



Société anonyme. Share capital: €166,033,552  
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## REGISTRATION DOCUMENT



This is a free translation of the *Document de Référence* registered by the Autorité des Marchés Financiers (AMF) on December 30, 2009 under no. R.09-095,a in application of Article 212-13 of the AMF's *Règlement Général*. The *Document de Référence* may be used in connection with a financial transaction provided that it is accompanied by an information memorandum approved by the AMF.

The *Document de Référence* was prepared by the issuer and is the responsibility of the persons whose signatures appear therein. The Autorité des Marchés Financiers has reviewed the relevance and consistency of the information about the Company's situation provided in the *Document de Référence*, but this review should not be construed as representing a guarantee of the validity of the accounting and financial information contained therein.

**This Registration Document is a translation from the original *Document de Référence*, which was prepared in French. For all matters of interpretation of information, views or opinions expressed therein, the original language version of the *Document de Référence* takes precedence over this translation**

Copies of this Registration Document are available free of charge from Chargeurs, 29-31 rue Washington, 75008 Paris, France. It can also be downloaded from the Chargeurs website ([www.chargeurs.fr](http://www.chargeurs.fr)) and the Autorité des Marchés Financiers' website ([www.amf-france.org](http://www.amf-france.org)).

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Throughout this Registration Document, the terms “Chargeurs” and “Company” are used in reference to Chargeurs SA. The term “Group” designates the group of companies comprising the Company and all its subsidiaries.

This Registration Document contains forward-looking statements and information regarding the Group’s objectives. Such information may be identified by words such as “believes”, “expects”, “will”, “estimates”, “intends”, “plans”, “anticipates”, “should” and variations of these words and similar expressions. Achievement of these objectives or forward-looking statements depends on circumstances or events that are expected to take place in the future. Forward-looking statements and objectives are subject to certain risks and uncertainties, both known and unknown. Actual results, performances and achievements may differ materially from those currently anticipated due to factors such as changes in general economic and market conditions, as well as the risk factors described in section 1.2 of this Registration Document. The occurrence of any or all of these risks could have a negative impact on the business, financial position and results of the Group as well as on its ability to achieve its objectives.

This Registration Document contains information about the Group's markets – including the size of said markets – and its competitive positions. Unless otherwise specified, this information is based on estimates prepared by the Group and is purely indicative. These estimates are based on information obtained from customers, suppliers, business organizations and other market participants. Chargeurs considers that these estimates are reasonable as of the date of this Registration Document; however, the completeness and accuracy of the data underlying the estimates is not guaranteed and the Group can offer no assurance that it has applied the same market definitions as its competitors.

### **Important note**

The consolidated financial statements for the years ended December 2006, 2007 and 2008 presented in section 1.4.1 of this Registration Document include:

- The consolidated financial statements for the year ended December 31, 2006, as approved by the Board of Directors on March 7, 2007 and by shareholders at the Annual General Meeting on May 15, 2007.
- The consolidated financial statements for the year ended December 31, 2007, as approved by the Board of Directors on March 4, 2008 and by shareholders at the Annual General Meeting on May 6, 2008.
- The rectified consolidated financial statements for the year ended December 31, 2008, as approved by the Board of Directors on December 21, 2009.

The Group decided to rectify the consolidated financial statements for the year ended December 31, 2008 as approved by the Board of Directors on March 5, 2009 and by shareholders at the Annual General Meeting on May 7, 2009, after two errors were detected concerning (i) translation reserves and the carrying amount of inventories of a subsidiary in China and (ii) the method used to recognize actuarial gains and losses on a supplementary pension plan operated by a subsidiary in the United States.

The Auditors' report on the rectified consolidated financial statements is presented in section 1.4.1.6. Tables reconciling the reported amounts of the main financial statement items for the year ended December 31, 2008 and the rectified amounts are presented in note 38 to the consolidated financial statements for the years ended December 31, 2006, 2007 and 2008, included in section 1.4.1 of this Registration Document.

The above errors also affected the interim consolidated financial statements for the six months ended June 30, 2009 as approved by the Board of Directors on August 27, 2009. These interim financial statements have therefore also been rectified. The rectified interim consolidated financial statements, as approved by the Board of Directors on December 21, 2009, are presented in section 1.4.2.

The Auditors' report on the rectified interim consolidated financial statements is presented in section 1.4.2.2.7. Tables reconciling the reported amounts of the main financial statement items for the six months ended June 30, 2009 and the rectified amounts are presented in note 32 to the interim consolidated financial statements for the six months ended June 30, 2009, which forms part of section 1.4.2 of this Registration Document.

## **1. THE CHARGEURS GROUP**

### **1.1. PRESENTATION OF THE GROUP**

#### **1.1.1. Core businesses**

Chargeurs is a global, diversified Group listed on the NYSE Euronext Paris stock exchange (Compartment C), that invests for the long term and holds leadership positions in niche markets, both in manufacturing and in services. Having ceded control of its Fabrics business in late 2007, following the sale of a 50% interest in Fashion Company (the Fabrics business's holding company) to Morocco-based Holfipar, the Group is currently expanding in the areas of surface protection, with Chargeurs Protective Films, technical textiles, with Chargeurs Interlining, and raw material processing, with Chargeurs Wool.

Chargeurs has developed worldwide operations on five continents, with 94% of consolidated sales generated outside France in 2008. China remained the largest market and continued to generate an increasing proportion of revenue, accounting for nearly 20% of the total in 2008. Italy became the second largest market, contributing close to 17% of revenue, and Germany, with its strong manufacturing base, was once again the third largest with 9.5%, while the United States overtook France to become the fourth largest market with 8.3% of revenue versus France's 6.1%. In all, these five largest markets represented more than 60% of consolidated sales in 2008.

The following tables present key figures and the breakdown of revenue by core business and by region. They have been prepared based on Chargeurs SA's audited consolidated financial statements for the years ended December 31, 2006, 2007 and 2008 and the interim consolidated financial statements for the six-month periods ended June 30, 2008 and 2009 that were the subject of a limited review performed by the auditors in accordance with the professional standards applicable in France.

## Key figures

(in € millions)	12 months ended December 31			6 months ended June 30	
	2006*	2007*	2008	2008	2009
Revenue	769	790	599.2	335.4	226.4
Operating profit/(loss)	25.4	28.7	(31.7)	7.4	(14.7)
Net profit/(loss)	13.1	15.4	(59.8)	9.1	(26.4)
Cash flow = Net profit before depreciation, amortization and provision expense	17.9	22.7	2.6	16.1	(8.1)
Net debt	47.0	54.6	84.7	39.9	86.3

\*The 2006 key figures include revenue of €90 million and operating profit of €0.8 million generated by Chargeurs Fashion (wholly-owned by Chargeurs SA).

\*The 2007 key figures include revenue of €85 million and operating profit of €1.5 million generated by Chargeurs Fashion (wholly-owned by Chargeurs SA). Chargeurs Fashion has been accounted for by the equity method since December 31, 2007.

## Consolidated revenue by business (in € millions)

Business	12 months ended December 31 <sup>1</sup>			6 months ended June 30 <sup>1</sup>	
	2006	2007	2008	2008	2009
Chargeurs Protective Films	218	208	192	103.8	64.8
Chargeurs Interlining	236	242	221	117.4	86.4
Chargeurs Wool	224	254	186	114.2	75.2

<sup>1</sup> Excluding Chargeurs Fashion, which reported annual revenue of €90 million in 2006 and €85 million in 2007.

## Consolidated revenue by region (in € millions)

Region	12 months ended December 31 <sup>1</sup>			6 months ended June 30 <sup>1</sup>	
	2006	2007	2008	2008	2009
Europe	419	423	289	169.3	107.7
Asia/Africa	211	247	212	112.6	82.1
Americas	139	120	98	53.5	36.6

<sup>1</sup> Excluding Chargeurs Fashion.

## Number of employees

### By business

Business	At December 31			At June 30	
	2006	2007	2008	2008	2009
Chargeurs Protective Films	605	595	573	592	554
Chargeurs Interlining	1,799	1,727	1,633	1,746	1,440
Chargeurs Wool	638	549	350	567	354
Other	445 <sup>1</sup>	125	115	128	101
TOTAL	3,487	2,996	2,671	3,033	2,449

<sup>1</sup>Including 426 Chargeurs Fashion employees at December 31, 2006.

### By region<sup>1</sup>

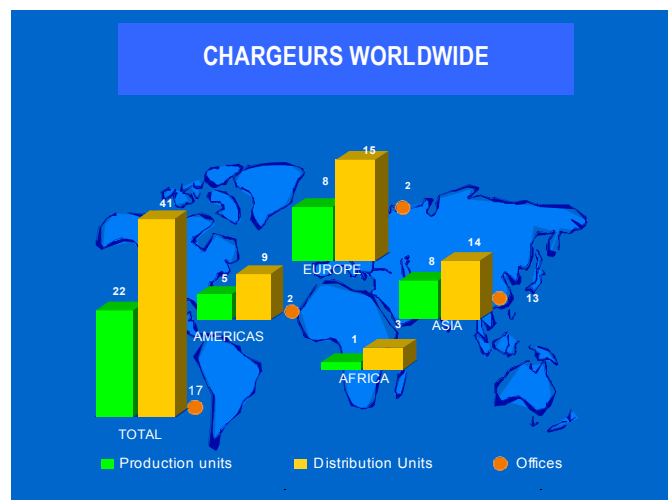
Region	At December 31			At June 30	
	2006	2007	2008	2008	2009
Europe	1,656	1,338	1,200	1,290	1,050
Asia/Africa	1,201	1,218	1,065	1,315	1,011
Americas	630	440	406	428	388
TOTAL	3,487	2,996	2,671	3,033	2,449

<sup>1</sup> Including holding company employees.

At June 30, 2009, the Group employed more than 2,400 people based in 37 countries.



## Global operations at December 31, 2008



The Group's plant, property and equipment are presented in note 5 to the consolidated financial statements for the years ended December 31, 2006, 2007 and 2008 (see section 1.4.1.5 of this Registration Document).

### **1.1.1.1. Chargeurs Protective Films**

#### **Profile**

Chargeurs Protective Films is the world leader in plastic films for temporary surface protection, with a market share estimated by management at more than 25% in 2008. Its core business consists of designing, manufacturing and selling self-adhesive temporary surface protection films that enable pre-painted metals, stainless steel, aluminum, plastic sheets and other materials to maintain their surface quality while being converted, assembled, transported or stored.

#### **Technology and Innovation**

Chargeurs Protective Films either purchases polyolefin and polyethylene films or manufactures them using an extrusion process.

Until the early 1990s, protective films were manufactured solely using the extrusion coating process. When coextruded adhesive film technology was introduced, however, Chargeurs Protective Films moved in line with the market and began offering coextruded adhesive films in 1995.

Today, Chargeurs Protective Films deploys two different technologies:

- Coating, the primary technology, deposits a thin adhesive layer onto a plastic film with either water or a solvent, which then evaporates when dried.
- Coextrusion involves pressing more than one plastic material through the same die into the shape of a single, thin multi-layered film, with adhesives incorporated into one of the exterior layers to obtain a coextruded adhesive film.

The characteristics of coated and coextruded films are not the same, although there is some overlap in their application. Coextruded adhesive films are primarily used to temporarily protect plastics requiring less adhesion.

The films can also serve as communication media, on which customers can print their logo to raise their brand profile or indicate specific user instructions.

There are approximately 250 different products in the Chargeurs Protective Films lineup. Most of these are coated films, with coextruded films and coated paper representing around one-fifth of sales.

Given that manufacturing protective and coextruded films is technologically complex, researching and developing new, more efficient, more cost-effective products is a core component of the business's growth strategy.

The business has substantial research and development capacity through its research laboratory in France, whose purpose is to constantly expand the scope of application and performance of its products. Today, 30% of sales are derived from products that have been on the market for less than five years.

Innovation is being driven by a highly skilled team that tracks the latest materials and appropriate processes, supported by a laboratory equipped with pilot facilities and product and surface material test benches.

Research and Development employees represent roughly 5% of the business's workforce.

In recent years, Chargeurs Protective Films has sought to protect its innovations by filing patents in its host regions. In particular, patents have been filed for certain adhesive coating technologies, coextruded products and, more generally, all of the most innovative formulations. In this way, Chargeurs Protective Films is constantly expanding its product offering to meet its customers' needs.

At the same time, aware that customers need to maintain the impeccable quality of product surfaces, Chargeurs Protective Films applies total quality principles to its organization and products. The business earned ISO 9002 certification in 1993, ISO 9001 certification in 1995 and ISO 9901:2000 certification in 2002. In 2008, it was awarded ISO 14001 certification for its French site and OHSAS 18001 certification for its Italian site.

With more than 40 years of experience in temporary surface protection, Chargeurs Protective Films has acquired unrivalled expertise and proficiency in its business. As a result, it is able to deliver constantly improved, superior quality products in sync with its customers' ever-changing needs.

## **Main Markets**

### Industries

Chargeurs Protective Films' products are mainly intended for the construction, household appliance, electronics and transportation industries. They are primarily used by companies that manufacture, process or sell materials such as stainless steel, aluminum, pre-coated metals, plastics and laminates, and that want to provide their customers with products with an impeccable surface quality.

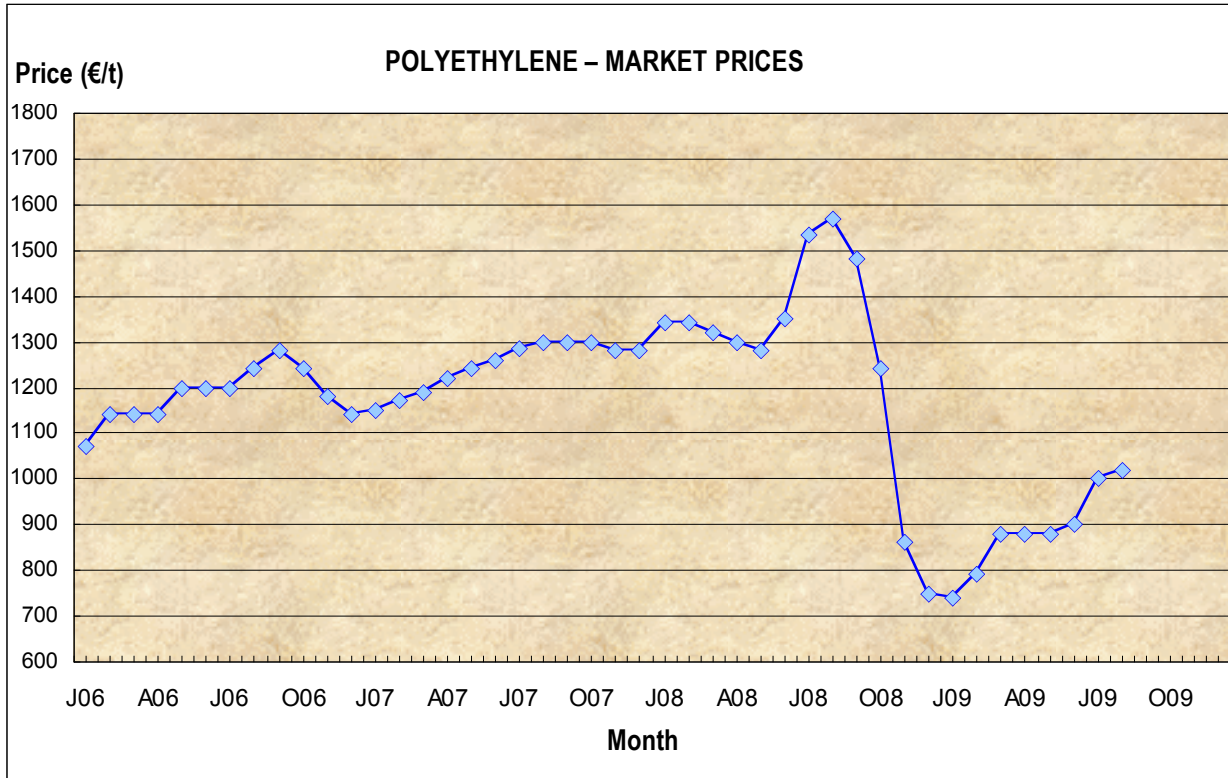
Chargeurs Protective Films' solution is to protect fragile surfaces with self-adhesive film that can withstand the rigors of conversion, handling, storage and assembly, and then be easily peeled off the protected surface. This creates value for customers by protecting surfaces before the materials enter the production process.

The customer base is diversified and balanced, despite a growing trend towards industry concentration. It is primarily comprised of large global corporations that manufacture, process and sell such materials as pre-coated metals, profiles, stainless steel, laminates and plastic sheets, for the construction (84%), household appliances (11%) and automotive industries (5%). Chargeurs Protective Films has fostered long-term business relationships with these companies, and has served its main customers for more than 15 years.

In the construction industry, Chargeurs Protective Films' products are used in the construction and outfitting of new residential and non-residential properties or the renovation of older ones.

The primary raw material used to manufacture films is polyethylene, whose cost represents more than half of a product's selling price. This dependence on polyethylene is mainly financial in nature, as prices are subject to sometimes wide fluctuations, in close correlation with oil prices (see chart below). Chargeurs Protective Films has taken a variety of measures to limit the impact of these fluctuations. In particular, in the last three years, it has gradually introduced price adjustment clauses for the majority of its customers, indexed to polyethylene prices. These clauses have attenuated the business's exposure to surges in polyethylene prices, while helping strengthen its relationship with key accounts.

The following table shows polyethylene prices between January 2006 and August 2009:



(Source: Platts)

Regions

Geographically, the global temporary protective films market is divided equally into three regions: Asia, Europe and the Americas. Chargeurs Protective Films is the world leader, with a share estimated by management at around 27% in 2008. Most notably, its leadership position is unrivalled in Europe.

Chargeurs Protective Films rose to this global leadership position and established its presence in North America in May 2000 by acquiring the surface protection division of US-based IVEX, which at the time led the United States, Canadian and Mexican markets.

Its two main competitors in the global market are Germany's Poli-Film and Japan's Nitto, which held market shares of respectively 12% and 6% in 2008.

### 2008 revenue by region

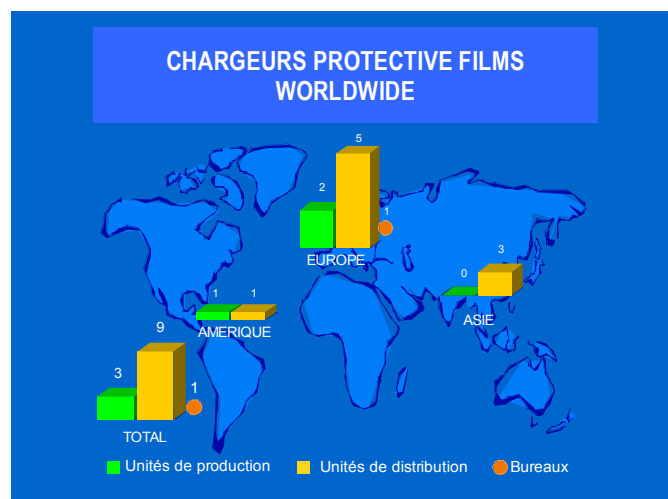
- Europe: 65%
- Americas: 18%
- Asia/Africa: 17%

### Global Presence

In response to changes in the market, Chargeurs Protective Films has established a more balanced global presence, guided by the principles of close-to-the-customer service and site competitiveness. In recent years, this has entailed simultaneously expanding operations in Asia to capitalize on the region's rapid growth, maintaining a strong presence in Europe to consolidate local market leadership and reorganizing operations in the United States. Today, the business has three production plants – two in Europe and one in the United States – while its products are sold through a network of 12 proprietary units and a wide range of independent distributors and agents throughout the world.

By enabling Chargeurs Protective Films to act as a local partner to its increasingly globalized customers, this worldwide organization is helping the business to deliver a range of constantly enhanced, innovative services well aligned with their needs.

### Global operations at December 31, 2008



### **1.1.1.2. Chargeurs Interlining**

#### **Profile**

Chargeurs Interlining is the world leader in garment interlining, with a market share estimated by management at around 28% in 2008.

Interlinings are manufactured mainly from artificial or synthetic fibers such as rayon, polyester and cotton blends. Invisible from the outside, they are generally hot-fused between the garment fabric and the lining, or sewn directly under the fabric, playing a major role in garment draping and durability.

Interlinings are technologically complex products that have to meet a broad array of application criteria and conform to different types of fabrics, clothing styles and shapes while retaining their form and effectiveness inside the garment. They have to keep up with the latest fashions and with major garment industry trends, such as the current shift to using increasingly lightweight fabrics in womenswear.

In addition, Chargeurs Interlining has developed a range of technical fabrics with fire-retardant, ion-exchange, temperature-regulating and other properties, which serve to diversify the lineup and drive new growth.

#### **Technology and Innovation**

Innovation is a significant competitive advantage that Chargeurs Interlining made central to its growth strategy from a very early stage, in a commitment to constantly anticipating emerging needs in the fabric and garment markets, designing new products to meet those needs and thereby further consolidate its global leadership position.

Examples of innovations that have built the business's reputation include such leading-edge products as textured polyester, weft-inserted stretch, single satin stretch and bi-stretch fabrics.

Chargeurs Interlining has also developed Global Molecular Point, a single-dot coating process used to apply fusible interlinings to garments. This important technological breakthrough delivers many benefits, such as substantially increasing the bond strength of interlinings, facilitating their application and enhancing their resistance to washing over time.

Building on its strong track record in interlinings, in recent years the business has focused its research on technical fabrics, helping to broaden its lineup to new products like fire-retardant, ion-exchange and temperature-regulating textiles. These products have opened up new growth opportunities in a wide variety of markets, from protective clothing and casualwear to today's fast-growing environmental/pollution control fabrics. In this last area, Chargeurs Interlining's research and development commitment earned it First Prize in the Innovation category at the Environord 2009 environment and industry trade show for its ion-exchange textiles, and enabled it to set up new partnerships.

Chargeurs Interlining protects its new products and technologies by filing patents in France and other countries. Its research and development budget currently represents an average 1.5% of annual revenue.

### **Main Markets**

Interlining products enjoy a broad, diverse customer base comprising menswear, womenswear, shirt and tie manufacturers around the world. They can be divided into three large product families: wovens and knits, non-wovens and shirt interlinings.

Having also diversified into the technical fabrics market, Chargeurs Interlining is acquiring new customers in a variety of other segments, including protective clothing, casualwear, ink-jet print media and environmental/pollution control fabrics.

The majority of its sales are derived from interlining products and, to a lesser extent, technical fabrics.

Geographically, the interlining market, like the garment-making market, is highly global and has changed dramatically in the last 15 years, as European and US-based garment-makers have shifted to Asia to take advantage of lower labor costs.

For several years now, the world market has been dominated by three main players: Chargeurs Interlining and German companies Freudenberg and Kufner. Following financial difficulties, Kufner has been managed by an administrator since early 2009.

### **2008 revenue by region**

- Europe: 46%
- Asia/Africa: 40%
- Americas: 14%

### **Global Presence**

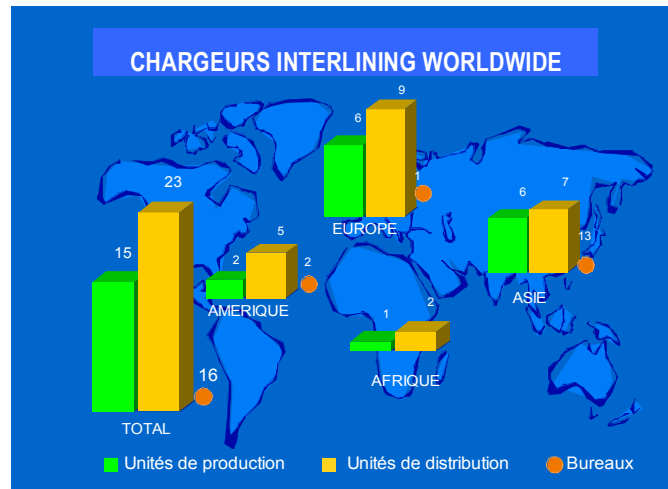
Chargeurs Interlining has successfully adapted its worldwide organization to changes in the market by making globalization an important part of its strategy. This has led the business to expand rapidly in Asia in the wake of its European and North American customers, in order to benefit from the lower local labor costs, and to rationalize its less competitive operations in Europe and the Americas. Its units in China represent a major competitive advantage in a country with a vast domestic market and companies active across the textile chain.

Chargeurs Interlining has therefore developed a global manufacturing and distribution organization, comprising competitive, close-to-the customer units able to respond to demand in a timely, cost-effective manner.

By the end of 2009, the manufacturing network (excluding joint ventures) will comprise 12 plants, of which six in Asia, three in Europe and three in South America and Africa.

The distribution network of subsidiaries, agents and independent distributors currently spans some 30 countries around the world.

#### Global operations at December 31, 2008



#### **1.1.1.3. Chargeurs Wool**

##### **Profile**

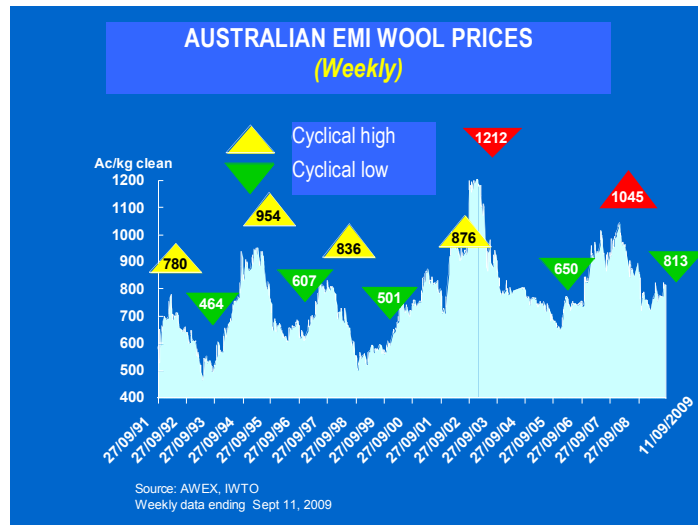
Chargeurs Wool is the world leader in the processing and sale of combed wool, with a market share estimated by management at around 6% in 2008.

Chargeurs Wool is positioned at the beginning of the wool textile chain, supplying spinners with combed wool sliver (top) that they transform into yarn, either in pure form or as a blend incorporating other fibers such as polyester, acrylic and spandex. The yarn is ultimately woven or knitted into fabrics for the garment-making industry.

Chargeurs Wool's topmaking business entails developing wool blends that best meet the needs of industrial spinners, preparing them for use in textiles through cleaning, carding and combing, and selling standardized products at pre-set prices. This requires managing the related supply chain, manufacturing and financial aspects upstream to guarantee product quality and protect Chargeurs Wool's customers from the price risks they wish to avoid. Chargeurs Wool limits its exposure to these risks by systematically selling only what it already has in inventory.

Price risk management is necessary because wool prices, like all commodity prices, are volatile. Their fluctuations reflect the cyclical nature of the business, as the chart below illustrates.





Wool prices are determined during auctions held in Australia, South Africa and New Zealand and fluctuate in multi-year cycles. There is no organized, liquid market for wool-based derivative instruments.

### **Main Markets**

The competitive environment has changed considerably in the last five years with the steep collapse of European and Australian competition. The main competitors are now in Asia, particularly China, which represented nearly 43% of worldwide combed wool consumption in 2008 and is producing an increasing proportion of the combed wool used by spinners. In Europe, the market is dominated by Italy.

Chargeurs Wool sources its wool according to market conditions in the main producing countries of Australia, New Zealand, South Africa, Argentina and Uruguay.

It is the only competitor in the marketplace with a multi-country manufacturing and marketing network.

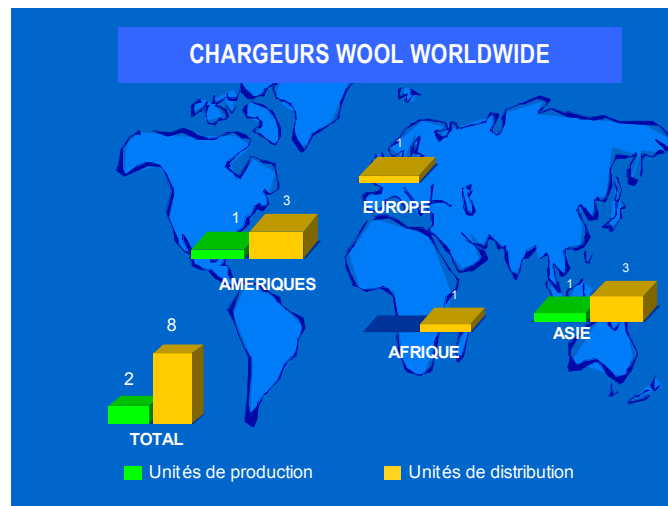
### **2008 revenue by region**

- Asia/Africa: 48%
- Europe: 35%
- Americas: 17%

## Global Presence

Chargeurs Wool has gradually strengthened its production base in Argentina, the United States and South Africa by establishing partnerships with local manufacturers to effectively re-balance production costs. The production side is now focused on the competitive combing operations the business owns in China and Uruguay. Customers are managed by a lean marketing organization based in China, Europe and the Americas.

### Global operations at December 31, 2008



## 1.1.2. History and Development of the Company

### 1.1.2.1. Origin

Chargeurs was created in July 1981 from the merger of Pricel and Chargeurs Réunis.

#### **Pricel**

Founded in 1925, Pricel had expanded in viscose and textiles production, eventually becoming a highly diversified manufacturing and financial conglomerate through a series of acquisitions and equity investments. By the end of 1980, its main operations were as follows:

- Textiles, with two core businesses:
  - Dying, finishing and printing.
  - The production of fabrics and fabric products for the garment industry (notably interlinings made by Lainière de Picardie).
- Viscose, through its Spontex cleaning products manufacturing unit.
- Novacel adhesive films and related operations.
- Equity investments, mainly a 36% stake in Chargeurs Réunis.

### **Chargeurs Réunis**

Founded in 1872 by Parisian banker Jules Vignal, Compagnie Française de Navigation à Vapeur Chargeurs Réunis was a steamship company that initially served lines to South America before expanding to Africa and the Far East. In 1929, management decided to diversify into the airline business by creating Société pour le Développement de l'Aviation Commerciale en France. In 1940, the company joined with Air France to create Union Aéromaritime de Transports (UAT), which in 1963 merged with Transports Aériens Intercontinentaux (TAI) to form Union des Transports Aériens (UTA).

In 1981, at the time of the merger with Pricel, Chargeurs Réunis owned:

- Compagnie Maritime des Chargeurs Réunis (CMCR).
- Union Navale and CETRAMAR, two bulk cargo shipping lines.
- The Paquet cruise line.
- The Union des Transports Aériens (UTA) airline.
- The Causse Walon overland trucking company and the Carline automobile carrier vessels.

#### **1.1.2.2. Developments from 1981 to 1996**

Chargeurs revenues for 1981, its first year of operation after the merger, broke down into air transportation (46%), sea and overland transportation (30%) and other industrial operations (24%). Over the ensuing years, this business base would be extensively transformed, as the company successively withdrew from sea and air transport, sold Spontex, strengthened its position in textiles and expanded into a new growth sector, the media. Highlights of this process were as follows:

1985	Sale of Union Navale's vessels and the stake in Navale Delmas-Vieljeux
1986	Investment in La Cinq, France's first privately-owned TV channel, in which Chargeurs held a 31% interest
1987	Cancellation of La Cinq's broadcasting license by the French government. Acquisition of a 10% interest in British Satellite Broadcasting (BSB)
1988	Acquisition of Prouvost SA's wool combing and trading operations Sale of Chargeurs Réunis to Société Navale Commerciale Delmas-Vieljeux
1989	Sale of Spontex to Hutchinson (a Total subsidiary)
1990	Sale of UTA to Air France Acquisition of Pathé Cinéma Merger of BSB with competitor Sky to create BSKyB
1993	Acquisition of a 20% interest in CanalSatellite, France's first satellite TV system
1995	Acquisition of the MGM movie theater network in the Netherlands Acquisition of Canada-based Dominion Textiles' interlining business, DHJ Industries Acquisition of the Boston Tapes adhesive films company in Italy
1996	Sale of Walon Separation of Chargeurs into two companies

### **1.1.2.3. Chargeurs before the 1996 demerger**

In 1995, Chargeurs was a diversified, global manufacturing corporation, deriving more than 75% of its revenue from operations outside France. Its two core businesses were:

- Media: television and movies.
- Textiles – manufacturing: wool, fabrics, interlinings, surface protection and transportation.

In 1996, Chargeurs was separated into two companies, as follows:

- Pathé, which kept the television, movie and print media operations.
- Chargeurs International, which housed the textile, surface protection and transportation operations.

At the same time, the Chargeurs company was dissolved.

The demerger was the outcome of a strategic review led by Chargeurs to address the need to clarify and strengthen the growth prospects for each of its two core businesses.

Post-demerger, the business portfolios of the two new companies were as follows:

	<b>Pathé</b>	<b>Chargeurs International</b>	
<b><u>Television</u></b>		<b><u>Textiles</u></b>	
	- BSKyB (17%)		- Chargeurs Wool
	- CanalSatellite (20%)		- Chargeurs Fabrics
	- Pathé Télévision		- Chargeurs Interlining
	- Pathé Interactive (65%)		
<b><u>Movies</u></b>		<b><u>Surface Protection</u></b>	
	- Renn Productions/AMLF		- Novacel
	- Pricel (50%)		- Boston Tapes
	- Guild Entertainment		
	- Pathé Palace		
	- Pathé Cinemas (the Netherlands)		
<b><u>Print Media</u></b>		<b><u>Transportation</u></b>	
	- Libération (12%)		- Walon - Costa (11.9%)

#### **1.1.2.4. Chargeurs International in 1996**

Following its creation through the Chargeurs demerger, Chargeurs International was listed on the Paris Bourse on June 24, 1996. On May 7, 1997, it changed its name back to Chargeurs. This new Chargeurs was a global manufacturing corporation, specialized in textiles and holding leadership positions in all its major host markets. In particular, it operated in three textile sectors:

- Combed wool processing and sales, through Chargeurs Wool
- Wool fabrics manufacturing, through Chargeurs Fabrics
- Interlining manufacturing, through Chargeurs Interlining.

The company also had an industrial surface protection business through Novacel and Boston Tapes, which together led their market in Europe. In addition, it held a 10% interest in the Deveaux textile company and an 8.26% stake in Italy-based Costa Crociere, Europe's number one cruiseline. And lastly, Chargeurs owned Walon, a French automobile transportation company.

**1.1.2.5. 1996-1998: Refocusing the business base and stepping up globalization**

From 1996 to 1998, Chargeurs pursued the specialization strategy initiated by the demerger by refocusing on its four core businesses – wool combing, wool fabrics, interlinings and industrial surface protection films – and disposing of its transportation, cruise, automobile upholstery and textile finishing operations.

As part of a post-demerger commitment to stepping up the globalization process, the Group began transferring operations to Asia with the start-up of production at two plants in China to process combed wool and manufacture interlinings. The process was further intensified by launching operations in Eastern Europe and acquiring companies in North and South America to boost production capacity and gain new market share in the Americas.

The dual strategic focus was reflected in the following transactions carried out between 1996 and 1998:

- 1996      Sale of the Walon automobile transportation subsidiaries in Italy and the United Kingdom
- Acquisition of US-based Crown Textile's garment interlining business
- Sale of the 10% stake in Deveaux, specialized in dyed wovens for cotton clothing.
- Sale of Delcar, which made automobile upholstery fabrics
- Acquisition of Canada Hair Cloth, specialized in traditional menswear interlinings
- Start-up of two new plants in China (wool combing and interlining)
- 1997      Sale of Walon subsidiaries in Germany, Benelux and Portugal
- Sale of the shares held in the Costa Crociere cruiseline
- Acquisition of Textilana's interlining business in the Czech Republic
- Construction of a plant in Lithuania by Chargeurs Fabrics
- Acquisition of Golaplast Industria Textil Ltda in Brazil by Chargeurs Interlining
- Sale of Etablissements R. Mathelin, a French fabric dyeing and finishing company

- 1998      Withdrawal from combing operations in France with the sale of Peignage Amédée (S.A.P.)
- Sale of Causse Walon and its operating subsidiaries in France
- Sale of the TASQ textile finishing subsidiary
- Acquisition of Netherlands-based Firet, specialized in non-woven interlinings

**1.1.2.6.    1999-2004: Deploying a new financial model and acquiring a foothold in Asia**

The period 1999 to 2004 was shaped by two major strategic initiatives: the deployment of a new financial model and the establishment of a firm foothold in Asian markets.

A new financial model

Since 1999, Chargeurs has used unique financial engineering methods to optimize return on capital employed and effectively analyze and manage risks.

The new financial model is based on the use of specific asset securitization techniques.

- The first of these was the “Dolly 1” program, which was created and launched at the end of 1998 at Chargeurs Wool. Dolly 1 involves outsourcing management of raw wool flows and securitizing wool processing working capital, leading to a sharp reduction in capital employed and improved profitability.

The program has already been renewed twice, in 2003 and 2006.

- Building on the successful Dolly 1 experience, Dolly 4 was launched in 2000 for the Chargeurs Wool manufacturing base, then extended to the manufacturing bases of the Group’s other businesses, starting with Chargeurs Interlining in 2000, followed by Chargeurs Fabrics in 2001 and Chargeurs Protective Films in 2003.

Based on sophisticated risk management techniques and on practices that systematically take into account the cost of capital employed, the new financial model helped to improve Chargeurs’ financial management and security.

In particular, it paved the way for three public share buyback offers launched in 1999, 2001 and 2004, respectively concerning 25% of the capital (€106.7 million), 28.4% of the capital (€151.8 million) and 23.9% of the capital (€93 million).

### A firm foothold in Asia

Having anticipated Asia's rise very early on, the Group expanded its presence in this region while scaling back in other parts of the world, in line with its strategy of constantly adapting the industrial and marketing resources in each of its businesses to changing market conditions.

The businesses entered into a reorganization process whereby global manufacturing and marketing operations were shifted closer to customers in regions where their future is secure.

### Chargeurs Protective Films:

Enjoying a rapidly established leadership position in Europe, Chargeurs Protective Films set about strengthening its position in Asia and the Americas.

To this end, the business acquired North America's leading surface protection company IVEX in 2000, thereby establishing worldwide dominance in its segment. A service center was set up in China in the same year and another in South Korea in 2001 to capitalize on the Asian market's growth.

### Chargeurs Interlining:

Benefiting from a global structure, Chargeurs Interlining continued to expand in China by creating a new shirt interlining plant in 2003, thus raising the total number of production units in that country to three.

Determined to move closer to its European customers, Chargeurs Interlining also filled out its marketing network by creating a subsidiary in Tunisia, opening a sales office in Turkey (2001), acquiring JPS Entoilage in Morocco (2001), creating a marketing subsidiary in Romania (2003) and setting up a marketing joint venture in Russia (2004). On the manufacturing side, a new plant came on stream in the Czech Republic in 2003.

### Chargeurs Wool:

As for the other businesses, the Chinese market began to take on vital strategic importance for Chargeurs Wool, which started transferring production capacity to China through industrial and marketing operations set up there as early as 1996. At the same time, in 2002 Chargeurs Wool initiated the closure of Pettinatura Europa in Italy and began withdrawing from washed wool operations in the United Kingdom.

In 2003, the business pursued measures to reduce production capacity in high-cost countries, especially Australia.



### Chargeurs Fabrics:

Chargeurs Fabrics undertook to adjust its production capacity by entirely withdrawing from its manufacturing units in the United Kingdom, Portugal and northern France in 2003.

It also refocused its energies on more profitable operations with greater growth potential, by discontinuing certain loss-making businesses:

- 1999: Discontinuation in France of the PJT business, specialized in high-end creative knitted fabrics, and the Deldicque business, specialized in luxury sheeting.
- 1999: Discontinuation in Germany of Irmen, specialized in creative fabrics for trousers, jackets and suits.
- 2000: Acquisition of France-based Ternynck Frères, specialized in womenswear fabrics and UK-based Drummond, specialized in menswear fabrics.
- 2004: Sale in France of De Cathalo, specialized in luxury knitted fabrics for women's clothing.

#### **1.1.2.7. 2005-2007: Redefining the business models**

During the period 2005 to 2007, the Group's businesses were adversely affected by several exceptional events. Chargeurs responded by radically redefining its business models, a strategy that enabled it to deliver satisfactory performances in 2006 and 2007.

These exceptional events included:

- The January 1, 2005 dismantling of the Multi-Fiber Arrangement (MFA), which governed international textile and apparel trade. Following the elimination of the import quotas that existed under the MFA, Chinese textile imports flooded the European and North American markets, exacerbating the intense competition and price pressure in these markets. This sea change for the worldwide textile industry impacted all of Chargeurs' textile businesses.
- The US dollar's sharp decline against the euro. The persistent weakening of the dollar made European products less competitive and forced each business to implement responses, particularly in manufacturing.
- The rise and volatility of oil and oil derivative prices. Given that polyethylene prices track oil prices, this volatility deeply affected Chargeurs Protective Films.

Each of the businesses came up with an appropriate response to these specific challenges.

### Chargeurs Protective Films:

The response at Chargeurs Protective Films was to pursue three flagship initiatives:

- Adjust marketing strategy to changes in polyethylene prices.
- Concentrate on high value-added markets.
- Reduce dependency on the US dollar by shifting focus to European and Asian markets.

### Chargeurs Interlining:

Chargeurs Interlining pursued its capacity redistribution strategy to adapt to the surge in Asian demand and the erosion of European demand.

In Asia, three joint ventures were created in China with Ningbo Yak Technology Industrial Co Ltd, China's leading interlining manufacturer (2006) and two marketing subsidiaries were set up in India (2005) and Turkey (2006).

At the same time, Chargeurs Interlining continued to manage the scaling down of operations in Europe and North America with the closure of its Italian plants in 2005, initial capacity reductions in the Czech Republic in 2005 and the closure of its Canadian facility in 2007.

In 2007, Chargeurs Interlining decided to sell Proline Textile's unit in France that manufactured and sold breathable waterproof fabrics, due to the sector's declining attractiveness.

### Chargeurs Wool:

In 2005, Chargeurs Wool embarked on a large-scale manufacturing and marketing reorganization plan, withdrawing from combing operations in Europe and the United States and drastically curtailing manufacturing operations in Australia.

In 2007, combing capacity in China was doubled in step with changes in the market and 50% of the capital of the Trelew combing facility in Patagonia, Argentina, was sold to a local wool partner.

### Chargeurs Fabrics:

Chargeurs Fabrics followed the example of the other businesses by expanding its presence in Asia and sharply reducing its European manufacturing base. In France, the business refocused on creative, research-intensive segments and kept just one production unit.

### **1.1.2.8. 2008-2009: Adapting to the financial and economic crisis**

The financial and economic crisis that began in the summer of 2007 in the United States called into question the continuing effectiveness of the 2005 strategy and led to a wave of adjustments in 2008 and 2009.

At the end of 2007, in line with its strategic refocusing on the protective films, interlining and wool businesses, Chargeurs ceded control of its Fabrics business with the sale of its 50% interest in Fashion Company, the holding company of Chargeurs Fabrics, to Morocco-based Holfipar, the holding company of Sefita, which had long been a partner of Chargeurs Fabrics.

In the last quarter of 2008 and throughout the first half of 2009, Chargeurs' businesses were faced with massive downstream inventory cutbacks and an unprecedented collapse in volumes. Chargeurs Protective Films and Chargeurs Interlining were particularly affected.

In response, a sweeping reorganization plan was implemented during the first nine months of 2009 to return the Group to profit in 2010 even in the event that volumes fail to recover to above 2009 levels.

The plan concerned Chargeurs Protective Films and Chargeurs Interlining. Chargeurs Wool was less affected because it had already been reorganized around a single global marketing unit and two very productive plants in China and Uruguay.

Under the plan, Chargeurs Protective Films was obliged to reduce its headcount in France, the United States and the United Kingdom in order to cut costs and return to profit by 2010.

Chargeurs Interlining scaled back its manufacturing base from seven plants at the beginning of 2009 to three at the year-end, by closing four facilities in France and the Czech Republic. The 2008 acquisition of Bangladesh-based Etacol, which specializes in shirt interlinings, further bolstered the business's presence in Asia.

These restructuring programs generated significant costs for the Group that weighed heavily on 2008 and first-half 2009 results (see sections 1.3.3 and 1.4.2.1 of this Registration Document), but should pave the way for a return to profit in 2010 (see section 1.4.4 of this Registration Document).

### **1.1.2.9. Strategy and outlook**

As of late 2009, the Group has successfully completed all of the measures under its plan to adjust to new market realities.

These measures included:

- Restructuring more than 10 companies.
- An ambitious, successful initiative to reduce working capital requirement.

- Shifting the Group's center of gravity, with more than 70% of the two textile businesses' employees estimated to be located in low labor-cost geographies as of the end of December.
- Major asset writedowns.
- Cost-cutting programs.

Having accomplished these measures, Chargeurs is now in a position to confirm its strategy for each of its businesses.

#### Chargeurs Protective Films:

Having adjusted its cost base to reflect sharply curtailed demand relative to 2007 and 2008, Chargeurs Protective Films intends to pursue further organic growth.

In the absence of any change in market fundamentals, management aims to return the business to growth and restore margins within two to three years on the strength of the high value services that the business provides to its customers.

#### Chargeurs Interlining:

The process of shifting the bulk of Chargeurs Interlining's operations to Asia was completed in 2009.

In this new environment, the objective is to return to normal profit levels within two years.

#### Chargeurs Wool:

Now strategically focused on very competitive units, Chargeurs Wool is committed to reaffirming its ability to return to past profit levels, even without an increase in volumes.

### **1.1.2.10. Main investments**

#### *(a) Chargeurs' main investments over the last three years.*

In the period 2006 to 2008, two material investments were made within the Chargeurs Interlining business. One of these was the creation at the end of 2006 of a marketing joint venture and two manufacturing joint ventures in China with Ningbo Yak Technology Industrial Co Ltd, the country's leading interlining company, and the other the acquisition in 2008 of Bangladesh-based Etacol, a shirt interlining manufacturer and distributor.

These two transactions are integral components of Chargeurs Interlining's strategy to strengthen its position in Asia and increase its production and distribution capacities in the region.

The joint ventures created in partnership with Ningbo Yak Technology Industrial Co Ltd have been consolidated by Chargeurs since December 31, 2006. A detailed description of these investments is provided in note 4 to the consolidated financial statements for the years ended December 31, 2006, 2007 and 2008 (see section 1.4.1.5 of this Registration Document).

Etacol has been consolidated since December 31, 2008. Details of the acquisition are provided in note 4 to the consolidated financial statements for the years ended December 31, 2006, 2007 and 2008 (see section 1.4.1.5 of this Registration Document). Aside from the abovementioned acquisitions, there were no other material investments during the three-year period.

*(b) Material investments planned or in progress*

As of the date of this Registration Document, no material investments were in progress. Due to the economic and financial environment, the Group is exercising caution and does not plan on making any new investments for the time being unless they offer interesting growth potential and a low level of risk.

**1.1.3. The Group's legal structure**

The main Group companies are presented in note 35 to the consolidated financial statements for the years ended December 31, 2006, 2007 and 2008 (see section 1.4.1.5 of this Registration Document).

**1.2. RISK FACTORS**

This section presents the main risks that the Company believes could have a material adverse effect on its operations, financial position, results or outlook as of the date this Registration Document was prepared. The Company has reviewed its risk exposure and considers that there are no other material risks as of the date of this Registration Document. Nevertheless, other risks or uncertainties of which the Group is not yet aware or that are currently considered immaterial may also have a material adverse effect on its future operations, financial position, results or outlook.

**1.2.1. Risks associated with the Group's operating segments**

***1.2.1.1. Sensitivity to economic cycles***

2008 was shaped by the banking and financial crisis, followed by the economic and manufacturing crisis. The nature of its businesses makes the Group sensitive to such cyclical developments. In particular, the slowdown in sales experienced by Chargeurs' customers as a result of the economic crisis that began in late 2008 led to a falloff in demand for the Group's products that adversely affected both volumes and margins. At constant scope of consolidation, Chargeurs' annual revenue fell by 16% in 2008 compared with 2007 and by 32.5% in first-half 2009 compared with the same period in 2008. The Group's diversified geographical presence and business base offered only partial protection from this risk.

Chargeurs' businesses are sensitive to economic cycles. Given that Chargeurs is mainly present in Europe, the United States and Asia, the bulk of its business is sensitive to changes in economic conditions in these regions. Any economic slowdown in one of its host countries has a negative impact on consumption as well as on investment and manufacturing. This can weaken demand for the Group's products, which can have a material adverse effect on its operations, financial position, results or outlook.

Chargeurs Protective Films mainly serves customers in the construction and public works industry. It is therefore directly affected by activity levels in this industry, which is cyclical and susceptible to demographic trends, government housing and infrastructure policies and the availability of mortgage financing. Although it strives to measure and anticipate changes in this environment, Chargeurs cannot guarantee that it will always be able to respond immediately.

#### **1.2.1.2. Dependence on consumer spending in certain businesses**

The Group manufactures and processes textile products through its interlining and wool operations, which represented 68% of its revenues in 2008. These businesses are sensitive to changes in the economy and in consumer spending. Given that the bulk of Chargeurs' products are sold in Europe, the United States and Asia, any slowdown or decline in consumer spending in these regions is likely to adversely affect demand for the Group's textile products and/or their prices.

Furthermore, the textile businesses are directly affected by such factors as changing tastes and apparel purchasing habits, which can be influenced by lifestyle and sociological developments. Despite its constant efforts to track and even anticipate these developments, the Group cannot guarantee that it will always be able to respond immediately.

A sharp drop in consumer spending in the Group's host regions or sudden changes in consumer behavior could have a material adverse effect on its operations, financial position, results and outlook.

#### **1.2.1.3. Raw material price risk**

Chargeurs Wool and Chargeurs Protective Films are particularly sensitive to changes in the prices of wool and polyethylene (an oil or natural gas derivative), respectively. Changes in the prices of these raw materials in recent months are discussed in sections 1.1.1.1 and 1.1.1.3 of this Registration Document. Although these businesses are constantly developing purchasing, marketing and other management methods to avoid the adverse effects of sudden price variations, the Group cannot guarantee that wool and polyethylene price volatility will not have a material adverse effect on its results.

In the wool business, changes in wool prices lead to expectations among customers of price increases or decreases that disrupt the flow of business and expose Chargeurs Wool to the risk of losses if customers fail to take up their orders. The cyclical, global nature of the business has led Chargeurs Wool to adopt a policy of systematically hedging or insuring foreign exchange, wool price and customer risks. This is achieved by

setting up forward currency contracts, hedging wool purchases through forward sale contracts, taking out credit insurance or requiring customers to obtain letters of credit.

In the protective films business, the dependency of polyethylene prices on oil and natural gas prices creates sharp price volatility that can affect cost. In the last three years, Chargeurs Protective Films has gradually put systems in place to adjust sales prices for the majority of its customers based on polyethylene prices. These systems reduce its sensitivity to sharp increases in raw materials costs.

Despite this policy of reducing exposure to price fluctuations, any sharp increase in wool or polyethylene prices could have a material adverse effect on the Group's business, financial position, results and outlook.

#### **1.2.1.4. Emerging market risks**

Although the bulk of operations are conducted in Europe and the United States, the Group also has a strong presence in Asia, South America and, to a lesser extent, Africa. Its operations in these countries are exposed to a certain number of risks that differ from those present in developed countries. These include GDP volatility, relative economic and political instability, sometimes deep changes in or limited enforcement of regulations, nationalization or expropriation of privately owned assets, difficulties collecting payment, social unrest, wide interest rate and exchange rate fluctuations, local government demands that conflict with original tax agreements or contract stipulations, exchange controls and other government interventions or unfavorable restrictions.

Although the term "emerging market" encompasses vastly different realities from one country to the next, and although the Group's operations in emerging markets are not limited to a single country or region, but rather spread across several countries and continents, the occurrence of unfavorable events or circumstances in one of these countries could have a material adverse effect on the Group's financial position, results and outlook.

#### **1.2.1.5. Regulatory risks**

The Group operates in a regulated environment that differs, sometimes significantly, according to the host country.

The rules and regulations that apply to the Group's businesses may change favorably or unfavorably in the future. While tighter or more strictly enforced regulations may offer new growth opportunities in some cases, they are likely to create new operating conditions for the Group's businesses that may lead to higher operating expenses or a narrower scope of business, or more generally act as an obstacle to growth.

For example, when the quotas set up under the Multi-fiber Arrangement were dismantled in 2005, the Group was faced with much fiercer competition, particularly in terms of prices. Similarly, new French regulations on payment terms under the “LME” Economic Modernization Act of August 4, 2008 impacted the level of supplier credit obtained in France.

More generally, the Group cannot guarantee that sudden and/or major changes in applicable regulations will not have a material adverse effect on its operations, financial position, results or outlook in the future.

#### **1.2.1.6. Technology risks**

The Group’s markets, particularly those of the Protective Films and Interlining businesses, are shaped by rapid technological advances that can play a key role in driving business growth.

To maintain and increase its business volumes, the Group needs to be able to keep pace with and adjust to these technological advances. Research and development are therefore crucial to its success. If the Group were to experience difficulties in adapting to current or future technological changes or obtaining the financing needed for research and development this could have a material adverse effect on the its business, financial position, results or outlook.

### **1.2.2. Risks associated with the Group’s businesses**

#### **1.2.2.1. Restructuring risks**

Since late 2007, restructuring measures have been implemented in response to the economic and industrial crisis that is severely affecting the Group's businesses. Headcount has been reduced (mainly in Europe), plants have been closed (four interlining plants in France and the Czech Republic in 2009), production has been moved offshore (mainly to Asia) and operations have been discontinued (notably the fabrics business sold at the end of 2007). These measures generated significant costs that affected the Group’s results in recent periods. Nevertheless, these measures, which will continue in late 2009 and early 2010, should enable the Group to meet the challenges that lie ahead in its businesses.

Given the sharp slowdown in business, there is no guarantee that these measures will be sufficient to achieve a sustainable return to profit. Moreover, it is not always possible to fully anticipate the cost of such measures or their possible consequences on the organization (strikes or other industrial action), which could have a material adverse effect on the Group’s business, financial position and results.



#### **1.2.2.2. Competition risks**

The Group's markets are fiercely competitive and could become more so in the future.

Its main competitors, including Polyfilm and Nitto in the Protective Films business and Freudenberg and Kufner in the Interlining business, operate globally in one or several of the Group's markets. They may have relatively more financial, marketing, technical or employee resources due to their size or the countries in which they do business. In future, these competitors may develop aggressive pricing policies, diversify their product line-up, or enter into long-term strategic or contractual partnerships with current or potential customers in markets where the Group is present or wants to expand. They may also acquire companies or assets that the Group has identified as potential acquisition targets. Similarly, competitors in emerging markets, including companies with a regional presence, may capitalize on their cost advantage. The Group could lose market share or experience an erosion of margins if cannot compete effectively on price, product line-up or service quality or take advantage of new marketing opportunities.

Even though Chargeurs is present in three unrelated niche markets and enjoys leadership positions in the Protective Films and Interlining segments, more intense competition in these markets could weaken its sales, reduce its market share and/or erode its margins, and thereby have a material adverse effect on its businesses, financial position, results or outlook.

#### **1.2.2.3. Customer dependence risks**

The Group has a broad customer base spread throughout the world. For the year ended December 31, 2008, the Group's top ten customers accounted for 20.3% of consolidated revenue.

Although its customer base is highly diversified, the Group is exposed to the risk of large-scale customer defaults or of similar action by a large number of customers such as the massive inventory drawdowns of 2008 and 2009, which could have a material adverse effect on its business, financial position, results or outlook.

#### **1.2.2.4. Credit insurance risks**

The economic crisis has led credit insurers to reduce levels of credit risk cover. For Chargeurs, this means choosing to forego business opportunities due to a lack of credit insurance or increasing the portion of its revenue that is not covered by credit insurance. The Group purchases credit insurance throughout the world, but the most favorable rates are obtained in OECD countries. Although the systems used to control and adjust uninsured commitments, an increase in such commitments generates higher risk for the Group and large uninsured defaults could have a material adverse effect on the Group's business, financial position, results or outlook.

#### **1.2.2.5. Supplier dependence risks**

In the year ended December 31, 2008, the Group was not exposed to any particular supplier risk due to its diversified business base. Nevertheless, certain Group companies may depend on a limited number of suppliers for certain operations.

Any interruption in supply, delivery delay or product defects could harm the Group's performance and have a material adverse effect on its business, financial position, results and outlook.

In several of its host countries, particularly emerging markets, the Group conducts its business through local partnerships, such as the interlining partnership with Yak in China. The local partner is partly responsible for manufacturing products sold by the Group, seeking out new customers and handling relations with local authorities. These partnerships allow Chargeurs to draw on the support of experienced teams with a strong local foothold. When these partnerships are in the form of joint ventures, the Group does not always exercise financial or legal control over these operations.

A dispute with its partners, or the termination of one or several of such partnerships, would deprive the Group of a growth driver and could have a material adverse effect on its business, financial position, results or outlook.

#### **1.2.2.6. Risks associated with suspending operations at Group plants**

Despite the close attention paid to managing its manufacturing facilities, there is no guarantee that the Group will not be faced with an unexpected production stoppage due to human error, interruptions in the supply of energy or raw materials (wool or polyethylene), acts of vandalism, technical problems, natural disasters or other events of *force majeure*.

Any interruption in the manufacturing process may prevent the Group from fulfilling orders and/or result in the loss of customers or revenue without any reduction in fixed costs. Such an event could have a material adverse effect on the Group's business, results, financial position and outlook.

#### **1.2.2.7. Risks associated with acquisitions and equity investments**

The Group's growth strategy mainly hinges on acquiring and investing in local players that provide access to new markets and/or create synergies with its existing structures. The 2008 Etacol acquisition in Bangladesh is a good example. The Group may not be able to identify appropriate acquisition targets, carry out acquisitions at a satisfactory price, or efficiently integrate the newly acquired companies or businesses into the Group and achieve the anticipated cost savings and synergies. Moreover, the Group may not be able to obtain financing for planned acquisitions and equity investments on favorable terms and may therefore choose to finance them using cash that might otherwise be allocated to other areas of the Group's existing businesses. For larger transactions, the Group may be obliged to seek external financing, notably on the financial markets.

If the Group were to be unable to pursue an assertive, competitive acquisitions strategy, its ability to meet its growth objectives and increase or maintain market share could be affected, which could have a material adverse effect on its business, financial position, results or outlook.

#### **1.2.2.8. *Environmental risks***

The Group operates manufacturing facilities that may cause environmental damage or hazards or be the site of injuries or industrial accidents, such as fire. There can be no guarantee that these facilities will not be a source of pollution, disamenities, environmental damage or injury. In addition, acts of violence, vandalism, sabotage or terrorism committed on the premises of its production facilities could have similar consequences.

If any such events occur, the Group may be held responsible for making good the damage or losses caused by its facilities. Any environmental incident for which the Group is held liable could have a material adverse effect on its business, financial position, results or outlook.

#### **1.2.3. *Risks specific to the Company***

##### **1.2.3.1. *Risks associated with the Group's ability to retain or recruit qualified executives and other employees***

The Group's businesses are dependent on its ability to recruit and retain key executives and managers, as well as other qualified employees. The departure of certain key executives, managers or qualified teams could have a material adverse effect on the Group's business, financial position, results and outlook. In addition, the Group may have difficulty finding highly skilled people for certain businesses in certain geographical locations.

##### **1.2.3.2. *Risks associated with changes in applicable IFRSs***

The consolidated financial statements for the year ended December 31, 2008 (and for the six months ended June 30, 2009) have been prepared as for the previous two years in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and adopted by the European Union as of December 31, 2008 (see note 2 to the consolidated financial statements for the years ended December 31, 2006, 2007 and 2008).

These standards are subject to change and new standards and interpretations are constantly being drafted and/or approved by the competent international organizations. For standards and interpretations that have entered the approval process, the Group analyzes their potential effect on its financial statements. For standards or interpretations that are currently being drafted, the Group cannot predict the changes they may bring about to existing standards or their potential impact on its consolidated financial statements.

#### **1.2.3.3. Ethical risks**

Although the Group is particularly attentive to conducting its day-to-day operations in compliance with strict ethical principles, the risk of isolated employee behaviors that contradict these values and principles cannot be excluded. Group employees, executives or companies could be the subject of liability claims as a result of these behaviors. Events of this nature could affect the Group's reputation and thereby have a material adverse effect on its business, financial position, results or outlook.

#### **1.2.3.4. Image risks**

The Group's continued success depends on its ability to maintain its reputation of reliability and product quality. Despite paying close attention to its image, there is no guarantee that the Group's reputation would remain untarnished in the event of it being involved in a widely reported accident or dispute, particularly if such an event were to point to real or alleged failure by the Group to meet its obligations. Events of this nature, which could seriously harm the Group's reputation and thereby affect its ability to retain customer confidence and attract new customers, could have a material adverse effect on its business, financial position, results or outlook.

#### **1.2.4. Financial risks**

Financial risks, such as market risks, credit risks and liquidity risks are described in note 23 to the consolidated financial statements for the years ended December 31, 2006, 2007 and 2008 (see section 1.4.1.5 of this Registration Document) and note 20 to the interim consolidated financial statements for the six months ended June 30, 2009 (see section 1.4.2.2 of this Registration Document).

### Currency risk – Sensitivity analysis

The following table presents the sensitivity of consolidated equity to currency risk, based on data at December 31, 2008.

(in € millions)			
Total equity at December 31, 2008	188.5		
Of which, translation reserves	(8.1)		
		Effect of a 10% increase in the exchange rate against the euro	Effect of a 10% decrease in the exchange rate against the euro
Of which:			
Related to the US dollar	(5.6)	0.6	(0.6)
Related to the Argentine pesos	(1.7)	0.2	(0.2)
Related to the British pound	(1.1)	0.1	(0.1)
Related to the Turkish lira	(0.9)	0.1	(0.1)
Related to the South African rand	(0.8)	0.1	(0.1)
Related to the Australian dollar	(0.8)	0.1	(0.1)
Related to the New Zealand dollar	(0.7)	0.1	(0.1)
Related to the Korean won	-0.7	0.1	-0.1
related to the Czech koruna	1.7	(0.2)	0.2
related to the Chinese yuan	3.0	(0.3)	0.3
related to other currencies	(0.5)	0.0	0.0
Total		0.8	-0.8

#### 1.2.5. Risks associated with the Group's financial position

The global economic and industrial crisis and the exceptional restructuring costs incurred by the Group in response to the situation caused results to deteriorate and the Group expects to end 2009 with a loss of €48 million on the back of a €59.8 million loss in 2008.

These difficulties led two of the Group's lender banks to decide not to roll over credit facilities totaling €13.5 million expiring in mid-January 2010. In addition, at December 31, 2009 the Group could have breached the covenants on three loans representing a total of €34 million and, based on its current cash position, it could have been unable to meet scheduled repayments of its bank debt.

In August 2009, the Group began negotiations with its partner banks to consolidate its financing resources by restructuring part of its debt. On December 29, these banks (the "Lender Banks") agreed to restructure over €80 million worth of short and medium-term credit facilities granted to the Interlining and Protective Films businesses, based on the following principles:

- The unconfirmed facilities granted by the Lender Banks to the Interlining and Protective Films businesses would be combined in a single facility for a firm period of two years.

- Effective from the date of signature of the final debt restructuring agreements, Chargeurs would benefit from a two-year payment moratorium on the medium-term facilities granted by the Lender Banks to the Interlining and Protective Films businesses, with payment due from the third to the fifth year.

The Lender Banks have agreed to the restructuring on condition that Chargeurs SA raises at least €22 million through a rights issue (the "Rights Issue") during the first half of 2010. The Board is calling a general meeting on February 8, 2010 to obtain shareholder approval for the proposed issue (see section 3.3 of this Registration Document).

The restructured credit facilities would be subject to the usual clauses, including an acceleration clause that would apply if Chargeurs were to pay a dividend in the two years following the Rights Issue settlement-delivery date.

As a result, the Lender Banks have waived application of the acceleration clause contained in the credit facility agreements pending completion of the debt restructuring.

The related master agreement will be signed no later than January 7 and the detailed restructuring agreements no later than January 30, 2010.

If the Group were to be unable to complete the above debt restructuring, in particular due to shareholders withholding approval of the proposed Rights Issue at the special general meeting of February 8, 2010, the agreement with the Lender Banks would become null and void. In this case, the Group could be unable to meet its scheduled bank debt repayments and, as a result, could be unable to continue to operate as a going concern based on its current scope of consolidation.

## **1.2.6. Legal risks**

### **1.2.6.1. Legal risks**

In the normal course of business, Group companies may be involved in a number of legal, administrative or arbitration proceedings. As of the date of this Registration Document, to the best of the Company's knowledge, no governmental, legal or arbitration proceedings (including any pending or threatened proceedings which are pending or threatened) may have, or have had in the last twelve months, significant effects on the financial position or profitability of the Company or the Group. However, there is no guarantee that no such proceedings will be initiated against a Group company in the future, whether related to new or ongoing proceedings, identified risks or new risks. An unfavorable outcome to these proceedings could have a material adverse effect on the Group's business, financial position or results.

### **1.2.6.2. Intellectual property risks**

Protecting its intellectual property rights is an important factor in the Group's success. This protection is established and assured by means of patents, trademarks and models, confidentiality agreements, business secrets and other measures. The Group believes that developing proprietary products and processes is essential to ensuring its success. Any inability to protect its intellectual property rights could have a material adverse effect on its business, results or outlook.

### **1.2.6.3. Tax risks**

Notwithstanding the Group's policy of complying with the tax laws and regulations applicable in each of its host countries as well as with international tax law, certain legal provisions can be a source of risk because they are imprecise, difficult to interpret or interpreted in different ways by local tax administrations.

In addition, in the normal course of business, Group companies may be audited by their local tax administration.

### **1.2.7. Insurance**

The Company has purchased liability insurance covering the products and services supplied to customers. The cover is capped at €26 million for operating liability claims and €26 million for defective product claims.

## **1.3. 2008 MANAGEMENT REPORT**

### **1.3.1. Analysis of the economic environment and its impact on the Group's businesses**

#### **1.3.1.1. Currency instability**

The euro continued to strengthen against the dollar in 2008, pursuing the upward trend that began several years ago. From \$0.88 in January 2002, the European currency rose to \$1.30 in January 2007 before peaking at \$1.60 in March 2008. Over the full year, it averaged \$1.47, exceeding even our conservative late-2007 projections.

This persistent strength hurt products made in the euro-zone and sold in the dollar zone. In addition, the British pound weakened against the euro, while a number of Asian currencies, such as the Korean won, the Chinese yuan and the Hong Kong dollar, remained undervalued during the year. In our manufacturing regions, production costs were negatively affected by the appreciation of the Czech koruna against the euro, in the Interlining business, and of the Australian dollar against the US dollar, in the Wool business.

Moreover, the financial crisis profoundly disrupted the global economy and aggravated the instability in the currency markets, dimming visibility and making it particularly difficult to manage day-to-day operations.

To deal with the wide swings in exchange rates, Chargeurs had to take drastic measures.

Chargeurs Interlining continued to shift sourcing and production operations to Asia, especially China and Bangladesh, while reducing capacity at certain European locations. As part of this process, the business began to withdraw from manufacturing operations in the Czech Republic, where production costs are now prohibitively high following the strong gains in the Czech koruna.

The increase in combing costs caused by the higher Australian dollar prompted Chargeurs Wool first to reduce its Australian combing operations by half, then to transfer them to China and finally to sell them. In the same way, the extreme volatility in the rand led the business to withdraw from combing operations in South Africa in mid-year, leaving only the marketing operations. Lastly, the combing mill in New Zealand was closed.

Chargeurs Protective Films' margins were sharply eroded by adverse currency movements. Currency hedges were used to help smooth out fluctuations in raw materials input costs.

In a period of unstable exchange rates, it is even more important to proactively address the related risks with responsive pricing policies, inventory reduction programs and just-in-time production systems.

#### **1.3.1.2. The oil crisis**

Oil prices, which had been steadily rising since the second half of 2004, skyrocketed to new heights in 2008, peaking at more than \$140 a barrel in July. In their wake, energy costs also soared, driving an increase in production costs. Prices of polyethylene, an oil derivative that is the primary protective films feedstock, tracked oil upwards, reaching a record \$1,585 a tonne in August 2008. All the other raw materials followed the same upward trend, further increasing production costs.

Then in the second half, the price environment suddenly turned downwards, as the financial crisis spread to the real economy and triggered a dizzying drop in oil prices, to \$40 a barrel in December, with the other commodities soon following suit.

Chargeurs Protective Films deployed several measures in 2008 in response to the sharp increase in production costs following the spike in oil prices. Selling prices were adjusted in a variety of ways, including by indexing them to polyethylene prices. In addition, research & development programs were stepped up to develop new products that are both more efficient and less expensive.

#### **1.3.1.3. Price war**

An intense price war is still raging in all of our wool, interlining and protective films businesses, with impacts on both selling prices and production costs that make it particularly difficult to manage. Already affected by the weakness of the dollar and other currencies, euro zone output is suffering from intense competition from Asian producers concerned with using their excess capacity and benefiting from especially low labor



costs. China now dominates the wool market, setting prices and pushing down prices across the textile industry. Its influence is overpowering, even though in 2008, Chinese companies experienced a serious increase in production costs led by rising wages (up 121% in coastal Chinese textile companies), stricter environmental standards and a temporary reduction in export subsidies. In addition, the downward trend in prices was further exacerbated by the extensive inventory drawdowns in late 2008 in response to the crisis.

In a stagnating global economy, aligning production facility locations with costs and markets, optimizing production processes, developing innovative products and services and focusing on the most profitable products remain effective responses to increasingly aggressive competition.

Chargeurs Wool has now refocused its industrial operations on competitive combing mills in China and South America after withdrawing from combing operations in Australia, New Zealand and South Africa. Moreover, it is carefully selecting contracts with an emphasis on their margins and solidity rather than their volumes.

Chargeurs Interlining, after scaling back operations in the Czech Republic, will be able to effectively leverage its positions in Asia with competitive manufacturing facilities. In January 2008, it set up operations in Bangladesh by acquiring local shirt-interlining company Etacol, thereby raising its share of the global shirt-interlining market to 25%.

Chargeurs Protective Films has developed new products that deliver high quality at less cost. To preserve its market share while retaining its European production base, it offers a portfolio of distinctive services and is focusing on high value added market segments.

#### **1.3.1.4. Collapsing markets**

The recession that suddenly struck the global economy in the wake of the US financial crisis is having an adverse impact on every industry around the world. While automotive markets have been among the hardest hit, the construction industry in the United States and Western Europe and the entire apparel sector have also ground to a halt. Plummeting apparel sales in most Western countries caused a sudden slowdown across the garment-making production chain and, further upstream, in the textile business. Faced with declining purchasing power and worried about their economic future, consumers are scaling back clothing purchases in an attempt to balance the family budget. In the construction-related plastics and metals industries, the increase in commodity prices has also impacted customers of the Protective Films business. The slowdown has had the positive effect of easing the strong upward pressure on commodity prices felt since late 2007. China, which was driving global market growth, also saw output drop as domestic demand failed to offset the decline in exports.

The crisis in the financial markets has eroded lender confidence and made it much more difficult for companies to obtain financing for their day-to-day operations. Lastly, the prospect of a global recession and the very tight credit crunch has severely destabilized stock markets worldwide.

Faced with collapsing demand and the total loss of confidence among consumers and businesses alike, Chargeurs strove to maintain the trust it has long nurtured with its partners and sharpened its focus on management discipline and quickly returning to profit.

Chargeurs Wool, responding energetically to the drop-off in business, drastically curtailed production capacity to align it with projected demand and reduce the shortfall in absorbing fixed costs. Moreover, by refocusing on fine wool grades, the business is positioned to capitalize on the forecast growth in this upmarket segment.

Chargeurs Interlining, after sharply downsizing its Czech production base and shifting to lower cost geographies, is continuing to restructure in Europe to adjust capacity to weaker demand, eliminate loss-making operations and reduce fixed costs.

Chargeurs Protective Films is enhancing its flexibility so as to respond more effectively to increasingly smaller order batches. To preserve market share, the business has also developed new services for its large European accounts.

Carefully managing risks, especially customer default risks, and reducing fixed costs is even more critically important in a period of uncertainty and business failures. A series of measures have been deployed in each of our businesses to reduce working capital requirement and fixed costs, decrease debt and support the generation of cash flow.

### **1.3.2. Environmental and employee information**

#### **1.3.2.1. Environmental report**

As part of the Group's risk management policies, the Managing Directors of the subsidiaries have signed the Chargeurs Environmental Charter, comprising guidelines on anticipating and preventing environmental risks, as well as a set of short, medium and long-term objectives. Progress towards meeting these goals is monitored at quarterly intervals by the Group Risks Committee.

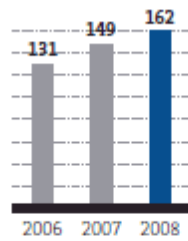
In 2008, environmental data were collected at the 19 primary production plants operated during the year (three Protective Films plants, fourteen Interlining plants and two Wool plants).

These raw data were then used to calculate indicator performance for the year. Most of the data reported below are expressed on a unit-of-production basis, corresponding to one square kilometer of film or fabric for the Protective Films and Interlining businesses, and one tonne of combed wool for the Wool business.

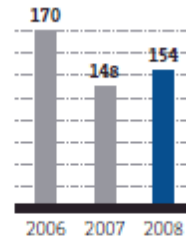
The same criteria have been applied as in 2007, allowing direct year-on-year comparisons.

## Chargeurs Protective Films Energy and water consumption

Although gas and water consumption at the French plant declined by a marked 4.6% and 12.5% respectively, overall energy and water use rose by 8.7% and 4% respectively during the year, led by a surge in consumption at the Italian plant.



Energy use  
MWh/km²

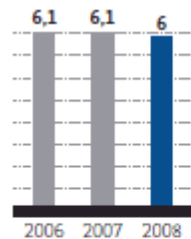


Water use  
m³/km²

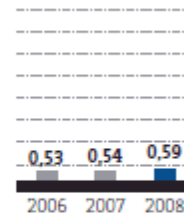
## Waste production

The quantity of non-hazardous waste remained unchanged, while the volume of hazardous waste increased by more than 9%.

In the United States, the Troy, Ohio plant introduced its waste recycling program during the year.



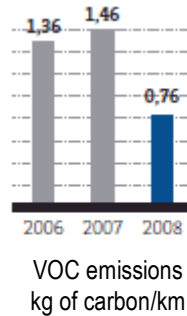
Non-hazardous waste  
t/km²



Hazardous waste  
t/km²

## Volatile organic compound (VOC) emissions

The steep 47.9% decline in VOC emissions reflected both the high solvent recovery rate at the French plant and the sharp decrease in output made with glue containing unrecoverable solvents.



## Environmental initiatives and management

Three people are employed full-time to deal with environmental, health and safety issues in France, and one person works full-time on these issues in Italy.

The French plant, which earned ISO 14001 certification in December 2008, is continuing to consolidate its environmental management system in 2009. It is also starting to introduce an occupational health and safety management system with a view to earning OHSAS 18001 certification in 2010.

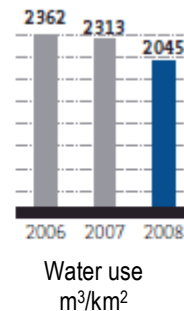
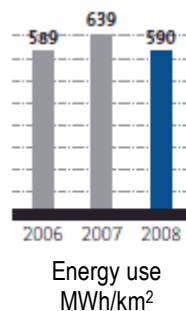
The Italian plant, which already has ISO 9001 and ISO 14000 certification, became OHSAS 18001-certified in May 2008.

## Chargeurs Interlining

In 2008 the scope of reporting was extended to fourteen plants from four in previous years.

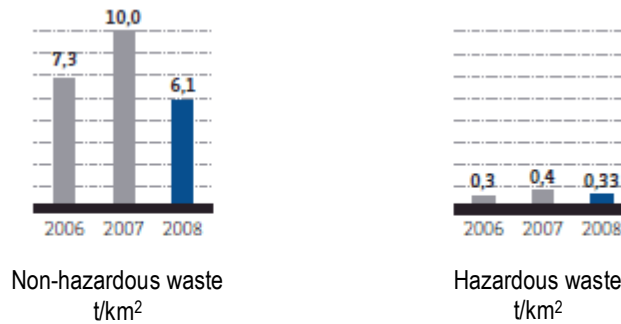
## Energy and water consumption

Energy and water consumption per unit of production declined in 2008 due to the inclusion of more energy and water-efficient plants.



## Waste production

Waste production declined across the board.



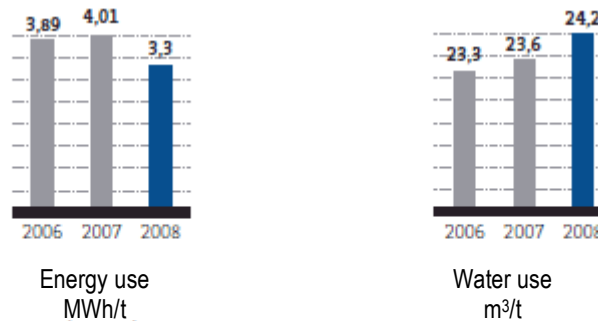
## Environmental initiatives and management

In 2008, the average number of environmental, health and safety management staff per site was one full-time equivalent employee.

## Chargeurs Wool

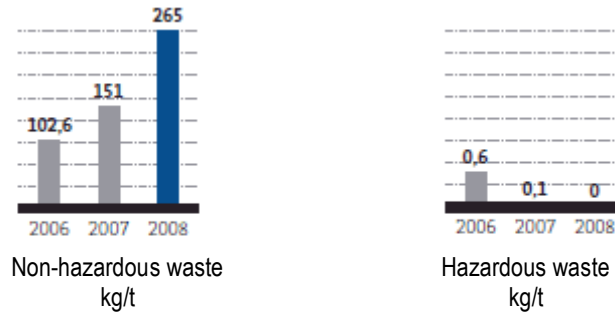
### Energy and water consumption

Energy consumption per tonne produced was down a significant 17.7% on 2007, while water consumption increased by a slight 2.5%.



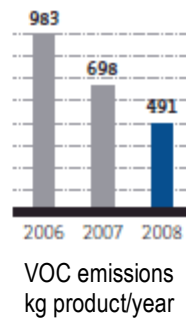
## Waste production

The quantity of non-hazardous waste generated per production unit increased by 75.5%, while hazardous waste production has been completely eliminated.



## Volatile organic compound (VOC) emissions

Volatile organic compound (VOC) emissions continued to fall sharply, by 29.6% in 2008.



## Environmental initiatives and management

The Chinese plant maintained ISO 14001 certification of its environmental management system. The plant in Uruguay is currently introducing an ISO 14001-compliant environmental management system, and should earn certification in 2009. In 2008, it was awarded the Global Organic Textile Standard (GOTS) label guaranteeing the organic status of its wool. In addition, tops produced at both plants carry the Öko-Tex 100 ecolabel, certifying that measures have been taken to limit the use of certain chemicals during the production process and that fabrics made from the wool do not contain any harmful substances.

### **1.3.2.2. Employee information**

For Chargeurs, sustainable development means deploying resources and implementing action plans to manage the present and thereby guarantee the Group's long-term viability. The global economy was thrown into deep turmoil in 2008, slowing demand in our markets throughout the year before causing a sudden collapse in business in November. In response, drastic measures were undertaken to right-size capacity, with Chargeurs Wool pulling out of combing operations in Australia, New Zealand and South Africa and Chargeurs Interlining adjusting its European production base, initiating withdrawal from the Czech Republic and continuing to expand in low labor-cost regions, particularly in Asia.

#### **EMPLOYEES**

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As of December 31, 2008, the Group had 2,671 employees, 10.8% fewer than at year-end 2007.

The decline reflected a 36% decrease at Chargeurs Wool, following deconsolidation of three combing mills, and a 15% reduction in Chargeurs Interlining's European headcount, partially offset by an increase in Asia with the consolidation of Etacol in Bangladesh.

Groupwide, employee numbers declined by 10% in Europe and by 8% in the Americas. Employees in the Asia-Africa region declined by 12.6%, mainly at Chargeurs Wool. Our 728 employees in China represent 27.3% of the Group total versus 25.1% at the end of 2007. Operations in France employed 27.7% of the total workforce at year-end 2008.

Women accounted for 30.5% of the workforce, versus 31% in 2007, with the percentage standing at 33% for Chargeurs Interlining, 29% for Chargeurs Wool and 17% for Chargeurs Protective Films. Temporary staff were equivalent to 3.3% of total employees on the payroll.

## HUMAN RESOURCES INDICATORS

Employees	Definition	Measurement unit	Scope	At Dec. 31, 2007	At Dec. 31, 2008	At June 30, 2009
Total employees	Employees on the payroll at the period-end	Employees under permanent and fixed-term contracts	World	2,996	2,671	2,449
Use of temporary staff	Temporary staff	% of total employees under permanent and fixed-term contracts	World	5.2%	3.3%	4.0%
Employees by business	Group employees by business	– Headquarters	World	15	12	11
		– Chargeurs Protective Films	World	595	573	554
		– Chargeurs Interlining	World	1,727	1,633	1,440
		– Chargeurs Wool	World	549	350	354
		– Other	World	110	103	90
Employees by region	Group employees	– France		808	740	686
		– Rest of Europe		530	460	364
		– Asia/Africa		1,218	1,065	1,000
		– Americas		440	406	388
Chargeurs Protective Films		– Europe		78%	79%	81%
		– Asia/Africa		5%	5%	5%
		– Americas		17%	16%	14%
Chargeurs Interlining		– Europe		49%	44%	40%
		– Asia/Africa		39%	45%	48%
		– Americas		12%	11%	13%
Chargeurs Wool		– Europe		3%	5%	5%
		– Asia/Africa		74%	58%	58%
		– Americas		23%	37%	36%
Gender parity	Group employees	Number of men	World	2,071	1,857	-
		Number of women	World	925	814	-
		Percentage of women	World	31%	30.5%	-



## **COMPENSATION**

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A significant proportion of managers receive performance-related bonuses, in line with our value creation strategy.

### Directors' compensation

In accordance with the Act of July 3, 2008, the following information is based on France's corporate governance code and Afep-Medef guidelines on the disclosure of corporate officers' compensation packages.

The total gross base compensation paid to Eduardo Malone, Chairman and Chief Executive Officer, by Group companies in 2008 totaled €547,171, compared with €531,010 in 2007.

This amount included €350,000 in salary and €91,469 in directors' fees (both unchanged from 2007), as well as the use of a company car, valued at €10,702 compared with €9,540 in 2007. Mr. Malone's incentive bonus is tied to Group earnings and represents a percentage of his base salary, as determined by the Board of Directors. The bonus paid in 2008 based on 2007 results amounted to €95,000, compared with €80,000 paid in 2007 in respect of 2006.

The gross base compensation paid in 2008 to Jérôme Seydoux, Vice-Chairman and Chief Executive Officer, amounted to €50,000, comprised entirely of salary and unchanged from 2007.

The total fees awarded to the members of the Board of Directors for 2008 amounted to €30,000. Eduardo Malone and Jérôme Seydoux do not receive any fees in their capacity as directors of Chargeurs.

## **TRAINING**

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We are more than ever committed to giving our employees the opportunity to improve their skills. In line with our decentralized management structure, training programs are the responsibility of the Directors of the individual units. The number of employees who received training rose to 36% of the workforce in 2008 from 30% in 2007, but the average number of training hours declined slightly year-on-year. This reflected the sustained deployment of safety training classes, which were attended by most employees in a number of production units, and the fact that workforce adjustment programs sharply reduced the time available for training.

## **SAFETY**

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The risk management policy implemented at each stage of the operating process places considerable emphasis on employee safety. The incident frequency rate improved to 10.57 from 18.47 in 2007, but the severity rate rose to 0.82 from 0.46.

In the textile businesses, the Group's average worldwide frequency rate stood at 10.2, compared with 35.1 for the textile industry in France, where safety regulations are often stricter than in many other countries, and the average worldwide severity rate was 0.91, compared with 1.65 for the textile industry in France.

For Chargeurs Protective Films, the average frequency rate was 12.4 and the average severity rate was 0.45, compared with chemical/rubber/plastics industry averages of 20.50 and 0.96 respectively.

## **SOCIAL DIALOGUE**

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In connection with its decentralized, empowered organization, Chargeurs has always been strategically committed to promoting social dialogue, especially with employee representatives. In France, for example, the proportion of trade union representatives has remained unchanged for many years, despite the downsizing programs, at around 4% of the workforce.

Local employee representation is backed by a Group Works Council in France and a European Committee for Social Dialogue designed to promote constructive exchanges of views between the Executive Committee and employee representatives coming from France, the Czech Republic and Italy.

### **1.3.3. 2008 Financial Results**

## **INCOME STATEMENT**

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### **Consolidated revenue**

Revenue for the year totaled €599.2 million, down 16% at comparable scope of consolidation (excluding Fashion Company, the Chargeurs Fabrics holding company) and down 14% excluding the currency effect. Eighty percent of the decline, which concerned all of the Group's businesses, was attributable to falling volumes, with the fourth quarter alone accounting for 46% of the volume effect.

Revenue performance was uneven across the year, with an 8% downturn in the first quarter giving way to a 26% contraction in the fourth quarter, which was severely affected by the global financial and economic crisis.

The proportion of sales generated outside France continued to rise over the period, representing 94%. The weighting of the main geographic markets confirmed the trends observed in prior years. China reaffirmed its position as our largest market and continued to generate an increasing proportion of revenue, accounting for nearly 20% of the total in 2008. Italy remained our second largest market, contributing close to 17% of revenue and Germany was once again the third largest with 9.5%, while the United States overtook France to become the fourth largest market with 8.3% of revenue versus France's 6.1%.

### *Protective Films*

Chargeurs Protective Films enjoyed sustained demand in the first half.

However, beginning in the fourth quarter, the impact of the financial crisis on the construction market caused business to contract sharply as companies across the building materials production chain massively drew down inventories. Fourth-quarter revenue consequently fell 17%, dragging the total revenue decline to 8.1% for the year.

### *Interlining*

Revenue for Chargeurs Interlining ended the year down 11.5% from 2007, reflecting changes in the scope of consolidation, a negative impact from the decline in the US dollar and certain linked currencies, such as the South Korean won and the Hong Kong dollar, against the euro, and reduced volumes in Europe.

### *Wool*

Chargeurs Wool reported a 26.7% decline in revenue for 2008, primarily due to lower business volumes and also to the downward trend in wool prices that steepened in the second half.

## **Operating profit**

### *Protective Films*

Chargeurs Protective Films' operating profit demonstrated firm resilience in a fragile environment, ending the year at €11.3 million thanks to the introduction of new, less expensive products.

### *Interlining*

Plummeting apparel sales in most Western countries caused a sudden slowdown in the garment-making production chain and, further upstream, in the textile business. In response, Chargeurs Interlining stepped up programs to align its European production base with weaker demand and began closing its manufacturing facilities in the Czech Republic. The cost of all these measures totaled €25.9 million in 2008, leading to an operating loss of €25.5 million for the year.

Excluding these reorganization measures, Chargeurs Interlining would have reported operating profit of €2.2 million.

To leverage Asia's competitive manufacturing resources, the business continued to expand its presence in the region with the early 2008 acquisition of Bangladesh-based shirt-interlining company Etacol, thereby raising its share of the global shirt interlining market to 25%.

### *Wool*

Responding to the sharp slowdown in the wool market, Chargeurs Wool pulled out of combing operations in Australia, New Zealand and South Africa during the year.

The total impact of closures and divestments recognized in 2008 was €4.5 million, contributing to Chargeurs Wool's operating loss of €6.9 million.

### **Net financial expense**

Finance costs and other financial income and expense, net totaled €11.5 million versus €11.0 million in 2007, and comprised both finance costs and receivables factoring costs. The amount includes provisions for finance receivables in an amount of €3.3 million and financial income of €1.4 million corresponding to late interest on a tax receivable sold on a no-recourse basis to a financial institution.

### **Share of profits and losses of associates**

The share of profits and losses of associates was a negative €7.9 million versus a positive €1.5 million in 2007. The change was mainly attributable to Chargeurs' share of the losses of Fashion Company.

### **Income tax expense**

The €5.8 million total for this item breaks down as (i) a current tax charge of €4.0 million; (ii) the €7.6 million proceeds from the no-recourse sale of a tax receivable; and (iii) a net deferred tax charge of €9.4 million reflecting mainly the €9.9 million valuation allowance recorded against deferred tax assets on tax loss carryforwards. The allowance was recorded following adjustments to the three businesses' 2009 and 2010 business plans leading to a reduction in estimated future taxable profits.

### **Net loss**

A net loss of €59.8 million was recorded for 2008 versus a net profit of €15.6 million in 2007.

The 2008 loss reflects the following non-recurring items:

- Reorganization costs and provisions that deepened the businesses' operating losses by €34.1 million.
- €14.8 million in losses and asset write-downs relating to the investment in Fashion Company, of which €3.8 million was recorded under operating expense, €3.3 million under financial expense and €7.7 million under share of profits/(losses) of associates.
- The total proceeds of €9.0 million from the no-recourse sale of a tax receivable and collection of late interest on the receivable, and a valuation allowance of €9.9 million recorded against deferred tax assets on tax loss carryforwards.

## **BALANCE SHEET AND FINANCIAL MANAGEMENT**

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Net bank debt at December 31, 2008 amounted to €84.7 million versus €55 million at the previous year-end.

The increase mainly reflected the sharp fourth-quarter downturn in demand, which prevented the Group from lowering its working capital requirement to satisfactory levels in relation to revenue. In fact, working capital requirement increased €25.5 million over the period.

Of the €84.7 million total, €62.1 million consisted of medium-term debt, of which €20.3 million is repayable in 2009.

Together, the various Chargeurs companies had cash and cash equivalents of €57.8 million at December 31, 2008.

For several years, the Group has sold receivables under no-recourse agreements. Until 2004, the amounts involved were disclosed in the notes to the consolidated financial statements.

Unlike under the French accounting standards applied in 2004, IAS 39 requires us to consider factors other than the transfer of title to determine whether financial assets should be reported in the balance sheet (see note 3 to the consolidated financial statements).

At the end of 2005, in view of the fact that this issue was still being discussed by the experts and no final official position had been taken, it was deemed prudent to keep these receivables on balance sheet, using a separate line to indicate they did not belong to Chargeurs, and to record a factoring liability for the amount of the cash proceeds received.

This accounting method continued to be applied in 2008.

## **1.4. CONSOLIDATED FINANCIAL INFORMATION**

### **1.4.1. Consolidated financial statements for the years ended December 31, 2006, 2007 and 2008**

#### **Important note**

The consolidated financial statements for the years ended December 2006, 2007 and 2008 presented below include:

- The consolidated financial statements for the year ended December 31, 2006, as approved by the Board of Directors on March 7, 2007 and by shareholders at the Annual General Meeting on May 15, 2007.
- The consolidated financial statements for the year ended December 31, 2007, as approved by the Board of Directors on March 4, 2008 and by shareholders at the Annual General Meeting on May 6, 2008.
- The rectified consolidated financial statements for the year ended December 31, 2008, as approved by the Board of Directors on December 21, 2009.

The Group decided to rectify the consolidated financial statements for the year ended December 31, 2008 as approved by the Board of Directors on March 5, 2009 and by shareholders at the Annual General Meeting on May 7, 2009, after two errors were detected concerning (i) translation reserves and the carrying amount of inventories of a subsidiary in China and (ii) the method used to recognize actuarial gains and losses on a supplementary pension plan operated by a subsidiary in the United States.

Tables reconciling the reported amounts of the main financial statement items for the year ended December 31, 2008 and the rectified amounts are presented in note 38 to the consolidated financial statements.

### 1.4.1.1. Consolidated balance sheets

At December 31 (in € millions)

Assets	2008	2007	2006
<b>Non-current assets</b>			
Property, plant and equipment (note 5)	71.4	89.4	114.8
Intangible assets (note 6)	70.3	63.7	71.1
Investments in associates (note 9)	18.0	25.1	17.5
Deferred tax assets (note 11)	20.0	29.2	29.2
Non-current financial assets			
Investments in non-consolidated companies (note 8)	2.0	3.1	3.1
Long-term loans and receivables (note 10)	9.3	9.3	10.2
Derivative instruments (note 15)			
Other non-current assets (note 12)	5.3	6.6	10.6
	<b>196.3</b>	<b>226.4</b>	<b>256.5</b>
<b>Current assets</b>			
Inventories and work-in-progress (note 13)	134.8	155.2	167.3
Trade receivables (note 14)	75.9	82.5	78.9
<i>Factored receivables (*)</i>	<i>64.7</i>	<i>82.5</i>	<i>87.2</i>
Derivative instruments (note 15)	1.3	1.8	2.0
Other receivables (note 16)	59.4	74.9	69.7
Cash and cash equivalents (note 17)	57.8	110.3	125.2
	<b>393.9</b>	<b>507.2</b>	<b>530.3</b>
<b>Total assets</b>	<b>590.2</b>	<b>733.6</b>	<b>786.8</b>

<b>Equity and liabilities</b>	2008	2007	2006
<b>Equity (note 18)</b>			
<b>Attributable to equity holders of the parent</b>			
Share capital (note 18)	166.0	166.0	164.7
Share premium account	32.2	32.2	32.0
Other reserves and retained earnings (note 18)	49.9	38.5	35.1
Profit/(loss) for the period	(59.8)	15.4	13.1
Treasury stock	(1.6)	(0.8)	(1.0)
Translation reserve	(7.6)	(13.9)	(1.8)
	<b>179.1</b>	<b>237.4</b>	<b>242.1</b>
<b>Minority interests</b>	<b>6.3</b>	<b>5.4</b>	<b>7.0</b>
<b>Total equity</b>	<b>185.4</b>	<b>242.8</b>	<b>249.1</b>
<b>Non-current liabilities</b>			
Long-term borrowings (note 21)	41.8	56.7	86.0
Deferred tax liabilities (note 11)	1.3	1.4	2.1
Pension and other post-employment benefit obligations (note 19)	12.2	11.5	13.0
Provisions (note 20)	7.2	3.9	6.2
Other non-current liabilities	0.4	0.8	0.8
	<b>62.9</b>	<b>74.3</b>	<b>108.1</b>
<b>Current liabilities</b>			
Trade payables (note 22)	116.7	157	185.7
Other payables (note 22)	55.1	61.5	65.1
<i>Factoring liabilities (*)</i>	<i>64.7</i>	<i>82.5</i>	<i>87.2</i>
Current income tax liability	2.1	2.6	5.6
Derivative instruments (note 15)	2.6	4.7	0.2
Short-term portion of long-term borrowings (note 21)	20.3	26.9	15.3
Short-term bank loans and overdrafts (note 21)	80.4	81.3	70.5
	<b>341.9</b>	<b>416.5</b>	<b>429.6</b>
<b>Total equity and liabilities</b>	<b>590.2</b>	<b>733.6</b>	<b>786.8</b>

Notes 1 to 37 are an integral part of the consolidated financial statements.

(\*) *Receivables for which title has been transferred (see note 3.2).*



### 1.4.1.2. Consolidated income statements

<i>(in € millions)</i>	2008	2007	2006
<b>Revenue</b>	<b>599.2</b>	<b>789.6</b>	<b>768.9</b>
Cost of sales	(492.7)	(624.2)	(601.6)
Gross profit	106.5	165.4	167.3
Distribution costs	(65.3)	(79.6)	(80.9)
Administrative expenses	(39.6)	(47.7)	(50.8)
Research and development costs (note 24)	(4.2)	(9.4)	(10.5)
Other operating income and expense* (note 25)	(32.7)	0.0	0.3
<b>Operating profit/(loss)</b>	<b>(35.3)</b>	<b>28.7</b>	<b>25.4</b>
Finance costs and other financial expense	(18.5)	(14.5)	(12.2)
Financial income	7.0	3.5	5.5
<b>Finance costs and other financial income and expense, net (note 27)</b>	<b>(11.5)</b>	<b>(11.0)</b>	<b>(6.7)</b>
Share of profit/(loss) of associates	(7.9)	1.5	(0.2)
<b>Pre-tax profit/(loss) for the period</b>	<b>(54.7)</b>	<b>19.2</b>	<b>18.5</b>
Income tax expense (note 28)	(5.8)	(4.1)	(5.2)
<b>Profit/(loss) for the period</b>	<b>(60.5)</b>	<b>15.1</b>	<b>13.3</b>
<b>Attributable to:</b>			
Equity holders of the parent	(59.8)	15.4	13.1
Minority interests	(0.7)	(0.3)	0.2
<b>Earnings/(loss) per share (in euros)</b>			
- Basic earnings/(loss) per share	(5.8)	1.5	1.3
- Diluted earnings/(loss) per share	(5.8)	1.5	1.3
Weighted average number of shares outstanding	10,299,975	10,253,666	10,075,102

Notes 1 to 37 are an integral part of the consolidated financial statements.

\* Items previously recorded under "Other operating income and expense" have been reclassified but remain included in operating profit (see notes 24 and 25).

### 1.4.1.3. Consolidated cash flow statements

<i>(in € millions)</i>	2008	2007	2006
<b>Cash flows from operating activities</b>			
Pre-tax profit of consolidated companies	(46.9)	17.8	18.7
Adjustments (note 31)	43.6	11.2	4.0
Income tax refunded/(paid)	4.1	(6.3)	(4.8)
Cash generated from operations	0.8	22.7	17.9
Dividends from associates	1.3	0.3	0.3
Change in operating working capital	(21.5)	(29.7)	17.8
Net cash from/(used by) operating activities	<b>(19.4)</b>	<b>(6.7)</b>	<b>36.0</b>
<b>Cash flows from investing activities</b>			
Acquisitions of subsidiaries, net of cash acquired	(3.3)		2.3
Proceeds from disposals of subsidiaries, net of cash sold (a)	5.0	(3.0)	
Purchases of property, plant and equipment (b)	(8.2)	(13.3)	(37.3)
Proceeds from sales of property, plant and equipment	10.6	8.5	9.9
Purchases of other non-current assets	(1.5)	(1.7)	(11.4)
Proceeds from sales of other non-current assets	0.1	2.0	0.4
Other movements (c)	0.1	1.8	37.3
Net cash from/(used by) investing activities	<b>2.8</b>	<b>(5.7)</b>	<b>1.2</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		1.6	3.1
(Purchases)/sales of treasury stock	(0.9)	0.3	
Proceeds from new borrowings	0.7	22.0	30.4
Repayments of borrowings	(26.5)	(16.9)	(32.0)
Dividends paid to equity holders of the parent	(6.7)	(7.3)	
Net cash from/(used by) financing activities	<b>(33.4)</b>	<b>(0.3)</b>	<b>1.5</b>
<b>Net (decrease)/increase in cash and cash equivalents and bank overdrafts</b>			
	<b>(50.0)</b>	<b>(12.7)</b>	<b>38.7</b>
Cash and cash equivalents and bank overdrafts at beginning of year	110.3	125.2	87.4
Reclassification of cash and cash equivalents in receivables	(2.2)	-	-
Effect of changes in foreign exchange rates	(0.3)	(2.0)	(0.9)
<b>Cash and cash equivalents and bank overdrafts at year-end</b>	<b>57.8</b>	<b>110.5</b>	<b>125.2</b>

Notes 1 to 37 are an integral part of the consolidated financial statements

(a) The 2007 figure corresponds to the €3.0 million net negative impact of cash and cash equivalents derecognized following the sale of 50% of Chargeurs Fashion.

(b) The 2006 figure includes equipment purchased for €23.5 million on termination of lease contracts with WMLA and IMLA (see note 32.7).

(c) The 2006 figure includes €41.4 million in financial assets recovered in the above transaction.

#### 1.4.1.4. Consolidated statement of changes in equity

<i>(in € millions)</i>	Share capital	Share premium account	Other reserves and retained earnings	Translation reserve	Treasury stock	Equity attributable to equity holders of the parent	Minority interests	Total
<b>At December 31, 2005</b>	<b>162.1</b>	<b>31.5</b>	<b>35.4</b>	<b>11.7</b>	<b>(1.1)</b>	<b>239.6</b>	<b>5.4</b>	<b>245.0</b>
Exchange difference on translating foreign operations				(13.5)		(13.5)	(0.7)	(14.2)
Dividends paid						0.0		0
Gains and losses on cash flow hedges			(0.2)			(0.2)		(0.2)
Gains and losses on financial instruments						0.0		0
Changes in treasury stock					0.1	0.1		0.1
Issue of share capital	2.6	0.5				3.1		3.1
Cancellation of shares						0		0
Profit for the period			13.1			13.1	0.2	13.3
Change in scope of consolidation						0	2.1	2.1
Other			(0.1)			(0.1)		(0.1)
<b>At December 31, 2006</b>	<b>164.7</b>	<b>32.0</b>	<b>48.2</b>	<b>(1.8)</b>	<b>(1.0)</b>	<b>242.1</b>	<b>7.0</b>	<b>249.1</b>
Exchange difference on translating foreign operations				(12.1)		(12.1)	(0.3)	(12.4)
Dividends paid			(6.7)			(6.7)	(0.6)	(7.3)
Gains and losses on cash flow hedges			(3.2)			(3.2)		(3.2)
Changes in treasury stock					0.2	0.2		0.2
Issue of share capital	1.3	0.2				1.5		1.5
Profit for the period			15.4			15.4	(0.3)	15.1
Change in scope of consolidation						0	(0.3)	(0.3)
Other			0.2			0.2	(0.1)	0.1
<b>At December 31, 2007</b>	<b>166.0</b>	<b>32.2</b>	<b>53.9</b>	<b>(13.9)</b>	<b>(0.8)</b>	<b>237.4</b>	<b>5.4</b>	<b>242.8</b>
Exchange difference on translating foreign operations				7.0		7.0	0.8	7.8
Dividends paid			(6.7)	(0.2)		(6.9)	(0.1)	(7.0)
Gains and losses on cash flow hedges			2.7			2.7		2.7
Changes in treasury stock					(0.8)	(0.8)		(0.8)
Issue of share capital						0	0.9	0.9
Loss for the period			(59.8)			(59.8)	(0.7)	(60.5)
Change in scope of consolidation				(0.5)		(0.5)		(0.5)
Other						0		0
<b>At December 31, 2008</b>	<b>166.0</b>	<b>32.2</b>	<b>(9.9)</b>	<b>(7.6)</b>	<b>(1.6)</b>	<b>179.1</b>	<b>6.3</b>	<b>185.4</b>

Notes 1 to 37 are an integral part of the consolidated financial statements

#### 1.4.1.5. Notes to the consolidated financial statements

### 1. General information

In 2008, Chargeurs and its subsidiaries (the Chargeurs Group) were organized around three business lines: Chargeurs Protective Films (development and marketing of technical solutions to protect steel, aluminum, plastic and other surfaces during the production process), Chargeurs Interlining (interlining and technical fabrics production and marketing) and Chargeurs Wool (wool processing)<sup>1</sup>.

Chargeurs is a *société anonyme* governed by the laws of France. Its headquarters are located at 29-31 rue Washington, 75008 Paris, France<sup>2</sup>.

Chargeurs shares are listed on NYSE Euronext Paris.

The consolidated financial statements for 2008, 2007 and 2006 were approved by the Board of Directors and the Company's shareholders on the dates set out below. All amounts are expressed in millions of euros, unless otherwise specified.

Financial statements for the year ended:	Date of approval by the Board of Directors	Date of approval by the Company's shareholders
December 31, 2006	March 7, 2007	May 15, 2007
December 31, 2007	March 4, 2008	May 6, 2008
December 31, 2008	March 5, 2009	May 7, 2009

At the Annual General Meetings held in 2007 and 2008, shareholders approved the Board of Directors' recommendation to pay a dividend of €0.65 per share for each of the years 2006 and 2007. At the Annual General Meeting held in 2009, shareholders approved the Board of Directors recommendation to waive the 2008 dividend.

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<sup>1</sup> Prior to the sale of Chargeurs Fashion in December 2007 and the implementation of a shareholders' pact in December 2007 under which Chargeurs ceased to exclusively control Chargeurs Fashion and its subsidiaries, the Group's operations were organized around four business lines (Chargeurs Protective Films, Chargeurs Interlining, Chargeurs Wool and Chargeurs Fashion).

<sup>2</sup> In 2007 the Company's headquarters were transferred from their previous location of 38 rue Marbeuf, 75008 Paris.

## **2. Summary of significant accounting policies**

The significant accounting policies applied to prepare the consolidated financial statements are described below. Unless otherwise specified, these policies were applied consistently in all the periods presented.

### *2.1 Basis of preparation*

The 2006, 2007 and 2008 consolidated financial statements of the Chargeurs Group were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Assets and liabilities are measured using the historical cost convention except for land and buildings – which were revalued at January 1, 2004 –, investments in non-consolidated companies, financial assets and liabilities measured at fair value through profit or loss (including derivative instruments), financial assets and liabilities measured at amortized cost, and assets and liabilities underlying fair value hedges.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

**a) New standards, amendments to existing standards and interpretations applicable in the financial years ended December 31, 2006, 2007 and 2008**

	2006	2007	2008
- <u>Affecting the Group</u>	<p>- Amendment to IAS 19 – Actuarial Gains and Losses, Group Plans and Disclosures. The Group decided to continue recognizing actuarial gains and losses by the method applied in prior years.</p> <p>- Amendment to IAS 39 – The Fair Value Option. This amendment had no impact on the recognition and measurement of financial instruments designated as at fair value through profit or loss before January 1, 2006, as these instruments satisfied the new criteria set out in the amendment.</p> <p>- Amendment to IAS 21 – Net Investment in a Foreign Operation.</p> <p>- Amendment to IAS 39 – Cash Flows Hedge Accounting of Forecast Intragroup Transactions.</p> <p>The application of the amendments listed above, as from January 1, 2006, had no impact on the 2006 consolidated financial statements.</p>	<p>- IFRS 7 – Financial Instruments: Disclosures.</p> <p>- IAS 1 – Amendment: Capital Disclosures (resulting from the adoption of IFRS 7).</p> <p>- IFRIC 10 – Interim Financial Reporting and Impairment.</p> <p>- IFRIC 9 – Reassessment of Embedded Derivatives.</p>	IAS 39 – Amendment: Reclassification of Financial Assets.
- <u>Not affecting the Group as considered by management as not relevant to the Group's operations</u>	<p>- Amendments to IAS 39 and IFRS 4 – Financial Guarantee Contracts.</p> <p>- IFRS 6 – Exploration for and Evaluation of Mineral Resources.</p> <p>- IFRIC 4 – Determining Whether an Arrangement Contains a Lease.</p> <p>- IFRIC 5 – Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.</p> <p>- IFRIC 6 – Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.</p>	<p>- IFRIC 7 – Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies.</p> <p>- IFRIC 8 – Scope of IFRS 2.</p>	

**b) New standards, amendments to existing standards and interpretations applicable in future years that the Group chose not to early adopt:**

	2006	2007	2008
<u>Adopted by the European Union and affecting the Group</u>	<ul style="list-style-type: none"> <li>- IFRS 7 – Financial Instruments: Disclosures (effective for financial periods beginning on or after January 1, 2007) and Amendment to IAS 1 – Presentation of Financial Statements: Capital Disclosures (effective for financial periods beginning on or after January 1, 2007). The Group will apply IFRS 7 and the Amendment to IAS 1 as from January 1, 2007. Their impact on the consolidated financial statements is currently being evaluated.</li> <li>- IAS 1 Amendments to IAS 1 – Presentation of Financial Statements: Capital Disclosures (resulting from IFRS 7).</li> <li>- Amendment to IFRS 1</li> <li>- IFRS 9 – Reassessment of Embedded Derivatives. Management believes that the impact of applying this interpretation will not be material, as the accounting policies currently applied comply with IFRIC 9.</li> </ul>	<ul style="list-style-type: none"> <li>- IFRS 8 – Operating Segments.</li> </ul>	<ul style="list-style-type: none"> <li>- IFRS 8 – Operating Segments.</li> <li>- IAS 23 – Amendment: Borrowing Costs.</li> <li>- IFRS 2 – Amendment: Vesting Conditions and Cancellations.</li> <li>- IFRIC 11 – Group and Treasury Share Transactions.</li> <li>- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.</li> </ul>
<u>- Adopted by the European Union but not affecting the Group as considered by management as not relevant to the Group's operations</u>	<ul style="list-style-type: none"> <li>- IFRIC 7 – Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies.</li> <li>- IFRIC 8 – Scope of IFRS 2.</li> </ul>		<ul style="list-style-type: none"> <li>- IFRIC 15 – Customer Loyalty Programmes</li> </ul>
<u>Not yet adopted by the European Union and affecting the Group</u>	<ul style="list-style-type: none"> <li>- IFRS 8 – Operating Segments</li> </ul>	<ul style="list-style-type: none"> <li>- IAS 23 – Amendment: Borrowing Costs</li> <li>- IAS 1 (revised) – Presentation of Financial Statements</li> <li>- IFRIC 11 – IFRS 2: Group and Treasury Share Transactions</li> <li>- IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.</li> </ul>	<ul style="list-style-type: none"> <li>- IAS 1 (revised) – Presentation of Financial Statements.</li> <li>- IFRS 3 (revised) – Business Combinations.</li> <li>- IAS 27 (revised) – Consolidated and Separate Financial Statements.</li> <li>- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation</li> <li>- IAS 32 and IAS 1 – Amendments: Puttable Financial Instruments and Obligations arising on Liquidation.</li> <li>- IFRS 1 and IAS 27 – Amendments: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.</li> <li>- IAS 39 – Amendment: Eligible Hedged Items.</li> </ul>

<u>Not yet adopted by the European Union and not affecting the Group as considered by management as not relevant to the Group's operations</u>	- IFRIC 12 – Service Concession Arrangements - IFRIC 11 – Group and Treasury Share Transactions.	- IFRIC 12 – Service Concession Arrangements. - IFRIC 13 – Customer Loyalty Programmes.	- IFRIC 12 – Service Concession Arrangements. - IFRIC 15 – Agreements for the Construction of Real Estate.
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## 2.2 Consolidation methods

### (a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments that meet the above criteria but which are not material are measured at cost less any impairment.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Acquisitions of subsidiaries are accounted for by the purchase method. The cost of acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill.

If the cost of the acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Intercompany transactions and balances and unrealized gains on transactions between Group companies are eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (b) Transactions with minority shareholders

The Group applies a policy of treating transactions with minority shareholders as transactions with parties external to the Group. Disposals to minority shareholders result in gains and losses for the Group that are recorded in the income statement. Purchases from minority shareholders result in goodwill, being the difference between the consideration paid and the acquired share of the subsidiary's net assets.



### **(c) Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method and are initially recognized at cost. The Group's investments in associates include goodwill (net of any accumulated impairment losses) identified on acquisition (see note 2.6).

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves – which have no impact on profit or loss – is recognized directly in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses of an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate concerned. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### **(d) Non-consolidated companies**

Recently-formed distribution companies that individually generate less than €3 million in annual revenue are not consolidated. The effect on equity of including these companies in the scope of consolidation at December 31, 2008 would be less than €1 million.

### *2.3 Segment reporting*

Chargeurs' primary reporting format is based on three business segments for 2008 and four business segments for 2006 and 2007. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

Geographical segments correspond to Chargeurs' secondary reporting format. A geographical segment is a distinguishable economic environment subject to risks and returns that are different from those of the other economic environments in which the Group operates. Chargeurs operates in three geographical segments: Europe – including the Group's home market, France – the Americas and Asia. The "Asia" segment includes the Asia-Pacific region and Africa.

## *2.4 Foreign currency translation*

### **(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency").

The consolidated financial statements are presented in euros, which is Chargeurs' functional currency.

### **(b) Transactions and balances**

Foreign currency transactions are translated into each entity's functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges. In this case, gains and losses on the cash flow hedge accumulated in equity are reclassified to the income statement when the exchange gain or loss on the hedged item is recognized.

Exchange gains and losses arising from translation of foreign currency receivables and payables are recognized in the income statement.

### **(c) Group companies**

The results and financial position of all the Group entities that have a functional currency other than the euro are translated as follows: (i) balance sheet items are translated at closing exchange rates, (ii) income statement items are translated at average exchange rates for the period, and (iii) all resulting exchange differences are recognized as a separate component of equity under "Translation reserve" and "Minority interests."

Exchange differences arising from the translation of the net investment in subsidiaries with a functional currency other than the euro and of instruments designated as hedges of such investments are recorded under "Translation reserve" in equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

## *2.5 Property, plant and equipment*

Property, plant and equipment are stated at cost, less subsequent depreciation and impairment, except for land which is not depreciated and is stated net of any accumulated impairment losses. Cost comprises the purchase price, capitalized interest and fair value adjustments. Capitalized interest corresponds to interest costs, whether on designated borrowings or on other designated sources of finance, during the period preceding the date the asset is put into service.

On first-time adoption of IFRS, land and buildings were measured at fair value at January 1, 2004 (the IFRS transition date) based on independent valuations, and these fair values were used as the assets' deemed cost at that date.

The cost of dismantling and removing assets and restoring the site on which they are located is included in the assets' carrying amount.

Each significant part of an item of property, plant or equipment whose useful life is different from that of the asset as a whole is recognized and depreciated separately.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

- Buildings: 15 to 40 years.
- Plant and equipment: 4, 8, 12, 20 years.
- Fixtures and fittings: 5 to 10 years.

### **(a) Leases**

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases and recognized as assets and liabilities. The capitalized amount corresponds to the lower of the fair value of the leased property at the inception of the lease and the present value of the minimum lease payments.

### **(b) Impairment of property, plant and equipment**

Property, plant and equipment are tested for impairment whenever there is any internal or external indication that they may be impaired. In addition, since 2007 property, plant and equipment have been included in the annual impairment tests performed by the Group on its individual businesses.

If these tests show that the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in addition to accumulated depreciation. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

In the absence of an observable market price, the recoverable amount of a cash-generating unit is considered to be equal to the higher of its value in use, corresponding to the discounted future cash flows expected to be generated by the unit, and its fair value less costs to sell. In practice, most calculations are based on value in use.

Gains and losses on the sale of property, plant and equipment are recognized in the income statement and are calculated by comparing the proceeds of the sale with the carrying amount of the sold asset.

## *2.6 Intangible assets*

### **(a) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "Intangible assets". Goodwill on acquisitions of associates is included in "Investments in associates". All goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment losses recognized as a result of these tests are irreversible. Gains and losses on the disposal of an entity include the carrying amount of goodwill, if any, relating to the entity sold. In 2006 and 2007, goodwill was allocated to business segments for the purpose of impairment testing.

### **(b) Trademarks and licenses**

Trademarks and licenses are stated at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (between fifteen and twenty years).

### **(c) Computer software**

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful lives of the software concerned (between three and five years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

### **(d) Development costs**

Since 2007, development costs have been capitalized when the Group can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.

- The availability of adequate technical and financial resources to complete the development.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs are amortized over the estimated useful life of the asset concerned.

#### **(e) Impairment of intangible assets**

Goodwill and other intangible assets with indefinite useful lives are tested for impairment every year to determine if their recoverable amount is at least equal to their carrying amount, irrespective of whether there is any indication that they may be impaired (see note 6). Any impairment losses recognized as a result of these tests are irreversible.

The carrying amount of goodwill in the consolidated balance sheet corresponds to the gross amount less any accumulated impairment losses.

### *2.7 Financial assets and liabilities*

#### **(a) Definitions**

The Group classifies its financial assets into the following categories in accordance with the IAS 39: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

##### *Financial assets at fair value through profit or loss*

This category has two subcategories: financial assets held for trading, and financial assets designated upon initial recognition as at fair value through profit or loss. Derivative instruments are categorized as held for trading, unless they are designated as part of a hedging relationship. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within twelve months of the balance sheet date. In the consolidated balance sheet, these items are recorded under "Derivative instruments" (note 15).

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in "Other receivables" under current assets, except when they are due more than twelve months after the balance sheet date, in which case they are recorded as non-current assets under either "Long-term loans and receivables (note 10) or "Other non-current assets" (note 12).

### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or are not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within twelve months of the balance sheet date. In the consolidated balance sheet, available-for-sale financial assets correspond to "Investments in non-consolidated companies" (note 8).

### *Financial liabilities*

Financial liabilities as defined by IAS 39 include borrowings measured at amortized cost and financial liabilities measured using the fair value option. They correspond to the following balance sheet items: "Long-term borrowings" (note 21), "Trade payables" and "Other payables" (note 22).

## **(b) Recognition and measurement of financial assets**

### *Investments in non-consolidated companies*

Investments in non-consolidated companies represent Group interests in entities that are not controlled by the Group. They are stated at cost, which the Group considers to represent fair value, as no active market exists which would enable the fair value to be measured reliably. Impairment losses are recorded for a prolonged decline in value in use, which is determined based on the most appropriate financial criteria, including the Group's equity in the underlying net assets and the earnings outlook of the company concerned.

### *Loans and receivables*

Loans and receivables are measured at amortized cost using the effective interest method. If there is objective evidence that they are impaired an impairment loss is recorded to write these assets down to their fair value. They are tested for impairment at each reporting date, or whenever there is an indication that they may be impaired, by comparing their recoverable amount with their carrying amount. Any impairment losses are recorded in the income statement.

Trade receivables have short maturities and are therefore stated at nominal value.

### *Marketable securities*

Gains and losses arising on changes in the fair value of marketable securities are recognized in the income statement during the period in which they arise.

## **(c) Recognition and measurement of financial liabilities**

Borrowings and other financial liabilities are generally measured at amortized cost using the effective interest method. As the Group's operating liabilities have short maturities they are stated at nominal value.

Financial liabilities hedged by interest-rate swaps qualify for fair value hedge accounting under IAS 39. The gain or loss from re-measuring the hedged financial liability is recognized in profit or loss and is offset by the loss or gain from re-measuring the swap at fair value.

### *2.8 Derivative instruments and hedges*

The Group uses derivatives to hedge its exposure to currency and interest rate risks. All derivative instruments are recognized in the balance sheet and measured at fair value.

The Group hedges forecast transactions in foreign currencies, such as sales of products in dollars. Changes in the fair value of derivative instruments that qualify as hedges of forecast transactions are recognized directly in equity and subsequently reclassified to profit in the same period or periods when the transaction is settled and impacts profit. Changes in the fair value of hedged firm commitments and of currency derivatives that qualify as fair value hedges are recorded in the income statement.

Changes in the fair value of financial instruments used to hedge currency risks on the Group's net investment in foreign operations that result from changes in exchange rates are recognized in equity under "Translation reserve", offsetting all or part of the opposite change in the fair value of the underlying net investment caused by changes in exchange rates.

Depending on the circumstances, interest-rate swaps are used to convert variable rate debt into fixed rate debt and vice versa. In the first case, gains and losses arising from remeasurement of the swaps at fair value are accumulated in equity and reclassified into profit when the variable rate interest is recognized. In the second case, the gains and losses are recognized directly in profit and the carrying amount of the hedged portion of the underlying debt is adjusted to reflect the rate change.

Fair value adjustments to interest-rate and currency derivatives held for trading are recognized immediately in the income statement.

### *2.9 Deferred taxes*

Deferred taxes are recognized for temporary differences between the carrying amount of assets and liabilities and their tax base, as follows:

- All deferred tax liabilities are recognized.
- Deferred tax assets arising from temporary differences or from tax loss carryforwards are recognized only when it is probable that the differences will reverse or the assets will be recovered in the foreseeable future.

Deferred tax assets and liabilities are adjusted at the year-end for enacted changes in tax rates and tax laws.

A deferred tax liability is recognized for withholding taxes, where applicable, only in respect of dividends for the year to be received in the following year.

Deferred tax assets and liabilities are offset within each company or taxable entity.

### *2.10 Inventories*

Inventories are carried at the lower of cost and net realizable value. Cost is determined by the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The cost of finished products and work-in-progress includes raw materials, direct production costs and production overheads based on normal capacity utilization rates.

### *2.11 Trade receivables*

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provisions for impairment. A provision for impairment of trade receivables is recorded when there is objective evidence that the Group will not be able to recover all amounts due according to the original terms of collection. Indications that a receivable may be impaired include any significant financial difficulties encountered by the debtor, the probability of the debtor filing for bankruptcy or a financial restructuring, the risk of default, or if a payment has been missed. The amount of the provision – which represents the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the initial effective interest rate – is recorded in the income statement under "Distribution costs."

### *2.12 Cash and cash equivalents*

Cash and cash equivalents analyzed in the cash flow statement correspond to cash in hand, marketable securities and short-term deposits. Cash equivalents are highly liquid instruments with short maturities that are not exposed to any material risk of impairment.

Marketable securities are accounted for as financial assets at fair value through profit or loss. Short-term bank deposits and cash in hand are deemed to be loans and receivables and are measured at amortized cost.

Bank overdrafts are recorded under current liabilities in short-term bank loans and overdrafts.

### *2.13 Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are recorded in equity as a deduction, net of tax, from the proceeds.



Where any Group company purchases the Company's equity share capital (treasury stock), the consideration paid, including directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

#### *2.14 Borrowings*

Borrowings are recognized initially at fair value, net of transaction costs. They are subsequently measured at amortized cost, and any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the balance sheet date, in which case they are classified as non-current.

#### *2.15 Employee benefits*

Obligations for the payment of post-employment benefits and other long-term employee benefits are measured by the projected unit credit method and recognized in accordance with IAS 19. The recognized obligation takes into account the fair value of plan assets – for example under insured plans – at the balance sheet date.

For post-employment benefit plans, actuarial gains and losses arising as a result of changes in actuarial assumptions and experience adjustments are expensed over the estimated remaining service lives of employees using the corridor method.

For other long-term employee benefits and length-of-service awards payable to employees on retirement, actuarial gains and losses are recognized immediately.

#### *2.16 Provisions*

Provisions for environmental restoration, restructuring costs and legal claims are recognized when (i) the Group has a present legal or constructive obligation as a result of past events, (ii) it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and (iii) the amount of the provision can be reliably estimated. Restructuring provisions include lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used reflects current market assessments of the time value of money and the risks specific to the liability concerned. The increase in the carrying amount of provisions to reflect the passage of time is recognized as interest expense.

### *2.17 Revenue recognition*

Revenue from sales of goods and services is recognized, net of value-added tax, rebates and discounts, when the risks and rewards incidental to ownership of the goods are transferred to the customer or when the service is rendered.

### *2.18 Other operating income and expense*

This item primarily consists of foreign exchange gains and losses, restructuring costs and impairment losses.

### *2.19 Earnings per share*

Basic earnings per share are computed by dividing profit attributable to equity holders of the parent by the weighted average number of shares outstanding, representing the number of shares issued less the average number of Chargeurs shares held in treasury or by subsidiaries.

Diluted earnings per share are determined by adjusting basic earnings per share for the dilutive effect of employee stock options or stock warrants from the date on which the options are granted or the warrants are issued, except in cases where the exercise price exceeds the market price of Chargeurs shares.

### *2.20 Stock options*

For stock options granted after November 7, 2002 and vested after January 1, 2005, the options' estimated fair value on the grant date is recognized as an expense, leading to a corresponding increase in equity. When options are granted conditional upon the achievement of performance targets, the fair value of the options is expensed over the vesting period.

### 3. Use of accounting estimates and assumptions

The preparation of financial statements under IFRS requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses.

#### 3.1 Critical accounting estimates and assumptions

The critical accounting estimates and assumptions that could result in a material adjustment to the carrying amount of assets and liabilities during subsequent periods are analyzed below.

##### (a) Impairment of goodwill

Goodwill is tested for impairment on an annual basis as described in note 2.6. The recoverable amounts of cash-generating units are determined based on calculations of value in use, which require the use of estimates (see note 6).

The impairment tests performed in 2006, 2007 and 2008 did not reveal any impairment in the carrying amount of goodwill.

##### (b) Income tax

The tax assets arising from group relief in France, tax loss carryforwards and temporary differences amounted to €11.4 million at December 31, 2008 (compared with €21.3 million at December 31, 2007 and €20.5 million at December 31, 2006). The recoverability of these assets was based on forecast taxable profit for future years.

#### 3.2 Critical judgments

For several years, the Group has sold receivables under no-recourse agreements. Under French GAAP, the amounts concerned were disclosed in the notes to the consolidated financial statements. The method of accounting for these sales was changed as a result of the first-time adoption of IFRS in 2005, as explained below.

The notes to the 2005 consolidated financial statements disclosed the following information:

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##### *French GAAP*

Receivables sold under no-recourse agreements are derecognized. As there are no specific accounting standards under French GAAP dealing with this type of transaction, the accounting treatment used in the parent company accounts (which are still prepared in accordance with French GAAP) is based on the legal form of the transactions and the assets are derecognized when title is transferred. This approach was also applied in the consolidated financial statements prior to the transition to IFRS, as routine commercial transactions carried out in accordance with normal business or industry practice – such

as the sale of receivables under no-recourse agreements – were excluded from the scope of application of the joint recommendation issued on November 15, 2002 by the *Commission des opérations de Bourse* and the *Commission bancaire* on special purpose entities and asset derecognition (which set down a general principle based on the transfer of the significant risks of ownership of assets).

### *IFRS*

Under IFRS, transfer of title is not the only criterion to be applied. IAS 39 – Financial Instruments: Recognition and Measurement, which deals with the derecognition of financial assets, including trade receivables, requires entities to base their analysis on the following three criteria:

- Whether the entity has transferred the contractual rights to receive the cash flows of the financial asset.
- Whether the entity has transferred substantially all the risks and rewards of ownership of the financial asset.
- Whether the entity has retained control of the financial asset.

Chargeurs' teams analyzed the contracts for the sale of the receivables based on these three criteria. In view of the fact that this issue was still being discussed by experts and no final official position had been taken, it was deemed prudent to keep these receivables on balance sheet and record a corresponding liability for the amount of the cash proceeds received.

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In 2006 and 2007, the accounting authorities issued guidance on the circumstances in which sold receivables may be derecognized. The presentation of these items in the 2008 consolidated financial statements is unchanged from 2005, but may be adjusted in the future based on amendments to contracts or changes in disposal procedures.

## **4. Acquisitions – disposals**

### *4.1 2006*

At the end of 2006, Chargeurs Interlining signed agreements with China's Ningbo Yak Technology Industrial Co. Ltd, establishing three joint ventures.

#### Two manufacturing companies:

Ningbo Yak Kyokuyo Textile and Ningbo Lailong Bertero Interlining.

These two entities are 51%-owned by Ningbo Yak Technology Industrial and 49% by Chargeurs Interfodere Italia, a subsidiary of Chargeurs Interlining.

They were accounted for by the equity method in the Group's 2006 consolidated financial statements.

The 49% interest in each company was acquired through share purchases.

#### A new distribution company:

Ningbo Chargeurs Yak Textiles Trading.

This company is 51%-owned by Chargeurs Interlining Hong-Kong and 49% by Ningbo Yak Technology Industrial. It is fully consolidated by the Group.

The stake was acquired by underwriting a share issue.

The consolidation of Ningbo Yak Textile Trading had no material impact on the Group's balance sheet at December 31, 2006.

The above transactions represented a total investment of €13 million. The difference between the cost of the shares and the Group's equity in the underlying net assets at the acquisition date came to approximately €7.4 million. Of this amount, €0.1 million was recognized under "Intangible assets" (note 6) and €7.3 million under "Investments in associates" (note 9).

The consolidation of the three companies had no impact on 2006 results, as the transactions took place at the end of December.

## 4.2 2007

### Chargeurs Fashion

On December 31, 2007, Chargeurs sold a 50% stake in Chargeurs Fashion to the Morocco-based company Holfipar pursuant to a share transfer agreement entered into on July 8, 2007 and a shareholders' agreement dated April 27, 2007.

Chargeurs Fashion owns the French companies Avelana, Roudiere, Lepoutre and FTS, as well as Roudière Portugal in Portugal and Drummond in the United Kingdom.

In addition, Chargeurs purchased Chargeurs Fashion's interest in the Moroccan company CFTM – representing 50% plus 1 share – with a view to transferring it to Chargeurs Fashion in early 2008.

The combined entity made up of Chargeurs Fashion and its subsidiaries and the Holfipar subsidiary Sefita forms a leading textile group, able to draw on the image, networks and innovative capabilities of Chargeurs Fashion's subsidiaries while gaining a competitive edge through the Moroccan companies Sefita and CFTM.

### *Control*

The shareholders' agreement signed on April 27, 2007 between Chargeurs and Holfipar states that the above-mentioned entities will be jointly controlled and also sets out the terms and conditions applicable to the control of Chargeurs Fashion. In particular it provides for joint control over Chargeurs Fashion by the two partners with neither one entitled to unilaterally control the company's business.

### *Consolidation method*

In accordance with the option available under paragraph 38 of IAS 31, - Interests in Joint Ventures -, the Group elected to account for its interest in Chargeurs Fashion using the equity method.

The Group's policy is to derecognize assets and liabilities that it no longer exclusively controls. This complies with Exposure Draft 9, issued by the International Accounting Standards Board – a draft IFRS designed to supersede IAS 31 – under which joint venturers will no longer be permitted to use the proportionate method to recognize their interests in joint arrangements.

*Date of change in consolidation method*

The shareholders' agreement came into force on December 31, 2007, the date on which the first installment of the purchase price for the shares was paid. As a result, joint control over Chargeurs Fashion by Chargeurs and Holfipar began on that date and the Group's interest in the joint venture was accounted for by the equity method at December 31, 2007.

The sale of the Chargeurs Fashion shares was based on the company's adjusted net assets (€14.6 million), as shown below.

**Assets and liabilities derecognized from Chargeurs' consolidated balance sheet following the sale of 50% of Chargeurs Fashion shares (excluding CFTM)**

(in € millions)	Dec. 31, 2007
<b>Assets</b>	
Property, plant and equipment and intangible assets	5.9
Other non-current assets	4.3
Current assets	32.6
<b>Total assets</b>	<b>42.8</b>
<b>Equity and liabilities</b>	
Equity	14.6
Non-current liabilities	2.5
Current liabilities	25.7
<b>Total equity and liabilities</b>	<b>42.8</b>

The total purchase price came to €7.2 million and the related amount recognized in "Investments in associates" was €7.3 million. As the overall sale price was slightly lower than the company's net asset value, the transaction represented a loss of €0.1 million.

Although Morocco-based CFTM is not a subsidiary of Chargeurs Fashion and is 51%-owned by Chargeurs, this company was also accounted for by the equity method at December 31, 2007 as the Chargeurs Fashion sale agreement provided that CFTM would be transferred to Chargeurs Fashion for €0.5 million when Holfipar paid the fixed portion of the purchase consideration for its Chargeurs Fashion shares.

Using the equity method to account for the Group's interest in the above companies did not affect the presentation of the 2007 income statement as the related transactions were not completed until end-December 2007.

### 4.3 2008

On January 21, 2008 Chargeurs Interlining acquired the entire capital of Etacol, a Bangladesh-based company specialized in the production and marketing of interlinings. Etacol contributed €6 million to Chargeurs' consolidated revenue in 2008.

In the second half of 2008, Chargeurs Wool sold its interests in two companies, Cape of Good Hope in South Africa and Riverina Wool Combing in Australia.

## **NOTES TO THE BALANCE SHEET**

### **5. Property, plant and equipment**

Changes in the carrying amount of property, plant and equipment can be analyzed as follows:

<i>(in € millions)</i>	Land	Buildings	Plant and equipment	Fixtures and fittings	Assets under construction	Total
<b>December 31, 2005</b>	10.7	49.3	28.3	9.3	6.6	104.2
Additions	0.2	0.1	23.4	0.7	14.0	38.4
Disposals	(1.1)	(4.1)	(5.2)		(1.5)	(11.9)
Business divestments						0.0
Depreciation		(3.2)	(8.1)	(2.1)		(13.4)
Impairment						0.0
Other	0.1	0.7	9.6	1.0	(9.2)	2.2
Translation adjustment	(0.2)	(1.4)	(2.1)	(0.4)	(0.6)	(4.7)
<b>December 31, 2006</b>	<b>9.7</b>	<b>41.4</b>	<b>45.9</b>	<b>8.5</b>	<b>9.3</b>	<b>114.8</b>

<i>(in € millions)</i>	Land	Buildings	Plant and equipment	Fixtures and fittings	Assets under construction	Total
<b>December 31, 2006</b>	<b>9.7</b>	<b>41.4</b>	<b>45.9</b>	<b>8.5</b>	<b>9.3</b>	<b>114.8</b>
Additions		0.6	5.4	1.5	6.1	13.6
Disposals			(3.5)	(0.6)	(3.8)	(7.9)
Business divestments	(1.2)	(4.6)	(7.3)	(0.1)	(0.1)	(13.3)
Depreciation		(3.3)	(9.4)	(2.1)		(14.8)
Impairment						0.0
Other		1.0	6.0	1.1	(8.0)	0.1
Translation adjustment	(0.1)	(0.8)	(1.8)	(0.2)	(0.2)	(3.1)
<b>December 31, 2007</b>	<b>8.4</b>	<b>34.3</b>	<b>35.3</b>	<b>8.1</b>	<b>3.3</b>	<b>89.4</b>

At December 31, 2007, the change in the consolidation method used for Chargeurs Fashion led to a €6.4 million reduction in net property, plant and equipment.

<i>(in € millions)</i>	Land	Buildings	Plant and equipment	Fixtures and fittings	Assets under construction	Total
<b>December 31, 2007</b>	<b>8.4</b>	<b>34.3</b>	<b>35.3</b>	<b>8.1</b>	<b>3.3</b>	<b>89.4</b>
Additions		0.3	7.4	0.9	3.6	12.2
Disposals	(0.9)	(2.1)	(4.7)	(0.4)	(0.4)	(8.5)
Change in scope of consolidation		0.1	(1.3)			(1.2)
Depreciation	(0.6)	(3.0)	(7.1)	(1.6)		(12.3)
Impairment	(1.4)	(3.5)	(6.0)	(0.1)	(0.1)	(11.1)
Other			3.4	(0.5)	(3.0)	(0.1)
Translation adjustment	0.1	0.9	1.6	0.3	0.1	3.0
<b>December 31, 2008</b>	<b>5.6</b>	<b>27.0</b>	<b>28.6</b>	<b>6.7</b>	<b>3.5</b>	<b>71.4</b>

### Measurement of property, plant and equipment

The Group's property, plant and equipment were measured using the following approaches in 2006, 2007 and 2008, based on four business lines for 2006 and 2007 (Chargeurs Protective Films, Chargeurs Interlining, Chargeurs Wool and Chargeurs Fashion) and three for 2008 (Chargeurs Protective Films, Chargeurs Interlining and Chargeurs Wool):

(i) Land and buildings were valued in 2004 by independent international valuers in order to determine the fair values of these assets to be used as their deemed cost in the opening IFRS balance sheet at January 1, 2004 (the date of transition to IFRS).

(ii) Plant and equipment are tested for impairment when there is an indication that their carrying amounts may be impaired. Impairment indicators include industrial reorganizations, site closures and business divestments.

(iii) The value of assets held by each business is also reviewed when goodwill is tested for impairment.



## 6. Goodwill and other intangible assets

### (a) Goodwill arising on the acquisition of subsidiaries can be analyzed as follows:

(in € millions)

	Gross	Accumulated impairment losses	Net
<b>December 31, 2005</b>	<b>95.2</b>	<b>(25.4)</b>	<b>69.8</b>
Goodwill recognized on companies acquired during the year	0.1		0.1
Translation adjustment	(5.5)		(5.5)
<b>December 31, 2006</b>	<b>89.8</b>	<b>(25.4)</b>	<b>64.4</b>
Goodwill recognized on companies acquired during the year			
Translation adjustment	(5.0)		(5.0)
Change in scope of consolidation (1)	(14.4)	11.5	(2.9)
<b>December 31, 2007</b>	<b>70.4</b>	<b>(13.9)</b>	<b>56.5</b>
Goodwill recognized on companies acquired during the year	3.5		3.5
Translation adjustment	2.6		2.6
Other (2)	3.0	(1.8)	1.2
<b>December 31, 2008</b>	<b>79.5</b>	<b>(15.7)</b>	<b>63.8</b>

(1) Following the sale of 50% of Fashion Company, goodwill relating to this business is now recognized in "Investments in associates".

(2) The €1.2 million reported under "Other" in 2008 concerns Chargeurs Protective Films and corresponds to a reclassification from other intangible assets.

Goodwill has been allocated to the following cash-generating units, corresponding to the Group's businesses:

(in € millions)	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Chargeurs Protective Films	46.5	42.9	47.9
Chargeurs Interlining	17.3	13.6	13.6
Chargeurs Wool			
Chargeurs Fashion			2.9

Chargeurs Protective Films' goodwill is measured in US dollars. In 2008, the increase in the value of the US dollar against the euro led to a €2.4-million positive fair value adjustment to this goodwill whereas falls in the dollar in 2007 and 2006 led to reductions of €5 million and €5.5 million respectively.

Chargeurs Interlining's goodwill is now assessed based on two cash-generating units following the acquisition of Etacol in 2008. The three companies held by Chargeurs Interlining in partnership with Ningbo Yak Technology Industrial together constitute a separate cash-generating unit whose goodwill is included in "Investments in associates".

The increase in Chargeurs Interlining goodwill in 2006 corresponds to goodwill arising on the acquisition of the distribution company, Ningbo Chargeurs Yak Textiles Trading, in the amount of €70,000. Goodwill relating to the two manufacturing companies is recognized under “Investments in associates” (note 9).

#### Goodwill impairment tests

Impairment tests were carried out on the goodwill allocated to the CGUs represented by the Group’s four business segments prior to 2008 and three business segments as from that year by comparing their carrying amount with their recoverable amount based on value-in-use calculations.

For Chargeurs Interlining and Chargeurs Wool, recoverable amount was determined using the five-year cash flow projections contained in the business plans drawn up by management, as adjusted to comply with IAS 36. Cash flows beyond this five-year period were extrapolated by using the estimated growth rates shown in the table below.

This method was also used for Chargeurs Protective Films in 2006 and 2007, but in 2008 a cash flow simulation model was developed for this business based on various market parameters and different scenarios, taking into account the probability of each situation occurring. Simulations were then performed using the Monte Carlo method and calculating present values. The final value allocated to Chargeurs Protective Films’ goodwill corresponds to the average value of all of the different simulated scenarios.

The operating margin assumptions for Chargeurs Protective Films and Chargeurs Interlining do not include a business-specific rate for the financial crisis in 2009 and reflect a gradual return to normal operations.

However, projections for all of the Group’s CGUs factored in a considerable downturn in business for 2009 compared with 2008 in order to reflect the uncertain global economic outlook.

At December 31, 2008 a one-point increase in the discount rate used to calculate Chargeurs Protective Films’ goodwill would not have led to any impairment losses.

Applying the highest discount rate in the range for Chargeurs Interlining would have resulted in a goodwill impairment loss of less than €1 million for this CGU.

The main parameters and assumptions used for the calculations were as follows:

**2008**

	<b>Chargeurs Protective Films</b>	<b>Chargeurs Interlining</b>	<b>Chargeurs Wool</b>
Risk-free interest rate	3.7%	3.7%	3.7%
Market premium	5.0%	5.0%	5.0%
Beta	100.0%	100.0%	100.0%
<u>Specific risk premium</u>	<u>1.0%</u>	<u>2.0%</u>	<u>3.0%</u>
Cost of equity	9.7%	10.7%	11.7%
Pre-tax cost of debt	5.8%	5.8%	5.8%
<u>Income tax rate</u>	<u>33.3%</u>	<u>33.3%</u>	<u>33.3%</u>
Post-tax cost of debt	3.9%	3.9%	3.9%
Net debt/capital employed	20.0%	33.0%	33.0%
<b>Weighted average cost of capital</b>	<b>8.5%</b>	<b>8.4%</b>	<b>9.1%</b>
<b>Discount rate applied</b>	<b>9.2%</b>	<b>8.1%/10.1%</b>	<b>9.1%</b>
Average operating margin over the business plan period	6.6%	5.2%	2.8%
Growth rate	2.5%	1.0%	0.0%
Growth rate applied for calculating terminal value	2.0%	1.0%	0.0%

2% for Chargeurs Interlining subsidiaries in Asia

**2007**

	<b>Chargeurs Protective Films</b>	<b>Chargeurs Interlining</b>	<b>Chargeurs Wool</b>
Risk-free interest rate	4.4%	4.4%	4.4%
Market premium	5.0%	5.0%	5.0%
Beta	100.0%	100.0%	100.0%
<u>Specific risk premium</u>	<u>1.0%</u>	<u>2.0%</u>	<u>3.0%</u>
Cost of equity	10.4%	11.4%	12.4%
Pre-tax cost of debt	5.8%	5.8%	5.8%
<u>Income tax rate</u>	<u>33.3%</u>	<u>33.3%</u>	<u>33.3%</u>
Post-tax cost of debt	3.9%	3.9%	3.9%
Net debt/capital employed	20.0%	33.0%	33.0%
<b>Weighted average cost of capital</b>	<b>9.1%</b>	<b>9.1%</b>	<b>9.6%</b>
Average operating margin over the business plan period	9.5%	6.3%	2.0%
Growth rate	2.5%	1.0%	0.0%
Growth rate applied for calculating terminal value	2.5%	1.0%	0.0%

2% for Chargeurs Interlining subsidiaries in Asia

**2006**

	<b>Chargeurs Protective Films</b>	<b>Chargeurs Interlining</b>	<b>Chargeurs Wool</b>	<b>Chargeurs Fashion</b>
Risk-free interest rate	3.7%	3.7%	3.7%	3.7%
Market premium	5.0%	5.0%	5.0%	5.0%
Beta	100.0%	100.0%	100.0%	100.0%
<u>Specific risk premium:</u>	<u>1.0%</u>	<u>2.0%</u>	<u>3.0%</u>	<u>3.7%</u>
Cost of equity	9.7%	10.7%	11.7%	12.4%
Pre-tax cost of debt	4.5%	4.5%	4.5%	4.5%
<u>Income tax rate</u>	<u>33.3%</u>	<u>33.3%</u>	<u>33.3%</u>	<u>33.3%</u>
Post-tax cost of debt	3.0%	3.0%	3.0%	3.0%
Net debt/capital employed	20.0%	33.0%	33.0%	33.0%
<b>Weighted average cost of capital</b>	<b>8.4%</b>	<b>8.2%</b>	<b>8.8%</b>	<b>9.4%</b>
Average operating margin over the business plan period	9.7%	5.3%	4.0%	2.7%
Growth rate	2.5%	1.0%	0.0%	0.0%
Growth rate applied for calculating terminal value	2.5%	1.0%	0.0%	0.0%

2% for Chargeurs Interlining subsidiaries in Asia

**(b) Other intangible assets**

At December 31, 2007 and 2008, the costs relating to two development projects satisfied the asset recognition criteria in IAS 38.

<i>(in € millions)</i>	Trademarks and patents	Development costs	Rights of use	Other	Total
<b>December 31, 2005</b>	4.1		3.1	0.4	7.6
Additions				0.3	0.3
Disposals				(0.4)	(0.4)
Business divestments					0.0
Amortization	(0.2)			(0.1)	(0.3)
Impairment			(0.1)		(0.1)
Other	(0.1)		(0.2)	0.4	0.1
Translation adjustment	(0.1)		(0.3)		(0.4)
<b>December 31, 2006</b>	<b>3.7</b>	<b>0.0</b>	<b>2.5</b>	<b>0.6</b>	<b>6.8</b>

<i>(in € millions)</i>	Trademarks and patents	Development costs	Rights of use	Other	Total
<b>December 31, 2006</b>	3.7	0.0	2.5	0.6	6.8
Capitalized development costs		1.3			1.3
Additions				0.3	0.3
Disposals			(0.2)	(0.1)	(0.3)
Change in scope of consolidation	(0.2)		(0.1)		(0.3)
Amortization				(0.1)	(0.1)
Impairment	(0.1)		(0.1)	(0.1)	(0.3)
Other					0.0
Translation adjustment	(0.1)		(0.1)		(0.2)
<b>December 31, 2007</b>	<b>3.3</b>	<b>1.3</b>	<b>2.0</b>	<b>0.6</b>	<b>7.2</b>

<i>(in € millions)</i>	Trademarks and patents	Development costs	Rights of use	Other	Total
<b>December 31, 2007</b>	3.3	1.3	2.0	0.6	7.2
Capitalized development costs		0.9			0.9
Additions	0.6				0.6
Disposals					0.0
Change in scope of consolidation					0.0
Amortization	(1.2)	(0.1)			(1.3)
Impairment			(0.1)		(0.1)
Other	(1.2)				(1.2)
Translation adjustment	0.1		0.3		0.4
<b>December 31, 2008</b>	<b>1.6</b>	<b>2.1</b>	<b>2.2</b>	<b>0.6</b>	<b>6.5</b>

The €1.2 million recorded under “Other” in 2008 corresponds to a reclassification from other intangible assets to goodwill.

The change in accounting method for Chargeurs Fashion at December 31, 2007 did not lead to any changes in other intangible assets.

## 7. Finance leases

The carrying amount of assets held under finance leases and included in property, plant and equipment is as follows:

<i>(in € millions)</i>	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Land	2.9	2.7	2.7
Buildings	30.4	32.3	32.3
Plant and equipment	8.4	4.4	4.4
Fixtures, fittings and other	7.8	7.4	7.4
<b>Gross</b>	<b>49.5</b>	<b>46.8</b>	<b>46.8</b>
<b>Accumulated depreciation</b>	<b>(28.5)</b>	<b>(29.8)</b>	<b>(26.7)</b>
<b>Net</b>	<b>21.0</b>	<b>17.0</b>	<b>20.1</b>

Future minimum lease payments under finance leases and the carrying amount of the corresponding liabilities can be analyzed as follows:

<i>(in € millions)</i>	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Future minimum lease payments under finance leases	21.4	20.8	22.4
Finance lease liabilities	18.4	18.4	19.9
Future finance cost	3.0	2.4	2.5

Future lease payments can be analyzed by maturity as follows:

<i>(in € millions)</i>	Minimum lease payments	Finance lease liabilities
Due in less than one year	4.4	3.4
Due in one to five years	15.2	13.3
Due in more than five years	1.8	1.7
<b>Total at December 31, 2008</b>	<b>21.4</b>	<b>18.4</b>
Due in less than one year	3.6	3.0
Due in one to five years	12.8	11.2
Due in more than five years	4.4	4.2
<b>Total at December 31, 2007</b>	<b>20.8</b>	<b>18.4</b>
Due in less than one year	3.2	2.6
Due in one to five years	12.1	10.7
Due in more than five years	7.1	6.6
<b>Total at December 31, 2006</b>	<b>22.4</b>	<b>19.9</b>

The main finance leases correspond to sale-and-leaseback transactions on real estate. Financing is generally obtained for periods ranging from seven to fifteen years and corresponds to secured debt.

## 8. Investments in non-consolidated companies

The carrying amount of investments in non-consolidated companies can be analyzed as follows:

<i>(in € millions)</i>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Investments more than 50%-owned: Aggregate	1.7	1.8	1.9
Investments between 20% and 50%- owned: Aggregate	0.2	0.5	0.3
Investments less than 20%-owned: Aggregate	0.1	0.8	0.9
<b>Total</b>	<b><u>2.0</u></b>	<b><u>3.1</u></b>	<b><u>3.1</u></b>

These shares can be classified as “Available-for-sale financial assets”. As they are not listed they are measured at historical cost and written down where necessary.

## 9. Investments in associates

### (a) Movements

The increase in this item in 2006 reflects the acquisition of two interlining manufacturers in China (note 4). The carrying amount of the Group’s investment in these two companies included goodwill of €7.3 million that year.

In 2007 “Investments in associates’ increased from €17.5 million to €25.1 million, primarily reflecting (i) the first-time equity accounting of Chargeurs Fashion and Peinaduria Rio Chubut, which had respective impacts of €7.8 million and €2.1 million; and (ii) decreases due to capital reductions.

In 2008, this item decreased from €25.1 million to €18.0 million, due to the inclusion for the first time of Fashion Company, which reported a loss for the year.

<i>(in € millions)</i>	Yak entities	Fashion entities	Peinaduria Rio Chubut	Other	Total
<b>December 31, 2005</b>				7.0	7.0
Additions	10.8				10.8
Disposals					0.0
Change in scope of consolidation					0.0
Profit/(loss) for the period				(0.2)	(0.2)
Dividends				(0.3)	(0.3)
Other				0.1	0.1
Translation adjustment	0.1				0.1
<b>December 31, 2006</b>	<b>10.9</b>	<b>0.0</b>	<b>0.0</b>	<b>6.6</b>	<b>17.5</b>

<i>(in € millions)</i>	Yak entities	Fashion entities	Peinaduria Rio Chubut	Other	Total
<b>December 31, 2006</b>	10.9	0.0	0.0	6.6	17.5
Additions					0.0
Disposals				(2.0)	(2.0)
Change in scope of consolidation		7.8	2.1		9.9
Profit/(loss) for the period	1.3		0.3	(0.1)	1.5
Dividends				(0.3)	(0.3)
Other				(0.7)	(0.7)
Translation adjustment	(0.5)		(0.2)		(0.7)
<b>December 31, 2007</b>	<b>11.7</b>	<b>7.8</b>	<b>2.1</b>	<b>3.5</b>	<b>25.1</b>

<i>(in € millions)</i>	Yak entities	Fashion entities	Peinaduria Rio Chubut	Other	Total
<b>December 31, 2007</b>	11.7	7.8	2.1	3.5	25.1
Additions			0.3	0.3	0.6
Disposals					0.0
Change in scope of consolidation					0.0
Profit/(loss) for the period	1.0	(7.7)	0.1	(1.3)	(7.9)
Dividends	(1.1)			(0.1)	(1.2)
Other					0.0
Translation adjustment	1.5	(0.1)			1.4
<b>December 31, 2008</b>	<b>13.1</b>	<b>(0.0)</b>	<b>2.5</b>	<b>2.4</b>	<b>18.0</b>



## (b) Key figures for associates (accounted for by the equity method)

At December 31, 2008, key figures for associates, representing ownership interests of €18.0 million, were as follows:

<i>(in € millions)</i>	December 31, 2008				December 31, 2007				December 31, 2006			
	Yak	Fashion	Other	Total	Yak	Fashion	Other	Total	Yak	Fashion	Other	Total
Assets	16.1	53.5	28.4	<b>98.0</b>	15.4	63.8	27.7	<b>106.9</b>	12.0		22.7	<b>34.7</b>
Liabilities	5.6	35.1	13.5	<b>54.2</b>	5.9	41.9	13.3	<b>61.1</b>	4.9		7.8	<b>12.7</b>
Revenue	4.0	63.6	11.4	<b>79.0</b>	3.2	(*)	10.3	<b>13.5</b>			8.9	<b>8.9</b>
Profit/(loss) for the period	2.0	(11.5)	(1.3)	<b>(10.8)</b>	2.7	(*)	1.0	<b>3.7</b>			(0.1)	<b>(0.1)</b>
Contribution to consolidated profit	1.0	(7.7)	(1.2)	<b>(7.9)</b>	1.3	(*)	0.2	<b>1.5</b>			(0.2)	<b>(0.2)</b>

(\*) Fashion Company has been accounted for by the equity method since December 31, 2007.

### At December 31, 2006

The increase in assets and liabilities of associates in 2006 reflects the acquisition of two interlining manufacturers in China (note 4). The carrying amount of the Group's investment in these two companies included goodwill of €7.3 million.

### At December 31, 2007

The increase in assets and liabilities of associates in 2007 reflects the first-time equity accounting of Chargeurs Fashion entities and the formation of Peinaduria Rio Chubut with assets contributed by the Chargeurs Group.

The carrying amount of the Group's investments in associates includes goodwill of €8.5 million with €7.0 million corresponding to two interlining manufacturers in China and €1.5 million relating to Chargeurs Fashion.

### At December 31, 2008

The carrying amount of the Group's investments in associates includes residual goodwill of €8.0 million corresponding to two interlining manufacturers in China.

## 10. Long-term loans and receivables

<i>(in € millions)</i>	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Long-term loans	3.4	2.3	2.9
Long-term deposits	5.9	7.0	7.3
<b>Total carrying amount</b>	<b>9.3</b>	<b>9.3</b>	<b>10.2</b>

The fair value of these assets approximates their carrying amount.

### At December 31, 2006

Deposits include €3.5 million from textile plant and equipment operating leases (Dolly 4 program).

The €33.5 million decline in this item compared with December 31, 2005 was due to the dismantling of the Dolly 4 structure, which also led to a €7.9 million decrease in "Other non-current assets".

### At December 31, 2007

The change in the consolidation method used for Chargeurs Fashion at December 31, 2007 led to a €1.6 million reduction in long-term loans and receivables.

## **11. Deferred taxes**

### **(a) Analysis by probable recovery/settlement date (before netting asset and liability positions for the same taxable entity)**

<i>(in € millions)</i>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Deferred tax assets			
- Recoverable beyond 12 months	17.6	24.4	23.8
- Recoverable within 12 months	13.0	12.8	15.3
Deferred tax liabilities			
- Settlement beyond 12 months	(10.0)	(7.9)	(10.3)
- Settlement within 12 months	(1.9)	(1.5)	(1.7)
<b>Total</b>	<b>18.7</b>	<b>27.8</b>	<b>27.1</b>

### **(b) Analysis by source (before netting asset and liability positions for the same taxable entity)**

<i>(in € millions)</i>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Deferred tax assets			
- Temporary differences	15.9	12.6	14.8
- Tax loss carryforwards and tax credits	14.7	24.6	24.2
Deferred tax liabilities			
- Temporary differences	(11.9)	(9.4)	(11.9)
<b>Total</b>	<b>18.7</b>	<b>27.8</b>	<b>27.1</b>

Deferred tax assets are recognized for tax loss carryforwards only when their future recovery is considered probable based on projected taxable profits for the next five years. No deferred tax assets have been recognized for a significant portion of the Group's evergreen losses (see below).

Net deferred tax assets decreased by €9.1 million in 2008, increased by €0.7 million in 2007 and decreased by €1.1 million in 2006.

Tax loss carryforwards were as follows at December 31, 2006, 2007 and 2008:

<i>(in € millions)</i>	Dec. 31, 2006	
	Total	Unrecognized
Available until		
2007	5.8	5.8
2008	0.4	0.4
2009	1.2	1.0
2010	0.5	0.5
2011	36.3	35.7
Evergreen losses	306.9	239.0
<b>Total tax loss carryforwards</b>	<b>351.1</b>	<b>282.4</b>

<i>(in € millions)</i>	Dec. 31, 2007	
	Total	Unrecognized
Available until		
2008	5.0	5.0
2009	0.9	0.9
2010	0.7	0.7
2011	3.2	3.2
2012	21.3	19.3
Evergreen losses	304.4	225.8
<b>Total tax loss carryforwards</b>	<b>335.5</b>	<b>254.9</b>

<i>(in € millions)</i>	Dec. 31, 2008	
	Total	Unrecognized
Available until		
2009	0.7	0.7
2010	0.7	0.7
2011	0.2	0.2
2012	0.9	0.9
2013	26.0	26.0
Evergreen losses	321.0	276.9
<b>Total tax loss carryforwards</b>	<b>349.5</b>	<b>305.4</b>

## 12. Other non-current assets

### At December 31, 2006

The €10.6 million total for this item includes foreign tax credits representing €4.8 million.

### At December 31, 2007

The €6.6 million total for this item includes foreign tax credits representing €1.3 million.

The change in the consolidation method used for Chargeurs Fashion at December 31, 2007 led to a €0.6 million reduction in other non-current assets.

### At December 31, 2008

The €5.3 million total for this item includes foreign tax credits representing €1.1 million.

## 13. Inventories and work-in-progress

Inventories and work-in-progress can be analyzed as follows:

<i>(in € millions)</i>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
<b>Gross</b>			
Raw materials and supplies	43.7	51.9	62.6
Finished and semi-finished goods and work-in-progress	101.6	109.4	117.6
Total – gross	<u>145.3</u>	<u>161.3</u>	<u>180.2</u>
Provisions for impairment	<u>(10.5)</u>	<u>(6.1)</u>	<u>(12.9)</u>
<b>Net</b>	<u><b>134.8</b></u>	<u><b>155.2</b></u>	<u><b>167.3</b></u>
Increase in provisions for impairment of inventory	<u>(7.1)</u>	<u>(5.0)</u>	<u>(4.8)</u>
Reversals of provisions used	<u>1.4</u>	<u>4.5</u>	<u>6.4</u>
Reversals of surplus provisions	<u>1.4</u>	<u>3.5</u>	<u>1.6</u>

The change in the consolidation method used for Chargeurs Fashion at December 31, 2007 led to an €18.4 million net reduction in inventories and work-in-progress.

## 14. Trade receivables

<i>(in € millions)</i>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Trade receivables			
Gross	87.3	93.0	91.7
Provisions for impairment	<u>(11.4)</u>	<u>(10.5)</u>	<u>(12.8)</u>
<b>Net</b>	<u><b>75.9</b></u>	<u><b>82.5</b></u>	<u><b>78.9</b></u>

As these receivables are all short term and are not interest bearing, changes in interest rates do not generate any material interest rate risk. Given their short maturities, the fair value of these receivables may be considered to be close to their carrying amount.

Chargeurs manages customer credit risks on a local, decentralized basis. Provisions for past-due receivables are determined on a case-by-case basis, taking into account the amount recoverable under credit insurance, local practices, the customer's payment history and the total balance due.

The change in the consolidation method used for Chargeurs Fashion at December 31, 2007 led to a €2.1 million reduction in total trade receivables and a €12.1 million decrease in factored receivables.

#### *Factored receivables*

At December 31, 2008, certain receivables had been sold under no-recourse agreements with factoring companies. The amounts paid by the factoring companies for the receivables totaled €64.7 million at December 31, 2008 (€82.5 million at December 31, 2007 and €87.2 million at December 31, 2006).

These receivables are shown on Chargeurs' balance sheet even though they have been sold and despite the fact that title has been transferred to the factoring company (see note 3).

## 15. Derivative instruments

The carrying amount of derivatives can be analyzed as follows:

<i>(in € millions)</i>	Dec. 31, 2008		Dec. 31, 2007		Dec. 31, 2006	
	Fair value	Notional	Fair value	Notional	Fair value	Notional
<b><u>Assets net of liabilities</u></b>						
<i>Fair value hedges</i>						
Currency hedges	(2.0)	3.9	(0.2)	22.6	0.6	7.5
<i>Cash flow hedges</i>						
Currency hedges	0.3	(7.4)	(3.6)	47.5		
Interest rate hedges	0.1	(24.0)	1.0	(30.0)	0.9	(30.0)
Commodity hedges	-	-	(0.1)	2.4		
<i>Hedges of net investments in foreign operations</i>						
Currency hedges					0.1	(22.8)
<i>Derivatives not qualifying for hedge accounting</i>						
Currency instruments	0.1	(6.3)	0.0	(12.6)	0.2	(6.2)
Interest rate instruments	0.2	(24.0)	0.0	(31.9)	0.0	(32.3)
<b>Derivative instruments – net asset/(liability)</b>	<b>(1.3)</b>		<b>(2.9)</b>		<b>1.8</b>	

Notional amounts shown in parentheses correspond to net borrower positions for interest rate derivatives and net seller positions for all other derivatives.

#### At December, 31 2008

Fair value hedges on a notional amount of €3.9 million (net buyer position) correspond to hedges of assets and liabilities and firm commitments by subsidiaries.

Cash flow hedges on a notional amount of €7.4 million (net seller position) correspond to hedges of the Group's exposure to changes in the exchange rate for the US dollar.

Interest rate hedges on a notional amount of €48.0 million (net borrower position) correspond to the conversion to fixed rate of €24 million in credit lines obtained by Chargeurs Protective Films, through interest rate swaps. In addition, a swap cancellation option was purchased on a notional amount of €24 million.

#### At December, 31 2007

Fair value hedges on a notional amount of €22.6 million (net buyer position) correspond to hedges of assets and liabilities and firm commitments by subsidiaries. Cash flow hedges (notional amount: €47.5 million) correspond to hedges of the Group's exposure to changes in the exchange rate for the US dollar, Korean won, Chinese yuan, Australian dollar and South African rand.

In the second half of 2007 the Group decided to terminate hedges of net investments in foreign operations corresponding to assets located in the United States and South America. Unwinding these hedges resulted in the recognition of a €0.9 million profit in financial income in 2007. Interest rate hedges on a notional amount of €61.9 million (net borrower position) correspond to:

- Partial conversion to fixed rate of credit lines representing a total of €50 million, obtained by Chargeurs Protective Films, through interest rate swaps. The fixed-rate portion represents €30 million, or 60% of the nominal amount of the credit lines. In addition, a swap cancellation option was purchased on a notional amount of €24 million.
- Conversion to fixed rate of a medium-term loan taken out by a subsidiary, for €4.4 million. In addition, a swap cancellation option was purchased on a notional amount of €3.5 million.

Commodity hedges on a notional amount of €2.4 million correspond to the purchase of a derivative contract whose value is indexed to polyethylene prices.

#### At December 31, 2006

Fair value hedges (notional amount: €7.5 million) correspond to hedges of assets and liabilities and firm commitments by subsidiaries.

Hedges of net investments in foreign operations correspond to a position on a notional amount of USD 15 million relating to net assets held in the dollar zone (including the assets of the Group's Uruguayan and Argentine subsidiaries which have the US dollar as their functional currency, and excluding Chargeurs Protective Films); and a further position on a notional amount of USD 15 million relating to a portion of Chargeurs Protective Films' net assets in the USA.

Interest rate hedges (notional amount: –€62.3 million) correspond to:

- Partial conversion to fixed rate of credit lines representing a total of €50 million, obtained by Chargeurs Protective Films, through interest rate swaps. The fixed-rate portion represents €30 million, or 60% of the nominal amount of the credit lines. In addition, a swap cancellation option was purchased on a notional amount of €24 million.
- Conversion to fixed rate of a medium-term loan taken out by a subsidiary, for €4.8 million. In addition, a swap cancellation option was purchased on a notional amount of €3.5 million.

**Net notional amounts of currency derivatives by currency (negative notional amount = net seller position)**

<i>(in € millions)</i>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Australian dollar	24.0	61.3	26.9
US dollar	(23.8)	2.3	(47.9)
Euro	(9.7)	(4.3)	(5.1)
Pound sterling	0.1	(2.1)	(0.4)
Danish krone			(0.5)
Canadian dollar			5.5
New Zealand dollar		(0.9)	
South African rand	3.0	17.1	
Korean won	(0.7)	(3.6)	
Chinese yuan	(2.7)	(12.3)	
<b>Total</b>	<b><u>(9.8)</u></b>	<b><u>57.5</u></b>	<b><u>(21.5)</u></b>

**Net notional amounts of interest rate derivatives by currency (negative notional amount = net borrower position)**

<i>(in € millions)</i>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Euro	(48.0)	(61.9)	(62.3)
US dollar	-	-	-

**Net notional amounts of commodity derivatives by currency (negative notional amount = net seller position)**

<i>(in € millions)</i>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Euro	-	2.4	-

**Maturities of derivatives at fair value**

<i>(in € millions)</i>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Within 6 months	(1.6)	(3.5)	0.7
In 6 to 12 months	-	(0.3)	-
In 12 to 18 months	-	(0.1)	0.2
In more than 18 months	0.3	1.0	0.9

**16. Other receivables**

<i>(in € millions)</i>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Short-term tax receivables	3.0	3.4	4.7
Sundry receivables	58.0	72.6	70.6
Accruals	1.1	1.4	1.9
Provision for impairment	<u>(2.6)</u>	<u>(2.5)</u>	<u>(7.5)</u>
<b>Net</b>	<b><u>59.4</u></b>	<b><u>74.9</u></b>	<b><u>69.7</u></b>

The change in the consolidation method used for Chargeurs Fashion at December 31, 2007 led to (i) a €7.7 million reduction in other receivables recognized by Chargeurs Fashion and its subsidiaries and (ii) an increase in other receivables stemming from the recognition of a €7.2 million receivable due from Holfipar in connection with its purchase of Chargeurs Fashion shares.

At December 31, 2008, "Sundry receivables" included tax credits, the unfunded portion of no-recourse sales of receivables and supplier advances.

The fair value of these assets closely approximates their carrying amount.



## 17. Cash and cash equivalents

Cash and cash equivalents analyzed in the cash flow statement break down as follows:

<i>(in € millions)</i>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
<b>Cash equivalents</b>			
Marketable securities	21.0	15.8	16.8
Term deposits	7.3	16.2	20.2
<b>Sub-total</b>	<u>28.3</u>	<u>32.0</u>	<u>37.0</u>
Cash at bank	29.5	78.3	88.2
<b>Total</b>	<u>57.8</u>	<u>110.3</u>	<u>125.2</u>

The change in the consolidation method used for Chargeurs Fashion at December 31, 2007 led to a €5.2 million reduction in cash and cash equivalents.

## 18. Equity

All Chargeurs shares have been called and are fully paid-up. Changes in the number of shares outstanding in 2006, 2007 and 2008 were as follows:

<b>Shares outstanding at December 31, 2005</b>	<u>10,131,747</u>
Issuance of shares on exercise of employee stock options	161,450
<b>Shares outstanding at December 31, 2006</b>	<u>10,293,197</u>
Issuance of shares on exercise of employee stock options	83,900
<b>Shares outstanding at December 31, 2007</b>	<u>10,377,097</u>
Issuance of shares on exercise of employee stock options	-
<b>Shares outstanding at December 31, 2008</b>	<u>10,377,097</u>

Based on a par value of €16 per share, shares outstanding at December 31, 2006 represented issued capital of €164,691,152 and shares outstanding at December 31, 2007 and 2008 represented issued capital of €166,033,552.

All the shares are of the same class, with the same rights to dividends and returns of capital.

Shares held in treasury can be analyzed as follows:

	<u>Dec. 31, 2008</u>		<u>Dec. 31, 2007</u>		<u>Dec. 31, 2006</u>	
	<u>Number</u>	<u>Cost in euros</u>	<u>Number</u>	<u>Cost in euros</u>	<u>Number</u>	<u>Cost in euros</u>
Chargeurs shares held:						
- By Chargeurs	13,334	230,851	13,334	230,851	56,517	1,023,687
- In connection with the liquidity contract	<u>118,100</u>	<u>1,328,725</u>	<u>29,326</u>	<u>579,639</u>	-	-
Total	<u><b>131,434</b></u>	<u><b>1,559,576</b></u>	<u><b>42,660</b></u>	<u><b>810,490</b></u>	<u><b>56,517</b></u>	<u><b>1,023,687</b></u>

At December 31, 2006, 29,400 Chargeurs shares were held for allocation to employees, whereas at December 31, 2007, no shares were held for such allocation.

"Other reserves" at December 31, 2008 included cumulative net gains on cash flow hedges in an amount of €0.4 million, compared with cumulative net losses of €2.3 million at December 31, 2007 and cumulative net gains of €0.9 million at December 31, 2006.

## 19. Pension and other post-employment benefit obligations

Provisions for pension and other post-employment benefit obligations can be analyzed as follows:

<i>(in € millions)</i>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Post-employment benefit obligations	9.4	8.4	10.8
Post-employment healthcare plans	<u>1.4</u>	<u>1.6</u>	<u>-</u>
Other long-term employee benefit obligations	<u>1.4</u>	<u>1.5</u>	<u>2.2</u>

Post-employment benefits under defined benefit plans correspond to statutory length-of-service awards payable to employees on retirement in France and other plans giving rise to less significant obligations. Other long-term employee benefits consist mainly of long-service awards.

The amounts recognized as provisions in the balance sheet for all of these plans can be analyzed as follows:

<i>(in € millions)</i>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Present value of obligations – funded plans	18.8	18.0	21.1
Fair value of plan assets	<u>(12.5)</u>	<u>(15.7)</u>	<u>(18.8)</u>
Present value of unfunded obligations – funded plans	5.9	2.3	2.3
Present value of obligations – unfunded plans	7.3	7.7	9.0
Unrecognized actuarial gains/(losses)	(2.3)	0.5	0.6
Unrecognized past service costs	0.9	1.0	1.1
Reimbursement rights			
<b>Net liability in the balance sheet</b>	<b><u>12.2</u></b>	<b><u>11.5</u></b>	<b><u>13.0</u></b>

The unrecognized actuarial loss for 2008 reflects the impact of falling equity markets on a portion of the plan assets and could result in the Company having to pay additional contributions into the plans over a period of seven years if the situation does not improve.

Movements in the present value of obligations under funded plans can be analyzed as follows:

<i>(in € millions)</i>	<u>2008</u>	<u>2007</u>
<b>Present value of obligations at January 1</b>	<b>18.0</b>	<b>21.1</b>
Service cost	0.2	0.3
Interest cost	1.1	1.1
Curtailments and settlements	(0.2)	
Benefits paid out of plan assets	(1.5)	(1.5)
Transfer of obligations to external parties (employee transfers)	(0.1)	
Actuarial (gains)/losses for the year	0.4	(0.3)
Translation adjustment	0.8	(1.6)
Change in scope of consolidation		(1.1)
Other	<u>0.1</u>	
<b>Present value of obligations at December 31</b>	<b><u>18.8</u></b>	<b><u>18.0</u></b>

<i>Information not available for 2006.</i>
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Movements in the fair value of plan assets were as follows:

<i>(in € millions)</i>	<u>2008</u>	<u>2007</u>
<b>Fair value of plan assets at January 1</b>	<b>15.7</b>	<b>18.8</b>
Actuarial (gains)/losses for the year	(2.7)	0.9
Employer contributions	0.5	0.5
Benefits paid out of plan assets	(1.5)	(1.5)
Translation adjustment	0.5	(1.4)
Change in scope of consolidation	<u>                    </u>	<u>(1.6)</u>
<b>Fair value of plan assets at December 31</b>	<b><u>12.5</u></b>	<b><u>15.7</u></b>

The breakdown of plan assets was as follows at December 31, 2008 and 2007:

	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>
Money-market funds	2%	3%
Equities	34%	44%
Bonds	63%	50%
Real estate	<u>1%</u>	<u>3%</u>
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

*Information not available at December 31, 2006.*

Movements in the present value of obligations under unfunded plans can be analyzed as follows:

<i>(in € millions)</i>	2008	2007
<b>Present value of obligations at January 1</b>	<b>7.7</b>	<b>9.0</b>
Service cost	0.5	0.3
Interest cost	0.2	
Curtailments and settlements	(0.1)	(0.2)
Benefits paid out of Company reserves	(0.7)	(0.8)
Actuarial (gains)/losses for the year	(0.1)	(0.2)
Translation adjustment	0.0	(0.3)
Change in scope of consolidation	(0.2)	(0.1)
<b>Present value of obligations at December 31</b>	<b>7.3</b>	<b>7.7</b>

<i>Information not available for 2006.</i>
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The amounts recognized in the income statement for defined benefit plans and other long-term employee benefits can be analyzed as follows:

<i>(in € millions)</i>	2008	2007	2006
Service cost	0.7	0.5	0.5
Interest cost	1.2	1.1	1.2
Expected return on plan assets	(1.1)	(1.1)	(1.1)
Amortization of actuarial gains and losses	(1.8)	-	-
Amortization of past service cost	(0.3)	(0.2)	(0.2)
Reversal of surplus provisions	(0.5)	(0.4)	-
<b>Net (income)/expense recognized in the income statement</b>	<b>(1.8)</b>	<b>(0.1)</b>	<b>0.4</b>

Where a net expense arises in relation to these plans it is accounted for by function in cost of sales, distribution and administrative expenses, and research and development costs.

Changes in the net liability recognized in the balance sheet can be analyzed as follows:

<i>(in € millions)</i>	2008	2007	2006
Net liability at January 1	<b>11.5</b>	<b>13.0</b>	<b>15.1</b>
Net (income)/expense recognized in the income statement	1.8	(0.1)	0.4
Benefits paid during the year	(1.1)	(1.3)	(1.8)
Exchange differences on foreign plans	0.2	(0.4)	(0.7)
Change in scope of consolidation	(0.2)		
Impact of the change in consolidation method for Chargeurs Fashion		0.3	
<b>Net liability at end of year</b>	<b>12.2</b>	<b>11.5</b>	<b>13.0</b>

The main actuarial assumptions applied were as follows:

	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
<b>Europe</b>			
Expected rate of return on plan assets (1)	5.0%	5.0%	nd
Discount rate applied to projected benefit obligation (2)	5.75%	5.5 %	4.25 %
Estimated future salary increases:			
Managers	2.5%	2.5%	nd
Other employees	2.0%	2.0%	nd
Long-term underlying inflation rate	2.0%	2.0%	nd
<i>(1) Representing the average of the expected rates of return calculated for each asset category.</i>			
<i>(2) Based on the iBoxx AA indices at January 2, 2009.</i>			
<b>North America</b>			
Expected rate of return on plan assets (2)	7.75%	7.75%	nd
Discount rate applied to projected benefit obligation (1) (2)	6.25%	6.0%	5.75%

The initial annual increase in healthcare costs is estimated at 9% with this rate subsequently falling by 1% per year until it reaches an annual growth rate of 5%.

*(1) Based on the Citigroup bond index.*

*(2) These two rates include an underlying inflation assumption.*

	2008	2007	2006
Probable retirement age	60-65 years	60-65 years	60-65 years

A 1% increase or decrease in the estimated growth rate for healthcare costs would not have a material impact on the related projected benefit obligation, service cost or interest cost.

## 20. Provisions

Provisions can be analyzed as follows:

<i>(in € millions)</i>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Provisions for other non-current liabilities	7.2	3.9	6.2
Provisions for other current liabilities (1)	<u>13.7</u>	<u>3.6</u>	<u>4.8</u>
<b>Total</b>	<b><u>20.9</u></b>	<b><u>7.5</u></b>	<b><u>11.0</u></b>

(1) Included in "Other payables"

Movements in provisions:

<i>(in € millions)</i>	<u>Provisions for other non-current liabilities</u>	<u>Provisions for other current liabilities</u>	<u>Total</u>
<b>December 31, 2005</b>	8.2	10.3	18.5
Additions	0.7	0.7	1.4
Reversals of provisions used	(2.4)	(4.3)	(6.7)
Reversals of surplus provisions	(0.3)	(1.5)	(1.8)
Change in scope of consolidation			0.0
Other			0.0
Translation adjustment		(0.4)	(0.4)
<b>December 31, 2006</b>	<b><u>6.2</u></b>	<b><u>4.8</u></b>	<b><u>11.0</u></b>

<i>(in € millions)</i>	<u>Provisions for other non-current liabilities</u>	<u>Provisions for other current liabilities</u>	<u>Total</u>
<b>December 31, 2006</b>	6.2	4.8	11.0
Additions	0.5	2.8	3.3
Reversals of provisions used	(1.0)	(3.5)	(4.5)
Reversals of surplus provisions	(0.3)	(0.3)	(0.6)
Change in scope of consolidation	(0.7)	0.0	(0.7)
Other	(0.8)		(0.8)
Translation adjustment		(0.2)	(0.2)
<b>December 31, 2007</b>	<b><u>3.9</u></b>	<b><u>3.6</u></b>	<b><u>7.5</u></b>

<i>(in € millions)</i>	Provisions for other non-current liabilities	Provisions for other current liabilities	Total
<b>December 31, 2007</b>	<b>3.9</b>	<b>3.6</b>	<b>7.5</b>
Additions	3.4	12.3	15.7
Reversals of provisions used	(0.1)	(1.3)	(1.4)
Reversals of surplus provisions		(0.3)	(0.3)
Change in scope of consolidation		(0.6)	(0.6)
Other			0.0
Translation adjustment			0.0
<b>December 31, 2008</b>	<b>7.2</b>	<b>13.7</b>	<b>20.9</b>

Provisions include the following:

<i>(in € millions)</i>	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Industrial restructuring costs	14.1	0.6	3.6
Other contingencies	6.8	6.9	7.4
<b>Total</b>	<b>20.9</b>	<b>7.5</b>	<b>11.0</b>

#### At December 31, 2006

Provisions for industrial restructuring costs included (i) the costs of redundancy plans announced to the employees concerned prior to December 31, 2006, (ii) lease termination penalties, rental payments on premises that are vacant and semi-vacant due to such plans, and (iii) compulsory environmental costs payable on the discontinuation of the operations concerned. The related cash outflows were forecast to occur in 2007 in an amount of €2.6 million and after 2007 in an amount of €1.0 million.

Of the total cash outflows relating to "Other contingencies", €2.3 million were forecast to occur in 2007 and €5.2 million after 2007.

#### At December 31, 2007

Provisions for industrial restructuring costs were decreased by €3 million in 2007, particularly due to the completion of reorganization measures in the United States.

Of the total cash outflows relating to "Other contingencies", €3.0 million were forecast to occur in 2008 and €3.9 million after 2008.

The change in the consolidation method used for Chargeurs Fashion had a €0.8 million negative impact.



### At December 31, 2008

Provisions for industrial restructuring costs were increased by €13.5 million in 2008, mainly reflecting reorganization measures at Chargeurs Interlining. Cash outflows in 2009 relating to restructuring were forecast to represent €5.3 million.

Of the total cash outflows relating to "Other contingencies", €1.5 million were forecast to occur in 2009 and €5.3 million after 2009.

## **21. Borrowings**

The Chargeurs Group's financial liabilities fall within the category of "Other financial liabilities". Borrowings are measured using the amortized cost method.

Maturities of long-term debt can be analyzed as follows:

<i>(in € millions)</i>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Due in less than 1 year	20.3	26.9	15.3
Due in 1 to 2 years	18.2	19.0	18.1
Due in 2 to 3 years	14.3	18.8	27.0
Due in 3 to 4 years	4.0	5.8	15.0
Due in 4 to 5 years	3.3	6.5	3.6
Due in more than 5 years	2.0	6.6	22.3
<b>Total</b>	<b>62.1</b>	<b>83.6</b>	<b>101.3</b>

### Borrowings by type of lender

<i>(in € millions)</i>	<u>Notional amount Dec. 31, 2008</u>	<u>Notional amount Dec. 31, 2007</u>	<u>Notional amount Dec. 31, 2007</u>	<u>Effective interest rate Dec. 31, 2008</u>
Loans from financial institutions	62.1	83.6	101.3	5.20%
Bank overdrafts	80.4	81.3	70.5	

The effective interest rates at December 31, 2007 and 2006 were 5.05% and 3.95% respectively.

Borrowings before interest-rate hedges, by interest reset date for variable-rate borrowings and repayment date for fixed-rate borrowings

<i>(in € millions)</i>	2009	2010	2011	2012	2013	2014 and beyond
Fixed-rate borrowings	1.5	0.9	0.8	0.8	0.8	
Variable-rate borrowings	57.2					

Borrowings after interest-rate hedges, by interest reset date for variable-rate borrowings and repayment date for fixed-rate borrowings

<i>(in € millions)</i>	2009	2010	2011	2012	2013	2014 and beyond
Fixed-rate borrowings	7.5	18.9	0.8	0.8	0.8	
Variable-rate borrowings	33.2					

The average interest rate on long-term debt before hedging was 5.20%, 5.05% and 3.95% respectively at December 31, 2008, 2007 and 2006 (4.54%, 4.57% and 3.77% after hedging).

The average fixed-rate portion of these borrowings after hedging was 41.90% in 2008, 41.03% in 2007 and 41.33% in 2006.

Long-term debt was denominated in the following currencies at December 31, 2008, 2007 and 2006:

<i>(in € millions)</i>	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Euro	57.7	71.7	91.8
Dollar	4.4	3.4	3.2
Other	-	8.5	6.3
<b>Total</b>	<b>62.1</b>	<b>83.6</b>	<b>101.3</b>

The carrying amount of variable-rate borrowings is close to their fair value in view of the interest rates applied. The carrying amount of borrowings originally contracted at fixed rates was €28.9 million at December 31, 2008 compared with €35.6 million at December 31, 2007 and €36.6 million at December 31, 2006.

In September 2005, Chargeurs Protective Films took out a €50 million loan with two banks. The related agreements included the following banking covenants:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Debt/equity	< 60%	< 95%	< 115%
Debt/EBITDA	< 1.5	< 2.0	< 2.5
Interest cover (EBITDA/finance costs)	> 6.0	> 6.0	> 6.0

These ratios are calculated based on the business segment's consolidated accounts. Non-compliance with these ratios may constitute an event of default.

## **22. Trade and other payables**

At December 31, 2008 "Other payables" included short-term provisions for contingencies and charges in an amount of €12.3 million (see note 20).

Receivables sold under no-recourse agreements were shown in the balance sheet for €64.7 million at December 31, 2008 (see note 14), compared with €82.5 million at December 31, 2007 and €87.2 million at December 31, 2006. A corresponding liability was recorded under "Factoring liabilities".

## **23. Financial risk management**

In the normal course of business, the Chargeurs Group is exposed to financial risks including market risk (foreign exchange risk, interest rate risk and price risk on certain commodities), as well as credit and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative instruments to hedge certain risk exposures.

### **(a) Market risk**

Market risks are monitored internally using reporting schedules that compare the entities' exposure to identified risks with market value indicators obtained from various external databases containing information on foreign currencies, interest rates and commodity prices that directly or indirectly affect the Group's operations and the value of its assets.

#### (i) Foreign exchange risk

The Group operates internationally, with 94% of revenue generated outside France in 2008 (90% in 2007), and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Chinese yuan (as 48% of revenue is generated outside Europe). Foreign exchange risk relates to future commercial transactions, recognized assets and liabilities denominated in foreign currencies, and net investments in foreign operations.

In order to manage exposures to changes in exchange rates for the US dollar and various Asian currencies on a long-term basis, Chargeurs has relocated production facilities to the Asian region and the USD zone. A total of 58% of assets are now located outside Europe.

To manage foreign exchange risk arising from (i) future commercial transactions and (ii) recognized assets and liabilities denominated in foreign currencies, Group entities primarily use forward contracts as well as options on an exceptional basis.

External foreign exchange contracts are designated by each business line as fair value hedges, cash flow hedges or hedges of a net investment in a foreign operation, as appropriate.

The risk management policy for Chargeurs Protective Films and Chargeurs Interlining involves hedging a portion of forecast transactions (mainly export sales) in each major currency for the subsequent twelve months (calculated as part of the budget process). The percentage applied is determined in line with the definition of "highly probable forecast transactions" under IFRS for hedge accounting purposes.

Chargeurs Wool's main foreign exchange exposure relating to transactions and borrowings in foreign currencies concerns the Australian dollar, US dollar and South African rand. Chargeurs Wool uses forward currency contracts as well as certain option-based products to hedge the related risks. At the end of 2007 Chargeurs Wool set up a cash flow hedge for transactions in the Australian dollar and South African rand as a result of these two currencies' highly volatile exchange rates. This hedge was unwound in 2008.

For a number of years the Group hedged the foreign exchange risk arising on certain net assets denominated in currencies other than the euro. However this policy was discontinued in the second half of 2007 and management consequently decided to no longer qualify the related transactions as hedges of net investments in foreign operations. The €875,000 positive impact of this change was recognized in financial income in 2007.

#### (ii) Interest rate risk

In 2006, interest rates on a significant portion of the Group's five-year credit lines were converted from variable rate to fixed rate through interest rate swaps (see note 21). No new interest rate hedges were set up in 2007 or 2008.

At December 31, 2007, a 1% increase in interest rates would have had a €0.2 million impact on the Group's €19 million worth of net debt (including amounts received for no-recourse receivables sales) that was not hedged against interest-rate risks.

At December 31, 2008, a 1% increase in interest rates would have had a €1.2 million impact on net debt (including amounts received for no-recourse receivables sales) that was not hedged against interest-rate risks.

#### (iii) Price risk

The Group is exposed to price risk on certain materials that are essential for its production operations. The Protective Films business is exposed to risks relating to certain oil byproducts, which it manages via its supplier contracts and sales pricing strategy. In 2008 this business once again used derivatives to hedge its exposure to commodity risk on an occasional basis. The Interlining business is exposed to fluctuations in the prices of fibers used in its products, a risk it manages by placing suppliers in competition with one another. The Wool business systematically matches its fixed-price sale commitments with fixed-price purchase commitments.

## **b) Credit risk**

### (i) Trade receivables

The Group has no significant concentrations of credit risk as no one customer represents more than 10% of revenue. In addition, it protects itself against receivables risk through credit insurance and letters of credit wherever possible.

The Group has developed an internal ratings system for its businesses that are exposed to a counterparty risk of over six months, whereby risk ceilings are set in line with the risk profile of the counterparty concerned.

### (ii) Country risk

The Group's geographical diversity means that it is not significantly exposed to political risk.

In 2008 and 2007 the five main countries in which the Group's customers are located were rated at least "A" by Standard & Poor's.

<u>Country</u>	<u>2008</u>		<u>2007</u>	
	<u>% of total consolidated revenue</u>	<u>S&amp;P rating (*)</u>	<u>% of total consolidated revenue</u>	<u>S&amp;P rating (*)</u>
China	19.7%	A+	19.1%	A
Italy	17.2%	A+	15.7%	A+
Germany	9.5%	AAA	10.6%	AAA
France	6.1%	AAA	9.6%	AAA
United States	8.3%	AAA	8.5%	AAA

(\*) Standard & Poor's

### (iii) Banking counterparty risk

The Group only deals with leading financial institutions for derivative instruments, cash-settled transactions and cash deposits.

### (iv) Risks relating to insurers

Chargeurs has set up insurance policies covering various types of risk including customer insolvency, freight, property and casualty, business interruption and third-party liability. These policies are taken out with a range of insurance companies, which were all rated at least "A" by Standard & Poor's at December 31, 2008 (A+ at December 31, 2007).

Insurers	Dec. 31, 2008	Dec. 31, 2007
<u>Insured risk</u>	<u>S&amp;P rating (*)</u>	<u>S&amp;P rating (*)</u>
Commercial credit	A+	AA
Freight	A+	AA+
Property and casualty	AA-	AA-
Third-party liability	A	A+

(\*) Standard & Poor's

### (c) Liquidity risk

The Group manages its liquidity risk via the following three main strategies:

(i) *Ensuring that short-term assets exceed short-term liabilities*

December 31, 2008		Due in less than one year	Due in one to five years	Due beyond five years
<i>(in € millions)</i>	<u>Total</u>			
<i>Financial assets and liabilities</i>				
Cash and cash equivalents	57.8	57.8		
Long-term borrowings	(41.8)		(39.8)	(2)
Short-term portion of long-term borrowings	(20.3)	(20.3)		
<u>Short-term bank loans and overdrafts</u>	<u>(80.4)</u>	<u>(80.4)</u>		
Net debt	(84.7)	(42.9)	(39.8)	(2)
Derivative instruments – assets	1.3			
Deposits and guarantees	9.3	1.6	7.7	
<u>Derivative instruments – liabilities</u>	<u>(2.6)</u>	<u>(2.6)</u>		
Other financial assets and liabilities	8	(1)	7.7	0
<b>Sub-total – financial assets and liabilities</b>	<b>(76.7)</b>	<b>(43.9)</b>	<b>(32.1)</b>	<b>(2)</b>
<i>Working capital</i>				
Trade and other receivables	75.9	75.9		
Inventories	134.8	134.8		
Trade payables	(116.7)	(116.7)		
<b>Sub-total – operating assets and liabilities</b>	<b>94.0</b>	<b>94.0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>17.3</b>	<b>50.1</b>	<b>(32.1)</b>	<b>(2)</b>

December 31, 2007

<i>(in € millions)</i>	Total	Due in less than one year	Due in one to five years	Due beyond five years
<i>Financial assets and liabilities</i>				
Cash and cash equivalents	110.3	110.3		
Long-term borrowings	(56.7)		(50.1)	(6.6)
Short-term portion of long-term borrowings	(26.9)	(26.9)		
Short-term bank loans and overdrafts	(81.3)	(81.3)		
Net debt	(54.6)	2.1	(50.1)	(6.6)
Derivative instruments – assets	1.8	1.8		
Deposits and guarantees	9.3		9.3	
Derivative instruments – liabilities	(4.7)	(4.7)		
Other financial assets and liabilities	6.4	(2.9)	9.3	0
<b>Sub-total – financial assets and liabilities</b>	<b>(48.2)</b>	<b>(0.8)</b>	<b>(40.8)</b>	<b>(6.6)</b>
<i>Working capital</i>				
Trade and other receivables	82.5	82.5		
Inventories	155.2	155.2		
Trade payables	(157.0)	(157.0)		
<b>Sub-total – operating assets and liabilities</b>	<b>80.7</b>	<b>80.7</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>32.5</b>	<b>79.9</b>	<b>(40.8)</b>	<b>(6.6)</b>

December 31, 2006				
<i>(in € millions)</i>	Total	Due in less than one year	Due in one to five years	Due beyond five years
<i>Financial assets and liabilities</i>				
Cash and cash equivalents	125.2	125.2		
Long-term borrowings	(86.0)		(63.7)	(22.3)
Short-term portion of long-term borrowings	(15.3)	(15.3)		
Short-term bank loans and overdrafts	(70.5)	(70.5)		
Net debt	(46.6)	39.4	(63.7)	(22.3)
Derivative instruments – assets	2.0	2.0		
Deposits and guarantees	10.2		10.2	
Derivative instruments – liabilities	(0.2)	(0.2)		
Other financial assets and liabilities	12.0	1.8	10.2	0.0
<b>Sub-total – financial assets and liabilities</b>	<b>(34.6)</b>	<b>41.2</b>	<b>(53.5)</b>	<b>(22.3)</b>
<i>Working capital</i>				
Trade and other receivables	78.9	78.9		
Inventories	167.3	167.3		
Trade payables	(185.7)	(185.7)		
<b>Sub-total – operating assets and liabilities</b>	<b>60.5</b>	<b>60.5</b>	<b>0.0</b>	<b>0.0</b>
<b>Total</b>	<b>25.9</b>	<b>101.7</b>	<b>(53.5)</b>	<b>(22.3)</b>

*(ii) Forging partnerships with banks while maintaining a diversified lender base*

The Group works with over 25 banks and financial institutions, of which the eight largest represented 75% of its available credit facilities at December 31, 2006, 2007 and 2008.

*(iii) Applying strict underwriting rules*

When negotiating financing arrangements the Group is particularly careful to ensure that the related documentation minimizes liquidity risk. Specific negotiation standards have been set up to this end, and documentation drawn up in relation to material financing arrangements has to be validated at several different levels.



## **NOTES TO THE INCOME STATEMENT**

### **24. Research and development costs**

<i>(in € millions)</i>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Research and development costs	<u>(4.2)</u>	<u>(9.4)</u>	<u>(10.5)</u>
<b>Total</b>	<b><u>(4.2)</u></b>	<b><u>(9.4)</u></b>	<b><u>(10.5)</u></b>

### **25. Other operating income and expense**

<i>(in € millions)</i>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Exchange gains and losses	(0.8)	(2.0)	(1.5)
Gains and losses on disposal of non-current assets	(0.3)	1.2	1.2
Restructuring costs	(31.3)		(0.8)
Other	<u>(0.3)</u>	<u>0.8</u>	<u>1.4</u>
<b>Total</b>	<b><u>(32.7)</u></b>	<b><u>0.0</u></b>	<b><u>0.3</u></b>

Restructuring costs are analyzed by business in note 33.

In 2006, other operating income and expense included research and development costs (€10.5 million) and discretionary profit-sharing (€2 million). In 2007, these expenses were reclassified in the income statement:

- On a separate line, in the case of research and development costs;
- In cost of sales, distribution costs, administrative expenses and research and development costs, in the case of discretionary profit-sharing.

## 26. Employee information

The average number of employees of fully consolidated subsidiaries in 2008, 2007 and 2006 was as follows:

	2008	2007	2006
Employees in France	771	990	1,035
Employees outside France	1,941	2,268	2,429
<b>Total employees</b>	<b>2,712</b>	<b>3,258</b>	<b>3,464</b>

<i>(in € millions)</i>	2008	2007	2006
Wages and salaries	58.5	72.8	76.2
Payroll taxes	21.5	24.3	27.2
Discretionary profit sharing	0.5	1.6	2.0
<b>Total</b>	<b>80.5</b>	<b>98.5</b>	<b>105.4</b>

## 27. Finance costs and other financial income and expense

<i>(in € millions)</i>	2008	2007	2006
Finance costs	(13.6)	(14.1)	(11.7)
Interest income on loans and investments	6.1	3.5	4.6
Fair value adjustments to:			
- Investments in non-consolidated companies	(1.5)		0.7
- Financial instruments	(2.7)	(0.4)	0.1
Exchange losses on transactions in foreign currencies			(0.5)
Other	0.2		0.1
<b>Net financial expense</b>	<b>(11.5)</b>	<b>(11.0)</b>	<b>(6.7)</b>

## 28. Income tax expense

Income tax expense for 2008, 2007 and 2006 can be analyzed as follows:

<i>(in € millions)</i>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current taxes	3.6	(5.6)	(4.4)
Deferred taxes	(9.4)	1.5	(0.8)
<b>Total</b>	<b>(5.8)</b>	<b>(4.1)</b>	<b>(5.2)</b>

The following table reconciles the Group's actual tax charge to the theoretical tax charge that would apply based on the weighted average tax rate of the consolidated companies (which is similar to the French tax rate).

In 2008, the Group recognized proceeds of €9.0 million on the no-recourse sale to a financial institution of a tax receivable. Of the total amount, €1.4 million corresponding to late interest was recognized under financial income and €7.6 million corresponding to tax was recognized under current taxes.

<i>(in € millions)</i>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Income tax expense for the year	(5.8)	(4.1)	(5.2)
Standard French income tax rate	33.33%	33.33%	33.33%
Tax at the standard rate	15.6	(5.9)	(6.2)
Difference between income tax expense for the year and tax at the standard rate	(21.4)	1.8	1.0
Effect of differences in foreign tax rates	(1.5)	0.8	0.7
Effect of permanent differences between book profit and taxable profit	(3.7)	(0.9)	0.6
Utilizations of tax losses recognized in prior periods		3.6	1.4
Effect of unrelieved tax losses	(13.1)	(1.3)	(1.2)
Valuation allowances on deferred tax assets relating to tax loss carryforwards	(10.0)		
Other	6.9	(0.4)	(0.5)

## 29. Stock options

Employees have been granted options to purchase new or existing Chargeurs shares under the following plans:

At December 31, 2006

Plan date	Number of options (1)	Price (in €)	Grantees at 12/31/2006 (2)	Start date of exercise period	Expiry date of exercise period	Options outstanding at 12/31/2006
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### Options to purchase new shares

March 11, 1997	99,000	14.48	0/39	March 12, 2002	March 11, 2005	0
September 10, 1997	18,000	17.02	0/1	September 11, 2002	September 10, 2005	0
May 5, 1998	374,850	20.43	0/90	May 6, 2003	May 5, 2006	0
May 18, 1999	75,000	17.73	0/1	May 19, 2004	May 18, 2007	0
May 2, 2000	329,250	18.80	40/102	May 3, 2004	May 2, 2008	148,030
May 31, 2001	369,000	26.23	66/110	June 1, 2005	May 31, 2009	275,100
<b>Sub-total</b>	<b>1,265,100</b>					<b>423,130</b>

### Options to purchase existing shares

May 18, 1999	293,400	17.73	17/96	May 19, 2004	May 18, 2007	29,400
<b>Sub-total</b>	<b>293,400</b>					<b>29,400</b>

<b>Total</b>	<b>1,558,500</b>					<b>452,530</b>
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At December 31, 2007

Plan date	Number of options (1)	Price (in €)	Grantees at 12/31/2007 (2)	Start date of exercise period	Expiry date of exercise period	Options outstanding at 12/31/2007
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### Options to purchase new shares

March 11, 1997	99,000	14.48	0/39	March 12, 2002	March 11, 2005	0
September 10, 1997	18,000	17.02	0/1	September 11, 2002	September 10, 2005	0
May 5, 1998	374,850	20.43	0/90	May 6, 2003	May 5, 2006	0
May 18, 1999	75,000	17.73	0/1	May 19, 2004	May 18, 2007	0
May 2, 2000	329,250	18.80	35/102	May 3, 2004	May 2, 2008	62,630
May 31, 2001	369,000	26.23	60/110	June 1, 2005	May 31, 2009	247,950
<b>Sub-total</b>	<b>1,265,100</b>					<b>310,580</b>

### Options to purchase existing shares

May 18, 1999	293,400	17.73	0/96	May 19, 2004	May 18, 2007	0
<b>Sub-total</b>	<b>293,400</b>					<b>0</b>

<b>Total</b>	<b>1,558,500</b>					<b>310,580</b>
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At December 31, 2008

Plan date	Number of options (1)	Price (in €)	Grantees at 12/31/2008 (2)	Start date of exercise period	Expiry date of exercise period	Options outstanding at 12/31/2008
<b><u>Options to purchase new shares</u></b>						
May 31, 2001	369,000	26.23	55/110	June 1, 2005	May 31, 2009	242,850
<b>Total</b>	<b>369,000</b>					<b>242,850</b>

(1) The authorizations to grant stock options given by the Annual Shareholders' Meetings held between 1996 and 2001 were described in Note 10 to the 2003 parent company financial statements. The figures in this column have been adjusted to take into account the three-for-one bonus share issue paid up by capitalizing reserves, approved by the Annual Shareholders' Meeting of May 14, 2002.

(2) Current number of grantees/number of grantees at the inception of the plan.

The following table shows the number of options outstanding and their average exercise price:

	Number of options	Weighted average exercise price
Options outstanding at January 1, 2006	673,758	22.37
Options expired during the year	55,078	25.04
Options exercised during the year	166,150	19.08
<b>Options outstanding at December 31, 2006</b>	<b>452,530</b>	<b>23.25</b>
Options outstanding at January 1, 2007	452,530	23.25
Options expired during the year	33,450	24.68
Options exercised during the year	108,500	18.56
<b>Options outstanding at December 31, 2007</b>	<b>310,580</b>	<b>24.73</b>
Options outstanding at January 1, 2008	310,580	24.73
Options expired during the year	67,730	19.36
Options exercised during the year	-	-
<b>Options outstanding at December 31, 2008</b>	<b>242,850</b>	<b>26.23</b>

No employee benefit expense has been recorded for options granted prior to November 7, 2002.

### 30. Earnings per share

Basic earnings per share are calculated by dividing profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the year. The Company reported a basic loss per share of €5.8 for 2008, compared with basic earnings per share of €1.50 and €1.30 respectively for 2007 and 2006.

As there are no significant dilutive instruments outstanding, diluted earnings per share are the same as basic earnings per share.

### 31. Cash flows from operating activities

<i>(in € millions)</i>	2008	2007	2006
<b>Pre-tax profit of consolidated companies</b>	<b>(46.9)</b>	<b>17.8</b>	<b>18.7</b>
<b>Adjustments for:</b>	<b>43.6</b>	<b>11.2</b>	<b>4.0</b>
. Depreciation and amortization	13.3	14.9	13.9
. Provisions for liabilities and employee benefit obligations	14.8	(3.2)	(8.1)
. Impairment of non-current assets	14.5	0.0	(1.9)
. Fair value adjustments	0.9	0.1	(1.1)
. Impact of discounting			
. Unrealized gains and losses on cash flow hedges reallocated or used during the year (before tax and minority interests)			(0.5)
. Gains and losses on sales of investments in non-consolidated companies and other non-current assets	0.3	(0.6)	1.7
. Other	(0.2)		
<b>Income tax paid</b>	<b>4.1</b>	<b>(6.3)</b>	<b>(4.8)</b>
<b>Cash flow</b>	<b>0.8</b>	<b>22.7</b>	<b>17.9</b>

### 32. Commitments and contingencies

#### 32.1 *Commercial commitments*

At December 31, 2008, Chargeurs and its subsidiaries were committed to purchasing plant and equipment for a total of €0.3 million (€0.4 million at December 31, 2007 and €0.6 million at December 31, 2006).

### 32.2 Guarantees

At December 31, 2008, Chargeurs and its subsidiaries had given guarantees for a total of €0.2 million (€0.4 million and €0.6 million at December 31, 2007 and December 31, 2006 respectively).

In 2007, Chargeurs gave a seller's warranty to Holfipar in connection with the sale of 50% of Chargeurs Fashion. In late 2008 the two groups amended certain of the contractual provisions relating to this sale. Consequently, Chargeurs' seller's warranty is no longer applicable and both Holfipar and Chargeurs undertook to inject €0.85 million each into Fashion Company in 2009.

### 32.3 Collateral

At December 31, 2007, the Group's bank borrowings included an €8.5 million loan obtained in 2005 that was secured by a mortgage on the real estate assets of the subsidiary concerned. This loan was repaid in the first half of 2008, and the mortgage was therefore released.

### 32.4 Commitments under non-cancelable medium-term operating leases

Future minimum payments under non-cancelable medium-term operating leases break down as follows by maturity:

<i>(in € millions)</i>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Due in less than 1 year	8.8	10.2	10.3
Due in 1 to 5 years	34.2	28.3	28.6
Due in more than 5 years	0.0	0.0	10.4
<b>Total</b>	<b><u>43.0</u></b>	<b><u>38.5</u></b>	<b><u>49.3</u></b>

### 32.5 Legal risks

At December 31, 2008, Chargeurs and its subsidiaries were involved in various legal proceedings. The risks involved have been examined on a case-by-case basis and, after advice from counsel, provisions have been set up where necessary.

Chargeurs has given seller's warranties in connection with the sale of certain subsidiaries. Adequate provisions are set aside as soon as it appears likely that payments will be claimed under these warranties.

### 32.6 Tax risks

In several host countries, tax returns for years not yet time-barred are open to a tax audit. In France, the statute of limitations in this respect is four years.

### 32.7 Special purpose entities

#### Dolly structures

Over the last few years, Chargeurs has taken steps to refocus all its resources on its core businesses. To achieve this refocusing, the Group has outsourced certain operations previously performed internally to external companies which are legally and financially independent from Chargeurs.

#### CWP

CWP performs approximately 45% of Chargeurs Wool's top-making operations (42% in 2007 and 2006). As these operations are outsourced, Chargeurs is a service provider for wool combing and top-making. If Chargeurs carried out these operations directly, its working capital requirement would have been increased by approximately €49 million in 2008, €45 million in 2007 and €40 million in 2006.

#### IMLA - WLMA

Starting in 2000, the three Textile businesses carried out an industrial reorganization program, which involved selling the majority of their plant and equipment to WLMA and IMLA to be leased back under operating leases. The sales included a form of insurance that released the sellers from any obligation to buy back the assets and ensured that the contracts complied with the standard accounting criteria for classification as operating leases.

Chargeurs' financial relationship with these two companies changed substantially in 2006.

Following the early termination of these operating leases at the end of 2006:

- Chargeurs Wool bought back some of the equipment leased from WMLA and no longer has any operating leases with this company.
- Chargeurs Fashion bought back some of the equipment leased from IMLA and no longer has any operating leases with this company.
- Chargeurs Interlining bought back some of the equipment leased from IMLA and rolled over the operating leases on the remaining equipment for six years.

These changes had the following effects:

- €41.4 million in financial receivables were settled out of a total €46 million carried in the 2005 balance sheet. Of this amount, €23.5 million was used to finance equipment buybacks, leaving cash of €17.9 million.
- The Group made cash savings of €20.0 million, corresponding to rentals on the terminated leases.

In exchange:

Depreciation expense on the bought-back equipment was calculated as representing some €4 million per year for the five years following 2006.



Payments under this new lease with IMLA were calculated as representing an average of €3.75 million per year over the five years following 2006.

Subsequent to the termination of the operating leases between the three textile businesses and WMLA and IMLA, only Chargeurs Interlining renewed an operating lease with IMLA in 2006, for a six-year term.

Under the lease, the lessor does not have any obligation to buy back the assets. The related contract complies with the standard accounting criteria for classification as an operating lease.

### 33. Information by business segment

Following the sale by Chargeurs of 50% of Chargeurs Fashion on December 31, 2007, the newly-named Fashion Company is now accounted for by the equity method.

Profits and losses by business segment were as follows for 2008:

<i>(in € millions)</i>	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Non- operating	Consolidated
<b>Revenue</b>	191.5	221.2	186.5		599.2
Operating profit/(loss)	11.3	(25.5)	(6.8)	(14.3)	(35.3)
Finance costs					(11.5)
Share of profit/(loss) of associates					(7.9)
<b>Pre-tax profit/(loss) for the period</b>					(54.7)
Income tax expense					(5.8)
<b>Profit/(loss) for the period</b>					(60.5)

Profits and losses by business segment were as follows for 2007:

<i>(in € millions)</i>	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Chargeurs Fashion	Non- operating	Consolidated
<b>Revenue</b>	208.3	242.1	254.2	85.0		789.6
Operating profit/(loss)	16.4	10.5	5.4	1.5	(5.1)	28.7
Finance costs						(11.0)
Share of profit of associates						1.5
<b>Pre-tax profit for the period</b>						19.2
Income tax expense						(4.1)
<b>Profit for the period</b>						15.1

Profits and losses by business segment were as follows for 2006:

<i>(in € millions)</i>	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Chargeurs Fashion	Non- operating	Consolidated
<b>Revenue</b>	218.4	236.3	224.5	89.7		768.9
Operating profit/(loss)	17.7	8.8	1.9	0.8	(3.8)	25.4
Finance costs						(6.7)
Share of profit/(loss) of associates						(0.2)
<b>Pre-tax profit for the period</b>						18.5
Income tax expense						(5.2)
<b>Profit for the period</b>						13.3

Additional information concerning 2008:

<i>(in € millions)</i>	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Non- operating	Consolidated
Depreciation	(2.5)	(6.3)	(3.5)		(12.3)
Impairment losses:					
• On goodwill					
• On property, plant and equipment		(10.6)		(0.5)	(11.1)
Impairment losses:					
• On inventories	(1.4)	(3.8)	(1.9)		(7.1)
• On trade receivables	0.1	(1.0)			(0.9)
Restructuring costs (1)		(25.9)	(4.5)	(3.8)	(34.2)

(1) Restructuring costs have been recognized in other operating expense for €31.3 million and in gains and losses on disposal of non-current assets for €2.9 million.

Additional information concerning 2007:

<i>(in € millions)</i>	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Chargeurs Fashion	Non- operating	Consolidated
Depreciation	(2.9)	(6.2)	(4.1)	(1.3)	(0.3)	(14.8)
Impairment losses:						
• On goodwill						
• On property, plant and equipment						
Impairment losses:						
• On inventories	(0.6)	(2.5)	(0.2)	(1.7)		(5.0)
• On trade receivables		0.2	0.1	0.1		0.4
Restructuring costs (1)	0.8	(1.3)	(0.1)	0.6		0.0

(1) Aggregate restructuring costs recorded under various account headings

Additional information concerning 2006:

	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Chargeurs Fashion	Non- operating	Consolidated
Depreciation	(2.6)	(5.2)	(2.6)	(2.3)	(0.7)	(13.4)
Impairment losses:						
• On goodwill						0.0
• On property, plant and equipment						0.0
Impairment losses:						
• On inventories	(0.8)	(1.1)	(0.4)	(2.6)		(4.9)
• On trade receivables		(0.1)		0.5		0.4
Restructuring costs (1)	2.0	(1.5)	(1.1)	(0.2)		(0.8)

(1) Aggregate restructuring costs recorded under various account headings

Segment profit includes gains and losses on cash flow hedges accumulated in equity that are recycled into the income statement in the period when the hedged item affects profit or loss.

Finance costs include gains and losses corresponding to the effective portion of cash flow hedges used to hedge future interest payments. They also include gains and losses resulting from changes in the fair value of interest-rate derivatives that are designated and qualify as fair value hedges. Unallocated costs represent Group-level costs and include gains and losses on derivatives held for trading.

Inter-segment transfers and transactions are carried out on an arm's length basis.

Segment assets and liabilities at December 31, 2008

(in € millions)	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Non- operating	Total
Assets (1)	146.0	193.2	128.0	13.0	480.2
Liabilities (2)	79.8	72.0	66.0		217.8
Capital employed	66.2	121.2	62.0	13.0	262.4
Purchases of assets	3.2	7.7	1.2	0.1	12.2

(1) Excluding cash and cash equivalents.

(2) Excluding equity and bank borrowings net of cash and cash equivalents.

### Segment assets and liabilities at December 31, 2007

The data below for 2007 has been restated to eliminate the impact of inter-segment share transactions.

<i>(in € millions)</i>	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Chargeurs Fashion	Non- operating	Total
Assets (1)	150.0	213.0	142.0	21.0	27.0	553.0
Liabilities (2)	86.0	67.0	107.0	1.0		261.0
Capital employed	64.0	146.0	35.0	20.0	27.0	292.0
Purchases of assets	3.4	6.3	2.4	1.4		13.6

(1) Excluding cash and cash equivalents.

(2) Excluding equity and bank borrowings net of cash and cash equivalents.

### Segment assets and liabilities at December 31, 2006

	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Chargeurs Fashion	Non- operating	Total
Assets (a)	154.0	213.0	144.0	54.0	26.0	591.0
Liabilities (b)	98.0	80.0	94.0	30.0		302.0
Capital employed	56.0	133.0	50.0	24.0	26.0	289.0
Purchases of assets	2.1	16.1	18.3	1.9	-	38.4

(a) Excluding cash and cash equivalents.

(b) Excluding equity and bank borrowings net of cash and cash equivalents.

## **34. Information by geographical segment**

The Group's operations are carried out on a global scale as shown in the tables below.

<i>(in € millions)</i>	2008	2007	2006
<b>Revenue</b>			
Europe	289.8	422.7	419.4
Asia-Pacific and Africa	211.0	247.0	210.6
Americas	98.4	119.9	138.9

The main countries in which the Group operates are the following:

(in € millions)	2008	2007	2006
China and Hong Kong	117.8	151.4	117.8
Italy	103.1	123.8	115.5
Germany	56.9	84.0	80.6
France	36.6	75.7	72.7
USA	49.9	67.2	83.1

Revenue is analyzed by geographical segment based on the location of the customer.

(in € millions)	2008	2007	2006
<b>Total assets</b>			
Europe	343.9	470.2	528.2
Asia-Pacific and Africa	150.1	108.3	148.1
Americas	96.2	155.1	110.5
Total	590.2	733.6	786.8

Assets are broken down based on the geographical area in which they are located.

(in € millions)	2008	2007	2006
<b>Purchases of assets</b>			
Asia-Pacific and Africa	1.3	3.3	13.8
Europe	9.8	7.4	13.3
Americas	1.1	2.9	11.3

Purchases of assets are broken down based on the geographical area in which the assets are located.

### 35. Main consolidated companies

At December 31, 2008, 75 companies were fully consolidated (79 in 2007 and 94 in 2006) and 17 were accounted for by the equity method (16 in 2007 and 7 in 2006).

#### Chargeurs

#### Parent

#### **A - Fully consolidated companies**

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Chargeurs Deutschland

Chargeurs Textiles

Leipziger Wollkämmerei AG

#### **Protective Films Business**

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#### Chargeurs Protective Films

#### Holding company for the business

France

Novacel and subsidiaries – Germany – Belgium – Spain – United Kingdom

Italy

Boston Tapes and subsidiaries

North America

Chargeurs Protective Films Inc. – Novacel Inc

#### **Interlining Business**

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#### Chargeurs Interlining

#### Holding company for the business

France  
International

Lainière de Picardie BC – Intissel – DHJ

Italy

Chargeurs Interfodere Italia

Germany

L.P. Deutschland

United Kingdom

L.P. UK

Spain

L.P. Hispana

Portugal

L.P. Portugal

Czech Republic

Bertero SRO

North America

L.P. Inc. – DHJ Canada

South America

L.P. Brazil – Entretelas Americanas – LP Chile

South Africa

Stroud Riley

Asia

Chargeurs Interlining Hong Kong – DHJ Malaysia – LP Wujiang – L.P. Korea – DHJ China – Chargeurs Yak Textile Trading – Etacol

#### **Wool Business**

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<u>Chargeurs Wool</u>	<u>Holding company for the business</u>
France	Chargeurs Wool (Eurasia)
United Kingdom	Hart Wool Bradford (Ltd)
Italy	Chargeurs Wool Sales (Europe) SRL
South Africa	Chargeurs Wool (South Africa) Pty
Uruguay	Lanas Trinidad
Argentina	Chargeurs Wool (Argentina) SA
Australia	Chargeurs Wool Pty
New Zealand	Chargeurs Wool (NZ) Limited
USA	Chargeurs Wool (USA) Inc.
Asia	Chargeurs Wool Sales (Shanghai) Limited – Zhangjiagang Yangtse Wool Combing

#### **Other**

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China	Laina
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#### **B - Companies accounted for by the equity method**

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Ningbo Yak Kyokuyo Textiles (49%)
Ningbo Lailong Bertero Interlining (49%)
Comtex (50%)
Peinaje del Rio Llobregat (40%)
Peinaduria Rio Chubut (50%)
Fashion Company (50%)

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Percentages indicate Chargeurs' percentage of control at December 31, 2008 for companies that are not wholly owned or almost wholly owned by the Group.

The main changes in Group structure in 2006, 2007 and 2008 were as follows:

#### **Newly-consolidated companies**

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Chargeurs Yak Textile Trading	2006
Ningbo Yak Kyokuyo Textile	2006
Ningbo Lailong Bertero Interlining	2006
Etacol	2008

## **Companies accounted for by the equity method for the first time**

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Fashion Company (note 4)	2007
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## **Deconsolidated companies**

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Riverina Wool Combing	2008
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### **36. Related-party transactions**

#### **Transactions with associates**

In 2007 and 2008, transactions with associates primarily concerned purchases from the Chinese companies Ningbo Yak Kyokuyo Textiles and Ningbo Lailong Bertero Interlining. The corresponding expenses amounted to €15.1 million and €13.8 million for 2007 and 2008 respectively, recognized in cost of sales.

#### **Management compensation**

Compensation paid to directors and officers amounted to €30,000 and €597,171 respectively in 2008; €40,000 and €581,010 in 2007; and €40,000 and €574,921 in 2006.

### **37. Events after the balance sheet date**

There were no significant post-balance sheet events.

### **38. Corrections to the financial statements at December 31, 2008**

The corrections made to the 2008 financial statements are as follows:

#### **Recognition of actuarial gains and losses on a supplementary pension plan operated by a subsidiary in the United States.**

The accounting treatment of actuarial gains and losses on a supplementary pension plan operated by a subsidiary in the United States was analyzed after the 2009 interim consolidated financial statements had been published. Based on the results of this analysis, the Group adjusted the 2008 loss to include all actuarial gains and losses in excess of the 10% corridor, in accordance with IFRS.IAS 19 states that when a company no longer has any employees, the total actuarial gain or loss in excess of the corridor must be recognized immediately in profit or loss.

In addition, the retirement age used to calculate the projected benefit obligation was lowered from 65 to 62 on the advice of the actuaries.



The effect of these adjustments was an expense of €1.9 million, recognized as follows:

(in € millions)	Financial statements at December 31, 2008 as published in March 2009	Adjustment	Financial statements at December 31, 2008 as published in December 2009
Pension and other post-employment benefit obligations	10.3	1.9	12.2

### **Correction of translation reserves and the carrying amount of the inventories of a subsidiary in China**

After the 2009 interim consolidated financial statements had been published, an error was detected in the inventory value recorded in the accounting system at December 31, 2008 as well as in the exchange rates used by a subsidiary to prepare its consolidation package. Correcting these errors led to a €1.8 million negative adjustment to the 2008 net loss and a €1.1 million cumulative negative adjustment to equity at December 31, 2008. The main financial statement items affected by these adjustments are presented in the table below:

#### Assets:

(in € millions)	Financial statements at December 31, 2008 as published in March 2009	Adjustment	Financial statements at December 31, 2008 as published in December 2009
Property, plant and equipment	70.7	0.7	71.4
Intangible assets	70.1	0.2	70.3
Inventories	136.2	(1.4)	134.8

#### Liabilities:

(in € millions)	Financial statements at December 31, 2008 as published in March 2009	Adjustment	Financial statements at December 31, 2008 as published in December 2009
Trade payables	116.5	0.2	116.7
Short-term bank loans and overdrafts	79.9	0.5	80.4
Loss for the year	(56.2)	(1.8)	(58.0)
Translation reserve	(8.1)	0.7	(7.4)

The overall impact on the 2008 loss was as follows:

(in € millions)	2008 financial statements published in March 2009	Adjustment to pension and other post-employment benefit obligations	Adjustment to inventory values	2008 financial statements published in December 2009
Cost of sales	(489.1)	(1.8)	(1.8)	(492.7)
Gross margin	110.1	(1.8)	(1.8)	106.5
Operating loss	(31.7)	(1.8)	(1.8)	(35.3)
Net loss	(56.2)	(1.8)	(1.8)	(59.8)

**1.4.1.6. Statutory Auditors' report on the consolidated financial statements for the years ended December 31, 2006, 2007 and 2008**

*This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

*To the Chairman*

*In our capacity as Statutory Auditors of Chargeurs and in compliance with Article 212-15 of the Règlement Général of the AMF, we hereby report to you on our audit of the accompanying consolidated financial statements of Chargeurs for the years ended December 31, 2006, 2007 and 2008. These financial statements, which have been drawn up for the purposes of this Registration Document, have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.*

*These consolidated financial statements were approved by the Board of Directors on December 21, 2009. Our role is to express an opinion on these financial statements based on our audit.*

*We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by management and the overall financial statements presentation. We believe that our audit provides a sufficient and appropriate basis for our opinion.*

*In our opinion, the consolidated financial statements drawn up for the purposes of this Registration Document give a true and fair view, in all material respects and in accordance with IFRS as adopted by the European Union, of the financial position of the Group at December 31, 2006, 2007 and 2008, and of its results of operations for the years then ended.*

*Without qualifying the opinion expressed above, we draw shareholders' attention to the "Important note" inserted at the beginning of the notes to the consolidated financial statements, which describes the corrections made to the consolidated financial statements for the year ended December 31, 2008 as published in March 2009 and approved at the Annual General Meeting of May 7, 2009, on which we issued our statutory report dated March 20, 2009.*

*This report has been issued solely for the purpose of registering the Registration Document with the AMF and, if applicable, for the public offering in France and in other European Union countries where a prospectus comprising this Registration Document approved by the AMF would be required. It may not be used for any other purpose.*

Neuilly sur Seine and Paris, December 22, 2009

The Statutory Auditors

*French original signed by:*

PricewaterhouseCoopers Audit

G rard Morin

S & W Associ s

Maryse Le Goff

## 1.4.2. First-half 2009 results

### 1.4.2.1. Presentation of first-half 2009 results

## RESULTS

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### Consolidated revenue

Revenue for the first six months of 2009 totaled €226.4 million, down by 32.5% on first-half 2008 based on a comparable scope of consolidation and by 34% excluding the currency effect. All of the Group's business segments were concerned by this contraction, 75% of which was due to lower unit sales and inventory drawdowns.

#### *Chargeurs Protective Films*

Chargeurs Protective Films' revenue shrank by 37.6% compared with first-half 2008, mainly due to the lower volumes resulting from the falloff in demand experienced by customers and their response in the shape of massive inventory drawdowns.

#### *Chargeurs Interlining*

Chargeurs Interlining's first-half revenue retreated 26.4%, mainly due to lower volumes.

#### *Chargeurs Wool*

Chargeurs Wool's revenue fell by 34.2%, reflecting a sharply negative price effect and a more limited unfavorable volume effect.

### Operating profit/(loss)

#### *Chargeurs Protective Films*

As a result of the overall decline in volumes, Chargeurs Protective Films scaled back its production capacity in line with the new market situation. The ensuing lower revenues and restructuring costs resulted in the business ending the period with an operating loss of €6.8 million. Excluding these reorganization measures, the operating loss would have been €3.4 million.

#### *Chargeurs Interlining*

Chargeurs Interlining continued to implement similar restructuring measures to align capacity with the reduction in the European customer base. This led to a €7.7 million operating loss for the period. Excluding these reorganization measures, Chargeurs Interlining's operating loss would have been €4.1 million.

### *Chargeurs Wool*

Chargeurs Wool's operating loss for the period came to €0.7 million.

#### **Net financial expense**

Finance costs and other financial income and expense represented a net expense of €2.8 million in first-half 2009, compared with a net expense of €3 million for the corresponding prior-year period.

#### **Share of profits and losses of associates**

The share of profits and losses of associates was a negative €1.9 million versus a negative €1.4 million for the first half of 2008. The change was mainly attributable to the contraction in business volumes suffered by associates during the period.

#### **Income tax expense**

The €7 million total for this item breaks down as (i) a current tax charge of €0.9 million; and (ii) a net deferred tax charge of €6.1 million, mainly reflecting a valuation allowance recorded against deferred tax assets on tax loss carryforwards. The allowance was recorded following adjustments to 2009 unit sales assumptions in the three businesses' business plans, leading to a reduction in estimated future taxable profits. In 2008, the Group recognized a tax benefit of €7.6 million on the no-recourse sale to a financial institution of a tax receivable.

#### **Loss for the period**

The Group ended first-half 2009 with a loss of €26.4 million, compared with profit of €9.1 million for the same period of 2008. The €26.4 million loss included the following non-recurring items:

- Reorganization costs and provisions that deepened the businesses' operating losses by €7 million.
- €1 million in net losses and asset write-downs relating to the investment in Fashion Company, corresponding to a gain of €0.9 million recorded under financial income, offset by a negative €1.9 million recorded under share of profits/(losses) of associates.
- The above-mentioned €6.1 valuation allowance recorded against deferred tax assets.

## BALANCE SHEET AND FINANCIAL MANAGEMENT

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Net bank debt amounted to €86.3 million at June 30, 2009 compared with €84.7 million at December 31, 2008. The change reflects the significant efforts made by the Group's businesses in the first six months of 2009 to reduce working capital, which offset the effect of the sharp drop in revenue and the restructuring costs incurred during the period.

Of the €86.3 million total net bank debt, €58.6 million consisted of medium-term debt, of which €19.6 million repayable within 12 months. Together, the various Chargeurs companies had cash and cash equivalents of €55.1 million at June 30, 2009.

For several years, the Group has sold receivables under no-recourse agreements. Until 2004, the amounts involved were disclosed in note 10 to the consolidated financial statements. Unlike under the French accounting standards applied in 2004, IAS 39 requires entities to consider factors other than the transfer of title to determine whether financial assets should be reported in the balance sheet (see note 4 to the consolidated financial statements). At the end of 2005, in view of the fact that this issue was still being discussed by the experts and no final official position had been taken, it was deemed prudent to keep these receivables on balance sheet, using a separate line to indicate they did not belong to Chargeurs, and to record a factoring liability for the amount of the cash proceeds received. This accounting method continued to be applied in first-half 2009.

### **1.4.2.2. Consolidated financial statements for the six months ended 30 June 2009**

#### **Important note**

The interim consolidated financial statements for the six months ended June 30, 2009 presented below were approved by the Board of Directors on December 21, 2009.

The Group decided to rectify the interim consolidated financial statements for the six months ended June 30, 2009 as approved by the Board of Directors on August 27, 2009 after two errors were detected in the consolidated financial statements for the year ended December 31, 2008 concerning (i) translation reserves and the carrying amount of inventories of a subsidiary in China and (ii) the method used to recognize actuarial gains and losses on a supplementary pension plan operated by a subsidiary in the United States.

Tables reconciling the reported amounts of the main financial statement items for the six months ended June 30, 2009 and the rectified amounts are presented in note 32 to the interim consolidated financial statements.

1.4.2.2.1. Statement of Financial Position

**Consolidated Statement of Financial Position at June 20, 2009**

(in € millions)

<b>Assets</b>	June 30, 2009	Dec. 31, 2008
<b>Non-current assets</b>		
Property, plant and equipment (note 5)	66.6	71.4
Intangible assets (note 6)	69.6	70.3
Investments in associates	18.3	18.0
Deferred tax assets (note 9)	13.9	20.0
Non-current financial assets		
Investments in non-consolidated companies	2.1	2.0
Long-term loans and receivables (note 8)	10	9.3
Derivative instruments		
Other non-current assets	3.5	5.3
	<b>184.0</b>	<b>196.3</b>
<b>Current assets</b>		
Inventories and work-in-progress (note 10)	110.1	134.8
Trade receivables (note 11)	74.3	75.9
<i>Factored receivables (*)</i>	49.6	64.7
Derivative instruments (note 12)	2.9	1.3
Other receivables (note 13)	48.3	59.4
Cash and cash equivalents (note 14)	55.1	57.8
	<b>340.3</b>	<b>393.9</b>
<b>Total assets</b>	<b>524.3</b>	<b>590.2</b>



<b>Equity and liabilities</b>	June 30, 2009	Dec. 31, 2008
<b>Equity (note 15)</b>		
<b>Attributable to owners of the parent</b>		
Share capital (note 15)	166.0	166.0
Share premium account	32.2	32.2
Other reserves and retained earnings (note 15)	(10.4)	49.9
Profit/(loss) for the period	(26.4)	(59.8)
Treasury stock	(1.7)	(1.6)
Translation reserve	(8.9)	(7.6)
	<b>150.8</b>	<b>179.1</b>
<b>Minority interests</b>	<b>6.1</b>	<b>6.3</b>
<b>Total equity</b>	<b>156.9</b>	<b>185.4</b>
<b>Non-current liabilities</b>		
Long-term borrowings (note 18)	39.0	41.8
Deferred tax liabilities (note 9)	1.4	1.3
Pension and other post-employment benefit obligations (note 16)	12.5	12.2
Provisions (note 17)	12.7	7.2
Other non-current liabilities	0.4	0.4
	<b>66.0</b>	<b>62.9</b>
<b>Current liabilities</b>		
Trade payables	89.8	116.7
Other payables (note 19)	57.3	55.1
<i>Factoring liabilities (*)</i>	49.6	64.7
Current income tax liability	1.2	2.1
Derivative instruments (note 12)	0.5	2.6
Short-term portion of long-term borrowings (note 18)	19.6	20.3
Short-term bank loans and overdrafts (note 18)	83.3	80.4
	<b>301.4</b>	<b>341.9</b>
<b>Total equity and liabilities</b>	<b>524.3</b>	<b>590.2</b>

Notes 1 to 31 are an integral part of the interim consolidated financial statements.

(\*) *Receivables for which title has been transferred (see note 3.2).*

#### 1.4.2.2.2. Consolidated Income Statement

### Consolidated Income Statement for the six months ended June 30, 2009

<i>(in € millions)</i>	First-half 2009	First-half 2008
<b>Revenue</b>	<b>226.4</b>	<b>335.4</b>
Cost of sales	(189.9)	(269.3)
Gross profit	36.5	66.1
Distribution costs	(26.4)	(35.1)
Administrative expenses	(18.1)	(19.8)
Research and development costs (note 21)	(1.9)	(2.9)
Other operating income and expense (note 22)	(4.8)	(0.9)
<b>Operating profit/(loss)</b>	<b>(14.7)</b>	<b>7.4</b>
Finance costs and other financial expense	(5.3)	(7.4)
Financial income	2.5	4.4
<b>Finance costs and other financial income and expense, net (note 24)</b>	<b>(2.8)</b>	<b>(3.0)</b>
Share of profit/(loss) of associates	(1.9)	(1.4)
<b>Pre-tax profit/(loss) for the period</b>	<b>(19.5)</b>	<b>3.0</b>
Income tax (note 25)	(7.0)	5.8
<b>Profit/(loss) for the period</b>	<b>(26.5)</b>	<b>8.8</b>
<b>Attributable to:</b>		
Owners of the parent	(26.4)	9.1
Minority interests	(0.1)	(0.3)
<b>Earnings/(loss) per share (in euros)</b>		
- Basic earnings/(loss) per share	(2.6)	0.9
- Diluted earnings/(loss) per share	(2.6)	0.9
Weighted average number of shares outstanding	10,227,381	10,314,740

Notes 1 to 31 are an integral part of the interim consolidated financial statements.

### 1.4.2.2.3. Statement of Comprehensive Income

#### Consolidated Statement of Comprehensive Income for the six months ended June 30, 2009

<i>(in € millions)</i>	First-half 2009	First-half 2008
<b>Profit/(loss) for the period</b>	<b>(26.5)</b>	<b>8.8</b>
Other comprehensive income and expense	(0.5)	-
Exchange differences on translating foreign operations	(1.4)	(6.0)
Available-for-sale financial assets		
- Gains/(losses) arising during the period recognized in equity	-	-
- Reclassification adjustments for gains/(losses) included in profit or loss	-	-
Cash flow hedges		
- Gains/(losses) arising during the period recognized in equity	-	(0.3)
- Reclassification adjustments for gains/(losses) included in profit or loss	-	3.2
Revaluation of assets	-	-
Actuarial gains/(losses)	-	-
Share of other comprehensive income of associates	-	-
Income tax on items recognized directly in equity	-	-
Movements in minority interests	-	-
<b>Total comprehensive income and expense recognized in equity</b>	<b>(1.9)</b>	<b>(3.1)</b>
<b>Total comprehensive income and expense for the period</b>	<b>(28.4)</b>	<b>5.7</b>
<b>Attributable to:</b>		
Owners of the parent	(28.2)	5.9
Minority interests	(0.2)	(0.2)

#### 1.4.2.2.4. Consolidated Statement of Cash Flows

### Consolidated Statement of Cash Flows for the six months ended June 30, 2009

<i>(in € millions)</i>	First-half 2009	First-half 2008
<b>Cash flows from operating activities</b>		
Pre-tax profit/(loss) of consolidated companies	(17.5)	4.4
Adjustments (note 27)	8.6	5.2
Income tax refunded	0.8	6.5
Cash (used by)/generated from operations	(8.1)	16.1
Dividends from associates	0.4	1.2
Change in operating working capital	8.9	2.3
Net cash from operating activities	<b>1.2</b>	<b>19.6</b>
<b>Cash flows from investing activities</b>		
Acquisitions of subsidiaries, net of cash acquired	-	(3.3)
Proceeds from disposals of subsidiaries	-	4.8
Purchases of property, plant and equipment	(1.7)	(4.4)
Proceeds from sales of property, plant and equipment	0.4	4.5
Purchases of intangible assets	(0.4)	(0.5)
Purchases of non-current financial assets	(0.9)	(0.6)
Proceeds from sales of other non-current financial assets	0.1	-
Other movements	(0.5)	1.3
Net cash (used by)/from investing activities	<b>(3.0)</b>	<b>1.8</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital		
Purchases of treasury stock	(0.1)	(0.3)
Proceeds from new borrowings and overdrafts	0.1	2.1
Repayments of borrowings and overdrafts	(0.6)	(14.2)
Dividends paid to owners of the parent	-	(6.7)
Net cash used by financing activities	<b>(0.6)</b>	<b>(19.1)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2.4)</b>	<b>2.3</b>
Cash and cash equivalents at beginning of the period	57.8	110.5
Effect of changes in foreign exchange rates	(0.3)	(1.8)
<b>Cash and cash equivalents at period-end</b>	<b>55.1</b>	<b>111.0</b>

Notes 1 to 31 are an integral part of the interim consolidated financial statements.

1.4.2.2.5. Consolidated Statement of Changes in Equity

**Consolidated Statement of Changes in Equity for the six months ended June 30, 2009**

(in € millions)

	Share capital	Share premium account	Other reserves and retained earnings	Translation reserve	Cash flow hedges	Treasury stock	Total	Non-controlling interests	Total
<b>At Dec. 31, 2007</b>	<b>166.0</b>	<b>32.2</b>	<b>56.2</b>	<b>(13.9)</b>	<b>(2.3)</b>	<b>(0.8)</b>	<b>237.4</b>	<b>5.4</b>	<b>242.8</b>
Issue of share capital							0.0		0.0
Changes in treasury stock						(0.3)	(0.3)		(0.3)
Dividends paid			(6.7)				(6.7)		(6.7)
Profit for the period			9.1				9.1	(0.3)	8.8
Other comprehensive income and expense for the period				(6.1)	2.9		(3.2)	0.1	(3.1)
<b>At June 30, 2008</b>	<b>166.0</b>	<b>32.2</b>	<b>58.6</b>	<b>(20.0)</b>	<b>0.6</b>	<b>(1.1)</b>	<b>236.3</b>	<b>5.2</b>	<b>241.5</b>
Adjustment of opening balance			(3.6)	0.5			(3.1)		(3.1)
<b>At Dec. 31, 2008</b>	<b>166.0</b>	<b>32.2</b>	<b>(9.5)</b>	<b>(7.6)</b>	<b>(0.4)</b>	<b>(1.6)</b>	<b>179.1</b>	<b>6.3</b>	<b>185.4</b>
Issue of share capital							0.0		0.0
Changes in treasury stock						(0.1)	(0.1)		(0.1)
Dividends paid							0.0		0.0
Loss for the period			(26.4)				(26.4)	(0.1)	(26.5)
Other comprehensive income and expense for the period			(0.5)	(1.3)			(1.8)	(0.1)	(1.9)
<b>At June 30, 2009</b>	<b>166.0</b>	<b>32.2</b>	<b>(36.4)</b>	<b>(8.9)</b>	<b>(0.4)</b>	<b>(1.7)</b>	<b>150.8</b>	<b>6.1</b>	<b>156.9</b>

Notes 1 to 31 are an integral part of the interim consolidated financial statements.

## **1. General information**

In first-half 2009, Chargeurs and its subsidiaries (the Chargeurs Group) were organized around three business lines: Chargeurs Protective Films (development and marketing of technical solutions to protect steel, aluminum, plastic and other surfaces during the production process), Chargeurs Interlining (interlining and technical fabrics production and marketing) and Chargeurs Wool (wool processing). Chargeurs is a *societe anonyme* governed by the laws of France. Its headquarters are located at 29-31, rue Washington, 75008 Paris, France.

Chargeurs shares are listed on NYSE Euronext Paris.

The interim consolidated financial statements for the six months ended June 30, 2009 were approved by the Board of Directors on August 27, 2009. All amounts are expressed in millions of euros, unless otherwise specified.

The deep recession in the first half of 2009 led to a sharp contraction in the markets served by the Group's main customers. Chargeurs responded by implementing all the restructuring measures needed to align production capacity, particularly in Europe, with the size of the markets in which it operates.

Together, the sharp drop in revenue and the cost of the restructuring measures led to an operating loss for the period of €14.7 million and a net loss of €26.4 million.

Action was also taken during the period to align the Group's financial structure with the new market situation. Negotiations were initiated to consolidate the Group's financing structure by restructuring certain bank facilities. At the same time, preparations were made to raise equity capital, in principle during the second half of the year.

## **2. Summary of significant accounting policies**

The significant accounting policies applied to prepare the interim consolidated financial statements are described below. Unless otherwise specified, these policies were applied consistently in all the periods presented.

### *2.1 Basis of preparation*

The interim consolidated financial statements of the Chargeurs Group for the six months ended June 30, 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Assets and liabilities are measured using the historical cost convention except for land and buildings – which were revalued at January 1, 2004 –, available-for-sale financial

assets, financial assets and liabilities measured at fair value through profit or loss (including derivative instruments), financial assets and liabilities measured at amortized cost, and assets and liabilities underlying fair value hedges.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

**a) New standards, amendments to existing standards and interpretations applicable for financial periods beginning on January 1, 2009 and which are relevant to the Group's operations**

Adopted by the European Union:

- IAS 1 (revised) – Presentation of Financial Statements.
- IFRS 8 – Operating Segments.
- IAS 23 – Amendment: Borrowing Costs.
- IFRS 2 – Amendment: Vesting Conditions and Cancellations.
- IAS 32 and IAS 1 – Amendments: Puttable Financial Instruments and Obligations arising on Liquidation.
- Improvements to IFRSs issued in May 2008 (except IFRS 5).
- IFRIC 11 – Group and Treasury Share Transactions.
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

**b) New standards, amendments and interpretations that have been issued but are not applicable for the financial period beginning on January 1, 2009 and have not been early adopted by the Group**

Adopted by the European Union and relevant to the Group:

- IFRS 3 (revised) – Business Combinations.
- IAS 27 (revised) – Consolidated and Separate Financial Statements.

Adopted by the European Union but considered by management as not relevant to the Group's operations:

- IFRIC 12 – Service Concession Arrangements.

Not yet adopted by the European Union but relevant to the Group:

- IFRS 5 – May 2008 amendment.
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation.
- IFRS 1 and IAS 27 – Amendments: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.
- IAS 39 – Amendment: Eligible Hedged Items.
- IFRIC 17 – Distributions of Non-cash Assets to Owners.

Not yet adopted by the European Union and considered by management as not relevant to the Group's operations:

- IFRIC 15 – Agreements for the Construction of Real Estate.

### **3. Use of accounting estimates and assumptions**

The preparation of financial statements under IFRS requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses.

#### *3.1 Critical accounting estimates and assumptions*

The critical accounting estimates and assumptions that could result in a material adjustment to the carrying amount of assets and liabilities during subsequent periods are analyzed below.

##### (a) Impairment of goodwill

Goodwill is tested for impairment on an annual basis as described in note 2.6 to the 2008 consolidated financial statements. The recoverable amounts of cash-generating units (CGUs) were determined at December 31, 2008 based on calculations of value in use.

As a result of (i) reorganization measures taken within the Chargeurs Protective Films and Chargeurs Interlining CGUs; and (ii) revisions made to their business plans, the Group was not required to record any goodwill impairment losses for these CGUs at June 30, 2009.

##### (b) Income tax

Based on updated projections of future taxable profit, tax assets recognized for the losses of companies in the French tax group amounted to €6.4 million at June 30, 2009.



### 3.2 Critical judgments

The following comment was included in the notes to the 2008 consolidated financial statements:

*For several years, the Group has sold receivables under no-recourse agreements. Under French GAAP, the amounts concerned were disclosed in the notes to the consolidated financial statements.*

*The method of accounting for these sales was changed as a result of the first-time adoption of IFRS in 2005, as explained below.*

#### French GAAP

*Receivables sold under no-recourse agreements are derecognized. As there are no specific accounting standards under French GAAP dealing with this type of transaction, the accounting treatment used in the parent company accounts (which are still prepared in accordance with French GAAP) is based on the legal form of the transactions and the assets are derecognized when title is transferred. This approach was also applied in the consolidated financial statements prior to the transition to IFRS, as routine commercial transactions carried out in accordance with normal business or industry practice – such as the sale of receivables under no-recourse agreements – were excluded from the scope of application of the joint recommendation issued on November 15, 2002 by the Commission des opérations de Bourse and the Commission bancaire on special purpose entities and asset derecognition (which set down a general principle based on the transfer of the significant risks of ownership of assets).*

#### IFRS

*Under IFRS, transfer of title is not the only criterion to be applied. IAS 39 – Financial Instruments: Recognition and Measurement, which deals with the derecognition of financial assets, including trade receivables, requires entities to base their analysis on the following three criteria:*

- Whether the entity has transferred the contractual rights to receive the cash flows of the financial asset.*
- Whether the entity has transferred substantially all the risks and rewards of ownership of the financial asset.*
- Whether the entity has retained control of the financial asset.*

*Chargeurs' teams analyzed the contracts for the sale of the receivables based on these three criteria. In view of the fact that this issue was still being discussed by experts and no final official position had been taken, it was deemed prudent to keep these receivables on balance sheet and record a corresponding liability for the amount of the cash proceeds received.*

In 2006 and 2007, the accounting authorities issued guidance on the circumstances in which sold receivables may be derecognized. The presentation of these items in the interim consolidated financial statements for the six months ended June 30, 2009 is unchanged from 2005, but may be adjusted in the future based on amendments to contracts or changes in disposal procedures.

#### 4. Acquisitions – Disposals

There were no significant changes in the scope of consolidation during first-half 2009.

### NOTES TO THE STATEMENT OF FINANCIAL POSITION

#### 5. Property, plant and equipment

Changes in the carrying amount of property, plant and equipment can be analyzed as follows:

<i>(in € millions)</i>	Land	Buildings	Plant and equipment	Fixtures and fittings	Assets under construction	Total
<b>Dec. 31, 2007</b>	<b>8.4</b>	<b>34.3</b>	<b>35.3</b>	<b>8.1</b>	<b>3.3</b>	<b>89.4</b>
Additions			2.2	0.4	2.5	5.1
Disposals	(0.8)	(1.6)	(0.2)		(0.2)	(2.8)
Business acquisitions/divestments		0.6	0.5			1.1
Depreciation		(1.6)	(3.8)	(0.9)		(6.3)
Impairment						0.0
Other		(0.2)	1.2	(0.1)	(0.9)	0.0
Translation adjustment		(0.2)	(0.8)	(0.1)		(1.1)
<b>June 30, 2008</b>	<b>7.6</b>	<b>31.3</b>	<b>34.4</b>	<b>7.4</b>	<b>4.7</b>	<b>85.4</b>
<i>(in € millions)</i>	Land	Buildings	Plant and equipment	Fixtures and fittings	Assets under construction	Total
<b>Dec. 31, 2008</b>	<b>5.6</b>	<b>27</b>	<b>27.9</b>	<b>6.7</b>	<b>3.5</b>	<b>70.7</b>
Adjustments to opening balance			0.7			0.7
<b>Adjusted balance at Dec. 31, 2008</b>	<b>5.6</b>	<b>27</b>	<b>28.6</b>	<b>6.7</b>	<b>3.5</b>	<b>71.4</b>
Additions			0.2	0.1	1.3	1.6
Disposals			(0.4)	(0.1)		(0.5)
Change in scope of consolidation						0.0
Depreciation		(1.4)	(3.0)	(0.8)		(5.2)
Impairment						0.0
Other	(0.2)	0.2	(0.4)	0.8	(0.6)	(0.2)
Translation adjustment	0.0	(0.2)	(0.3)			(0.5)
<b>June 30, 2009</b>	<b>5.4</b>	<b>25.6</b>	<b>24.7</b>	<b>6.7</b>	<b>4.2</b>	<b>66.6</b>

## 6. Goodwill and other intangible assets

### a) Goodwill

<i>(in € millions)</i>	<u>Gross</u>	<u>Accumulated impairment losses</u>	<u>Net</u>
<b>Dec. 31, 2007</b>	<b>70.4</b>	<b>(13.9)</b>	<b>56.5</b>
Acquisitions/disposals	3.5		3.5
Translation adjustment	(3.0)		(3.0)
<b>June 30, 2008</b>	<b>70.9</b>	<b>(13.9)</b>	<b>57.0</b>
<b>Dec. 31, 2008</b>	<b>79.5</b>	<b>(15.7)</b>	<b>63.8</b>
Translation adjustment	(0.8)		(0.8)
<b>June 30, 2009</b>	<b>78.7</b>	<b>(15.7)</b>	<b>63.0</b>

Goodwill has been allocated to the following cash-generating units, corresponding to the Group's core businesses.

<i>(in € millions)</i>	<u>June 30, 2009</u>	<u>Dec. 31, 2008</u>
Chargeurs Protective Films	45.8	46.5
Chargeurs Interlining	17.2	17.3
<b>Total</b>	<b>63.0</b>	<b>63.8</b>

### Goodwill impairment tests

As explained in note 3.1 (a), no impairment losses were recognized on goodwill at June 30, 2009. The decrease in the value of goodwill in first-half 2009 was entirely due to the effect of changes in exchange rates.

## b) Other intangible assets

<i>(in € millions)</i>	Trademarks and patents	Development costs	Rights of use	Other	Total
<b>Dec. 31, 2007</b>	3.3	1.3	2.0	0.6	7.2
Capitalized development costs		0.5			0.5
Additions	0.7			0.1	0.8
Disposals					0.0
Business acquisitions/divestments					0.0
Amortization	(0.7)	(0.1)		(0.1)	(0.9)
Impairment					0.0
Other					0.0
Translation adjustment	(0.1)		(0.1)		(0.2)
<b>June 30, 2008</b>	<b>3.2</b>	<b>1.7</b>	<b>1.9</b>	<b>0.6</b>	<b>7.4</b>

<i>(in € millions)</i>	Trademarks and patents	Development costs	Rights of use	Other	Total
<b>Dec. 31, 2008</b>	1.5	2.1	2.1	0.6	6.3
Adjustments to opening balance	0.1		0.1		0.2
<b>Adjusted balance at Dec. 31, 2008</b>	<b>1.6</b>	<b>2.1</b>	<b>2.2</b>	<b>0.6</b>	<b>6.5</b>
Capitalized development costs		0.1			0.1
Additions				0.3	0.3
Disposals					0.0
Business acquisitions/divestments					0.0
Amortization		(0.1)		(0.1)	(0.2)
Impairment					0.0
Other					0.0
Translation adjustment	(0.1)				(0.1)
<b>June 30, 2009</b>	<b>1.5</b>	<b>2.1</b>	<b>2.2</b>	<b>0.8</b>	<b>6.6</b>

## 7. Finance leases

The carrying amount of assets held under finance leases and included in property, plant and equipment is as follows:

<i>(in € millions)</i>	June 30, 2009	Dec. 31, 2008
Land	2.9	2.9
Buildings	30.4	30.4
Plant and equipment	8.4	8.4
Fixtures, fittings and other	7.8	7.8
Gross	49.5	49.5
Accumulated depreciation	(29.6)	(28.5)
Net	19.9	21.0

Future minimum lease payments under finance leases and the carrying amount of the corresponding liabilities can be analyzed as follows:

<i>(in € millions)</i>	June 30, 2009	Dec. 31, 2008
Future minimum lease payments under finance leases	<u>19.2</u>	<u>21.4</u>
Finance lease liabilities	<u>16.9</u>	<u>18.4</u>
Future finance cost	<u>2.3</u>	<u>3.0</u>

Future lease payments can be analyzed by maturity as follows:

<i>(in € millions)</i>	Minimum lease payments	Finance lease liabilities
Due in less than one year	<u>4.1</u>	<u>3.4</u>
Due in one to five years	<u>13.8</u>	<u>12.5</u>
Due in more than five years	<u>1.3</u>	<u>1.0</u>
<b>Total at June 30, 2009</b>	<b><u>19.2</u></b>	<b><u>16.9</u></b>
Due in less than one year	<u>4.4</u>	<u>3.4</u>
Due in one to five years	<u>15.2</u>	<u>13.3</u>
Due in more than five years	<u>1.8</u>	<u>1.7</u>
<b>Total at Dec. 31, 2008</b>	<b><u>21.4</u></b>	<b><u>18.4</u></b>

The main finance leases correspond to sale-and-leaseback transactions on real estate, for which financing is generally obtained for periods ranging from seven to fifteen years.

## 8. Long-term loans and receivables

The €10 million total for this item at June 30, 2009 breaks down as follows:

- Long-term loans in an amount of €4 million;
- Long-term deposits in an amount of €6 million.

The fair value of these assets approximates their carrying amount.

## 9. Deferred taxes

### a) Analysis by probable recovery/settlement date (before netting asset and liability positions)

<i>(in € millions)</i>	June 30, 2009	Dec. 31, 2008
Deferred tax assets		
- Recoverable beyond 12 months	11.6	17.6
- Recoverable within 12 months	12.9	13.0
Deferred tax liabilities		
- Settlement beyond 12 months	(10.0)	(10.0)
- Settlement within 12 months	(2.0)	(1.9)
<b>Total</b>	<b>12.5</b>	<b>18.7</b>

### b) Analysis by source (before netting asset and liability positions)

<i>(in € millions)</i>	June 30, 2009	Dec. 31, 2008
Deferred tax assets		
- Temporary differences	15.5	15.9
- Tax loss carryforwards and tax credits	9.0	14.7
Deferred tax liabilities		
- Temporary differences	(12.0)	(11.9)
<b>Total</b>	<b>12.5</b>	<b>18.7</b>

Deferred tax assets are recognized for tax loss carryforwards only when their future recovery is considered probable based on projected taxable profits for the next five years.

A significant portion of the Group's evergreen tax losses has been written down in full.

## 10. Inventories and work-in-progress

Inventories and work-in-progress can be analyzed as follows:

<i>(in € millions)</i>	<u>June 30, 2009</u>	<u>Dec. 31, 2008</u>
<b>Gross</b>		
Raw materials and supplies	39.0	43.7
Finished and semi-finished goods and work-in-progress	80.5	101.6
Total – gross	<u>119.5</u>	<u>145.3</u>
Provisions for impairment	<u>(9.4)</u>	<u>(10.5)</u>
<b>Net</b>	<b><u>110.1</u></b>	<b><u>134.8</u></b>
Increase in provisions for impairment of inventory	<u>(1.8)</u>	<u>(7.1)</u>
Reversals of provisions used	<u>2.7</u>	<u>1.4</u>
Reversals of surplus provisions	<u>0.4</u>	<u>1.4</u>

## 11. Trade receivables

<i>(in € millions)</i>	<u>June 30, 2009</u>	<u>Dec. 31, 2008</u>
Trade receivables		
Gross	86.2	87.3
Provisions for impairment	<u>(11.9)</u>	<u>(11.4)</u>
<b>Net</b>	<b><u>74.3</u></b>	<b><u>75.9</u></b>

As these receivables are all short term and are not interest bearing, changes in interest rates do not generate any material interest rate risk.

Given their short maturities, the fair value of these receivables may be considered to approximate their carrying amount.

### *Factored receivables*

At June 30, 2009, certain receivables had been sold under no-recourse agreements with factoring companies. The amounts paid by the factoring companies for the receivables totaled €49.6 million at June 30, 2009 (€64.7 million at December 31, 2008).

These receivables are shown in Chargeurs' statement of financial position even though they have been sold and despite the fact that title has been transferred to the factoring company (see note 3).

## 12. Derivative instruments

The carrying amount of derivatives can be analyzed as follows:

<i>(in € millions)</i>	June 30, 2009		Dec. 31, 2008	
	Fair value	Notional	Fair value	Notional
<b><u>Assets net of liabilities</u></b>				
<i>Fair value hedges</i>				
Currency hedges (a)	1.9	22.3	(2.0)	3.9
<i>Cash flow hedges</i>				
Currency hedges (a)	0.7	(10.0)	0.3	(7.4)
Interest rate hedges	(0.3)	(24.0)	0.1	(24.0)
Commodity hedges	-	-	-	-
<i>Hedges of net investments in foreign operations</i>				
Currency hedges (a)				
<i>Derivatives not qualifying for hedge accounting</i>				
Currency instruments (a)	-	-	0.1	(6.3)
Interest rate instruments	0.2	(24.0)	0.2	(24.0)
<b>Derivative instruments – net asset/(liability)</b>	<b>2.5</b>		<b>(1.3)</b>	

(a) Notional amounts shown in parentheses correspond to net seller positions

Fair value hedges on a notional amount of €22.1 million (net buyer position) correspond to hedges of assets and liabilities and firm commitments by subsidiaries.

Cash flow hedges on a notional amount of €7.6 million (net seller position) correspond to hedges of the Group's exposure to changes in the exchange rate for the US dollar and Chinese yuan.

Interest rate hedges on a notional amount of €24.0million (net borrower position) correspond to:

- Partial conversion to a fixed rate of €48 million in credit lines obtained by Chargeurs Protective Films, through interest rate swaps. The fixed-rate portion represents €24 million, or 50% of the nominal amount of the credit lines. In addition, a swap cancellation option has been purchased on a notional amount of €24 million.



Net notional amounts of currency derivatives by currency  
(negative notional amount = net seller position)

<i>(in € millions)</i>	June 30, 2009	Dec. 31, 2008
Australian dollar	31.7	24.0
US dollar	(14.7)	(23.8)
Euro	(7.9)	(9.7)
Pound sterling	1.6	0.1
Danish krona		
Canadian dollar		
New Zealand dollar		
South African rand	5.2	3.0
Korean won		(0.7)
Chinese yuan		(2.7)
<b>Total</b>	<b>15.9</b>	<b>(9.8)</b>

Net notional amounts of interest rate derivatives by currency (negative notional amount = net borrower position)

<i>(in € millions)</i>	June 30, 2009	Dec. 31, 2008
Euro	(48.0)	(48.0)

Net notional amounts of commodity derivatives by currency (negative notional amount = net seller position)

<i>(in € millions)</i>	June 30, 2009	Dec. 31, 2008
Euro	-	-

Maturities of derivatives at fair value

<i>(in € millions)</i>	June 30, 2009	Dec. 31, 2008
Within 6 months	2.1	(1.6)
In 6 to 12 months	0.4	-
In 12 to 18 months		-
In more than 18 months		0.3

### 13. Other receivables

<i>(in € millions)</i>	June 30, 2009	Dec. 31, 2008
Short-term tax receivables	1.2	3.0
Sundry receivables	46.9	58.0
Accruals	2.9	1.1
Provision for impairment	(2.8)	(2.6)
<b>Net</b>	<b>48.2</b>	<b>59.4</b>

The fair value of these assets closely approximates their carrying amount.

### 14. Cash and cash equivalents

Cash and cash equivalents analyzed in the statement of cash flows break down as follows:

<i>(in € millions)</i>	June 30, 2009	Dec. 31, 2008
<b>Cash equivalents</b>		
Marketable securities	7.8	21.0
Term deposits	7.0	7.3
<b>Sub-total</b>	<b>14.8</b>	<b>28.3</b>
Cash at bank	40.3	29.5
<b>Total</b>	<b>55.1</b>	<b>57.8</b>

### 15. Equity

All Chargeurs shares have been called and are fully paid-up. Changes in the number of shares outstanding since December 31, 2007 are as follows:

<b>Shares outstanding at December 31, 2007</b>	<b>10,377,097</b>
Issuance of shares on exercise of employee stock options	-
<b>Shares outstanding at December 31, 2008</b>	<b>10,377,097</b>
Issuance of shares on exercise of employee stock options	-
<b>Shares outstanding at June 30, 2009</b>	<b>10,377,097</b>

Based on a par value of €16 per share, shares outstanding at June 30, 2009 represented issued capital of €166,033,552, unchanged from December 31, 2008.

All the shares are of the same class, with the same rights to dividends and returns of capital.

Shares held in treasury can be analyzed as follows:

	June 30, 2009		Dec. 31, 2008	
	Number	Cost in euros	Number	Cost in euros
Chargeurs shares held:				
- By Chargeurs	13,334	230,851	13,334	230,851
- In connection with the liquidity contract	145,000	1,442,273	118,100	1,328,725
<b>Total</b>	<b>158,334</b>	<b>1,673,124</b>	<b>131,434</b>	<b>1,559,576</b>

"Other reserves" at June 30, 2009 included cumulative net gains on cash flow hedges in an amount of €0.4 million, unchanged from December 31, 2008.

## 16. Pension and other post-employment benefit obligations

Provisions for pension and other post-employment benefit obligations increased to €12.5 million at June 30, 2009 from €12.2 million at December 31, 2008, primarily due to the impact of changes in exchange rates.

There were no material changes in plan assets for partially funded plans at June 30, 2009 compared with the disclosures made at December 31, 2008.

## 17. Provisions

Provisions can be analyzed as follows:

<i>(in € millions)</i>	June 30, 2009	Dec. 31, 2008
Provisions for other non-current liabilities	12.7	7.2
Provisions for other current liabilities (a)	13.1	13.7
<b>Total</b>	<b>25.8</b>	<b>20.9</b>

(a) Included in "Other payables".

Movements in provisions:

<i>(in € millions)</i>	Provisions for other non- current liabilities	Provisions for other current liabilities	Total
<b>January 1, 2008</b>	3.9	3.6	7.5
Additions	0.9	1.5	2.4
Reversals of provisions used		(0.9)	(0.9)
Reversals of surplus provisions		(0.1)	(0.1)
Change in scope of consolidation			0.0
Other			0.0
Translation adjustment		(0.1)	(0.1)
<b>June 30, 2008</b>	<b>4.8</b>	<b>4.0</b>	<b>8.8</b>

<i>(in € millions)</i>	Provisions for other non- current liabilities	Provisions for other current liabilities	Total
<b>January 1, 2009</b>	7.2	13.7	20.9
Additions	5.5	2.2	7.7
Reversals of provisions used		(2.8)	(2.8)
Reversals of surplus provisions		(0.2)	(0.2)
Change in scope of consolidation			
Other			
Translation adjustment		0.2	0.2
<b>June 30, 2009</b>	<b>12.7</b>	<b>13.1</b>	<b>25.8</b>

<i>(in € millions)</i>	June 30, 2009	Dec. 31, 2008
Industrial restructuring costs (1)	17.8	14.1
Other contingencies (2)	8.0	6.8
<b>Total</b>	<b>25.8</b>	<b>20.9</b>

(1) Provisions for industrial restructuring costs mainly include the costs of staff layoffs announced to employees prior to June 30, 2009. The corresponding cash outflows will occur between the second half of 2009 and the end of 2012.

(2) Of the total cash outflows relating to "Other contingencies", €1.7 million will occur within the next 12 months.

## 18. Borrowings

The Chargeurs Group's financial liabilities fall within the category of "Other financial liabilities". Borrowings are measured using the amortized cost method.

Maturities of long-term debt can be analyzed as follows:

<i>(in € millions)</i>	June 30, 2009	Dec. 31, 2008
Due in less than one year	19.6	20.3
Due in one to two years	18.1	18.2
Due in two to three years	13.3	14.3
Due in three to four years	3.7	4.0
Due in four to five years	2.6	3.3
Due in more than five years	1.3	2.0
<b>Total</b>	<b>58.6</b>	<b>62.1</b>

### Borrowings by type of lender

<i>(in € millions)</i>	Notional amount June 30, 2009	Notional amount Dec. 31, 2008	Effective interest rate June 30, 2009
Loans from financial institutions	58.6	62.1	2.69%
Bank overdrafts	82.8	80.4	-

### Borrowings before interest-rate hedges, by interest reset date for variable-rate borrowings and repayment date for fixed-rate borrowings

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014 and beyond
Fixed-rate borrowings	1	1	1	0.9	0.4	0.1
Variable-rate borrowings	54.2					

Borrowings after interest-rate hedges, by interest reset date for variable-rate borrowings and repayment date for fixed-rate borrowings

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014 and beyond
Fixed-rate borrowings	7	19	1	0.9	0.4	0.1
Variable-rate borrowings	30.2					

At June 30, 2009 the average interest rate on long-term debt was 2.69% before hedging (5.20% at December 31, 2008) and 2.41% after hedging (4.54% at December 31, 2008).

The average fixed-rate portion of these borrowings after hedging was 46.89% in first-half 2009 (41.90% in full-year 2008).

Long-term debt was denominated in the following currencies at June 30, 2009 and December 31, 2008:

<i>(in € millions)</i>	June 30, 2009	Dec. 31, 2008
Euro	54.7	57.7
US dollar	3.7	4.4
Other	0.2	-
<b>Total</b>	<b>58.6</b>	<b>62.1</b>

The carrying amount of variable-rate borrowings approximates their fair value in view of the interest rates applied. At June 30, 2009, the carrying amount of borrowings originally contracted at fixed rates was €28.5 million.

In September 2005, Chargeurs Protective Films took out a €50 million installment loan with two banks. The related agreements include the following banking covenants:

	<u>2009</u>	<u>2008</u>
Debt/equity	< 60%	< 60%
Debt/EBITDA	< 1.5	< 1.5
Interest cover (EBITDA/finance costs)	> 6.0	> 6.0

These ratios are calculated once a year based on the business segment's consolidated accounts.

## 19. Other payables and factoring liabilities

“Other payables” include short-term provisions for contingencies and charges in an amount of €11.7 million (see note 17).

Receivables sold under no-recourse agreements are shown in the statement of financial position for €49.6 million (see note 11), with the corresponding liability recorded under "Factoring liabilities".

## 20. Financial risk management

Financial risk management policies in the first half of 2009 were based on the principles described in the 2008 Annual Report.

## NOTES TO THE INCOME STATEMENT

### 21. Research and development costs

Since December 31, 2007, research and development costs have been recorded on a specific line in the income statement.

<i>(in € millions)</i>	<u>First-half 2009</u>	<u>First-half 2008</u>
Research and development costs	(1.9)	(2.9)
<b>Total</b>	<b><u>(1.9)</u></b>	<b><u>(2.9)</u></b>

### 22. Other operating income and expense

Other operating income and expense include the following:

<i>(in € millions)</i>	<u>First-half 2009</u>	<u>First-half 2008</u>
Exchange gains and losses	0.5	(0.3)
Gains and losses on disposal of non-current assets	-	1.6
Restructuring costs	(7.1)	(1.6)
Other	1.8	(0.6)
<b>Total</b>	<b><u>(4.8)</u></b>	<b><u>(0.9)</u></b>

## 23. Employee information

### 23.1 Number of employees

The average number of employees of fully consolidated subsidiaries was as follows in first-half 2009 and full-year 2008:

	First-half 2009	Full-year 2008
Employees in France	683	771
Employees outside France	1,691	1,941
<b>Total employees</b>	<b>2,374</b>	<b>2,712</b>

### 23.2 Wages and social charges

Wages and social charges as well as discretionary profit-sharing are recorded in cost of sales, distribution costs, administrative expenses, and research and development costs.

## 24. Finance costs and other financial income and expense

<i>(in € millions)</i>	First-half 2009	First-half 2008
Finance costs	(5.1)	(7.4)
Interest income on loans and investments	1.6	2.5
Fair value adjustments to:		
- Investments in non-consolidated companies		
- Financial instruments	0.7	0.5
Exchange losses on transactions in foreign currencies		
Other		1.4
<b>Finance costs and other financial income and expense, net</b>	<b>(2.8)</b>	<b>(3.0)</b>



## 25. Income tax

Income tax for first-half 2009 and 2008 can be analyzed as follows:

<i>(in € millions)</i>	<u>First-half 2009</u>	<u>First-half 2008</u>
Current taxes	(0.9)	5.5
Deferred taxes	(6.1)	0.3
<b>Total</b>	<b><u>(7.0)</u></b>	<b><u>5.8</u></b>

The table below reconciles the Group's actual tax charge to the theoretical tax charge that would apply based on the weighted average tax rate of the consolidated companies (which is similar to the standard French tax rate).

In 2008, the Group recognized proceeds of €9.0 million on the no-recourse sale to a financial institution of a tax receivable. Of the total amount, €1.4 million corresponding to late interest was recognized under financial income and €7.6 million corresponding to tax was recognized under current taxes.

<i>(in € millions)</i>	<u>First-half 2009</u>	<u>First-half 2008</u>
Income tax for the period	(7.0)	5.8
Standard French income tax rate	33.33%	33.33%
Tax at the standard rate	5.9	(1.6)
Difference between income tax for the period and tax at the standard rate	(12.9)	7.3
Effect of differences in foreign tax rates	(0.3)	0.6
Effect of permanent differences between book profit and taxable profit	0.3	(2.1)
Change in tax assets recognized for tax losses:		
- Utilization of tax loss carryforwards recognized in prior periods and tax losses recognized during the current period		3.1
- Valuation allowances on deferred tax assets	(6.1)	
Effect of unrelieved tax losses	(6.5)	(1.8)
Other	(0.3)	7.5

## 26. Earnings per share

Basic earnings per share are calculated by dividing profit attributable to owners of the parent by the weighted average number of shares outstanding during the period. The Company reported a basic loss per share of €2.58 for first-half 2009.

As there are no significant dilutive instruments outstanding, diluted earnings per share are the same as basic earnings per share.

## 27. Cash flows from operating activities

(in € millions)

	First-half 2009	First-half 2008
Pre-tax profit/(loss) of consolidated companies	<b>(17.5)</b>	<b>4.4</b>
Adjustments:	<b>8.6</b>	<b>5.2</b>
. Depreciation and amortization	5.5	6.5
. Provisions for liabilities and employee benefit obligations	5.1	1.2
. Impairment of non-current assets	(1.0)	
. Fair value adjustments	(1.0)	(0.7)
. Impact of discounting		
. Unrealized gains on cash flow hedges reallocated or used during the year (before tax and minority interests)		
. Gains and losses on sales of investments in non-consolidated companies and other non-current assets		(1.6)
. Other		(0.2)
Income tax refunded	<b>0.8</b>	<b>6.5</b>
Cash (used by)/generated from operations	<b>(8.1)</b>	<b>16.1</b>

## 28. Commitments and contingencies

### 28.1 Commercial commitments

At June 30, 2009, Chargeurs and its subsidiaries were committed to purchasing plant and equipment for a total of €0.1 million (€0.3 million at December 31, 2008).

### 28.2 Guarantees

At June 30, 2009, Chargeurs and its subsidiaries had given guarantees for a total of €0.2 million.

### 28.3 Collateral

No assets were pledged as collateral during the first half of 2009.

#### 28.4 Commitments under non-cancelable medium-term operating leases

Future minimum payments under non-cancelable medium-term operating leases break down as follows by maturity:

<i>(in € millions)</i>	June 30, 2009	December 31, 2008
Due in less than one year	8.5	8.8
Due in one to five years	29.2	34.2
Due in more than five years	0.0	0.0
<b>Total</b>	<b>37.5</b>	<b>43.0</b>

### 29. Related-party transactions

#### Transactions with associates

In first-half 2009, transactions with associates primarily concerned purchases from and sales to the Chinese company, Ningbo Lailong Bertero Interlining. The net expense relating to these transactions was recognized under cost of sales by Chargeurs Interlining in an amount of €4.2 million.

### 30. Information by business segment

Profits and losses by business segment were as follows for the first half of 2009:

<i>(in € millions)</i>	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Non-operating	Consolidated
<b>Revenue</b>	64.8	86.4	75.2		226.4
Operating profit/(loss)	(6.8)	(7.7)	(0.7)	0.4	(14.8)
Finance costs					(2.8)
Share of profit/(loss) of associates					(1.9)
<b>Pre-tax profit/(loss) for the period</b>					<b>(19.5)</b>
Income tax					(7.0)
<b>Profit/(loss) for the period</b>					<b>(26.5)</b>

Profits and losses by business segment were as follows for first-half 2008:

<i>(in € millions)</i>	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Other	Non-operating	Consolidated
<b>Revenue</b>	103.8	113.4	114.2	4.0		335.4
Operating profit	7.3	4.6	0.5	0.2	(5.2)	7.4
Finance costs						(3.0)
Share of profit/(loss) of associates						(1.4)
<b>Pre-tax profit for the period</b>						3.0
Income tax						5.8
<b>Profit for the period</b>						8.8

Additional information concerning the first half of 2009:

<i>(in € millions)</i>	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Non-operating	Consolidated
Depreciation	(1.4)	(2.8)	(1.0)		(5.2)
Impairment losses:					
• On goodwill					0.0
• On property, plant and equipment					0.0
Impairment losses:					
• On inventories	(0.9)	(0.5)	(0.4)		(1.8)
• On trade receivables	(0.1)	(0.4)			(0.5)

Additional information concerning the first half of 2008:

<i>(in € millions)</i>	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Other	Non-operating	Consolidated
Depreciation	(1.3)	(3.6)	(1.4)			(6.3)
Impairment losses:						
• On goodwill						0.0
• On property, plant and equipment						0.0
Impairment losses:						
• On inventories	(1.1)	(3.2)	(1.7)	(0.1)		(6.1)
• On trade receivables	0.2	(0.3)				(0.1)

### Segment assets and liabilities at June 30, 2009

<i>(in € millions)</i>	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Non-operating	Total
Assets (a)	139.3	172.7	110.4	(4.3)	418.1
Liabilities (b)	67.0	71.3	58.3	(14.6)	182.0
Capital employed	72.3	101.4	52.1	10.3	236.1
Purchases of assets	0.4	0.9	0.3		1.6

*(a) Excluding cash and cash equivalents.*

*(b) Excluding equity and bank borrowings net of cash and cash equivalents.*

### Segment assets and liabilities at December 31, 2008

<i>(in € millions)</i>	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Non-operating	Total
Assets (1)	146.0	193.2	128.0	13.0	480.2
Liabilities (2)	79.8	72.0	66.0		217.8
Capital employed	66.2	121.2	62.0	13.0	262.4
Purchases of assets	3.2	7.7	1.2	0.1	12.2

*(1) Excluding cash and cash equivalents.*

*(2) Excluding equity and bank borrowings net of cash and cash equivalents.*

## **31. Seasonal fluctuations in business**

Seasonal fluctuations in business do not have a material impact on the Group's financial statements.

### 32. Corrections to the interim consolidated financial statements at June 30, 2009

In light of the corrections made to the closing balance sheet at December 31, 2008, certain balance sheet items at June 30, 2009 have been adjusted, as follows:

#### Assets:

<i>(in € millions)</i>	Financial statements at June 30, 2009 as published in August 2009	Adjustment	Financial statements at June 30, 2008 as published in December 2009
Property, plant and equipment	65.9	0.7	66.6
Intangible assets	69.5	0.1	69.6
Inventories	111.5	(1.4)	110.1
Other receivables	48.2	0.1	48.3

#### Liabilities:

<i>(in € millions)</i>	Financial statements at June 30, 2009 as published in August 2009	Adjustment	Financial statements at June 30, 2009 as published in December 2009
Trade payables	89.8	0.1	89.9
Short-term bank loans and overdrafts	82.8	0.5	83.3
Reserves (excluding loss for the year)	(6.8)	(3.6)	(10.4)
Translation reserve	(9.5)	0.6	(8.9)

**1.4.2.2.7. Statutory Auditors' review report on the consolidated financial statements for the six months ended June 30, 2009**

*This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

*To the Chairman*

*In our capacity as Statutory Auditors of Chargeurs SA and in application of Article 212-15 of the Règlement Général of the AMF, we have performed a limited review of the rectified condensed interim consolidated financial statements for the period from January 1 to June 30, 2009 prepared for the purposes of this Registration Document.*

*These rectified condensed interim consolidated financial statements were approved by the Board of Directors on December 21, 2009. Our role is to express a conclusion on these condensed interim consolidated financial statements based on our limited review.*

*We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain the same level of assurance as with a full audit that the condensed interim consolidated financial statements taken as a whole do not include any material misstatements.*

*Based on our limited review, we have not identified any material misstatements that would cause us to believe that the rectified condensed interim consolidated financial statements prepared for the purposes of this Registration Document do not comply with IAS 34 – "Interim Financial Reporting", as adopted by the European Union.*

*Without qualifying the opinion expressed above, we draw shareholders' attention to the "Important note" inserted at the beginning of the notes to the financial statements, which describes the corrections made to the condensed interim consolidated financial statements for the six months ended June 30, 2009 as published in the interim report dated August 27, 2009, on which we issued our limited review report dated August 27, 2009 drawn up in application of Article L.451-1-2 of the Code Monétaire et Financier (Monetary and Financial Code).*

*This report has been issued solely for the purpose of registering the Registration Document with the AMF and, if applicable, for the public offering in France and in other European Union countries where a prospectus comprising this Registration Document approved by the AMF would be required. It may not be used for any other purpose..*

Neuilly-sur-Seine and Paris, December 22, 2009

The Statutory Auditors

*French original signed by:*

PricewaterhouseCoopers Audit

Gérard Morin

S & W Associés

Maryse Le Goff

### 1.4.3. Financial information for the third quarter of 2009

#### Revenue for the third quarter of 2009 and the 9 months ended September 30, 2009

Revenue	Third-quarter 2009		9 months ended Sept. 30, 2009	
	2009	2008	2009	2008
<i>(in € millions)</i>				
Chargeurs Protective Films	37	49	102	153
Chargeurs Interlining	40	54	126	171
Chargeurs Wool	34	38	109	152
<b>Total</b>	<b>111</b>	<b>141</b>	<b>337</b>	<b>476</b>

Consolidated revenue for the third quarter of 2009 was down 21.3% on the comparable period of 2008. This contraction was lower than the 32.5% year-on-year decline reported in first-half 2009, reflecting a slight upturn in business.

Year-to-date revenue for the nine months ended September 30, 2009 declined 29.2% compared with the first nine months of 2008, primarily due to lower volumes.

#### Significant events

On October 9, Chargeurs withdrew from its former clothing fabrics business by selling its equity interest in Fashion Company to its joint shareholder Holfipar. Chargeurs and Holfipar became equal partners in Fashion Company in July 2007 when Chargeurs sold 50% of its interest to Holfipar.

#### Financial position

Net bank debt stood at €73.1 million at September 30, 2009, down by €13.2 million from €86.3 million at June 30, 2009.

The Group pursued negotiations with its main banks to consolidate its financial structure by restructuring certain facilities. These negotiations, which also concern debt repayments due in the second half, are expected to conclude before the end of 2009. At the same time, plans are being pursued to raise equity capital on the financial markets, with the issue expected to occur during the first quarter of 2010.



## Outlook

Based on currently available information, Chargeurs has confirmed the consolidated results targets for 2009 set out below in section 1.4.4 of this Registration Document. It has also confirmed that the Group returned to operating profit in September 2009.

### **1.4.4. Outlook**

#### (a) Targets and guidance

In its press release dated August 27, 2009 on the Group's financial performance for first-half 2009 (see section 1.4.2 above), Chargeurs stated that in view of its results and the restructuring plans underway, it had revised its full-year guidance for 2009 as follows:

- |                   |              |
|-------------------|--------------|
| - Revenue:        | €445 million |
| - Operating loss: | €29 million  |
| - Net loss:       | €48 million  |

The forecast operating loss consists mainly of restructuring costs in the amount of €24 million. Excluding these non-recurring items, the underlying operating loss is forecast at €5 million.

The measures taken in 2009 should drive a €21 million improvement in operating performance in 2010, led by €17 million worth of cost savings.

Thus, based on projected 2010 revenue of approximately €450 million, the Group should end the year with recurring operating profit of €16 million versus a forecast €5 million loss this year.

#### Assumptions for 2009:

Chargeurs' targets and forward-looking information for 2009 are based on the following assumptions:

- Asset impairment losses and restructuring costs amounting to €31 million.
- A 25.7% contraction in revenue for the year compared with 2008, taking into account the 32.5% decline reported for the first half, which primarily reflected lower unit sales for Chargeurs Protective Films and Chargeurs Interlining.
- Initial positive effects of the restructuring measures carried out in the first half of the year.
- Stable euro exchange rates during the year.
- No significant changes in polyethylene or wool prices.

Assumptions for 2010:

Chargeurs' targets and forward-looking information for 2010 are based on the following assumptions:

- Stable volumes compared with 2009 for the three core businesses.
- No restructuring measures in 2010.
- Positive impact of the Group's cost reduction plans.
- Stable euro exchange rates during the year.
- No significant changes in polyethylene or wool prices.
- No changes in accounting standards compared with 2009.
- No changes in scope of consolidation.

The forward-looking information set out above is based on data, assumptions and estimates that the Group's management deems reasonable. These data, assumptions and estimates may change or be amended due to uncertainties related notably to the economic, financial, accounting, competitive, regulatory and fiscal environment. In addition, if certain of the risks described in section 1.2.2 of this Registration Document were to occur, this could have an adverse effect on the Group's business, financial position and results of operations as well as on its ability to achieve its targets.

## **(b) Statutory Auditors' report on forecasts**

*This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

*To the Chairman*

*In our capacity as Statutory Auditors and in compliance with European Commission Regulation 809/2004/EC, we hereby report to you on the earnings forecasts of Chargeurs SA, which are included in section 1.4.4 of the 2008 "document de référence" dated December 23, 2009.*

*These forecasts and material underlying assumptions were prepared under your responsibility, in accordance with European Commission Regulation 809/2004/EC and the relevant CESR guidance. It is our responsibility to express a conclusion on whether the forecasts have been properly compiled, pursuant to paragraph 13.2 of Appendix 1 of European Commission Regulation 809/2004/EC.*

*We performed our procedures in accordance with professional standards applicable in France. These procedures consisted of assessing the processes put in place by management to compile the forecasts, as well as ensuring that the accounting methods applied are consistent with those used to prepare Chargeurs SA's historical financial information. We also collected all the relevant information and explanations that we deemed necessary to obtain reasonable assurance that the forecasts were properly compiled based on the stated assumptions.*

*In view of the uncertain nature of forecasts, actual results may differ significantly from the forecasts. Therefore, we do not express a conclusion on whether the forecasts can be achieved.*

*In our opinion:*

- The forecasts have been properly compiled on the basis stated.*
- The accounting methods used to prepare the forecasts are consistent with the methods applied by Chargeurs SA.*

*This report is issued solely for the purposes of the 2008 "document de référence" registered with the French securities regulator (AMF) and any public offering that may be carried out in France or any other EU country, as described in a prospectus issued specifically for the offering, filed with the AMF and which must include this "document de reference". It may not be used for any other purpose."*

Neuilly-sur-Seine and Paris, December 23, 2009

The Statutory Auditors

*French original signed by:*

PricewaterhouseCoopers Audit

Gérard Morin

S & W Associés

Maryse Le Goff

## **2. CHARGEURS SA**

### **2.1. INFORMATION CONCERNING THE ISSUER**

#### **2.1.1. Company name and registered office (Article 3 of the bylaws)**

The Company's name is Chargeurs. Its registered office is located at 29-31 rue Washington, 75008 Paris, France (Tel.: +33 1 71 72 33 50).

The Board of Directors may decide to transfer the Company's registered office to another location within Paris or a neighboring *département*, subject to ratification by shareholders at the next Ordinary General Meeting following the Board of Directors' decision.

The transfer of the registered office to any other location is subject to a decision by shareholders at an Extraordinary General Meeting.

#### **2.1.2. Legal form (Article 1 of the bylaws)**

Chargeurs is a joint stock company (*société anonyme*) with a Board of Directors and is governed by the laws of France.

#### **2.1.3. Registration particulars**

The Company is registered in Paris under number 390 474 898. Its business identifier code is 7010Z.

#### **2.1.4. Date of formation and term (Article 4 of the bylaws)**

The Company was originally formed under the name Chargetex 1 on March 11, 1993 and its name was changed to Chargeurs on May 7, 1997. It was incorporated with a term of ninety-nine years, expiring on March 17, 2092 unless said period is extended or the Company is wound up in advance.

#### **2.1.5. Corporate purpose (Article 2 of the bylaws)**

The Company's corporate purpose is to conduct, in France and other countries:

- All trading and non-trading transactions concerning industrial and/or commercial activities, notably those relating to the textile industry, the production of protective films and transportation.

- All industrial, commercial, financial, real estate or securities transactions (i) related directly or indirectly to the above purpose or any similar, complementary or related purpose or any activities that contribute to the implementation or furtherance of said purposes, or (ii) related to the Company's assets, including using or selling any discoveries, processes, expertise, original works or industrial and intellectual property rights, and using all types of cash and cash equivalents in the form of securities or loans, credit facilities, advances or any other form authorized by law.

The Company may perform such transactions by any method and in any form, directly or indirectly, for itself or on behalf of third parties, either alone or with third parties, through creating new companies, contributing assets or funds, acquiring shares in existing companies, merging companies, setting up business leases, entering into partnerships and selling or leasing assets.

#### **2.1.6. Financial year (Article 24 of the bylaws)**

Chargeurs SA's financial year begins on January 1 and ends on December 31.

#### **2.1.7. Consultation of corporate documents**

All documents concerning the Company that are required to be made available to shareholders in accordance with the applicable regulations can be consulted at the Company's headquarters, including:

- The Company's bylaws.
- Minutes of General Meetings.
- Financial information for the last three years (financial statements of the Company and the Group, management reports and Statutory Auditors' reports).

#### **2.1.8. Appropriation of profit (Articles 26 and 27 of the bylaws)**

Profit for the year corresponds to total revenues less general operating expenses and other expenses of the Company, including depreciation, amortization and provision expense.

At least 5% of profit for the year, less any prior year losses, is allocated to the legal reserve, until such time as the legal reserve represents one tenth of share capital.

Profit available for distribution corresponds to profit for the year, less any losses brought forward from prior years and any amounts appropriated to reserves in compliance with the law and the Company's bylaws, plus any retained earnings. The Annual General Meeting may decide to carry forward all or part of the amount to the following year, or to appropriate all or part of the amount to reserves. Any remaining amount of profit available for distribution is paid out to shareholders in the form of dividends. The Annual

General Meeting may also decide to pay dividends to shareholders out of distributable reserves.

#### **2.1.9. Payment of interest and dividends (Article 28 of the bylaws)**

The method of paying interest and dividends is determined by a vote at the Annual General Meeting or, failing that, by the Board of Directors.

At the Annual General Meeting shareholders may be granted the option of receiving all or part of their dividend or interim dividend in the form of shares. Any request by a shareholder for the payment of a dividend in shares must be made within the time period set at the Annual General Meeting, which may not exceed three months following said meeting. This time period may be suspended by the Board of Directors for a period not exceeding three months, subject to the applicable legal and regulatory conditions.

#### **2.1.10. Identification of shareholders (Article 6 of the bylaws)**

In accordance with the applicable laws and regulations, notably Article L. 228-2 of the French Commercial Code, the Company may request, at any time, from the securities clearing organization (in exchange for a fee) (i) the name – or, in the case of corporate shareholders, the registered name –, nationality, year of birth – or, in the case of corporate shareholders, the year of incorporation – and address of holders of securities carrying immediate or deferred rights to vote at the Company's General Shareholders' Meetings, and (ii) details of the number of securities held by each such holder and of any restrictions applicable to the securities concerned.

#### **2.1.11. Disclosure thresholds (Article 6 of the bylaws)**

In addition to the statutory disclosure thresholds provided for in paragraph 1 of Article L. 233-7 of the French Commercial Code, when any individual or entity, acting alone or in concert with others, that directly or indirectly owns 10% or more of the Company's share capital or voting rights acquires an additional interest representing at least 5% of the capital or voting rights, that shareholder must inform the Company by registered mail with return receipt requested, within the time period set down in Article L. 233-7 of the French Commercial Code. Said notification must state the total number of shares and share equivalents held, as well as the number of voting rights and potential voting rights attached thereto. The same disclosure formalities must be carried out each time the portion of capital or voting rights held by such shareholder is raised to above or reduced to below any multiple of 5%, including where the shareholder's interest in the Company represents over 50%.

If a shareholder fails to comply with these disclosure requirements, the shares held in excess of the disclosure threshold may be stripped of voting rights as provided for in Article L. 233-14 of the French Commercial Code, on a motion tabled by one or more shareholders holding a combined interest of at least 5% of the Company's capital or voting rights. Said request must be duly recorded in the minutes of the General Meeting concerned.

At its meeting on December 3, 2009, the Board of Directors decided to call a General Meeting on February 8, 2010 at which a resolution will be tabled amending the above provisions of Article 6 of the bylaws (see section 3.3 of this Registration Document).

#### **2.1.12. General Meetings (Articles 18 to 21 of the bylaws)**

A validly constituted General Meeting represents all of the Company's shareholders. Decisions made at General Meetings in accordance with the law and the Company's bylaws are binding on all shareholders, including any absent, dissenting or disqualified shareholders.

All shareholders are entitled to participate in General Meetings, regardless of the number of shares they own.

An Ordinary General Meeting must be held at least once a year, within six months of the end of the fiscal year, unless this timeframe is extended by a court of law.

Additional General Meetings – either Ordinary or Extraordinary depending on the tabled resolutions – may be held at any time during the year.

Shareholders' rights under the Company's bylaws may only be amended at an Extraordinary General Meeting.

General Meetings are called by the method and within the timeframe set by law. They are held at the Company's registered office or any other venue specified in the notice of meeting.

Shareholders may give proxy to their spouse or another shareholder to vote at any General Meeting, in accordance with the law.

In order to be entitled to attend or be represented at a General Meeting, shareholders must have their shares recorded in a securities account at least three business days prior to the date of the Meeting in accordance with Article R. 225-85-I of the French Commercial Code. However, the Board of Directors may either reduce this timeframe or waive the requirement completely.

General Meetings are chaired by the Chairman of the Board of Directors or by a director temporarily acting as Chairman, or by another director designated by the Board. If no such person is designated, the General Meeting elects its own chairman.

The role of election scrutineer is performed by the two shareholders present who hold the largest number of voting rights, or in the event that they refuse to serve in this capacity, by the next largest representative shareholders who accept the role.

Each share carries the right to one vote at General Meetings, such that each shareholder has a number of votes equal to the number of shares held or represented by proxy, subject to the applicable legal and regulatory limits.

## **2.2. INFORMATION ON THE COMPANY'S CAPITAL**

### **2.2.1. Share capital**

At the date of this Registration Document, the Company's share capital amounted to €166,033,552, divided into 10,377,097 shares with a par value of €16 each, all fully paid up.

At its meeting on December 3, 2009, the Board of Directors decided to call a General Meeting on February 8, 2010 at which a resolution will be tabled providing for a reduction in the par value of Chargeurs shares to €0.16. This would have no impact on the number of shares held by each shareholder.

Chargeurs' shares must be held in registered form until they are fully paid up.

Fully paid-up shares may be held either in registered or bearer form, at the shareholder's discretion.

Share ownership is evidenced by the shares being recorded in the shareholder's name in the relevant register or account kept in accordance with the applicable regulations.

As allowed under paragraph 1 of Article L. 225-123 of the French Commercial Code, shares registered in the name of the same holder for at least two years carry double voting rights. In addition, pursuant to paragraph 2 of said Article, in the event of a bonus share issue paid up by capitalizing reserves, profits or share premiums, the new registered shares allocated to a shareholder in respect of existing shares carrying double voting rights may also be given double voting rights. The conditions applicable to the loss or transfer of double voting rights are set out in Article L. 225-124 of the French Commercial Code.



## 2.2.2. Changes in capital over the last five years

Year	Operation	Number of shares issued	Par value (in euros)	New capital	Total number of shares outstanding
2004	Issuance of shares on exercise of employee stock options	282,383	16		
	Cancellation of shares held in treasury	(47,500)	16		
	Cancellation of shares purchased under the public buyback offer	(3,000,000)	16		
				<u>161,937,408</u>	<u>10,121,088</u>
2005	Cancellation of shares held in treasury	(77,000)	16		
	Issuance of shares on exercise of employee stock options	87,659	16		
				<u>162,107,952</u>	<u>10,131,747</u>
2006	Issuance of shares on exercise of employee stock options	161,450	16		
				<u>164,691,152</u>	<u>10,293,197</u>
2007	Issuance of shares on exercise of employee stock options	83,900	16		
				<u>166,033,552</u>	<u>10,377,097</u>
2008	-	-	-	<u>166,033,552</u>	<u>10,377,097</u>

### 2.2.3. Changes in ownership structure over the last three years

	December 31, 2008			December 31, 2007			December 31, 2006		
	Number of shares	% interest	% voting rights*	Number of shares	% interest	% voting rights*	Number of shares	% interest	% voting rights*
<b>PATHÉ (1)</b>	2,734,035	26.35%	26.10%	2,734,035	26.35%	26.06%	1,916,760	18.62%	19.70%
OJEJ (1)	11,000	0.11%	0.21%	11,000	0.11%	0.21%	11,000	0.11%	0.20%
Jérôme Seydoux	1,341	0.01%	0.03%	1,341	0.01%	0.02%	1,341	0.01%	0.02%
Sofi Emy (2)	655,195	6.31%	6.25%	655,195	6.31%	6.25%	1,769,313	17.19%	19.02%
Eduardo Malone	7,163	0.07%	0.07%	7,163	0.07%	0.07%	7,163	0.07%	0.11%
<b>Total shareholders acting in concert</b>	<b>3,408,737</b>	<b>32.85%</b>	<b>32.66%</b>	<b>3,408,734</b>	<b>32.85%</b>	<b>32.61%</b>	<b>3,705,577</b>	<b>36%</b>	<b>39.05%</b>
The Baupost Group (3)	1,245,371	12.00%	11.89%	1,245,371	12.00%	11.87%	1,245,371	12.10%	11.40%
Harris Associates/Oakmark Funds (3)	1,108,759	10.68%	10.58%	1,079,559	10.40%	10.29%	1,090,759	10.60%	10.00%
La Financière de l'Echiquier	768,114	7.40%	7.33%	641,000	6.18%	6.11%	540,000	5.25%	4.95%
HMG Finance	603,500	5.82%	5.76%	-	-	-	-	-	-

(1) Companies controlled by Jérôme Seydoux.

(2) Companies controlled by Eduardo Malone.

(3) US investment funds.

\*\* Taking into account double voting rights (see section 2.2.1 of this Registration Document)

At December 31, 2008 Jérôme Seydoux, Eduardo Malone and the companies that they control together held 32.85% of Chargeurs' capital and 32.65% of the voting rights, which are exercised in concert.

#### **2.2.4. Notifications received under disclosure threshold rules since December 31, 2008**

In accordance with Article L.233-7-II of the French Commercial Code:

- Harris Associates L.P, acting on behalf of investment funds and clients, disclosed that on August 21, 2009 it had reduced its interest to below 10% of the Company's capital and voting rights following a sale of shares on the market, and that at that date it held 927,259 Chargeurs shares and the same number of voting rights on behalf of said funds and clients, representing 8.94% of the Company's capital and 8.85% of the voting rights.
- In letters received by the AMF on August 28 and August 31, 2009, Harris Associates L.P. filed a corrective disclosure stating that on May 11, 2006, acting on behalf of investment funds and clients, it had increased its interest to above 10% of the Company's voting rights, and that at that date it held 1,090,759 Chargeurs shares and the same number of voting rights on behalf of said funds and clients, representing 10.77% of the Company's capital and 10.18% of the voting rights. This threshold was crossed due to a reduction in Chargeurs' total number of voting rights. Harris Associates L.P. stated that as of August 21, 2009 it held 927,259 Chargeurs shares and the same number of voting rights, representing 8.94% of the Company's capital and 8.85% of the voting rights.
- Harris Associates L.P disclosed that on August 31, 2009 it had reduced its interest to below 5% of the Company's capital and voting rights following a sale of shares on the market, and that at that date it held 419,164 Chargeurs shares and the same number of voting rights, representing 4.04% of the Company's capital and 4.00% of the voting rights.

#### **2.2.5. Shareholders' agreements**

There are no shareholders' agreements in force between the members of the concert group described in section 2.2.3 above, or between the members of said concert group and any other shareholders.

#### **2.2.6. Agreements that could result in a change in control of the Company**

There are no agreements in place between the members of the concert group described in section 2.2.3 above or with any other party that could lead to a change in control of the Company.

### 2.2.7. Dividends paid for the last five years

Chargeurs paid the following dividends for the last five years:

Year	Dividend paid (€ per share)
2004	1.2
2005	-
2006	0.65
2007	0.65
2008	-

### 2.2.8. Summary of treasury share transactions

Over the last five years, changes in the number of treasury shares held by Chargeurs were as follows:

Year	Number of treasury shares held by Chargeurs
2004	157,404
2005	42,634
2006	37,934
2007	13,334
2008	13,334
2009 (at June 30)	13,334

At December 31, 2008, the Company also held 118,100 Chargeurs shares purchased under the liquidity contract signed on May 16, 2007 with CA Cheuvreux. These shares were purchased at a total cost of €1,328,725, representing an average price per share of €11.25. This liquidity contract complies with the AMAFI code of ethics.

Shares held in treasury at December 31, 2008 were valued at €6.86 per share, corresponding to the Chargeurs share price for the month of December 2008.

### **2.2.9. Authorization to trade in the Company's shares**

At the Annual General Meeting on May 6, 2008, the shareholders granted the Board of Directors an eighteen-month authorization expiring on November 5, 2009 to trade in Chargeurs shares. The purpose of this authorization was (i) for market making within the framework of a liquidity contract entered into with an independent investment firm and which complies with the AMAFI code of ethics; and (ii) to enable the Company to acquire shares for cancellation through a capital reduction. The maximum purchase price was set at €24 per share and the number of shares acquired under the authorization could not represent more than 1% of the Company's capital.

### **2.2.10. Other financial authorizations in force**

In addition to the authorization described in section 2.2.9 above, at the Annual General Meeting held on May 6, 2008, the shareholders authorized the Board of Directors to cancel the shares bought back under the above-mentioned share buyback program – provided that the number of shares cancelled does not exceed 1% of the Company's capital – and to reduce the capital accordingly.

The shareholders have not granted the Board of Directors any other financial authorizations.

At its meeting on December 3, 2009, the Board of Directors decided to call a General Meeting on February 8, 2010. The resolutions to be tabled at this meeting are presented in section 3.3 of this Registration Document.

### **2.2.11. Non-equity securities**

N/A.

### **2.2.12. Stock options**

There were no stock option plans in force as at the date of this Registration Document.

### **2.2.13. Arrangements involving employees in the issuer's capital**

N/A.

### **2.2.14. Share performance**

Chargeurs' shares are listed on NYSE Euronext Paris (Compartment C).

The Company's share performance between January 2006 and November 2009 was as follows:

	<u>Trading volume</u>	<u>High</u>	<u>Low</u>
January 2006	147,863	16.9	16.8
February 2006	611,389	20.9	17.0
March 2006	1,303,804	24.0	20.0
April 2006	446,557	23.9	22.4
May 2006	371,829	23.8	21.0
June 2006	87,139	22.6	19.6
July 2006	127,719	22.2	19.3
August 2006	65,962	20.0	18.2
September 2006	191,912	23.0	20.5
October 2006	69,021	22.0	20.9
November 2006	157,312	21.6	20.7
December 2006	75,052	21.5	20.1
January 2007	168,613	24.2	20.9
February 2007	146,153	23.5	21.3
March 2007	318,684	26.4	21.4
April 2007	369,142	27.4	25.8
May 2007	105,247	26.9	25.2
June 2007	108,691	25.1	23.2
July 2007	130,406	24.2	21.4
August 2007	348,543	24.0	21.1
September 2007	219,956	24.0	20.5
October 2007	90,816	20.7	19.5
November 2007	153,194	19.8	16.5
December 2007	167,969	17.0	16.0

January 2008	400,251	17.6	13.2
February 2008	173,309	14.0	13.0
March 2008	203,484	14.0	12.6
April 2008	132,344	14.0	13.2
May 2008	35,286	14.7	13.2
June 2008	47,998	13.8	11.9
July 2008	95,024	12.0	9.8
August 2008	151,677	11.0	9.7
September 2008	55,491	11.0	10.0
October 2008	57,312	10.2	8.0
November 2008	55,455	8.0	7.0
December 2008	49,102	7.0	6.7
January 2009	14,642	7.0	6.4
February 2009	22,644	6.8	5.9
March 2009	49,499	5.8	4.8
April 2009	46,652	5.0	4.5
May 2009	59,545	4.7	4.3
June 2009	222,728	4.6	4.0
July 2009	560,364	4.5	4.0
August 2009	1,464,287	5.2	4.6
September 2009	1,773,537	5.5	4.3
October 2009	1,269,031	7.2	5.8
November 2009	303,050	6.3	5.5

## **2.2.15. Factors that would be likely to have an impact on a takeover bid**

There are no provisions in the Company's bylaws that would be likely to have a specific impact on a takeover bid. However, in addition to the applicable legal disclosure thresholds, any shareholder holding, either alone or in concert, over 10% of Chargeurs' shares or voting rights is required to inform the Company if their interest in the capital and/or voting rights is raised or reduced by a multiple of 5% (see section 2.1.11 above).

## **2.3. CORPORATE GOVERNANCE STRUCTURES**

### **2.3.1. Administrative and executive bodies**

#### **Board of Directors**

The Board of Directors is comprised of the following members:

- Eduardo Malone: Chairman and Chief Executive Officer and Director

Current term began 2009, expires 2012

Other current directorships:

- Co-Chairman, Pathé
- Chief Executive Officer, Pathé SAS
- Chairman, EuroPalaces – Chargeurs Textiles
- Chairman and Chief Executive Officer, Sofi Emy
- Director, Compagnie Deutsch – Lanac Trinidad SA – Lainière de Picardie UK Ltd

Other directorships held in the last five years:

- Member of the Supervisory Board, Galeries Lafayette
- Director, Société Anonyme Investissement Presse (Libération) (SAIP) – Lanera Santa Maria – Otegui Hermanos
- Permanent representative of Soparic Participations, Director of SAIP (Libération)

- Jérôme Seydoux: Vice-Chairman and Chief Executive Officer

Current term began 2007, expires 2010

Other current directorships:

- Co-Chairman, Pathé



- Chairman, Pathé SAS – Pathé Distribution SAS – Pathé Production SAS
- Member of the Executive Committee, Pathé Production SAS – Pricel SAS
- Chief Executive Officer, Pricel SAS
- Vice-Chairman and member of the Investment Committee, Olympique Lyonnais Groupe
- Vice-Chairman and member of the Supervisory Board, Compagnie du Mont-Blanc SA
- Member of the Executive Board, Pathé SAS
- Chairman of the Compensation Committee, Accor SA
- Director, Accor SA– Olympique Lyonnais Groupe
- Legal Manager, Edjer EURL – Ojej SC – Sojer SC
- Permanent representative of Soparic Participations on the Board of Directors of Olympique Lyonnais SASP

Other directorships held in the last five years:

- Chairman, Pathé Renn Production SAS
  - Member of the Executive Committee, Arena Films SAS – Galfin Production SAS – Pathé Renn Production SAS
  - Chairman and member of the Supervisory Board, Mont-Blanc & Compagnie SA
  - Vice-Chairman and Director, Tele Monte-Carlo SA
  - Member of the Supervisory Board, Accor SA
  - Director and member of the Nominations and Compensation Committee, Groupe Danone SA
  - Legal Manager, JMS Films SNC – Pathé Image SNC
  - Permanent representative of Pathé on the Boards of SPCS SA and Olympique Lyonnais Groupe
- Salim Meir Ibrahim: Director  
 Current term began 2007, expires 2010  
 Other current directorships: None  
 Other directorships held in the last five years:
    - Member of the Board, Dupont/Sabanchi Netherlands
  - Giuseppe Pirola: Director

Current term began 2008, expires 2011

Other current directorships:

- Chairman of the Board of Directors, Studio Pirola Pennuto Zei & Associati – Finanziaria Brera Srl (formerly E-Thinkers Srl)
- Director, Antonello Manuli Finanziaria SpA, Auto Centauro de la Vallee Srl, Autocrocetta SpA, Coop-Lease SpA, F.lli Gancia SpA, Gest Auto SpA, Gruppo Euro Auto 2000 SpA, Idea Uno SpA., Manuli Rubber Industries SpA, Manuli Strech SpA, Premium Car Rent Srl, Riso Gallo SpA, Terme di Saturnia Srl
- Lead Auditor, ABB SpA, ABB Cap SpA, ABB Estense Service SpA in Liq., Aliaxis Holding Italia SpA, Bluestar Silicones Italia SpA, Ecodeco Srl, Fertilvita Srl, Fineurop SpA, Fudfina Srl, Glynwed Srl, Nerviano Medical Sciences Srl, OMR Holding SpA (Officine Meccaniche Rezzatesi), Orofin SpA, Prosciuttificio Rovagnati Srl, Redi HT Srl, Redi SpA, Rhodia Italia SpA, Rovagnati SpA, Sibelco Italia SpA

Other directorships held in the last five years:

- Partner, Founder and Senior Partner, Studio Pirola Pennuto Zei & Associati
  - Director, Borgo Leasing SpA, Cambiolavoro Slr, Fidiger Srl, Isap OMV Group SpA, Pathé SpA, Raggio di Sole Magimi SpA, Ticketone SpA
  - Member of the Supervisory Board, Trione Ricambi SpA
  - Lead Auditor, AVF Astore Valevs and Fittings Srl, Cesalpina Food SpA (Wave SpA), Esselunga SpA, Europlast SpA, Fattoria Casabianca SpA, FIP Formatura Iniezione Polimeri SpA, Gancia SpA, Grupo Cordenons SpA, Idea SpA, I Viaggi del Ventaglio SpA, Immobiliare Celsa SpA, La Villata SpA, Livingston Aviation Group SpA, Mare Holding SpA, Nicoll Srl, Pharmacia Italia SpA, Peugeot Automobili Italia SpA, S.F.E. Società Finanziaria Europa SpA, Simis Srl, Supermarkets Italia SpA, Valeo SpA, Wave SpA
  - Auditor, Ecodeco Srl, Ecodeco SpA, Europa Metalli SpA, Fertilvita Srl, F.lli Gancia & C Spa, Immobiliare Snia Srl, Mare SpA, Nylstar SpA
- Georges Ralli: Director

Current term began 2007, expires 2010

Other current directorships:France

- Chairman, Maison Lazard SAS – Lazard Frères Gestion SAS
- Managing Partner, Compagnie Financière Lazard Frères SAS
- Managing Partner, Lazard Frères SAS
- Managing Partner, Lazard Frères Gestion SAS
- Director, S.I.L.I.C. –Véolia Environnement – Bazile Telecom

- Non-Voting Director, Eurazeo

#### United States

- Deputy Chairman and Member of the Board of Directors, Lazard Group LLC (USA)
- Chief Executive, European Investment Banking Business, Lazard Group LLC (USA)
- Co-Chairman, European Investment Banking Committee, Lazard Group LLC (USA)
- Member, European Advisory Board, Lazard Group LLC (USA)
- Member of the Executive Committee, Lazard Strategic Coordination Company LLC (USA)

#### Italy

- Member of the Board of Directors, Lazard & Co Srl
- Director, Lazard Investments Srl

#### Other directorships held in the last five years:France

- Chairman, Lazard Frères Banque SA
- Vice-Chairman and Chief Executive Officer and Managing Partner, Lazard Frères SAS
- Vice-Chairman and Executive Director, Lazard Frères SAS, Maison Lazard
- Managing Partner, Maison Lazard SAS – Lazard Frères SAS
- Managing General Partner, Partena SCS
- Director, FPG

#### United States

- Chief Executive, European Investment Banking Committee, Lazard Group LLC (USA)

The members of the Board are elected for a three-year term by shareholders at the Annual General Meeting. Their terms expire at the close of the Meeting held in the final year of their term to approve the financial statements for the previous year. All Board members may be re-elected when their terms expire. There is no limit on the number of terms that may be served by a director. The Company considers that Salim Meir Ibrahim and Giuseppe Pirola qualify as independent director, based on the definition contained in the Afep-Medef 2003 corporate governance code, except for the criterion related to the period of time that the director has served on the Board.

The Board of Directors meets four times a year: twice to examine the interim and annual financial statements, once to review Group strategy in relation to the budget and business plan and once after the Annual General Meeting to implement the decisions

voted by shareholders. At each meeting, the directors also discuss the Group's business performance, major projects and the matters submitted to the Board for a decision.

The Board met seven times in 2009, with an average participation rate of 83%.

### **Audit Committee**

At its meeting on December 3, 2009, the Board decided to set up an Audit Committee in application of Article L. 823-19 of the Commercial Code. Made up of Giuseppe Pirola (Committee Chairman), Salim Meir Ibrahim and Georges Ralli, the Audit Committee will be responsible for examining issues related to the preparation and control of accounting and financial information.

### **Executive Committee**

The Executive Committee is comprised of the following members:

- Eduardo Malone, Chairman and Chief Executive Officer
- Philippe Haroche, Vice-President – General Counsel
- Martine Odillard, Vice-President – Human Resources and Corporate Communications
- Christophe Pothier, Vice-President – Finance
- Laurent Derolez, Managing Director – Chargeurs Protective Films
- Richard Von Gerstenberg, Managing Director – Chargeurs Wool
- Bernard Vossart, Managing Director – Chargeurs Interlining

Every month, the Executive Committee pinpoints mission-critical issues and designates the most appropriate manager for each one, regardless of his/her position relative to other managers. A specific reporting system is in place so that the Chairman and Chief Executive Officer is informed directly, at regular intervals, of the status of these managers' work. The quality of their status reports is one of the areas covered during their annual performance review.

The issues dealt with primarily concern events that could have a material adverse effect on financial results and the Group's various risk exposures.

An outside consulting firm, specialized in economic forecasting, is used to help evaluate macro-economic risks specific to each of the Group's host countries. The consultants periodically present their findings to the Executive Committee and model certain specific risks when requested by one of the businesses.

Chargeurs occasionally retains the services of specialized firms to either perform key analyses or temporarily support its operational teams when critical projects are being implemented.

This organization places the Executive Committee at the center of the risk management process.

### **2.3.2. Administrative, management, and supervisory bodies and senior management conflicts of interest**

To the best of the Company's knowledge, as of the date of this Registration Document no family relationships exist between any members of the Board of Directors.

Also to the best of the Company's knowledge, in the last five years: (i) none of the members of the Board of Directors has been convicted in relation to fraudulent offenses, (ii) none of the members of the Board of Directors has been associated with any bankruptcies, receiverships or liquidations, (iii) none of the members of the Board of Directors has been subject to any official public incriminations and/or sanctions by statutory or regulatory authorities (including designated professional bodies), and (iv) none of the members of the Board of Directors has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

To the best of the Company's knowledge, as of the date of this Registration Document no potential conflicts of interest exist between the duties of the members of the Board of Directors to the Company and their private interests and/or other duties.

### **2.3.3. Compensation and benefits in kind**

Compensation paid to the Chairman and Chief Executive Officer by the Company is set by the Board of Directors. His incentive bonus is tied to Group results and represents a percentage of his base salary. In light of 2008 results, no bonus was paid in 2009.

In accordance with the Act of July 3, 2008, the following information is based on France's corporate governance code and Afep-Medef guidelines on the disclosure of compensation packages awarded to the corporate officers of listed companies. Tables 1, 2, 3 and 10 in the AMF's December 22, 2008 guidelines on disclosures about corporate officers' compensation packages are presented below. Compensation due and compensation paid are not presented separately in these tables as the amounts are identical.

As of the date of this Registration Document, there were no stock options outstanding.

### Compensation awarded to each corporate officer

<b>Eduardo Malone</b> <b>Chairman and Chief Executive Officer</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Current year's compensation			
o/w – salary	€350,000	€350,000	€350,000
– exceptional bonus	-	-	-
– directors' fees	€91,469	€91,469	€91,469
– benefits in kind (car)	€9,540	€9,540	€10,702
Incentive bonus based on prior year's performance	-	€80,000	€95,000
<b>Total</b>	<b>€451,010</b>	<b>€531,009</b>	<b>€547,171</b>

<b>Jérôme Seydoux</b> <b>Co-Chairman and Chief Executive Officer</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Current year's compensation			
o/w – salary	€50,000	€50,000	€50,000
– exceptional bonus	-	-	-
– directors' fees	-	-	-
– benefits in kind (car)	-	-	-
Incentive bonus based on prior year's performance	-	-	-
<b>Total</b>	<b>€50,000</b>	<b>€50,000</b>	<b>€50,000</b>

No stock options or performance shares were granted or exercised during the 2008 fiscal year.

**Total compensation, stock options and performance share grants awarded to each corporate officer**

<b>Eduardo Malone Chairman and Chief Executive Officer</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Compensation	€451,010	€531,010	€547,171
Stock options granted during the year	n/a	n/a	n/a
Performance shares granted during the year	n/a	n/a	n/a
<b>Total</b>	<b>€451,010</b>	<b>€531,010</b>	<b>€547,171</b>

*(\*) Incentive bonuses for a given year are determined based on the ratio of reported consolidated net profit to budgeted consolidated net profit and are subject to approval by the Board of Directors. No bonus is payable if the ratio is negative. If the ratio is positive, the incentive bonus represents approximately 0.6% of reported profit.*

<b>Jérôme Seydoux Vice-Chairman and Chief Executive Officer</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Compensation	€50,000	€50,000	€50,000
Stock options granted during the year	n/a	n/a	n/a
Performance shares granted during the year	n/a	n/a	n/a
<b>Total</b>	<b>€50,000</b>	<b>€50,000</b>	<b>€50,000</b>

**Directors' fees**

<b>Members of the Board of Directors</b>	<b>Paid in 2006</b>	<b>Paid in 2007</b>	<b>Paid in 2008</b>
Eduardo Malone	None	None	None
Jérôme Seydoux	None	None	None
Salim Meir Ibrahim	€10,000	€10,000	€10,000
Giuseppe Pirola	€10,000*	€10,000*	€10,000*
Georges Ralli	€10,000*	€10,000*	€10,000*
Philippe Giscard d'Estaing	€10,000	€10,000	Not applicable**

*(\*) before 25% withholding tax.*

*(\*\*) term expired in 2007.*

## Commitments of the Company towards corporate officers

Corporate officers	Employment contract		Supplementary pension plan		Compensation for loss of office		No-compete clause indemnity	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>Eduardo Malone</b> Chairman and Chief Executive Officer First appointed: 1996 Current term expires: 2012 AGM (re-election)	X(*)			X		X		X
<b>Jérôme Seydoux</b> Vice-Chairman and Chief Executive Officer First appointed: 1996 Current term expires: 2010 AGM (re-election)		X		X		X		X

(\*) Eduardo Malone's employment contract, dated July 1, 1973, was suspended in 1996 when he became a corporate officer.

### 2.3.4. Pensions and other benefits

None of the corporate officers and/or members of the Board receive benefits under a defined contribution or defined benefit plan.

The members of the Executive Committee are provided with free health insurance.

In addition, they may invest in a PEE employee savings plan to which the Company makes matching contributions of up to €1,372.04 per year, provided they have served at least three years in the Group.



### 2.3.5. Chairman's Report on Board Practices and Internal Control

#### **CHAIRMAN'S REPORT ON CORPORATE GOVERNANCE AND INTERNAL CONTROL (approved by the Board of Directors at its meeting of March 5, 2009)<sup>3</sup>**

##### **REFERENCE**

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In light of its size, Chargeurs has not applied the recommendations of the Afep-Medef corporate governance code of December 2008. The Group's corporate governance and internal control practices and procedures are based on the general principles of internal control defined by the French securities regulator (*Autorité des Marchés Financiers*) in its February 25, 2008 document entitled "*Cadre de référence du contrôle interne: Guide de mise en oeuvre pour les valeurs moyennes et petites*", which provides internal control guidelines for small- and mid-cap companies.

##### **BOARD OF DIRECTORS**

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###### *Members*

The membership of the Board of Directors is presented in the Corporate Governance section of the Annual Report, page 58<sup>4</sup>.

###### *Organization of the work of the Board of Directors*

The Board of Directors, comprising the Chairman and four directors, meets four times a year: twice to examine the interim and annual financial statements, once to review Group strategy in relation to the budget and the business plan, and once after the Annual General Meeting to implement the decisions voted by shareholders. At each meeting, the directors also discuss the Group's business performance, major projects and the matters submitted to the Board for a decision. The work of the Board is supported by that of the Finance Committee, which meets once a month.

Compensation paid to the Chairman and Chief Executive Officer by Group companies is set by the Board of Directors. His incentive bonus is tied to Group results and represents a percentage of his base salary. In light of 2008 results, no bonus will be paid in 2009.

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<sup>3</sup> This report contains references to certain articles of the Company's bylaws, which are available on request from the Company's headquarters.

<sup>4</sup> See section 2.3.1 of this Registration Document.

## **INTERNAL CONTROL**

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### **Definition**

Internal control is a system that the Company defines and implements under my own responsibility to provide assurance concerning:

- Compliance with laws and regulations.
- Implementation of the instructions and guidelines set by senior management or the Board of Directors.
- Efficient operation of the Company's internal processes, particularly those contributing to the protection of its assets.
- Reliability of financial reporting.

More generally, it contributes to the control of the Company's business, the effectiveness of its operations and the efficient use of its resources.

By helping to anticipate and control risks that could prevent the Company from meeting its objectives, internal control plays a key role in managing and overseeing its various business operations.

### **Components of the internal control system**

#### ***An efficient organization***

The Group is organized around a lean holding company structure, core businesses each with their own small holding company team, and a large number of operating subsidiaries. Empowering the operating companies is a fundamental principle at Chargeurs and one that is made possible by efficient information systems that provide the holding company with high quality financial information and the means to swiftly identify risks. In recent years, the rollout of the "Dolly" model has placed risk identification and management at center stage.

The Dolly model is based on obtaining accurate information about risks so that they can be actively managed. For the Dolly financial structures to operate effectively, it is essential to analyze and eliminate a large number of risks. The transactions, put together with risk management professionals such as insurers, banks and investors, automatically bring with them the controls that are a standard feature of securitizations.

Chargeurs is engaged in several very different businesses and has operations around the world. To take into account this diversity and the specificities of the Dolly model, we have implemented organizational measures designed to manage the risks that are likely to have a material adverse effect on our earnings, assets and commitments. The cornerstones of the system are:

- Empowerment and accountability: the Chairmen and Managing Directors of the subsidiaries have full responsibility for managing their units.
- Short lines of communication.
- Regular reporting on strategic issues.
- Group insurance programs covering all insurable risks.

- An Insurance Risk Management Committee comprising the Risk Managers of the core businesses.
- Group-wide Intranet access to operational procedures and rules.

### ***A system to map and analyze the main identifiable risks***

Every month, the Executive Committee pinpoints mission-critical issues and designates the most appropriate manager for each one, regardless of his/her position relative to other managers. A specific reporting system is in place so that I am informed directly, at regular intervals, of the status of these managers' work. The quality of their status reports is one of the areas covered during their annual performance review. The issues dealt with generally concern events that could have a material adverse effect on our financial results and our Group's various risk exposures. An outside consulting firm, specialized in economic forecasting, is used to help evaluate macro-economic risks specific to each of our host countries. The consultants periodically present their findings to the Executive Committee and model certain specific risks when requested by one of our businesses.

Chargeurs occasionally retains the services of specialized firms to either perform key analyses or temporarily support its operational teams when critical projects are being implemented.

This organization places the Executive Committee at the center of the risk management process.

### ***An information system focused on accountability***

Chargeurs' information system is based on the monthly income statements and key balance sheet indicators reported by each of our 75 consolidated companies.

We have long been committed to producing high quality financial information.

Back in 1980, we were one of the first companies in France to set up a monthly management reporting system based on the same accounting standards used to produce the statutory consolidated financial statements. Over the years, this process has been improved and since 2000 management and statutory reporting data are managed by the same information system. With the generation of the consolidated accounts now simply the last phase in the process, this ensures constant control over the production of financial information.

Each subsidiary's Managing Director and Finance Director send me comments on their monthly results, presented in a standard format.

I review these results, together with the updated annual forecasts reflecting the impact of any new developments, during monthly meetings with the Managing Directors of the core businesses.

### ***Control procedures sized to address the challenges of each process***

#### ***Accounting and financial risks***

Since 2003, the main management processes have been analyzed in order to document and map financial statement risks, the related potential financial impact and the internal controls in place to contain them. As part of this exercise, each core business has identified the three or four most sensitive processes and reviewed the highest risk

transactions within each one. The procedures in place to manage and control these transactions have also been identified.

These analyses serve to prioritize future measures, representing the starting point for the Group's drive to strengthen control over its processes.

#### *Operational risks*

Steps taken in 2007 to strengthen the value of Chargeurs' assets were pursued in 2008, with the most significant operations for each core business being as follows:

- Chargeurs Protective Films: introduction of a costing system that takes into account feedstock price volatility.
- Chargeurs Interlining: acquisition of Etacol in Bangladesh to continue expanding the business in Asia.
- Chargeurs Wool: sale of combing operations in Australia and of the investment in combing operations in South Africa.

### **Constant oversight of internal control procedures**

#### *Supervising internal control*

The subsidiaries' Finance Directors are responsible for controlling the accounting and reporting processes. Second-tier controls are performed by the Finance Directors of the core businesses as part of their oversight role with regard to the subsidiaries.

#### *Internal audit*

Chargeurs does not have its own internal audit department and therefore generally relies on local specialized firms in each region.

An internal control self-assessment process was initiated in the second half of 2007, which consisted of sending all subsidiaries – except for holding companies – a copy of the guidelines published by the *Autorité des Marchés Financiers* relating to subsidiaries' compliance with internal control procedures.

The following areas were covered:

- Financial reporting and the preparation of financial statements.
- Capital expenditure and divestments.
- Property, plant and equipment and intangible assets.
- Non-current financial assets.
- Purchases and trade payables.
- Production costs, inventories and work-in-progress.
- Revenue from external operations and trade receivables.
- Cash and cash equivalents.

Each subsidiary's Managing Director and Financial Controller duly completed the related questionnaires, which were signed by the subsidiary's Managing Director before being sent to head office.

The information contained in these questionnaires was subsequently summarized in a business-specific data sheet, enabling us to identify any internal control weaknesses by business, procedure and company, and to implement any requisite corrective measures.

#### *Specific initiatives in 2008*

The specific internal control initiatives carried out by each of the Group's businesses in 2008 were limited to the following, due to the extent of operational challenges:

- Chargeurs Protective Films: information systems security audit.
- Chargeurs Interlining: audit of inventories and receivables processes at one of the subsidiaries, performed by an independent firm.
- Chargeurs Wool: implementation of systems to manage financial flows on a consolidated basis.

#### *External audit*

Two audit firms share the task of auditing our consolidated financial statements. All of the local Auditors' observations arising from their audits of our subsidiaries' accounts are reported to the subsidiaries' senior management. The Group Auditors produce a summary of these observations, which is presented to me during twice-yearly meetings.

The Group Finance Department is responsible for ensuring that the Auditors' recommendations involving organizational changes or changes to procedures are implemented without delay.

The representation letters issued by the subsidiaries' Managing Directors to the Auditors are centralized by Chargeurs, to emphasize each Managing Director's accountability for information related to his or her subsidiary included in the Group financial statements.

#### **The internal control situation at the end of 2008**

I believe that internal control procedures related to the processing and preparation of accounting and financial information at the end of 2008 were appropriate considering the Group's characteristics. As these characteristics make in-depth testing of our processes very costly, few such tests are currently performed. Further investments will be committed in coming years in this area.

The 2009 action plan is based on the following strategic priorities:

- Finalizing reorganization of the management and statutory reporting process with a view to upgrading our information systems.
- Launching a variety of specific initiatives that will be defined during the first half of the year.
- Setting up an Audit Committee.
- Establishing general financial risk reviews within each business.

## SHAREHOLDER PARTICIPATION IN GENERAL MEETINGS

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Article 19 of the bylaws, relative to attendance and representation at General Meetings, provides that:

- Shareholders may give proxy to their spouse or another shareholder in accordance with the law.
- Minors and incapacitated persons may be represented by their legal guardian or conservator, and companies and other legal entities may be represented by a person with power of attorney or other authority, in accordance with the law.
- Spouses, guardians, conservators and other representatives are not required to be shareholders of Chargeurs.
- In order to take part in a General Meeting, shareholders must be able to provide evidence that their shares are recorded in a securities account, or deposit the shares or present a certificate attesting that the shares have been deposited, at least five days prior to the Meeting, in compliance with the instructions provided in the Notice of Meeting.
- For any given General Meeting, the Board of Directors may, at its discretion, advance the above-mentioned deadline or waive the requirement to deposit the shares.
- The Board may decide to issue admission cards to eligible persons in their name and for their use only.
- Shareholders can vote by filling out and returning to the Company a postal voting form or proxy form, in accordance with the applicable regulations.
- Prior to each General Meeting, the Board may decide that shareholders who take part in the Meeting via video conference or any other telecommunication means that allows them to be identified and whose nature and conditions of use are determined by a decree of the *Conseil d'Etat* are deemed present and included for quorum and majority voting purposes.

## **ITEMS LIKELY TO HAVE AN IMPACT IN THE EVENT OF A TAKEOVER BID**

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None of the items mentioned in article L. 225.100-3 of the French Commercial Code is likely to have an impact in the event of a takeover bid, except for the following:

- The Company's ownership structure, as described in the Report of the Board of Directors presented at the Annual General Meeting and published on Chargeurs' website.
- Direct or indirect investments in the Company's shares of which Chargeurs is notified pursuant to Articles L. 233-7 and L. 233-12 of the French Commercial Code, and which are disclosed in the Report of the Board of Directors presented at the Annual General Meeting and published on Chargeurs' website.
- The rules governing the election or replacement of Board members and changes to the Company's bylaws, referred to in Articles 9, 10 and 12 of the bylaws.
- The powers of the members of the Board of Directors, defined in Article 14 of the bylaws.

**Eduardo Malone,**  
Chairman and Chief Executive Officer  
March 2009

**2.3.6. Statutory auditors' report prepared in accordance with Article L. 225-235 of the Code de Commerce for the year ended December 31, 2008**

*This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the shareholders,

*In our capacity as Statutory Auditors of Chargeurs, and in accordance with Article L.225-235 of the French Commercial Code (Code de Commerce), we report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the Code de Commerce for the year ended December 31, 2008.*

*It is for the Chairman to prepare and submit to the approval of the Board of Directors a report reviewing the internal control and risk management procedures in place within the Company and providing the other information specified in Article L.225-37 of the Code de Commerce, notably as concerns the corporate governance system.*

*It is our responsibility to:*

- Report to you our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information.*
- Attest that the report contains the other information specified in Article L.225-37 of the Code de Commerce. However, our responsibility does not include verifying the fairness of this other information.*

*We performed our procedures in accordance with professional standards applicable in France.*



*Information on the internal control procedures relating to the preparation and processing of financial and accounting information*

*Professional standards require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:*

- Examining the internal control procedures related to the preparation and processing of accounting and financial data underlying the information presented in the Chairman's report, as well as existing documentation.*
- Acquiring an understanding of the work performed in order to prepare this information and existing documentation.*
- Determining whether the major internal control weaknesses concerning the preparation and processing of accounting and financial information that we may have identified as part of our audit are appropriately disclosed in the Chairman's report.*

*Based on the procedures performed, we have no matters to report concerning the information provided on the Company's internal control procedures related to the preparation and processing of accounting and financial information, as contained in the report of the Chairman of the Board of Directors prepared in accordance with Article L.225-37 of the Code de Commerce.*

Neuilly-sur-Seine and Paris – March 20, 2009

The Statutory Auditors

*French original signed by:*  
PricewaterhouseCoopers Audit  
G rard Morin

S & W Associ s  
Maryse Le Goff

### **3. ADDITIONAL INFORMATION**

#### **3.1. PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND STATUTORY AUDITORS**

##### **3.1.1. Person responsible for the registration document**

Eduardo Malone, Chairman and Chief Executive Officer  
29-31, rue Washington  
75008 Paris, France

##### **3.1.2. Declaration by the person responsible for the registration document**

I declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I have received a letter from the Statutory Auditors confirming that they have verified the information about the Company's financial position and financial statements provided in this Registration Document and that they have read it in its entirety. The Statutory Auditors have issued reports on the rectified consolidated financial statements for the years ended December 31, 2008, 2007 and 2006 and the condensed interim consolidated financial statements for the six months ended June 30, 2009 presented in this Registration Document. These reports, which are presented in sections 1.4.1.6 and 1.4.2.2.7, contain the following information and observations:

– Rectified consolidated financial statements for the years ended December 31, 2008, 2007 and 2006:

*"Without qualifying the opinion expressed above, we draw shareholders' attention to the "Important note" inserted at the beginning of the notes to the consolidated financial statements, which describes the corrections made to the consolidated financial statements for the year ended December 31, 2008 as published in March 2009 and approved at the Annual General Meeting of May 7, 2009, on which we issued our statutory report dated March 20, 2009."*

– Rectified condensed interim consolidated financial statements for the six months ended June 30, 2009:

*" Without qualifying the opinion expressed above, we draw shareholders' attention to the "Important note" inserted at the beginning of the notes to the financial statements, which describes the corrections made to the condensed interim consolidated financial statements for the six months ended June 30, 2009 as published in the interim report dated August 27, 2009, on which we issued our limited review report dated August 27, 2009 drawn up in application of Article L.451-1-2 of the Code Monétaire et Financier (Monetary and Financial Code)."*

Eduardo Malone  
Chairman and Chief Executive Officer

### **3.1.3. Statutory Auditors**

#### **3.1.3.1. Statutory Auditors**

##### **PricewaterhouseCoopers Audit**

Member of Compagnie Régionale des Commissaires aux Comptes de Versailles

63, rue de Villiers – 92208 Neuilly-sur-Seine – France

Represented by Gérard Morin

First appointed by the Annual General Meeting of May 13, 2003 to replace Coopers & Lybrand Audit, represented by Gilles Gufflet and first appointed by the Annual General Meeting of April 30, 1996.

Term renewed for six years by the Annual General Meeting of May 10, 2005.

##### **S & W Associés**

Member of Compagnie Régionale des Commissaires aux Comptes de Paris

8, avenue Président Wilson – 75116 Paris – France

Represented by Maryse Le Goff

First appointed by the Annual General Meeting of April 30, 1996.

Term renewed for six years by the Annual General Meeting of May 10, 2005.

### 3.1.3.2. Substitute Auditors

#### Yves Nicolas

63, rue de Villiers – 92208 Neuilly-sur-Seine – France

First appointed by the Annual General Meeting of May 13, 2003.

Term renewed for six years by the Annual General Meeting of May 10, 2005.

#### Yves-Alain Ach

8, avenue Président-Wilson – 75116 Paris – France

First appointed by the Annual General Meeting of May 7, 2009 to replace Maryse Le Goff upon her resignation, for the remainder of her term that was renewed for six years by the Annual General Meeting of May 10, 2005.

### 3.1.3.3. Statutory Auditors' fees

Fees paid by the Group to the Statutory Auditors and members of their network in 2008:

(in € thousands)	PricewaterhouseCoopers Audit				S & W Associés			
	Amount excluding VAT		%		Amount excluding VAT		%	
	2007	2008	2007	2008	2007	2008	2007	2008
<b>Audit services</b>								
□ Statutory and contractual audit services								
○ Parent company	192	192	11%	13%	95	98	100%	100%
○ Subsidiaries	1,396	1,089	79%	76%				
□ Audit-related services								
○ Parent company								
○ Subsidiaries								
Sub-total	1,588	1,281	90%	90%	95	98	100%	100%
<b>Other services</b>								
□ Legal and tax advice	169	149	10%	10%				
□ Other								
Sub-total	169	149	10%	10%				
<b>TOTAL</b>	<b>1,757</b>	<b>1,430</b>	<b>100%</b>	<b>100%</b>	<b>95</b>	<b>98</b>	<b>100%</b>	<b>100%</b>

### 3.2. DOCUMENTS ON DISPLAY

All documents intended for shareholders can be downloaded from the Company's website, [www.chargeurs.fr](http://www.chargeurs.fr).

The consolidated financial statements for the years ended December 31, 2006, 2007 and 2008 were approved at the Annual General Meetings of May 15, 2007, May 6, 2008 and May 7, 2009, respectively.

#### 3.2.1. Financial information

Date	Subject – title	<i>Bulletin d'Annonces Légales Obligatoires (BALO)</i>	<i>Autorités des Marchés Financiers (AMF)</i>	Press releases	Website	Regulatory information*
Jan. 18, 2008	Fourth-quarter and full-year 2007 sales (BALO financial publication no. 8)	Jan. 18, 2008	via distribution service		Yes	Jan. 18, 2008
March 5, 2008	Press release. 2007 Annual Results		via distribution service	March 5, 2008	Yes	March 5, 2008
March 6, 2008	Press release published in <i>Les Echos</i> –2007 Annual Results			March 6, 2008		
April 18, 2008	2007 Annual Report including the Chairman's Report on Internal Control	April 18, 2008	via distribution service		Yes	April 18, 2008
April 18, 2008	2007 parent company and consolidated accounts and appropriation of profit (BALO publication no. 47)	April 18, 2008	via distribution service		Yes	April 18, 2008
May 7, 2008	Post-AGM press release		via distribution service	May 7, 2008	Yes	May 7, 2008
May 7, 2008	Financial information – First-quarter 2008 (with BALO excerpt)		via distribution service		Yes	May 7, 2008
May 7, 2008	First-quarter 2008 sales (BALO no. 56)	May 7, 2008				
June 6, 2008	Audited 2007 accounts approved by the AGM (BALO no. 69)	June 6, 2008			Yes	

July 18, 2008	Second-quarter and first-half 2008 sales (BALO publication no. 87)	July 18, 2008	via distribution service		Yes	July 18, 2008
Aug. 29, 2008	Press release. 2008 First Half Results		via distribution service	Aug. 29, 2008	Yes	Aug. 29, 2008
Aug. 29, 2008	2008 Interim Financial Report		via distribution service		Yes	Aug. 29, 2008
Aug. 29, 2008	Press release published in <i>Les Echos</i> –2008 Interim Financial Results			Aug. 29, 2008		
Nov. 14, 2008	Press release – Nine-month 2008 business review, full-year 2008 results forecast, full-year 2009 financial targets		via distribution service	Nov. 14, 2008	Yes	Nov. 14, 2008
Jan. 16, 2009	Fourth-quarter and full-year 2008 revenue		via distribution service		Yes	Jan. 16, 2009
March 6, 2009	Press release. 2008 Results.		via distribution service	March 6, 2009	Yes	March 6, 2009
March 6, 2009	Press release published in <i>Les Echos</i> –2008 Results			March 6, 2009		
May 7, 2009	Post-AGM press release		via distribution service	May 7, 2009	Yes	May 7, 2009
May 7, 2009	Financial information – First-quarter 2009		via distribution service	May 7, 2009	Yes	May 7, 2009
Aug. 27, 2009	Press release. 2009 First Half Results.		via distribution service		Yes	Aug. 27, 2009
Aug. 27, 2009	2009 Interim Financial Report		via distribution service		Yes	Aug. 27, 2009
Nov. 18, 2009	Financial information – Third-quarter 2009		via distribution service		Yes	Nov. 13, 2009

### 3.2.2. Other information

Date	Subject – title	<i>Bulletin d'Annonces Légales Obligatoires (BALO)</i>	<i>Autorités des Marchés Financiers (AMF)</i>	Press releases	Website	Regulatory information*
Jan. 10, 2008	Liquidity contract: December 2007		via distribution service		Yes	Jan. 10, 2008
Jan. 10, 2008	Liquidity contract: Second-half 2007		direct mail		Yes	None
Jan. 11, 2008	Information on the number of voting rights and number of shares (December)		via distribution service		Yes	Jan. 11, 2008
Feb. 8, 2008	Liquidity contract: January 2008		via distribution service		Yes	Feb. 8, 2008
Feb. 8, 2008	Information on the number of voting rights and number of shares (January)		via distribution service		Yes	Feb. 8, 2008
March 28, 2008	Notice of AGM no. 38	March 28, 2008	Via BNPP		Yes	
March 28, 2008	AGM announcement published in <i>Les Echos</i>			March 28, 2008		
April 2, 2008	Liquidity contract: February 2008		April 2, 2008		Yes	
April 8, 2008	Liquidity contract: March 2008		April 8, 2008		Yes	
April 14, 2008	Information on the number of voting rights and number of shares (February and March)		via distribution service		Yes	April 14, 2008
April 18, 2008	Notice of AGM (BALO no. 47)	April 18, 2008	Via BNPP		Yes	April 18, 2008
April 18, 2008	Notice of availability of AGM documents		via distribution service		Yes	April 18, 2008
May 2, 2008	Information on fees paid by the Group to the Statutory Auditors and members of their networks		via distribution service		Yes	May 2, 2008

May 5, 2008	2007 Annual Information Document		AMF directly		Yes	None
May 7, 2008	Description of the share buyback program		via distribution service		Yes	May 7, 2008
May 21, 2008	Liquidity contract: April 2008		April 8, 2008		Yes	
May 21, 2008	Information on the number of voting rights and number of shares (April)		via distribution service		Yes	May 21, 2008
June 11, 2008	Liquidity contract: May 2008		AMF directly		Yes	
June 12, 2008	Information on the number of voting rights and number of shares (May)		via distribution service		Yes	June 12, 2008
July 15, 2008	Liquidity contract: 2008 first-half disclosure		AMF directly		Yes	
July 15, 2008	Liquidity contract: June 2008		AMF directly		Yes	
July 15, 2008	Information on the number of voting rights and number of shares (June)		via distribution service		Yes	July 15, 2008
Aug. 18, 2008	Liquidity contract: July 2008		Aug. 18, 2008		Yes	
Aug. 21, 2008	Information on the number of voting rights and number of shares (July)		via distribution service		Yes	Aug. 21, 2008
Sept. 4, 2008	Liquidity contract: August 2008		Sept. 4, 2008		Yes	
Sept. 4, 2008	Information on the number of voting rights and number of shares (August)		via distribution service		Yes	Sept. 4, 2008
Oct. 3, 2008	Liquidity contract: September 2008		Oct. 3, 2008		Yes	
Oct. 13, 2008	Information on the number of voting rights and number of shares (September)		via distribution service		Yes	Oct. 13, 2008
Nov. 6, 2008	Liquidity contract: October 2008		Nov. 6, 2008		Yes	



Nov. 13, 2008	Information on the number of voting rights and number of shares (October)		via distribution service		Yes	Nov. 13, 2008
Dec. 3, 2008	Information on the number of voting rights and number of shares (November)		via distribution service		Yes	Dec. 3, 2008
Dec. 11, 2008	Liquidity contract: November 2008		Dec. 11, 2008		Yes	Dec. 11, 2008
Dec. 23, 2008	Information on compensation of corporate officers		via distribution service		Yes	Dec. 23, 2008
Jan. 8, 2009	Liquidity contract: December 2008		Jan. 8, 2009		Yes	
Jan. 8, 2009	Liquidity contract: 2008 second-half disclosure		Jan. 8, 2009		Yes	
Jan. 8, 2009	Information on the number of voting rights and number of shares (December)		via distribution service		Yes	Jan. 8, 2009
Jan. 14, 2009	2009 financial calendar				Yes	
Feb. 6, 2009	Liquidity contract: January 2009		Feb. 6, 2009		Yes	
Feb. 16, 2009	Information on the number of voting rights and number of shares (January)		via distribution service		Yes	Feb. 16, 2009
March 9, 2009	Liquidity contract: February 2009		March 9, 2009		Yes	March 9, 2009
March 10, 2009	Information on management's transactions in the Company's shares		March 10, 2009			
March 11, 2009	Information on the number of voting rights and number of shares (February)		via distribution service		Yes	March 11, 2009
March 30, 2009	Notice of AGM no. 38	March 30, 2009	Via BNPP		Yes	
April 10, 2009	Information on the number of voting rights and number of shares (March)		via distribution service		Yes	April 10, 2009

April 20, 2009	Notice of AGM (BALO no. 47)	April 20, 2009	via distribution service		Yes	April 20, 2009
April 20, 2009	Notice of availability of AGM documents (press release in <i>Les Echos</i> )		via distribution service	April 20, 2009	Yes	April 20, 2009
April 28, 2009	Fees paid by the Group to the Statutory Auditors and members of their network in 2008		via distribution service		Yes	April 28, 2009
May 11, 2009	Liquidity contract: April 2009		AMF directly		Yes	
May 13, 2009	2008 Annual Information Document		AMF directly		Yes	
June 10, 2009	Liquidity contract: May 2009		AMF directly		Yes	
June 10, 2009	2008 Annual Information Document (revised)		AMF directly		Yes	
June 15, 2009	Information on the number of voting rights and number of shares (May)		via distribution service		Yes	June 15, 2009
June 17, 2009	Notice of approval of the 2008 financial statements (BALO no. 72)	June 17, 2009			Yes	June 17, 2009
July 7, 2009	Liquidity contract: 2009 first-half disclosure		AMF directly		Yes	
July 7, 2009	Liquidity contract: June 2009		AMF directly		Yes	
July 10, 2009	Information on the number of voting rights and number of shares (June)		via distribution service		Yes	July 10, 2009
Aug. 26, 2009	Liquidity contract: July 2009		AMF directly		Yes	
Sept. 7, 2009	Liquidity contract: August 2009		AMF directly		Yes	
Sept. 9, 2009	Information on the number of voting rights and number of shares (July)		via distribution service		Yes	Sept. 9, 2009
Sept. 9, 2009	Information on the number of voting rights and number of shares (August)		via distribution service		Yes	Sept. 9, 2009

Oct. 8, 2009	Information on the number of voting rights and number of shares (September)		via distribution service		Yes	Oct. 8, 2009
Oct. 8, 2009	Liquidity contract: September 2009		Oct. 8, 2009		Yes	
Oct. 21, 2009	Press release. Chargeurs sells its interest in Fashion Company to its partner Holfipar		via distribution service		Yes	Oct. 21, 2009
Nov. 3, 2009	Expiration of the liquidity contract		via distribution service		Yes	Nov. 3, 2009

### 3.2.3. Availability of information

#### 1) Printed copies

All the documents listed above can be obtained free of charge by writing to Chargeurs at the following address:

Communications Department: 29-31 rue Washington - 75008 Paris - France

Phone: +33 (0)1 71 72 33 50

Email: [contact@chargeurs.fr](mailto:contact@chargeurs.fr)

#### 2) Electronic versions

Information published in the BALO (in French) can be downloaded from the BALO website:

<http://www.journal-officiel.gouv.fr/balo/>

Information published on the Autorité des Marché Financiers' website can be downloaded from [www.amf-france.org](http://www.amf-france.org)

Petites Affiches legal publications can be downloaded from the French Trade and Companies Register's website, [www.infogreffe.fr](http://www.infogreffe.fr)

All regulatory information and all press releases may be downloaded from the Company's website, [www.chargeurs.fr](http://www.chargeurs.fr)

### 3.3. GENERAL SHAREHOLDERS' MEETING OF FEBRUARY 8, 2010

At its meeting on December 3, 2009, the Board of Directors decided to call a General Meeting on February 8, 2010.

In addition to voting resolutions concerning share buybacks and amendments to the bylaws to reflect regulatory changes, shareholders will be asked to authorize the Board to decide to issue shares or share equivalents with pre-emptive subscription rights.

The rights issue would be carried out as part of the Group's refinancing plan (see section 1.2.5 of this Registration Document). The aggregate nominal amount of the issue would not exceed €30 million. Prior to voting on the related resolution, shareholders will be asked to approve a capital reduction, to be effected by reducing the shares' par value, in order to permit the proposed rights issue to be carried out.

The proposed resolutions, as approved by the Board of Directors on December 3, 2009 are presented below.

### *Ordinary Resolutions*

#### ***First resolution*** (Authorization for the Board of Directors to carry out a share buyback program)

Having considered the report of the Board of Directors and the description of the share buyback program prepared in accordance with Articles 241-1 *et seq.* of the General Regulations of the *Autorité des Marchés Financiers*, the Ordinary General Meeting resolves:

- To grant the Board of Directors an eighteen-month authorization – which may be delegated in accordance with the applicable laws and regulations – enabling the Company to purchase its own shares in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code, European Commission Regulation 2273/2003 dated December 22, 2003, and market practices approved by the *Autorité des Marchés Financiers*. The shares may be purchased on one or more occasions, at the Board’s discretion, provided that the total number of shares purchased does not represent more than 1% of the total shares outstanding at the time of the buyback (as adjusted for any corporate actions carried out subsequent to this Meeting).

The share buybacks shall be carried out in accordance with the applicable current and future laws and regulations and shall notably be used for the following purposes:

- (i) To maintain a liquid market in the Company’s shares through market-making transactions carried out by an independent investment services provider under a liquidity contract that complies with the code of ethics approved by the *Autorité des Marchés Financiers*;
- (ii) To purchase shares for allocation on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company in accordance with the applicable regulations, and to carry out any hedging transactions relating to such operations, under the terms stipulated by market authorities and in the periods determined by the Board of Directors or its delegated representative; and
- (iii) To acquire shares for cancellation through a capital reduction, provided that the eighth resolution below is adopted.

The shares may be purchased, sold, exchanged or transferred by any appropriate method, on the market or over-the-counter, including through public offers or block trades (which may be used for the entire program), in

accordance with the conditions prescribed by the market authorities and on the dates decided by the Board of Directors or its delegated representative. The authorized methods include the use of (i) derivative financial instruments traded on a regulated market or over-the-counter, and (ii) option strategies, on the basis authorized by the relevant market authorities.

The price at which shares may be bought back under this authorization is capped at €12.50 per share.

The total amount invested in the buyback program may not exceed €1.25 million.

- That the Company may use this authorization at any time, even in the event of a public offer for the Company's shares or other securities or a public offer initiated by the Company, subject to the limits set down by law and except during the closed periods stipulated in the General Regulations of the *Autorité des Marchés Financiers*.
- To give full powers to the Board of Directors to adjust the maximum per-share price and number of shares to be acquired, to reflect any changes in the number of the Company's shares or their par value arising from corporate actions carried out subsequent to this Meeting.
- To give the Board of Directors full powers – which may be delegated – to (i) allocate the purchased shares for purposes that comply with the conditions prescribed by applicable laws and regulations and the market authorities, (ii) to enter into any and all agreements, notably for the keeping of registers of share purchases and sales, (iii) make any and all filings with the *Autorité des Marchés Financiers*, (iv) carry out all other formalities, and (v) generally, do everything necessary to use this authorization.

The Board of Directors shall report to shareholders on the transactions carried out pursuant to this authorization.

This authorization supersedes the unused portion of the authorization granted for the same purposes in the sixth resolution at the Annual General Meeting of May 6, 2008.

***Second resolution (Powers to carry out formalities)***

The Ordinary General Meeting gives full powers to the bearer of an extract or copy of the minutes of this Meeting to carry out all of the necessary legal formalities.

## Special Resolutions

### **Third resolution** (Amendment to Article 6 of the bylaws – Form of the Company's shares)

Having considered the report of the Board of Directors, the Special General Meeting resolves to amend the fourth and fifth paragraphs of Article 6 of the Company's bylaws, with effect from the close of this Meeting. The new wording of said paragraphs will read as follows:

#### **"Article 6**

##### **Form of the Company's shares**

(...)

*In addition to the applicable legal disclosure thresholds, any person or legal entity (including any accredited intermediary representing non-resident shareholders), acting either alone or in concert, that either directly or indirectly comes to hold or ceases to hold, by whatever means, a number of shares representing 2% of the capital or voting rights or any multiple thereof, must inform the Company of the number of shares and voting rights held, as well as the number of shares and voting rights deemed to be held by that person or legal entity for disclosure purposes in accordance with Article L. 233-9 of the French Commercial Code. Said notice must be sent to the Company's head office by registered letter with return receipt requested (or an equivalent method for non-resident shareholders) within five trading days of the relevant disclosure threshold being crossed.*

*Shareholders that have crossed a disclosure threshold are also required to inform the Company of the number of securities held that carry a deferred right to shares, and of the number of voting rights attached to said securities.*

*Failure to comply with these requirements will result in the undisclosed shares being stripped of voting rights at General Meetings at the request of one or more shareholders separately or together owning at least 2% of the share capital or voting rights and provided the failure to disclose is noted in the minutes of a General Meeting. Similarly, any voting rights that have not been duly disclosed may not be exercised. Any such voting disqualification shall apply to all General Meetings held during a period of two years commencing on the date on which the failure to disclose is remedied."*

The first three paragraphs of Article 6 of the bylaws shall remain unchanged.

### **Fourth resolution** (Amendment to Article 19 of the bylaws – Attendance and Representation at General Meetings)

Having considered the report of the Board of Directors, the Special General Meeting resolves to:

- Amend the fourth paragraph of Article 19 of the bylaws, to read as follows: *“The right to attend General Meetings is subject to the shareholder’s shares being registered in accordance with the applicable legal conditions”*.
- Delete the fifth paragraph of Article 19 of the bylaws.

Consequently, from the close of this Meeting, Article 19 of the bylaws will read as follows:

**“Article 19**

***Attendance and Representation at General Meetings***

*Shareholders may appoint their spouse or another shareholder as their proxy, in accordance with the applicable laws and regulations.*

*Minors and incapacitated persons may be represented by their legal guardian or conservator, and companies and other legal entities may be represented by a person with a power of attorney or other authority, in accordance with the applicable legal and regulatory conditions.*

*Spouses, guardians, conservators and other representatives are not required to be shareholders of Chargeurs.*

*The right to attend General Meetings is subject to the shareholder’s shares being registered in accordance with the applicable legal conditions.*

*The Board may decide to issue admission cards to eligible persons in their name and for their use only.*

*Shareholders may also vote by filling out and returning to the Company a postal or proxy form, in accordance with the applicable regulations.*

*Prior to each Meeting, the Board may decide that shareholders who take part in the Meeting via video conference or any other telecommunication means that allows them to be identified, and whose nature and conditions of use have been determined by a decree of the Conseil d’État, are deemed present and included for quorum and majority purposes.*

***Fifth resolution (Capital reduction to be carried out by reducing the par value of the Company's shares, not for the purpose of absorbing losses)***

Having considered the report of the Board of Directors and the Auditors' special report, in accordance with the French Commercial Code, and notably Articles L. 225-204 and L. 225-205, the Special General Meeting:

- Resolves to reduce the Company's capital by €164,373,216.48, from €166,033,552 to €1,660,335.52
- Resolves that the capital reduction will be carried out by reducing the par value of the Company's shares from €16 to €0.16
- Resolves that the amounts deducted from the Company's capital will be allocated in full to a reserve account and will not be distributable.
- Resolves that, in accordance with Article L. 225-205 of the French Commercial Code, the minutes of this Special Meeting will be filed with the Paris Commercial Court at the close of this Meeting in order to respect the 20-day timeframe in which the Company's creditors may oppose the planned capital reduction.
- Resolves that the capital reduction will take place on the expiry of the above-mentioned 20-day timeframe if none of the Company's creditors raises any opposition. If such an opposition is raised, the capital reduction will take place (i) after the relevant court of first instance rejects the opposition(s) raised as unfounded, or (ii) after enforcement of the court's judgment where an order is issued to provide guarantees or repay debts prior to the capital reduction.
- Gives full powers to the Board of Directors – which may be delegated in accordance with the applicable laws and regulations – to carry out the capital reduction, and consequently to:
  - (i) Place on record the completion of the capital reduction, the new amount of the Company's capital, and the new par value of the Company's shares;
  - (ii) Amend the Company's bylaws accordingly; and
  - (iii) Carry out all necessary actions and formalities, including publication formalities, in order to complete the capital reduction.



***Sixth resolution (Authorization for the Board of Directors to issue shares and/or securities carrying immediate and/or deferred rights to the Company's shares or to debt securities, with pre-emptive rights for existing shareholders)***

Having considered the report of the Board of Directors and the Auditors' special report, in accordance with the French Commercial Code – notably Articles L. 225-129 *et seq.*, L.225-132 to L.225-134 and L. 228-91 to 228-97 – and subject to the adoption of the fifth resolution submitted above, the Special General Meeting:

1. Authorizes the Board of Directors to issue, on one or more occasions, shares of the Company and/or securities carrying immediate and/or deferred rights to the Company's shares or to debt securities, with pre-emptive rights for existing shareholders. The Board of Directors shall have full discretionary powers – which may be delegated in accordance with the applicable laws and regulations – to determine the amount and timing of said issue(s), which may be carried out in France or abroad and may be denominated in euros, foreign currencies or any monetary unit determined by reference to a basket of currencies.
2. Resolves that the issue(s) may be paid up in cash, by offsetting receivables, and/or by capitalizing reserves, profits or share premiums. No preference shares or securities carrying immediate or deferred rights to preference shares may be issued.
3. Resolves that the aggregate par value of the shares issued under this authorization, directly and/or on conversion, exchange, redemption or exercise of other securities, may not exceed €30 million, and that the maximum amount of the related capital increase(s) may not represent more than €30 million including any issue premiums.
4. Resolves that the securities carrying rights to the Company's shares or to debt securities issued under this authorization may consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. The maximum aggregate nominal value of debt securities issued under this authorization, either immediately or in the future, may not exceed €30 million or the equivalent of this amount in the case of securities denominated in a foreign currency or a monetary unit determined by reference to a basket of currencies.
5. Notes that this authorization automatically entails the waiver of shareholders' pre-emptive rights to subscribe any shares of the Company issued on exercise of the rights attached to securities carrying rights to shares issued pursuant to this authorization.
6. Resolves that shareholders will have a pre-emptive right to subscribe the shares and/or other securities issued under this authorization, as provided for by law, pro rata to their existing shareholdings. The Board of Directors may also give shareholders a pre-emptive right to subscribe any shares and/or other

securities not taken up by other shareholders. In this case, if the issue is oversubscribed, this secondary pre-emptive right will also be exercisable pro rata to the existing shareholdings of the shareholders concerned. If the entire issue is not taken up by shareholders exercising their pre-emptive rights, the Board of Directors may take one or more of the following courses of action, in the order of its choice: (i) limit the amount of the issue to the subscriptions received, subject to the applicable legal conditions and provided that at least three-quarters of the issue is taken up; (ii) freely allocate all or some of the unsubscribed shares or other securities among the investors of its choice; or (iii) offer them for subscription by the public.

7. Resolves that the Board of Directors shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to:
- Set the characteristics of the shares and/or other securities to be issued, including their issue price (which may or may not include a premium), the method of payment of the subscription price, and their cum-rights date.
  - In the event of an issue of equity warrants, set the number and characteristics of the warrants, and decide, if it deems fit and subject to the terms and conditions set by the Board, that the warrants may be (i) redeemed or bought back, or (ii) allocated to shareholders free of consideration pro rata to their existing shareholdings.
  - More generally, decide on the form of the securities to be issued, and notably the terms and conditions applicable for allocating shares. In the case of bonds, the Board of Directors shall be authorized to determine (i) the term of the bonds, (ii) whether the debt should be subordinated or unsubordinated, (iii) the issue currency, (iv) the terms of redemption of the principal, which may or may not include a call premium, (v) the terms and conditions of repayments in installments, (vi) any early redemption terms, (vii) the interest rate (i.e. fixed or variable), and (viii) the interest payment date. The interest payable on any such securities may include a variable portion calculated by reference to the Company's business and earnings and/or a deferred payment provision in the event that the Company does not have any distributable profit.
  - Decide to use any shares purchased under a shareholder-approved share buyback program for allocation on the exercise of rights to shares by holders of securities issued in accordance with this authorization.
  - Take all measures to preserve the rights of existing holders of securities, as required in accordance with the applicable laws, regulations and contractual provisions.

- Suspend, where appropriate, the exercise of the rights attached to said securities for a fixed period, in accordance with the applicable laws and regulations.
  - Place on record the completion of any issue(s) of shares and/or other securities and amend the bylaws accordingly, charge the issuance costs against the related premium, and deduct from the premium the amount necessary to increase the legal reserve to 10% of the new capital after each issue.
  - Take any measures and carry out any formalities required for the issued securities to be listed on a regulated market.
8. Resolves that the Board of Directors shall determine, in compliance with both the applicable laws and regulations and any contractual provisions, the adjustments to be made to the above-mentioned two ceilings of €30 million if additional securities are issued to protect the rights of existing holders of securities in the event of further corporate actions.
9. Resolves that this authorization will be valid for a period of twenty-six months as from the date of this Meeting.

***Seventh resolution (Authorization for the Board of Directors to carry out an employee rights issue for members of an Employee Stock Ownership Plan in accordance with the French Commercial Code and Articles L. 3332-18 et seq. of the French Labor Code)***

Having considered the report of the Board of Directors and the Auditors' special report, in accordance with Articles L. 225-129-2, L. 225-129-6 and L. 225-138-1 of the French Commercial Code and Articles L. 3332-18 *et seq.* of the French Labor Code, and subject to the adoption of the fifth resolution submitted above, the Special General Meeting:

1. Grants the Board of Directors full powers – which may be delegated in accordance with the applicable laws and regulations – to issue shares to employees of the Company or of related entities, within the meaning of Article L.225-180 of the French Commercial Code and Articles L. 3344-1 and L. 3344-2 of the French Labor Code, who are members of an Employee Stock Ownership Plan. The authorization may be used on one or more occasions to carry out issues in France or abroad, in amounts and on dates decided by the Board. The new shares may be offered for subscription either directly or through a corporate mutual fund.
2. Resolves to waive the pre-emptive rights of existing shareholders to subscribe any shares to be issued in accordance with this authorization, as well as their rights to any shares offered to employees free of consideration pursuant to this authorization.

3. Resolves that the beneficiaries of the above-described employee rights issue(s) shall be members of an Employee Stock Ownership Plan of the Company or of related entities within the meaning of Article L.225-180 of the French Commercial Code and Article L. 3332-18 of the French Labor Code and must meet any eligibility criteria set by the Board of Directors.
4. Resolves that the aggregate par value of the shares issued under this authorization may not exceed €1 million. This ceiling shall not include the par value of any shares issued pursuant to the applicable laws and regulations and any contractual provisions to protect the rights of existing holders of securities carrying rights to the Company's shares.
5. Resolves that the price of the shares offered under this authorization, determined in accordance with Article L. 3332-18 of the French Labor Code, may not be more than 20% lower than the average of the prices quoted for the Company's shares over the twenty trading days preceding the date on which the opening date of the subscription period is decided. The Board of Directors may reduce this discount on a case-by-case basis due to any locally applicable tax, labor law or accounting restrictions. It may also grant shares to employees free of consideration in replacement of the discount or for the purposes of employer top-up payments.
6. Gives full powers to the Board of Directors – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, subject to the conditions set out above and consequently to:
  - Prepare the list of companies whose current and former employees shall be eligible to subscribe the shares to be issued under this authorization, and to set the conditions, including any seniority conditions, to be met by beneficiaries in order to subscribe the shares, either individually or through a corporate mutual fund.
  - To determine the amounts of the issue(s) and set the price, dates, timing and terms and conditions of each issue including the terms and conditions applicable for the subscription, payment and delivery of the shares, as well as the date from which the new shares will carry dividend or interest rights, which may be set retroactively.
  - Decide, in accordance with Article L. 3332-18 of the French Labor Code, to allocate existing or newly-issued shares free of consideration, as an employer top-up payment or in replacement of a discount, provided that the monetary value of said free shares, calculated at the subscription price, does not exceed the ceilings set in Articles L. 3332-18 and L. 3332-11 *et seq.* of the French Labor Code.
  - Set the period granted to participants to settle the subscription price of the shares.

- Place on record the capital increase(s) resulting from the subscription of shares.
  - At its sole discretion, charge the share issuance costs against the related premium and deduct from the premium the amount necessary to increase the legal reserve to 10% of the new share capital after each issue.
  - Generally, take all necessary measures to carry out the issue(s) and all related formalities, including listing formalities for the new shares.
7. Resolves that this authorization will be valid for a period of twenty-six months as from the date of this Meeting.

***Eighth resolution (Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares)***

Having considered the report of the Board of Directors and the Auditors' special report, the Special General Meeting:

- Grants the Board of Directors an eighteen-month authorization as from the date of this Meeting – which may be delegated in accordance with the applicable laws and regulations – to:
  - (i) Cancel, at its sole discretion, on one or more occasions, all or some of the shares purchased under shareholder-approved buyback programs, provided that the number of shares cancelled in any 24-month period does not exceed 1% of the total shares outstanding at the date of the cancellation (as adjusted for any corporate actions carried out subsequent to this Meeting).
  - (ii) Reduce the Company's capital accordingly and charge the difference between the cost of the cancelled shares and their par value against any available premium or reserve account.
- Grants the Board of Directors full powers to (i) determine the amount and terms of the capital reduction(s) carried out pursuant to this authorization, subject to the limits prescribed by law and in this resolution, (ii) place on record the capital reduction(s), (iii) carry out all actions, formalities and filings required to effect the capital reduction(s), and (iv) amend the bylaws to reflect the new capital.
- Resolves that this authorization supersedes the previous authorization granted for the same purposes in the eighth resolution of the Annual General Meeting of May 6, 2008.

***Ninth resolution (Powers to carry out formalities)***

The Special General Meeting gives full powers to the bearer of an extract or copy of the minutes of this Meeting to carry out all of the necessary legal formalities.

#### 4. REGISTRATION DOCUMENT CROSS-REFERENCE TABLE

BASED ON APPENDIX I OF EUROPEAN COMMISSION REGULATION 809/2004/EC

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3.2	If selected financial information for interim periods is provided, comparative data from the same period in the prior financial year must also be provided	1.1.1	5-17
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6.4	If material to the issuer's business or profitability, summary information regarding the extent to which the issuer is dependent, on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes	1.2	28-35
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<b>7</b>	<b>Organizational Structure</b>		
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<b>13</b>	<b>Profit Forecasts or Estimates</b>		
13.1	Statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate	1.4.4	168-170
13.2	Report prepared by independent accountants or auditors stating that in the opinion of the independent accountants or auditors the forecast or estimate has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the issuer	1.4.4	168-170
13.3	The profit forecast or estimate must be prepared on a basis comparable with the historical financial information	1.4.4	168-170

13.4	If a profit forecast in a prospectus has been published which is still outstanding, then provide a statement setting out whether or not that forecast is still correct as at the time of the registration document, and an explanation of why such forecast is no longer valid if that is the case	1.4.4	168-170
<b>14</b>	<b>Administrative, Management and Supervisory Bodies and Senior Management</b>		
14.1	Names, business addresses and functions in the issuer of the members of the administrative, management or supervisory bodies, the nature of any family relationship between any of those persons, details of their relevant management expertise and experience and other related information, indicating the principal activities performed by them outside that issuer where these are significant with respect to that issuer	2.3.1	183-188
14.2	Administrative, Management and Supervisory Bodies and Senior Management Conflicts of Interest	2.3.2	188
<b>15</b>	<b>Remuneration and Benefits</b>		
15.1	The amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to such persons by the issuer and its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person referred to in item 14.1	2.3.3	188-191
15.2	The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits	2.3.4	191
<b>16</b>	<b>Board Practices</b>		
16.1	Date of expiration of the current term of office of any person referred to in item 14.1, if applicable, and the period during which the person has served in that office	2.3.1	183-188
16.2	Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate negative statement	2.3.1	183-188
16.3	Information about the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committee operates	N/A	N/A
16.4	A statement as to whether or not the issuer complies with its country's of incorporation corporate governance regime(s). In the event that the issuer does not comply with such a regime, a statement to that effect must be included together with an explanation	2.3.5	192-198
<b>17</b>	<b>Employees</b>		
17.1	Either the number of employees at the end of the period or the average for each financial year for the period covered by the historical financial information up to the date of the registration document (and changes in such numbers, if material) and, if possible and material, a breakdown of persons employed by main category of activity and geographic location. If the issuer employs a significant number of temporary employees, include disclosure of the number of temporary employees on average	1.3.2.2 1.4.2.2	46-49 134-165

	during the most recent financial year		
17.2	Shareholdings and stock options	N/A	N/A
17.3	Description of any arrangements for involving the employees in the capital of the issuer	N/A	N/A
<b>18</b>	<b>Major Shareholders</b>		
18.1	In so far as is known to the issuer, the name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest or, if there are no such persons, an appropriate negative statement	2.2.3	177
18.2	Whether the issuer's major shareholders have different voting rights, or an appropriate negative statement	2.2.6	178
18.3	To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control and describe the measures in place to ensure that such control is not abused	2.2.3	177
18.4	A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	2.2.6	178
<b>19</b>	<b>Related Party Transactions</b>	1.4.1.5	59-129
<b>20</b>	<b>Financial Information Concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses</b>		
20.1	Historical financial information	1.4.1	53-129
20.2	Pro forma financial information	N/A	N/A
20.3	Financial statements	1.4.1	53-129
20.4	Auditing of historical annual financial information	1.4.1.6	130-131
20.5	Age of latest financial information	1.4.1 1.4.2.2	53-129 134-165
20.6	Interim and other financial information	1.4.2.2	134-165
20.6.	<i>If the issuer has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in the registration document. If the quarterly or half yearly financial information has been reviewed or audited, the audit or review report must also be included. If the quarterly or half yearly financial information is unaudited or has not been reviewed state that fact</i>	1.4.2 1.4.3	132-165 167

20.6.	<i>If the registration document is dated more than nine months after the end of the last audited financial year, it must contain interim financial information, which may be unaudited (in which case that fact must be stated) covering at least the first six months of the financial year</i>	1.4.2 1.4.3	132-165 167
20.7	Dividend policy	2.2.7	179
20.7.	<i>The amount of the dividend per share for each financial year for the period covered by the historical financial information adjusted, where the number of shares in the issuer has changed, to make it comparable</i>	2.2.7	179
20.8	Legal and arbitration proceedings	1.2.6	37
20.9	Significant change in the issuer's financial or trading position	1.2.5	36-37
<b>21</b>	<b>Additional Information</b>		
21.1	Share capital	2.2.1	175
21.1.	<i>The amount of issued capital, and for each class of share capital: (a) the number of shares authorized; (b) the number of shares issued and fully paid and issued but not fully paid; (c) the par value per share, or that the shares have no par value; and (d) a reconciliation of the number of shares outstanding at the beginning and end of the year. If more than 10% of capital has been paid for with assets other than cash within the period covered by the historical financial information, state that fact</i>	2.2.1	175-156
21.1.	<i>If there are shares not representing capital, state the number and main characteristics of such shares</i>	2.2.11	180
21.1.	<i>The number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer</i>	2.2.8	179
21.1.	<i>The amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription</i>	2.2.12	180
21.1.	<i>Information about and terms of any acquisition rights and or obligations over authorized but unissued capital or an undertaking to increase the capita</i>	N/A	N/A
21.1.	<i>Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including those persons to whom such options relate</i>	N/A	N/A
21.1.	<i>A history of share capital, highlighting information about any changes, for the period covered by the historical financial information</i>	2.2.2	176
21.2	Memorandum and Articles of Association	2.1.7	172
21.2.	<i>A description of the issuer's objects and purposes and where they can be found in the memorandum and articles of association</i>	2.1.5	171-172

21.2.	<i>A summary of any provisions of the issuer's articles of association, statutes, charter or bylaws with respect to the members of the administrative, management and supervisory bodies</i>	2.3	183-198
21.2.	<i>A description of the rights, preferences and restrictions attaching to each class of the existing shares</i>	2.1.8 2.1.9	172-173 173
21.2.	<i>A description of what action is necessary to change the rights of holders of the shares, indicating where the conditions are more significant than is required by law</i>	2.1.12	174
21.2.	<i>A description of the conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called including the conditions of admission</i>	2.1.12	174
21.2.	<i>A brief description of any provision of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer</i>	2.3.5	192-198
21.2.	<i>An indication of the articles of association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed</i>	2.1.11 2.2.4	173-174 178
21.2.	<i>A description of the conditions imposed by the memorandum and articles of association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law</i>	N/A	N/A
<b>22</b>	<b>Material Contracts</b>	N/A	N/A
<b>23</b>	<b>Third Party Information and Statement by Experts and Declarations of Any Interest</b>		
23.1	Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to the effect that such statement or report is included, in the form and context in which it is included, with the consent of the person who has authorized the contents of that part of the Registration Document	N/A	N/A
23.2	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information	N/A	N/A
<b>24</b>	<b>Documents on Display</b>	3.2	204-210
<b>25</b>	<b>Information on Holdings</b>	1.4.1.5	59-129

