and income statement that appear below.

2. <u>NOTES TO THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT</u>

2.1 Non-current assets

2.1.1 <u>Intangible assets</u>

The amount of greenhouse gases emission rights recorded in assets totalled € 199,000, and is from the last release of quotas issued for the first allocation period, which ended on 31 December 2007.

<u>Trademarks</u>

The item "concessions, patents, licenses" includes trademarks totalling € 8,709,000.

The tests for writing down trademarks are performed by an independent expert. They are based on expected future cash flows discounted at the rate of 8%.

No loss in value was recorded in the financial statements for the year.

<u>Goodwill</u>

Goodwill was recorded for 7 subsidiaries at 31 December 2007.

Future cash flows are calculated over an average period of 5 years. They are discounted at the rate of 8% and include a terminal value.

Net results from goodwill of € 80,000 are recorded in income for the year, and arose from:

- A writedown in two goodwill entries of € 2,762,000, resulting from a significant decrease in profitability and the ability to generate net cash flows
- Negative goodwill of € 2,842,000 following the acquisition of the company Ernst Stadelmann

The negative goodwill equals the excess of the stake compared to the cost of purchasing the company's shares.

The segment information provided in paragraph 2.14 shows the distribution of goodwill by activity and geographic sector.

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

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

Financial lease agreements aggregated in the respective tables

in 000s of €	31/12/2007	31/12/2006
Property, plant and equipment	**18,182**	**18,182**
Land	76	76
Buildings	7 261	7,261
Technical installations, supplies and equipment	10,845	10,845
Depreciation	**9,691**	**9,227**
Accumulated as at opening	9,227	8,214
Increase for the period	928	1,013
Borrowings	**1,347**	**2,032**

2.1.3 Financial assets

Unconsolidated equity interests and other non-current securities are valued at their purchase costs, in the absence of a reliable fair value. Valuation at the end of the year takes into account their useful value and their net book value. They are classified by default in the category of assets available for sale.
Receivables from equity interests and other financial assets are valued at their amortised cost. The fair value is equal to the book value.

2.1.4 Intangible assets

At 31 December 2007, in 000s of €	Goodwill	Concessions, patents, licenses and similar rights	Other	Total
Gross value at opening	18,168	20,327	1,338	39,833
Purchases	732	734	274	1,740
Sales		-362	-56	-418
Changes in scope of consolidation		537	32	569
Currency translation adjustments		4	-25	-21
Transfers and other activity	-732	-1,182	-64	-1,978
Gross value at closing	**18,168**	**20,058**	**1,499**	**39,725**
Amortisation and writedowns at opening	3,124	8,054	806	11,984
Sales		-361	-54	-415
Changes in scope of consolidation		140	4	144
Amortisation		1,059	216	1,275
Writedowns	2,762	51		2,813
Reversals		-111	-15	-126
Currency translation adjustments		4	-22	-18
Transfers and other activity	-732	12		-720
Amortisation and writedowns at closing	**5,154**	**8,848**	**935**	**14,937**
Net book value at opening	**15,044**	**12,273**	**532**	**27,849**
Net book value at closing	**13,014**	**11,210**	**564**	**24,788**

At 31 December 2006, in 000s of €	Goodwill	Concessions, patents, licenses and similar rights	Other	Total
Gross value at opening	17,553	16,733	4,175	38,461
Purchases	1,010	3,383	803	5,196
Sales	-53	-798	-7	-858
Changes in scope of consolidation				
Currency translation adjustments		-9	-28	-37
Transfers and other activity	-342	1,018	-3,605	-2,929
Gross value at closing	**18,168**	**20,327**	**1,338**	**39,833**
Amortisation and writedowns at opening	2,345	4,974	2,868	10,187
Sales		-722	-28	-750
Changes in scope of consolidation				
Amortisation	776	1,707	115	2,598
Writedowns				
Reversals			-15	-15
Currency translation adjustments		-8	-26	-34
Transfers and other activity	3	2,103	-2,108	-2
Amortisation and writedowns at closing	**3,124**	**8,054**	**806**	**11,984**
Net book value at opening	**15,208**	**11,759**	**1,307**	**28,274**
Net book value at closing	**15,044**	**12,273**	**532**	**27,849**

2.1.5 Property, plant and equipment

At 31 December 2007, in 000s of €	Land and Buildings	Technical installations and equipment	Other fixed assets	Advances and fixed assets in progress	Total
Gross value at opening	103,306	304,152	28,429	5,235	441,122
Purchases	6,262	8,598	1,862	5,902	22,624
Sales	-175	-10,391	-1,811	-1	-12,378
Changes in scope of consolidation	7,051	13,878	1,577	103	22,609
Currency translation adjustments	-285	-257	-26	-4	-572
Transfers and other activity	4,738	3,708	-4,029	-5,139	-722
Gross value at closing	**120,897**	**319,688**	**26,002**	**6,096**	**472,683**
Depreciation and writedowns at opening	44,291	176,764	20,039	304	241,398
Sales	-177	-9,514	-1,610		-11,301
Changes in scope of consolidation	4,999	11,929	1,412	6	18,346
Depreciation	3,992	16,424	1,823		22,239
Writedowns	6				6
Reversals		-807	-99	-6	-912
Currency translation adjustments	-84	-202	-22		-308
Transfers and other activity	1,736	175	-1,555		356
Depreciation and writedowns at closing	**54,763**	**194,769**	**19,988**	**304**	**269,824**
Net book value at opening	**59,015**	**127,388**	**8,390**	**4,931**	**199,724**
Net book value at closing	**66,134**	**124,919**	**6,014**	**5,792**	**202,959**

At 31 December 2006, in 000s of €	Land and Buildings	Technical installations and equipment	Other fixed assets	Advances and fixed assets in progress	Total
Gross value at opening	98,688	295,027	29,472	7,957	431,144
Purchases	4,096	13,259	1,336	2,289	20,980
Sales	-424	-6,235	-1,232	-332	-8,223
Changes in scope of consolidation					
Currency translation adjustments	-357	-229	-74		-660
Transfers and other activity	1,303	2,330	- 1,073	-4,679	-2,119
Gross value at closing	**103,306**	**304,152**	**28,429**	**5,235**	**441,122**
Depreciation and writedowns at opening	41,205	168,631	20,057	613	230,506
Sales	-276	-5,747	-1,205		-7,228
Changes in scope of consolidation					
Depreciation	4,095	16,453	1,810		22,358
Writedowns					
Reversals	-144	-1,327	-99	-297	-1,867
Currency translation adjustments	-103	-201	-64		-368
Transfers and other activity	-486	- 1,045	-460	-12	-2,003
Depreciation and writedowns at closing	**44,291**	**176,764**	**20,039**	**304**	**241,398**
Net book value at opening	**57,483**	**126,396**	**9,415**	**7,344**	**200,638**
Net book value at closing	**59,015**	**127,388**	**8,390**	**4,931**	**199,724**

2.1.6 Financial assets

At 31 December 2007, in 000s of €	Unconsolidated stakes	Intercompany loans	Loans	Other receivables	Total
Gross value at opening	1,564	236	1,063	1,310	4,173
Purchases		368	303	193	864
Sales	-26			-231	-257
Changes in scope of consolidation				277	277
Currency translation adjustments		-1		-5	-6
Transfers and other activity	-32	-215	-332	-73	-652
Gross value at closing	**1,506**	**388**	**1,034**	**1,471**	**4,399**
Writedowns at opening	1,271	13	8	2	1,294
Purchases / Sales					
Changes in scope of consolidation				14	14
Writedowns	223	363			586
Reversals				-2	-2
Currency translation adjustments					
Transfers and other activity					
Writedowns at closing	**1,494**	**376**	**8**	**14**	**1,892**
Net book value at opening	**293**	**223**	**1,055**	**1,308**	**2,879**
Net book value at closing	**12**	**12**	**1,026**	**1,457**	**2,507**

At 31 December 2006, in 000s of €	Unconsolidated stakes	Intercompany loans	Loans	Other receivables	Total
Gross value at opening	1,222	1,009	1,208	1,309	4,748
Purchases	422	323	212	69	1,026
Sales				-23	-23
Changes in scope of consolidation					
Currency translation adjustments				-8	-8
Transfers and other activity	-80	-1,096	-357	-37	-1,570
Gross value at closing	**1,564**	**236**	**1,063**	**1,310**	**4,173**
Writedowns at opening	1,046	663	12	130	1,851
Purchases / Sales					
Changes in scope of consolidation					
Writedowns	305		7		312
Reversals	-80	-650	-11	-128	-869
Currency translation adjustments					
Transfers and other activity					
Writedowns at closing	**1,271**	**13**	**8**	**2**	**1,294**
Net book value at opening	**176**	**346**	**1,196**	**1,179**	**2,897**
Net book value at closing	**293**	**223**	**1,055**	**1,308**	**2,879**

The other receivables consist mainly of deposits and bonds totalling € 998,000 at 31 December 2007, compared to € 915,000 at 31 December 2006.

2.1.7 Table of maturities of other financial assets

At 31 December 2007, in 000s of €	Less than 1 year	1 to 5 years	More than 5 years	Total
Receivables on equity interests	166	2	220	388
Loans	259	226	549	1,034
Other financial assets	911	21	539	1,471
Financial assets and receivables	**1,336**	**249**	**1,308**	**2,893**

At 31 December 2006, in 000s of €	Less than 1 year	1 to 5 years	More than 5 years	Total
Receivables on equity interests	43	86	107	236
Loans	169	305	589	1,063
Other financial assets	779	15	516	1,310
Financial assets and receivables	**991**	**406**	**1,212**	**2,609**

2.2 Current assets

2.2.1 Inventories

At 31 December 2007, in 000s of €	Raw materials	In progress	Intermediate and finished goods	Total
Gross value at opening	53,417	11,838	84,580	149,835
Change	74	1,463	11,887	13,425
Gross value at closing	**53,492**	**13,301**	**96,467**	**163,260**
Writedowns at opening	3,392	151	7,925	11,468
Increases	2,997	413	7,576	10,986
Reversals	-3,139	-151	-7,866	-11,156
Currency translation adjustments and other activity	21	3	165	189
Writedowns at closing	**3,271**	**416**	**7,800**	**11,487**
Net book value at opening	**50,025**	**11,687**	**76,655**	**138,367**
Net book value at closing	**50,221**	**12,885**	**88,667**	**151,773**

The net book value of the stocks included € 2,277,000 related to companies acquired in 2007.

At 31 December 2006, in 000s of €	Raw materials	In progress	Intermediate and finished goods	Total
Gross value at opening	51,332	8,799	84,419	144,550
Change	2,085	3,039	161	5,285
Gross value at closing	**53,417**	**11,838**	**84,580**	**149,835**
Writedowns at opening	3,192	129	7,937	11,258
Increases	3,091	127	7,703	10,921
Reversals	-2,927	-105	-7,715	-10,747
Currency translation adjustments and other activity	36			36
Writedowns at closing	**3,392**	**151**	**7,925**	**11,468**
Net book value at opening	**48,140**	**8,670**	**76,482**	**133,292**
Net book value at closing	**50,025**	**11,687**	**76,655**	**138,367**

2.2.2 Writedown of other current assets

in 000s of €	Writedowns at opening	Additions	Reversals	Other changes	Writedowns at closing
Trade receivables	3,446	1,907	-1,936	845	4,262
Other receivables	219	176		47	442
Total	**3,665**	**2,083**	**-1,936**	**892**	**4,704**

Other changes in trade receivables included € 850 000 related to companies first consolidated in 2007.

Statement of maturities of trade and other receivables

in 000s of €	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Trade and other receivables	145,809	1,183		146,992
Taxes and social contributions	13,530			13,530
receivable	267			267
Debit current accounts	2,336	3		2,339
Other receivables	690			690
Derivative financial instruments	2,399			2,399
Prepaid expenses				
Current Assets	**165,031**	**1,186**		**166,217**

Write-offs	4,704
Trade and other receivables presented in the balance sheet	**161,513**

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

2.2.3 Marketable securities

The value of marketable securities presented in the balance sheet, € 39,598,000, is their market value at 31 December 2007. The fair value is equal to the book value.

2.3 Shareholders' equity

The capital of the parent company consists of 1,131,480 shares with a par value of 4 euros, or € 4,525,920, and did not change during the year. Double voting rights are granted to each fully paid-up share that is demonstrated to have 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 capital.

2.4 Deferred taxes

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

The change in deferred taxes presented in the balance sheet totalled € 1 454 000 (increase in net deferred tax liability). The change in deferred taxes recorded in the income statement was € 1,413,000 (deferred tax expense).
The tax calculation is presented in paragraph 2.10.

Statement of changes in deferred tax

in 000s of €	**At closing**	**At opening**	**Change**
Deferred taxes receivable	791	1,009	-218
Deferred taxes payable	27,150	25,914	1,236
Net deferred tax	**26,359**	**24,905**	**1,454**

2.5 Provisions

Provisions break down as follows:

in 000s of €	**Provisions at opening**	**Additions**	**Reversals**	**Provisions not used**	**Other changes**	**Provisions at closing**
Provisions for pensions and similar obligations	12,702	260	-1,122	-676	326	11,490
Other non-current provisions	2,200	2,900	-379	-2,217	396	2,900
Non-current provisions	**14,902**	**3,160**	**-1,501**	**-2,893**	**722**	**14,390**
Provisions for contingent liabilities	1,650	654	-811	-184	-130	1,179
Other provisions for charges	328	200	-85	-44	331	730
Current provisions	**1,978**	**854**	**-896**	**-228**	**-201**	**1,909**

Other long-term provisions are related to the restructurings carried out at two subsidiaries.

Provisions for pensions and similar obligations consist mainly of provisions for retirement pay and are calculated at each closing date.

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

- probability of retirement from the company, turnover, death;
- changes in salaries;
- discounting the amount obtained at the rate of 3.28%.

The amounts paid to insurance entities are deducted from provisions.

Net change in the provision for pensions and similar obligations

in 000s of €	31/12/2007
Commitment at opening	**12,702**
Cost of services rendered	1,017
Financial expense	547
Actuarial gains and losses	-2,776
→ actuarial changes	- 1,378
→ new hires	501
→ departures during the year	- 1,899
Commitment at closing	**11,490**

The recorded commitment includes € 9,620,000 of obligations under the scheme applicable to French companies and € 1,870,000 under schemes applicable to foreign companies.

2.6 Borrowings and debt with credit institutions

Statement of liquidity risk

in 000s of €	Less than 1 year	1 to 5 years	More than 5 years	Total
Borrowings from credit institutions	644	642	38,700	39,986
Miscellaneous financial debt	1,614	987	179	2,780
Financial lease liabilities	476	871		1,347
Bank loans and overdrafts	26,650			26,650
Subtotal	**29,384**	**2,500**	**38,879**	**70,763**
Current accounts	1,355		22,000	23,355
Accrued interest	48			48
Total	**30,787**	**2,500**	**60,879**	**94,166**
Estimated interest to maturity				*7,099*

- Including current debt € 63,379,000
- Including non-current debt € 30,787,000

As of 31 December 2007 the financial debt with credit institutions is all denominated in euros and bears interest at floating rates.
Medium- and long-term transactions are based on 3-month Euribor plus a spread ranging between 0.2% and 0.4%.
Short-term transactions are based on 1-month Euribor plus a spread ranging between 0.1% and 0.2%.
The fair value of the financial debt is equal to the book value.

2.7 Issuance & financial instruments programs

Commercial paper and spot loans

The commercial paper issued by Exacompta Clairefontaine and the spot loans taken have fixed maturities and a maximum term of 365 days. They bear interest at a fixed rate that is determined at the time the loan is taken or paper is issued.

The amount recorded in the item "Current portion of interest-bearing debt" was € 16,000,000 at the closing date, with maximum outstandings of € 125,000,000.

Drawing line

A drawing line is in place with several banks for a maximum amount of € 95,000, and covers medium- and long-term maturities. The usage under this drawing line was € 38,700,000 at closing, and this amount is recorded in the item "Interest-bearing debt".

Financial instruments

The group uses derivatives products mainly to hedge against interest rate risks. Transactions performed to hedge exchange rate risks are insignificant.
The fair value of the financial instruments is provided by the financial institutions from which they are obtained.
The change in the fair value recorded in income for the year totalled € 194,000.

Interest rate risks

In order to protect against changes in interest rates, the group has put hedges in place in the form of interest rate swaps, cap and floor agreements. The types of instruments that may be used, as well as the maximum risk levels incurred, are determined by senior management. The risk is checked daily.

A change of 1 percent (100 basis points) in an interest rate would have a € 158,000 effect on income as at 31 December 2007.

Portfolio of financial instruments

Time to maturity in 000s of €	Less than 1 year	1 to 5 years	More than 5 years	Total
Rate swaps	24,954	16,301	3,692	44,947
Caps purchased	14,250	687		14,937
Floors sold	7,125	344		7,469
Total	**46,329**	**17,332**	**3,692**	**67,353**

2.8 Other current liabilities

In 000s of €	31/12/2007	31/12/2006
Advances and down payments received	511	249
Taxes and social contributions payable	37,512	36,601
Suppliers – fixed assets	3,370	1,730
Other liabilities	9,264	9,196
Deferred income	243	224
Total	**50,900**	**48,000**

2.9 Off-balance sheet commitments

Commitments related to greenhouse gas emission rights arise from quotas granted and released for the first allocation period (2005 to 2007).
Commitments received at 31 December 2006 equal the value of the quotas receivable for the period from 1 January to 31 December 2007.
The last release of quotas issued for the first allocation period will take place in April 2008.

The new allocation period will be 5 years, starting on 1 January 2008.

in 000s of €	31/12/2007	31/12/2006
Greenhouse gas emission rights		
• Commitments given – release	199	1,733
• Commitments received – allocation	-	999

2.10 Income tax – Calculation of tax

	31/12/2007	31/12/2006
Consolidated net income	14,169	5,782
Income tax	5,227	-434
Deferred taxes	1,413	1,231
Consolidated tax basis	20,809	6,579
Tax rate applicable to parent company	33.33%	33.33%
Theoretical tax expense	**6,936**	**2,193**
Losses carried forward		-930
Losses of companies not consolidated for tax purposes	383	212
Tax assets not withheld on foreign companies	110	330
Tax rate differences	250	74
Tax adjustments	-1,001	-1,087
Other effects	-38	5
Actual tax expense	**6,640**	**797**

2.11 Group staff and employee benefits

Average staff	31/12/2007	31/12/2006
Management	453	443
Employees	758	735
Labourers and other salaried workers	2,153	2,117
Total	**3,364**	**3,295**

Expenses recorded for defined contribution schemes (in 000s of €)	40,230	39,482

2.12 Financial income and expenses

in 000s of €	**31/12/2007**	**31/12/2006**
Equity interests and income from other financial assets	218	36
Income from other receivables and marketable	1,760	1,786
securities	334	249
Other financial income	194	988
Financial instruments	400	634
Reversal of provisions and writedowns	782	609
Foreign exchange differences	409	281
Net gain on sale of marketable securities		
Total financial income	**4,096**	**4,583**
Increase in provisions and writedowns	713	816
Interest and financial expenses	4,853	4,409
Financial expenses on financial leases	75	94
Foreign exchange differences	1,550	1,204
Other financial expenses	424	419
Total financial expenses	**7,615**	**6,942**

2.13 Related parties

- The consolidated financial statements include transactions performed by the group with Etablissements Charles Nusse.

in 000s of €	**31/12/2007**	**31/12/2006**
Balance sheet		
Interest-bearing debt: current account	22,000	19,000
Short-term portion of interest-bearing debt	1,355	1,390
Income statement		
Financial expenses	788	491
Fees	1,015	1,036

The Group companies benefit from the leadership of Etablissements Charles Nusse and pay a fee equal to 0.6% of the value added of the previous year.

➢ Remuneration of administrative and management bodies:

The total direct and indirect remuneration of all kinds received by all the managers of the Group totalled € 1,561,000.
No benefits are granted to managers of the Group aside from retirement commitments.

The remuneration granted to the members of the Board of Directors by way of director's fees totalled € 60,000 in 2007. It was approved by a decision of the 24 May 2007 Shareholders' Meeting.

2.14 Segment information

➢ Segment information by activity – 31/12/2007

in 000s of €	**Paper**	**Transformation**	**Inter-segment transactions**	**Total**

Segment income statement

Revenues	257,733	389,692	-109,312	538,113
Depreciation and amortisation	11,750	11,905	-84	23,571
Writedowns and provisions	-4,368	2,095		-2,273
Operating profit (excl. goodwill)	12,594	12,047	-312	24,329
Amortisation of goodwill				-80

Segment assets

Net intangible and tangible assets	104,342	110,291		214,633
Investments	*9,438*	*15,092*		*24,530*
Goodwill		13,014		13,014
Trade receivables	53,064	129,177	-39,511	142,730
Other assets allocated	56,917	118,226	-2,165	172,978
Unallocated assets				*1,146*
Total assets	214,323	370,708	-41,676	544,501

Segment liabilities

Provisions	238	1,671		1,909
Other liabilities allocated	39,645	105,886	-39,759	105,772
Unallocated liabilities				*1,734*
Total liabilities	39,883	107,557	-39,759	109,415

➢ <u>Segment information by geographic area – 31/12/2007</u>

in 000s of €	**France**	**Europe**	**Outside Europe**	**Total**
Revenues	365,782	148,364	23,967	538,113
Net intangible assets and fixed	204,161	7,233	3,239	214,633
assets	*22,645*	*1,224*	*661*	*24,530*
Investments	13,014			13,014
Goodwill	126,204	14,317	2,209	142,730
Trade receivables	157,721	11,123	4,134	172,978
Other assets allocated				*1,146*
Unallocated assets				
Total assets	501,100	32,673	9,582	544,501

➢ Segment information by activity – 31/12/2006

in 000s of €	Paper	Transformation	Inter-segment transactions	Total
Segment income statement				
Revenues	236,102	377,069	-106,226	506,945
Depreciation and amortisation	12,139	12,041		24,180
Writedowns and provisions	-1,039	-693		-1,732
Operating profit (excl.	1,585	7,309	44	8,938
goodwill)		776		776
Amortisation of goodwill				
Segment assets				
Net intangible assets and fixed	107,787	104,857	-115	212,529
assets	*13,807*	*11,876*		*25,683*
Investments		15,044		15,055
Goodwill	52,964	123,637	-39,768	136,833
Trade receivables	50,850	110,097	-1,955	158,992
Other assets allocated				*6,238*
Unallocated assets	211,601	353,635	-41,838	529,636
Total assets				
Segment liabilities				
Provisions	356	1,622		1,978
Other liabilities allocated	38,699	107,033	-40,000	105,732
Unallocated liabilities				*248*
Total liabilities	39,055	108,655	-40,000	107,958

➢ Segment information by geographic area – 31/12/2006

in 000s of €	France	Europe	Outside Europe	Total
Revenues	351,102	133,411	22,432	506,945

Net intangible assets and fixed	206,725	3,088	2,716	212,529
assets	*24,921*	*488*	*274*	*25,683*
Investments	15,044			15,044
Goodwill	121,378	14,013	1,442	136,833
Trade receivables	148,081	7,554	3,447	158,992
Other assets allocated				*6,238*
Unallocated assets				
Total assets	491,228	24,655	7,515	529,636

KPMG AUDIT
Auditors
523, avenue André Malraux
BP 01
54602 Villers-lès-Nancy Cedex

SEREC AUDIT
Auditors

25, rue Charles Fourier
75640 Paris Cedex 13

Exacompta Clairefontaine S.A.

Report of the auditors on the consolidated financial statements

Year ended 31 December 2007
Exacompta Clairefontaine S.A.
88480 Etival-Clairefontaine

KPMG AUDIT
Auditors
523, avenue André Malraux
BP 01
54602 Villers-lès-Nancy Cedex

SEREC AUDIT
Auditors

25, rue Charles Fourier
75640 Paris Cedex 13

Exacompta Clairefontaine S.A.

Registered office: 88480 Etival-Clairefontaine
Authorised capital: € 4,525,920

Report of the auditors on the consolidated financial statements

Year ended 31 December 31 2007

To the Shareholders:

In accordance with the assignment entrusted to us by your shareholders' meeting, we have audited the consolidated financial statements of Exacompta Clairefontaine S.A. for the year ended 31 December 2007, which are appended to this report.

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

1. Opinion on the consolidated annual financial statements

We performed our audit in accordance with the professional standards applicable in France. These standards require the performance of procedures to obtain reasonable assurance that the consolidated financial statements do not contain significant errors. An audit consists of examining, on a test basis, the supporting documentation for the entries contained in the statements. It also consists of an assessment of the accounting principles followed and the significant estimates made in the preparation of the statements and of their presentation as a whole. We believe that our tests provide a reasonable basis for the opinion expressed below.

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

2. Justification of assessments

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

Accounting principles

Greenhouse gas emission rights

Note 8 to the financial statements describes the accounting treatment used to record greenhouse gas emission rights in the absence of a specific provision on this subject in the IFRS as adopted within the European Union. We ensured that the accounting treatment applied does not contradict any IFRS general principles and that note 8 gives appropriate information on this subject.

Accounting estimates

Writedowns of assets

At each closing date the company systematically performs a test regarding writedowns of goodwill and assets with an indefinite life, and also determines whether an indication exists that long-term assets have experienced a loss in value, using the methods described in notes 8 and 9 to the financial statements. We have examined the methods used to perform this test and the cash flow projections and assumptions used, and we checked to ensure that notes 8 and 9 provide appropriate information.

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

3. Specific verification

We also verified, in accordance with the professional standards applicable in France, the information provided on the report on the operations of the group. We have no comments to make about its accuracy and conformity with the consolidated annual financial statements.

The Auditors

Villers-lès-Nancy, 23 April 2008	Paris, 23 April 2008
KPMG Audit *A division of KPMG S.A.*	SEREC Audit
Christophe Bernard *Partner*	Dominique Gayno *Partner*

RESOLUTIONS PRESENTED AT THE ORDINARY SHAREHOLDERS' MEETING OF 22 MAY 2008

RESOLUTION ONE

Following a reading by the Board of Directors and the auditors of their respective reports, the Meeting approved these reports in their entirety, as well as the transactions described therein, and the parent company annual financial statements for the year ended 31 December 2007, which consisted of the balance sheet, income statement and notes to the financial statements.

RESOLUTION TWO

Following a reading by the Board of Directors and the auditors of their respective reports, the Meeting approved these reports in their entirety, as well as the transactions described therein, and the consolidated annual financial statements for the year ended 31 December 2007, which consisted of the balance sheet, income statement and notes to the financial statements.

RESOLUTION THREE

At the suggestion of the Board of Directors, the Shareholders' Meeting decided to distribute and allocate the income for the year as follows (in euros):

- Profit for fiscal year 2007 € 1,097,454.77

Allocated as follows:

- First dividend 226,296.00
- Second dividend 2,036,664.00

TOTAL € 2,262,960.00

- Including withdrawal from other reserves € 1,165,505.23

As the authorised capital of the company is divided into 1,131,480 shares, each of these shares will receive a total dividend of € 2.00.

The following table shows the dividends paid in the last three fiscal years:

Year	Dividend	Number of shares
2004	3.50	1,131,480
2005	2.00	1,131,480
2006	2.00	1,131,480

RESOLUTION FOUR

Following a reading of the special report of the auditors, the Shareholders' Meeting approved the fiscal year 2007 transactions related to Article L.225-38 of the Commercial Code.

RESOLUTION FIVE

The Shareholders' Meeting gave a full discharge to the directors for their management during the past year, and decided in favour of the proposal of the Board of Directors to set the fees that will be paid to the company's directors in 2008 at € 60 000.

RESOLUTION SIX

The Shareholders' Meeting decided in favour of the proposal of the Board of Directors to renew the term of François Nusse as a director of the company.

This term, which is valid for six years, will terminate at the conclusion of the Shareholders' Meeting to which the financial statements for fiscal year 2013 are submitted.

RESOLUTION SEVEN

In view of the expiration of the mandates of the auditors, the Shareholders' Meeting decided, in accordance with the proposal of the Board of Directors, to appoint:

As regular auditors:

- SEREC AUDIT, with registered offices at 25, rue Charles Fourier 75013 PARIS, and which is recorded in the Paris Trade Register under No. 324 834 399.

- BATT AUDIT, with registered offices at 25, rue du Bois de la Champelle 54500 Vandoeuvre-lès-Nancy, and which is recorded in the Nancy Trade Register under No. 414 570 622.

As alternate auditors:

- G.B.A. Audit et Finance, with registered offices at 10, rue du Docteur Finlay 75015 PARIS, and which is recorded in the Paris Trade Register under No. 342 775 137.

- SOVEC, with registered offices at 661, avenue de la Division Leclerc 88300 Neufchâteau, and which is recorded in the Mirecourt Trade Register under No. 328 045 711.

The auditors are appointed for a term of six fiscal years. Their appointments will end at the conclusion of the Shareholders' Meeting to which the financial statements for fiscal year 2013 are submitted.

NOTES