EXACOMPTA CLAIREFONTAINE

HALF-YEAR FINANCIAL REPORT

30 JUNE 2017

SA with share capital of €4,525,920 – Registered office 88480 ÉTIVAL-CLAIREFONTAINE
RCS EPINAL: B 505 780 296 SIRET No.: 505 780 296 000 16 NAF: 7010Z
Tel. +33 (0)3 29 42 42 42 Fax +33 (0)3 29 42 42 00 Websitewww.exacomptaclairefontaine.fr

Contents:

Board of Directors

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

Dominique Daridan

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

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

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

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

Jérôme Nusse
Chairman, Editions Quo Vadis

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

Caroline Valentin

Céline Nusse

Statutory Auditors

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

SEREC AUDIT, 75015 Paris, France
Benoît Grenier

To the Shareholders,

1. REVIEW AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

(€000)	H1 2017	H1 2016
Income from continuing activities	294,764	294,761
Operating income	9,652	7,363
Net income before tax	8,915	7,332
Net income after tax	6,354	6,020
Minority interests	0	(60)
Group share	6,354	6,080

- First half 2016 earnings were impacted by a €863,000 badwill gain arising from the acquisition of a subsidiary.
- In early 2017, Exacompta Clairefontaine acquired exclusive control of its subsidiary Photoweb via the buyout of minority interests. There are therefore no longer any minority interests presented in the consolidated financial statements.

1.1 PAPER PRODUCTION

Demand for printing and writing papers in Western Europe was relatively strong during the first half. Group sales in this sector were spurred by the development of new specialised products, while revenues were more or less identical to first half 2016 revenues. Production fell 2.4% due to a small number of technical incidents.

After the downward trend observed in the second half of 2016, the price of paper pulp increased sharply.

1.2 PROCESSING

In terms of stationery, the I+C economic survey shows a level 12-month trend.
The emergence of new forms of business and changing consumer habits have encouraged the Group to continuously update its product offering in this sector.
Successful adaptation of its marketing, production and logistics resources has enabled the Group to maintain strong business.

1.3 FINANCIAL POSITION - DEBT

As at 30 June 2017, with revenue of €294,764,000, Group gross borrowings amounted to €139,650,000 and shareholders' equity totalled €388,368,000.

The Group has negotiated lines of credit with its banks totalling €135 million. At the balance sheet date, the Group had no outstanding commercial paper out of a global programme of €125 million.

With cash of €91,070,000 at 30 June 2017, Group net borrowings amounted to €48,580,000.

Group cash flow for the first half of 2017 was €20,080,000, compared to €17,741,000 for the first half of 2016.

1.4 OTHER ITEMS

As the Group parent company, EXACOMPTA CLAIREFONTAINE has no share buyback programme in place and there are no employee shareholders.

The principal shareholder, Etablissements Charles Nusse, holds 910,395 shares with double voting rights, representing 80.46% of the share capital at 30 June 2017.
Financière de l'Echiquier, a minority shareholder, holds more than 5% of the share capital.

2. RESEARCH AND DEVELOPMENT

We have successfully developed new levels of quality for offset and inkjet printing, Indigo and heat-resistant printer cards and technical papers for packaging. The Everbal facilities enable the production of extremely white recycled paper that does not require deinking.
In terms of stationery items, over the past few years the three departments have created entire teams of product design professionals and graphic designers. The Photoweb laboratory has cutting-edge digital applications geared to the production of custom articles.

3. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The 2016 social and environmental report was published prior to the Exacompta Clairefontaine Group shareholders' meeting on 31 May 2017. The report includes data on the Group's staff management, environmental policy and social indicators. The social and environmental report has been certified by Bureau Veritas. All information is regularly updated and published annually.
The following information supplements and updates the information provided in this report.

On 31 May 2017 the Board of Directors approved the Code of Conduct, which has been circulated throughout the entire Group. The Code is available at www.exacomptaclairefontaine.fr.

3.1 EMPLOYMENT INFORMATION

↳ Staff

The Exacompta Clairefontaine Group had 3,200 employees at 30 June 2017, compared to 3,226 at 30 June 2016 and 3,144 at 31 December 2016.
The companies apply the collective agreement for the production of papers, cardboard and cellulose, or the collective agreement for cardboard packaging.

↳ Group Works Council

The Group's Works Council, which met on 21 June 2017, commented on its operations and on the economic and employment outlook.

3.2 ENVIRONMENTAL INFORMATION

↳ Monitoring of gross CO2 emissions at the Group's French paper mills

On 6 July 2017, the French Minister of Ecological and Inclusive Transition, Nicolas Hulot, presented his climate plan. Amongst other actions, the plan involves "doing away with fossil fuels and committing to carbon neutrality". This will include an increased price on carbon "to reflect the real cost of pollution", as well as the goal to achieve GHG neutrality by 2050. The Minister also stated that France supports the prompt signing of an ambitious agreement to revise the European CO_2 emissions trading scheme.

Energy savings are at the heart of the strategy of Group sites, and initiatives in this respect are rolled out every year. Accordingly, in late 2016, Papeteries de Clairefontaine obtained ISO 50 001 certification following the implementation of its energy management system.

Changes in CO_2 emissions

Site	CO_2 emissions (tonnes)	
	H1 2017	H1 2016
CLAIREFONTAINE	41,562	43,175
MANDEURE	4,953	5,086
EVERBAL	816	1,560
Total	**47,331**	**49,821**

Change in the emissions to production tonnage ratio

Site	Ratio (in kg CO_2/tonne of gross paper	
	H1 2017	H1 2016
CLAIREFONTAINE	433	438
MANDEURE	263	265
EVERBAL	34	69

Total gross paper production for the three sites fell 1.2% in the first half of 2017 compared to the same period in 2016. By way of comparison, CO_2 emissions fell 5%.
Emissions per tonne of paper produced also declined, indicating improved energy efficiency at the sites.

3.3 INFORMATION ON COMMUNITY PROJECTS

Global warming

Papeteries de Clairefontaine supports the MEROCEANS foundation's global warming research programme. Between October 2016 and April 2017, a specially designed one-man sailing vessel set off to gather essential data at the air-sea interface off the coast of Australia, and scientifically observe climate change. Specifically, precise analyses were carried out regarding temperature and salinity.

Partnerships

As in 2016, sporting and cultural partnerships were formed with youth associations in particular. The Group also continues to support UNICEF and the education of children.

4. OUTLOOK

4.1 GENERAL OUTLOOK

In the second half of 2017, commercial demand may decline, while the increase in paper pulp prices will have a substantial impact on margins.

Full-year operating income may sink below the €17,264,000 posted in 2016.

4.2 RISKS AND UNCERTAINTIES

Due to the nature of its operations, the Group is exposed to different kinds of risk as well as a number of uncertainties. These are explained in detail in the report circulated to the shareholders prior to the 31 May 2017 Ordinary General Meeting. The following information supplements and updates the information provided in this report.

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

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

➢ <u>Financial risks</u>

To avoid being solely dependent on short-term financing in spite of low interest rates, in first half 2017 the Group took out several medium-term loans for a total of €79.5 million.

➢ <u>Credit risk</u>

Since the beginning of 2017 the Group has not faced any major customer default.

Exacompta Clairefontaine S.A.

Consolidated financial statements for the six months ended 30 June 2017

Half-year consolidated financial statements

Consolidated balance sheet

€000	30/06/2017	31/12/2016	Notes
NON-CURRENT ASSETS	**263,040**	**261,943**	
Intangible assets	14,478	14,982	(2.1.4)
Intangible assets – Goodwill	28,266	28,266	(2.1.4)
Property, plant and equipment	216,921	213,883	(2.1.5)
Financial assets	2,421	3,750	(2.1.6)
Deferred taxes	954	1,062	(2.4)
CURRENT ASSETS	**449,971**	**391,180**	
Inventories	185,634	170,346	(2.2.1)
Trade and other receivables	168,654	114,389	(2.2.2)
Advances	1,438	2,257	
Taxes receivable	3,175	837	
Cash and cash equivalents	91,070	103,351	(2.2.3)
TOTAL ASSETS	**713,011**	**653,123**	

SHAREHOLDERS’ EQUITY	**388,368**	**387,415**	
Share capital	4,526	4,526	
Capital reserves	225,709	228,166	
Consolidated reserves	153,237	140,415	
Currency translation reserve	(1,458)	(1,169)	
Net income – Group share	6,354	13,809	
Shareholders’ equity – Group share	**388,368**	**385,747**	
Minority interests	0	1,668	
NON-CURRENT LIABILITIES	**146,505**	**94,871**	
Interest-bearing debt	99,588	48,636	(2.6)
Deferred taxes	23,991	24,184	(2.4)
Provisions	22,926	22,051	(2.5)
CURRENT LIABILITIES	**178,138**	**170,837**	
Trade payables	63,253	66,798	
Short-term portion of interest-bearing debt	40,062	40,957	(2.6)
Provisions	9,004	8,869	(2.5)
Tax liabilities	124	137	
Other payables	65,695	54,076	(2.8)
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	**713,011**	**653,123**	

Consolidated income statement

€000	H1 2017	H1 2016	Notes
Revenue	294,764	294,761	
- Sales of products	291,325	291,742	
- Sales of services	3,439	3,019	
Other operating income	2,698	2,848	
- Reversal of depreciation/amortisation	65		(2.1.4, 2.1.5)
- Subsidies	107	14	
- Other income	2,526	2,834	
Change in inventories of finished products and work-in-progress	14,566	17,918	(2.2.1)
Capitalised production costs	298	343	
Goods and materials used	(147,436)	(153,735)	(2.2.1)
External expenses	(50,374)	(50,437)	
Personnel expenses	(79,100)	(79,543)	(2.12)
Taxes and duties	(7,720)	(6,875)	
Depreciation/amortisation	(13,683)	(13,571)	(2.1.4, 2.1.5)
Other operating expenses	(4,361)	(4,346)	
OPERATING INCOME – before goodwill impairment	**9,652**	**7,363**	
Badwill gain		863	(2.1.4, 2.1.1)
OPERATING INCOME – after goodwill impairment	**9,652**	**8,226**	
Financial income	1,336	1,936	
Financial expenses	(2,073)	(2,830)	
Net financial items	(737)	(894)	(2.13)
Income taxes	(2,561)	(1,312)	(2.4, 2.11)
Net income after tax	**6,354**	**6,020**	

Net income/(loss) – minority share	**0**	**(60)**
Net income – Group share	**6,354**	**6,080**

Net income for the period	6,354	6,080	
Number of shares	1,131,480	1,131,480	(2.3)
EARNINGS PER SHARE (basic and diluted)	**5.62**	**5.37**	

Comprehensive income statement

€000	H1 2017	H1 2016
Net income for the period	**6,354**	**6,020**
• Currency translation differences resulting from the conversion of foreign entities' financial statements	(290)	(197)
• Actuarial gains/(losses)	(31)	(5)
• Changes in scope of consolidation	0	(34)
Total comprehensive income	**6,033**	**5,784**
Attributable to:		
- minority interests	0	(110)
- the Group	6,033	5,894

Statement of changes in consolidated shareholders' equity

€000	Shareholders' equity – Group	Shareholders' equity – minority	Total shareholders' equity
Balance at 31/12/2015	**376,803**	**3,034**	**379,837**
Currency translation difference	(370)		(370)
Actuarial gains and losses and other variations	(911)	(54)	(965)
Put option on Photoweb minority interests	(1,305)		(1,305)
Total transactions not posted to earnings	(2,586)	(54)	(2,640)
Net income/(loss) for the year	13,809	(1,105)	12,704
Dividends	(2,279)	(207)	(2,486)
Balance at 31/12/2016	**385,747**	**1,668**	**387,415**
Currency translation difference	(290)		(290)
Actuarial gains and losses and other variations	(31)		(31)
Other changes	(470)		(470)
Acquisition of exclusive control of Photoweb		(1,668)	(1,668)
Total transactions not posted to earnings	(791)	(1,668)	(2,459)
Net income/(loss) for the year	6,354		6,354
Dividends *	(2,942)		(2,942)
Balance at 30/06/2017	**388,368**	**0**	**388,368**

* Dividend paid out by Exacompta Clairefontaine at €2.60 per share.

Statement of consolidated cash flows

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

€000	30/06/2017	31/12/2016	Notes
Cash and cash equivalents (assets)	91,070	103,351	(asset
Bank overdrafts payable	(40,018)	(40,900)	s)
Accrued interest on debt	(44)	(56)	(2.6)
Cash per statement of cash flows	**51,008**	**62,395**	(2.6)

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

Statement of cash flows

€000	H1 2017	H1 2016	Notes
Total consolidated net income	**6,354**	**12,704**	
Elimination of non-cash and non-operating expenses and income:			
• Depreciation, amortisation and provisions	14,648	35,468	(2.1.4 to 2.1.6, 2.5)
• Change in deferred taxes	(193)	(6,015)	(2.4)
• Post-tax gains on asset sales	62	419	
• Currency translation adjustments	(290)	(370)	
• Other	(501)	(930)	
Cash flow of consolidated companies	*20,080*	*41,276*	
• Change in operating working capital	(60,566)	1,773	Balance sheet
• Change in income taxes	(4,671)	7,343	
• Income taxes paid	2,333	(1,861)	
(1) Net cash flow from operating activities	**(42,824)**	**48,531**	
• Purchases of fixed assets	(16,383)	(30,085)	(2.1.4 to 2.1.6)
• Sales of fixed assets	1,478	1,339	
• Changes in consolidation – acquisitions	(1,668)	(708)	
• Changes in consolidation – disposals			
(2) Net cash flow from investing activities	**(16,573)**	**(29,454)**	
• Dividends paid	(9,727)	(8,775)	(Change in shareholders' equity)
• Dividends received	6,785	6,289	
• New borrowings	79,997	25,353	
• Loans repaid	(28,968)	(25,797)	
• Interest paid	(456)	(1,010)	
• Interest received	379	793	
(3) Net cash flow from financing activities	**48,010**	**(3,147)**	
(1+2+3) Total cash flow	**(11,387)**	**15,930**	

Opening cash	62,395	46,465
Closing cash	51,008	62,395
Change in cash	**(11,387)**	**15,930**

Presentation of the consolidated financial statements

1- General principles – statement of compliance

The EXACOMPTA CLAIREFONTAINE Group consolidated financial statements are prepared in accordance with IFRS (International Financial Reporting Standards), as adopted within the European Union. The Exacompta Clairefontaine Group consolidated interim financial statements were prepared in accordance with IAS 34 – *Interim financial reporting*.
The Exacompta Clairefontaine Group consolidated financial statements were approved by the Board of Directors on 7 September 2017.

2- Adoption of international standards

➢ Mandatory standards, amendments and interpretations in 2017:

There are no new standards, amendments or interpretations adopted by the European Union that are mandatory in 2017.

➢ Standards, amendments and interpretations adopted by the European Union and mandatory after 2017

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

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

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

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

The Group is currently analysing the impact of these new standards and amendments.

3- Bases of preparation of the financial statements

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

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

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

4- Consolidation of subsidiaries

The consolidated financial statements include the financial statements of the parent company, Exacompta Clairefontaine, and those of the entities controlled by the parent company (the "subsidiaries").
Control means the power to direct, directly or indirectly, the financial and operating policies of the entity in order to obtain benefits from its activities.
The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control was obtained until the date on which control is no longer held.

The balances shown in the balance sheet, unrealised gains and losses, and the income and expenses resulting from Group transactions are eliminated in the consolidation.
Unrealised gains arising from transactions with affiliates are eliminated in proportion to the Group's equity interest.
Unrealised losses are eliminated in the same way, but only if they do not represent a loss in value.

5- Foreign currencies

The individual financial statements of each of the Group's entities are presented in the currency of the economic environment in which the entity operates. For the purposes of the consolidated financial statements, the profit or loss and the financial position of each entity are stated in euros, which is the functional currency of Exacompta Clairefontaine S.A. and the currency in which the consolidated financial statements are presented.

Transactions in foreign currency are recorded at the exchange rate in effect on the date of the transaction.
Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are converted to euros at the closing rate. The currency translation differences resulting from this conversion are recorded in the income statement as income or expense, as applicable.

The assets and liabilities of each individual entity that engages in its activity abroad are converted to euros at the exchange rates in effect at the balance sheet date. Income and expenses are converted at the average exchange rates for the period, which is a sufficient approximation of the rates on the transaction dates.
The currency translation differences resulting from the conversion are recorded under currency translation adjustments as a separate shareholders' equity account.

6- Business combinations

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

Goodwill arising from a business combination is valued as the excess of the consideration transferred over the net balance, as at the acquisition date, of identifiable assets acquired and liabilities assumed, measured at fair value.
Where applicable, the non-controlling interest in the acquired entity is measured either at fair value or at the share of the fair value of assets and liabilities of the subsidiary acquired. This option is available at each business combination and cannot be changed subsequently.

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

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

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

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

7- Property, plant and equipment

Group land and buildings are intended for use in the production or supply of goods and services, or for administrative purposes.
The Group does not hold any material real estate that should be classified as an investment. The industrial facilities and other equipment are operating assets for the production or supply of goods and services.

All Group property, plant and equipment is recorded at historical purchase cost, less accumulated depreciation and impairment.
Property, plant and equipment under construction comprises assets intended for use in production and is recorded at cost, less any impairment identified.
When items of property, plant and equipment have different useful lives, they are recorded as separate assets. All ongoing service and maintenance costs are recorded as expenses at the time they are incurred.

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

Depreciation is recognised as expenses using the straight line method, without any residual value. It is calculated based on the estimated useful life of each component of fixed assets on the following bases and by year:

- Land	not depreciated
- Buildings	25 to 40 years
- Fixtures and furnishings	10 to 20 years
- Plant and equipment	10 to 20 years
- Other office supplies and computer hardware	3 to 10 years

The useful life of the main assets is reviewed when the accounts are closed. Any change in the useful life is recorded on a prospective basis as a change in an accounting estimate.

8- Intangible assets

Research and development costs

Research costs are recorded as expenses in the year in which they are incurred.
Development expenses are recorded as a non-current asset if the costs can be reliably measured and if the Group can demonstrate the technical and commercial feasibility of the product or procedure, the existence of probable future economic benefits and its intention, as well as the availability of sufficient resources, to complete the development of and use or sell the asset. When the requirements for recording development expenses in assets are not met, they are recognised as expenses for the year in which they are incurred.
Following a review of development costs incurred, the Group did not capitalise any development expenses.

Goodwill

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

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

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

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

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

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

Trademarks

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

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

Expenses for internally generated trademarks are expensed as incurred.

Other intangible assets

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

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

9- Impairment of property, plant and equipment and intangible assets (excluding goodwill and trademarks)

At the end of each period, the Group reviews the book values of property, plant and equipment and intangible assets in order to determine whether there is any indication that an asset has suffered impairment. If it has, the recoverable value of the asset is estimated in order to determine the potential impairment.

The recoverable value of an asset is the higher of the fair value less costs to sell and the value in use. The value in use is estimated using the discounted future cash flows method. If the recoverable value is estimated to be less than the book value, impairment is recognised immediately in expenses in the income statement.

Impairment recorded for an asset during a prior period may be reversed if there has been a change in the estimates used to determine the recoverable value. However, any book values that have been increased following a reversal of impairment may not exceed the book value that would have been determined after depreciation or amortisation, if no impairment had been recorded. Impairment reversals are recorded in the income statement.

10- Financial assets

Unconsolidated equity interests are classified as assets available for sale and are measured at fair value; changes in fair value are recorded under shareholders' equity.
If the fair value cannot be reliably estimated, equity interests continue to be measured at purchase cost. In the event of a write-down, the loss in value is recorded in the income statement.

Intercompany receivables and other non-current financial assets are measured initially at fair value and subsequently at amortised cost.

11- Trade and other receivables

Trade and other receivables are included in the IAS 39 category "loans and receivables". They are initially measured at fair value and subsequently at amortised cost. Any losses in value are recorded in the income statement when the recoverable value is less than the book value.

12- Inventories

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

Greenhouse gas emission rights

The Group's paper subsidiaries engage in an activity that is regulated by Order no. 2004-330 of 15 April 2004, with the adaptation to French law, in the environmental code, of Directive no. 2003/87/EC of the European Parliament and the Council, establishing a scheme for trading greenhouse gas emission allowances, adopted on 13 October 2003.

An allowance is a unit of account that represents the emission of one tonne of carbon dioxide. The current greenhouse gas emission allowance allocation period runs from 2013 to 2020.

The Group applies the accounting principles set forth in Regulation 2012-03 of 4 October 2012 on the accounting treatment of greenhouse gas emission allowances and similar units, as adopted by the French accounting standards authority ("*Autorité des normes comptables*" or ANC).
Pursuant to the regulation, the Group applies the "production" model, in which the holding of allowances is linked to a production process that generates greenhouse gas emissions. The allowances are used in order to comply with the requirement to surrender them to the State.

The main features of the model applied by the Group are as follows:

- The allowances are recorded under inventories.
  - Allowances allocated by the State are recorded at zero value. They are treated purely in terms of volume.
  - Purchased allowances are recorded at purchase cost.
- Balance sheet valuation
  - An impairment charge is recorded when the present value of inventories is lower than the book value.
  - No specific valuation is carried out in the case of allocated allowances, as they are recorded at zero value.
- Inventory withdrawal
  - The allowances are withdrawn from inventories on an ongoing basis in line with actual CO_2 emissions Allocated allowances have no impact on the financial statements.
  - Any gains or losses arising from the sale of emission allowances are recorded under operating income.
- Requirements related to greenhouse gas emissions
  - The basic requirement to surrender the CO_2 emission allowances in accordance with emissions produced remains unchanged from the previous allocation periods.
  - At the end of each reporting period, if the Group lacks a sufficient number of allowances [allocated + purchased] to meet its obligation to surrender allowances to the State, a liability representing the value of missing allowances to be purchased is recorded.

13- Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and short-term investments in money market instruments.
These investments can be converted into a known amount of cash within one week at most and are subject to a negligible risk of a change in value.
Financial assets held for trading (marketable securities) are assets valued at fair value through profit or loss.
Bank overdrafts repayable on demand and current borrowings, which are an integral part of the Group's cash management, are included in cash and cash equivalents for the purposes of the cash flow statement.

14- Derivative financial instruments

The Group uses derivative financial instruments to limit its exposure to the interest rate risks resulting from its operating, financing and investing activities.

The Group does not apply hedge accounting (cash flow and fair value hedges). Derivative financial instruments are included in financial assets and liabilities measured at fair value through profit or loss. The profit or loss resulting from subsequent measurements of the fair value is recorded immediately in income.
Interest rate swaps are recorded at fair value, which corresponds to the price that would be exchanged between knowledgeable and willing parties in an arm's length transaction. This value is communicated by the financial institutions with which these instruments are contracted.

15- Interest-bearing debt

All financial instruments are measured initially at fair value and subsequently at amortised cost.
Transaction costs are included in the initial measurement of financial instruments that are not measured at fair value through profit or loss. The transaction costs are the marginal costs directly attributable to the purchase or issuance of a financial instrument and do not include internal administration costs.
All loan expenses are recorded as expenses for the period in which they are incurred.

Put options granted to third-party minority shareholders of controlled subsidiaries constitute a financial liability. The liability is measured on the basis of the contracts and may be remeasured based on the results achieved by the entity.
The Group records these put options as financial liabilities at the present value of the exercise price of these options after deduction of the related minority interests with an offsetting entry to shareholders' equity, Group share.
Subsequent changes in the liability are treated in the same manner.

16- Employee benefits

Defined contribution plans

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

Provisions for retirement indemnities

The Group's net liability for defined benefit plans is estimated separately for each scheme by estimating the amount of the future benefits acquired by personnel in exchange for services rendered during the present and prior periods.

This amount is discounted to determine its present value, and is reduced by the fair value of the plan assets. The discount rate is determined using the French average bond market rate on the balance sheet date, based on blue chip corporate bonds. The calculations are performed using the projected unit credit method.

Actuarial gains and losses are recorded under items of other comprehensive income.

17- Provisions

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

18- Income

Revenue

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

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

Public subsidies

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

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

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

The Competitiveness and Employment tax credit (CICE) was introduced under Article 66 of the Amending French Finance Act no. 2012-1510 of 29 December 2012.
It is calculated based on the total remuneration paid during the calendar year and the income is accounted for in line with personnel expenses. CICE is recorded as a reduction in personnel expenses.

19- Expenses

Payments under operating leases

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

Net financial items

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

20- Income tax

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

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

Current tax is the estimated tax due on taxable income for a period and any adjustment of the amount of current tax for prior periods.
It is determined by using the tax rates that have been adopted or substantially adopted at the balance sheet date.

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

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

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

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

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

21- Management of financial risk

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

Market risks

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

- Foreign exchange risk

The Group operates internationally. Risks related to commercial transactions denominated in a currency other than the respective functional currencies of Group entities are related mainly to purchases of raw materials denominated in US dollars.
In order to manage exchange rate risk, the Group hedges approximately 50% of its expected future transactions in USD for the coming three months using options contracts.

- Interest rate risk

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

Liquidity risk

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

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

Credit risk

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

- Trade and other receivables

The concentration of credit risk is not significant. It is divided among a large number of clients. The risk of default by business sector and by country in which the clients engage in their activities does not have a significant influence on credit risk.

The Group has implemented tools to monitor outstandings that enable it to ensure that its clients have an appropriate credit history. Clients that do not satisfy solvency requirements cannot carry out transactions with the Group without making advance payments. In addition, credit risk is limited by taking out credit insurance policies.

The Group determines a level of write-downs that represents its estimate of losses that will be incurred in respect of trade and other receivables. Impairment charges correspond to specific losses related to individual risks.
The amounts presented in the balance sheet are net of impairment recorded.

- Investments

The Group limits its exposure to credit risk from investments, short-term deposits and other cash instruments by investing only in liquid securities.
As the counterparties are leading banks, the Group does not expect that any of them will default.

22- Segment information

Based on the Group's internal organisation, the operating segments for financial reporting purposes are defined by area of activity.

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

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

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

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

Notes to the consolidated financial statements

1. CONSOLIDATED ENTITIES

All of the companies have been consolidated at 30 June 2017 under the full consolidation method (F.C.).

Name	Address	% interest	% controlling interest	Consolidation method	SIREN No.
EXACOMPTA CLAIREFONTAINE	88480 ETIVAL CLAIREFONTAINE			Parent company	505 780 296
A.B.L.	132, Quai de Jemmapes 75010 PARIS	100	100	F.C.	622 033 124
A.F.A.	132, Quai de Jemmapes 75010 PARIS	100	100	F.C.	582 090 452
CARTOREL	358, Avenue de Paris 79025 NIORT	100	100	F.C.	025 770 470
CFR Ile Napoléon	RD 52 68490 OTTMARSHEIM	100	100	F.C.	439 721 697
PAPETERIES DE CLAIREFONTAINE	88480 ETIVAL CLAIREFONTAINE	100	100	F.C.	402 965 297
CLAIREFONTAINE RHODIA	RD 52 68490 OTTMARSHEIM	100	100	F.C.	339 956 781
CLAIRCELL	ZI – rue de Chartres 28160 BROU	100	100	F.C.	432 357 358
COGIR	10, rue Beauregard 37110 CHATEAU-RENAULT	100	100	F.C.	885 783 159
REGISTRES LE DAUPHIN	27, rue George Sand 38500 VOIRON	100	100	F.C.	055 500 953
MADLY	6, rue Henri Becquerel 69740 GENAS	100	100	F.C.	400 210 449
EVERBAL	2, Route d'Avaux 02190 EVERGNICOURT	100	100	F.C.	542 091 194
EXACOMPTA	138-140, Quai de Jemmapes 75010 PARIS	100	100	F.C.	702 047 564
FACIMPRIM	15, rue des Ecluses Saint Martin 75010 PARIS	100	100	F.C.	702 027 665
LALO	138, Quai de Jemmapes 75010 PARIS	100	100	F.C.	572 016 814
LAVIGNE	139-175, rue Jean Jacques Rousseau 92130 ISSY-LES-MOULINEAUX	100	100	F.C.	332 346 444

PAPETERIE DE MANDEURE	14, rue de la Papeterie 25350 MANDEURE	100	100	F.C.	339 310 807
MANUCLASS	ZI d'Etriché 49500 SEGRE	100	100	F.C.	318 110 665
CLAIRCELL INGENIERIE	ZI – rue de Chartres 28160 BROU	100	100	F.C.	490 846 763
EDITIONS QUO VADIS	14, rue du Nouveau Bêle 44470 CARQUEFOU	100	100	F.C.	054 807 748
RAYNARD	6, rue de la Peltière – 35130 LA GUERCHE DE BRETAGNE	100	100	F.C.	659 200 786
RAINEX	Lieudit Saint-Mathieu - ZI 78550 HOUDAN	100	100	F.C.	709 805 717
ROLFAX	ZI route de Montdidier 60120 BRETEUIL	100	100	F.C.	432 030 088
PAPETERIES SILL	Rue du Moulin 62570 WIZERNES	100	100	F.C.	085 650 141
PHOTOWEB	1, rue des Platanes 38120 SAINT-EGREVE	100	100	F.C.	428 083 703
INVADERS CORP	144, Quai de Jemmapes 75010 PARIS	100	100	F.C.	538 606 377
BRAUSE Produktion	D – 51149 KÖLN	100	100	F.C.	
EXACLAIR GmbH (Allemagne)	D – 51149 KÖLN	100	100	F.C.	
RODECO	D – 51149 KÖLN	100	100	F.C.	
MAKANE BOUSKOURA	Parc industriel de Bouskoura, lot n°4 20180 BOUSKOURA	100	100	F.C.	
CLAIR MAROC	Parc industriel de Bouskoura, lot n°4 20180 BOUSKOURA	100	100	F.C.	
PUBLIDAY MULTIDIA	Parc industriel de Bouskoura, lot n°4 20180 BOUSKOURA	100	100	F.C.	
ERNST STADELMANN	Bahnhofstrasse 8 A – 4070 EFERDING	100	100	F.C.	
EXACLAIR (Espagne)	E – 08110 MONTCADA I REIXAC	100	100	F.C.	
EXACLAIR (Belgique)	Boulevard Paepsem, 18D B – 1070 ANDERLECHT	100	100	F.C.	
EXACLAIR Inc (Etats-Unis)	143 west, 29th street USA – NEW YORK	100	100	F.C.	
EXACLAIR Ltd (Grande Bretagne)	Oldmedows Road KING'S LYNN, Norfolk PE30 4LW	100	100	F.C.	
QUO VADIS International Ltd	1055, rue Begin – Ville Saint Laurent QUEBEC H4R 1V8	100	100	F.C.	

EXACLAIR Italia Srl	Via Soperga, 36 I – 20127 MILANO	100	100	F.C.	
QUO VADIS Japon Co Ltd	Sangenjaya Combox 4F 1–32–3 Kamjuma Setagaya-Ku, TOKYO	100	100	F.C.	
QUO VADIS Editions Inc	120, Elmview Avenue HAMBURG, NY 14075–3770	100	100	F.C.	
SCHUT PAPIER	Kabeljauw 2 NL – 6866 HEELSUM	100	100	F.C.	

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

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

2. INFORMATION ON THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

2.1 Non-current assets

2.1.1 Intangible assets

Trademarks

“Concessions, patents, licenses” includes trademarks totalling €8,865,000. No impairment was recorded in the first half 2017 financial statements.

Goodwill

The goodwill recorded applied mainly to four subsidiaries at 30 June 2017. The segment information shows the breakdown of goodwill by business and geographic segment. No impairment was recorded in the first half 2017 financial statements, as no indication of loss of value was identified in any of the CGUs.

2.1.2 Property, plant and equipment

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

Finance leases included in the respective tables

€000	30/06/2017	31/12/2016
Property, plant and equipment	**9,376**	**9,376**
Land	5	5
Buildings	689	689
Plant and equipment	8,682	8,682
Depreciation	**9,371**	**9,371**
Accumulated b/fwd	9,371	9,371
Increase for the period	0	0
Loans	**0**	**0**

2.1.3 Financial assets

Unconsolidated equity interests and other long-term investments are stated at cost if there is no reliable fair value.
Equity interests not included in the consolidation scope cannot be consolidated and are not material. Intercompany receivables, loans and other financial assets are valued at amortised cost. The book value is equal to the fair value.

2.1.4 Intangible assets

At 30 June 2017 (€000)	Goodwill	Concessions, licences, trademarks and similar rights	Other	Total
Gross value b/fwd	38,507	29,751	6,015	74,273
Purchases		423	78	501
Sales		(38)		(38)
Changes in scope of consolidation				
Currency translation adjustments		(6)	(47)	(53)
Transfers and other	(9,876)	212	(212)	(9,876)
Gross value c/fwd	**28,631**	**30,342**	**5,834**	**64,807**
Amortisation and write-downs b/fwd	10,241	17,921	2,863	31,025
Sales		(36)		(36)
Changes in scope of consolidation				
Amortisation		743	256	999
Write-downs				
Reversals				
Currency translation adjustments		(6)	(43)	(49)
Transfers and other	(9,876)	102	(102)	(9,876)
Amortisation and write-downs c/fwd	**365**	**18,724**	**2,974**	**22,063**
Net book value b/fwd	**28,266**	**11,830**	**3,152**	**43,248**
Net book value c/fwd	**28,266**	**11,618**	**2,860**	**42,744**

At 31 December 2016 (€000)	Goodwill	Concessions, licences, trademarks and similar rights	Other	Total
Gross value b/fwd	39,257	28,221	6,052	73,530
Purchases		1,321	171	1,492
Sales		(123)		(123)
Changes in scope of consolidation			78	78
Currency translation adjustments		(8)	22	14
Transfers and other	(750)	340	(308)	(718)
Gross value c/fwd	**38,507**	**29,751**	**6,015**	**74,273**
Amortisation and write-downs b/fwd	7,644	16,329	2,181	26,154
Sales		(99)		(99)
Changes in scope of consolidation			49	49
Amortisation		1,649	569	2,218
Write-downs	3,347		94	3,441
Reversals				
Currency translation adjustments		(8)	20	12
Transfers and other	(750)	50	(50)	(750)
Amortisation and write-downs c/fwd	**10,241**	**17,921**	**2,863**	**31,025**
Net book value b/fwd	**31,613**	**11,892**	**3,871**	**47,376**
Net book value c/fwd	**28,266**	**11,830**	**3,152**	**43,248**

2.1.5 Property, plant and equipment

At 30 June 2017 (€000)	Land and buildings	Plant and equipment	Other PP&E	Advances and PP&E in progress	Total
Gross value b/fwd	141,138	440,386	36,210	8,800	626,534
Purchases	668	6,141	1,648	7,701	16,158
Sales	(13)	(1,692)	(393)		(2,098)
Changes in scope of consolidation					
Currency translation adjustments	(389)	(511)	(90)		(990)
Transfers and other	1,049	4,382	107	(5,538)	0
Gross value c/fwd	**142,453**	**448,706**	**37,482**	**10,963**	**639,604**
Depreciation and write-downs b/fwd	77,906	305,753	28,768	224	412,651
Sales	(9)	(1,538)	(323)		(1,870)
Changes in scope of consolidation					
Depreciation	2,145	9,271	1,090		12,506
Write-downs				178	178
Reversals				(65)	(65)
Currency translation adjustments	(181)	(458)	(78)		(717)
Transfers and other					
Depreciation and write-downs c/fwd	**79,861**	**313,028**	**29,457**	**337**	**422,683**
Net book value b/fwd	**63,232**	**134,633**	**7,442**	**8,576**	**213,883**
Net book value c/fwd	**62,592**	**135,678**	**8,025**	**10,626**	**216,921**

At 31 December 2016 (€000)	Land and buildings	Plant and equipment	Other PP&E	Advances and PP&E in progress	Total
Gross value b/fwd	138,871	423,082	34,331	4,921	601,205
Purchases	2,729	16,305	2,482	7,714	29,230
Sales	(437)	(3,392)	(991)		(4,820)
Changes in scope of consolidation		2,627	826		3,453
Currency translation adjustments	(553)	(1,222)	(94)		(1,869)
Transfers and other	528	2,986	(344)	(3,835)	(665)
Gross value c/fwd	**141,138**	**440,386**	**36,210**	**8,800**	**626,534**
Depreciation and write-downs b/fwd	74,160	288,406	27,270	0	389,836
Sales	(402)	(2,858)	(962)		(4,222)
Changes in scope of consolidation		2,466	797		3,263
Depreciation	4,380	18,407	2,145		24,932
Write-downs				224	224
Reversals					
Currency translation adjustments	(232)	(1,059)	(91)		(1,382)
Transfers and other		391	(391)		
Depreciation and write-downs c/fwd	**77,906**	**305,753**	**28,768**	**224**	**412,651**
Net book value b/fwd	**64,711**	**134,676**	**7,061**	**4,921**	**211,369**
Net book value c/fwd	**63,232**	**134,633**	**7,442**	**8,576**	**213,883**

2.1.6 Financial assets

At 30 June 2017 (€000)	Unconsolidated equity interests	Loans	Other receivables	Total
Gross value b/fwd	997	924	2,402	4,323
Purchases		1	1	2
Sales				
Changes in scope of consolidation				
Currency translation adjustments			(8)	(8)
Transfers and other		(12)	(1,290)	(1,302)
Gross value c/fwd	**997**	**913**	**1,105**	**3,015**
Write-downs b/fwd	571	0	2	573
Purchases/Sales				
Changes in scope of consolidation				
Write-downs	21			
Reversals				
Currency translation adjustments				
Transfers and other				
Write-downs c/fwd	**592**	**0**	**2**	**594**
Net book value b/fwd	**426**	**924**	**2,400**	**3,750**
Net book value c/fwd	**405**	**913**	**1,103**	**2,421**

At 31 December 2016 (€000)	Unconsolidated equity interests	Loans	Other receivables	Total
Gross value b/fwd	1,507	920	2,540	4,967
Purchases		102	374	476
Sales	(510)		(2)	(512)
Changes in scope of consolidation			13	13
Currency translation adjustments			4	4
Transfers and other		(98)	(527)	(625)
Gross value c/fwd	**997**	**924**	**2,402**	**4,323**
Write-downs b/fwd	1,013	0	4	1,017
Purchases/Sales			(2)	(2)
Changes in scope of consolidation				
Write-downs	68			68
Reversals	(510)			(510)
Currency translation adjustments				
Transfers and other				
Write-downs c/fwd	**571**	**0**	**2**	**573**
Net book value b/fwd	**494**	**920**	**2,536**	**3,950**
Net book value c/fwd	**426**	**924**	**2,400**	**3,750**

Other receivables consist mainly of deposits and bonds totalling €810,000 at 30 June 2017, compared to €2,102,000 at 31 December 2016.

2.1.7 Table of maturities of other financial assets

At 30 June 2017 (€000)	< 1 year	1-5 years	> 5 years	Total
Loans	76	177	660	913
Other financial assets	322	39	744	1,105
Financial assets and receivables	**398**	**216**	**1,404**	**2,018**

At 31 December 2016 (€000)	< 1 year	1-5 years	> 5 years	Total
Loans	73	200	651	924
Other financial assets	1,818	26	558	2,402
Financial assets and receivables	**1,891**	**226**	**1,209**	**3,326**

2.2 Current Assets

2.2.1 Inventories by type

At 30 June 2017 (€000)	Raw materials	Work-in-progress	Semi-finished and finished goods	Total
Gross value b/fwd	63,806	19,576	99,499	182,881
Change	1,101	1,567	12,327	14,995
Gross value c/fwd	**64,907**	**21,143**	**111,826**	**197,876**
Write-downs b/fwd	6,167	1,069	5,299	12,535
Additions	4,657	818	2,509	7,984
Reversals	(4,533)	(1,027)	(2,715)	(8,275)
Currency translation adjustments and other	(2)			(2)
Write-downs c/fwd	**6,289**	**860**	**5,093**	**12,242**
Net book value b/fwd	**57,639**	**18,507**	**94,200**	**170,346**
Net book value c/fwd	**58,618**	**20,283**	**106,733**	**185,634**

At 31 December 2016 (€000)	Raw materials	Work-in-progress	Semi-finished and finished goods	Total
Gross value b/fwd	58,600	19,460	101,007	179,067
Change	5,206	116	(1,508)	3,814
Gross value c/fwd	**63,806**	**19,576**	**99,499**	**182,881**
Write-downs b/fwd	5,846	1,056	5,294	12,196
Additions	6,005	1,031	5,147	12,183
Reversals	(5,672)	(1,018)	(5,140)	(11,830)
Currency translation adjustments and other	(12)		(2)	(14)
Write-downs c/fwd	**6,167**	**1,069**	**5,299**	**12,535**
Net book value b/fwd	**52,754**	**18,404**	**95,713**	**166,871**
Net book value c/fwd	**57,639**	**18,507**	**94,200**	**170,346**

2.2.2 Write-down of other current assets

€000	Write-downs b/fwd	Additions	Reversals	Other changes	Write-downs c/fwd
Trade receivables	3,101	694	(625)	(6)	3,164
Other receivables	241				241
Total	**3,342**	**694**	**(625)**	**(6)**	**3,405**

Statement of maturities of trade and other receivables

€000	< 1 year	1-5 years	> 5 years	Total
Trade and similar	151,266	1,055		152,321
receivables	13,422			13,422
Taxes and social security				
contributions receivable	2,992			2,992
	167,860	**1,055**		**168,735**
Impairment				(3,405)
Financial assets				**165,330**

Prepaid expenses	3,324
Reported trade and other receivables	**168,654**

2.2.3 Cash and cash equivalents

Financial assets held for trading (marketable securities) are assets valued at fair value through profit or loss. The book value of €28,963,000 is their market value at 30 June 2017. The book value is equal to the fair 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. A double voting right is granted to each fully paid-up share which has been registered for at least two years in the name of the same shareholder.
The Group has not implemented any specific capital management policy.

ETABLISSEMENTS CHARLES NUSSE holds 80.46% of the share capital.

2.4 Deferred taxes

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

The 2017 Finance Act of 29 December 2016 provided for the gradual transition of the French corporate tax rate from 33.3% to 28%. Deferred tax is calculated at a rate of 28%.

The change in balance sheet deferred taxes amounted to a €85,000 reduction in the net deferred tax liability.

Income statement:
- The change in deferred taxes recorded in net income was a €76,000 reduction (deferred tax income).
- The change in deferred taxes under comprehensive income was a €12,000 reduction due to restatement of actuarial gains and losses pursuant to IAS 19R.

The tax calculation is presented in Note 2.11.

Statement of changes in deferred tax

€000	**Closing balance**	**Opening balance**	**Change**
Deferred tax assets	954	1,062	(108)
Deferred tax liabilities	23,991	24,184	(193)
Net deferred tax	**23,037**	**23,122**	**(85)**

2.5 Provisions

Provisions break down as follows:

€000	**Provisions b/fwd**	**Additions**	**Reversals**	**Provisions not used**	**Other changes**	**Provisions c/fwd**
Provisions for pensions and similar obligations	22,051	1,470	(389)	(245)	39	22,926
Non-current provisions	**22,051**	**1,470**	**(389)**	**(245)**	**39**	**22,926**
Provisions for contingent liabilities	3,743	857	(460)	(93)		4,047
Other provisions for charges	5,126		(169)			4,957
Current provisions	**8,869**	**857**	**(629)**	**(93)**		**9,004**

Other provisions for charges mainly comprise a €4,714,000 earnout provision recorded in relation to the purchase of a subsidiary.
Other changes in provisions for pensions and similar obligations correspond to €43,000 of actuarial adjustments recorded under comprehensive income, amounting to €31,000 after tax.

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

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

- probability of retirement, staff turnover and mortality;
- projected salary increases;
- discounting the resulting liability at 1.07 %.

The amounts paid to insurance organisations are deducted from provisions.

Net change in the provision for pensions and similar obligations

€000	**H1 2017**	**2016**
Liability b/fwd	**22,051**	**20,691**
Cost of services rendered	1,174	1,024
Financial expense	276	369
Changes for the period	(618)	(1,430)
→ *o/w new recruits*	*34*	*338*
→ *o/w departures during the period*	*(652)*	*(1,768)*
Liability excluding actuarial gains and losses	**22,883**	**20,654**
Actuarial gains and losses under comprehensive income	43	1,397
Liability c/fwd	**22,926**	**22,051**

The recorded liability includes €19,490,000 of obligations under the plan applicable to French companies and €3,436,000 under plans applicable to foreign companies.

2.6 Bank loans and borrowings

Statement of liquidity risk

€000	**< 1 year**	**1-5 years**	**> 5 years**	**Total**
Loans from financial institutions	26,249	82,984	999	110,232
Other borrowings	266	605		871
Bank loans and overdrafts	5,501			5,501
Subtotal	**32,016**	**83,589**	**999**	**116,604**
Current accounts with credit	8,002		15,000	23,002
balances	44			44
Total	**40,062**	**83,589**	**15,999**	**139,650**
Estimated interest to maturity				*1,734*

- Including current liabilities €40,062,000
- Including non-current liabilities €99,588,000

All short and medium term financing transactions are based on Euribor. The average commitment fee charged on credit lines is 0.22%. Drawdowns are charged at a variable rate negotiated on the basis of the amount and the maturity date of each line of credit. The fair value of borrowings is equal to the book value.

2.7 Issuance & financial instruments programmes

Commercial paper

Short-term needs are financed by commercial paper issued by Exacompta Clairefontaine. A fixed rate determined at the moment of issue is paid on the commercial paper, which has a maximum term of 365 days.
There was no commercial paper outstanding at year-end. The maximum amount issuable was €125 million.

Lines of credit

Lines of credit are in place with several banks for a total amount of €135 million, with maturities not exceeding 5 years. The term of drawdowns ranges from one week to six months. No amounts were drawn as at 30 June 2017. As there have been no drawdowns, the half-year financial statements have not been affected by the related covenants.
Long-term financing is arranged through negotiated loans.

Financial instruments

The Group uses derivatives mainly to hedge against interest rate risks. Transactions performed to hedge exchange rate risks are non-material.
The fair value of the financial instruments is communicated by the financial institutions from which they are obtained.
The change in fair value was recorded as net financial income amounting to €96,000.

Interest rate risks

In order to hedge against changes in interest rates, the Group has taken out interest rate swaps.
The types of instruments that may be used, as well as the maximum risk levels incurred, are determined by senior management. The risk is checked daily.

A change of 1 percentage point (100 basis points) in interest rates would have had a €15,000 effect on first half 2017 income.

Portfolio of financial instruments

Residual maturity (€000)	< 1 year	1-5 years	> 5 years	Total
Interest rate swaps	2,298	5,580	3,178	11,056

The amounts shown in the table are current notional amounts.

2.8 Other current liabilities

€000	30/06/2017	31/12/2016
Advances and down payments received	3,029	547
Taxes and social security contributions payable	43,563	33,927
Fixed asset payables	2,638	2,705
Other liabilities	16,200	16,532
Deferred income		4
Derivative financial instruments	265	361
Total	**65,695**	**54,076**

Derivative financial instruments are recorded at fair value.

2.9 Fair value of financial instruments

Accounting classes and fair value

The table below shows the fair value of financial assets and liabilities as well as their book value as recorded in the statement of financial position.

€000	Note	Assets at acquisition cost	Measured at FVTPL	Loans and receivab	Total book value	Fair value
Unconsolidated equity interests	**2.1.6**	405			405	405
Loans	**2.1.6**			913	913	795
Other receivables	**2.1.6**			1,103	1,103	1,103
Cash and cash equivalents	**Assets**		91,070		91,070	91,070
Trade and intercompany receivables	**2.2.2**			149,157	149,157	149,157
Total assets		**405**	**91,070**	**151,173**	**242,648**	**242,530**

€000	Note	Fair value of derivatives	Other financial liabilities	Total book value	Fair value
Interest rate swaps	**2.8**	265		265	265
Loans from financial institutions	**2.6**		110,232	110,232	110,232
Other borrowings	**2.6**		871	871	871
Bank loans and overdrafts	**2.6**		5,501	5,501	5,501
Shareholder loan accounts (credit balance)	**2.6**		23,002	23,002	23,002
Amounts payable on fixed assets	**2.8**		2,638	2,638	2,638
Trade payables	**Liabilities**		63,253	63,253	63,253
Total liabilities		**265**	**205,497**	**205,762**	**205,762**

Ranking of fair values

The table below shows the breakdown of financial instruments accounted for at fair value based on their valuation method. The levels are defined as follows:

- Level 1: fair value measured using (unadjusted) prices quoted on active markets for identical assets and liabilities.
- Level 2: fair value measured using observable data, other than the quoted prices included in level 1, for the asset or liability, either directly (prices) or indirectly (derived from prices).
- Level 3: fair value measured using data not based on observable market data.

€000	Note	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	**Assets**	91,070	–	–
Liabilities				
Interest rate swaps	**2.8**	–	265	–

2.10 Off-balance sheet commitments

➢ Greenhouse gas emission allowances

The principles applied by the Group are set forth in Note 12 of the presentation of the consolidated financial statements.
The quantities allocated for 2017 amount to 67,283 tonnes, while first half CO_2 emissions totalled 47,331 tonnes.
The remaining allowances due for the current allocation period amount to 191,592 tonnes.

➢ Sureties and guarantees

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

2.11 Income tax – Tax calculation

€000	**H1 2017**	**H1 2016**
Consolidated net income after tax	6,354	6,020
Goodwill impairment, net of badwill gain	-	(863)
Income taxes	2,637	2,390
Deferred taxes	(76)	(1,078)
Consolidated tax base	8,915	6,469
Statutory tax rate applicable to parent company	33.33%	33.33%
Theoretical tax charge	**2,972**	**2,156**
Losses of companies not consolidated for tax purposes	-	147
Unrecognised tax assets on foreign companies	-	(130)
Tax rate differences	(70)	(232)
Accounting/tax timing differences	(332)	(127)
Tax debits and credits	(21)	(768)
Other effects	12	266
Actual tax charge	**2,561**	**1,312**

Income taxes	2,637	2,390
Deferred taxes	(76)	(1,078)
Reported tax charge	**2,561**	**1,312**

2.12 Group headcount and employee benefits

Average headcount	**H1 2017**	**H1 2016**
Management	503	478
Employees	868	887
Labourers and other salaried workers	1,829	1,861
Total	**3,200**	**3,226**

Expenses recorded for defined contribution schemes (€000)	20,798	21,173

The Competitiveness and Employment tax credit (CICE) is recorded as a reduction in personnel expenses and came to €2,078,000 for the first half of 2017.

2.13 Financial income and expenses

€000	H1 2017	H1 2016
Equity interests and income from other financial assets	2	5
Income from other receivables and marketable securities	379	465
Other financial income	136	90
Financial instruments – change in fair value	96	-
Reversal of provisions and write-downs	-	511
Foreign exchange gains	723	859
Net gain on sale of marketable securities	-	6
Total financial income	**1,336**	**1,936**
Increase in provisions and write-downs	21	34
Interest and financial expenses	456	541
Financial instruments – change in fair value	-	242
Foreign exchange losses	1,537	1,948
Other financial expenses	59	65
Total financial expenses	**2,073**	**2,830**

2.14 Related parties

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

€000	30/06/2016 (6 months)	31/12/2015 (12 months)
Balance sheet		
Current account balances:		
Interest-bearing debt	15,000	15,000
Short-term portion of interest-bearing debt	8,000	6,000
Income statement		
Financial expenses	106	248
Fees	664	1,258
Leases	3,175	6,473

Group companies benefit from the leadership provided by Ets Charles Nusse and pay a fee equal to 0.6% of the added value for the previous year.
Manufacturing, logistics and office facilities are leased to certain Group companies on arm's length terms.

- Remuneration of administrative and management bodies:

The total direct and indirect remuneration of all kinds received by all Group managers amounted to €894,000 in first half 2017.
No other benefits are granted to Group senior executives.

The total amount of director's fees to be shared among the directors for 2017 is €60,000 and was awarded by a decision of the 27 May 2015 Shareholders' Meeting.

3. SEGMENT INFORMATION

Correspondence with the consolidated balance sheet:

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

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

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

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

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

➢ Segment information by business – 30/06/2016 (6 months)

€000	Paper	Processing	Inter-segment transactions	Total
Segment income statement				
Revenue	142,916	222,644	(70,799)	294,761
Depreciation/amortisation (net	5,735	7,836		13,571
of reversals)	566	(717)		(151)
Operating income/(loss) (excl. goodwill impairment)	6,717	965	(319)	7,363
Badwill gain		(863)		
Segment assets				
Net PP&E and intangible assets	106,273	119,829		226,102
o/w capex	*7,342*	*6,448*		*13,790*
Goodwill		31,613		31,613
Trade receivables	50,804	133,441	(35,859)	148,386
Other receivables	3,506	13,904	(80)	16,520
Balance sheet total	*54,310*	*146,535*	*(35,939)*	*164,906*
Other assets allocated	60,439	132,784	(2,337)	190,886
Unallocated assets				*2,770*
Total assets	221,022	430,761	(38,276)	616,277
Segment liabilities				
Current provisions	2,130	1,595		3,725
Trade payables	22,929	74,925	(35,842)	62,012
Other payables	20,328	42,745	(100)	62,973
Unallocated liabilities				*261*
Total liabilities	45,387	119,265	(35,942)	128,971

➢ Segment information by geographic area – 30/06/2016 (6 months)

€000	France	Europe	Outside Europe	Total
Revenue	187,286	91,692	15,783	294,761
Net PP&E and intangible assets	210,665	8,319	7,118	226,102
o/w capex	*12,696*	*1,037*	*57*	*13,790*
Goodwill	31,613			31,613
Trade	128,151	17,138	3,097	148,386
receivables	12,993	617	2,910	16,520
Balance sheet total	*141,144*	*17,755*	*6,007*	*164,906*
Other assets allocated	177,412	6,399	7,075	190,886
Unallocated assets				*2,770*
Total assets	560,834	32,473	20,200	616,277

Exacompta Clairefontaine S.A.

Certification
of the half-year financial report

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

Jean-Marie Nusse,
Executive Vice President

Exacompta Clairefontaine S.A.

Statutory Auditors' Report
on the half-year financial report

SEREC AUDIT
Statutory Auditor

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

BATT AUDIT
Statutory Auditor

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

Statutory Auditors' report on the financial report for the six months ended 30 June 2017

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

STATUTORY AUDITORS' REPORT ON THE FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

To the Shareholders,

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

- conducted a limited review of the attached consolidated financial statements of **EXACOMPTA CLAIREFONTAINE** for the period from 1 January to 30 June 2017; and
- verified the information contained in the half-year activity report.

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

1 – Opinion on the financial statements

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

On the basis of our limited review, we did not identify any material misstatements that cause us to question, with regard to IFRS as adopted by the European Union, the validity and accuracy of the consolidated half-year financial statements and the fact that they give a true and fair view of the assets, liabilities and financial position as at 30 June 2017 and of the earnings for the six months ended 30 June 2017 of the persons and entities included in the consolidation.

2 – <u>Specific verifications</u>

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

Executed in Paris and Vandœuvre-lès-Nancy, 7 September 2017

The Statutory Auditors,

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