ANNUAL FINANCIAL REPORT 2018

antalis

Just ask Antalis

General comments

KEY FIGURES ARE BASED ON THE FOLLOWING DEFINITIONS:

Gross margin: sales minus the cost of goods and services sold, supplier rebates and cash discounts and movements in provisions for goods for resale inventories.

EBITDA: current operating income plus net additions to depreciation, amortisation and provisions.

Current operating income: operating income before "Other operating income and expenses" (see Chapter 4, Note 22).

Consolidated net debt: debt less cash and cash equivalents (see Chapter 4, Note 17b).

Capital employed: sum of net fixed assets and working capital requirements.

ROCE (Return on capital employed): current operating income/capital employed. ROCE after tax is calculated by taking a net-of-tax amount as the numerator. The tax expense deducted is calculated by applying a "notional" tax rate to current operating income. The notional tax rate equals the average corporate income tax rate applicable in every country in which the Group operates, weighted by the relative proportion of each in consolidated current operating income.

Current operating cash flow: algebraic sum of EBITDA, changes in working capital requirements and investment expenditure.

EBITDA margin: EBITDA divided by sales (expressed as a percentage).

Current operating margin: current operating income divided by sales (expressed as a percentage).

"Antalis" or the "Group" refers to Antalis whose shares are admitted to trading on the Euronext Paris market, or to the Group comprising Antalis and all of its subsidiaries.

Information regarding Antalis' positions in its business sectors and its market share in volume and value terms are based on internal studies and competitors' publications available as of the date of this document.

The brands referred to in this document, whether registered or not, are those of Antalis Group companies or third parties which hold them.

This annual financial report notably includes the (i) management report for 2018 prepared in accordance with Articles L. 225-100 et seq. of the French Commercial Code (Code de commerce) and (ii) the Board of Directors' report on corporate governance prepared in accordance with Article L. 225-37 of the French Commercial Code.

Reference herein to the Annual General Meeting of 28 May 2019 means any General Meeting called to deliberate on the same agenda as that submitted to said Annual General Meeting.

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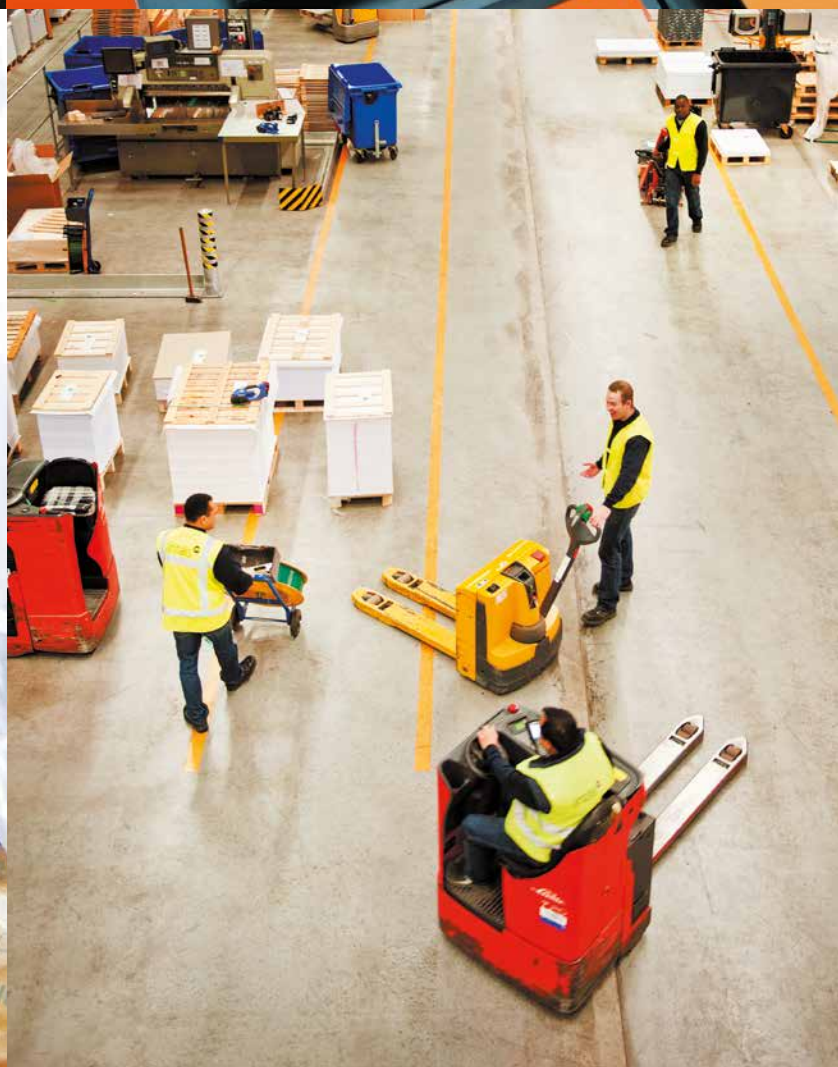


Message from the Chief Executive Officer

HERVÉ PONCIN,
Chief Executive Officer

Marked by numerous trade tensions and political uncertainties, the economic environment in 2018 weighed on consumption, and especially on volumes in the Papers sector, which fell by around 7% in Europe over the year. Thanks to our ability to protect our margins and increase our selling prices, along with solid growth in our Packaging business, Antalis nevertheless delivered operating performances in line with the most recent objectives communicated to the market. Sales totalled €2,311 million, down 1.0% at constant perimeter and exchange rates, and EBITDA came in at €75 million, representing a 3.2% EBITDA margin. These operating performances are further testimony to the Group's resilience, rooted in our diverse product and customer portfolio and our international footprint.

Consolidating our development in the Packaging and Visual Communication sectors

Our capacity for innovation drives advances in these sectors, allowing us to anticipate our customers' expectations and provide them with increasing added value. To meet the specific needs of our customers, we have developed a new sales approach based on value propositions that are unique on the market., We have thus broadened our customer base, particularly in the logistics and industrial sectors and opened new design centres dedicated to bespoke packaging, notably to address our customers' sustainable development goals. In Visual Communication, where Antalis is a key player on the customised interior decoration market, we generated a significant number of leads thanks to The Book, a publication showcasing the best projects presented at the Interior Design Award founded by the Group in 2017.

These sectors now account for 37% of the Group's gross margin, two percentage points more than in 2017, illustrating the pertinence of our strategy to transform Antalis' business model.

Growing e-commerce

Innovation also guides our omni-channel strategy, particularly in the area of e-commerce. In early November, we launched the new version of our e commerce website in France, with new features offering users an optimal customer journey. We generated sales of €320 million via our e-platforms (e-commerce websites and EDI) in 2018, representing an e-penetration rate in terms of stock lines ordered via the e-platforms of around 36%.
The new version of our e-commerce website, which will be rolled out in our main European countries as from 2019, along with the ramp-up of our digital services, will not only continue to improve our performances in this area but most importantly enhance customer satisfaction.

Consolidating our leadership in Papers distribution

Antalis intends to continue playing a key role in the consolidation of the Papers market on which we already enjoy a front-ranking position. This is the result of our sales strategy focused on value-added products and services such as creative and digital printing papers. This strategy enabled us to deliver a resilient performance in 2018 amid a sharp decline in volumes in Europe driven mainly by significant price increases linked to soaring pulp prices.

Our drive for excellence is at the heart of our sales strategy and is the foundation of our relationship with our stakeholders. It also underpins the Group's Corporate Social Responsibility (CSR) commitments in terms of corporate governance, natural resources, human resources and product offering. We have already made significant progress under our 2016-2020 plan, especially in 2018 through employee training and the reduction in our carbon footprint. These advances show that CSR is deeply embedded in our business model and represents an important driver of success over the long term for both our Group and its employees.

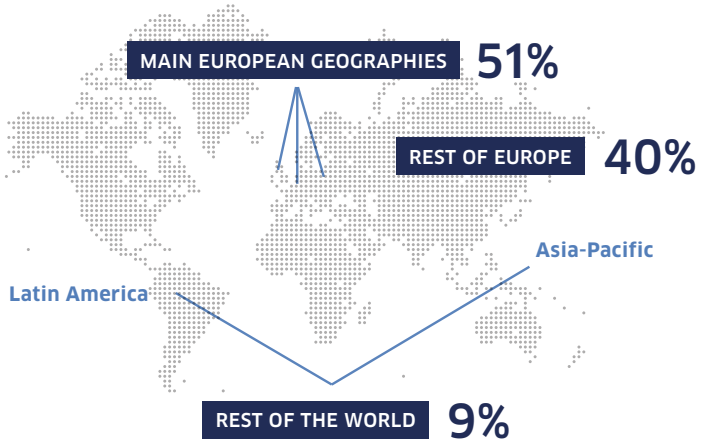
Today, Antalis enjoys strong positions on all of its markets. In the first quarter of 2019, we launched a process aimed at setting up a new shareholding structure, which will support our ambitions and enable us to accelerate the transformation of our business model.

Overview

As European leader in the B2B distribution of Papers (No. 1 worldwide excluding the US) and industrial Packaging and No. 2 in Visual Communication, Antalis has a broad geographical presence and strong local roots. A key partner for its customers' and suppliers' development, the Group's performance is in line with its commitment to excellence for all of its stakeholders.

Global presence

The Group operates in 41 countries



Three business sectors

68% Papers
23% Packaging
9% Visual Communication

120,000
CUSTOMERS

8/10
AVERAGE RATE OF CUSTOMER SATISFACTION (1)

€320m
IN E-COMMERCE SALES

35.9%
E-PENETRATION RATE (2)

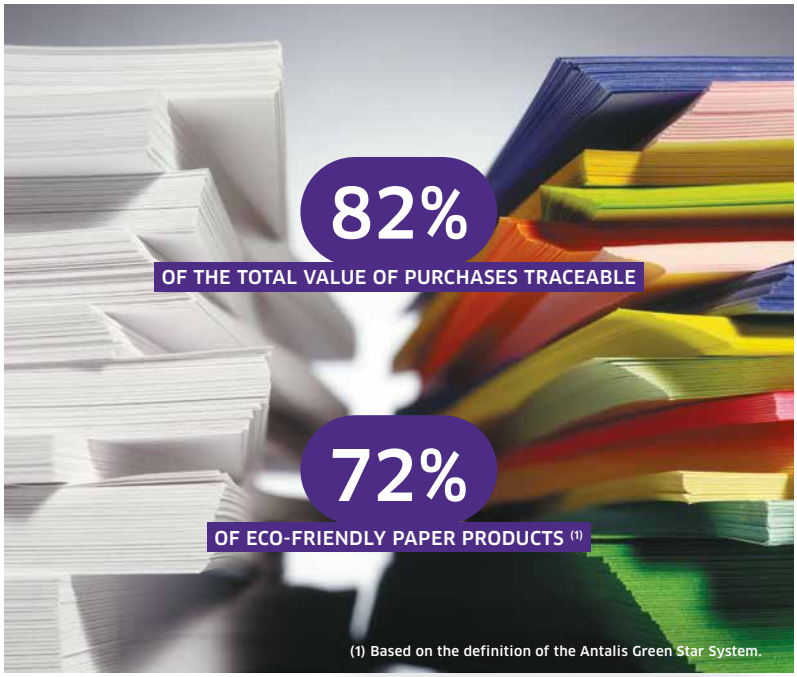
(1) Satisfaction survey conducted in early 2018 among 7,500 customers in Europe.
(2) Number of stock order lines via e commerce websites and EDI.

5,200
EMPLOYEES

34%
OF WOMEN MANAGERS

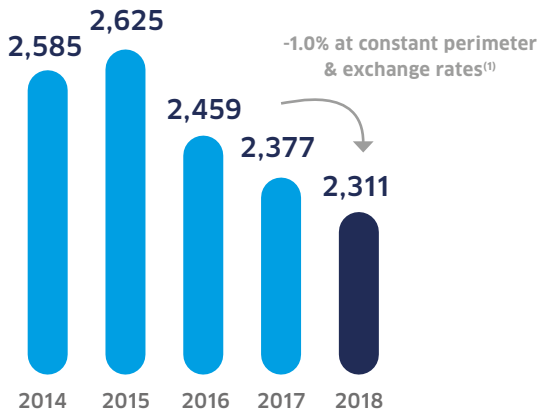
27%
OF WOMEN ON THE EXECUTIVE COMMITTEE

50%
OF WOMEN ON THE BOARD OF DIRECTORS



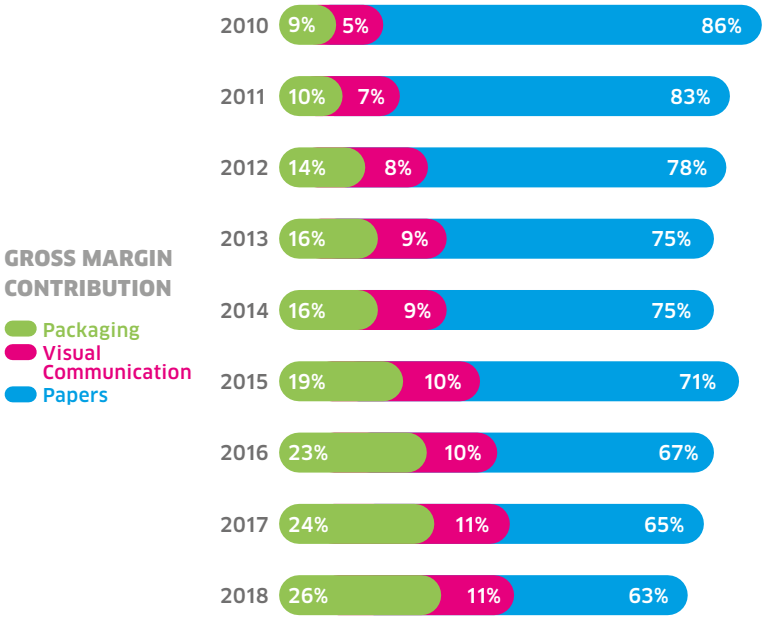
Results and operating indicators

SALES (€m)

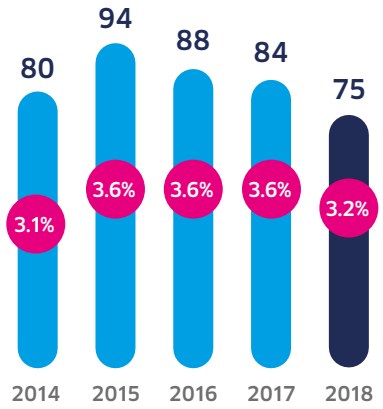


(1) -2.8% on a reported basis.

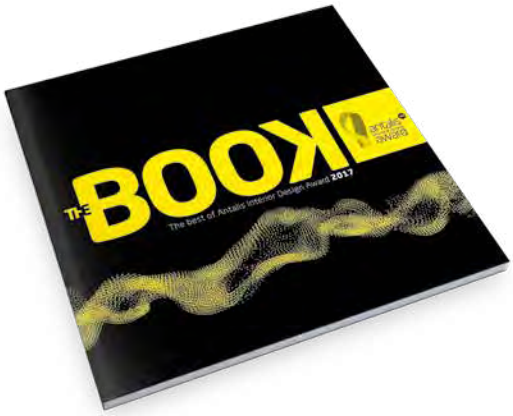
GROSS MARGIN CONTRIBUTION



EBITDA (€m) AND EBITDA MARGIN (%)



Highlights

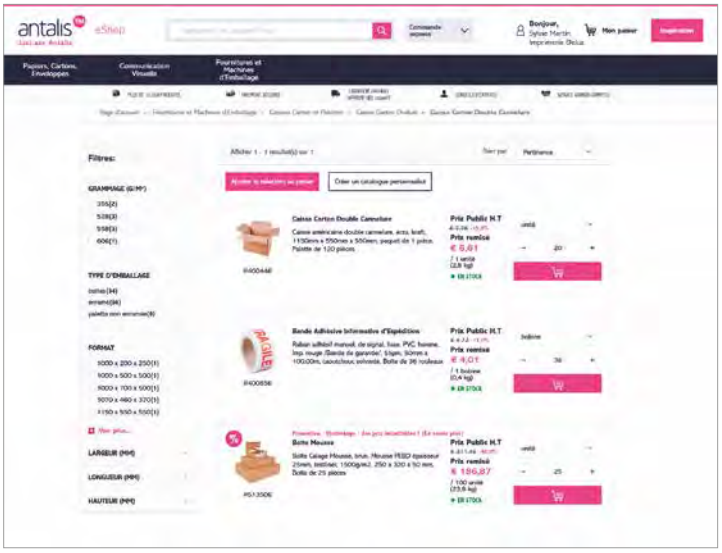


A KEY PLAYER IN THE **INTERIOR DECORATION** MARKET

Since the first edition of the Antalis Interior Design Awards in 2017, Coala, Antalis' range of large format printing materials, has forged an excellent reputation on the market for personalised interior decoration. The breadth of the Coala range and the numerous creative opportunities it offers for the decoration of professional buildings (hotels, restaurants, stores, offices, public-access buildings) or private spaces (homes), have given rise to some 340 projects in 29 different countries. To inspire architects and interior designers, Antalis showcased the best projects in The Book, which it published in 2018. Taken up by social media, this reference book's publication created a real buzz on the market and confirmed Antalis' position as a major player in this sector. The second edition of the Interior Design Awards is to be held in the second half of 2019.

A NEW-LOOK **E-COMMERCE** WEBSITE

In early November, Antalis launched the new version of its e-commerce website in France. Prospects and customers can now freely access the website, whose content display is especially adapted for PCs, tablets and smartphones. To simplify the customer journey, they can access the website by directly navigating through the e-shop or browsing by business sector (Papers, Packaging, Visual Communication). Using a powerful engine, customers can search by key word or product reference and filter their choices by adding different criteria. One of the main new features of the e-commerce site is the customised price lists available for each customer, together with details of stock availability and easy access to order history. As from the end of first-half 2019, prospects will be able to create an account, place an order and pay directly online. The aim is to roll out the new version of the website in the Group's main European countries as from 2019, and then gradually to the rest of the Group. The new-look website will allow Antalis to increase its e-penetration rate (number of stock order lines placed online) and its operating efficiency.



INCREASED **CAPACITY FOR INNOVATION** IN PACKAGING

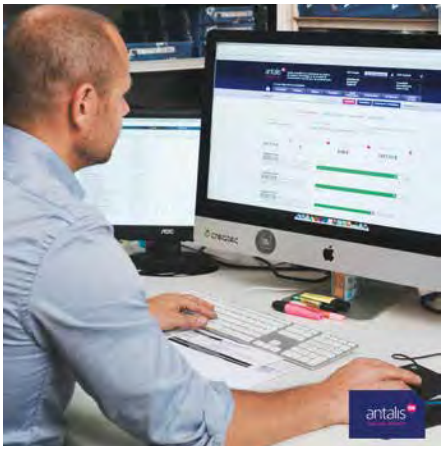
Antalis opened two new design centres for packaging solutions, in the United Kingdom and Poland. These centres develop bespoke solutions to address customers' specific requirements and constraints, particularly in the fields of logistics and e-commerce. Boasting leading-edge design and production software, these centres allow Antalis' engineers to significantly reduce the time needed to develop packaging solutions, from prototype design and testing to production. Antalis now has six design centres in Europe, with the two newest facilities increasing the Group's capacity for innovation and sharpening its leading-edge expertise on the Packaging market.

CONTINUED TRANSFORMATION OF ANTALIS' BUSINESS MODEL

As part of its strategy to transform its business model, Antalis continues to grow its Packaging business while consolidating its leadership in the Papers sector in Europe. During the year the Group acquired Alos' packaging distribution business in Sweden and Igepa's Papers distribution business in the Nordic countries (Sweden, Norway). The sale of the Group's subsidiaries in South Africa and Botswana – primarily focusing on Papers distribution – also boosted the contribution of Packaging and Visual Communication to Antalis' gross margin, which was up two points at 37% in 2018.

TRENDY **CREATIVE PAPERS**

In 2018, Antalis introduced a wider palette of on-trend colours to inspire its customers and fuel their creativity. A total of 28 new colours were added to Keaykolour, a range of FSC®-certified papers made from virgin or recycled pulp. Now available in 48 colours organised in nine families of harmonised half-tones, Keaykolour is particularly suited to premium print and luxury packaging applications. A total of 15 new colours were added to the Curious Collection Metallics range, while two new shades enhanced the range of Pop'Set papers. Three new shades of grey were also introduced for Conqueror, the prestigious brand for the stationery and corporate communication markets. Antalis also launched Curious Alchemy, an innovative range of metallic shimmer papers, coming in copper, silver, titanium, gold and platinum hammered effects resembling weathered metal. A host of local events were organised, for example in the United Kingdom, France, Germany and Poland, introducing customers to the new ranges and to the Paper Book 2018-2021, which showcases the complete collection of creative papers developed and manufactured by Arjowiggins.



STEPPING UP THE DEVELOPMENT OF THE **OMNI CHANNEL** STRATEGY

Antalis focuses on an omni channel sales approach to increase customer satisfaction and foster customer loyalty. During the year, the Group continued to roll out easystock in France, the latest of its online services. Designed especially for printers, easystock is a vendor-managed inventory service for papers, visual communication and packaging products that operates through an exclusive online or mobile app. By optimising inventory management through automated procurement, easystock offers real added value allowing users to achieve the flexibility needed by their business without the risk of stockouts. The app is becoming increasingly popular in France and is currently being rolled out across the Group's main European countries. Antalis has also enriched its A4&more website, a loyalty programme for office paper resellers that previously offered them exclusive benefits on Image, Xerox and Data Copy ranges and now includes the Color Copy and Pioneer ranges. As proof of its success, A4&more had more than 850 members at the end of 2018.

MASTER'IN, A COMPREHENSIVE RANGE OF PACKAGING SOLUTIONS

In order to provide packaging solutions that meet the specific needs of each of its customers, Antalis has designed a comprehensive range of high-quality consumables and equipment. Distributed under the Group's own brand in 28 countries across Europe and Latin America, Master'in covers the full spectrum of packaging needs, from shipment and films to machinery. Three complementary ranges (Access, Performance and Expert) are offered for easier selection and to foster customer loyalty through a targeted offer. Rigorously selected by Antalis' packaging specialists, Master'in products meet the highest quality, environmental and responsible purchasing standards.

COALA TEXTILE, A NEW RANGE FOR LARGE FORMAT PRINTING

Coala, Antalis' own brand of large format printing materials for the Visual Communication market, includes both rigid and flexible products such as wallpapers, adhesives or magnetic media, floor coverings and boards. Antalis continued to innovate for the signage and interior decoration markets, launching Coala Textile during the year. This new range of 26 printable textiles made of recyclable polyester can be used for a wide range of applications. The Coala Textile media provides an attractive showcase for customers' communications while meeting their needs for technical and acoustic quality and sun screening products.

1 Presentation of the group

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Presentation of the Group

A B2B distributor of Papers, Packaging products and Visual Communication media, Antalis reported €2,311 million in sales in 2018 and employs around 5,200 people to serve over 120,000 printers and corporate customers.

Antalis has a balanced footprint in Europe, where it operates in 28 countries and mostly enjoys a No. 1 or No. 2 ranking. It also has strong positions in Latin America and Asia-Pacific.

The Group aims to achieve excellence in its product and service offering as well as in its relations with stakeholders, drawing on its expertise and capacity for innovation along with its strategy focused on sustainable growth.

History

In 2000, the merger of around 40 companies in Europe gave birth to Antalis, which was used as the banner for the distribution business in all of the countries in which the Group was present. Wiggins Teape in the UK, Tomas Redondo in Spain, Arjomari Diffusion in France, Mühlebach in Switzerland, Haseldonckx in Belgium and Haseldonckx Alpha Papier in the Netherlands all began operating under the Antalis banner.

The Group initially developed its Papers distribution business, subsequently diversifying into the high potential, growing businesses of Packaging and Visual Communication while consolidating its positions on its historical market.

In 2004, Antalis began to diversify into Packaging, acquiring Brangs + Heinrich in Germany, followed by Dekker Packaging operating in Belgium, the Netherlands and Luxembourg in 2006, and by Paxor in France in 2007.

At the end of 2007, Antalis carried out a major acquisition in paper distribution, taking over Map Merchant Group, making it the No. 1 Papers distributor in Europe. This acquisition also allowed Antalis to expand its footprint into new countries, particularly Scandinavia, the Baltic States and Eastern Europe.

The Group refocused on the Papers and Packaging sectors, divesting its Promotional Products business (2009) and its Office Supplies activities (Ofimarket in Chile in 2010 and Antalis Office Supplies in Spain and Portugal in 2011).

It continued to pursue its diversification strategy on the visual communication market in large format printing (LFP), with the acquisition of German distributor Macron in 2010.

Targeted acquisitions in Packaging continued in 2012: Ambassador in the UK, Pack 2000 in Germany, Abitek in Chile and Branopac in the Czech Republic.

In 2013, the Group further consolidated its positions in Papers distribution by acquiring Xerox Document Supplies Europe (distribution of office papers) operating in 16 Western European countries, as well as the exclusive licence to market and distribute Xerox®-branded office and digital papers in these countries.

In 2015, Antalis stepped up its development in Packaging and Visual Communication with the acquisition of six companies, in the UK (1st Class Packaging, Donington Packaging Supplies and Parkside Packaging), Denmark (PaperlinX A/S), Sweden (Cadorit i Boras AB) and Estonia (Hansapakend). In the same year, the Group acquired Data Copy, an iconic name in the office papers segment, thereby reinforcing its presence on the office papers market.

In 2016, Antalis' strategic development continued apace in the Packaging (acquisition of TFM Industrial in Peru) and Visual Communication (acquisition of Gregersen in Norway) sectors. The Group also continued to consolidate its positions on its historical market, taking over Swan Paper's distribution business in Ireland during that year.

In 2017, Sequana, Antalis' sole shareholder, decided to carry out an initial public offering for Antalis, distributing 18.3% of its share capital to its shareholders. Antalis shares have been listed on Euronext Paris since 12 June 2017.

Sequana currently holds 75.21% of Antalis' share capital and Bpifrance Participations 8.54%, while the remaining 16.25% is free float.

In February 2019, with the support of an investment bank, Antalis launched a process aimed at setting up a new shareholding structure that will enable it to ensure its development and implement its strategic plan.

Disposals and acquisitions in 2018

Antalis continued its strategy of acquisition-led growth with the purchase of Alos' packaging products distribution business in Sweden. It also consolidated its front-ranking positions in the Papers sector in Europe following its acquisition of Igepa's paper distribution operations in the Nordic countries (Sweden, Norway). Antalis exited the South African market, selling its South African and Botswanan subsidiaries, primarily focused on the Papers business.

The impact of these transactions on the consolidated statement of financial position is detailed in Chapter 4, Note 3.

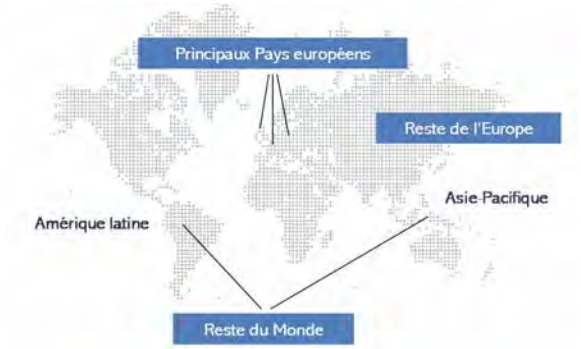
The Group's geographical markets

Present in 28 countries across Europe, Antalis considers it is the only industry player with such a large geographical footprint, with operations in Latin America and Asia-Pacific.

This geographical coverage enables it to develop strong partnerships with its strategic suppliers, to achieve economies of scale in terms of information systems and logistics, and to deploy its sales and marketing expertise across the whole Group.

The Group's international presence is a key asset in serving large international corporations, which generally centralise purchasing operations for paper and packaging products at the European or global level. Antalis has a specific team at its headquarters working closely with local teams to respond to invitations to

tender, implement European and global contracts and carry out day-to-day monitoring with local correspondents.



Main European Geographies

In 2018, Antalis generated €1,179 million in sales from its Main European Geographies (Germany and Austria, France, the UK and Ireland), equal to 51% of its total sales. EBITDA for the region was €38 million, or 51% of the Group total.

In the UK and Ireland, Antalis believes it is No. 1 in Papers distribution and No. 2 in the Packaging sector. In 2018, the Group's UK and Ireland sales totalled €595 million, or 26% of its total sales.

Antalis believes it is the No. 1 distributor of Papers in France. In 2018, sales generated by the Group in France totalled €275 million, or 12% of its total sales.

The Group made €309 million of its sales in Germany and Austria, or 13% of its total sales in 2018. Antalis believes it is the second-largest distributor of industrial Packaging in Germany and the fourth-largest distributor of Papers in the country.

Rest of Europe

Antalis operates in 23 countries in the Rest of Europe, where it holds strong positions in the Papers sector.

It believes it is No. 1 in Finland, Latvia, Lithuania, Norway, Sweden and Switzerland, and that it holds the No. 2 spot in the Czech Republic, Denmark, Estonia, Hungary, the Netherlands, Poland, Romania, Slovakia and Spain.

The Group's positions in the Papers sector in Europe

In 2018, Antalis generated €930 million in sales in the Rest of Europe (40% of its total sales), and €28 million in EBITDA (38% of its total EBITDA).

Rest of the World

Antalis operates in its three business sectors in the six major Latin American countries (Bolivia, Brazil, Chile, Colombia, Mexico and Peru). Antalis' footprint in the region allows it to realise a return on its investments, particularly as regards information systems. This also gives it a solid base from which to develop in the growing Packaging and Visual Communication sectors.

Given the structure of the market in this region and the absence of any distributor with international scale, Antalis distributes graphic supplies (plates, ink, etc.) as well as Papers, Packaging products and Visual Communication media.

In Asia-Pacific, the Group operates as a fully-fledged distributor in six countries (China, Hong Kong, Japan, Malaysia, Singapore and Thailand) and also has a network of resellers in many countries. In the Asia-Pacific region, Antalis is mainly positioned on the creative papers market.

In 2018, the Group's sales in the Rest of the World region totalled €202 million (9% of its total sales), while EBITDA for the region totalled €8 million (11% of its total EBITDA).

MARKET SECTORS

Antalis operates in three main markets: Papers (68% of sales in 2018), Packaging (23% of sales) and Visual Communication (9% of sales).

The Group primarily operates through two distribution models:

- the "stock" model, in which the distributor buys products from manufacturers, stores them in a warehouse and delivers them to customers, whom it bills;
- the "indent" model, in which the distributor places an order with the manufacturer and bills its customer, but the products are shipped directly from the manufacturer's or subcontractor's mills to the end customer. In general, indent orders involve either large volumes and/or longer lead times with regards to standard products, or specific or bespoke products in terms of features such as format, specific assembly and colours.
  The value added by the Group lies in its commercial and purchasing capabilities, i.e., its ability to find the best suppliers and products and to offer the shortest lead times in order to meet the needs of all customers, whatever their size.

Antalis generates 71% of its sales from the stock model and 29% from the indent model.

Papers

Antalis believes that it ranks No. 1 in the Papers sector in Europe, where it operates in 28 countries with a market share of around 19% in volume terms, and that it has critical mass in most countries, ranking No. 1 or No. 2 in 20 of the 28 countries in which it is present.

The Papers business generated €1,581 million in sales in 2018 (4.5% less than in 2017), or 68% of the Group's total sales,

and €356 million in gross margin, or 63% of the Group's total gross margin (two percentage points less than in 2017). More detailed information on the operating performance of this sector in 2018 is provided in the "Comments on the year" section (see Chapter 4, page 71).

A shrinking market that still offers opportunities for growth

The paper distribution market covers two business segments: printing papers for publishing and corporate communication, and office papers for photocopiers and printers.

Based on in-house studies, the Group believes that the European market represents some 6.5 million tonnes of printing and office papers.

Demand on the print market is linked to expenditure on printed advertising and corporate communications. Demand for office paper is linked to the consumption of paper for photocopiers, inkjet and laser printers for printing documents and e-mails.

The paper distribution market in Europe is suffering from a structural decline in volumes owing to the widespread use of new communication technologies (such as the Internet and electronic media). Paper production volumes have fallen by around 4% each year since 2008. In 2018, production volumes in the market fell by around 7% in Europe, the biggest fall since 2009. This decline is the result of price increases driven by soaring pulp prices and of the geopolitical and economic climate, which weighed on consumption.

Over the next few years, Antalis expects the decline to continue, at a rate of around 4%-5% each year (source: internal Group studies).

However, digital papers buck the trend. Digitalisation has in fact given new impetus to paper, with the development of digital printing technologies enabling small runs to be printed and documents to be customised, and with new marketing practices such as web-to-print and transpromotional applications. The digital printing market accounted for 3% of global print production volumes in 2014 and is expected to more than double by 2024. According to estimates, the digital printing market should grow by around 10% per annum in volume terms (source: Smithers Pira).

A highly competitive market that continues to consolidate

The paper distribution sector became very concentrated in Europe from the year 2000 onwards, particularly following Antalis' acquisition of Map Merchant Group in 2007 and of Xerox's office papers business in 2013. After the demise of PaperlinX Europe in 2015 (second-largest player on the market), the wave of consolidation continued, with OptiGroup acquiring Inapa's Swiss operations in 2016 and Inapa acquiring OptiGroup's French subsidiary in 2017. Antalis acquired Igepa's Papers distribution business in Sweden and Norway in 2018, while Inapa is currently in the process of acquiring OptiGroup's German subsidiary.

Today, five distribution groups – Antalis, Europapier, Igepa, Inapa and OptiGroup – lead the European paper distribution market.

The Group's competitors generally have a strong presence in a few target regions. Igepa has a strong base in Central Europe (particularly Germany), while OptiGroup has a solid footprint in Northern and Eastern Europe. Inapa has an extensive presence in France and Portugal, while Europapier operates mainly in Eastern Europe. Antalis itself has a balanced European footprint.

As well as distributors whose businesses are exclusively similar to its own, the Group competes directly with paper producers who are also distributors (Torraspapel, Burgo Distribuzione), office supply resellers (Lyreco, Staples, etc.) and major equipment manufacturers (Canon/OCE etc.).

Excess capacity in the paper sector linked to the ongoing decline in paper volumes, along with the tough economic climate in recent years, have also prompted certain paper manufacturers to increase their direct sales in certain product categories to end customers at the expense of distributors.

Outside Europe, the 2014 merger of xpedx and Unisource, the two largest distributors in the US, formed Veritiv Corporation, the world's leading distributor on this market in terms of sales, operating exclusively in North America.

Antalis ranks No. 1 in Europe in terms of sales and No. 1 worldwide, excluding the US, where the Group is not present.

Antalis' positioning in the Papers sector

Broadest range of products and services on the market

In paper distribution, Antalis operates in two segments, Print and Office, each of which have specific products and customers.

Printing papers are used in publishing and corporate communication and have various applications (letterheads and business cards, brochures and leaflets, catalogues, annual reports, greeting cards and invitations, envelopes, direct mail, etc.) for printers, graphic designers, publishers and advertising agencies.

Antalis believes that it is the distributor with the highest quality and most extensive range of traditional and digital printing products on the market.

The Group offers coated and uncoated papers, papers made from recycled or virgin fibres, creative papers and specialty products such as carbonless and self-adhesive papers. Its product portfolio consists of own brands (Novatech, Print Speed, Olin, Tom & Otto, etc.) and high-profile mill brands (Conqueror, Curious Collection, Cocoon, Invercote, Reacto, etc.).

In the office segment, Antalis distributes a comprehensive array of reams (for photocopiers and printers) either to large corporations and government organisations or to resellers (central purchasing bodies, office supply dealers and retailers) along with envelopes. These are suitable for a broad range of printing techniques (inkjet, laser jet and digital) and cover the full breadth of its customers' needs. The Group's product portfolio in this segment is based on its own brands (Image, Data Copy), a brand under exclusive licence (Xerox) and mill and OEM brands (HP, etc.).

Services tailored to each stage of the customer relationship

Antalis offers a variety of pre-sales (samples, advice, training, etc.) and after-sales (returns management, etc.) services. With its efficient logistics operations, Antalis has also developed a comprehensive range of services in this area for commercial, service and printing companies. The Group enables these companies to optimise their supply chains, reduce costs, manage inventories, prepare orders, and ensure that products are delivered on their behalf to their own customers, wherever they may be. Antalis is particularly active in this field in the UK, France and Switzerland. In late 2017, it launched a new vendor-managed inventory service in France, which is currently being rolled out to its main European countries.

In the office papers segment, Antalis offers resellers exclusive benefits through a loyalty programme. The Group has also developed innovative marketing initiatives for printing papers to help customers grow their own businesses and support them in their sustainable development strategies.

Packaging

Antalis operates in 28 countries in Europe and Latin America and has dedicated sales teams in each of those countries, allowing it to offer reliable expertise in all materials sold by the Group.

Antalis believes that it is the leading distributor of industrial Packaging in Europe in terms of sales, with a market share of 7% to 8%. The Group also believes that it ranks No. 2 in industrial Packaging in Germany and the UK and No. 1 in Denmark.

Antalis generated €517 million in Packaging sales in 2018 (3.1% more than in 2017), or 23% of the Group's total sales, and €144 million in gross margin, or 26% of its total gross margin (two percentage points more than in 2017). More detailed information on the operating performance of this sector in 2018 is provided in the "Comments on the year" section (see Chapter 4, page 71).

Market growth supported by strong underlying drivers

Antalis believes that the European market for secondary and tertiary packaging (consumables and equipment) accessible to distributors is worth around €7 billion. Sales on this market are made through distributors, direct producers and converters.

Demand on the packaging market depends in particular on GDP trends and national and international trade. The development of international trade has resulted in the increasing complexity of assembly lines due to the relocation of production units.

This trend is driving demand for packaging that can withstand being transported for long distances and in difficult conditions, along with demand for comprehensive logistics solutions that allow companies to cut costs and improve the productivity of their packaging assembly lines. The surge in online sales has also generated substantial demand for packaging products. In addition, the growing awareness among consumers, companies and governments of the need to preserve scarce resources is also influencing demand for fibre-based packaging products and environmentally friendly solutions.

The market is expected to grow by around 4% per annum over the next few years (source: Smithers Pira, internal Group studies).

Sales generated by the Group's Packaging business rose at a CAGR (compound annual growth rate) of 8.8% between 2013 and 2018.

A fragmented market sector undergoing consolidation

The packaging distribution market in Europe is made up of many companies that are generally independent, are focused on national or regional markets, and are often turning over less than €10 million in sales.

Competition is largely local or regional and only a few other groups enjoy Antalis' international reach, namely Raja and Nefab, the Group's main competitors. No other company operates in more than three or four countries. The main regional groups that compete with Antalis are Prodinger in Germany and Switzerland, and Macfarlane, a listed company operating in the UK and Ireland.

Since it is still highly fragmented, this market offers significant growth potential with numerous consolidation opportunities. Between 2012 and 2016, Antalis acquired ten companies, in Germany, Estonia, Denmark, the Czech Republic, the UK, Chile and Peru. In 2017, market consolidation continued apace, as Raja and Macfarlane each acquired a distributor of packaging products, respectively in Germany and the UK. In 2018, OptiGroup (formerly Papyrus) acquired two companies in Romania and Finland, and Antalis acquired the distribution business of a company based in Sweden.

Antalis' positioning in the Packaging sector

Comprehensive range of consumables and equipment

Antalis distributes consumables and equipment, and provides additional services and solutions for protecting goods in transit and in storage. Its main product offering is in secondary or tertiary packaging which, unlike primary packaging, does not come into direct contact with the product.

The Group's customer base is made up of large manufacturing groups in various sectors (automotive, mechanical engineering, electronics, logistics, e-commerce etc.) and medium-sized companies.

The Group has also developed its Packaging business through cross-selling, i.e., selling packaging products to printers and companies that already purchase printing and office papers from the Group. This one-stop-shop concept allows them to purchase all of their requirements from a single source.

Secondary packaging products are used with goods protected by primary packaging, for example corrugated cardboard, film, padding, foam and boxes. Tertiary packaging products are used

with goods protected by primary and secondary packaging, and consist of pallets, stretch film, corner protectors, strapping solutions, etc. Depending on customers' specific features and requirements, the Group provides them with a comprehensive range of standard packaging products (corrugated cardboard boxes, adhesive tape, shrink or stretch film, cushioning and void fill products such as air pillows, polystyrene chips and bubble wrap), along with strapping, stapling, stretch wrapping and packaging machines.

The Group's product portfolio mainly consists of white brands or manufacturer brands for special products and machines. It also includes Master'in, its pan-European own-brand label of equipment (packaging, stretch wrapping and strapping machines, etc.) and consumables (adhesive tape, stretch films, etc.).

Bespoke services

The Group offers services for testing the quality and resilience of packaging, and for cutting paper packaging into the sizes required by the customer. It also offers bespoke, value-added services including designing comprehensive logistics solutions. By combining standard products with complex technical systems, these services allow a company to reduce its costs and increase the productivity of its packaging lines. Antalis also designs bespoke high-end solutions, notably for the export market and to protect industrial goods against corrosion. In providing these services, the Group relies on its design centres, where engineers design solutions that are suited to customer requirements using computer-assisted design and manufacturing software.

Visual Communication

Antalis has a dedicated salesforce in each of the 27 countries (in Europe and Latin America) in which the Visual Communication division operates, which allows it to offer reliable expertise in all materials the Group sells.

In the Visual Communication sector, Antalis believes that it is Europe's No. 2 distributor in sales terms with a market share of around 7% to 8%.

In 2018, the Visual Communication business generated €213 million in sales (3.7% less than in 2017) or 9% of the Group's total sales, and a gross margin of €60 million, representing 11% of its total gross margin. More detailed information on the operating performance of this sector in 2018 is provided in the "Comments on the year" section (see Chapter 4, page 72).

Market driven by growth in digital printing

The Group believes that the European market for visual communication accessible to distributors is worth around €3 billion.

The distribution of visual communication media to B2B customers is similar to the distribution of paper, with sales made through distributors and directly by producers. Demand for visual communication media moves in line with the needs of the advertising, signage, adhesives, and point of sale (PoS) materials sectors. Demand is mainly driven by the need to engage with customers at the PoS to encourage them to make purchases, and by the increasing turnover of promotional campaigns. However, the arrival of new technologies such as flat screens also influences demand. The development of "cross media", which makes marketing campaigns more effective, is positive for billboard advertising campaigns. In the area of interior and exterior decoration, demand is spurred by the need for personalisation.

The European visual communication market (media, equipment and inks) is expected to grow by around 1% per year over the next few years, except for the large format printing (LFP) segment, which is expected to grow by 2% to 3%. The global LFP market is expected to grow by around 5% per year, with strong momentum in emerging market countries and particularly in Latin America, where the market is expected to grow by around 10% per year over the next few years (source: Smithers Pira). The pace of growth in the LFP segment is due to the rapid increase in the ownership of digital web presses among traditional printers, and to increasing demand for customisation, particularly in interior decoration.

Sales for the Group's Visual Communication business grew at a CAGR of 1.9% between 2013 and 2018.

A highly fragmented market and few players with international reach

The market for the distribution of visual communication media in Europe is highly fragmented with more than 500 independent distributors, each of which generally turns over less than €5 million in sales. Competition is mainly local, with only a few large groups (Spandex, Vink and Igepa) having international coverage.

The market offers numerous consolidation opportunities. Between 2011 and 2018, Antalis acquired three companies, in Germany, Sweden and Norway. Spandex acquired a distributor in Norway in 2017.

Antalis' positioning in the Visual Communication sector

Comprehensive range of products, from print media to digital printing equipment

Antalis distributes visual communication media for advertising campaigns (PoS or outdoor) and for the interior decoration of commercial and private spaces to specialists in the Visual Communication sector (digital printers and manufacturers of signage systems).

Its product range consists of flexible or rigid materials made of paper or cardboard (such as wallpaper) or plastic materials (such as polyester banners). The Group also distributes ink and large format printing machines in certain countries.

In addition, Antalis sells visual communication media, consumables and equipment to printers that are already Group customers and are buying digital web presses (cross-selling).

Antalis' product range includes a broad array of products used in a wide variety of applications including self-adhesive vinyl for customising vehicle fleets, large-format printing media for outdoor communication (signage, urban furniture, window displays, etc.) and interior decoration (walls, floors, ceilings), plastic and aluminium sheets and foam panels for signs, floor adhesives and accessories for

PoS advertising such as roll-ups and counter displays. The products distributed by Antalis are adapted to different printing techniques, and particularly digital large format printing. The Group opts for solutions using PCV-free raw materials wherever possible.

The product portfolio is made up of well-known manufacturer brands such as Avery Dennison, Forex, Priplak and Dibond. It also includes Coala, the Group's own-brand label of flexible large format printing media that are particularly suited to signage, interior and exterior decoration applications. The Coala range was launched in 2012 and is now distributed in the 27 countries (in Europe and Latin America) in which this sector operates. Sales of the increasingly popular Coala range rose 11% on 2017.

Value-added services for better production management

Antalis provides customers with services appropriate to their activities and assists them at every stage of the production process (choice of materials, vendor-managed inventory service, application of adhesives, etc.).

To allow customers to optimise their orders of non-standard formats of synthetic board, Antalis has developed easycut, a bespoke cutting service supported by online solutions that can automatically calculate the number of boards needed based on desired measurements and quantities.

Customers can also download the ICC (International Color Consortium) profile of each product from Antalis' websites in order to facilitate printing and colour management throughout the graphic design chain.

Research and development, patents and licences

Antalis has a portfolio of around 200 registered trademarks around the world, including "Antalis", "Coala", "Image", "Master'in'", "Novatech", "Olin", "Edixion", "Print Speed" and "Data Copy".

The Group has an exclusive licence to use the Xerox trademark covering the whole of Western Europe.

Antalis also has a portfolio of around 250 domain names.

The Group's intellectual property policy is focused on protecting its brands and domain names. This policy gives rise to either local applications and reservations, or applications and reservations covering all countries in which the Group operates or wishes to preserve its rights. In particular, domain names featuring the name "Antalis" have been reserved with the main generic extensions and the world's main territorial extensions.

The nature of the Group's businesses means that it does not have any material research and development activities. Accordingly, the Group does not own any patents or patent licences.

AN ORGANISATION THAT SUPPORTS THE GROUP'S DEVELOPMENT

The Group's distribution model is based on a combination of sales and marketing skills on the one hand, and logistics expertise (supply chain, storage and transportation) on the other.

This model allows Antalis to make an average of 12,000 deliveries per day worldwide, which enables it to serve over 120,000 customers (64% in the Papers sector, 23% in Packaging and 13% in Visual Communication) and to offer a high level of service at competitive prices.

An omni-channel sales organisation offering added value

The Group's sales model is based on a sales and marketing organisation that involves finely segmenting the customer base, and the use of high-performance customer relationship management (CRM) systems.

The sales organisation is based on specialised salesforces for each business sector and takes into account customer profiles. Supported by managers and technicians who maintain machines and handle complaints, sales teams comprise:

- a field salesforce looking after key accounts in their respective regions;
- sales advisors assisting the field salesforce, who advise customers, directly monitor order intake and handle the related administrative tasks;
- telesales staff handling smaller customers or customers who need bespoke solutions, and also carrying out telephone commercial prospection in this customer segment; and
- backselling consultants or backsellers providing advice and expertise to communication agencies and brand owners.

This sales organisation is underpinned by constant specialisation of the sales teams' expertise through innovative training tools and close coordination
between the different sales channels thanks to the use of integrated and mobile CRM tools. Antalis is therefore able to grow its market share and increase profitability, through improved analysis of customer potential and by developing sales online and through call centres.

By analysing key performance indicators such as the number of outgoing calls per day and the Group's rising proportion of its customers' purchases, the Group can closely track its progress. By setting up a homogeneous sales organisation within the Group, it can also carry out benchmarking between countries and improve existing processes by sharing and taking advantage of best practices.

The Group actively monitors its pricing policy with dedicated pricing managers and thanks to monitoring and profitability tools embedded in its information and CRM systems. The Group takes a highly professional approach to its pricing policy and has pricing managers in each of its regions.

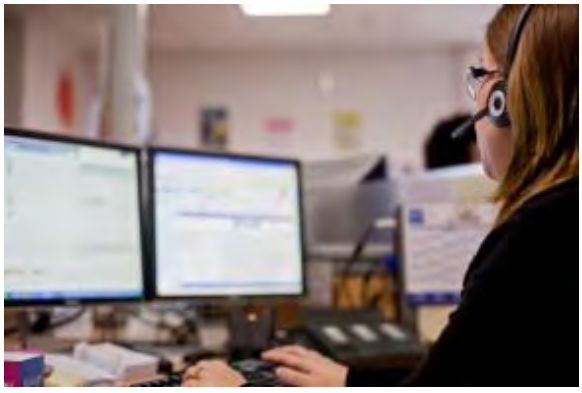
Sales and payment terms and conditions are closely monitored by teams specialising in receivables management in order to optimise cash recovery and minimise bad debt risk. Credit insurance is also used in most countries.

A highly effective logistics organisation

The organisation of Antalis' logistics operations, coupled with major storage capacity, allow it to deliver to customers within 24 hours and even offer same-day service in most major cities where it has a warehouse. The Group uses warehouse management software (WMS) and transport management software (TMS), which enables it to manage its supply chain effectively.

The Group's logistics operations are based on 43 central distribution centres and 72 regional distribution centres. Central distribution centres carry most of the products distributed by the Group and are located in each of the countries in which the Group operates. Regional distribution centres, located in the Group's largest countries, are smaller and carry only part of the Group's product range (i.e., fast movers). The Group's distribution centres are mostly operated under leases and represent a total surface area of 451,000 sq.m. The Group operates most of its central distribution centres itself, and in general subcontracts the management of its regional centres.

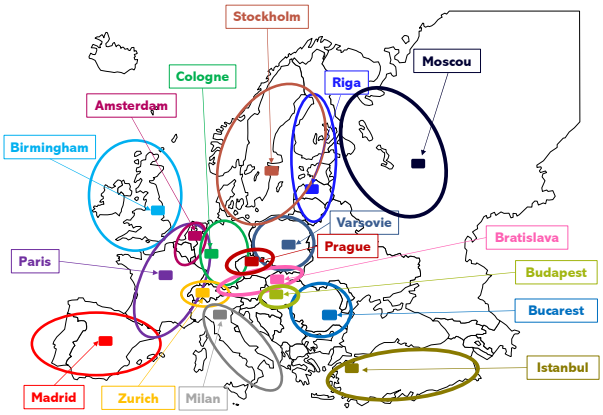
With the partial exception of the UK, transportation is outsourced in all of the countries in which Antalis operates, enabling the Group to maintain cost flexibility in line with trends in the stock business. However, the Group thoroughly vets the choice of freight carrier, choosing only those able to provide its customers with the best possible service. In general, Antalis uses several providers in large countries such as France, and a single carrier in smaller countries like Switzerland.



The Group relies on its intercountry organisation to develop supply chain synergies (particularly in Europe by developing cross-border deliveries, for example from Austria to Slovakia) and thereby serve its customers more efficiently.

The Group further leverages its network to offer its customers a comprehensive range of services, from end-to-end services using just-in-time management to optimise the supply chain and deliver goods in accordance with consumption patterns, to the storage of customers' goods and their delivery to the customers' own clients as well as vendor-managed inventory services.

Location and catchment areas
of central distribution centres in Europe



An effective purchasing policy

Antalis' suppliers in its three business sectors are often global manufacturers. In order to secure the best possible purchasing conditions, for several years now Antalis has purchased Papers from a limited number of strategic suppliers. In the Packaging and Visual Communication sectors, the supplier portfolio is still relatively fragmented, although the Group is making purchases with fewer and fewer suppliers.

Antalis negotiates strategic agreements with a certain number of suppliers to purchase stock and indent products, together with service-level agreements specifying minimum quantities, lead times and marketing support. These agreements give strategic suppliers easier access to all Group subsidiaries and to their sales teams, and give Antalis greater bargaining power based on its purchasing volumes. This enables the Group to offer a high quality of service through a broad product offering and thereby increase its operating efficiency and profitability. In general, Antalis negotiates annual discounts with its key suppliers based on volume or sales targets.

The Group's 12 biggest suppliers accounted for approximately 53% of its purchases in value terms in 2018, of which Arjowiggins accounted for around 8% (mainly in the Papers sector). No supplier represented more than 20% of its purchases in value terms in 2018.

High-performance IT systems

Rolling out high-performance information systems across the Group provides Antalis with the flexibility and responsiveness it needs to offer its customers value-added services, among which e-commerce has a prominent place.

The Group has set up high-performance information systems providing an effective interface between all Group functions (sales, purchasing, procurement, marketing, logistics and finance). As regards customers, the information provided by its information system allows the Group to handle quote requests automatically, identify customer requirements and carry out targeted initiatives as part of its customer relationship management approach.

As regards suppliers, the Group has set up an automated electronic data interchange system, allowing it to work closely

with suppliers on restocking, preparing orders and delivering products.

The Group's information systems include various applications intended to be deployed in each Group entity, particularly in backoffice processes (purchasing, procurement, finance, marketing, call centres), customer relationship management (CRM), Group website management and business intelligence tools.

Efficient information systems represent a vital resource for the Group, allowing it to support all functions inherent in its B2B distribution business, and are an important means of harmonising and standardising processes, encouraging synergies between the various regions in which the Group operates and helping with the integration of acquired companies. In this respect, Antalis has adopted a strategy to achieve gradual convergence between its information systems and continually channels significant investments into this area.

The Group's information systems help put distance between Antalis and its competitors, lending it a major competitive edge.

An efficient management organisation and a seasoned management team

The Group's organisation is based on an operational management structure in each of its seven regions, supported by a business line and sector-based structure at head office. This allows it to deploy its strategy quickly and effectively. Its human resources, finance, marketing, purchasing and IT functions are overseen by central teams, which work with counterparts in each region.

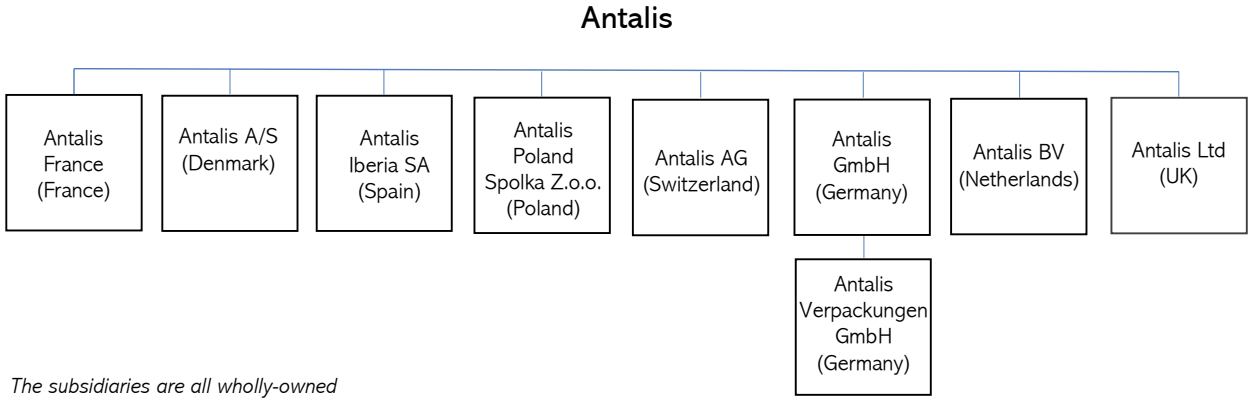
Each region has a common structure in terms of logistics, information systems and back office, which allows the Group to unlock synergies between countries and reduce costs. Antalis also improves its operating efficiency by harmonising product ranges between countries and by implementing common marketing initiatives.

The Group's Executive Committee has in-depth knowledge of the Group's markets and solid industry expertise. The Executive Committee comprises both functional (business line) and operational executives of seven different nationalities and benefits from the broad-shouldered, complementary B2B expertise of its members. Under the impetus of the Executive Committee, Antalis refocused its business model between 2012 and 2015, cementing its leadership in Papers and accelerating its diversification into Packaging and Visual Communication. The executive management team has also shown its ability to successfully integrate the Group's acquisitions of both large corporations and SMEs.

Simplified Group organisation chart

The simplified organisation chart below shows the Antalis Group's main subsidiaries based on their contribution to consolidated sales in 2018.

The list of consolidated companies as of 31 December 2018 along with their geographic location is provided in Note 32 in Chapter 4, "Financial statements – Consolidated financial statements".



The subsidiaries are all wholly-owned

GROUP STRATEGY

The Group's strategy is to diversify on the growing Packaging and Visual Communication markets and to consolidate its leadership in the Papers sector supported by its supply chain infrastructure and information systems.

Continue to transform the Group's business model and focus on the growing and more profitable Packaging and Visual Communication sectors

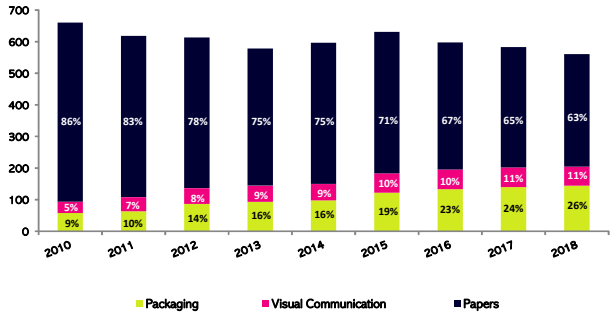
Successful diversification of the Group's business portfolio

To leverage new sources of growth and diversify its profile, over the past few years Antalis has pursued a targeted acquisitions strategy in Packaging and Visual Communication, sectors that are still fragmented but enjoy steady growth and generate higher gross margins than the Papers sector.

Between 2010 and 2018, the Group acquired 14 companies in these sectors, placing Antalis as Europe's No. 1 industrial Packaging distributor and No. 2 Visual Communication distributor. Over the same period, the contribution of these sectors to the Group's total gross margin has tripled.

The Packaging sector accounted for 23% of Antalis' sales in 2018, while Visual Communication accounted for 9%. The contribution of these businesses to consolidated gross margin was 37% in 2018, two percentage points more than in 2017.

2010-2018 gross margin contribution (%) by business sector



Continue the growth dynamic through organic expansion and acquisitions

In the Packaging and Visual Communication sectors, Antalis aims to outperform the market by leveraging its dedicated sales organisation, effective supply chain and global presence.

Antalis intends to support its organic growth in both of these sectors through a broader product and service offering and increased capacity for innovation, ensuring that it remains in step with prevailing market trends and new consumption patterns.

In the Packaging sector, the roll-out of Antalis' strategic project in the Group's main European countries through new business models, greater specialisation and more harmonised marketing and sales processes should lead to an increase in sales and customers.

In the Visual Communication sector, Antalis intends to leverage Coala, its own-brand large format media label, to roll out its products and services in markets with high growth potential, particularly interior decoration and exterior signage. The Group will also aim to strengthen its position as a key player on the interior decoration market, while continuing to run the ecosystem.

Lastly, Antalis will continue to diversify its businesses, maintaining an active role in the consolidation of the Packaging and Visual Communication sectors through targeted acquisitions, taking advantage of these markets' fragmented nature. One example of this in 2018 was its acquisition of Alos' packaging products distribution business in Sweden.

Strengthen leadership in Papers

A key role in the consolidation of the European paper distribution market

Antalis considers that consolidation of the European paper distribution market – which began in 2000 – is needed to maintain a scale effect and unlock synergies, particularly cost synergies.

Its acquisition of Map Merchant Group in late 2007 (approximately €1.4 billion in sales) was consistent with this view, enabling the Group to double in size and extending its footprint into new European markets, making it Europe's leading Papers distributor.

This position led Antalis to play a major role in the industry consolidation process, acquiring Xerox's Document Supplies Europe business in 2013 (approximately €300 million in sales) and the Data Copy brand in 2015. These acquisitions helped the Group to reach critical mass in office paper distribution and to reinforce its positions in this sector, particularly among resellers.

As the leading player in paper distribution, Antalis also took full advantage of market consolidation in 2015. The demise of one of the Group's main competitors led to a significant increase in its business levels in the UK and the Netherlands, and led to higher market share in Europe, where the Group was able to consolidate its positions. Similarly, the wave of acquisitions seen in Switzerland and France over the past two years have had a positive impact on Antalis' business.

Continue to consolidate the Group's positions

Antalis aims to continue playing an active role in market consolidation and constantly assesses opportunities that exist on the market to consolidate its positions in Europe. The Group acquired the Papers distribution business of various players in Ireland in 2016 and in the Nordic countries (Sweden, Norway) in 2018.

It also intends to continue consolidating its positions by enhancing its range of value-added products and services and capitalising on its industry-leading marketing initiatives in digital printing, environmentally responsible products and creative papers.

This strategy will give Antalis significant operating leverage and enable it to channel its cash flow generation to its diversification

into the high-potential Packaging and Visual Communication markets.

Leverage the potential of e-commerce

A driver of operating performance

Antalis considers that its e-platforms (e-commerce websites and EDI) give it a competitive advantage that sets it apart in a market where the penetration of e-commerce is still limited. E-platforms are also an important driver of operating efficiency and are part of the Group's omni-channel strategy focused on two distribution channels (sales teams relying on a paper catalogue and websites via an online catalogue).

The Group's e-commerce websites are in operation in its 30 main countries, giving existing and prospective customers 24/7 access to its Papers, Packaging and Visual Communication full product range.

Users can carry out searches by brand or application, or searches based on profession (traditional or digital printer, designer, purchaser of packaging products, specialist in signage materials, etc.) and benefit from specific advice and content.

The Group has seen continuing rapid growth in its online sales over the past few years. Its e-platforms generated sales of €320 million in 2018. The penetration rate in terms of stock order lines via e-platforms was 35.9% in the year, a rise of 1.1 points (including a 1.3 point rise for e-commerce websites) on 2017.

Significant growth potential

Antalis believes that there is major growth potential in the e-commerce sector and continues to make significant investments to deploy and enrich its online sales platforms.

In late 2018, Antalis launched its new-look e-commerce website in France. More intuitive like websites targeting end customers, this new version offers an optimal customer journey and fast access to products through a powerful search engine. It also provides customers with customised price lists.

Prospective customers will be able to create an account, place an order and pay online as from the end of first-half 2019.

Antalis plans to increase the proportion of its sales made online, which helps to reduce overheads. The aim is to increase the e-penetration rate (number of stock order lines via e-commerce websites and EDI) by rolling out the new version of the website to the Group's main European countries in 2019, and then progressively Group-wide. Antalis also intends to leverage new online services such as bundled offers and online customer assistance.

Accelerating Antalis' transformation plan

In the first quarter of 2019, Antalis commissioned an investment bank to launch a process aimed at setting up a new shareholding structure, which will support the implementation of its strategic plan.

GROWTH DRIVERS AND VALUE CREATION

Ability to generate solid results in a declining papers market

In a structurally declining papers market, Antalis has made protecting gross margins and strictly managing customer risk central to its strategy.

To manage its margins as closely as possible in each of its business sectors, the Group has acquired tools and skills that enable it to establish its pricing strategy, analyse customer profitability and optimise its purchasing policy. The Group is constantly adjusting its overheads to trends in the stock business, particularly by optimising its supply chain infrastructure.

To counter falling volumes in the Papers sector, Antalis has successfully adapted its product ranges, developed its customer base and made acquisitions that enable it to consolidate its market share.

As well as financing acquisitions, in recent years Antalis has shown its ability to generate solid operating results and manage its debt through strict management of its working capital requirement, particularly by constantly improving inventory levels and trade receivables.

The variable portion of compensation accruing to all Group managers depends partly on the extent to which their respective entities achieve predefined EBITDA and working capital targets.

Innovative solutions that help to support our customers' growth and that meet their sustainable development needs

A priority focus for Antalis is to constantly adapt its products and services in line with market trends in order to meet the wide-ranging expectations of its more than 120,000 customers across the globe.

Besides adding more products and services to its existing offers, Antalis has also developed unique and innovative services in its three business sectors. Details are set out in a special catalogue available in each of the Group's countries, and in some cases can include up to 70 different services. Antalis considers services to be an important means of forging a competitive edge, reinforcing its positions and continuing – by billing those services – to generate additional revenue contributing to margin growth.

The Group has also put in place innovative marketing initiatives:

- Antalis Creative Power offers creative paper customers expertise and advice from a global network of backseller consultants, as well as innovative showrooms across Europe.
- To help customers seize growth opportunities created by digital printing, the Group has set up the "D2B" (digital-to-business) programme, through which it organises meetings in partnership with major original equipment manufacturers (OEMs), in the digital web press (mainly Xerox), finishing equipment and software solutions segments.
- Antalis' Green Connection programme supports customers in their sustainable development strategy. The programme highlights the importance of recycled paper, particularly through the Green Star System, which provides customers with an easy method of evaluating the "greenness" of paper using a system of 0 to 5 stars, awarded on the basis of environmental performance.

To determine the extent to which its product and services meet its customers' needs, Antalis regularly conducts satisfaction surveys. The last surveys conducted in early 2018 gave an average overall satisfaction rate of 8 out of 10.

Strong and responsible relations with suppliers and partners

In 2013, Antalis set up its Antrak online product traceability platform to improve supply chain management and increase the percentage of sustainable products in the products it sells.

Dedicated to Antalis Papers, Packaging and Visual Communication suppliers, Antrak holds comprehensive information and documentation on certifications of facilities, regulatory product compliance (REACH, food contact, waste directive), and, more generally, compliance with the Company's fundamental CSR principles (human rights, environmental protection, business ethics, etc.).

The Antrak platform also includes a due diligence tool that helps identify potential risks linked to the traceability of raw materials based on the species of tree and/or their geographic origin.

The Group's potential new suppliers are required to fill out a questionnaire before they can be listed and prior to any business dealings, in order to ensure that they uphold the Group's own values and principles.

Through Antrak, Antalis can provide customers with guarantees concerning supply chain management and can also consolidate its relationship with its suppliers by making a tool available that helps forge a common understanding of CSR challenges and improve products' environmental, social and ethical performance.

In 2018, Antrak included 278 suppliers, of which are 116 Papers suppliers, 119 Packaging suppliers, and 43 Visual Communication suppliers.

Overall, suppliers featured on Antrak represented around 82% of the total value of the Group's purchases and 92% of its paper purchasing volumes.

Antalis also looks to provide its customers with guarantees regarding the environmental impact of its transport operations, which are almost all outsourced by the Group, and has introduced a procedure for measuring the carbon footprint of its deliveries covering 73% of all transport operations in 2018.

A solid value-added individual and collective performance

People are one of the keys to a successful distribution business. Antalis' priority in this respect is to enrich employees' skills and careers at all levels of the organisation and to ensure that by changing behaviour, employees can perform their duties in the best possible conditions.

This is achieved through:

- Training (online, classroom-based and coaching) and best practice groups, particularly in the field of logistics, which enable Antalis to deploy its teams' expertise in all countries in which it operates. This coordinated approach gives Antalis a solid organisation in the areas of sales, marketing, purchasing, finance, human resources, logistics and information systems. In 2018, 91% of Group employees had received training in this respect;
- A safe and secure working environment for employees, particularly in logistics centres which are most exposed to risks;
- A code of business ethics, which includes sections on corruption and competition. An online training programme has been designed to help employees identify risks, rules and the proper conduct to adopt in terms of competition. In 2018, 100% of Group employees had received training in this area;
- A constructive and open dialogue with staff representative bodies.

Our business model

Resources

Economic

A solid financial profile

Growth potential in the Packaging and Visual Communication sectors

Human

Develop the skills of our 5,200 employees with the My Learning Home training platform, which is accessible in 41 countries

Respect for diversity

Proximity to local communities

Environmental

Reduce the environmental footprint of our 115 distribution centres, 34 of which are certified ISO 9001, 20 ISO 14001, 4 ISO 50001 and 13 OHSAS 18001

Reduce indirect greenhouse gas emissions from transport

Social

Monitor the supply chain via the Antrak traceability platform

Guarantee practices in line with the Group's Code of Conduct

Product offering

Develop an eco-friendly product offering

Promote responsible consumption with the Green Connection programme and the Green Star System

Value creation

Economic

A 3.2% EBITDA margin

2-point increase, to 37%, in the Packaging and Visual Communications businesses' contribution to gross margin

ROCE after normative taxes: 10.6%

Human

34% of women managers

3,295 users and 13,972 online training courses completed on My Learning Home

Environmental

Multi-site PEFC and FSC® certification

16.0% reduction in CO_2 emissions (scopes 1 & 2) between 2017 and 2018

73% of transport volume covered by a carbon footprint calculation

Social

82% of the total value of purchases traceable

92% of purchased Papers volumes traceable

100% of exposed populations trained in relation to the Code of Conduct and Business Ethics

Product offering

72% of eco-friendly paper products

2

CSR

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Corporate Social Responsibility

The aim of Antalis' corporate social responsibility (CSR) strategy is to fully incorporate the priorities identified in the areas of (i) organisational governance, (ii) natural resources, (iii) human resources and (iv) the product range into its business model. CSR is part of the process of continuous improvement and is a long-term performance driver.

Following on from the 2012-2015 action plan, Antalis set itself a 2020 roadmap with the following main priorities:

- consolidate responsible business practices in all of the countries in which it operates;
- optimise the environmental footprint of its activities;
- increase the share of eco-friendly products in its offering;
- anticipate future labour related challenges (learning, talent development).

The 2018 results highlight the Group's progress, in particular in terms of indirect CO_2 emissions and Learning.

Organisational governance

Decision-making structure and process

The Group's internal decision-making system aims to guarantee the principles of transparency and accountability when taking decisions and devising strategies and the related action plans. Governance processes are continually being strengthened. Antalis thus strives to use financial and natural resources and its human capital in a way that best reflects its commitment to social responsibility. It also aims to achieve a fair balance between the degree of power, responsibility and expertise of its decision-makers. It strives to keep track of the implementation of these decisions in order to ensure that they are applied in a responsible and sustainable manner and to guarantee accountability for the outcomes they may have.

The Company's CSR governance is represented on the Group's highest decision-making body by the Executive Committee, thus ensuring the best possible cross-company exchange.

The CSR department is tasked with:

- drawing up and steering the Group's CSR policy;
- helping all Group players to adapt and implement the policy;
- entering into dialogue with the Group's stakeholders and highlighting the CSR policy both in-house and with third parties.

The Group CSR department heads up a network of CSR correspondents located in each of the regions in which Antalis operates. This community meets regularly to discuss good local practices that could be implemented in other regions. This collaboration stimulates communication among the various Group entities. Regulatory monitoring is also on the agenda during these discussions, as well as the alignment of CSR practices.

A specific person is identified and assigned specific roles and tasks regarding marketing/communication, human resources, safety, environment, sourcing and business ethics.

Stakeholders

Dialogue and relations with stakeholders

As a global distribution Group, Antalis' relationship with its different stakeholders is important and based on the principles of transparency, accountability, co-operation and responsible communication. Constructive dialogue is an integral part of forging a well-balanced group in terms of economic, social, environmental and responsibility issues, and a means of guaranteeing Antalis' existence over the long term.

In addition to internal stakeholders, the Group has to deal on an occasional or regular basis with different economic, social and environmental players from the private, institutional or not-for-profit sectors. The main internal and external stakeholders whose needs and expectations need to be considered include:

Employees: employees are kept informed about various CSR-related topics both through information obtained via the Internet, intranet or reports and through dialogue with the various employee representative bodies (European Works Council, staff representatives, Health and Safety Committee, etc.). The Group also carries out a study every two years to measure employee opinions about a certain number of the Group's values (My View Survey). More than 78% of employees voluntarily took part in the most recent study, the results of which were presented in February 2018. The study covered subjects such as team spirit, delegating and taking responsibility, being open to change, safety at work, respect for diversity, teamwork and mobility within the Group. It allows the Group to more effectively identify the areas in which employees have high expectations and in which progress is possible. The results were reported to all employees through local discussion groups, which foster exchange and ensure action.

Customers: the Group's customers are mainly printers, manufacturing and service companies, paper retailers, professionals specialised in signage systems and public authorities focused mainly on the business-to-business (B2B) sector. Their expectations in terms of CSR vary widely from one country and business to the next. Some require guarantees from the Group that it respects core CSR values and principles while others look to the Group for guidance and inspiration. Communication and dialogue with this population takes place

through both the commercial offering and on-site meetings: regular site visits, visits to the Group's showrooms and forward-looking studies to improve understanding of customers' needs and expectations.

Suppliers: the Group works with a large number of suppliers in its distribution business. The expectations of these suppliers should be met through a process of constructive, ethical dialogue, and assurance should be sought that they also respect and continually enforce the Group's CSR values. Clearly stating its principles and values in any dealings it may have with suppliers both upstream and downstream of its distribution activities, is a crucial part of its responsibility. Potentially high-risk suppliers should be helped to engineer positive changes in their businesses. Dialogue with the Group's main suppliers takes place on a regular basis and the Antrak platform is a key tool for exchanging views on CSR issues.

Government and local authorities: the Group's distribution centres must comply with strict local, national and international regulatory requirements. Ongoing dialogue with government bodies is necessary to ensure compliance with these regulations. The Group is regularly in contact with the regulatory or supervisory bodies in the countries in which it operates, either on its own initiative or through the professional organisations to which it belongs.

Local communities: the Group's facilities and warehouses, and particularly its distribution centres, strive to maintain constructive and transparent relations with the local communities in the various rural and urban areas in which they are located. Integrating the sites into the fabric of local industry and community helps forge links between employees and society at large.

NGOs (non-governmental organisations): the Group's activities depend indirectly on various natural resources (wood fibre, energy, etc.). Building constructive, transparent dialogue with NGOs on the responsible use of these resources and giving due consideration to all aspects of CSR in strategic decisions is essential. Through this formal or informal dialogue, the Group acknowledges the impacts that its businesses have on the environment while endeavouring to constantly improve performance and lighten its environmental footprint.

Membership of CSR-related organisations

United Nations Global Compact

In 2012, the Group signed up to the United Nations Global Compact, underscoring its commitment to ten fundamental principles in the areas of human rights, labour, the environment and anti-corruption. Every year, the Group also publishes a "Communication on Progress" for each of these ten fundamental principles. Its last such report covering the period 2016-2017 was published in December 2017, under the GC Advanced level, reflecting the Group's determination to go beyond minimum reporting requirements. The next report will be published in May 2019 and will cover the 2018 period. The Sustainable Development Goals will be aligned with the Group's CSR strategy.

Act4Nature

Antalis' decision to join the Act4Nature network was from the start carried out in partnership with scientific bodies, environmental protection groups and public authorities. As one of the signatory companies, Antalis has incorporated Act4Nature's ten shared commitments in addition to five specific Group commitments.

Two Sides

Antalis is an active member of this not-for-profit organisation whose goal is to dispel misconceptions among print and paper users whilst seeking to reinforce confidence in the paper industry. Two Sides aspires to ensure that, in a world of scarce resources, print and paper's unique recyclable and renewable qualities can be enjoyed for generations to come. Two Sides is further committed to ensuring that print and paper also remains a versatile, effective and powerful means of marketing and communication, stretching the imagination and imparting knowledge. Antalis contributed to the "Print and Paper Myths and Facts" and "Paper Packaging – The Natural Choice" booklets, two of the organisation's key communication and training tools.

External regional and economic organisations

In 2018, 19 Group entities (representing 69% of the sample) were involved in an official dialogue with external regional and economic organisations.

MAIN RISKS/CHALLENGES

Materiality matrix

In 2011, Antalis mapped out its strategic CSR priorities on the basis of recognised, sector-based benchmarks, and identified eight challenges in the areas of (i) corporate governance, (ii) natural resources, (iii) human resources and (iv) the product range.

In order to take stakeholders' expectations into account, these challenges were analysed on the basis of information gathered from stakeholders over more than five years, which was then rated in accordance with its economic impact. The materiality matrix, which was drawn up in 2015, was also a way for the Group to rank these challenges by order of importance for internal and external stakeholders and decide which policies and performance indicators to implement.

This analysis will be performed again in 2019, to reflect changes in stakeholders' expectations and ensure that the Group's strategy is in line with the challenges.

Risk analysis

	Main risks	Policies	Indicators	2020 objective(1)	2018 position	2017 position
Environment – Circular economy	Energy	Indirect CO_2 emissions(scope 3)	Percentage of transport volume covered by a carbon footprint calculation	90%	73%	72%
Environment – Circular economy	Product range	Eco-friendly products	Percentage of eco-friendly paper products	-	72%	75%
Social responsibility	Traceability	Responsible sourcing and traceability	Percentage of supplies covered by a traceability procedure including due diligence	85% Zero products identified as presenting a risk	82% Zero products identified as presenting a risk	81.2% Zero products identified as presenting a risk
Social responsibility	Employee safety	Health and safety	Lost-time accident incident rate	7	10.59	9.9
Social responsibility	Skills and training	Vocational training of employees	Percentage of employees trained	80%	91%	90.2%
Ethics and best practices	Ethics and best practices Tax evasion	Best practices Tax evasion	Percentage of at-risk employees trained in ethics and best practices	100%	100%	100%
Human rights	Human rights	Code of Conduct Membership of the UN Global Compact	Roll-out of Code of Conduct to Antalis entities	100%	100%	100%

(1) Using 2015 as a reference year, the objectives are set on the basis of indicators defined for 2020.

The following paragraphs feature the policies and actions voluntarily implemented by Antalis, which go beyond merely responding to the main risks. However, reducing food waste, fighting food insecurity, respecting animal welfare and eating responsibly, fairly and sustainably, are deemed irrelevant in light of Antalis' activities.

NFIS risk Main challenges identified in the materiality matrix with indicators

Environment – Circular economy

As a global player in the professional distribution of paper, packaging and visual communication media, the Group is especially dependent on services provided by nature, in particular the availability of wood resources. Its responsibilities in this regard, namely to guarantee the correct use of this natural resource through responsible management, are important for its long-term economic sustainability. The Environment reporting scope covers 76 of the Group's 115 distribution centres.

Energy

Climate change mitigation and adaptation

Climate change mitigation and adaptation represent two significant challenges for the Group's businesses, which are energy intensive and therefore automatically linked to both direct and indirect greenhouse gas emissions.

"Direct and "semi-direct greenhouse gas emissions ("scope 1 and 2")

These are related to the total energy consumption of the Group's distribution centres and amount to 42,553 MWh. The energy consumed by the buildings, vehicle fleet and machines represents 18,608 tonnes of CO_2 with respect to the Environment reporting scope (including 6,476 tonnes connected with the Group's transport of goods, based on the emissions factors of France's environment and energy management agency [*Agence de l'Environnement et de la Maîtrise Énergétique* – ADEME]).

Other "indirect greenhouse gas emissions" ("scope 3") NFIS Risk

In order to guarantee that the emissions categories most representative of its businesses are taken into account, and to comply with new regulatory requirements, the Group wished to base itself on a recognised standard. It used as a benchmark the Corporate Value Chain Accounting and Reporting Standard created jointly by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) within the scope of the Greenhouse Gas Protocol. The GHG Protocol lists 15 material indirect emissions categories, up- and downstream of the Group's business.

The document used by the Group as its reference is the Antalis France carbon footprint from 2017, which is representative of the distribution activity within the Group. According to this report, the three material items are raw materials needed to make products, goods in transit to downstream markets and product use. The other GHG Protocol categories are not material. These emissions categories therefore fall within the scope of the Group's indirect responsibility and, in the interest of ongoing improvement efforts, suitable solutions should be gradually implemented for each of these impacts.

Raw materials used to manufacture the products

Raw materials used in the manufacture of products are significant for the Group's distribution business and account for over 50% of total emissions. Numerous mitigation measures have already been firmly integrated within the Group. The main trigger for the mitigation of greenhouse gas emissions linked to raw materials purchases involves forest certifications, which guarantee the sustainable management of wood resources and enable optimum carbon capture and storage in forests. Certification (FSC® or PEFC) also guarantees that wooded areas are at least equivalent in volume from year to year, and indeed often increase in size. The Group (72% of the paper sold is certified) thus promotes sustainable, accretive forest management systems, which help mitigate climate change.

Transport

Transport is almost entirely outsourced to transport companies, and therefore linked to "other indirect emissions". In order to better manage the transport-related supply chain, since early 2017, the main suppliers have gradually introduced a dedicated platform enabling them to accurately measure the related emissions based on raw data including mileage, tonnage delivered and the type of fuel for each type of distribution (collection, traction, direct distribution). In 2018, out of the 16 main transport suppliers accounting for almost 73% of the Group's transport purchases, indirect emissions represented 24,872 tonnes of CO_2. These results were calculated on the basis of raw data provided by the suppliers in a dedicated questionnaire on the Antrak platform. This questionnaire also gathers data relating to respect for fundamental rights (working conditions, occupational health and safety, human rights, etc.) and good practice by transport suppliers (breakdown of truck fleets by Euroclass, biofuel, initiatives to promote environmental responsibility, etc.).

Product use

Product use is mainly linked to printer settings or the type of ink used. There is a wide variety and a significant number of end users (companies, printers, individual consumers), which makes it difficult for the Group to implement meaningful action plans (as paper is only the communication medium). The Group nonetheless encourages its customers to become certified in this area through initiatives such as *Imprim'Vert* in France.

In Visual Communication, Antalis makes sure that most of its media can be printed with latex ink. These water-based, odourless inks are UL Ecologo and UL Greenguard Gold certified, do not emit VOC and are considered international benchmarks in terms of public health. Over 80% of the Coala flexible media range is compatible with latex or water-based print technology.

Energy consumption of the Group's distribution centres

The energy and thermal behaviour of the distribution centres is distinctive, as they comprise two very different areas, namely:

- A "logistics" area used for preparation and storage activities (including the technical facilities and the loading bays), which represents on average 95% of the building's surface area. The room temperature setpoint to be maintained in these premises is based on three priorities: (i) taking responsibility for employee health and safety; (ii) freeze protecting the fire protection equipment and (iii) ensuring optimal storage temperature for products.
- An office area representing on average 5% of the total surface area.

Of the 115 distribution centres, only 12 are owned by the Group, while 67 are leased and 36 are fully outsourced. Energy consumption at the sites operated or leased by the Group mainly involves the gas and electricity necessary for the proper functioning of the distribution centres and a few finishing machines. In 2018, that energy consumption amounted to 42,553 MWh or 72 KWh/m2 (including offices).

Optimising energy consumption is therefore a priority for the Group. Local initiatives enhance efforts implemented at Group level. In France and Spain LED lighting is gradually being rolled out in the distribution centres.

Protection of biodiversity

Since the Earth Summit in Rio in 1992, it is widely acknowledged that the "biodiversity footprint" from human activity is measured by five types of pressure: damage to habitats and ecological continuity, ecosystem pollution, unsustainable use of natural resources, invasive species, and climate change.

In this context, the Group's potential impact on biodiversity means that it must alleviate pressure on natural resources, whether in respect of the source of fibres used or energy resources (gas, electricity, etc.).

In order to reduce its impact on natural resources, Antalis focuses on supplies that contribute to preserving biodiversity by giving priority to paper that is FSC® or PEFC certified. FSC® and PEFC certification provide tangible guarantees along the entire value chain that forests were managed responsibly at the outset. This responsible management includes environmental, social and governance criteria. Protecting diversity and ecosystems is therefore one of the fundamental requirements of these certifications. Recycled paper, the Group's other major focus in terms of sourcing, allows it to go even further to alleviate pressure on natural environments. The cellulose fibres used can be recycled up to seven times, making it an ideal secondary raw material for the paper industry. In its role as market leader, the Group has made recycling a priority for the coming years.

Site certification

The Group has set up a multi-site system of FSC® and PEFC certification to guarantee its customers chain of custody at every stage of the production and distribution process, regardless of the country concerned. These multi-site certifications are audited each year by an independent third party.

This system has enabled Antalis to standardise the information to be audited and provide customers with greater transparency. The audits guarantee that these certifications will be renewed and cover aspects relating to logistics (labelling, separate product storage, delivery), information systems (product listing, product categories), and marketing and sales (use of logos, training, etc.). By applying identical standards, every country in which Antalis operates must meet the same Group environmental requirements.

The Group also uses other certifications in its distribution centres: ISO 9001 (quality management system), ISO 14001 (environmental management system), ISO 50001 (energy management system) and OHSAS 18001 (occupational health and safety management system). The Group seeks to obtain these certifications for its main warehouses.

The Group received a Gold rating from EcoVadis for the quality of its CSR policy at Antalis France and Antalis the Netherlands, and in particular for obtaining ISO 9001 and OHSAS 18001 certification.

	ISO 9001	ISO 14001	ISO 50001	OHSAS 18001
Number of certified sites	34	20	4	13

Data calculated based on a scope of 76 of the 115 distribution centres operated or owned by the Group.

PRODUCT OFFERING

Eco-friendly products NFIS Risk

The Group's responsibility to consumers chiefly concerns health, safety, education and awareness initiatives with respect to responsible consumption. This responsibility extends to both the Group's customers and its end customers.

Although the Group's manufacturing processes have an environmental impact, the nature of the products sold presents minimal danger for the health and safety of customers. Regulation (EC) No. 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (the "REACH regulation") requires commercial companies to prove that their products or manufacturing processes are free of any harmful chemical substances. To ensure full compliance with this regulation, all of the Group's suppliers submit REACH-related compliance documents via the Antrak platform (see next page). In 2019, all suppliers registered on the platform will be required to code all substances subject to authorisation or restrictions or considered to be of concern in relation to the products that they supply to Antalis.

All of the requirements associated with these impacts correspond to internationally recognised and respected standards which are considered to provide strong guarantees of environmental performance. For paper to be classified as eco-friendly in terms of the raw materials used, it therefore has to be at least FSC® or PEFC certified and at best be 100% recycled using post-consumer recycled fibres. In terms of the manufacturing process, the mill must be at least ISO 14001 certified and at best carry the European Ecolabel®. Both of these criteria must be met for the paper to be classified as eco-friendly according to the Group's definition. Thanks to this definition, the Group takes stock of products on an annual basis. The definition

is a particularly relevant indicator for the Group in view of its position as a leading supplier of eco-friendly products.

Since 2015, the Group has been focusing on its marketing strategy for its range of eco-friendly products and services by implementing the Green Connection programme. This programme includes the Green Star System. To make it easier for its customers to choose from the large number of environmental certifications available, the Group has created its own system for assessing the level of eco-friendliness of a paper type, awarding it with a rating of between zero and five stars depending on its environmental performance, the origin of the fibres and the manufacturing process. Products are considered eco-friendly when they have three or more stars. This tool allows sales teams to better showcase the eco-friendly product offer and provides customers with a simple and reliable ratings system. To strengthen its role as trailblazer among its customers, the Group has also developed other tools, including a white paper providing concrete advice on how companies can integrate paper into their sustainable development strategy and the advantages of a properly managed paper sourcing policy. This is accompanied by a brochure providing a comprehensive description of the Green Star System and the five-star paper rating. To counter common misconceptions about paper's negative environmental impact compared to information and communication technologies, the Group has also produced a video entitled "Did you know?". which shows the benefits of using paper. The Group promotes the use of recycled paper through visits to its suppliers' mills and various events in its showrooms.

Percentage of eco-friendly products[1]	2018	2017
Five stars	5%	5%
Four stars	41%	40%
Three stars	26%	30%
Total 3, 4 and 5 stars	72%	75%

(1) Percentage based on the stock business products (in sales).

Product eco-friendliness is also a priority for the Packaging and Visual Communication sectors.

As regards Packaging, Antalis develops tailor-made, innovative and eco-friendly solutions in its design centres. In Germany, the Group's engineers focus on the use of reusable, single-material packaging, which is generally paper-based. In Poland, recyclable materials such as polyethylene or polypropylene paper are used. In Denmark, in response to the unboxing trend, the Group's engineers take consumer requirements into account to design packaging that is adjusted to the size of the product.

Out of the need to reduce the environmental impact of Visual Communication applications, Antalis has undertaken an eco-friendly initiative that favours the distribution of large format media manufactured using more eco-friendly techniques, eco-design or recyclable materials. Examples of this approach to manufacturing include:

- PVC-free films and textiles;
- adhesives containing neither solvents nor hazardous materials;
- a wide range of papers and cardboard, including for outdoor use;
- suppliers with PEFC or FSC® certification;
- media certified as compatible with cleaner and non-polluting digital printing techniques.

As part of these efforts, Antalis has enhanced its portfolio of sustainable products by distributing the Xanita brand in the United Kingdom. This is a composite-fibre based solution offering an excellent strength-to-weight ratio. Xanita boards are an eco-friendly alternative to polymers such as PVC foam board, polypropylenes and other non-renewable substances typically used for interior and exterior advertising.

SOCIAL RESPONSIBILITY

Responsible sourcing policy and traceability

Since 2013, the Group has been rolling out a new responsible sourcing policy for paper and pulp products. This policy applies to all Group entities sourcing products derived from wood fibre and seeks to reassert fundamental values in terms of responsible sourcing. The policy bans all illegally harvested timber, timber from protected areas or from areas with a high conservation value, as well as timber that has been harvested in violation of the traditional or civil rights of local populations. These principles also reiterate the Group's determination to prioritise supplies from sustainably managed forests (FSC®- or PEFC-certified), as well as supplies containing no genetically modified organisms (GMOs). They also illustrate and confirm the Group's preferred use of recycled paper to reduce the pressure on natural resources. The Antrak platform is used to ensure that the values and principles of this policy are applied by the Group's suppliers.

Regulations against illegal logging

As part of its distribution activities, the Group must comply with all rules against illegal logging. Within the European Union, Regulation No. 995/2010/EU, which came into force in 2013, lays down the obligations of operators who place timber and timber products on the market. The large majority of products distributed by the Group are paper-based and are therefore derived directly from timber sources. In order to comply with this regulation, the Group has set up a due diligence system. This tool to assess country and deforestation risks and the risk of using protected tree species, is included in the platform used to compile suppliers' information, which has been in place since 2013. It is used to automatically assess the level of risk associated with specific product characteristics. In cases where the Group is considered as an "operator", the scope of the due diligence obligation was extended in 2016 to all supplies of products derived from wood. The Group goes above and beyond its regulatory obligations and has set itself the imperative of assessing risk (and, therefore, mitigating such risk if it is identified) with respect to all of its paper products.

Antrak: the traceability and due diligence platform for suppliers NFIS risk

Since 2013, the Group has been rolling out a platform for compiling, analysing and centralising all of its suppliers' CSR-related information, particularly as regards the various regulations in force in the countries in which the Group is present. In 2018, the Antrak platform covered 278 suppliers representing almost 82% of the total acquisition value (including packaging and visual communication products) and 92% of its paper product purchases. Over 88,982 items of compliance-

related information and 10,328 compliance documents were centralised on the platform regarding almost 2,912 distributed products and 800 related production sites. Apart from the key strategic suppliers, all suppliers located outside the European Union or that source their raw materials in regions that could be affected by deforestation or labour law issues were invited to answer a series of dedicated questionnaires.

The information compiled concerned compliance with the main international regulations concerning CSR issues (fundamental rights, labour law, worker safety, business ethics, etc.) and compliance with regulations relating to products delivered to the Group and to the plants where these products are made. This procedure concerns the suppliers' parent companies, as well as the entities doing direct business with the Group. The information is compiled for three reasons: (i) to guarantee the full regulatory compliance of the Group's supply chain, (ii) to prevent potential environmental or social risks arising from purchases, and (iii) to provide the Group's customers with guarantees on the accountability of the supply chain and in particular the traceability of its products.

Specific care is taken with respect to the traceability of raw materials derived from wood fibre and used in paper-based products. This specific care responds to the Group's dual responsibility to guarantee the total absence of fibres derived from illegally harvested timber (according to EU Timber Regulation No. 995/2010/EC and implementing Regulation No. 607/2012/EC) and to provide proof of a responsible sourcing chain as regards the species of trees used and the country of harvest. All information regarding the certification of products and the manufacturing plants is also compiled.

The Antrak platform also includes a due diligence tool based on the International Union for Conservation of Nature (IUCN) red list of threatened tree species and the Transparency International country risk ratings. The platform allows the risk related to a specific supplier or product to be objectively assessed. If a risk is identified, an ad-hoc committee made up of Purchasing, CSR and Legal department representatives meets to decide on the appropriate mitigation measures (requesting additional information, corrective measures in supply sources or delisting). The supplier risk is rated in accordance with four categories: non-existent, negligible, low, real. In the context of its responsibility to mitigate risk, the Group set itself the imperative of taking corrective measures for any risk identified as "real". As in 2017, no product was rated as presenting a "real" risk within the scope of the 2018 collection drive.

In 2018, the CSR team worked with the Group Procurement Committees to train and inform purchasers about responsible procurement, regulatory changes, and the use of the Antrak platform. All purchasers also received training through the Purchasing Academy. A responsible procurement module is included in the new edition of this certificate course. One member of the CSR team dedicates 70% of their time to responsible procurement and to assessing the platform. This includes regulatory changes and any other matters considered relevant. This person also checks supplier declarations and the documents provided.

In January 2015, another procedure was added for new suppliers. This procedure is applied before a new supplier is listed, and in advance even of any commercial negotiation. A short pre-listing questionnaire allows the Group to make sure that the supplier is committed to complying with the Group's values and principles. The supplier demonstrates this by signing a Code of Conduct and the Group's sourcing policy, and by supplying tangible, public proof of its commitment to complying with international and local regulations in terms of labour law and respect for the environment. In 2018, of the 131 potential new suppliers who filled out this pre-listing questionnaire, 20 (15%) did not provide the guarantees required to be listed.

In 2017, a new due diligence module was added to assess the potential supplier risk as regards respect for fundamental rights (labour law, human rights, occupational health and safety, anti-corruption, etc.). This new screening system is a way of stepping up requests for additional information and guarantees from suppliers who have not provided sufficient evidence.

Employee safety – Health and safety

Employee protection NFIS risk

The Group's activities involve risks that may potentially cause personal injury or illness. The Group places great emphasis on the health, mental well-being and physical safety of the men and women working to develop its businesses. It relies on a team in charge of personal safety and product security, which audits, supports and co-ordinates the practices and action plans implemented in each of its businesses. Antalis aims to make safety and security issues a force for cohesion within the Group and a driver of ongoing improvement in all business processes. Progress meetings with employee representatives are held several times a year, both locally and within European Works Council meetings. Information on the severity of work-related accidents is also monitored, and the results are used as decision support tools. A warning is sent to all health and safety correspondents as part of the sharing of good practices.

The table below shows how workplace safety indicators have changed over the last two years.

Workplace safety	2018	2017
Lost-time accidents	57	53
Incident rate(1)	10.59	9.9
Number of fatal accidents	0	0
Severity rate	0.21	0.12

(1) Incident rate = number of lost-time accidents/number of full-time employees and temporary personnel x 1,000.

The incident and severity rates deteriorated in 2018 due to a serious accident at the start of the year, resulting in high absenteeism. Apart from this accident the trend is similar to 2017, with results improving throughout the year. The number of lost-time accidents dropped noticeably in fourth-quarter 2018, to 9 as opposed to 14 a year earlier.

The Group's employees are exposed to various risks, chiefly those inherent in commercial, storage, transport and road travel activities. Some converting facilities are also exposed to industrial risks. Safety and security rules form an integral part of the organisation of working practices within the Group, which ensures that these rules are strictly respected at all of its sites. Nevertheless, the Group is working to develop a consistent safety management framework for each of its businesses across major distribution centres that complies with the internationally recognised OHSAS 18001 standard.

Various initiatives were launched to enhance the safety management system in 2018:

- A 2017-2020 roadmap was rolled out locally by each region, in the form of dedicated action plans.
- Health issues were incorporated into the roadmap through the Build the Health and Safety Bridge scheme. This initiative is implemented in conjunction with the World Day for Health and Safety at Work, which is celebrated each year in the Group.

  All of the sites (warehouses and offices) around the world organise activities based on the themes of health and safety with a view to raising awareness about the importance of these issues.
- Continuation of activities undertaken in previous years, in particular:
  - incident analysis training,
  - Team corners and Safety talks,
  - safety audits carried out by the Health and Safety representatives of each region or country.

Skills and Training

Vocational training of employees

NFIS risk

In order to enhance skills development and anticipate future needs, the Human Resources department carried out a study of the key skills required now and in the years to come. Employees from all areas of the Company were consulted and the results will make it possible to proactively address the training needs of employees.

In addition to this study, interviews are conducted with regional HR Heads each year in order to map requirements. and gain a better understanding of the challenges faced by each region and their requirements in terms of skills development, with a view to proposing appropriate solutions.

In 2018, the launch of the online platform My Learning Home saw multilingual training courses rolled out to all employees in each of the Group's 41 countries. My Learning Home can be used on a computer, tablet or smartphone. The courses on offer use a variety of educational tools such as e-learning, virtual training, classroom-based sessions, videos, reference materials, Small Private Online Courses (SPOCs), etc.

Local events were held to coincide with the launch of My Learning Home, whereby employees were invited to attend demonstrations on how the platform works and take part in interactive, educational games illustrating the advantages of learning.

Online communities are also available for participants on a dedicated platform to exchange good practices, consolidate what they have learnt and foster innovation. This collective intelligence encourages sharing and interaction between the various departments and countries.

Certificate programmes such as the Packaging Academy, Purchasing Academy and HR Academy round off the employee training offering in connection with the Group strategy.

Managing a team is a complex responsibility and as such the Group has rolled out a Coaching for Performance programme worldwide, with the aim of supporting managers and providing them with the tools they need to coach their employees.

Other training courses on products, regulations (GDPR, Anti-Trust) and change enablement are offered in accordance with the target population.

Online training	2018	2017
Number of individual users on the online training platform	3,295	2,609
Number of online training modules completed	13,972	12,706

Each employee has an annual average of 2.5 days of training. There is an upward trend in online training modules. These modules, which are generated at Group level, are shorter and therefore more suitable, as well as more closely targeted and therefore more effective. They are available to all employees regardless of their country of residence. Classroom-based training courses are still offered and tend to be more specific.

Promotion of diversity

Antalis had an average headcount of 5,222 in 2018, with 79% in Europe and 21% in Latin America and Asia Pacific. This international dimension means that the Group is not inclined to differentiate its policies along the lines of national or ethnic criteria but constantly seeks to capitalise on the mutually enriching interplay between various cultures. The Group's Executive Committee comprises seven different nationalities. All of the nationalities present in the Group are represented on the various operating committees and at the regular management meetings, proof of Antalis' multi-cultural and international profile.

However, it is not always easy to foster diversity given the logistics-based nature of the Group's businesses and country-specific regulations on the matter. For example, tracking the number of employees with disabilities is made more complex by different local laws and regulations, which may prevent such data from being collected or may be based on a different definition of disability. Furthermore, 44% of the sites have put specific actions in place to promote the integration of employees with a disability in the workplace. In France, the Group works with companies that help with such integration.

The table below sets out the percentage of employees with a disability in the last two years.

	2018	2017
Percentage of employees with a disability	0.91%	0.77%

Gender diversity is also closely monitored within the Group. The logistics-based nature of the businesses is not conducive to there being a high proportion of women; however, the Group is aware that efforts must be made to achieve more a balanced workforce. Reporting indicators show an improvement in the overall percentage of women in the Company, as well as in management roles. The Group aims to ensure that the percentage of women managers be at least equal to the overall percentage of women in the workforce in each of the regions in which it operates. Moreover, 58% of the sites have put specific initiatives in place to promote gender equality. These initiatives have led to a slight increase in the number of women in management, from 31.10% in 2017 to 33.66% in 2018.

The table below sets out the percentage of managerial positions occupied by women in the last two years.

	2018	2017
Percentage of women in management	33.66%	31.10%

The table below shows the breakdown of the workforce by gender in the last two years.

Breakdown by gender	2018	2017
Percentage of women in the Group	36.29%	35.40%
Percentage of men in the Group	63.71%	64.60 %

Labour practices

Breakdown of employees

The Group had an average headcount of 5,222 in 2018, compared to 5,561 in 2017. The decrease in employee numbers chiefly concerns the UK.

The table below shows how the Group's average headcount* in each geographical area has changed over the last two years.

Geographical areas	2018	2017
Main European Countries *(Germany & Austria, France, the UK & Ireland)*	2,062	2,254
Rest of Europe	2,075	2,111
Rest of the World	1,085	1,196
Total	5,222	5,561

* The average headcount is the sum of the total headcount at the end of each month (registered headcount) divided by 12.

Working conditions

Compensation policy and social protection

The Group's employees, whether they have an operational role or a cross-functional role, are paid a fixed salary which, for most managerial-level staff, is supplemented by variable compensation. Variable compensation is based on the performance of the Group and employees' individual performance relative to previously defined targets.

The variable compensation policy for sales representatives is adapted in accordance with the business in each country and local legislation.

The Group's employees are also eligible for statutory healthcare, welfare and disability benefits.

Succession plans for managers and talent management

The Group holds yearly performance reviews for all its employees, which help it to ensure that its actions are aligned with its strategic plan and to identify training needs and career aspirations. A regular review of key talents allows Antalis to analyse the development and promotion potential of its management teams and key managers. This in turn helps Antalis to develop its talent pool, which is crucial if it is to provide the best possible response to the Group's current and future requirements.

Lastly, a succession plan for the Group's key executives has been implemented by Antalis' Nominations and Compensation Committee in accordance with the governance rules applied by the Company.

Social dialogue

The Group has an open and direct social dialogue policy, keeping employee representative bodies informed of economic and labour related changes in the Group and its entities, as well as any difficulties they may encounter. It does this transparently and ensures that local laws are complied with.

In a morose economic environment, ensuring healthy social dialogue is crucial, particularly in the context of redundancy procedures.

The Group rigorously verifies that all employees affected by such procedures are given the assistance provided for by law.

As well as ensuring strict compliance with local regulations, the Group promotes its own values, providing equal opportunities for employees, ensuring fair treatment and zero discrimination and encouraging social dialogue.

In 2018, 64% of Group entities had an official employee representative body, of which 87% had a specific information procedure for employees and employee representatives, while 77% set up a specific bargaining procedure with their employee representatives.

At Group level, the European Works Council represents more than 4,000 employees across Europe and holds at least one plenary session a year. The meeting is an opportunity for the Company and employee representatives to share information regarding performance, as well as strategy and future initiatives in areas such as health and safety, organisation and communication. The European Works Council can also be consulted throughout the year on major commercial or organisational changes affecting two or more European countries.

Every year, the Group negotiates a number of collective bargaining agreements with employee representative bodies on an individual entity level. Amendments to these agreements are also negotiated. At Group level, 75 agreements were signed with employee representatives in the Group's different legal entities in 2018.

Community involvement and development

Social commitment is based on the Group's partnerships, as well as on community-based initiatives fuelled by Antalis in all of the regions in which it is located. These projects are principally centred on culture, outreach, education and health.

The Running With Those That Can't initiative, organised in conjunction with the Prague International Marathon, is one of the Group's long-standing commitments. Antalis actively participates in raising funds to buy sport wheelchairs for children with a disability in the Czech Republic. Antalis' teams in Prague regularly take part in the International Engage Day whereby they dedicate one day in the year to volunteering.

In 2018, Antalis supported Ajudaris, an organisation in Portugal, through the purchase of children's book collections and paper donations.

For its 25th anniversary in Lithuania, Antalis gave 682 books to 47 libraries in the region to provide greater access to culture for rural populations.

In Latvia, donations of paper and other Group products were sent to the Art Academy of Latvia, the New Riga Theatre and a local community music and art school.

In Chile, Antalis supports Fundación Portas, which assists students from underprivileged or high-risk areas.

In Sweden, Antalis AB and its supplier Lessebo Bruk, donated the paper to print *Bla Kokboken*, an outreach project to help combat prostate cancer. Proceeds from book sales were donated to the organisation.

HUMAN RIGHTS, CORRUPTION AND TAX EVASION

Human Rights – principles of Legality – Ethics and Transparency

The Group employs a small number of people in developing countries. In accordance with its Code of Conduct – which is based on respect for individuals – the Group complies with International Labour Organisation (ILO) standards in all of the countries where it operates, particularly relating to child labour, occupational health and safety, employee representation and fundamental principles and rights at work. These principles apply both to the Group's relations with its own employees and to subcontracting arrangements. They are taken up and relayed to employees in the Group's Code of Conduct and reinforced through Antalis' membership of the UN Global Compact. The Code of Conduct covers all matters relating to human rights and is the basis for the commitments with which the Group wants to ensure compliance, both within the Group, as well as upstream. Compliance with these fundamental values is monitored by the Internal Audit department.

Implementation and compliance procedures relating to these issues are included in Assessment Questionnaires (SAQs).

2018 Self-Assessment Questionnaire statistics

Subject	Number of entities	Representativeness of the sample
"Does your entity apply the Code of Conduct?"	36	100 %
"Is the Code of Conduct formally provided to all joiners?"	34	93 %
"Can you confirm that you do not encounter any situations that may lead to a breach of the Code of Conduct (working conditions, breach of competition law, harassment, corruption, etc.)?"	36	100 %

*Carried out in 36 entities with more than 30 employees, covering 90 % of Group headcount.

The Group is working to improve the way these issues are dealt with by its suppliers, by including specific requests and evidence that suppliers respect the Group's values in the questionnaires sent to them.

Corruption – Business ethics Tax evasion

Ethics and best practices

NFIS risk

Ethics and best practices are an integral part of the Group's core values. However, it is essential that the Group reaffirms and improves procedures each year in order to ensure that it acts in strict compliance with the laws in force in the countries in which it operates and that the values it upholds are respected.

The Group is responsible for ensuring that rules of business conduct – particularly regarding corruption and unfair competition – are complied with, implemented and monitored in the 41 countries in which it is present via its different entities. The Group also makes sure that relations between its different entities and public bodies, other companies, suppliers, subcontractors, customers and competitors are managed in a fair and responsible manner, to prevent the possibility of corruption or illegal practice.

The Group introduced a new Group Code of Conduct in 2013 to reinforce its procedures. The Code covers all compliance-related topics: commercial relations, anti-trust rules, confidentiality and insider trading, as well as safety, conflicts of interest, respect and dignity in the workplace and environmental principles. It also includes a comprehensive list of forbidden or authorised practices specific to the Group's businesses. The Code has been sent to all workers. All employees who deal with potential risks in relation to competition law and corruption matters have signed it. The Code of Conduct is checked and disseminated each year through a series of questions included in the Self-Assessment Questionnaire developed by the Internal Audit department. In 2018, the 36 Group entities with more than 30 employees deployed the Code locally and have procedures ensuring that the Code of Conduct is signed by target populations. In addition, 34 entities have implemented a procedure whereby all new hires must sign the Code. It should also be noted that in addition to the Group Code of Conduct, 15 entities have their own local code of conduct in the form of internal rules.

With respect to the fight against corruption in particular, France has significantly strengthened its legislative framework with the Sapin II law which entered into force on 1 June 2017, addressing transparency, anti-corruption and economic modernisation. The French anti-corruption agency (*Agence Française Anticorruption* – AFA) was set up around the same time and is dedicated to preventing corruption and monitoring economic players. Antalis has long been promoting the strict principles recorded in its Code of Conduct, defining the standards of ethical behaviour by which employees are bound in the performance of their activities. The principles of this Code also comply with regulatory provisions. The Code has been translated into all the languages spoken in the Group, ensuring that it is accessible to and understood by all employees around the world.

During their induction, all employees receive mandatory training on Antalis' values.

To comply with the eight measures of Sapin II, Antalis launched a review of the related measures in 2017 and has since endeavoured to complete them:

- the Group mapped corruption risks and is currently rolling out action plans aimed at reducing such risks;

- procedures are being finalised to ensure the formalisation of due diligence with regard to anti-corruption procedures before forming relationships with third parties;
- an internal whistleblowing system is currently being rolled out within the Group;
- a specific training programme has been set up for employees particularly exposed to corruption risk. The entire target population has received this training.

As part of its compliance with the new European Data Protection Regulation (GDPR) of 25 May 2018, Antalis devised a governance system based around a DPO and a GDPR representative for each function at central level, with correspondents in each region. Monitoring meetings are held regularly. A training module was deployed at Group level and translated into various languages so that more employees would have access to it. In 2018, 61% of Antalis' employees completed the GDPR training, with the target being 100% by the end of 2019.

Tax evasion NFIS Risk

The Antalis Group undertakes to comply with applicable national tax legislation and international standards, in particular those laid down by the OECD and including the fight against tax evasion. The Group also undertakes to ensure that all of its entities, regardless of their location, comply with said regulations. The Group's entities pay all of the taxes owed in each state in which they are located. Antalis endeavours to maintain good relations with the various local and tax authorities.

CSR REPORTING METHODOLOGY

Selection of indicators

The Antalis Group endeavours to provide non-financial information as transparently as possible. In accordance with the "comply or explain" rule provided for by law, Antalis acknowledges that certain minimal information has not been disclosed. The main reasons for non-disclosure may be that (i) no reliable indicators currently exist for the issues concerned, (ii) as a group involved in the professional distribution of paper, packaging products and visual communication media, certain matters do not concern Antalis and are not therefore considered, and (iii) certain information is deemed confidential.

CSR reporting scope

The CSR information provided belongs to different categories which each have their own reporting and consolidation procedures. This is due to the nature of the information compiled, the scope applied and the maturity of the entities included.

Reporting on labour practices includes all of the Group's legal entities and therefore covers all Group employees.

However, discrepancies may arise between some reported data due to differences in how employees are accounted for. All labour-related statistics are calculated on the basis of average headcount for 2018.

Health and safety reporting covers all Group activities and includes local and central offices and head offices.

Dedicated environmental reporting for the warehouses is more specifically concerned with energy consumption (electricity, gas, fuel), transport-related consumption and waste management. Water consumption in Antalis' operations is negligible and limited to cleaning floors and toilets. These data have therefore been excluded from environmental reporting.

Land use is not covered because the Group's direct activities have no particular impact on land. Food waste is also not covered because it is not really relevant to the Group's businesses.

Sources and tools used

Data on labour practices is included within the internal financial reporting software (Magnitude). Human Resources reporting packages are completed by the Group's legal entities at 30 June and 31 December each year. The management accountant of these entities is responsible for relaying the request to the competent member of staff and verifying that all information has been supplied. This procedure is enhanced with a data input guide setting out the definitions of all the indicators and their calculation methods.

The environmental information for the distribution centres is compiled via an online questionnaire on the Antrak platform and is available to the 76 distribution centres.

Health and safety data are compiled using an Excel spreadsheet sent each year to all sites by the Group Head of Security. Each accident must undergo a dedicated verification procedure.

Method used to consolidate and validate indicators

A procedural guide to reporting on labour practices setting out definitions of social indicators is available in the internal financial reporting software. Information on labour practices is compiled by the Group's management accounting department and sent to the Head of CSR responsible for analysing the data along with the HR department.

The Excel health and safety questionnaire featuring a data input guide is completed by local Quality Health Environment (QHE) officers at each site. This information is then pooled and consolidated by the Group Head of Security before being sent to the HR and CSR departments to be analysed and incorporated into the management report.

The environmental questionnaire includes explanatory comments for each indicator. The CSR department must then carry out consistency checks and consolidate the information for publication in the management report.

REPORT BY AN INDEPENDENT THIRD PARTY ON THE NON-FINANCIAL INFORMATION STATEMENT PRESENTED IN THE GROUP MANAGEMENT REPORT

Antalis
8 rue de Seine
92100 Boulogne-Billancourt
France

For the year ended 31 December 2018

This is a free translation into English of the independent third party's 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 standards applicable in France.

To the Annual General Meeting,

In our capacity as an independent third party and certified by COFRAC under number 3-1048 (whose scope is available at www.cofrac.fr), we hereby report to you on the non-financial information statement for the year ended 31 December 2018 (hereinafter the "Statement"), included in the Group management report pursuant to the legal and regulatory provisions of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

The Company's responsibility

Pursuant to legal and regulatory requirements, the Board of Directors is responsible for preparing the Statement, which must include a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented in light of those risks and the outcome of said policies, including key performance indicators. The Statement has been prepared in accordance with the Company's procedures (hereinafter the " Guidelines"), the main elements of which are presented in the Statement and are also available on the website or upon request from the Company's head office.

Independence and quality control

Our independence is defined by the provisions of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Responsibility of the independent third-party body

On the basis of our work, our responsibility is to provide a reasoned opinion expressing a limited assurance conclusion on:

- the consistency of the Statement with the provisions of article R. 225-105 of the French Commercial Code;

- the fairness of the information provided in accordance with article R. 225-105 I, 3 and II of the French Commercial Code, i.e., the outcome of the policies, including key performance indicators, and the measures implemented in light of the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- the Company's compliance with other applicable legal and regulatory provisions, in particular regarding CSR and anti-corruption and tax evasion legislation;
- the consistency of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of articles A. 225-1 *et seq.* of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional standards applicable in France to such engagements as well as with ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Our procedures allowed us to assess the consistency of the Statement with regulatory provisions and the fairness of the Information:

- we obtained an understanding of all the consolidated entities' activities, the description of the labour and environmental risks associated with their activities and, where applicable, the impact of those risks on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the appropriateness of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of labour and environmental information set out in article L. 225-102-1 III, as well as information regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified that the Statement includes an explanation for the absence of the information required under article L. 225-102-1 III, 2;
- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;
- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under article R. 225-105 II;

- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the Company has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we verified that the Statement covers the scope of consolidation, i.e., all the companies included in the scope of consolidation in accordance with article L. 233-16 within the limitations set out in the Statement;
- we assessed the data collection process implemented by the Company to ensure the completeness and fairness of the Information;

For the key performance indicators and other quantitative results(1) that we considered to be the most important, we implemented:

- • analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
- • tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities(2) and covers 8% of Group employees for social data and four distribution centres for environmental data;
- we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important(3);
- we assessed the overall consistency of the Statement based on our knowledge of the Company.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of four people between February and April 2019.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted around ten interviews with the people responsible for preparing the Statement.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the non-financial information statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly and in accordance with the Guidelines.

Comment

Without qualifying our conclusion and in accordance with article A. 225-3 of the French Commercial Code, we have the following comments:

- as specified in the Statement, the reporting scope for the environmental indicators is limited to 76 of the 115 distribution centres.

Paris-La Défense, 11 April 2019

The independent third-party body

Deloitte & Associés

Thierry Quéron
Partner, Audit

Julien Rivals
Partner, Sustainability Services

(1) Quantitative environmental data: number of ISO 14001-certified sites; total energy consumption of the distribution centres; total greenhouse gas emissions (scope 1 and 2) of the distribution centres.

Quantitative social data: number of OHSAS 18001-certified sites; number of lost-time accidents; incident rate; severity rate; average headcount; number of unique users on the online training platform; annual average number of training days per employee.

(2) Antalis France SAS (social) and distribution centres in Austria, Spain, France and Chile (environment).

(3) Qualitative information: material scope 3 greenhouse gas emission items (2017 Carbon Footprint); PEFC and FSC forest certifications; Green Star System; traceability and due diligence platform for suppliers (Antrak); Code of Conduct.

3 Corporate governance

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Corporate governance

Corporate governance code

Since the listing of the Company's shares in June 2017, Antalis has referred to the AFEP-MEDEF corporate governance code as the basis for its corporate governance practices. The more recent version of this code dated June 2018 may be consulted on the AFEP (www.afep.com) and MEDEF (www.medef.com) websites. The Company's application of the code (subject to the "comply or explain" approach) is presented on page 63.

BOARD OF DIRECTORS

Composition of the Board of Directors

At 31 December 2018 and at the date the French version of this document was published, the composition of the Board of Directors was as follows:

	Age	Gender	Nationality	Independence	Appointed	Expiry of term of office	Attendance rate	Presence on Board committees
Executive corporate officer – Director								
Hervé Poncin *Chief Executive Officer*	55	M		No	6 June 2017	2021 AGM	100%	
Non-executive corporate officer – Director								
Pascal Lebard *Chairman of the Board of Directors*	56	M		No	6 June 2017	2019 AGM	100%	
Directors								
Franck Bruel	56	M		Yes	6 June 2017	2020 AGM	93%	Audit Committee
Clare Chatfield	61	F		Yes	6 June 2017	2021 AGM	91%	Nominations and Compensation Committee
Delphine Drouets	51	F		Yes	6 June 2017	2019 AGM	100%	Audit Committee (Chair)
Cécile Helme-Guizon	53	F		No	6 June 2017	2020 AGM	100%	Audit Committee Nominations and Compensation Committee
Christine Mondollot	64	F		Yes	6 June 2017	2020 AGM	100%	Nominations and Compensation Committee (Chair)
Employee director								
Frédéric Richard	52	M		n/a	18 December 2018	2022 AGM		

Under the Company's Articles of Association, directors may be appointed for variable terms of office not exceeding four years. The Company's directors were therefore appointed for terms of different lengths at the time of the Board's formation in June 2017, in order to ensure a staggered renewal process.

Changes in the composition of the Board of Directors and its committees in 2018

	Departure	Appointment
Board of Directors	*Bpifrance Participations* *24 July 2018*[1]	*Frédéric Richard* *18 December 2018*[2]
Audit Committee	-	-
Nominations and Compensation Committee	-	-

(1) *On 24 July 2018, Bpifrance Participations resigned from its term of office as director of Antalis.*
(2) *On 18 December 2018, Frédéric Richard was appointed as an employee director (see page 43).*

There were no changes in the composition of the Board of Directors and its committees between 31 December 2018 and the date on which the French version of this document was published.

Composition of the Board of Directors recommended to shareholders at the Annual General Meeting of 28 May 2019

The terms of office of Delphine Drouets and Pascal Lebard are due to expire at the end of the Annual General Meeting called on 28 May 2019 to approve the 2018 financial statements.

At its meeting of 28 March 2019, the Board of Directors, acting on the recommendations of the Nominations and Compensation Committee, decided to ask shareholders to reappoint the aforementioned directors for a three-year term expiring at the end of the Annual General Meeting to be called to approve the 2021 financial statements.

If the shareholders approve the Board's recommendations, the composition of the Board of Directors at the end of the Annual General Meeting of 28 May 2019 will remain unchanged.

Director independence

Each year, an item on the Board of Directors' agenda is devoted to assessing director independence.

In accordance with the AFEP-MEDEF corporate governance code, a director is regarded as "independent" based on the criteria set out below.

1: Employee or corporate officer of the company over the previous five years
Directors must not be or have been in the course of the previous five years:

- a salaried employee or executive corporate officer of the company;
- a salaried employee, executive corporate officer or director of a company consolidated by the company;
- a salaried employee, executive corporate officer or director of the parent company or of a company consolidated by the parent company.

2: Cross directorships
Directors must not be an executive corporate officer of a company in which the company directly or indirectly holds a directorship, or in which an employee appointed as such or an executive corporate officer of the company holds a directorship (whether currently or within the last five years).

3: Significant business relations
Directors must not be a major customer, supplier, investment banker or counsel:

- that is material for the company or its group;
- or for which the company or group accounts for a significant portion of business.

In accordance with the recommendations set out in the AFEP-MEDEF code in terms of assessing the significance of business relations with the company or its group, the Board of Directors' meeting of 28 March 2019 adopted the criteria listed below, based on a recommendation of the Nominations and Compensation Committee:

- a quantitative criterion, based on 1% of consolidated sales recorded by the company with a group in which a director holds a position and/or office;
- qualitative criteria, i.e., the duration and continuity of the business relationship, its importance or intensity (possible financial dependence), and how it is organised (the director's freedom to pursue his or her individual interests).

4: Family ties
Directors must not have any close family ties to a corporate officer.

5: Auditor
Directors must not have been an auditor of the company in the previous five years.

6: Term of office longer than 12 years
Directors must not have been a director of the company for more than 12 years.

7: Non-executive corporate officer
Non-executive corporate officers cannot be considered as independent if they receive variable compensation in the form of cash or shares or any compensation tied to the performance of the company or its group.

8: Major shareholder
Directors representing major shareholders of the company or its parent can be considered as independent. When these shareholders have a certain degree of control over the company, they are automatically disqualified from being independent.

At its meeting of 28 March 2019, the Board of Directors, basing itself on the preliminary work of the Nominations and Compensation Committee and on the criteria listed above, noted that Franck Bruel, Clare Chatfield, Delphine Drouets and Christine Mondollot could be considered as independent, i.e., over half of its members (57%). The employee director was not taken into account in the calculation to establish the percentage of independent directors.

From 1 January to 24 July 2018, Bpifrance Participations was a director of Antalis but did not qualify as independent since (i) it was also a director of Sequana, Antalis' parent company, and (ii) it held 8.54% of Antalis' capital, making it the Company's second largest shareholder. Up to 24 July 2018, half of the directors on the Board qualified as independent directors.

The proportion of independent directors complies with AFEP-MEDEF corporate governance guidelines, which recommend that at least one-third of the directors of controlled companies like Antalis should be independent.

The table below assesses the independence of each director in light of the guidelines set out in the AFEP-MEDEF code.

In the table, ✔ denotes that the director meets the specified independence criterion, while ✘ indicates that the specified criterion is not met.

	Hervé Poncin	Pascal Lebard	Franck Bruel	Clare Chatfield	Delphine Drouets	Cécile Helme-Guizon	Christine Mondollot	Frédéric Richard
1: Corporate officer in the company's employ over the previous five years:	(1)✘	(2)✘	✓	✓	✓	(3)✘	✓	n/a
2: Cross directorships	✓	✓	✓	✓	✓	✓	✓	n/a
3: Significant business relations	✓	(2)✘	✓	✓	✓	✓	✓	n/a
4: Family ties	✓	✓	✓	✓	✓	✓	✓	n/a
5: Auditor	✓	✓	✓	✓	✓	✓	✓	n/a
6: Term of office longer than 12 years	✓	✓	✓	✓	✓	✓	✓	n/a
7: Non-executive corporate officer	✓	(2)✘	✓	✓	✓	✓	✓	n/a
8: Major shareholder	✓	(2)✘	✓	✓	✓	✓	✓	n/a

(1) Hervé Poncin is Chief Executive Officer and executive corporate officer of the Company.

(2) Pascal Lebard is Chairman and Chief Executive Officer of Sequana, i.e., the executive corporate officer of the Company's parent. Part of the variable compensation he may receive from Sequana is linked to the performance of Antalis. Pascal Lebard is also Chairman of Arjowiggins, which is an Antalis supplier.

(3) Cécile Helme-Guizon is also a director of Sequana, the Company's parent.

Balanced representation on the Board of Directors – Diversity policy

At its meeting of 28 March 2019, the Board of Directors examined the composition of the Board and its committees, and based on the recommendations of the Nominations and Compensation Committee, set the diversity goals described below:

Gender equality

The Board of Directors currently has a perfect gender balance, with four female and four male directors (including one employee director). The directors considered this ratio to be highly satisfactory and expressed a wish that it remain unchanged for as long as possible. Having an equal number of men and women on the Board enhances the Board's collective intelligence and brings greater depth to its discussions.

However, men and women are not evenly represented on the Board's committees: the Nominations and Compensation Committee is composed entirely of women, and 67% of Audit Committee members are women. This situation is not likely to change in the short term given the limited number of directors on the Board and the fact that only one male director qualified as independent.

Professional qualifications and experience

All directors have extensive professional experience in a wide range of business sectors, and have all held senior positions during their careers. The breadth of skills among directors can be charted as follows:

The employee representative on the Board also has an excellent knowledge of the Group dating back many years and brings valuable on-the-ground experience to Board discussions.

The Board considered the current breadth of directors' skills to be highly satisfactory, enabling quick and in-depth understanding of the issues referred to it as well as the various challenges facing the Group. Accordingly, it was recommended that the composition of the Board remain unchanged.

Furthermore, the Board also emphasized the importance of the financial expertise of all Audit Committee members.

Age

Directors are between 51 and 64 years old with an average age of 56. The Board considered that this average is satisfactory but nevertheless resolved to pay heed to the age limit of 70 for directors set out in the Articles of Association.

Nationality

All directors are French citizens, although two have dual nationality. The directors considered that the Group's international standing was nevertheless well represented on the Board due to the directors' international experience. Accordingly, they did not consider it essential to increase the proportion of directors from outside France in the near term.

Employee representation

In accordance with Article L. 225-27-1 of the French Commercial Code (*Code de commerce*) and the provisions of Law No. 2015-994 of 17 August 2015 on social dialogue and employment, the Annual General Meeting of 23 May 2018 resolved to amend the Company's Articles of Association to provide for the appointment of an employee director. This director was appointed on 18 December 2018 by the CFDT, the employee representative body which received the most votes in the most recent elections of employee representatives for French Group companies.

In accordance with the Company's Articles of Association, the employee director is appointed for a four-year term expiring at the end of the Ordinary Annual General Meeting held in the year in which his or her term of office is set to expire. According to the Company's Articles of Association, if the conditions for applying Article L. 225-27-1 of the French Commercial Code are no longer met, the term of office of the employee director shall terminate at the end of the meeting during which the Board of Directors notes that the Company no longer falls within the scope of the obligation to appoint employee directors.

The director completed a specific training programme for employee directors within a month of his appointment.

Finally, since the proportion of the Company's capital held by Group employees does not exceed the 3% threshold provided for in Article L. 225-23 of the French Commercial Code, no director has been appointed from among employee shareholders.

Internal rules of the Board of Directors

At its first meeting held on 7 June 2017, the Board of Directors adopted the internal rules and regulations for each of its committees setting out the *modus operandi* and duties of each, together with a Directors' Charter detailing directors' duties and obligations.

These rules are applicable to all Company directors, any permanent representatives of legal entities, and – as regards rules that are not specifically related to the office of director and notably those concerning confidentiality, conflict of interest and the prevention of insider dealing – more generally, to anyone participating in or attending Board or committee meetings on a temporary or permanent basis.

Duties of the Board of Directors

Duty of administration

In addition to handling matters that fall within the scope of the powers ascribed to it by law or by regulations, the Board of Directors regularly makes decisions regarding the Group's strategy, internal restructuring operations, and major investment projects designed to generate organic growth.

Duty of review

The Board deliberates on significant acquisitions and sales of equity interests and assets that do not fall within the scope of

the strategy it has determined. It also votes on any transactions or commitments that are liable to materially affect the Group's earnings or result in a significant change in its balance sheet structure.

Duty of information (information for the Board)
The Board is kept informed on a regular basis, either directly or through its committees, of any significant event affecting the conduct of the Company's business. It also has the right to obtain information at any time, including between meetings convened to review the financial statements, on any significant change in the Company's financial situation, liquidity position, commitments and risks for the purpose of taking informed decisions concerning its financing and debt situation.

Duty of participation and general interest

All directors must hold a minimum of 300 Antalis shares in registered form throughout their term in office, with the exception of the employee director who is not bound by this duty.

As well as being shareholders themselves, directors must represent the general body of shareholders and act in the Company's best interest at all times. Directors alert the Board as to any information which they are aware of and that they consider could affect the Company's interest. They have a duty of loyalty and must under no circumstances do anything to harm the Company, its subsidiaries or equity interests either by using insider information, engaging in unfair competition or by any other means.

Lastly, as far as the Company is aware and as of the date the French version of this document was published, over the past five years, no director has been convicted of fraud or associated with bankruptcy, receivership or judicial liquidation proceedings; been subject to criminal, public or administrative sanctions by a statutory or regulatory authority; and no director has been prevented by a court from acting as a member of a corporate decision-making or supervisory body or from being involved in the company's day-to-day management or the conduct of its business.

Stock market ethics

At its meeting of 25 October 2018, the Board of Directors adopted a stock market compliance charter designed to remind executive corporate officers, directors and any persons qualifying as insiders according to applicable regulations, of the applicable stock market laws and regulations along with the administrative and criminal penalties that may result from failing to comply with such laws and regulations. This charter also describes the measures deployed throughout the Group to prevent any breaches of stock market compliance obligations.

Pursuant to the EU "Market Abuse" Regulation No. 596/2014 of 16 April 2014, the AFEP-MEDEF corporate governance code and Antalis' internal regulations, directors are forbidden from buying or selling the Company's shares or financial instruments during the period between the date on which they become aware of information of a precise nature concerning the Company's business or forecasts which, if it were made public, could have a significant effect on the share price, and the date that said information is actually made public.

They are also forbidden from trading in the Company's shares:

- during the 31-day period prior to the publication of the annual or interim financial statements, or
- between (i) the earlier of either the first trading day immediately after the end of a calendar quarter, or the 16th trading day preceding the publication of quarterly financial statements, and (ii) the date on which the financial statements are made public.

The Company prepares and circulates a non-exhaustive list of "blackout periods", however there may also be other periods during which corporate officers and executives are forbidden from trading in the Company's shares due to their knowledge of specific information concerning Antalis' business or forecasts which, if disclosed could have a material impact on the Company's share price. This list is updated on a regular basis and communicated to the corporate officers, members of the Executive Committee and employees with access to insider information, all of whom must confirm that they are aware of these rules and that they intend to comply with them.

Moreover, pursuant to the Market Abuse Regulation, all senior executives and persons with close links to senior executives, must notify both the French Financial markets authority (*Autorité des marchés financiers*) and the Company of all of their dealings in the Company's shares using the procedure stipulated in the Regulation.

Managing conflicts of interest

The Board of Directors' internal regulations stipulate that all directors must inform the Board of any conflict of interest (including any potential conflicts of interest) and abstain from voting during the Board's deliberations on the related matter.

The independent directors have not reported any conflicts of interests that would be likely to raise questions about their independence with regard to the Company or the performance of their duties as corporate officers.

Moreover, none of the members of the corporate decision-making bodies or the executive management team have entered into a service agreement with the Company or any of its subsidiaries providing for the payment of benefits. No director has an employment contract with the Company.

Responsibilities of the Board of Directors

The Board of Directors is a collegial body which acts in the Company's interest and represents the interests of all shareholders.

Its responsibilities and remit are defined by law and by the Articles of Association.

The Board determines the strategy of the Company and of its subsidiaries and ensures that it is duly implemented. It carries out any verifications and checks it considers appropriate, particularly in order to ensure the effective operation of internal control, and makes sure that the information provided to shareholders and to the financial markets is reliable.

The Board of Directors also decides on the management arrangements for the Company, and in particular on the separation or combination of the roles of Chairman of the Board of Directors and Chief Executive Officer, and provides information on these matters to shareholders. When defining the expertise of the Chairman and/or Chief Executive Officer, the Board may ascribe to itself areas of expertise above and beyond those set out in the Articles of Association or may define limits above which the Board is required to intervene.

Main activities of the Board of Directors in 2018 and early 2019

The Board met on eight occasions in 2018, with an average attendance rate of 97%.

The Board's work included the following:

Corporate governance

- the *modus operandi* and composition of the Board and its committees,
- setting the Chief Executive Officer's variable compensation for 2017, his fixed compensation for 2018, and the criteria to be used to calculate his variable compensation for 2018,
- fixing the minimum number of shares in the Company that must be held by the executive corporate officer through to the end of his term of office,
- reviewing the succession plans prepared by the Nominations and Compensation Committee,
- choosing the method by which to appoint an employee director,
- defining a new executive corporate officer compensation policy to be submitted for approval by the shareholders,
- convening a Combined General Meeting, drawing up the report to be submitted to the General Meeting and reviewing the resolutions to be submitted for shareholder approval,
- approving the documents to be circulated to shareholders or for publication,
- setting up a share award plan,
- renewing the delegation of powers to the Chief Executive Officer to trade in the Company's shares,
- defining the conditions applicable to exercising the term of office of the employee director (training, compensation, etc.),
- adopting a stock market compliance charter,
- more generally, reviewing the work of, and, where necessary, the approval of any proposals put forward by the Nominations and Compensation Committee;

In early 2019, up to the date on which the French version of this document was published, the Board's work consisted in:

- the annual assessment of the composition and *modus operandi* of the Board of Directors and its committees,
- considering the terms of office of directors expiring at the end of the next Annual General Meeting and potentially renewing those terms of office,
- defining a diversity policy for the Board,
- setting the Chief Executive Officer's variable compensation for 2018 and his compensation package for 2019,
- defining a new executive corporate officer compensation policy to be submitted for approval by the shareholders,
- convening a Combined General Meeting, drawing up the report to be submitted to the General Meeting and reviewing the resolutions to be submitted for shareholder approval.

Activity, conduct of the Group's operations and financial statements

- reviewing the operations, results and cash position of the Group's main businesses on a regular basis,
- reviewing the Company's share performance on a regular basis,
- reviewing opportunities for refinancing the Group's debt and renegotiating its financing arrangements,
- reviewing refinancing arrangements negotiated with the Group's lenders and approving the corresponding terms and conditions,
- regularly reviewing planned acquisitions and reviewing the plan to dispose of the Group's operations in South Africa and Botswana,
- examining and signing off on the annual consolidated and parent company financial statements for 2017 and the annual financial report,
- appropriating income and deciding on the distribution of a dividend,
- reviewing the projected management accounts for 2018,
- reviewing the Group's first-quarter 2018 activity and results,
- renewing the delegation of powers granted to the Chief Executive Officer to grant sureties, endorsements and guarantees up to a certain amount,
- reviewing market trends for the first half of 2018,
- examining and signing off on the interim consolidated 2018 financial statements and the half-yearly financial report,
- reviewing the Group's third-quarter and nine-month 2018 results,
- reviewing market trends through the end of 2018,
- reviewing the Group's position in its different markets, as well as its growth perspectives and strategic opportunities,
- more generally, reviewing the Statutory Auditors' reports, as well as, where necessary, the study and approval of proposals and work submitted by the Audit Committee, and reviewing press releases prior to publication.

In early 2019, up to the date on which the French version of this document was published, the Board's work also consisted in:

- deciding to commission an investment bank to put in place a new shareholding structure which will enable the Company to implement its strategic plan,
- examining the 2019 budget and Group business plan for 2019-2022, and
- examining and signing off on the annual consolidated and parent company financial statements for 2018 and the annual financial report,
- allocating the net loss for 2018,
- more generally, reviewing the Group's operations and its plan to change its shareholding structure.

Preparing the meetings and work of the Board of Directors and evaluating its performance

The schedule of Board and committee meetings is adopted at the end of a given year for the following year. However, unscheduled meetings may be called where necessary in exceptional circumstances.

Barring exceptional circumstances, prior to each Board meeting, directors are sent a notice of the meeting along with the minutes of the previous meeting and any documentation and information necessary to deliberate on the upcoming items on the agenda. These documents are sent to directors via a secure data communication and storage platform intended solely for use by the Board. This platform also provides directors with easy access

to all of the documentation necessary for the work of the Board and its committees and for corporate governance in general.

The electronic information pack sent to directors prior to each Board meeting includes comprehensive documentation regarding issues on the agenda. Internal or external information, as appropriate, is provided for each issue on the agenda, as well as draft resolutions where appropriate.

Depending on the agenda and nature of the issues to be discussed, the Chairman of the Board may request that one or two of the Board's committees meet before the date of the Board meeting.

The information needed for the Board's discussions is sent to directors several days before the meeting. This timing is compatible with the confidentiality requirements applicable to any transfer of privileged information, and allows directors to thoroughly examine the documents sent before the meeting takes place. The same process applies for committee meetings.

The directors are kept regularly informed of any significant events affecting the conduct of the Company's business and they may access the related information at any time, including during the period between two Board meetings.

Because the Board has just recently been composed, its 2018 meetings frequently addressed specific points concerning the Company and its Group, as well as its businesses and sectors. Visits to the Group's logistics hubs were also organised.

The Board of Directors discusses its *modus operandi* every year. A formal assessment of its own performance will be carried out in late 2019 and the results reported to the shareholders.

Finally, once a year the Board of Directors meets without the executive directors or directors who work within the Company being present.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board has set up committees tasked with examining certain subjects in detail and reporting back to it with proposals and recommendations. The Board's committees are made up of directors of the Company and act within their remit as defined by the Board, however they have no decision-making power. The Board of Directors ensures that each committee is chaired by an independent director.

Audit Committee

In 2018, the Audit Committee met six times with an attendance rate of 100%.

Composition

The Audit Committee comprises the following members, all of whom have been appointed for the duration of their terms of office as directors:

- Delphine Drouets (Chair)
- Franck Bruel
- Cécile Helme-Guizon

Therefore, two-thirds of Audit Committee members are independent (i.e., Delphine Drouets and Franck Bruel), as recommended by the AFEP-MEDEF corporate governance code, and none of its members are executive corporate officers of the Company. All committee members are skilled in financial or accounting matters.

Brief

The Audit Committee is tasked with monitoring all matters encompassed by its brief, either under legal provisions or due to the inherent nature of the subjects themselves, or under missions specifically entrusted to it by the Board of Directors.

It monitors matters relating to the preparation and auditing of accounting and financial information and, if necessary, makes recommendations to safeguard the integrity of this information. It assesses the relevance and permanence of the accounting methods adopted and the correct treatment of significant transactions at Group level. It reviews the scope of the entities consolidated and the accounting standards applicable to and applied by the Group and ensures that these have been correctly applied. The Committee reviews the annual and interim consolidated and parent company financial statements along with any financial and accounting issues brought to its attention by executive management, particularly as regards the Group's cash position, financing and compliance with bank covenants.

The Committee is kept up-to-date on the organisation and operation of internal control and risk management procedures by executive management, together with any internal audit issues relating to the preparation and processing of financial and accounting information, without its independence being in any way compromised. It ensures that this system is working effectively and that it complies with a recognised regulatory framework, and it oversees the manner in which all types of risks are tracked and checks they are covered by appropriate insurance policies. As such, the Committee is informed of the risks to which the Group might be exposed and its significant off-balance sheet obligations.

The Audit Committee is also tasked with ensuring the accuracy and consistency of the financial information disclosed by the Board of Directors – notably concerning the information of which it is aware – so that the Board complies with all regulatory requirements.

Finally, the Committee oversees the Statutory Auditor selection process, checks compliance with criteria of independence and issues an opinion on the amount of their fees. It makes a decision on the advisory and other services directly associated with the Statutory Auditors' mission in addition to their task of auditing the Company's accounts, while ensuring that the provision of such services does not contravene Article L. 822-11 of the French Commercial Code and it pre-approves certain "non-audit-related services".

The main activities of the Committee in 2018 and early 2019

- reviewing the significant events for each period and the accounting options taken,
- deliberating on the Group's refinancing operations and the potential impacts on the consolidated accounts,
- reviewing the work and report of the internal audit unit for the second-half of 2017,
- reviewing the 2017 consolidated and parent company financial statements and the recommendations of the Board concerning the approval of those financial statements,
- reviewing first-quarter 2018 results,
- reviewing the projected management accounts for 2018,

- reviewing the chapter on internal control and risk management procedures contained in the 2017 management report,
- reviewing the interim 2018 consolidated financial statements and the recommendations of the Board concerning their approval,
- reviewing the work and report of the internal audit unit for first-half 2018,
- reviewing the revised map of the Group's main risks, compliance procedures related to the GDPR and more generally, the progress of work to ensure compliance with the "Sapin II" Law,
- reviewing the third-quarter and nine-month 2018 results,
- reviewing forecast-full year results,
- systematically reviewing draft financial press releases before they were examined by the Board,
- more generally, reviewing the Statutory Auditors' findings and recommendations together with any follow-up action taken, as part of the statutory audit of the Company's financial statements,
- in early 2019, the Committee reviewed the consolidated and parent company financial statements for 2018, the significant events for each period and the accounting options taken, and it submitted recommendations to the Board concerning their approval,
- reviewing the work and report of the internal audit unit for the second-half of 2018,
- reviewing the renewal of the term of office of one of the Statutory Auditors,
- reviewing the chapter on internal control and risk management procedures contained in the 2018 management report.

Nominations and Compensation Committee

In 2018, the Nominations and Compensation Committee met three times with an attendance rate of 100%.

Composition

The Nominations and Compensation Committee comprises the following members, all of whom have been appointed for the duration of their terms of office as directors:

- Christine Mondollot (Chair)
- Clare Chatfield
- Cécile Helme-Guizon

The Chairman of the Board of Directors is kept informed of all of the Committee's deliberations unless these concern him directly.

Therefore, a majority of Nominations and Compensation Committee members are independent (i.e., Christine Mondollot and Clare Chatfield), as recommended by the AFEP-MEDEF corporate governance code, and none of its members are executive corporate officer of the Company.

The AFEP-MEDEF code recommends that the employee director sits on the Compensation Committee. The Board of Directors did not wish to change the current composition of this Committee, which tackles issues other than just compensation. The Board considered that since compensation matters were discussed at a meeting of the Board of Directors in 2018 at which the executive corporate officers were not present, the employee director could freely express his opinion before any compensation decision was made.

Brief

The Nominations and Compensation Committee is tasked with submitting proposals to the Board of Directors when directorships become vacant or expire. It organises a process to select future Board members in accordance with the criteria set out in the AFEP-MEDEF corporate governance code. It assesses the independence of potential candidates and checks that there are no potential conflicts of interest with the Company. It examines the proposals to be submitted to the Board of Directors in the event that the position of Chairman of the Board should become vacant for any reason whatsoever. It examines the proposals of the Chairman of the Board concerning the appointment of a Chief Executive Officer and one or a number of Deputy Chief Executive Officer. Executive corporate officer succession planning and the best way of ensuring this in the event of an unforeseen vacancy are also part of the Committee's brief.

The Committee submits recommendations to the Board concerning the allocation of attendance fees between different Board members and the amount and bases for the payment of compensation to each of the executive corporate officers, i.e., the criteria to be applied for the variable portion of compensation, as well as the rules for fixing this variable portion in accordance with the afore-mentioned criteria. It ensures that these criteria take account of the performances of the people concerned in terms of strategy or the objectives fixed by the Board, and more generally, that they are fully compliant with the recommendations set out in the AFEP-MEDEF corporate governance code. The Nominations and Compensation Committee also submits proposals to the Board concerning the status of executive corporate officers and any benefits they should receive.

The Committee is kept informed of compensation and benefits policy for non-executive directors of the Group and it assesses the overall compensation and benefits paid or payable to them by Group companies.

The Committee is also tasked with deliberating on the Company's general free share award and stock option policy. It reviews the plans submitted to it by executive management together with the list of beneficiaries. It makes proposals concerning awards granted to executive corporate officers and the Group's senior managers, performance-related vesting conditions, and any minimum holding requirements applicable to the shares granted.

The main activities of the Committee in 2018 and early 2019

- reviewing the composition of the Board and its committees (independence, gender parity), their organisation and *modus operandi*,
- making recommendations as to setting the amount of Hervé Poncin's variable compensation for 2017 (review of whether criteria had been met) and the methods to be used to calculate his variable compensation for 2018, and reviewing the various benefits granted to him,
- reviewing questions related to executive corporate officer compensation (ex post and ex ante votes),
- reviewing the compensation policy for the Group's main non-executive corporate officers,
- reviewing the section of the 2017 annual financial report discussing the compensation of executive corporate officers,

- making proposals to the Board of Directors concerning the method to be used to appoint an employee director,
- deliberating on employee share-ownership and submitting proposals concerning the minimum number of shares in the Company that must be held by executive corporate officers through to the end of their terms of office,
- making recommendations to the Board for setting up a share award plan,
- making proposals to the Board of Directors concerning the conditions for exercising the office of employee director,
- in early 2019, the Committee deliberated upon the composition, organisation and *modus operandi* of the Board and its committees,
- making recommendations to the Board of Directors concerning the renewal of terms of office of directors due to expire,
- putting forward a diversity policy for the Board of Directors and reviewing the diversity policy within its governing bodies,
- making recommendations on setting Hervé Poncin's variable compensation for 2018 and his compensation for 2019 and more generally, reviewing matters relating to executive corporate officer compensation (ex post and ex ante votes).
- reviewing the section of the 2018 annual financial report discussing the compensation of executive corporate officers,

CORPORATE DECISION-MAKING BODIES

Separation of the roles of Chairman of the Board and Chief Executive Officer

In order to maintain an effective balance between control, strategic focus and executive management, at its meeting of 7 June 2017, the Board of Directors decided to separate the roles of Chairman of the Board and Chief Executive Officer, and to appoint Pascal Lebard as non-executive Chairman of the Board of Directors and Hervé Poncin as Chief Executive Officer of the Company. This decision will enable the Company to benefit from the complementary expertise of these two men, i.e., Hervé Poncin's operational experience and Pascal Lebard's longstanding experience of heading up a board of directors, thus ensuring effective application of best corporate governance practices.

Chairman of the Board of Directors

The Chairman of the Board organises and leads the Board's work and reports back to the shareholders. He ensures that the Company's decision-making bodies operate effectively and that the directors are able to carry out their duties and responsibilities.

Aside from the aforementioned duties entrusted to him by law, Mr Lebard has not been assigned any additional responsibilities as Chairman of the Board.

Chief Executive Officer

The Chief Executive Officer has the broadest powers to act in the Company's name under all circumstances, within the scope of the corporate purpose and subject to the powers vested by the law and by the Company's Articles of Association in Annual General Meetings and the Board of Directors. He shall represent the Company in its dealings with third parties.

The Chief Executive Officer alone is responsible for leading the Company and for its operational management.

Aside from those cases stipulated by law, no limit has been placed on the powers of the Chief Executive Officer in the Company's Articles of Association or in the Board of Directors' internal regulations. The articles of association of Sequana, the company that controls Antalis, stipulated that certain operations carried out by Antalis or by its subsidiaries must secure the prior approval of Sequana's Board of Directors by an enhanced majority. Because Antalis is now a listed company with its own autonomous administrative and decision-making bodies, and in order to avoid any conflict of interest between the two companies, Sequana's Annual General Meeting of 21 June 2018 resolved to remove any reference to operations conducted by Antalis and its subsidiaries from its articles of association.

At its meeting of 7 June 2017, the Board of Directors delegated all necessary powers to the Chief Executive Officer to trade in the Company's shares and authorised him to grant sureties, endorsements and guarantees for a one-year period for a total amount of €50 million. This delegation and authorisation were renewed under the same terms by the Board of Directors on 23 May 2018.

Executive Committee

Executive management is supported by a 15-member Executive Committee that meets on a monthly basis and is made up of representatives from the operational departments of the Group's main geographies and/or business sectors, the Finance department, Marketing and Purchasing department, Information Systems department, Human Resources department, Communication & Investor Relations department, and the Corporate Secretary.

Each member draws upon their own particular skillset to help executive management deploy strategic operations and action plans rolled out from the headquarters to the main operational entities.

PROFILES OF BOARD MEMBERS AND EXECUTIVE MANAGEMENT

Pascal Lebard
Chairman of the Board of Directors

Nationality: French
Number of Antalis shares held: 25,744
Expiry of term of office: 2019[1]
Address: Sequana
8 rue de Seine,
92100 Boulogne-Billancourt
France

Experience and expertise

Graduate of the EDHEC business school, Pascal Lebard began his career in the banking sector and went on to become an Associate Director of 3i SA before holding several executive management positions in the Exor group (formerly Ifil). He joined the Sequana Group in 2004 as Deputy Managing Director before being appointed Chief Executive Officer in 2007, a role he has held alongside that of Chairman of Sequana's Board of Directors since 2013.

Directorships and corporate offices held in 2018 and early 2019

Within the Antalis Group

- Chairman of the Board of Directors of Antalis (SA)*
- Chairman of Antalis Asia Pacific Pte Ltd (Singapore) *(until 5 February 2018)*

Outside of the Antalis Group

Main position:

- **Chairman and Chief Executive Officer of Sequana** (SA)*

Within the Sequana Group

- Chairman of Arjowiggins
- Chairman of Arjowiggins Security *(until 17 April 2018)*
- Chairman of Arjobex
- Chairman of Arjobex Holding *(since 8 November 2018)*
- Director of AW HKK1 Ltd (Hong Kong)
- Chairman of Boccafin *(until 12 May 2018)*
- Chairman of Sequana Ressources et Services *(since 14 February 2019)*
- Chairman of AP Gestion et Financement *(since 14 February 2019)*

Outside of the Sequana Group

- Director and member of the Strategy Committee of Lisi (SA)*
- Director and member of the Nominations and Compensation Committee and the Strategy Committee of Bureau Véritas (SA)*
- Permanent representative of Oaktree Luxembourg Flandre Anchor Sarl on the Board of Directors of Novartex (SAS)/Vivarte, also Chairman of the Audit Committee and a member of the Nominations and Compensation Committee
- Director of CEPI (Confederation of European Paper Industries) (Belgium) *(up to 21 November 2018)*
- Chairman of DLMD (SAS)
- Chairman of Pascal Lebard Invest (SAS)

Directorships and corporate offices held in the past five years

- Chairman of Antalis International (SAS)
- Director of Club Méditerranée (SA)
- Director of Taminco Corp. (USA)
- Director of SGS SA (Switzerland)
- Member of the Supervisory Board of Eurazeo PME (SA)
- Member of the Supervisory Board of Ofi Private Equity Capital

* Listed company

Because Antalis is controlled by Sequana, Pascal Lebard's position as Chairman of the Board of Directors of Antalis should not be included in the list of corporate offices that he combines.

(1) *Mr Lebard's term of office expires at the end of the Annual General Meeting of 28 May 2019. The Board recommends that the shareholders reappoint Mr Lebard for a further term of three years.*

Hervé Poncin – Chief Executive Officer
Director

Nationality:
French – Luxembourg
Number of Antalis shares held: 2,333
Expiry of term of office: 2021
Address: Antalis
8 rue de Seine
92100 Boulogne-Billancourt
France

Experience and expertise

Graduate of the École Centrale de Paris, IFA certified director, Hervé Poncin began his career at Renault Automation Germany before joining Arthur Andersen & Cie as an organisational consultant. In 1990, he was appointed as Director of Marketing, Key Accounts of Apple France and then of Apple Europe. He joined Arjomari Diffusion in 1994 as Director of Marketing before becoming Chief Executive Officer. He was successively appointed as Director of the Print Services Europe Business Unit of the Antalis Group, Director of Marketing & Purchasing, Chief Executive Officer France & Benelux and then Chief Executive Officer Western Europe. He was appointed Executive Vice-Chairman of Antalis in 2007 and then became its Chief Executive Officer in 2009, a position he has held since.

Directorships and corporate offices held in 2018 and early 2019

Within the Antalis Group
Main position:

- **Chief Operating Officer of Antalis** (SA)*
- Chairman of Antalis Ressources et Services (SAS)
- Chairman of Antalis Participations (SAS)
- Chairman of Antalis Holding (SAS) (Luxembourg) *(since 20 June 2018)*
- Chairman of Antalis Holding SARL (Luxembourg) *(until 20 June 2018)*
- Chairman of Antalis Investments (SAS) (Luxembourg) *(since 20 June 2018)*
- Chairman of Antalis Investments SARL (Luxembourg) *(until 20 June 2018)*
- Managing Director of Antalis GmbH (Germany)
- Managing Director of Antalis Verpackungen GmbH (Germany)
- Director of Antalis Asia Pacific PTE Ltd (Singapore)
- Director of Map Merchant Holding BV (Netherlands)

Outside of the Antalis Group

- Member of the Supervisory Board of Analytical Bioventures SCA (Luxembourg), a holding company of Eurofins Scientific

Directorships and corporate offices held in the past five years

- Chairman of Eugropa (a European association of paper wholesalers)
- Chief Operating Officer and member of the Executive Committee of Sequana

* Listed company

Franck Bruel - Independent director
Member of the Audit Committee

Nationality: French
Number of Antalis shares held: 300
Expiry of term of office: 2020
Address:
Engie
1 place Samuel de Champlain
92390 Paris La Défense Cedex, France

Directorships and corporate offices held in 2018 and early 2019

Main position:

- **Senior Executive Vice-President of Engie** (SA)*

- Member of the Executive Committee of Engie
- Chief Executive Officer and director of Engie Energy Services (SA)
- Director of Inéo (SA)
- Director of Axima Concept (SA)
- Director of Suez (SA)*
  (since 17 May 2018)

* Listed company

Experience and expertise

Franck Bruel is Senior Executive Vice-President of Engie and a member of the Executive Committee, in charge of the France BtoB Business Unit and the global entity dedicated to the development of renewable hydrogen.

He is a graduate of HEC Paris and has acquired solid experience in the services sector in France and internationally. He began his career at L'Oréal and then worked for Pinault Distribution group and Samse group in sales and marketing positions. In 2000, he joined Saint Gobain where he was successively appointed Chairman of Point P for the Paris region, Chief Executive Officer of Dahl in Scandinavia (2004), and Chief Executive Officer of Point P in charge of Southern Europe (2006). In 2010, he joined the family-owned group Sonepar, a world leader in the distribution of electrical equipment, as director in charge of operations, becoming the Chief Executive Officer of the Sonepar Group in 2013. He began working for Engie in December 2016.

Directorships and corporate offices held in the past five years

- Chief Executive Officer of Sonepar
- Director of Sonepar France
- Chief Executive Officer of Sonepack

Clare Chatfield - Independent director
Member of the Nominations and Compensation Committee

Nationality:
French – British – Brazilian
Number of Antalis shares held: 500
Expiry of term of office: 2021
Address:
11 avenue George Clémenceau
78110 Le Vésinet

Directorships and corporate offices held in 2018 and early 2019

Main position:

- **Senior partner at L.E.K. Consulting (SARL)**

- Director of Compagnie Daher
- Director of Savencia (SA)*
- Member of the Supervisory Board of XPO Logistics Europe

* Listed company

Experience and expertise

Clare Chatfield is a senior partner at L.E.K. Consulting, an international firm of management consultants.

She holds an undergraduate degree from Cambridge University and a MBA from INSEAD. After first acquiring professional experience in Spain and Venezuela, she began her career at Lloyd's of London where she worked for seven years, before becoming a partner at a broker specialising in French industrial risks. She then joined L.E.K. Consulting in London in 1990. In 1992, she transferred to the Paris office which she managed from 1995 to 2018. As a specialist in the energy field, she manages L.E.K's global Energy and Environment practice and has also developed specific expertise in renewable energies and environmental issues. Her clients include a number of international industrial companies, particularly in the energy sector.

Directorships and corporate offices held in the past five years

Legal manager of L.E.K. Consulting

Delphine Drouets - Independent director
Chair of the Audit Committee

Nationality: French
Number of Antalis shares held: 300
Expiry of term of office: 2019[1]
Address: 32, rue Emile Menier
75116 Paris

Directorships and corporate offices held in 2018 and early 2019

Main position:

- **Chief Executive Officer of GIE Preventel**
- Director of Keyyo SA*
  (Until January 2019)

* Listed company

Experience and expertise

Delphine Drouets is Chief Executive Officer of GIE Preventel.

A graduate of the Institut d'Études Politiques and a certified IFA administrator, she began her career at KPMG Audit and then Esys-Montenay before joining Cegetel in 1997, where she successively occupied the positions of management controller, Chief Operating Officer in charge of the customer back office (Neuf-Cegetel) and then Chief Financial Officer of the SFR Business Team from 2009 to 2012. She then provided consultancy services in mergers and acquisitions before joining Preventel in 2014.

Directorships and corporate offices held in the past five years

- Director of ATTI

(1) Delphine Drouets' term of office as a director expires at the end of the Annual General Meeting of 28 May 2019. The Board recommends that the shareholders reappoint Ms Drouets for a further term of three years.

Cécile Helme-Guizon - Independent director
Member of the Audit Committee/member of the Nominations and Compensation Committee

Nationality: French
Number of Antalis shares held: 300
Expiry of term of office: 2020
Address:
IFA
11bis, rue Portalis
75008 Paris – France

Directorships and corporate offices held in 2018 and early 2019

Main position:

- **Managing Director of Institut Français des Administrateurs (IFA)**
- Director, member of the Audit Committee and member of the Strategy Committee of Sequana (SA)*
- Director and member of the Audit Committee of Manitou (SA)*

* Listed company

Experience and expertise

Cécile Helme-Guizon is Managing Director of French Institute of Directors (*Institut Français des Administrateurs* – IFA).

She is a graduate of EM Lyon, a chartered accountant and a certified IFA administrator in France and in the United Kingdom. She began her career with PwC in 1987 in the Audit and Corporate Finance practices before joining Kingfisher Plc in 1998 as Head of Mergers and Acquisitions. She joined Darty as Director of International Development in 2001, before being appointed Managing Director, Subscriptions & Services in 2008 and then Strategy Director, a position she has held since 2011. From 2014 to 2016, she was also Executive Chairman of Mistergooddeal. She joined the IFA in January 2018.

Directorships and corporate offices held in the past five years

- Director of Strategy of Fnac Darty group (SA)
- Deputy Chief Executive Officer and Director of Menafinance (SA)
- Director of Kesa France
- Director, then Chief Executive Officer, then Chair and Chief Executive Officer of Mistergooddeal

Christine Mondollot – Independent director
Chair of the Nominations and Compensation Committee

Nationality: French
Number of Antalis shares held: 300
Expiry of term of office: 2020
Address: 40 avenue Bosquet
75007 Paris – France

Directorships and corporate offices held in 2018 and early 2019

- Director and Chair of the Nominations and Compensation Committee of Marie Brizard Wines & Spirits (SA)*
  (until February 2019)
- Director of Fleury Michon (SA)*
- Director of Solendro (SAS)
- Member of the Supervisory Board of Vivescia Industries (SCA)
- Advisor of Alcentra Flandre Ltd (UK)
- Chairman of CM Consultant (SAS)

* Listed company

Experience and expertise

Christine Mondollot is a graduate of ESSEC and has recognised experience in the consumer products and retailing sectors acquired within large French and American companies. Digital technology forms an important part of her experience.

She was Marketing Director of the Pernod Ricard Group. Between 2000 and 2005, she was Chair of Laboratoires Kodak and Chief Executive Officer of the Consumer and Digital Division. Since 2005, she has worked with companies or subsidiaries of major groups that are in difficulty. She successfully managed the recovery of the BHV group and the development of the Galeries Lafayette group in Morocco, Dubai, Doha, China and Indonesia, as well as turning around the Perfume business. She has been Chairman of Virgin France, International et Digital

Directorships and corporate offices held in the past five years

- Permanent representative of Alcentra Flandre Ltd (UK), Director of Novartex (SAS)/Vivarte
- Chair of VSSA Holding (SAS)
- Chair of Virgin France et International
- Chair of Virgin Mega
- Director of Fiskars Corporate (Finland)

Frédéric Richard
Employee director

Nationality: French
Number of Antalis shares held: 0
Expiry of term of office: 2022
Address: Antalis France
17 avenue de la Porte des Lilas
75019 Paris – France

Directorships and corporate offices held in 2018 and early 2019

<u>Main position:</u>

- **Procurement manager at Antalis France**

- Member of the Social and Economic Committee of Antalis France
  (since 28 March 2019)
- Member and secretary of the Works Council of Antalis France
  (until 28 March 2019)
- Employee representative of Antalis France
  (until 28 March 2019)
- Union representative of Antalis France
- Member and secretary of the European Works Council of Antalis
  (until 26 December 2018)

Experience and expertise

Frédéric Richard has worked for Antalis since 1987. His initial duties were preparing orders and later managing purchases. He was appointed Procurement manager in 1999, a position he still holds.

Directorships and corporate offices held in the past five years

None.

Frédéric Richard is employee director and union representative in a subsidiary of the Antalis Group but does not hold any such office within the Company. Only Antalis (and not its subsidiaries) is concerned by the incompatibility provisions of Article L. 225-30 of the French Commercial Code. However, as Mr Richard was previously a member of the European Works Council of Antalis, he stepped down from this position eight days after his appointment, in accordance with French law.

BPIFRANCE PARTICIPATIONS
Director up to 24 July 2018

Directorships and corporate offices held in 2018 and early 2019

French *société anonyme*
Address:
27/31, ave. du Général Leclerc
94710 Maisons Alfort Cedex – France

Aelis Farma, Altia Industry, Avril Pôle Vegetal, Biom'up, Cegedim, CGG, Compagnie Daher, Corwave, Crystal, De Dietrich, Ekinops, Eos Imaging, Eutelsat Communications, Farinia, Fermentalg, Fidec, Financière du Millenium, FT1CI, G2 Mobility, Gensight Biologics, Groupe Grimaud La Corbière, Groupe Limagrain, H4D, Horizon Parent Holding, Innate Pharma, Isorg, Mader, Meca Dev, Medipôle Partenaires, Mersen, NGE, Novasep, NTL Holding, Orange, Paprec, Parrot, Pixium Vision, Poxel, Prodways Group, PSA, Scality, Sequana, Sigfox, Snips, Stentys, Soitec, Technicolor, Tinubu Square, Tokheim Luxco, Txcell, Unilend, Vallourec, Valneva, Vergnet, Vexim, Viadeo, VIT, Vittal Finances, Vivescia Industries (Siclaé), Voluntis, Younited

At the date the French version of this document was published, Bpifrance Participations held 6,064,946 Antalis shares, representing 8.54% of the Company's share capital.

In 2018, Bpifrance Participations was represented on Antalis' Board of Directors by Samuel Dalens. The directorships and corporate offices held by Mr Dalens in 2018 are as follows :

Main position:
Investment Director at Bpifrance Investissement

Other directorships and positions currently held:

- Representative of Bpifrance Participations, Director of FT1CI (SA)
- Member of the Supervisory Board of STMicroelectronics Holding NV (Netherlands)
- Representative of Bpifrance Investissement, Member of the Supervisory Board of Attis 2 (SAS)
- Representative of Bpifrance Investissement, non-voting observer of Gascogne (SA)
- Non-voting observer of Oberthur Technologies group (SAS)

CORPORATE OFFICER COMPENSATION

This section details the compensation and benefits awarded to corporate officers in 2018, recalls the compensation and benefits awarded in 2017, and describes the structure of compensation approved by the Board of Directors for 2019.

Executive corporate officer compensation policy

Pursuant to Article L. 225-37-2 of the French Commercial Code, the executive compensation policy defines the principles and criteria for calculating, distributing and allocating the fixed, variable and exceptional components of the aggregate compensation of Antalis' executive corporate officers and benefits for their term of office.

It is reviewed on an annual basis by the Nominations and Compensation Committee, which submits its recommendations to the Board of Directors and aims to define appropriate criteria that ensure, over both the short and long term, the best possible alignment of compensation for executive corporate officers with shareholder interests and the related recommendations in the AFEP-MEDEF Code.

Executive corporate officer compensation policy approved by the Annual General Meeting of 23 May 2018

The Annual General Meeting of 23 May 2018 voted to largely continue the compensation policy that had been approved at the time of the Company's listing in June 2017.

The Chairman of the Board of Directors

The Chairman of the Board of Directors may receive attendance fees for his duties allocated according to the rules set by the Board in the same way as any other Company director, without any particular additional compensation.

He may also receive fixed compensation based on his experience and the mission entrusted to him as Chairman of the Board.

The Chief Executive Officer

The Chief Executive Officer receives fixed compensation which reflects his experience and his responsibilities in defining and deploying the Group's strategy. This fixed compensation is reviewed by the Board every year but, in accordance with the AFEP-MEDEF Code, it only changes over a relatively long period of time.

He also receives variable compensation calculated in accordance with quantifiable and qualitative criteria set each year by the Board of Directors on the recommendation of the Nominations and Compensation Committee. This variable compensation may be awarded up to a percentage of his fixed compensation, defined as the target value. This target value is equal to a maximum of 100% of his fixed compensation. The target value is adjusted according to the achievement by the Chief Executive Officer of objectives regarding quantifiable and qualitative criteria that are set by the Board at the start of the year, generally based on the budget for the year in question. They may be purely financial criteria or criteria relating to the accomplishment of a particular objective, for example associated with the completion of a transaction regarded by the Board as important or a priority for the Group. They are weighted according to the importance of each criteria in terms of the development of the Group's key strategic and financial focuses. In all cases, the quantifiable criteria will predominate.

Exceptional compensation may also be allocated to the Chief Executive Officer, resulting in the variable part of his compensation exceeding its target value, if justified by events. Such exceptional compensation is determined at the discretion of the Board of Directors in accordance with the recommendations of the Nominations and Compensation Committee.

The Board of Directors may also decide that in the event of termination of his office, the Chief Executive Officer will receive a termination benefit, possibly combined with a non-competition clause, under the conditions laid down by the AFEP-MEDEF Code, to be submitted for the approval of the Shareholders' Meeting as a related-party agreement.

The Company may also decide to provide its Chief Executive Officer with a supplementary benefit plan.

Within the scope of a share award plan, the Chief Executive Officer may be allocated rights to shares subject to demanding performance conditions. These conditions are generally linked to the objectives contained in the Group's long-term business plan, but some of them may also concern the achievement of a particular objective.

Such rights may only be allocated to executive corporate officers in proportion to the authorisation decisions made by the shareholders at the Annual General Meeting (i.e., 15% of the total number of allocations approved) and with applicable holding conditions ensuring that the beneficiaries' interests remain in line with those of the Company's shareholders.

Lastly, the Chief Executive Officer may have access to a company car (without a driver) and is reimbursed for any expenses incurred with respect to the performance of his duties, on provision of supporting documents. He is entitled to the same pension plan as all of the Company's executives, but does not qualify for a defined-benefit top-up scheme. On principle, any employment contract held by the Chief Executive Officer would be interrupted as a result of his duties as corporate officer.

If he is also a director of the Company, the Chief Executive Officer receives attendance fees for his duties, in the same way as any other Company director, without any particular additional compensation.

In the event that a Deputy Chief Executive Officer is appointed, he will receive fixed and variable compensation and benefits in accordance with the compensation policy approved for the Chief Executive Officer.

Executive corporate officer compensation policy submitted to the Annual General Meeting of 28 May 2019 for approval

The Chairman of the Board of Directors

According to the rules for calculating compensation set by the Board, the Chairman of the Board of Directors receives attendance fees for his duties, in the same way as any other Company director.

He may also receive fixed compensation based on his experience and the mission entrusted to him as Chairman of the Board.

He is reimbursed for any expenses incurred in the interests of the Company with respect to the performance of his duties, on provision of supporting documents.

The Chief Executive Officer

- Fixed compensation

The Chief Executive Officer receives fixed compensation which reflects his experience and his responsibilities in defining and deploying the Group's strategy. This fixed compensation is reviewed by the Board every year but, in accordance with the AFEP-MEDEF Code, it only changes over a relatively long period of time.

- Variable compensation

He also receives variable compensation calculated in accordance with quantifiable and qualitative criteria set each year by the Board of Directors on the recommendation of the Nominations and Compensation Committee. This variable compensation may be awarded up to a percentage of his fixed compensation, defined as the target value. This target value is equal to a maximum of 80% of his fixed compensation. The target value is adjusted according to the achievement by the Chief Executive Officer of objectives regarding quantifiable and qualitative criteria that are set by the Board at the start of the year. They may be purely financial or non-financial criteria or may relate to the accomplishment of a particular objective, for example associated with the completion of a transaction regarded by the Board as important or a priority for the Group. They are weighted according to the importance of each criteria in terms of the development of the Group's key strategic and financial focuses. In all cases, the quantifiable criteria will predominate.

If the Chief Executive Officer were to leave the Company before expiry of the term specified for assessing the performance criteria, the Board of Directors shall decide whether he would still be eligible for all or part of his variable compensation, setting out the grounds for its decision.

- Exceptional compensation

Exceptional compensation may also be allocated to the Chief Executive Officer, resulting in the variable part of his compensation exceeding its target value, if justified by events. Such exceptional compensation is determined at the discretion of the Board of Directors in accordance with the recommendations of the Nominations and Compensation Committee.

Notwithstanding any additional performance-linked compensation, the Chief Executive Officer may also be awarded exceptional compensation associated with the completion of a transaction regarded as important for the Group that has required the Chief Executive Officer's close involvement. At its meeting of 28 March 2019, the Board of Directors decided to award Hervé Poncin an exceptional bonus in respect of the process launched by Antalis to set up a new shareholding structure to enable the Group to implement its strategy. This bonus is subject to presence and performance conditions linked to the status of the project.

- Welcome bonus, severance and other benefits

A welcome bonus may be awarded to a new Chief Executive Officer recruited from outside of the Antalis Group. This bonus can take several forms and is designed to offset the loss of benefits previously accrued by the executive.

In the event of termination of his office, the Chief Executive Officer may receive a termination benefit, subject to the Annual General Meeting's approval of related-party agreements. This severance can only be paid in certain conditions, namely in the event of a forced departure.

This termination benefit is necessarily subject to a performance condition linked to the performance conditions used to determine his variable compensation for the two years prior to the termination of his duties. When the Chief Executive Officer has been in office for less than two years, the severance is based solely on the percentage of achievement of the last applicable performance conditions.

In the event of termination of his office, the Chief Executive Officer may also be bound by non-competition and/or non-solicitation clauses, subject to the Annual General Meeting's approval of related-party agreements. These clauses would apply during a period not exceeding the time spent as Chief Executive Officer in the Company and up to a maximum period of one year in any case, it being specified that the Company may waive such clauses or shorten the period during which they are applicable.

- Long-term compensation

Within the scope of a share award plan, the Chief Executive Officer may be allocated rights to shares subject to demanding performance conditions. These conditions are generally linked to the objectives contained in the Group's long-term business plan, but some of them may also concern the achievement of a particular objective. Such rights may only be allocated in proportion to the authorisation decisions made by the shareholders at the Annual General Meeting (i.e., 15% of the total number of allocations approved pursuant to the authorisation granted by the Annual General Meeting of 23 May 2018 for a period of 38 months) and with applicable holding conditions ensuring that the beneficiaries' interests remain in line with those of the Company's shareholders.

If the Chief Executive Officer were to leave the Company before expiry of the term specified for assessing the share award criteria, the Board of Directors is responsible for deciding whether he would still be eligible for all or part of the free share award, setting out the grounds for its decision.

- Benefits in kind

The Chief Executive Officer falls under the mandatory collective supplementary retirement and insurance plan applicable to all Antalis employees. He may also be entitled to the unemployment insurance plan for company executives.

The Chief Executive Officer may have access to a company car (without a driver) He is reimbursed for any expenses incurred in the interests of the Company with respect to the performance of his duties, on provision of supporting documents.

On principle, any employment contract held by the Chief Executive Officer would be interrupted as a result of his duties as corporate officer.

- Attendance fees

If he is also a director of the Company, the Chief Executive Officer receives attendance fees for his duties, in the same way as any other Company director, without any particular additional compensation.

In the event that one or several Deputy Chief Executive Officers are appointed, they may receive fixed and variable compensation and benefits in accordance with the compensation policy approved for the Chief Executive Officer.

Breakdown of executive corporate officer compensation

Breakdown of compensation paid or allocated to executive corporate officers for 2018 (ex post vote at the Annual General Meeting of 28 May 2019)

All compensation paid or allocated to executive corporate officers is approved by the Board of Directors in accordance with the recommendations submitted to it by the Nominations and Compensation Committee.

Hervé Poncin

- Fixed compensation

At its meeting of 7 June 2017 at the time of the Company's listing, after appointing Hervé Poncin as Chief Executive Officer of the Company, the Board of Directors decided to set his annual fixed compensation at €650,000.

The Board of Directors' meeting of 9 April 2018 upheld this decision.

His fixed compensation was calculated with regard to his vast experience working in Antalis' various different businesses and his responsibilities in defining and deploying its strategy and in view of the compensation policies applied for people in this position by other listed companies.

The Company's executive compensation policy is designed so that the Chief Executive Officer's fixed compensation only changes over a relatively long period of time.

- Variable compensation

At its meeting of 9 April 2018, the Board of Directors decided that Hervé Poncin's variable compensation for 2018 should represent up to 80% of his fixed compensation if all the performance conditions are met, and laid down the quantifiable (*vis à vis* the 2018 budget) and qualitative performance criteria described in the table below.

On 28 March 2019, after noting the extent to which these different criteria were actually achieved, the Board of Directors fixed Mr Poncin's variable compensation in respect of his duties as Chief Executive Officer in 2018 at an amount of €104,000, or 20% of the target amount, as shown in the following table:

Performance conditions	Weighting	% achievement of criteria
Quantifiable criteria (60%)		
Consolidated 2018 EBITDA	30%	Criterion not achieved
Consolidated 2018 sales	10%	Criterion not achieved
Consolidated net debt at 31 December 2018	20%	Criterion achieved
Qualitative criteria (40%)		
Satisfactory share performance	20%	Criterion not achieved
Increase in sales in the Packaging and Visual Communication sectors	20%	Criterion not achieved

Payment of this compensation is subject to shareholder approval at the Annual General Meeting of 28 May 2019.

- Variable multi-year compensation

No variable multi-year compensation has been approved for Hervé Poncin and the Company's executive compensation policy does not provide for any such arrangements.

- Exceptional compensation

At its meeting held on 9 April 2018, the Board of Directors reserved the possibility of allocating exceptional compensation to Mr Poncin related to his duties in 2018 as Chief Executive Officer, if justified by events, to be granted at the Board's discretion. The Board of Directors' meeting of 28 March 2019 did not seek to make use of this option and no exceptional compensation was paid to Hervé Poncin in either 2018 or in respect of 2018.

- Stock options, performance shares or other long-term benefits

On 23 May 2018, the Board of Directors decided to grant Hervé Poncin up to 108,000 free shares in the Company that would definitively vest in 2020 subject to meeting the performance conditions related to the Group's business plan and changes in the Antalis share price.

Since the possibility of these performance criteria being met is deemed remote, the value of these 108,000 performance shares as calculated in accordance with IFRS is not material. Details of this free share award are provided on page 60.

- Attendance fees

Hervé Poncin receives attendance fees for his duties as a director of the Company in the same way as any other Company director, allocated according to the rules laid down by the Board (see the "Compensation of non-executive corporate officers" section on page 61).

In 2018, he received aggregate attendance fees of €53,473 in respect of the eight Board meetings he attended in the year. This amount comprises a fixed portion of €27,605 and a variable portion of €25,868, reflecting his attendance rate at Board meetings.

- Benefits in kind

Mr Poncin has the use of a company car (without a driver), representing a benefit in kind of €3,909 for 2018.

The Board of Directors' meeting of 7 June 2017 also approved an unemployment insurance plan for Mr Poncin. This was set up on 1 May 2018 and represented a benefit of €7,707 for the period from 1 May to 31 December 2018.

- Termination benefits

At its meeting held on 7 June 2017, the Board of Directors undertook to pay Hervé Poncin termination benefits in the event of termination of his office. Calculation of the related amount is shown in the following table summarising "Other compensation and miscellaneous benefits" on page 60.

This undertaking was approved at the Annual General Meeting of 23 May 2018 as a related party agreement.

- Non-competition clause

In the event of the termination of Hervé Poncin's duties as Chief Executive Officer, he is subject to a non-competition obligation. The related conditions and financial consideration are set out in the following table summarising "Other compensation and miscellaneous benefits" on page 60.

The undertaking made by the Board on 7 June 2017 was approved at the Annual General Meeting of 23 May 2018 as a related party agreement.

- Top-up pension plan

Hervé Poncin does not benefit from a supplementary pension scheme and the Company's executive compensation policy does not provide for guaranteed or defined benefit pension plans for corporate officers.

Pascal Lebard

At its meeting held on 7 June 2017, the Board of Directors decided that, as Chairman of the Board of Directors, Pascal Lebard should receive attendance fees for his duties, in the same way as any other Company director, without any particular additional compensation.

At a subsequent meeting, and at Mr Lebard's own request, the Board of Directors decided that no attendance fees would be paid to the Chairman until such time as the Board decides otherwise. Therefore, no compensation in any form whatsoever was paid to Pascal Lebard in relation to his duties as Chairman of the Board of Antalis in either 2017 or 2018 and no compensation was approved in 2017 or 2018 to be paid in a subsequent period. Consequently, no vote in this respect was necessary at the Annual General Meeting of 23 May 2018 or will be necessary at the Annual General Meeting of 28 May 2019.

Breakdown of executive corporate officer compensation for 2019

Hervé Poncin

At its meeting of 28 March 2019, the Board of Directors decided to maintain the fixed portion of Hervé Poncin's annual compensation at its current level, i.e., €650,000.

At the same meeting, the Board also decided to maintain the variable portion of his compensation at 80% of his fixed compensation if all the performance conditions are met (i.e., €520,000). These performance conditions were set as follows:

Performance conditions	Weighting
Quantifiable criteria (70 %)[1]	
Consolidated 2019 sales	20%
Consolidated 2019 EBITDA	30%
Operating working capital requirement at 31 December 2019	20%
Qualitative criteria (30%)	
Increase in sales in the Packaging and Visual Communication sectors	20%
2019 CSR results	10%

(1) Criteria calculated based on the 2019 budget.

The Board of Directors decided to award Hervé Poncin exceptional compensation, in connection with the process to set up a new shareholding structure for Antalis implemented in early 2019, due to the importance of the project for the Group and Mr Poncin's active involvement, on which the operation's success partially depends. This exceptional compensation of up to €300,000, is subject to a presence condition and to performance conditions related to the status of the project, as assessed on a regular basis.

Overview of compensation payable to executive corporate officers

(Gross amount before tax)	2017 Amounts payable in respect of 2017	2017 Amounts paid in respect of 2017	2018 Amounts payable in respect of 2018	2018 Amounts paid in respect of 2018
Hervé Poncin Chief Executive Officer				
Compensation payable/paid by Antalis				
Fixed compensation	€369,318	€369,318	€650,000	€650,000
Annual variable compensation	€139,275	-	(1) €104,000	€139,275
Exceptional compensation	-	-	-	-
Attendance fees	€30,849	€30,849	€53,473	€53,473
Fringe benefits	€2,215	€2,215	€11,616	€11,616
Total	€541,657	€402,382	€819,089	€854,364
Compensation payable/paid by Sequana(2)				
Fixed compensation	€215,909	€215,909	-	-
Annual variable compensation	€110,113	€240,000	-	€110,113
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Paid holidays	-	€71,789	-	-
Fringe benefits	€1,478	€1,478	-	-
Total	€327,500	€529,176	-	€110,113

(1) Payment subject to shareholder approval at the Annual General Meeting of 28 May 2019.

(2) All of the amounts set out below were paid to Hervé Poncin by Sequana under his employment contract with Sequana which was broken when he took up his position as an executive corporate officer of Antalis on 7 June 2017.

Overview of compensation, stock options and free shares allocated to executive corporate officers

(Gross amount before tax)	2017	2018
Hervé Poncin Chief Executive Officer		
Antalis Amounts payable in respect of the year (see table above)	€541,657	€819,089
Sequana Amounts payable in respect of the year (see table above)	€327,500	-
Value of options allocated during the year	-	-
Value of free shares awarded during the year (see table above)	-	€35,640
Value of other long-term compensation plans	-	-
Total	€869,157	€854,729

Stock options

No stock subscription or purchase options were granted to executive corporate officers by Antalis or any Antalis Group company in 2017 or 2018. There are no stock subscription or purchase option plans for the Company's shares currently in force within the Company.

Share award plan

On 23 May 2018, the Board of Directors set up a share award plan of Antalis shares for key management personnel and executives considered to play a key role in the Group's development (see page 163). Under this plan, Hervé Poncin was awarded a maximum potential number of 108,000 free shares, corresponding to 15% of the total number of shares allocated under the plan. After a two-year vesting period under the plan, these shares will be definitively awarded in 2020 subject to presence and performance conditions related to the Group's business plan and changes in the Antalis share price.

In accordance with the decision made by the Board of Directors at its meeting of 9 April 2018, Hervé Poncin is required to hold until the end of his term of office as Chief Executive Officer a number of shares corresponding to 20% of the total number of shares definitively awarded to him under this plan.

However, since the possibility of these performance criteria being met is deemed remote, the value of these performance shares as calculated in accordance with IFRS is not material (€35,640 for the 180,000 shares that were awarded to him).

Information on performance shares awarded under the 23 May 2018 plan	
Date of AGM	23 May 2018
Date of Board of Directors' meeting	23 May 2018
Total number of shares awarded	720,000
o/w number of free shares awarded to Hervé Poncin, Chief Executive Officer	108,000
Value of the shares as calculated in accordance with IFRS	€0.33 per share
Acquisition date of the shares	25 May 2020
Date of the end of the retention period	25 May 2020
Performance conditions	EBITDA and ROCE at 31 December 2019 Antalis share price
Number of shares vested At 31 December 2018	0
Cumulative number of cancelled or lapsed shares At 31 December 2018	-
Performance shares outstanding At 31 December 2018	-

Other compensation and miscellaneous benefits

	Employment contract	Top-up pension plan	Indemnities or benefits payable in the event of termination or a change of position	Indemnities relating to a non-competition clause
Hervé Poncin Chief Executive Officer	No[1]	No	Yes[2]	Yes[3]

[1] Until 6 June 2017, Hervé Poncin had an employment contract with Sequana. In accordance with the AFEP-MEDEF Code, his employment contract was terminated on the effective date of commencement of his functions as an executive corporate officer of Antalis, once the Company had been listed on the stock exchange.

[2] Based on a recommendation of the Nominations and Compensation Committee, the Board of Directors' meeting of 7 June 2017 undertook to pay Hervé Poncin, in the event of the termination of his role as Chief Executive Officer of Antalis, an indemnity equal to 1.5 times his annual reference salary. The Board will calculate this amount at the time of termination of his duties, and it will be subject to a performance condition linked to the performance conditions used to calculate the variable portion of compensation paid to Mr Poncin during the two years prior to the termination of his duties. The annual reference salary would be equal to the sum of the most recent annual fixed compensation and the most recent target variable compensation approved by the Board, said variable compensation being multiplied by a ratio equal to the average percentage of annual variable compensation effectively paid during the two years prior to the termination of the duties in relation to the target variable compensation used to calculate the variable compensation.

If Mr Poncin's duties were to be terminated before the end of this two-year period, a percentage would be applied based only on the most recent variable compensation approved by the Board in relation to the corresponding target variable compensation.

The termination benefit will not be payable if (i) Mr Poncin leaves the Company at his own initiative, (ii) his duties are terminated as a result of gross or wilful misconduct (as defined under French case law), or (iii) he is entitled to claim his retirement pension at the date of his departure.

The undertaking made by the Board on 7 June 2017 was approved at the Annual General Meeting of 23 May 2018 as a related party agreement.

(3) In the event of the termination of Hervé Poncin's duties as Chief Executive Officer for any reason whatsoever, he is subject to a 12 month non-competition obligation beginning on the day he effectively terminates his functions and covering all of Europe. The corresponding indemnity would be equal to four months' compensation calculated based on his average total gross monthly compensation over the 12 months preceding the termination of his duties, to be paid to Mr Poncin on a monthly basis. The Company may opt to discharge Mr Poncin from this non-competition obligation by informing him of its decision no later than 15 days after the Board of Directors' meeting that approved or decided to terminate his duties as Chief Executive Officer. The undertaking made by the Board on 7 June 2017 was approved at the Annual General Meeting of 23 May 2018 as a related party agreement.

The cumulative total of the two indemnities, i.e., termination benefits and non-competition indemnity, may not be greater than two years of his combined fixed and variable compensation.

Hervé Poncin also has a company car (without a driver).

The Board of Directors' meeting of 7 June 2017 also approved an unemployment insurance plan for Mr Poncin, which took effect on 1 May 2018.

Hervé Poncin does not benefit from a top-up pension plan.

Non-executive corporate officer compensation

The members of the Board of Directors receive attendance fees only.

On 11 May 2017, the Company's shareholder set the annual amount of attendance fees to be allocated to members of the Board of Directors at €450,000.

This amount remained unchanged in 2018 and is divided into two different portions:

- a fixed portion representing 40% of the total (i.e., €180,000) paid in consideration of the work carried out by the directors outside of Board meetings and for the duties entrusted to them, and divided equally among all of the directors,
- a variable portion representing 60% of the total (i.e., €270,000) divided among the members of the Board in accordance with their attendance at meetings of the Board and any committees to which they belong. This variable portion is allocated based on the value of one attendance fee unit and calculated in accordance with the number of members of the Board and its committees and the number of meetings during the year in question. The Chairman of a Board committee meeting receives 1.5 attendance fee units (instead of just one) in view of the extra work and responsibility involved. Any attendance fee units not due because of the absence of a member are not paid out.

In addition, at its meeting of 25 October 2018, the Board of Directors set the fees for the employee director at a fixed amount of €2,000 for each Board meeting attended. This amount is deducted from the total amount of directors' fees available for distribution to other directors. Since the employee director was appointed on 18 December 2018, he did not attend any Board meetings in 2018 and therefore did not receive any directors' fees in respect of that year.

In 2018, a total amount of €443,533 was paid to all members of the Board, in consideration of their work and their attendance at a total of eight Board of Directors meetings, six meetings of the Audit Committee and three meetings of the Nominations and Compensation Committee. The total amount of attendance fees not distributed due to absences from Board or committee meetings was €6,467.

Breakdown of non-executive corporate officer compensation

Attendance fees and other compensation received by non-executive corporate officers

Non-executive corporate officers	Amounts paid during 2017[1]		Amounts paid during 2018[2]	
	Fixed portion	Variable portion	Fixed portion	Variable portion
Pascal Lebard				
Attendance fees	€0	€0	€0	€0
Other remuneration	-	-	-	-
Franck Bruel				
Attendance fees	€14,654	€12,725	€27,604	€42,036
Other remuneration	-	-	-	-
Clare Chatfield				
Attendance fees	€14,654	€23,137	€27,604	€32,335
Other remuneration	-	-	-	-
Delphine Drouets				
Attendance fees	€14,654	€23,137	€27,604	€54,970
Other remuneration	-	-	-	-
Cécile Helme-Guizon				
Attendance fees	€14,654	€25,451	€27,604	€54,970
Other remuneration	-	-	-	-
Christine Mondollot				
Attendance fees	€14,654	€23,137	€27,604	€40,419
Other remuneration	-	-	-	-
Bpifrance Participations				
Attendance fees	€14,654	€9,255	€14,372	€12,934
Other remuneration	-	-	-	-
Total	€87,924	€116,842	€152,392	€237,664
Total amount of attendance fees[2]	€204,766		€390,056	

(1) Since the transformation of the Company into a joint stock company (société anonyme) prior to the listing of its shares, i.e., between 7 June and 31 December 2017.

(2) This does not include either attendance fees paid in 2017 to Hervé Poncin, executive corporate officer, which amounted to €30,849 (fixed portion of €14,653 and variable portion of €16,196) or directors' fees paid in 2018 for €53,473 (fixed portion of €27,605 and variable portion of €25,868).

COMPLIANCE WITH THE AFEP-MEDEF CORPORATE GOVERNANCE CODE

In accordance with the "comply or explain" approach set out in recommendation 27.1 of the AFEP-MEDEF corporate governance code, the table below lists the provisions of this code with which the Group did not comply, along with the relevant explanations.

AFEP-MEDEF recommendations	Antalis practices
17.1 It is recommended that an employee director sit on the Compensation Committee.	The Board of Directors did not wish to change the current composition of the Nominations and Compensation Committee, which tackles issues other than just compensation. The Board considered that since compensation matters are discussed at a yearly meeting of the Board of Directors at which the executive corporate officers are not present, the employee director may freely express his opinion before any compensation decision is made.

RELATED-PARTY AGREEMENTS

Related-party agreements and commitments entered into by the Company in 2018

No related-party agreements or commitments falling within the scope of Article L. 223-38 of the French Commercial Code was entered into or approved in 2018.

Related-party agreements and commitments already approved in previous periods

Commitments given by the Board of Directors to Hervé Poncin on 7 June 2017 regarding the conditions applicable in the event of termination of his duties as Chief Executive Officer

Termination benefits

At its meeting on 7 June 2017, Antalis' Board of Directors decided, in accordance with Article L. 225-42-1 of the French Commercial Code, that Hervé Poncin would be entitled to an indemnity in the event of the termination of his duties as Antalis' Chief Executive Officer. This termination benefit could represent up to 1.5 times Mr Poncin's annual reference compensation and would be determined by the Board of Directors on termination of his duties. Said termination benefit will be contingent on him achieving a performance condition linked to the performance conditions used to determine his variable compensation for the two years prior to the termination of his duties.

The annual reference salary would be equal to the sum of the most recent annual fixed compensation and the most recent target variable compensation approved by the Board, said variable compensation being multiplied by a ratio equal to the average percentage of annual variable compensation effectively paid during the two years prior to the termination of his duties in relation to the target variable compensation used to calculate the variable compensation.

If Mr Poncin were to leave his position before expiry of the term specified for application of the performance criteria for the two years prior to termination of his duties, a percentage would be applied, based only on his annual variable compensation for the year prior to his departure, as approved by the Board in relation to the corresponding target variable compensation.

The termination benefit will not be payable if (i) Mr Poncin leaves the Company at his own initiative, (ii) his duties are terminated as a result of gross or wilful misconduct (as defined under French case law), or (iii) he is entitled to claim his retirement pension at the date of his departure.

Non-competition obligation

Under the terms of a Board decision of 7 June 2017, also taken in accordance with Article L. 225-42-1 of the French Commercial Code, in the event of the termination of Hervé Poncin's duties as Chief Executive Officer for any reason whatsoever, he will be subject to a non-competition obligation. The obligation will apply for a period of 12 months as from the date on which his duties are effectively terminated and will cover all European countries.

In return for the non-competition obligation, the Board of Directors has agreed to pay Mr Poncin a non-competition benefit corresponding to four months' compensation, calculated based on the monthly average of his total gross compensation for the 12 months preceding the date of termination of his duties, to be paid monthly. The Company may choose to waive this non-competition obligation, in which case it will inform Mr Poncin of its decision to this effect within no more than 15 days of the meeting during which the Board of Directors acknowledged his decision or decided to terminate his duties as Chief Executive Officer of Antalis.

As the commitments given by the Company to Hervé Poncin on 7 June 2017 constitute related-party agreements within the meaning of Article L. 225-38 of the French Commercial Code, they were approved at the Annual General Meeting of 23 May 2018.

STATUTORY AUDITORS

Statutory audit engagements

The principal Statutory Auditors (see below) prepare auditors' reports in respect of the parent company and consolidated financial statements of Antalis:

	Appointment	Renewal of term of office	Expiry of
Principal			
PricewaterhouseCoopers Audit 63, rue de Villiers 92208 Neuilly-sur-Seine Cedex, France represented by Stéphane Basset	21 July 2006	6 June 2013	2019
Constantin Associés (member of Deloitte Touche Tohmatsu Limited) Tour Majunga 9 Place de la Pyramide 92208 Paris la Défense Cedex France represented by Thierry Quéron	11 May 2017		2023
Deputy			
Anik Chaumartin 63, rue de Villiers 92208 Neuilly-sur-Seine Cedex, France	6 June 2013		2019

Details of fees paid to the Statutory Auditors are disclosed in Note 31 to the consolidated financial statements.

As the terms of office of PricewaterhouseCoopers Audit and Anik Chaumartin as principal and deputy Statutory Auditors, respectively, were due to expire at the end of the Annual General Meeting called to approve the 2018 financial statements, at the Annual General Meeting of 28 May 2019 it is recommended that shareholders reappoint PricewaterhouseCoopers as principal Statutory Auditor for a further term of six years, i.e., expiring at the end of the Annual General Meeting to be called to approve the 2024 financial statements.

This recommendation is in line with EU audit regulations, and is made to the shareholders by the Board of Directors based on the prior approval of the Company's Audit Committee, which examined issues concerning the independence of PricewaterhouseCoopers Audit.

When making its recommendation, the Committee considered and pronounced itself fully satisfied with the quality of the services provided by, and the communication established with, PricewaterhouseCoopers Audit. In the current context of change for Antalis requiring a long-term vision of the issues it faces, the Committee also took into account PricewaterhouseCoopers Audit's knowledge of the Group's history and the need for audit stability.

In accordance with Article 16 of the EU Regulation of 16 April 2014, the Company was authorised not to put out a call for bids. The Board of Directors did not consider that a call for bids would necessarily lead to a more informed choice, and accordingly recommended that the Board reappoint the auditors without any such bidding procedure.

Moreover, as part of the process of rotating the partner signing off on the financial statements, Stéphane Basset, the current PricewaterhouseCoopers Audit signing partner for the Company, is due to be replaced in 2019 following the audit of the 2018 financial statements.

Lastly, since the law allows for the absence of a deputy Statutory Auditor when the office of principal Statutory Auditor is held by a multi-partner legal entity, the Board of Directors has noted the expiry of the term of office of Anik Chaumartin as deputy Statutory Auditor and recommends not renewing said term.

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

Antalis
8 rue de Seine
92100 Boulogne-Billancourt
France

For the year ended 31 December 2018

This is a free translation into English of the Statutory Auditors' special 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 Shareholders,

In our capacity as Statutory Auditors of Sequana, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R. 225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R. 225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information provided to us is consistent with the underlying documents.

Agreements and commitments to be approved by the Annual General Meeting

Agreements authorised during the year
We were not informed of any agreements or commitments authorised during the year to be submitted for approval by the Annual General Meeting, in accordance with the requirements of Article L. 225-40 of the French Commercial Code.

Agreements and commitments previously approved by the Annual General Meeting

In accordance with Article L. 225-40 of the French Commercial Code, we were informed of the following commitments authorised by the Board of Directors.

Related-party agreements and commitments already approved in previous periods

a) which remained in force during the year
None.

b) which were not implemented during the year
In addition, we were informed that the following commitments approved by the Annual General Meeting in previous years were not implemented during the year.

Commitments given by the Board of Directors to Hervé Poncin on 7 June 2017 regarding the conditions applicable in the event of termination of his duties as Chief Executive Officer

Termination benefits
At its meeting on 7 June 2017, Antalis International's' Board of Directors decided, in accordance with Article L. 225-42-1 of the French Commercial Code, that Hervé Poncin would be entitled to an indemnity in the event of the termination of his duties as Antalis International's Chief Executive Officer. This termination benefit could represent up to 1.5 times Mr Poncin's annual reference compensation and will be determined by the Board of Directors on termination of his duties. Said termination benefit will be contingent on him achieving a performance condition linked to the performance conditions used to determine his variable compensation for the two years prior to the termination of his duties.

This annual reference salary will be equal to the sum of the most recent annual fixed compensation and the most recent target variable compensation approved by the Board, said variable compensation being multiplied by a ratio equal to the average percentage of annual variable compensation effectively paid during the two years prior to the termination of his duties in relation to the target variable compensation used to calculate the variable compensation.

If Mr Poncin were to leave his position before expiry of the term specified for application of the performance criteria for the two years prior to termination of his duties, a percentage would be applied, based only on his annual variable compensation for the year prior to his departure, as approved by the Board in relation to the corresponding target variable compensation.

The termination benefit will not be payable if (i) Mr Poncin leaves the Company at his own initiative, (ii) his duties are terminated as a result of gross or wilful misconduct (as defined under French case law), or (iii) he is entitled to claim his retirement pension at the date of his departure.

Non-competition obligation

At its meeting on 7 June 2017, Antalis International's Board of Directors decided, in accordance with Article L. 225-42-1 of the French Commercial Code, that in the event of termination of his duties as Chief Executive Officer for any reason and in any form, Hervé Poncin would be subject to a non-competition obligation. The obligation will apply for a period of 12 months as from the date on which his duties are effectively terminated and will cover all European countries.

In return for the non-competition obligation, the Board of Directors has agreed to pay Mr Poncin a non-competition benefit corresponding to four months' compensation, calculated based on the monthly average of his total gross compensation for the 12 months preceding the date of termination of his duties, to be paid monthly. The Company may choose to waive this non-competition obligation, in which case it will inform Mr Poncin of its decision to this effect within no more than 15 days of the meeting during which the Board of Directors acknowledged his decision or decided to terminate his duties as Chief Executive Officer of Antalis International.

Paris-La Défense and Neuilly-sur-Seine, 11 April 2019

The Statutory Auditors

Constantin Associés

Member of Deloitte Touche Tohmatsu Limited

Thierry Quéron

PricewaterhouseCoopers Audit

Stéphane Basset

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Financial statements

KEY FIGURES

Income statement

(€ millions)	2018	2017	Change
Sales	**2,311.0**	**2,377.4**	**-2.8%**
Gross margin	560.2	582.4	-3.8%
EBITDA	**74.7**	**84.4**	**-11.5%**
Operating margin (as a % of sales)	*3.2%*	*3.6%*	*-0.4 pts*
Current operating income	**52.6**	**65.8**	**-20.1%**
Operating margin (as a % of sales)	*2.3%*	*2.8%*	*-0.5 pts*
Non-recurring income (loss)	(44.4)	(26.5)	
Net financial income (loss)	(38.6)	(25.4)	
Income tax benefit (expense)	0.8	(4.4)	
Non-controlling interests	(0.2)	(0.1)	
Net income (loss) attributable to owners	**(29.8)**	**9.4**	

Cash flow

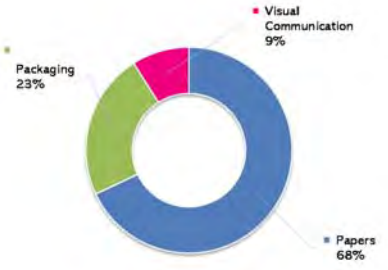
(€ millions)	2018	2017
Consolidated net debt at 1 January	**(247.6)**	**(254.3)**
EBITDA	74.7	84.4
Change in operating working capital requirements	(9.9)	8.5
Capex	(20.7)	(18.7)
Current operating cash flow	**44.1**	**74.2**
Net financial expense	(28.1)	(22.7)
Income taxes paid	(6.3)	(4.8)
Restructuring costs and other non-recurring items	(19.8)	(21.4)
Proceeds from disposals of assets	3.9	11.3
Net impact of changes in scope of consolidation	(7.6)	0.3
Dividends	(5.7)	(8.0)
Refinancing and IPO costs	(9.1)	(6.6)
Foreign exchange gains (losses) and other non-cash	(5.7)	(9.9)
Other items	(5.9)	(5.7)
Change in debt	**(40.2)**	**6.7**
Consolidated net debt at 31 December	**(287.8)**	**(247.6)**

Statement of financial position

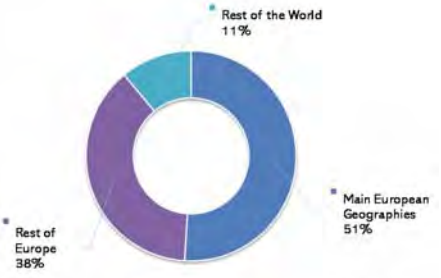
(€ millions)	2018	2017
Goodwill	120.0	141.1
Fixed assets	81.5	84.0
Operating working capital requirements	177.7	183.2
Capital employed	**379.2**	**408.3**
Pension plan assets	57.0	9.1
Other assets (net)	19.1	15.6
Total	**455.3**	**433.0**
Shareholders' equity	112.7	123.8
Non-controlling interests	0.7	0.5
Provisions	54.1	61.1
Net debt	287.8	247.6
Total	**455.3**	**433.0**

Breakdown of sales by geographical area

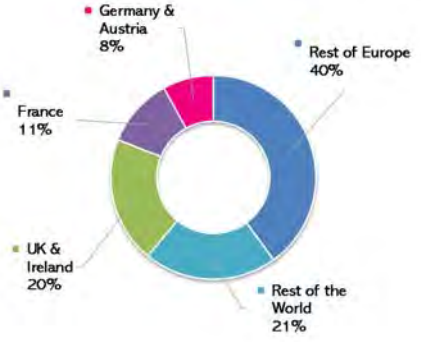
Breakdown of sales by business sector



Breakdown of EBITDA by geographical area



Breakdown of headcount by geographical area



COMMENTS ON THE YEAR

Highlights

- Refinancing of the €285 million syndicated credit facility and the main factoring programme for an amount of €215 million (see Chapter 4, Consolidated financial statements, Note 1).
- Acquisitions in the European Papers and Packaging sectors.
- Sale of subsidiaries in South Africa and Botswana.
- Continued drive for operating efficiency by accelerating roll-out of the omni-channel strategy and optimising Antalis' supply chain.
- Paving the way for Antalis to become a standalone listed company.

2018 results

Resilient operating performance in a context of higher selling prices in the Papers sector

In a markedly declining paper distribution market, due in particular to higher selling prices driven by the soaring cost of pulp that weighed on consumption, Antalis delivered sales of €2,311 million, down 2.8% year-on-year (down 1.0% on a comparable basis).

This drop mainly reflects the decline in Papers volumes, the negative forex impact amounting to €29 million (chiefly attributable to sterling and the Swiss franc), and a negative €24 million impact from the sale of subsidiaries in South Africa and Botswana.

The acquisitions completed in 2018 in the Papers and Packaging sectors added €9 million to full-year sales.

Gross margin came in at €560 million, down 3.8% (down 1.9% on a comparable basis), mainly due to the decline in Papers volumes, partially offset by higher selling prices. The contribution of Packaging and Visual Communication to Antalis' consolidated gross margin continued to grow and now stands at 37%, up 2 points compared with last year.

EBITDA was down 11.5% to €75 million (down 10.7% on a comparable basis). The negative forex impact (€1.4 million) and the decline in Papers volumes were partially offset by an improved product mix. EBITDA margin came in at 3.2% down by 0.4 points.

Current operating income was €53 million for the year (down 20.1%), compared with €66 million for 2017, which included a €2 million gain arising on a change to a Swiss pension plan. Excluding this gain and at constant scope and exchange rates, current operating income declined by 16.6%.

Other operating income and expenses totalled €44 million and mainly consisted of restructuring and refinancing costs (details of these items are disclosed in Note 22 to the consolidated financial statements, Chapter 4).

After deducting net finance costs and taxes, the net loss for the year was €30 million compared with net income of €9 million for 2017.

Antalis' net debt stood at €288 million at 31 December 2018 versus €248 million at end-December 2017. Most of this €40 million increase was attributable to refinancing completed during the year.

The net debt/EBITDA ratio came out at 3.90 (2.93 at 31 December 2017).

Stepping up the development of the omni-channel strategy and enhanced operating efficiency

Sales generated by e-platforms (e-commerce websites and EDI) amounted to €320 million in 2018, up 2.3% year on year. The penetration rate in terms of stock order lines via e-platforms was 35.9%, a rise of 1.1 points (including a 1.3 points rise for e-commerce websites).

In order to boost the e-penetration rate, Antalis launched a new more intuitive version of its e-commerce website in France at the beginning of November that enhances the customer journey. Customers can use a more powerful search engine to find products using key words or reference codes. The website's new features include personalised price lists for each customer and the current availability of each product in stock. From the end of the first half of 2019, prospects may set up their own account, order and pay online. The new e-commerce website will be rolled out to the main European countries during 2019.

Antalis continued the roll-out of easystock, its most recently-created online service. This vendor-managed inventory service for papers, packaging products and visual communication materials is managed using a proprietary app. Easystock has been a big hit with printers since its launch in France in late 2017 and it is currently being rolled out across all of the company's European markets.

Antalis also continued to optimise its supply chain in order to maintain cost flexibility. It outsourced warehouse management services in the UK and, during the summer it contracted out warehouse and transport management services in Finland. The Group's IT convergence strategy also continued apace with deployment of a new ERP application in Spain and Portugal.

Refinancing of Group debt

Antalis signed the legal documentation to complete the refinancing of its €285 million syndicated credit facility and its main factoring programme for an amount of €215 million, respectively, on 31 May and 27 June 2018. These refinancing agreements – which are secured through 31 December 2021 – will enable Antalis to pursue its external growth strategy.

The terms of the amended syndicated credit facility provide for:

- the strengthening of pre-existing collateral, including an expansion of the scope of the assets pledged to the lenders (which represent over two-thirds of consolidated EBITDA);
- revised conditions for interest payable, which now provide for the bullet payment of a portion of interest;
- an immediate €25 million reduction in the authorised amount under the credit facility;
- contractual repayments of €10 million per year;
- the maintenance of two main covenants based on ratios revised as from the 30 June 2018 test date (see Chapter 4, Consolidated financial statements, Note 16c).

These new terms and conditions will lead to an annual increase of around €12 million in finance costs in the income statement but the impact on the Group's cash position will be limited to approximately €4 million per annum as the increased portion of

the interest expense on the syndicated credit facility has been deferred to maturity, i.e., to the end of 2021. These conditions represented an increase in Antalis' average effective financing rate of around 200 basis points compared with last year.

The costs involved in refinancing amounted to €8 million for the year and were recorded in other operating expenses.

Analysis by geographical area

Main European Geographies

(€ millions)	2018	2017	Change
Sales	1,179.4	1,203.0	-2.0%
UK & Ireland	*594.8*	*619.3*	*-4.0%*
France	*275.3*	*271.0*	*+1.6%*
Germany & Austria	*309.3*	*312.7*	*-1.1%*
Gross margin	267.8	273.1	-1.9%
Gross margin rate (as a % of sales)	*22.7%*	*22.7%*	-
EBITDA	38.4	41.9	-8.5%
EBITDA margin (as a % of sales)	*3.3%*	*3.5%*	*-0.2 pts*

The Main European Geographies generated sales of €1,179 million, down 2.0% year on year (down 1.5% at constant exchange rates). The decline in Papers volumes, the drop in business in the UK Visual Communication sector in the context of Brexit and the negative impact of sterling were partially offset by growth in Packaging.

The UK and Ireland reported sales of €595 million, down 4.0% (down 3.1% at constant exchange rates).

Sales in Germany and Austria were 1.1% lower year on year, at €309 million. The growth in Packaging sales partially offset lower volumes in Papers.

Sales in France were up by 1.6% to €275 million, reflecting higher sales in the Papers sector, driven notably by the ongoing benefits accruing from the consolidation of the sector.

Gross margin for the Main European Geographies was down 1.9% to €268 million (down 1.6% at constant exchange rates), giving a gross margin rate of 22.7%, which was stable year on year.

EBITDA for the Main European Geographies fell by 8.5% to €38 million (down 8.2% at constant exchange rates). Better operating performances in France and an improved product mix partially offset lower volumes in Papers and the depreciation of sterling. EBITDA margin was 3.3%, a year-on-year decline of 0.2 points.

Rest of Europe

(€ millions)	2018	2017	Change
Sales	929.6	944.6	-1.6%
Gross margin	235.4	245.0	-3.9%
Gross margin rate (as a % of sales)	*25.3%*	*25.9%*	*-0.6 pts*
EBITDA	28.2	32.8	-14.0%
EBITDA margin (as a % of sales)	*3.0%*	*3.5%*	*-0.5 pts*

Sales for the Rest of Europe decreased by 1.6% year-on-year to €930 million (down 0.9% on a comparable basis) with major discrepancies between different countries and business sectors. This decrease mainly reflected the decline in Papers volumes and the negative forex impact (chiefly attributable to the Swiss franc, Turkish lira and Swedish krona). The acquisition of Alos' Swedish Packaging distribution business and Igepa's Papers distribution business in the Nordic countries (Sweden and Norway) added €9 million to full-year sales.

Gross margin was down 3.9% to €235 million (down 2.9% on a comparable basis), giving a gross margin rate of 25.3%, down 0.6 points year-on-year.

EBITDA declined by 14.0% to €28 million (down 15.1% on a comparable basis). Italy, Eastern Europe and the Baltic countries improved their performances, thanks notably to growth in Packaging. EBITDA margin was 3.0%, a year-on-year decline of 0.5 points.

Rest of the World

(€ millions)	2018	2017	Change
Sales	202.0	229.8	-12.1%
Gross margin	57.0	64.3	-11.4%
Gross margin rate (as a % of sales)	*28.2%*	*28.0%*	*+0.2 pts*
EBITDA	8.1	9.7	-16.2%
EBITDA margin (as a % of sales)	*4.0%*	*4.2%*	*-0.2 pts*

At the beginning of October, Antalis sold its South African and Botswana subsidiaries - essentially focused on the Papers sector - to the local management team for an enterprise value of €8 million. This sale generated a loss on disposal of approximately €9 million in the consolidated financial statements. Antalis South Africa PTY LTD and Antalis Botswana PTY LTD reported sales of approximately €70 million in 2017.

Sales for the Rest of the World declined by 12.1% in 2018 to €202 million (up 2.4% on a comparable basis), mainly reflecting the negative impact from the aforementioned operation (€24 million) and the negative forex impact (Brazilian real, South African rand, US dollar).

Gross margin was down 11.4% to €57 million (up 0.8% on a comparable basis), giving a gross margin rate of 28.2%, which was 0.2 points higher than in 2017.

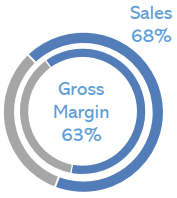
EBITDA decreased 16.2% to €8 million (down 3.5% on a comparable basis). The Asia-Pacific region delivered improved operating performances. The Rest of the World generated an EBITDA margin of 4.0%, a year-on-year decrease of 0.2 points.

Analysis by business sector

	Sales			Gross margin			Gross margin/sales		
(€ millions)	2018	2017	Change	2018	2017	Change	2018	2017	Change
Papers	1,580.7	1,654.5	-4.5%	355.9	380.7	-6.5%	22.5%	23.0%	*-0.5 pts*
Packaging	517.2	501.6	+3.1%	144.4	139.5	+3.5%	27.9%	27.8%	*+0.1 pts*
Visual Communication	213.1	221.3	-3.7%	59.9	62.2	-3.7%	28.1%	28.1%	-
TOTAL	2,311.0	2,377.4	-2.8%	560.2	582.4	-3.8%	24.2%	24.5%	-0.3 pts

Papers

In 2018, the European Papers market recorded a decline in production volumes of around 7%, notably attributable to higher prices due to increases in paper pulp prices.



In this context, Antalis generated sales of €1,581 million, down 4.5% (down 2.1% on a comparable basis). Business was more resilient in the higher value-added printing papers segment.

France continued to benefit from the consolidation of the sector and delivered an increase in its sales.

The consolidation of Igepa's Papers distribution business in the Nordic countries (Sweden and Norway) had a positive impact on full-year sales.

Gross margin was down 6.5% to €356 million (down 3.7% on a comparable basis) and the gross margin rate was 22.5%, 0.5 points lower than in 2017. This decline was mainly attributable to lower volumes and a deterioration in the office paper product mix, partially offset by the resilient gross margin in the printing papers segment on the back of higher selling prices. The contribution of the papers segment to Antalis' consolidated gross margin continues to decline and now stands at 63%, down 2 points on last year.

In the office paper segment, the Group began the process of streamlining the offering around flagship brands and incorporated the Color Copy and Pioneer mills brands into the A4&More loyalty programme. This programme, which offers exclusive benefits to resellers around the Image, Xerox and Data Copy brands, was a big hit, as borne out by the large numbers who signed up – there were over 850 members at the end of 2018.

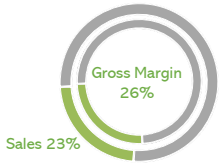
Antalis continued to deploy its "d2b" (digital-to-business) strategy during the year and participated in Dscoop (Digital Solutions Cooperative) – an event that brings together users of HP equipment for graphic design – Xerox's European forum, and, for the first time, an event organised by the web press manufacturer Konica Minolta. The Group was also involved in joint marketing initiatives with Ricoh and Heidelberg. These different actions helped strengthen Antalis' position as a specialist in the digital printing market.

To continue the momentum in recycled papers, Antalis launched a targeted "green digital" campaign across its three main markets (Germany, France and the UK).

In the creative papers segment, Antalis beefed up its offering with new colours in the Conqueror and Keaykolour ranges and launched a new range, Curious Alchemy. Numerous customer events were held in Europe to promote these ranges at the launch of the new Paperbook, which features all of Arjowiggins' creative papers for 2018 - 2021.

Packaging

In 2018, the European Packaging products distribution market grew by around 1% to 2% in the context of a global economic slowdown and geopolitical uncertainty. As such, Antalis outperformed the market and increased its sales by 3.1% to €517 million (up 3.2% on a comparable basis).



Most countries recorded good performances, especially the UK, Germany, Poland, Italy and Latin America. The consolidation of Alos' packaging distribution business in Sweden had a positive impact on full-year sales.

Gross margin rose 3.5% to €144 million (up 3.4% on a comparable basis) and the gross margin rate improved slightly by 0.1 points to 27.9%. The Packaging sector now contributes 26% of Antalis' consolidated gross margin, up 2 points on the previous year.

In the main European countries, Antalis benefited from the positive impact of its strategic project, underpinned notably by new business models, increased specialisation and standardised marketing and sales processes that provide businesses with effective value propositions and smart Packaging solutions. Deployment of this specialisation strategy has allowed Antalis to expand its customer base, particularly in the logistics and industry sectors, and grow its sales of bespoke packaging products by around 30%, enabling the Company to outperform the market.

To partner development in the different countries, Antalis has set up a market intelligence unit together with Best Practices groups that leverage and pool experience in areas such as anti-corrosion solutions where technical expertise is crucial. The Company has also set up web-based communication platforms and produced catalogues for different customer profiles and social networks that help boost Antalis' brand awareness and establish the Group as *the* packaging solutions specialist.

Antalis continued to deploy its key accounts salesforce (sales jumped 17% year on year) to serve large businesses who centralise purchasing at group level and wish to have access to the same product range and quality of service in every country in which they operate.

The 2018 launch of its own Pan-European brand Master'in is a key asset in this regard. Master'in is available in 28 countries in Europe and Latin America. It has three additional ranges of

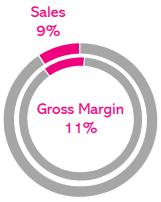
supplies and equipment designed to facilitate customer choice and foster loyalty via a targeted offering.

Finally, Antalis scaled up its innovation capabilities by opening two design centres specialising in bespoke packaging solutions, the first in the UK and the second in Poland. They are fitted out with leading-edge equipment that enables Antalis to respond more rapidly to customers by cutting lead times for design, production and prototype testing.

Visual Communication

Antalis' Visual Communication segment reported full-year sales of €213 million, down 3.7% (down 1.8% on a comparable basis) in a sluggish European market.

This decline is essentially due to the impact of Brexit on the retail trade in the UK where signage and display are key markets for the Group's customers. In Scandinavia, the Baltic countries and Poland where Antalis is the market leader, the Visual Communication sector grew when compared with last year. Moreover, as satisfactory terms with Verla could not be agreed, Antalis put an end to this planned Romanian acquisition in early November.



Gross margin was down 3.7% to €60 million (down 2.2% on a comparable basis) and the gross margin rate was stable at 28.1%. The contribution of Visual Communication to Antalis' consolidated gross margin remained stable year-on-year at 11%.

In the wake of the Antalis Interior Design Awards (an international competition for the customisable interior decoration market), Antalis produced *The Book* which brings together the best designs from the first competition organised in 2017 using media from the Coala range. It was launched at FESPA, the international screen printing, digital printing and textile printing trade fair. The release of The Book in H2 2018 was backed up by a communication campaign on social networks and various customer events. The Book is a reference for professionals from the sector (i.e., architects, communication agencies and designers) and an important means of generating leads and growing the sales of Coala, a range that has been specially crafted for decorating professional buildings (i.e., hotels, restaurants, stores, offices, public access buildings) and private spaces (homes).

Coala has been supplemented by CoalaTextile, a new range of large-format polyester signage and interior decoration media. This new range comprises 26 products with technical, acoustic and solar protection features adapted to numerous different applications. Coala has also added 25 new products to its range of flexible and rigid materials in order to provide customers with a broad choice.

As a testimony to its success, sales of the Coala range rose 11% year on year in 2018.

In France, Antalis expanded its Visual Communication offering for large-format HP printers and added 1,500 new products (both media and accessories) to its direct2you marketplace in 2018.

Recent events and outlook

Recent events

In early February, Antalis announced that it had mandated an investment bank to initiate the process of setting up a new shareholding structure. This will enable Antalis to consolidate the deployment and financing of its strategic plan.

Outlook

In the context of a global economic slowdown and economic uncertainty, especially in the UK, Antalis should benefit from growth in Packaging driven by the deployment of its specialisation strategy and the resilience of Visual Communication, particularly in the large-format printing segment. Their contribution to Antalis' consolidated gross margin should continue to grow.

In the Papers segment, higher selling prices should partially absorb the impact of lower volumes.

In 2019, Antalis will be affected by the failure of its supplier, Arjowiggins Graphic, which accounts for around 4% of its purchases in value terms. As regards Arjowiggins Creative Papers, the search for a buyer is ongoing and should enable it to pursue its activity. In this context, Antalis has deployed alternative options that will enable it to continue serving its customers.

Throughout the year, Antalis should continue to benefit from lower overheads driven by greater flexibility in the supply chain and enhanced commercial productivity.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

Consolidated statement of financial position

Assets

(€ millions)	*Notes*	31/12/2018	31/12/2017
Non-current assets			
Goodwill	*5*	120.0	141.1
Other intangible assets	*5*	42.8	41.7
Property, plant and equipment	*6*	38.7	42.3
Non-current financial assets	*7*	5.9	4.4
Deferred tax assets	*18*	6.6	7.6
Other non-current assets	*9*	59.6	13.1
Total non-current assets		273.6	250.2
Current assets			
Inventories	*8*	194.2	212.1
Trade receivables	*9*	369.5	400.5
Other receivables	*9*	71.0	75.1
Current financial assets	*7*	3.0	3.6
Cash and cash equivalents	*10*	125.0	116.6
Total current assets		762.7	807.9
TOTAL ASSETS		1,036.3	1,058.1

Equity and liabilities

(€ millions)	*Notes*	31/12/2018	31/12/2017
Equity			
Share capital	*11*	213.0	213.0
Additional paid-in capital		50.9	50.9
Cumulative translation adjustment	*13*	(72.5)	(67.6)
Retained earnings and other consolidated reserves		(78.7)	(72.5)
Shareholders' equity		112.7	123.8
Non-controlling interests		0.7	0.5
TOTAL EQUITY		113.4	124.3
Non-current liabilities			
Provisions	*14*	42.7	55.2
Borrowings and debt	*16*	257.9	1.0
Deferred tax liabilities	*18*	0.8	0.8
Total non-current liabilities		301.4	57.0
Current liabilities			
Provisions	*14*	11.4	5.9
Short-term debt	*16*	154.9	363.2
Trade payables	*19*	336.6	386.0
Other payables	*19*	118.6	121.7
Total current liabilities		621.5	876.8
TOTAL EQUITY AND LIABILITIES		1,036.3	1,058.1

The notes are an integral part of the financial statements.

Consolidated income statement

(€ millions)	*Notes*	2018	2017
Sales	*27*	2,311.0	2,377.4
Gross margin		**560.2**	**582.4**
Personnel expenses	*20*	(266.0)	(275.4)
Other selling, general and administrative expenses	*21*	(241.6)	(241.2)
Current operating income		**52.6**	**65.8**
Other operating income		27.3	6.5
Other operating expenses		(71.7)	(33.0)
Other operating income and expenses, net	*22*	**(44.4)**	**(26.5)**
Operating income		**8.2**	**39.3**
Cost of net debt		(35.6)	(22.5)
Other financial income and expenses, net		(3.0)	(2.9)
Net financial income (loss)	*23*	**(38.6)**	**(25.4)**
Income tax benefit (expense)	*25*	0.8	(4.4)
NET INCOME (LOSS)		**(29.6)**	**9.5**
Attributable to:			
- Antalis shareholders		(29.8)	9.4
- Non-controlling interests		0.2	0.1

Earnings per share			
- Weighted average number of shares outstanding		70,792,514	70,951,156
- Diluted number of shares		70,792,514	70,951,156
Basic earnings per share (in €)	*12*		
- Consolidated earnings (loss) per share		(0.42)	0.13
Diluted earnings per share (in €)	*12*		
- Consolidated diluted earnings (loss) per share		(0.42)	0.13

The notes are an integral part of the financial statements.

Consolidated statement of comprehensive income

(€ millions)	2018	2017
Net income (loss)	(29.6)	9.5
Items that may be recycled to profit or loss	(4.9)	(15.5)
Translation adjustments	(4.9)	(15.5)
Items that may not be recycled to profit or loss	29.3	(3.4)
Actuarial gains and losses related to pension and other post-employment benefit obligations	34.4	(1.6)
Tax impact of gains and losses related to pension and other post-employment benefit obligations	(4.8)	(1.5)
Other items	(0.3)	(0.3)
Total other comprehensive income (loss)	24.4	(18.9)
TOTAL COMPREHENSIVE INCOME (LOSS)	(5.2)	(9.4)
Of which:		
- Attributable to Antalis shareholders	(5.4)	(9.5)
- Attributable to non-controlling interests	0.2	0.1

Consolidated statement of changes in equity

(€ millions)	Numbers of shares issued	Share capital	Additional paid-in capital	Cumulative translation adjustment	Retained earnings and other consolidated reserves	Shareholders' equity	Non-controlling interests	Total equity
Equity at 1 January 2017	71,000,000	639.0	50.9	(52.1)	(496.5)	141.3	0.6	141.9
Net income	-	-	-	-	9.4	9.4	0.1	9.5
Capital reduction	-	(426.0)	-	-	426.0	-	-	-
Dividends paid	-	-	-	-	(8.0)	(8.0)	-	(8.0)
Other comprehensive income (loss)	-	-	-	(15.5)	(3.4)	(18.9)	(0.2)	(19.1)
Equity at 31 December 2017	71,000,000	213.0	50.9	(67.6)	(72.5)	123.8	0.5	124.3
Net loss	-	-	-	-	(29.8)	(29.8)	0.2	(29.6)
Dividends paid	-	-	-	-	(5.7)	(5.7)	-	(5.7)
Other comprehensive income (loss)	-	-	-	(4.9)	29.3	24.4	-	24.4
Equity at 31 December 2018	71,000,000	213.0	50.9	(72.5)	(78.7)	112.7	0.7	113.4

The notes are an integral part of the financial statements.

Consolidated statement of cash flows

(€ millions)	*Notes*	2018	2017
Cash flows from operating activities			
Operating income		8.2	39.3
Elimination of non-cash and non-operating income and expenses:			
Depreciation, amortisation and provisions (except on current assets), net	*26*	44.0	13.0
Disposal gains and losses	*26*	3.5	(6.5)
Other non-cash income (expense)	*26*	(20.7)	-
Gross operating cash flow		**35.0**	**45.8**
Income taxes paid		(6.3)	(4.8)
Change in operating working capital	*26*	(8.7)	8.7
Change in loans and guarantee deposits		1.0	(1.7)
Net cash from operating activities (i)		**21.0**	**48.0**
Cash flows from investing activities			
Expenditure on acquisitions of property, plant and equipment and intangible assets		(20.6)	(18.7)
Proceeds from disposals of property, plant and equipment and intangible assets		4.0	11.3
Impact of changes in scope of consolidation	*26*	(7.0)	(3.1)
Net cash used in investing activities (ii)		**(23.6)**	**(10.5)**
Cash flows from financing activities			
Net change in borrowings and debt		49.0	(20.4)
Net financial expense paid		(28.1)	(22.7)
Dividends paid	*28*	(5.7)	(8.0)
Net cash from (used in) financing activities (iii)		**15.2**	**(51.1)**
Effects of fluctuations in foreign exchange rates (iv)		(1.6)	(4.4)
YEAR-ON-YEAR INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (i+ii+iii+iv)		**11.0**	**(18.0)**
Net cash and cash equivalents at start of year		113.5	131.5
Net cash and cash equivalents at end of year		124.5	113.5
YEAR-ON-YEAR INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**11.0**	**(18.0)**
Breakdown of net cash and cash equivalents at end of year			
Cash and cash equivalents	*10*	125.0	116.6
Short-term bank borrowings and overdrafts		(0.5)	(3.1)
Net cash and cash equivalents at end of year		**124.5**	**113.5**

The notes are an integral part of the financial statements.

Notes to the consolidated financial statements

Note 1	Significant events of the year and subsequent events	Note 17	Financial instruments
Note 2	Summary of significant accounting policies	Note 18	Deferred taxes
Note 3	Changes in scope of consolidation	Note 19	Other liabilities
Note 4	Measurement of impairment losses	Note 20	Personnel expenses
Note 5	Goodwill and other intangible assets	Note 21	Other selling, general and administrative expenses
Note 6	Property, plant and equipment	Note 22	Other operating income and expenses
Note 7	Financial assets	Note 23	Net financial income (loss)
Note 8	Inventories	Note 24	Foreign exchange gains and losses
Note 9	Other assets	Note 25	Income tax
Note 10	Cash and cash equivalents	Note 26	Analysis of cash flows
Note 11	Share capital	Note 27	Segment information
Note 12	Earnings per share	Note 28	Related-party transactions
Note 13	Cumulative translation adjustment	Note 29	Off-balance sheet commitments
Note 14	Provisions	Note 30	Headcount
Note 15	Employee benefits	Note 31	Statutory Auditors' fees
Note 16	Debt	Note 32	Scope of consolidation

Note 1
Significant events of the year and subsequent events

Refinancing of the Group

Ahead of the maturity of its main financing agreements at the end of 2018 and in line with its IPO, in the first half of 2018 Antalis launched a plan aimed at refinancing its syndicated credit facility and providing the Group with long-term liquidity to secure the resources it needs for its future growth.

This led to the signature on 31 May 2018 of an agreement with the lenders of this facility to extend its maturity through to 31 December 2021, together with revised terms and conditions (see Note 16). At the same time, an agreement was signed in respect of the primary trade receivables factoring programme (effective from 28 June 2018) to align its maturity with that of the syndicated credit facility as factoring arrangements also provide the Group with an important source of financing. Antalis has therefore secured financing for its liquidity needs and its growth strategy for the next three years.

The costs arising from this operation amounted to almost €8 million for the period and they were recorded in other operating expenses.

Acquisitions

During Q1 2018, Antalis acquired the Swedish packaging products distribution business of Alos, which generates annual sales of around €6 million.

In June, Antalis also acquired Igepa's paper distribution business in Sweden and Norway, representing annual sales of approximately €10 million. Based on the terms of this transaction, a non-material amount of negative goodwill was recognised for the period in other operating income (see Note 3).

Sale of subsidiaries in South Africa and Botswana

In early October 2018, Antalis finalised the sale of these non-strategic businesses to the local management team for an enterprise value of €8 million.

These subsidiaries represented annual sales in the order of €70 million and the operation generated a loss on disposal of approximately €9 million recorded in other operating expenses.

Changes in the UK pension schemes

Recognition of the net surplus on the James McNaughton Pension Scheme

Since the acquisition of Map Group in 2007, Antalis has stood surety for the obligations under this fund for former Map Group employees in the UK. It is now closed to new entrants and funded by plan assets that have long exceeded the value of the benefit obligation measured under IFRS. However, this surplus had never been recognised as an asset as it was subordinated to the employer's unconditional entitlement to benefit from this surplus at some point in the future. This criterion was deemed not to have been met until 2018 when a clarification concerning the drafting of the fund's TD&R provided conclusive evidence of this unconditional entitlement and the Group was able to recognise an asset for the corresponding amount. On the basis of this new assumption, an asset was recognised against an actuarial gain in Other comprehensive income for an after-tax amount of €27 million.

Grouping pension obligations under the Antalis Pension Scheme (APS)

Antalis Ltd is the principal employer for this fund, which is common to Arjowiggins and Antalis, and as such it is the guarantor of the contributions required by the fund trustees to pay off the fund deficit as measured by them. As part of the process of Antalis becoming a standalone company, Arjowiggins' UK subsidiary that is a member of this pension plan (closed to new entrants), was transferred to Antalis in December 2018. Although the contributions payable do not represent a liability under IFRS, the conditions of the transaction took into account the payment obligation which was reflected in the sale price. This price was therefore considerably less than the entity's net carrying amount. Consequently, the Group recognised negative goodwill in the consolidated income statement for the year under other operating income for an amount of almost €17 million (see Note 3).

Impairment losses on Latin American assets

Based on impairment testing at year-end, the Group recognized additional impairment expense on goodwill allocated to this region, reflecting a less favourable outlook in the business plan for this Cash Generating Unit (CGU), which remains one of the most profitable in the Group. The €22 million write-down taken on goodwill was recognised in the consolidated income statement under other operating expenses (see Note 4).

Accounts closing context

Uncertainty related to Brexit

The accounts have been closed against a backdrop of uncertainty over the impending Brexit and its consequences for the economic and legal environment of the UK, the country that has been the leading contributor to the Group's consolidated sales and EBITDA for a number of years. Although they are still unknown at present, the withdrawal terms could negatively impact the Group's businesses in the UK, especially if they were to result in changes to free-trade agreements that pushed up the prices of goods that the Group's UK subsidiary imports for resale. This could also result in a fall in the value of sterling in relation to the euro that could have a negative translation impact in the Group's consolidated financial statements if it were to continue over time.

Difficulties of Sequana and Arjowiggins

Following the decision to abandon the sale of the Arjowiggins Graphic and Creative Papers divisions in early January, Sequana announced that its main production subsidiaries in France and the UK had entered into administration. Moreover, a few weeks later, the court decision handed down in the dispute between Sequana and the British American Tobacco Group threw out Sequana's appeal against a fine of €163 million awarded by the High Court of Justice at first instance.

The uncertainty faced by its majority shareholder and the Arjowiggins group, which accounts for around 8% of the Group's purchases, is likely to affect the market environment of Antalis, which factored these developments into its business outlook and the measurement of certain assets at 31 December 2018.

Search for a new shareholder for the Group

In this context, and with the agreement of Sequana – which had already indicated that it did not intend to remain as its controlling shareholder – Antalis decided to mandate an investment bank to

help it put a new shareholding structure in place that will enable it to pursue its development and to implement its strategic plan.

Subsequent events

There have been no material changes in the Group's financial or commercial position since 31 December 2018, other than those mentioned above.

Note 2
Summary of significant accounting policies

A - General information

Antalis leads the market – particularly in Europe – for the B2B distribution of paper, packaging products and visual communication materials.

Antalis, the Group holding company (known as "Antalis International" until 1 July 2018), is a French public limited company (*société anonyme*) whose registered office is 8, rue de Seine, 92100 Boulogne-Billancourt.

The Group has a global footprint, operating in 41 countries on four continents.

Pursuant to European Regulation (EC) 1606/2002 of 19 July 2002, the Group's consolidated financial statements for 2018 have been prepared in accordance with the IFRSs (International Financial Reporting Standards) adopted for use by the European Union at 31 December 2018.

These standards can be viewed on the European Commission's website at: http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_fr.htm.

The consolidated financial statements for the year ended 31 December 2018 were prepared using the same accounting principles as those used to prepare the consolidated financial statements for the year ended 31 December 2017, with the exception of the standards described below which were adopted for use by the European Union and applied by the Group from 1 January 2018.

The consolidated financial statements are presented in euros and rounded to the nearest hundred thousand unless otherwise specified. They were approved by the Board of Directors on 28 March 2019.

A1 - Standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 1 January 2018

The accounting policies and bases of measurement used by the Group to prepare the consolidated financial statements for the year ended 31 December 2018 are identical to those used for the previous financial year, with the exception of:

- IFRS 15 – Revenue from Contracts with Customers

The Group has applied this new standard with retroactive effect from 1 January 2018. However, analyses performed by the Group on the transition to IFRS 15 confirm the continuing relevance of the Group's current revenue recognition model. More specifically, revenue from the sale of goods is recognised on the date that control over the goods is transferred to the customer, which generally occurs at delivery, and amounts invoiced by customers do not generally represent a distinct service received from the customer and are treated as a discount and deducted from revenue. Conversely, amounts invoiced to suppliers are not deemed to be separable from other goods or services and they are treated like a reduction in the products' purchase cost.

Aside from this issue of variable remuneration, the main point identified in the analysis – which does not impact the Group at the transition date – was the agent-principal distinction: under IFRS 15, service agreements with third parties must be analysed to determine whether the Group is acting on its own behalf (i.e., as principal: recognition of gross revenue) or as agent (i.e., recognition of margin).

For the "indent activity", which represent around 30% of the Group's revenue, products are dispatched directly from the manufacturing supplier's factory to Antalis' customer, without going through the Group's warehouses. However, it is clear that the Group acts as principal in this type of transaction and that the Group is entitled to recognise gross revenue invoiced to the customer, given that Antalis:

(i) bears responsibility for executing the order placed by the customer;

(ii) negotiates the selling price with the customer; and

(iii) bears the risks related to inventory during the transit phase and in the event that the goods are returned by the customer.

- IFRS 9 – Financial Instruments

The new standard dealing with financial instruments introduces new requirements covering the classification and measurement of financial assets and liabilities, impairment of financial assets and the recognition of hedge accounting transactions. The Group has applied this new standard with retroactive effect from 1 January 2018 and there has been no material impact on the consolidated financial statements.

As regards the impairment of financial assets, the new expected credit loss model is applied in particular to trade and certain financial receivables. The impairment expense corresponds to the expected losses over the next 12 months or over the life of the instrument if the financial instrument's credit risk has increased significantly since initial recognition. The new standard also provides clearer guidelines on how to present impaired items and the related disclosure requirements. Although the analyses performed by the Group have pinpointed differences between the expected credit loss model used to write down trade receivables and the methods previously used by the Group, these differences are not material and did not require any adjustment to the opening balance sheet.

The other standards, interpretations and amendments adopted by the European Union at 31 December 2018 and mandatory for reporting periods beginning on or after 1 January 2018 do not have a material impact on the consolidated financial statements for the years ended 31 December 2018 or 31 December 2017:

- amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- the IFRS annual improvements 2014-2016 cycle

A2 - Standards, amendments and interpretations adopted by the European Union and optional in 2018

Antalis did not elect to early-adopt the following standards and interpretations that could concern the Company but were not mandatory for reporting periods beginning on or after 1 January 2018.

- IFRS 16 – Leases
- IFRIC 23 – Uncertainty over Income Tax Treatments
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures
- the IFRS annual improvements 2015-2017 cycle

The Group is currently studying the practical impacts of the application of these standards, especially IFRS 16, which changes the basis that lessees need to use for recognising operating leases and replaces IAS 17, IFRIC 4, SIC 15 and SIC 27 from 1 January 2019. IFRS 16 requires the use of a single lessee accounting model with provisions similar to those already applied for finance leases, i.e., recognition of a right-of-use asset against a matching lease liability.

In certain cases, the specific features of leases (notably the renewal arrangements) or the lease terms used to measure leases under IFRS 16, may be different from those used to measure off-balance sheet commitments where only firm commitments are taken into account. The commitments disclosed in Note 29 may therefore differ from the liabilities that will be recognised under IFRS 16 given the impacts of discounting. The work to measure the amounts to be recognised in assets and liabilities at 1 January 2019 is in the process of finalisation and verification. The impact on consolidated equity at 1 January 2019 should be limited. At 31 December 2018, off-balance sheet commitments relating to operating leases are estimated at €120 million and the corresponding rental expense incurred by the Group at €52 million (including rental charges).

The Group has opted for the simplified retrospective transition method and will therefore recognise the cumulative impact of first-time adoption of the standard on 1 January 2019. As indicated, the amount of this impact is non-material.

B - Consolidation, recognition and measurement methods

B1 - Consolidation principles

The full consolidation method is used to consolidate entities that are fully controlled directly or indirectly by Antalis. Control is deemed to exist when the Group has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to direct its relevant activities and affect the amount of the investor's returns.

The existence and effect of potential voting rights that are immediately exercisable or convertible are included when calculating the control exercised by the Group.

The Group does not consolidate any joint ventures held under contractual arrangements and does not exercise significant influence over any entities.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The results of companies acquired during the year are included in the consolidated income statement for the period subsequent to the date on which control is transferred to the Group.

B2 - Reporting date

The Antalis Group has a 31 December year-end. The consolidated financial statements include the financial statements of subsidiaries at 31 December, restated to comply with Group accounting policies.

B3 - Estimates and valuations

The preparation of financial statements frequently requires Group management to make certain estimates, evaluations and assumptions that they deem to be both realistic and reasonable.

In order to limit uncertainty, these valuations and estimates are reviewed and analysed regularly based on actual data and experience, as well as on other factors deemed relevant in the light of current economic circumstances. The effects of these reviews are recognised immediately.

In recent years the highly volatile economic and financial environment has made forecasting for the various businesses especially difficult and actual results may differ from the estimates and related assumptions used.

Estimates and assumptions that may have a material impact on the assets and liabilities reported in the consolidated financial statements include:

a) Impairment tests on goodwill

Goodwill is tested for impairment at least once a year or if there is an indication that it may be impaired, in accordance with the method described in Note 2B6. The recoverable amount of Cash-Generating Units (corresponding to value in use or fair value) is estimated by discounting future cash flows to present value (see Notes 4 and 5).

An impairment loss is recognised if a CGU's estimated recoverable amount is lower than its carrying amount.

b) Impairment tests on property, plant and equipment and intangible assets

If there is an indication that an impairment loss should be recognised or reversed, the Group tests the item of property, plant and equipment or the intangible asset for impairment in accordance with the method described in Notes 2B7 and 2B8. An impairment loss is recognised if an asset's estimated recoverable amount is lower than its carrying amount. If the recoverable amount is greater than the carrying amount, it is reversed (see Notes 4, 5 and 6).

c) Provisions for pension and other employee benefit obligations

The present value of the Group's pension and other employee benefit obligations depends on the actuarial assumptions at the end of each reporting period – including the rate used to discount the obligations to present value – and any changes in these assumptions will impact their carrying amount.

At the end of each reporting period, the Group determines the rate used to discount employee benefit obligations and the other related assumptions, particularly market conditions, in accordance with the procedures described in Notes 2B14 and 15.

d) Other provisions

These mainly comprise provisions for legal and environmental contingencies as well as restructuring provisions, and they are recalculated at the end of each reporting period based on the Group's assumptions (see Notes 2B15 and 14).

e) Recognition of deferred tax assets

Deferred tax assets relating to tax losses are recognised in accordance with prior-period results and the prospects of recovering these losses based on the Group's budgets and medium-term business plans (three to five years) (see Notes 2B11 and 18). Similarly, deferred taxes arising from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

B4 - Inter-company transactions and balances

Inter-company transactions and balances and gains on transactions between Group companies are eliminated in full on consolidation. Losses resulting from inter-company transactions are only eliminated when there is no indication of impairment.

Gains on transactions between the Group and its associates are eliminated based on the Group's interest in the associate and are recognised as a deduction from the investment. Losses are eliminated in the same way only when there is no indication of impairment of the assets concerned.

B5 - Foreign currency translation

Functional currency and presentation currency

The consolidated financial statements are presented in euros, which is the parent company's (Antalis SA's) functional and presentation currency.

Translation of transactions denominated in foreign currency

For each Group company, transactions denominated in a currency other than its functional currency are translated using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currency are translated into euros at the closing exchange rate. The corresponding foreign exchange gains and losses are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or hedges of net investments in a foreign operation.

Foreign exchange gains and losses on loans or borrowings with a foreign subsidiary which are, in substance, a part of the Group's net investment in that subsidiary are recognised directly in equity until the investment is sold, when they are recycled to the income statement.

Translation of the financial statements of foreign entities

The results and financial positions of all Group companies that have a functional currency different from the presentation currency are translated into euros as follows:

- assets and liabilities for each period presented are translated at the closing rate at the end of each reporting period (except for equity which is stated at historical cost);
- income and expenses and items presented in the statement of cash flows are translated at average exchange rates, unless a specific exchange rate is applicable;
- all resulting exchange differences are recognised as a separate component in shareholders' equity.

When a foreign operation is sold, translation adjustments initially recognised in equity are recycled to the income statement as part of the disposal gain or loss.

B6 - Goodwill

The purchase method of accounting is used for all business combinations carried out by the Group.

Goodwill corresponds to the difference between:

- the cost of the business combination at the acquisition date plus the amount of any non-controlling interests in the acquiree measured at either (i) fair value (using the full goodwill method) or (ii) the share of non-controlling interests in the fair value of the identifiable net assets acquired (partial goodwill method); and
- the net amount of the assets and liabilities acquired at fair value on the acquisition date.

The Group has a preference for the partial goodwill method but may use the full goodwill method if this is more appropriate for a given acquisition.

Initial accounting for a business combination and measurement of the fair values of assets acquired and liabilities assumed must be completed within 12 months of the acquisition date and any subsequent changes are recognised as retroactive adjustments to the provisional amount of goodwill recorded. After the initial 12-month period, any adjustments to goodwill are recognised directly in profit or loss.

Acquisition costs are expensed directly and no longer included in the cost of the business combination.

Contingent consideration or earn-out payments are measured at their fair value at the acquisition date. They are recognised in equity if payment results in the delivery of a fixed number of equity instruments to the acquiree. Otherwise they are recognised in liabilities. Any adjustments after the 12 months following the acquisition are recognised as a receivable or payable with a matching entry in profit or loss.

Goodwill is recognised in assets as part of the carrying amount of the related entity. Negative goodwill is recognised directly in profit or loss.

After initial recognition, goodwill is not amortised but is tested for impairment and carried at cost less any accumulated impairment losses. Impairment testing is performed at least once a year at the reporting date, or more often if events or changes in circumstances indicate that a risk of impairment exists. For the purpose of these tests, goodwill is allocated to cash-generating units (CGUs) or groups of CGUs likely to benefit from the synergies developed within the scope of the business combination and representing the lowest operational level at which the Group monitors the rate of return on investments.

A goodwill impairment loss is recognised when the carrying amount of the CGU (or group of CGUs) to which it is allocated exceeds its recoverable amount. The recoverable amount corresponds to the higher of fair value less costs to sell and

value in use (estimated by discounting future cash flows to present value). Any goodwill impairment loss included in the carrying amount of an associate is recognised in profit or loss based on the Group's share in its earnings.

B7 - Other intangible assets

Other intangible assets acquired separately are initially measured at cost. Intangible assets acquired as part of a business combination are initially measured at their fair value at the acquisition date and amortised over their useful life.

Other intangible assets mainly comprise software, which is either acquired or developed in-house. The related costs are only capitalised when they are identifiable as assets and reliably measurable, and when it is probable that future economic benefits will flow to the Group from their use.

Development costs relating to software for internal use are amortised over the estimated useful life of the software, which is generally between three and eight years.

The Group's other intangible assets have finite useful lives and are amortised from the time that they are ready for use. Amortisation is calculated using the straight-line method based on the following estimated useful lives:

- software 3 to 8 years
- customer relationships 7 to 11 years

Amortisation methods and useful lives are reviewed at least once a year at year-end and useful lives may be extended if appropriate.

Intangible assets with indefinite useful lives are tested for impairment at least once a year at the reporting date, and whenever there are adverse changes in certain indicators. An impairment loss is recognised when the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses on intangible assets other than goodwill may be reversed.

B8 - Property, plant and equipment

Property, plant and equipment are stated at (historical) cost, less any accumulated depreciation and impairment losses. Cost includes the acquisition cost and all costs directly attributable to the asset's acquisition or development, transfer to the location of use and preparation in order to enable it to operate in the manner intended by management.

Components of property, plant and equipment with different useful lives are recognised separately.

Expenditure related to the replacement or renewal of a component of an item of property, plant and equipment is recognised as a separate asset and the replaced asset is derecognised. Other subsequent expenditure relating to an item of property, plant and equipment is not recognised in assets unless it is probable that the future economic benefits associated with the expenditure will flow to the entity and the cost can be measured reliably. All other subsequent expenditure is expensed as incurred.

With the exception of land, property, plant and equipment are depreciated from the time that the assets are ready for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

- buildings 10 to 40 years
- industrial machinery and equipment 5 to 20 years
- other property, plant and equipment 3 to 25 years

Depreciation methods, residual values and useful lives are reviewed at least at the end of each reporting year and more often if there is an indication of impairment.

An impairment loss is recognised if an asset's estimated recoverable amount is lower than its carrying amount. Impairment losses on property, plant and equipment may be subsequently reversed where appropriate.

Non-current assets held under finance leases that transfer a significant portion of the risks and rewards of ownership to the Group are recognised in the statement of financial position under property, plant and equipment. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Property, plant and equipment acquired under finance leases is depreciated on a straight-line basis over the shorter of the useful life of the asset (based on the same useful lives as for property, plant and equipment owned by the Group) or the lease term. The corresponding lease obligation, net of interest, is recognised as a debt in liabilities.

This accounting treatment applied to assets and liabilities related to finance leases leads to the recognition of corresponding deferred taxes.

Payments made under operating leases are recognised in expenses as incurred.

B9 - Non-derivative financial assets

Initial recognition

Purchases and sales of financial assets are recognised on the trade date corresponding to the date on which Antalis commits to purchasing or selling the assets.

Financial assets are derecognised when the contractual rights to receive the cash flows from the assets have expired or have been transferred, and the Group has transferred substantially all risks and rewards of ownership to another party without retaining control over the asset.

Financial assets are initially recognised in the statement of financial position at fair value plus transaction costs directly attributable to the purchase or issue of the asset (except for financial assets at fair value through profit or loss, whose transaction costs are recognised in profit or loss).

A financial asset is classified as "current" when the cash flows expected to be derived from the instrument are due within 12 months after the end of the reporting period.

Subsequent measurement

At initial recognition, the Antalis Group classifies financial assets into one of the four categories provided for in IFRS 9 — Financial Instruments: Recognition and Measurement, depending on the purpose for which they were acquired. The assets are subsequently measured at amortised cost or fair value depending on their classification.

Amortised cost is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the amount payable at maturity.

The fair value of instruments quoted in an active market corresponds to their quoted market price. The fair value of instruments that are not quoted in an active market is determined using valuation techniques including recent arm's length market transactions, reference to a transaction that is substantially the same, or discounted cash flows and option pricing models, using data inputs based on observable market transactions wherever possible. If it is impossible to reliably estimate the fair value of an equity instrument it is stated at historical cost.

The categories of financial assets used by the Group are as follows:

- held-to-maturity investments: non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the intention and ability to hold until maturity. They are measured at amortised cost and any impairment losses are recognised through profit. For the Group, held-to-maturity investments comprise security deposits, seller loans and certain financial loans;
- loans and receivables: non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include short-term loans and trade receivables and are measured at amortised cost using the effective interest method. If they are impaired, an impairment loss is recognised through profit;
- financial assets at fair value through profit or loss: financial assets that are acquired or originated principally for the purpose of selling in the short term. They are marked to market and valuation gains and losses are recognised in profit or loss. This category includes cash and cash equivalents and certain non-consolidated investments;
- available-for-sale financial assets: non-derivative financial assets that are not classified in any of the other categories. They are marked to market and valuation gains and losses are recognised in equity. They include other non-consolidated investments and marketable securities. When available-for-sale financial assets are sold or impaired, cumulative changes in fair value previously recognised in equity are transferred to the income statement. The Group did not have any assets belonging within this category on its books at 31 December 2018;
- A provision for impairment is recognised through the income statement if there is an objective indication of impairment, or if there is a risk that the Group will not be able to collect the contractual amounts due (principal plus interest) at the contractual payment dates. The amount of this provision is equal to the difference between the asset carrying amount and the value of estimated recoverable future cash flows, discounted using the initial effective interest rate.

B10 - Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is based on their estimated market value under normal business conditions less costs to sell.

Inventories are measured using the "Weighted Average Cost" (WAC) method or the "First in-First out" (FIFO) method.

Inventories primarily include goods for resale, which are measured based on all purchase costs less any supplier discounts and rebates, and any other costs incurred in bringing the inventories to their present location and condition, chiefly duties and taxes and logistics and transportation costs. Borrowing costs are not included in the cost of inventories.

If net realisable value is less than the carrying amount, an impairment loss provision is recognised for the difference. The Group may recognise impairment against obsolescent, damaged or slow-moving inventories.

B11 - Income tax

Current tax is the estimated amount of income tax due on the taxable profit or loss for the period and includes prior-period adjustments.

Deferred tax assets and liabilities are determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred taxes are calculated for all deductible or taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The following items do not give rise to deferred taxation:

- recognition of goodwill;
- temporary differences on investments in subsidiaries when these will not reverse in the foreseeable future.

Deferred tax assets and liabilities are only offset if they relate to the same tax consolidation group.

The levy based on French subsidiaries' "value added" (*cotisation sur la valeur ajoutée des entreprises* – CVAE) complies with the definition of an income tax provided in IAS 12 – Income Taxes, and is recorded in "Income tax benefit (expense)".

B12 - Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits, certain highly liquid marketable securities that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value with maturities of three months or less, and bank overdrafts. In the statement of financial position, bank overdrafts appear under "Short-term debt" in current liabilities.

Short-term investments are marked to market at the end of each reporting period.

B13 - Derivative financial instruments and hedging

The Group uses forward contracts and options on foreign currencies to hedge its exposure to risks from exchange rates arising as a result of its operating and financial activities. Derivatives are initially recognised at fair value and are subsequently remeasured at fair value at the end of each reporting period. Changes in fair value are recorded in profit or loss under either financial income or expenses, or current operating income and expenses, depending on the type of instrument, except for the following instruments that qualify for hedge accounting under IFRS:

- cash flow hedges: changes in the fair value of the effective portion of a derivative that is designated and qualifies as a cash flow hedge are recognised directly in equity. Amounts accumulated in equity are recycled to the income statement during the period in which the hedged item affects profit (for example, when a planned

sale actually takes place) or when the Group no longer expects the hedged forecast transaction to occur. The gain or loss relating to the ineffective portion of the hedge is recognised in the income statement in financial income or expenses. When the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the cumulative fair value adjustments on the hedging instrument that were previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability concerned;

- fair value hedges: changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss under the same caption as any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk;
- hedges of net investments in foreign operations: any fair value gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. When the foreign operation is divested, gains and losses accumulated in equity are transferred to the income statement under the same caption as the disposal gain or loss.

B14 - Provisions for pension and other employee benefit obligations

Antalis and its subsidiaries provide their employees with different types of supplementary employee benefit plans. The specific characteristics of these plans vary depending on the laws, regulations and practices applicable in each of the countries where the Group's employees work.

The plans that have been set up are either defined contribution plans or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate organisation which frees the employer from all future legal or constructive obligations in the event that plan assets are not sufficient to cover the amounts due to the employees. Therefore, apart from the expense relating to the contributions paid to such organisations, no other related liability is carried in the Group's books.

Defined benefit plans are all post-employment benefit plans other than defined contribution plans. The Group has an obligation to set aside provisions for the future benefits due to its active employees and to pay the benefits of its retired employees. The actuarial risk and investment risk relating to these plans are borne in substance by the Group.

Pension and other post-employment benefit obligations are measured in accordance with the projected unit credit method. The amount of the related provision is calculated on an individual basis using assumptions in terms of life expectancy, employee turnover, increases in salaries, increases in annuities, increases in medical costs and discounting of future sums payable. The specific assumptions for each plan take account of the local economic and demographic circumstances.

According to Revised IAS 19, the rate used to discount employee benefit obligations should be determined by reference to market yields on corporate bonds issued in the monetary zone in question, with maturities similar to the corresponding obligations, and rated "high quality" by the established rating agencies.

Antalis uses the Markit iBoxx indices for the euro and sterling zones. These indices are calculated daily for quite a comprehensive range of bond maturities and ratings and each bond in the index basket complies with specific rating, maturity and liquidity criteria.

The bonds in the basket are weighted according to their amount. Markit updates all of the bonds in the index baskets every month based on any changes to residual maturities or to credit ratings.

Defined benefit plans are sometimes funded by external plan assets. The expected rate of return on the plan assets is calculated using the same discount rate as that used to measure pension benefit obligations and any difference between expected and actual returns is recognised in "Other comprehensive income".

The amount recognised in respect of defined benefit pensions and other long-term benefits is the present value of the projected benefit obligation at the end of the reporting period less the fair value of plan assets. If the result of this calculation is a net commitment, this is recognised as a liability. If the calculated amount is a surplus, the amount of the recognised asset is capped in line with the guidance provided under IFRIC 14 in respect of the limits on defined benefit assets.

Actuarial gains and losses arising on pension benefit obligations, defined as changes related to experience adjustments and actuarial assumptions, are recognised directly in "Other comprehensive income". Actuarial gains and losses arising on other long-term benefits are recognised immediately in profit or loss.

Past service costs within the meaning of Revised IAS 19 are also taken to the income statement:

- gains on changes to pension plans, as a result of a reduction in beneficiary rights or conversions to a defined contribution plan (settlements), are recognised in "Current operating income";
- gains resulting from restructuring measures which lead to staff reductions and therefore a reversal of provisions relating to pension benefit obligations for the employees concerned (curtailments), are recognised in other operating income and expenses.

Defined benefit plans can give rise to the recognition of provisions and mainly concern:

a) pension benefit obligations:

- pension annuity plans;
- lump-sum payments on retirement;
- other pension obligations and supplementary pensions.

b) other long-term benefits:

- long-service awards;
- early retirement plans.

c) other employee benefits:

- healthcare plans;
- employee incentive and/or profit-sharing plans.

B15 - Other provisions

A provision is recognised when the Group has a present obligation (legal or constructive) arising from a past event, whose amount can be estimated reliably, and whose settlement is expected to result in an outflow of resources embodying economic benefits for the Group.

These mainly comprise provisions for restructuring and provisions for vacant premises.

Provisions are discounted where the effect of the time value of money is material. Discounting is calculated based on risk-free rates net of inflation for each geographical area concerned.

A restructuring provision is recognised when the Group has approved a detailed formal plan for the restructuring and has either started to implement the plan or has publicly announced its main features. Other provisions relate to contingencies and expenses that have been specifically identified.

B16 - Debt

Interest-bearing debt is recognised at cost, which corresponds to the fair value of the amount received less directly attributable transaction costs. Debt is subsequently recognised at amortised cost. The difference between the cash received (less directly attributable transaction costs) and the redemption value is taken to profit based on the effective interest rate over the duration of the borrowings.

Debt is classified as a current liability unless the entity has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

When a loan is recognised initially, any directly attributable transaction costs are deducted from the fair value if the borrowings are recognised at amortised cost and then factored into the effective interest rate.

Net debt is an important indicator for the Group. It is the sum of short- and long-term debt, less cash and cash equivalents. A breakdown is provided in Note 17, "Financial instruments".

B17 - Trade and other payables

Trade and other payables are initially recognised at fair value which in most cases corresponds to their nominal amount.

B18 - Operating income and expenses

- The Group's sales arise mainly from sales of goods and services by subsidiaries, including sales made via the Group's e-commerce websites. Sales are measured at the fair value of the consideration received or receivable in this respect, net of sales tax, and less any trade or volume discount granted, goods returned and intragroup sales. Revenue is recognised in "sales" when the risk and rewards inherent to ownership of the goods have been transferred to the purchaser.
- Gross margin equals sales less the cost of goods and services sold, supplier rebates and cash discounts and the impact of movements in provisions on goods for resale inventories.
- Other selling, general and administrative expenses include all of the Group's logistics, general and sales and marketing costs, and include depreciation and amortisation. This line item includes:
  - communication and marketing expenditure;
  - product transportation costs;
  - distribution centre costs (rent and related costs and maintenance costs);
  - IT expenditure;
  - depreciation and amortisation;
  - provisions for bad debts;
  - Group head office costs;
  - other general expenses such as professional fees, travel costs, telecommunications and other ordinary operating costs, insurance, supplies, taxes other than income tax and subcontracting costs.

B19 - Operating income and current operating income

Pursuant to Recommendation 2013-03 of the ANC (France's national accounting standards body) of 7 November 2013 (http://www.anc.gouv.fr/cms/accueil/normes-francaises/recommandations.html, in French only), the Group defines the two indicators that it discloses in its consolidated income statement as follows:

"Operating income" corresponds to all income and expenses that are not related to financing activities and income taxes.

"Current operating income" is equal to "Operating income" less "Other operating income and expenses, net" (see the definition in Note B20).

The Group considers "EBITDA" to be a meaningful indicator of its operating performance, including at the level of each of its operating segments.

"EBITDA" is equal to "Current operating income", excluding net changes in depreciation, amortisation and provisions related to operating activities.

This indicator is also used to calculate certain ratios (covenants), particularly those tested within the scope of the Group's main borrowing agreements.

B20 - Other operating income and expenses, net

Other operating income and expenses presented separately from current operating income comprise:

- gains or losses on disposals of property, plant and equipment and intangible assets;
- impairment losses on goodwill, intangible assets and property, plant and equipment;
- restructuring expenses, net of reversals of corresponding provisions;
- additions to provisions for future payments under onerous leases (vacant warehouses);
- additions to provisions for certain material claims and litigation.
- more generally, other items whose unusual and infrequent nature mean that they affect the reading of the Group's economic performance when they are material.

B21 - Net financial income (loss)

Net financial income (loss) includes the following two items:

Cost of net debt, which includes:

- income from the investment of cash and cash equivalents and net gains made on their sale;
- interest on debt calculated using the effective interest method, the financial expense arising on discounting non-current liabilities and the costs of early repayment of borrowings or of cancellation of credit facilities;
- foreign exchange gains and losses;

- changes in the fair value of hedging derivatives related to components of net debt.

Other financial income and expenses, which include:

- dividends;
- changes in the fair value of derivatives related to financial assets;
- bank charges and other financial fees and commissions.

B22 - Earnings per share

Basic undiluted earnings per share are calculated by dividing net income attributable to owners by the average number of shares outstanding during the year. The Group has not issued any dilutive instruments.

B23 - Segment reporting

Pursuant to IFRS 8, the operating segments reported correspond to the reporting basis used in the internal reports that are regularly reviewed by the Group's operating decision makers (the Chief Executive Officer assisted by members of the Executive Committee).

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the entity's chief operating decision maker, and for which discrete financial information is available. Each operating segment is tracked individually for internal reporting purposes based on performance indicators used for all segments.

The segments presented for the purpose of segment reporting correspond to operating segments or groups of operating segments. These correspond to regions composed of countries in which Antalis does business through its distribution subsidiaries:

- The "Main European Geographies" segment includes Antalis' business activities in Germany, Austria, France, the UK and Ireland.
- The "Rest of Europe" segment includes Antalis' business activities in most other European countries in which the Group operates (namely Benelux countries, Spain and Portugal, Eastern Europe, Scandinavia and Switzerland).
- The "Rest of the World" segment includes Antalis' business activities in all the other countries in which the Group operates (namely Chile and South-East Asia and Southern Africa until October 2018).

Management data used to assess a segment's performance is drawn up in accordance with IFRS as applied by the Group to prepare its consolidated financial statements.

Segment assets are the operating assets used by a segment in the context of its activities. They include attributable goodwill, property, plant and equipment and intangible assets as well as most current assets attributable to the segment (inventories and receivables).

Segment liabilities are liabilities which the Group considers are attributable to a segment in the context of its operating activities. They include provisions and most attributable current liabilities (trade payables and other operating liabilities).

Working capital shown for each segment represents attributable current assets less attributable current liabilities.

In addition to geographical segments, the Group also analyses its revenues and operating results by type of product distributed:

- Papers: This market includes the distribution of paper for publishing and corporate communication purposes to printers, graphic designers and publishers, and the distribution of office paper to private- and public-sector companies and to resellers.
- Packaging: In this business sector, the Group distributes packaging products and solutions used to package and protect goods during storage and transportation.
- Visual Communication: In this business sector, the Group distributes visual communication materials to digital printers and manufacturers of signage systems for advertising campaigns and for the interior decoration of professional and private spaces.

B24 - Statement of cash flows

The statement of cash flows is prepared in accordance with IAS 7, using the indirect method based on consolidated operating income. Non-cash items are eliminated or offset and cash flows are broken down into three categories:

- cash flows from operating activities (including income taxes);
- cash flows from investing activities (including acquisitions and disposals of subsidiaries and property, plant and equipment and intangible assets);
- cash flows from financing activities, which most notably present the impact of changes in drawdowns on revolving credit facilities and the issue or repayment of loans. In accordance with the option proposed by IAS 7, the Group has chosen to also present outflows relating to the cost of net debt (mainly interest) in this category, considering it to be the most appropriate classification.

Note 3
Changes in scope of consolidation

Acquisitions

2018

Acquisitions within the Group's operational reporting scope

As explained in Note 1, in Q1 2018, Antalis acquired the Swedish packaging products distribution business of Alos (annual sales of around €6 million), and in Q2 2018, it acquired Igepa's paper distribution business in Sweden and Norway (annual sales of approximately €10 million).

Both operations took the form of an acquisition of the business assets and related operating working capital, essentially comprising inventories. Provisional purchase price allocation resulted in the recognition of goodwill of approximately €1.8 million on the books of Alos, whereas negative goodwill of less than €1 million was recognized against the assets of Igepa in the income statement. Allocation of the purchase price to assets and liabilities will be finalised within 12 months of the acquisition date, in accordance with IFRS 3.

These two businesses contributed €10 million to sales and €1 million to current operating income for 2018.

Legal transfer of pension rights

As part of the process of Antalis becoming a standalone company, in December 2018, the Company purchased Arjowiggins' UK subsidiary, that is a member of APS (Antalis Pension Scheme) for which Antalis is the principal employer. Obligations for this fund were previously split between Antalis and Arjowiggins in proportion to the number of plan beneficiaries, most of whom work in Arjowiggins' UK mills. This subsidiary is now known as Antalis Services Ltd and it carries over half of the fund's accounting assets and liabilities on its books. For a number of years, the value of plan assets has exceeded the value of the accrued benefit obligation under IFRS (see also notes 5 and 15).

In spite of this surplus, which is reflected as a net asset carried in the consolidated financial statements, each year Antalis makes contributions required by the fund trustees to pay off the "fund deficit" as measured by them. In light of this payment obligation encumbering the interest in the entity acquired by Antalis, the sale price was considerably less than the entity's net carrying amount, essentially comprising the share in plan assets recognised under IFRS.

Consequently, the Group recognised negative goodwill for this operation in the consolidated income statement for the year under other operating income, for an amount of approximately €17 million.

The impact of acquisitions on the statement of financial position can be summarised as follows:

(€ millions)	Acquisitions in 2018
Purchase price (i)	4.2
Pension plan assets	20.0
Working capital requirements	3.6
Provisions	(0.2)
Other assets (liabilities), net	(3.6)
Net assets acquired (ii)	19.8
Calculation of net goodwill (i-ii)	(15.6)

2017

The Group did not carry out any major acquisitions in 2017.

Disposals

As indicated in Note 1, the Group's Southern African subsidiaries (Antalis South Africa PTY LTD and Antalis Botswana PTY LTD) were sold in early October 2018 generating a loss on disposal of approximately €9 million. These two businesses contributed €45 million to consolidated sales and €0.5 million to consolidated current operating income for the year through to the date on which the Group relinquished control.

Note 4
Measurement of impairment losses

Goodwill and intangible assets with indefinite useful lives are tested for impairment on an annual basis, or more frequently if there is an indication that they may be impaired. Property, plant and equipment and other intangible assets with finite useful lives are only tested for impairment if there is an indication that an impairment loss should be recognised or reversed.

For impairment testing purposes, assets are allocated to cash-generating units (CGUs), defined as the smallest group of identifiable assets that generates cash inflows that are largely independent of the cash inflows of other groups of assets. Goodwill is tested at the level of the CGUs likely to benefit from the synergies developed within the scope of the business combination resulting from the acquisition.

The impairment test compares the carrying amount of the CGU or group of CGUs (including any allocated goodwill) to their recoverable amount, which is the observable market price on an organised market. If no observable market data is available, the recoverable value is deemed to be the value in use, which is determined based on estimates and assumptions. In light of the current highly volatile economic and financial environment, actual future results may differ significantly from forecasts.

Key assumptions used in impairment testing of goodwill:

- Cash flow projections taken from the four-year business plan which reflect expected changes in volumes, selling prices, direct costs and investments over the period, calculated using historical financial data and assumptions concerning market growth and earnings, as well as trends forecast for the period in question in the medium- to long-term business plan. In certain cases, business plan forecasts have been revised downwards to reflect uncertainty over the market outlook related to the tough current economic climate.
- A terminal value calculated by extrapolating the most recent cash flows included in the business plan using a steady long-term growth rate for cash flows beyond the period covered by the plan that is considered appropriate for the market in which the CGU operates. The indefinite growth rates used to calculate the terminal values are determined conservatively in line with factors such as average inflation in the markets in which the CGU or group of CGUs generate their sales.
- Forecast discounted cash flows calculated by reference to a rate based on the Antalis Group's weighted average cost of capital, in the absence of a specific discount rate for the asset being tested. These discount rates are post-tax rates and they vary depending on the country or geographical area in which the CGU is located. They generally correspond to the risk-free rate plus a country- and sector-specific risk premium. Other risks are factored into the cash flow projections in the business plans. Discount rates for each monetary zone were determined based on yields on high quality corporate bonds rated BBB with a maturity of ten years.

Indefinite growth and discount rates used for impairment testing in the key geographical areas were as follows:

Key assumptions used in impairment calculations for Antalis		2018	2017
Long-term growth rate[1]		0.00%	0.00%
After-tax discount rate	France	7.00%	6.50%
	United Kingdom	7.50%	7.50%
	Germany	6.00%	5.00%
	Asia	8.00%	9.00%
	South America	9.25%	9.50%
	Poland	8.00%	8.50%
	Czech Republic	7.50%	7.50%

(1) With the exception in 2018 (as in 2017) of the Germany/Austria - Industrial packaging and South America CGUs where the outlook is more dynamic than in the Group's other CGUs which operate in more mature markets. These two CGUs were assigned growth rates of 1% and 1.5%, respectively, above the business plan rate.

Goodwill

In 2018, impairment testing led the Group to book additional impairment expense of €22 million against the value of the goodwill allocated to the South America CGU after an initial write-down of €6 million taken on this asset in 2017. This impairment mainly results from a less favourable outlook for this region which includes some of the Group's most profitable businesses and which has traditionally used high discount rate assumptions.

Property, plant and equipment and intangible assets

Based on impairment testing at year-end, impairment losses recognised on property, plant and equipment or on other intangible assets were non-material.

In 2017, the Group recorded an impairment loss of €1.6 million and also reversed impairment losses totalling €1.4 million.

Testing sensitivity to key assumptions

Measurement of Group assets allocated to CGUs or a group of CGUs is subject to changes in the key assumptions used to calculate their value in use.

The biggest material impact for the Group concerned goodwill allocated to CGUs for Poland, South America and the Baltic countries, Finland and Russia.

Sensitivity to the after-tax discount rate

At 31 December 2018, 1 basis point % increase in the after-tax discount rate would generate additional impairment expense of €8.6 million on these three CGUs.

Sensitivity to the long-term growth rate

A 1 basis point % decline in the long-term growth rate assumption (which would mean negative growth for several CGUs) would generate additional impairment expense of €3.2 million (only on South America and the Baltic countries, Finland and Russia).

Combined sensitivity to the after-tax discount rate and to the long-term growth rate

A 1 basis point % increase in the after-tax discount rate coupled with 1 basis point % decline in the long-term growth rate would generate additional impairment expense of €13.1 million for these three areas.

Sensitivity to operating cash flow

At 31 December 2018, a 5% decline in operating cash flow in the Group's main CGUs over the period of the business plan would generate additional impairment expense of €2.6 million on the value of goodwill allocated to the South America CGU.

Breakeven analysis

The following table analyses percentage changes in each of the key variables in isolation and presents the increases/decreases necessary for the estimated recoverable amount of the Group's main cash-generating units (CGUs) or groups of CGUs to be equal to their carrying amount if and when the estimated recoverable amount is greater than the carrying amount. Changes in each variable are only shown if they are realistic from an economic perspective:

Breakeven for key assumptions	Test margin (€ millions)	Increase in discount rate needed for recoverable amount to be equal to carrying amount (points)	Decrease in long-term growth rate needed for recoverable amount to be equal to carrying amount (points)	Decline in operating cash flow needed for recoverable amount to be equal to carrying amount (%)
Poland	2.9	0.8 points	-2.2 points	-9%
Eastern Europe (excluding Poland)	4.1	2.1 points	n/a	-16%
Asia	1.6	1.4 points	n/a	-13%
Baltic countries, Finland, Russia	2.2	0.5 points	-0.8 points	-16%
Benelux countries	1.6	1.3 points	n/a	-11%

Note 5
Goodwill and other intangible assets

Goodwill

(€ millions)	2018	2017
Balance at 1 January		
Gross amount	239.9	245.7
Accumulated impairment	(98.8)	(95.9)
CARRYING AMOUNT	141.1	149.8
First-time consolidated subsidiaries[1]	1.8	0.2
Translation adjustments	(1.0)	(2.9)
Impairment losses[2]	(22.0)	(6.0)
Balance at 31 December		
Gross amount	256.4	239.9
Accumulated impairment	(136.4)	(98.8)
CARRYING AMOUNT	120.0	141.1

(1) See Note 3.
(2) See Note 4. Impairment losses are shown in the income statement under "Other operating expenses".

Goodwill can be analysed as follows by CGU broken down by geographical segment as of 31 December:

(€ millions)	31/12/2018	31/12/2017
France	11.7	11.7
United Kingdom	24.8	25.0
Germany/Austria - Industrial packaging	26.6	26.6
Switzerland	8.8	8.5
Central and Eastern Europe	12.5	12.6
Baltic countries, Finland, Russia	24.4	24.4
Nordic countries	4.2	2.5
South America	7.0	29.8
CARRYING AMOUNT	120.0	141.1

Other intangible assets

(€ millions)	Brands, licences & patents	Software	Other	Total
At 1 January 2017				
Gross amount	14.2	132.5	15.9	162.6
Accumulated amortisation and impairment	(8.9)	(100.2)	(10.8)	(119.9)
CARRYING AMOUNT	5.3	32.3	5.1	42.7
Capital expenditure[1]	-	9.1	2.5	11.6
Amortisation[2]	(1.3)	(9.9)	(0.6)	(11.8)
Impairment losses	-	(0.5)	-	(0.5)
Translation adjustments	(0.3)	-	-	(0.3)
Reclassifications and other movements	-	(1.4)	1.4	-
At 31 December 2017				
Gross amount	13.8	138.6	18.7	171.1
Accumulated amortisation and impairment	(10.1)	(109.0)	(10.3)	(129.4)
CARRYING AMOUNT	3.7	29.6	8.4	41.7
Capital expenditure[1]	-	11.5	0.7	12.2
Amortisation[2]	(1.2)	(10.6)	(1.0)	(12.8)
Impairment losses	-	(0.1)	-	(0.1)
Translation adjustments	(0.1)	(0.1)	-	(0.2)
Reclassifications and other movements	-	2.7	(0.7)	2.0
At 31 December 2018				
Gross amount	13.4	153.0	18.4	184.8
Accumulated depreciation and impairment	(11.0)	(120.0)	(11.0)	(142.0)
CARRYING AMOUNT	2.4	33.0	7.4	42.8

(1) This item corresponds to acquisitions and internally-generated non-current assets in the respective amounts of €1.5 million and €10.7 million in 2018 (2017: €3.8 million and €7.8 million, respectively).

(2) The amortisation expense recorded in the income statement in respect of ordinary items is shown in "Other selling, general and administrative expenses".

The Group's capitalised research and development expenses are non-material.

Note 6
Property, plant and equipment

(€ millions)	Land	Buildings	Machinery & equipment	Other	Total
At 1 January 2017					
Gross amount	5.3	49.8	69.0	52.8	176.9
Accumulated depreciation and impairment	-	(31.1)	(53.5)	(43.5)	(128.1)
CARRYING AMOUNT	5.3	18.7	15.5	9.3	48.8
Capital expenditure	-	0.7	2.5	4.3	7.5
Disposals	(2.6)	(2.6)	-	-	(5.2)
Depreciation[1]	-	(1.5)	(3.0)	(2.8)	(7.3)
Impairment losses	-	(0.2)	(0.1)	(0.9)	(1.2)
Reversals of impairment losses	-	0.9	0.6	-	1.5
Reclassifications	-	(0.8)	(1.7)	2.3	(0.2)
Translation adjustments	(0.3)	(0.2)	(0.7)	(0.4)	(1.6)
At 31 December 2017					
Gross amount	2.4	41.7	60.0	58.8	162.9
Accumulated depreciation and impairment	-	(26.7)	(46.9)	(47.0)	(120.6)
CARRYING AMOUNT	2.4	15.0	13.1	11.8	42.3
Capital expenditure	-	0.3	2.0	4.8	7.1
Disposals[2]	(0.3)	(0.1)	-	(0.1)	(0.5)
Depreciation[1]	-	(1.1)	(2.6)	(3.7)	(7.4)
Impairment losses	-	-	-	(0.4)	(0.4)
Reclassifications	0.7	(0.5)	(1.0)	(1.1)	(1.9)
Translation adjustments	(0.1)	(0.4)	(0.1)	0.1	(0.5)
At 31 December 2018					
Gross amount	2.7	39.3	59.5	56.0	157.5
Accumulated depreciation and impairment	-	(26.1)	(48.1)	(44.6)	(118.8)
CARRYING AMOUNT	2.7	13.2	11.4	11.4	38.7

(1) The depreciation expense recorded in the income statement in respect of ordinary items is shown in "Other selling, general and administrative expenses". Impairment losses and reversals are included in "Other operating income and expenses, net" and analysed in Note 4 "Measurement of impairment losses".

(2) Sale of a building in Peru.

Note 7
Financial assets

Analysis of financial assets carried in the statement of financial position

(€ millions)	31/12/2018	31/12/2017
Non-current financial assets	5.9	4.4
Current financial assets	3.0	3.6
TOTAL FINANCIAL ASSETS	8.9	8.0
Gross amount	9.6	8.7
Provision for impairment in value	(0.7)	(0.7)

Movements in gross amount during the year

(€ millions)	31/12/2018	31/12/2017
OPENING BALANCE	8.7	4.9
Increases	4.4	4.2
Decreases and disposals	(3.4)	(0.5)
Translation adjustments	(0.1)	0.1
CLOSING BALANCE	9.6	8.7

Maturity of non-current financial assets

(€ millions)	31/12/2018	31/12/2017
1 to 5 years	3.6	2.1
More than 5 years	2.3	2.3
CLOSING BALANCE	5.9	4.4

Analysis by type of financial asset at year-end

	Non-current financial assets		Current financial assets	
(€ millions)	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Held-to-maturity investments	4.4	3.7	3.0	3.6
Other deposits and guarantees	4.4	3.7	3.0	3.6
Financial assets recognised at fair value	1.5	0.7	-	-
Non-consolidated investments	1.5	0.7	-	-
CLOSING BALANCE	5.9	4.4	3.0	3.6

Note 8
Inventories

(€ millions)	31/12/2018	31/12/2017
Raw materials and other supplies	1.3	1.2
Semi-finished and finished goods	0.4	0.4
Goods held for resale	192.5	210.5
CARRYING AMOUNT	**194.2**	**212.1**
Gross amount	204.1	222.6
Provision for impairment in value	(9.9)	(10.5)

The Group recognised the following amounts in the income statement in relation to inventories:

Changes in inventories recognised in "Current operating income"	**(4.4)**	**11.7**
Under "Net additions to (reversals of) provisions":		
- Additions to provisions for impairment in value of inventories	(1.0)	(0.9)
- Reversals of provisions for impairment in value of inventories	1.0	0.6
Under "Other operating income and expenses, net":		
- Additions to provisions for impairment in value of inventories	(0.2)	(0.1)
- Reversals of provisions for impairment in value of inventories	0.3	0.5

Note 9
Other assets

Breakdown by type

(€ millions)	31/12/2018	31/12/2017
OTHER NON-CURRENT ASSETS	**59.6**	**13.1**
Defined benefit pension plans with a net surplus[1]	57.0	9.1
Tax credits and current tax receivables	2.6	4.0
TRADE RECEIVABLES	**369.5**	**400.5**
Gross amount	384.8	418.3
Provision for impairment in value	(15.3)	(17.8)
OTHER RECEIVABLES	**71.0**	**75.1**
Tax credits and current tax receivables	5.4	4.7
Indirect tax receivables	7.7	5.8
Receivables on disposals of non-current assets	4.6	-
Advances to suppliers	4.1	3.4
Other current receivables[2]	49.2	61.2

(1) The year-on-year change is attributable to the grouping of pension obligations under the Antalis Pension Scheme and the recognition of the net surplus in 2018 (see Notes 1 and 15).

(2) Most of this caption relates to accrued trade discounts receivable from Antalis' suppliers of paper for products distributed by the Group pursuant to the terms and conditions in force.

Movements in provisions for impairment

(€ millions)	31/12/2018 Trade receivables	31/12/2018 Other receivables	31/12/2017 Trade receivables
OPENING BALANCE	(17.8)	-	(20.3)
Net (additions to)/reversals of impairment provisions	2.0	(4.6)	2.2
Translation adjustments	0.2	-	0.3
Changes in scope of consolidation	0.3	-	-
CLOSING BALANCE	(15.3)	(4.6)	(17.8)
Of which, current	(15.3)	(4.0)	(17.8)
Of which, non-current portion	-	(0.6)	-

Maturity of other assets (net)

(€ millions)	Total	Less than 1 year	1 to 5 years	More than 5 years
At 31 December 2018				
Other non-current assets	59.6	-	0.7	58.9
Trade receivables	369.5	369.5	-	-
Other receivables	71.0	71.0	-	-
At 31 December 2017				
Other non-current assets	13.1	-	1.8	11.3
Trade receivables	400.5	400.5	-	-
Other receivables	75.1	75.1	-	-

Note 10
Cash and cash equivalents

(€ millions)	31/12/2018	31/12/2017
Cash on hand	124.9	114.6
Cash equivalents	0.1	2.0
CLOSING BALANCE	125.0	116.6

Cash and cash equivalents at 31 December 2018 and at 31 December 2017 only include debit bank balances or liquid, risk-free marketable securities.

Note 11
Share capital

Changes in share capital over the past two years are described below.

2018

There were no changes in the share capital in 2018.

2017

On 21 April 2017, the sole shareholder decided to reduce the Company's share capital by an amount of €426,000,000, i.e., from €639,000,000 to €213,000,000, by reducing the par value of the Company's shares from €9 to €3 and by recording a matching adjustment to accumulated losses.

Note 12
Earnings per share

2018	Net earnings (losses) (€ millions)	Weighted average number of shares during the year[1]	Earnings (losses) per share (in €)
Net earnings (loss) attributable to owners	**(29.8)**	**70,792,514**	**(0.42)**
Net earnings (loss) attributable to owners – diluted	(29.8)	70,792,514	(0.42)

2017	Net earnings (€ millions)	Weighted average number of shares during the year[1]	Earnings per share (in €)
Net earnings attributable to owners	**9.4**	**70,951,156**	**0.13**
Net earnings attributable to owners – diluted	9.4	70,951,156	0.13

(1) *Excluding treasury shares held by the Group in connection with the liquidity agreement.*

Note 13
Cumulative translation adjustment

Translation adjustments recognised in "Other comprehensive income" can be analysed as follows:

(€ millions)	US dollar	Pound sterling	Chilean peso	Other currencies[1]	Total
At 1 January 2017	**10.0**	**(50.3)**	**(13.7)**	**1.9**	**(52.1)**
Movements during the year	(4.2)	(4.0)	(3.8)	(3.5)	(15.5)
At 31 December 2017	**5.8**	**(54.3)**	**(17.5)**	**(1.6)**	**(67.6)**
Movements during the year	1.0	(0.4)	(4.0)	(1.5)	(4.9)
At 31 December 2018	**6.8**	**(54.7)**	**(21.5)**	**(3.1)**	**(72.5)**

(1) *In 2018, movements relate mainly to the Swiss franc.*

Note 14
Provisions

Analysis by type of provision

	Current portion		Non-current portion	
(€ millions)	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Restructuring costs	3.1	1.4	0.6	0.5
Claims and litigation[1]	2.5	0.1	2.2	4.9
Pensions and other post-employment benefits[2]	1.1	1.4	34.7	43.3
Other provisions[3]	4.7	3.0	5.2	6.5
CLOSING BALANCE	**11.4**	**5.9**	**42.7**	**55.2**

(1) *This item includes a provision set aside for the Chilean tax dispute described below.*
(2) *Provisions for pensions and other post-employment benefits are analysed in detail in Note 15.*
(3) *This caption includes accrued rent due on miscellaneous premises and warehouses, partially or completely vacant.*

Expected maturity of non-current provisions

	31/12/2018		31/12/2017	
(€ millions)	1 to 5 years	More than 5 years	1 to 5 years	More than 5 years
Restructuring costs	0.6	-	0.5	-
Litigation and environmental contingencies	0.9	1.3	3.5	1.4
Pensions and other post-employment benefits	3.5	31.2	5.0	38.3
Other provisions	4.8	0.4	5.7	0.8
CLOSING BALANCE	9.8	32.9	14.7	40.5

Movements in provisions in 2018

(€ millions)	Opening balance	Additions	Reversals (utilised provisions)	Reversals (surplus provisions)	Changes in scope of consolidation	Other[1]	Closing balance
Restructuring costs	1.9	6.5	(4.9)	-	0.2	-	3.7
Litigation and environmental contingencies	5.0	-	-	-	-	(0.3)	4.7
Pensions and other post-employment benefits[1]	44.7	8.5	(9.1)	-	(1.2)	(7.1)	35.8
Other provisions	9.5	2.6	(2.1)	-	-	(0.1)	9.9
TOTAL	61.1	17.6	(16.1)	-	(1.0)	(7.5)	54.1
Impact on income statement captions:							
Personnel expenses	-	4.3	-	-	-	-	-
Other selling, general and administrative expenses	-	0.5	-	-	-	-	-
Other operating expenses	-	12.8	-	-	-	-	-

(1) Provisions for pensions and other post-employment benefits are analysed in detail in Note 15.

Movements in provisions in 2017

(€ millions)	Opening balance	Additions	Reversals (utilised provisions)	Reversals (surplus provisions)	Changes in scope of consolidation	Other [1]	Closing balance
Restructuring costs	4.2	5.2	(7.4)	-	-	(0.1)	1.9
Litigation and environmental contingencies	5.1	-	(0.3)	-	-	0.2	5.0
Pensions and other post-employment benefits[1]	59.7	4.8	(9.0)	(2.3)	(0.7)	(7.8)	44.7
Other provisions	12.8	1.3	(4.5)	-	-	(0.1)	9.5
TOTAL	81.8	11.3	(21.2)	(2.3)	(0.7)	(7.8)	61.1
Impact on income statement captions							
Personnel expenses	-	4.8	-	(2.3)	-	-	-
Other selling, general and administrative expenses	-	0.5	-	-	-	-	-
Other operating expenses	-	6.0	-	-	-	-	-

(1) Provisions for pensions and other post-employment benefits are analysed in detail in Note 15.

Claims and litigation

Tax dispute in Chile

The merger of three different companies into GMS Productos Graficos Ltda (now known as Antalis Chile Ltda) in June 2006 generated goodwill of €11 million. This goodwill was amortised between 2007 and 2012, which resulted in tax savings of approximately €2 million.

The Chilean tax authorities consider that this amount is unsubstantiated and have refused to allow it to be deducted for tax purposes. A court decision handed down on 10 May 2016 upheld the tax authorities' position: in addition to the amount of principal being reassessed, interest, late payment penalties and inflation could add more than €3 million to the penalty. Although Antalis Chile Ltda had appealed this decision, a provision of approximately €2.5 million was set aside, corresponding to the risk estimated by the Company's legal advisers based on local practices.

Following an agreement reached with the local tax authorities in the first quarter of 2019, Antalis withdrew its appeal in exchange for payment of most of the interest due. Consequently, the

amount that the Group plans to pay in April 2019 should be close to the original provision set aside, thus bringing this dispute to an end.

Other provisions

"Other provisions" includes the following at 31 December 2018:

- a provision of €4 million for accrued rent due on miscellaneous premises and warehouses, partially or completely vacant (2017: €4 million). These liabilities are reduced based on the assumption that future income will be generated by subletting these premises, when this is probable. These judgements are subject to uncertainty, particularly as regards changes in rental market conditions.
- estimated future site remediation costs in the UK for approximately €5 million (compared with €4 million in 2017).

The balance corresponds to different non-material amounts.

Note 15
Employee benefits

Obligations under defined benefit plans

The Group's defined pension benefit obligations cover the payment of pensions, supplementary pensions and lump-sum payments on retirement.

The Group's main pension benefit obligations concern the United Kingdom, France and Switzerland. These countries represent 92% of the Group's total employee benefit obligations.

In the United Kingdom, the Group's defined benefit obligations arise under four pension plans:

- the Arjo UK Group Pension Scheme, which covers former employees of the UK subsidiaries of Antalis and Arjowiggins;
- the Antalis Pension Scheme (APS), which covers current employees of these subsidiaries;
- the James McNaughton and Modo Merchants pension plans, which cover former employees of James McNaughton Group, acquired by Antalis in 2007 and merged into the Group.

These four plans are now closed to new entrants and no new rights vest for the beneficiaries. Current Group employees are covered by defined contribution plans.

In France, the main defined benefit plan is the retirement indemnities plan ("IFC").

Employees of the Group's Swiss subsidiary are covered by a savings plan with a guaranteed return, topped up by the employer ("Pensionskasse"), where the rights are converted into annuities upon the retirement of employees.

The defined benefit plans of the Group's UK subsidiaries are managed by trustees with whom the Group is in regular contact, particularly if plan assets are inadequate to cover the projected benefit obligations as determined using specific methods. Companies participating in these plans may be called on to make additional payments to make up any funding shortfall identified.

The trustees may also require participating companies to provide guarantees when they consider this appropriate and the Group has therefore provided joint and several guarantees (see Note 29).

Significant events in 2018

- In the UK, a legal decision handed down in October 2018 concerning gender equality (GMP equalisation) requires employers to equalise pension benefits between men and women and make up the rights dating back to the 1990s, that did not accrue for certain employees. These new guidelines increase the benefit obligation for the James McNaughton, Modo Merchants and Arjo UK pension plans by a total amount of €4.2 million, recognised in past service cost under IAS 19; the matching expense was recognised in the consolidated income statement under other operating expenses.
- As mentioned in Note 1 and explained in detail in Note 3, at the end of 2018, Antalis acquired the former Arjowiggins subsidiary that is carrying most of the benefit obligation for the Antalis Pension Scheme in the UK. At 31 December 2018, this entity's share in the plan's accounting surplus represents a net asset of €20 million.
- In 2018, a clarification concerning the drafting of the James McNaughton pension fund's TD&R (see Note 1) provided conclusive evidence of the employer's unconditional entitlement to benefit from this surplus at some point in the future. As a result of this change in actuarial assumption, the Group ceased applying IFRIC 14 in respect of the ceiling on the amount of plan assets recognised at 31 December 2018. The gain resulting from the recognition of the net surplus in Other comprehensive income amounted to €33 million (after-tax amount of €27 million).

Change in the projected benefit obligation

(€ millions)	2018	2017
Projected benefit obligation at start of year	**412.6**	**441.6**
Service cost	3.1	3.4
Interest cost	7.8	8.4
Employee contributions	1.3	1.4
Curtailments/changes to plan[1]	4.2	(2.3)
Settlements	(0.4)	(0.1)
Changes in scope of consolidation and transfers[2]	77.8	(4.7)
Actuarial gains (losses) generated by changes in demographic assumptions	(1.2)	(3.1)
Actuarial gains (losses) generated by changes in financial assumptions	(24.0)	3.2
Actuarial gains (losses) based on historical experience	(2.8)	10.9
Benefits paid	(18.6)	(27.0)
Translation adjustments	0.9	(19.1)
Projected benefit obligation at end of year	**460.7**	**412.6**
Breakdown by geographical area		
United Kingdom	316.7	262.0
Other European Union countries	144.0	150.6

(1) In 2018 these related to the increase in the benefit obligation following the legal decision handed down in the UK.
(2) In 2018, most of this item concerns the share in the benefit obligation of APS borne by Antalis Services Ltd, acquired from Arjowiggins (see above). It also comprises the impact of derecognising the Group's healthcare plan commitments for the Southern African subsidiaries, which were sold off during the year.

Change in plan assets

(€ millions)	2018	2017
Fair value of plan assets at start of year	**417.5**	**438.8**
Return on plan assets	8.2	8.7
Employer contributions	9.0	9.0
Employee contributions	1.3	1.4
Changes in scope of consolidation and transfers[1]	99.9	(5.5)
Benefits paid	(18.6)	(27.0)
Administrative expenses and taxes	(0.8)	(0.7)
Actuarial gains (losses)	(27.5)	12.0
Translation adjustments	0.4	(19.2)
Fair value of plan assets at end of year	**489.3**	**417.5**
Actual return on plan assets	-4.17%	4.94%
Composition of plan assets (by type of investment)		
Equities	29.13%	43.17%
Bonds	42.73%	36.94%
Insurance policies	12.29%	3.50%
Other types of investment	15.85%	16.39%

(1) In 2018 these related to the share in APS plan assets attributable to Antalis services Ltd (see above).

Net amount recognised

(€ millions)	2018	2017
Financial surplus/(deficit)[1]	28.6	4.8
Unrecognised past service cost	n/a	n/a
Ceiling on amount of plan assets	(7.1)	(40.1)
Net amount recognised	**21.6**	**(35.3)**
Breakdown by geographical area		
United Kingdom	41.4	(13.1)
Other European Union countries	(14.9)	(15.1)
Other countries	(4.9)	(7.1)

(1) Financial surplus/(deficit) is defined as the difference between the fair value of plan assets and the projected benefit obligation.

Reconciliation of the net amount recognised with the consolidated statement of financial position

(€ millions)	2018	2017
Provisions for pension and other employee benefit obligations (see Note 14)	(35.8)	(44.7)
Defined benefit pension plans with a net surplus (see Note 9)	57.0	9.1
Amounts for subsidiaries not subject to Revised IAS 19	0.4	0.3
NET AMOUNT RECOGNISED	**21.6**	**(35.3)**

Analysis of amounts recognised in the statement of comprehensive income

(€ millions)	2018	2017
Actuarial (gains) and losses arising during the year[1]	(0.6)	(0.9)
Increase/(decrease) from impact of ceiling on the amount of plan assets[2]	(33.3)	1.3
Net (gains)/losses recognised in Other comprehensive income	**(33.8)**	**0.4**

(1) In 2018, this amount comprises net actuarial losses of €27 million and €28 million in actuarial gains on plan assets. In 2017, these amounts were €11 million and €12 million, respectively.

(2) In 2018, most of this item was attributable to the recognition of the net surplus on the James McNaughton Pension Scheme (see above) representing an actuarial gain of €33.3 million.

Analysis of amounts recognised in the income statement

(€ millions)	2018	2017
Service cost	3.1	3.4
Interest cost	7.8	8.4
Return on plan assets	(8.2)	(8.7)
Interest on capped plan assets	0.1	1.0
Impact of curtailments/changes to plan[1]	4.2	(2.3)
Impact of settlements	(0.4)	(0.1)
Actuarial (gains) and losses on other long-term benefits	0.0	(0.0)
Administrative expenses and taxes	0.8	0.7
TOTAL NET (BENEFIT)/EXPENSE	**7.5**	**2.4**

(1) In 2018 these related to the increase in the benefit obligation following the legal decision handed down in the UK.

Average assumptions used

(€ millions)	2018	2017
To determine the benefit obligation at 31 December		
Discount rate including inflation	2.37%	1.94%
Expected rate of increase in salaries	2.53%	2.40%
Expected rate of return on plan assets	n/a	n/a
Rate of increase in pension benefits	2.06%	1.96%
Rate of inflation for medical costs	n/a	8.00%
To determine the expense for the year		
Discount rate including inflation	1.94%	2.01%
Expected rate of increase in salaries	2.40%	2.45%
Expected rate of return on plan assets	n/a	n/a
Rate of increase in pension benefits	1.96%	1.90%
Rate of inflation for medical costs	8.00%	8.75%

Breakdown of average assumptions used by geographical area

2018	United Kingdom	Other EU countries	Other countries
Discount rate including inflation	2.93%	1.50%	0.95%
Expected rate of increase in salaries	3.20%	2.03%	1.05%
Rate of increase in pension benefits	2.81%	1.75%	n/a
Rate of inflation for medical costs	n/a	n/a	n/a

2017	United Kingdom	Other EU countries	Other countries
Discount rate including inflation	2.53%	1.30%	0.76%
Expected rate of increase in salaries	3.20%	2.03%	1.05%
Rate of increase in pension benefits	2.72%	1.75%	n/a
Rate of inflation for medical costs	n/a	n/a	8.00%

Sensitivity of assumptions

On all employee benefit obligations

(€ millions)	Benchmark discount rate -0.50%	Benchmark discount rate	Benchmark discount rate +0.50%
Benefit obligation at 31 December 2018	504.9	460.7	420.6
Service cost for 2019	3.3	3.1	2.9

On UK employee benefit obligations

(€ millions)	Benchmark inflation rate -0.50%	Benchmark inflation rate	Benchmark inflation rate +0.50%
Benefit obligation at 31 December 2018	293.7	316.7	342.2
Service cost for 2019	-	-	-

Estimated contributions for 2019

The amount of contributions payable by the Antalis Group in respect of pension benefit obligations for 2019 is estimated at €8.9 million, of which €6.7 million relates to the UK.

Impact of the application of IFRIC 14 on limiting recognition of plan assets

As indicated previously, at 31 December 2018, the Group ceased limiting recognition of the surplus on the James McNaughton Pension Scheme.

However, the Modo Merchants plan in the UK and two of the Group's Irish pension plans remain within the scope of IFRIC 14:

- the provision for the Modo plan was raised by €2.6 million to reflect the present value of the plan's projected funding requirements.

- because of changes in 2012 and 2013 to the pension plans guaranteed by Antalis in Ireland, the cumulative surplus on these plans, which totalled €4.5 million at 31 December 2018, has not been recognised in the balance sheet.

Note 16
Debt

16a - Breakdown of debt by maturity

(€ millions)	Less than 1 year	1 to 5 years	Total
Short-term bank borrowings and overdrafts	0.5	-	0.5
Other bank borrowings[1]	14.6	257.9	272.5
Finance lease obligations	0.5	-	0.5
Factoring liabilities[2]	138.9	-	138.9
Other financial liabilities	0.4	-	0.4
DEBT At 31 December 2018	**154.9**	**257.9**	**412.8**
Short-term bank borrowings and overdrafts	3.1	-	3.1
Other bank borrowings	190.4	-	190.4
Finance lease obligations	0.5	0.6	1.1
Factoring liabilities[2]	164.4	-	164.4
Other financial liabilities	4.8	0.4	5.2
DEBT AT 31 DECEMBER 2017	**363.2**	**1.0**	**364.2**

(1) *The maturity shown for borrowings under the syndicated credit facility reflects the extended maturity through to end-2021 negotiated by the Group in 2018 (see Note 1).*

(2) *Most factoring programmes have maturities aligned with that of the syndicated credit facility. In spite of this long-term commitment of the lending organisations, the debt carried in respect of assignments of receivables is presented as a current liability in accordance with the accounting rules applicable to this kind of financing.*

16b - Breakdown of debt by interest rate

(€ millions)	Below 3%	Between 3% and 4%	Between 4% and 5%	More than 5%	Total
Short-term bank borrowings and overdrafts	-	0.5	-	-	0.5
Other bank borrowings	9.7	-	-	262.8	272.5
Finance lease obligations	-	-	0.3	0.2	0.5
Factoring liabilities	118.3	10.0	-	10.6	138.9
Other financial liabilities	0.4	-	-	-	0.4
DEBT At 31 December 2018	**128.4**	**10.5**	**0.3**	**273.6**	**412.8**
Short-term bank borrowings and overdrafts	3.1	-	-	-	3.1
Other bank borrowings	0.2	-	190.2	-	190.4
Finance lease obligations	-	0.1	0.7	0.3	1.1
Factoring liabilities	157.9	6.5	-	-	164.4
Other financial liabilities	5.2	-	-	-	5.2
DEBT AT 31 DECEMBER 2017	**166.4**	**6.6**	**190.9**	**0.3**	**364.2**

In 2018, the full cost of bank debt and factoring liabilities represented a weighted implicit rate of around 7.25% of the average amounts drawn (including the amortisation of capitalised borrowing costs).

16c - Analysis of debt by main currencies

(€ millions)	EUR	GBP	USD	Other	Total
Short-term bank borrowings and overdrafts	-	-	-	0.5	0.5
Other bank borrowings	267.9	-	0.3	4.3	272.5
Finance lease obligations	0.3	-	-	0.2	0.5
Factoring liabilities	46.8	46.9	-	45.2	138.9
Other financial liabilities	-	-	0.4	-	0.4
DEBT At 31 December 2018	315.0	46.9	0.7	50.2	412.8
Short-term bank borrowings and overdrafts	0.1	-	-	3.0	3.1
Other bank borrowings	190.1	-	0.1	0.2	190.4
Finance lease obligations	0.7	-	-	0.4	1.1
Factoring liabilities	81.8	51.2	-	31.4	164.4
Other financial liabilities	4.7	-	0.5	-	5.2
DEBT AT 31 DECEMBER 2017	277.4	51.2	0.6	35.0	364.2

Contractual terms of use applicable to credit and liquidity lines

As indicated in Note 1, during H1 2018, Antalis signed the legal documentation to complete the refinancing of its €285 million syndicated credit facility and its main factoring programme for an amount of €215 million, respectively, on 31 May and 27 June 2018. The maturity of both of these agreements has been extended to 31 December 2021. The agreement secured with the lenders of the syndicated credit facility also revised several terms and conditions applicable to the financing, including provisions for:

- strengthening of pre-existing collateral; in particular, Antalis expanded the list of entities whose assets are pledged to the lenders as well as making it easier to call upon the guarantees;
- revised conditions for interest payable on amounts drawn down, with a portion of interest now able to be gradually capitalised;
- an immediate €25 million reduction in the authorised amount under the credit facility, applying to both the tranches repayable at maturity and the revolving tranche;
- contractual repayments of €10 million per year in proportion to each tranche of debt from 2019;
- maintenance of two main covenants based on ratios revised as from the 30 June 2018 test date (see below).

Test date	Leverage ratio[1]	Interest coverage ratio[2]
30 June 2018	≤ 4.50	≥ 2.95
30 September 2018	≤ 5.30	≥ 2.75
31 December 2018	≤ 4.30	≥ 2.55
31 March 2019	≤ 5.25	≥ 2.25
30 June 2019	≤ 4.95	≥ 2.25
30 September 2019	≤ 5.70	≥ 2.20
31 December 2019	≤ 4.40	≥ 2.35
31 March 2020	≤ 4.85	≥ 2.40
30 June 2020	≤ 4.50	≥ 2.45
30 September 2020	≤ 5.05	≥ 2.50
31 December 2020	≤ 4.10	≥ 2.55
31 March 2021	≤ 4.65	≥ 2.60
30 June 2021	≤ 4.25	≥ 2.70
30 September 2021	≤ 4.80	≥ 2.80

(1) Consolidated net debt/EBITDA.
(2) Consolidated current operating income/net interest expense.

Based on tests carried out in 2018, the Group complied with all of the covenants applicable to the different financing agreements.

From an accounting perspective, the terms and conditions for refinancing the syndicated credit facility represented the extinction of a debt together with the inception of a new debt instrument. Consequently, unamortised capitalised costs under the previous financing agreement were recycled to profit and loss in other operating income for an amount of €1 million in June 2018.

Note 17
Financial instruments

17a - Breakdown of statement of financial position captions by IFRS 9 financial instrument category

		31.12.2018		Valuation by category of instrument					
(€ millions)	*Notes*	Carrying amount	Fair value	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables carried at amortised cost	Held-to-maturity investments	Financial liabilities carried at amortised cost	Derivative instruments
Non-current financial assets	*7*	5.9	5.9	1.5	-	1.6	2.8	-	-
Other non-current assets	*9*	59.6	59.6	-	-	59.6	-	-	-
Trade receivables	*9*	369.5	369.5	-	-	369.5	-	-	-
Other receivables	*9*	71.0	71.0	-	-	71.0	-	-	-
Current financial assets	*7*	3.0	3.0	-	-	2.5	0.5	-	-
Cash and cash equivalents	*10*	125.0	125.0	125.0	-	-	-	-	-
Long-term debt	*16*	257.9	257.9	-	-	-	-	257.9	-
Short-term debt	*16*	154.9	154.9	-	-	-	-	154.9	-
Trade payables	*19*	336.6	336.6	-	-	-	-	336.6	-
Other payables	*19*	118.6	118.6	-	-	-	-	118.6	-

		31/12/2017		Valuation by category of instrument					
(€ millions)	*Notes*	Carrying amount	Fair value	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables carried at amortised cost	Held-to-maturity investments	Financial liabilities carried at amortised cost	Derivative instruments
Non-current financial assets	*7*	4.4	4.4	0.6	-	1.2	2.6	-	-
Other non-current assets	*9*	13.1	13.1	-	-	13.1	-	-	-
Trade receivables	*9*	400.5	400.5	-	-	400.5	-	-	-
Other receivables	*9*	75.1	75.1	-	-	75.1	-	-	-
Current financial assets	*7*	3.6	3.6	-	-	2.0	1.6	-	-
Cash and cash equivalents	*10*	116.6	116.6	116.6	-	-	-	-	-
Long-term debt	*16*	1.0	1.0	-	-	-	-	1.0	-
Short-term debt	*16*	363.2	363.2	-	-	-	-	363.2	-
Trade payables	*19*	386.0	386.0	-	-	-	-	386.0	-
Other payables	*19*	121.7	121.7	-	-	-	-	121.7	-

Methods and assumptions used to measure financial instruments

The best indicator of the fair value of a contract is the price that would be agreed upon by a buyer and a seller acting under arm's length conditions. This is generally the transaction price at the trade date. The contract is subsequently measured using observable market data that provide the most reliable indicator of fair value.

The fair value of derivative instruments is determined as follows:

- options are measured using option pricing models such as the Black & Scholes method that use quoted prices from an active market and/or prices supplied by outside financial institutions;
- forward currency contracts are measured by discounting the differential future cash flows to present value;
- swaps and forward contracts traded over the counter: future cash flows are discounted to present value;
- options are measured using mathematical option pricing models.

The fair value of debt is measured using the amortised cost method.

Trade receivables and payables are measured at their carrying amount. Discounting "Trade payables" and "Trade receivables" balances to present value does not materially impact their fair value due to the very short payment and settlement terms applied.

The information used for the financial instruments recorded in fair value in assets/liabilities is provided by external counterparties.

17b - Treasury management - Financial instruments

Analysis of debt

Consolidated debt represented a gross amount of €412.8 million at 31 December 2018 (€364.2 million at 31 December 2017). Net debt was €287.8 million at end-2018 (€247.6 million at end-2017) and is carried in the following statement of financial position captions:

(€ millions)	2018	2017
Debt	412.8	364.2
Cash and cash equivalents	(125.0)	(116.6)
NET DEBT	287.8	247.6

Analyses by maturity and by currency are provided in Note 16.

Note 17c - Risk management - interest rate risk, foreign exchange risk, equity price risk, commodity price risk, credit risk and liquidity risk

Fair value of financial instruments

In order to hedge against fluctuations in interest rates, exchange rates and commodity prices, the Group uses derivatives. Some of these qualify for hedge accounting as cash flow hedges. The Group had only contracted currency hedges for non-material amounts as of 31 December 2018.

Risk management

Interest rate risk

The Group manages the finances of each subsidiary, along with the related interest rate risk, on a centralised basis tailored to each individual entity.

The Group is exposed to interest rate risk on its debt as its primary sources of financing are at floating rates of one, two or three months in the currency concerned (Euribor for the euro and Libor for the US dollar and pound sterling). Where appropriate, derivatives are used to manage this exposure (mainly swaps and collars),

However there were no such hedges in force at 31 December 2018 or 31 December 2017.

Gross debt can be broken down between fixed and floating rate debt as follows:

(€ millions)	2018	2017
Floating rate debt	405.9	354.5
Fixed rate debt	6.9	9.7
DEBT	412.8	364.2

Interest rate sensitivity analysis

At end-2018 and end-2017, a 0.5% increase in interest rates at the end of the reporting period would have decreased equity and profit or loss (pre-tax impact) by around €2 million. A corresponding decrease would not have had any material impact.

The sensitivity analysis included all floating rate flows from non-derivative and derivative instruments and it was assumed that the amounts of debt and financial instruments are constant over the year. For the purposes of the analysis, all other variables, particularly exchange rates, are also deemed to remain constant.

Foreign exchange risk

Antalis' exposure to foreign exchange risk concerns subsidiaries outside of the eurozone whose trade receivables and payables may not be denominated in their domestic currencies, especially subsidiaries in Asia, South America and certain Central European countries. Sometimes this exposure is also hedged locally by selling forward or by options for which Antalis does not use hedge accounting. Consequently, all changes in fair value are recognised in profit or loss.

Currency hedges contracted by Arjowiggins at 31 December 2018 were non-material for the Group as a whole.

Foreign currency sensitivity analysis

Foreign currency sensitivity analyses at 31 December 2018 focused on fluctuations in EUR/GBP, as this is the currency combination to which the Group has the most currency risk exposure. The Group's exposure to fluctuations in other currency combinations was deemed too dispersed to be broken down.

For the purposes of the analysis, all other variables, particularly interest rates, are deemed to remain constant.

Exposure to fluctuations in the EUR/GBP exchange rate at 31 December 2018

(€ millions)				10% increase in GBP against the euro			10% decrease in GBP against the euro		
Type of asset/liability	Nominal amount	Currency of financial instruments	Functional currency of entity concerned	Impact on fair value	Impact on profit or loss	Impact on equity	Impact on fair value	Impact on profit or loss	Impact on equity
Financial receivables	70.4	GBP	EUR	7.0	7.0	-	(7.0)	(7.0)	-
Trade receivables	(1.3)	GBP	EUR	(0.1)	(0.1)	-	0.1	0.1	-
Debt	68.5	GBP	EUR	(6.9)	(6.9)	-	6.9	6.9	-
Trade payables	-	GBP	EUR	-	-	-	-	-	-
Derivatives	-	GBP	EUR	-	-	-	-	-	-
TOTAL				-	-	-	-	-	-

Exposure to fluctuations in the EUR/GBP exchange rate at 31 December 2017

(€ millions)				10% increase in GBP against the euro			10% decrease in GBP against the euro		
Type of asset/liability	Nominal amount	Currency of financial instruments	Functional currency of entity	Impact on fair value	Impact on profit or loss	Impact on equity	Impact on fair value	Impact on profit or loss	Impact on equity
Financial receivables	66.9	GBP	EUR	6.7	6.7	-	(6.7)	(6.7)	-
Trade receivables	-	GBP	EUR	-	-	-	-	-	-
Debt	89.5	GBP	EUR	(9.0)	(9.0)	-	9.0	9.0	-
Trade payables	-	GBP	EUR	-	-	-	-	-	-
Derivatives	-	GBP	EUR	-	-	-	-	-	-
TOTAL				(2.3)	(2.3)	-	2.3	2.3	-

Equity price risk

The Group has extremely limited exposure to equity risk.

Credit risk

Credit risk represents the risk that a customer or creditor will breach a contractual obligation and cause the Group to incur a financial loss. This risk primarily arises in relation to marketable securities and trade receivables.

Counterparty risks on investments and derivatives

The Group's financial investments are either used solely to invest excess cash drawn down under bank credit facilities or to put up collateral for its subsidiaries. These investments primarily correspond to demand or term deposits for currencies bearing interest (USD, GBP), money market investments with the Group's banking partners for non-interest bearing currencies (especially the euro) and very limited investments in units in money market funds. The financial institutions that manage the investments have a long-term rating of at least A+ issued by Standard & Poor's or a government guarantee, and the Group uses the same counterparties for its derivative instruments.

However it did not hold any such instruments at 31 December 2018.

The Group's policy is only to grant financial guarantees to wholly-owned subsidiaries.

Customer credit risk

Customer credit risk is assessed at the level of each subsidiary based on the size of each sub-group's portfolio of trade receivables. The data in the following table is presented before the elimination of inter-company transactions and there is no material impairment of receivables or customer risk within the Group.

The Group's policy is to classify receivables as past due when payment is still outstanding 30 days after the invoice settlement date. However, the amount of the write-down taken on trade receivables is assessed using statistical methods based on the expected credit loss model introduced following the adoption of IFRS 9.

At 31 December 2018, the Group's trade receivables represented a net value of €369.5 million (end-2017: €400.5 million). This corresponds to a gross amount of €384.8 million and a €15.3 million provision for impairment in value (in 2017, these amounts were €418.3 million and €17.8 million, respectively), representing a provision rate of 4.0% of the consolidated gross trade receivables portfolio (4.3% in 2017).

			Past due				
(€ millions)	Balance at 31/12/2018	Not yet due	0-30 days	31-60 days	61-90 days	> 90 days	Disputed receivables
Trade receivables	384.8	332.6	30.0	5.1	1.9	3.0	12.2
Provisions for impairment of trade receivables	(15.3)	-	-	-	(0.4)	(2.7)	(12.2)
Trade receivables, net	369.5	332.6	30.0	5.1	1.5	0.3	-
Net receivables as a % of gross receivables	96.0%	100.0%	100.0%	100.0%	78.9%	10.0%	0.0%
Net receivables as a % of total receivables portfolio		90.0%	8.1%	1.4%	0.4%	0.1%	0.0%

At 31 December 2018, 10.0% of total outstanding net receivables were past due and not covered by a provision for impairment, compared with 11.4% at end-2017.

Liquidity risk

In order to meet its commitments and maintain its liquidity, the Group has its own independent resources. Most of these sources of funding are described by type of agreement in Notes 16 and 17b. At 31 December 2018, the Group also had cash instruments totalling €125 million (see Note 10). These instruments are generally centralised under the cash pooling agreements between Antalis and most of its subsidiaries. The portion of these instruments attributable to subsidiaries operating in countries where local regulations restrict the capacity of their parent company to benefit from these instruments is non-material. As indicated in Note 10, they mainly comprise debit bank balances or highly-liquid, risk-free instruments.

At 31 December 2018, the Group's confirmed but unused credit facilities corresponded to an additional cash generation potential of €20 million (see Note 29 concerning the syndicated credit facility).

Given the various sources of funding available to Antalis and the current terms of use applicable to these sources, the Group considers that it is able to maintain its liquidity.

Maturities of cash flows relating to financial liabilities

The following table analyses the maturities of the future cash outflows for financial liabilities from the last drawdown dates, with principal and interest payments given separately.

At 31 December 2018, given the financing conditions described in Notes 16 and 17b, the maturities of future cash outflows break down as follows:

(€ millions)	Type of financial liability					
Annual cash flow	Bank borrowings	Short-term borrowings	Factoring liabilities	Finance lease obligations	Other	Total
Cash flows due within one year						
Interest for the period	(16.5)	-	(2.1)	-	-	(18.6)
Principal	(14.6)	(0.5)	(138.9)	(0.5)	(0.4)	(154.9)
Cash flows due between one and two years						
Interest for the period	(15.8)	-	-	-	-	(15.8)
Principal	(10.0)	-	-	-	-	(10.0)
Cash flows due between two and three years						
Interest for the period	(15.5)	-	-	-	-	(15.5)
Principal (including capitalised interest)	(265.2)	-	-	-	-	(265.2)
Total						
Accumulated interest	(47.8)	-	(2.1)	-	-	(49.9)
Principal (including capitalised interest)	(289.8)	(0.5)	(138.9)	(0.5)	(0.4)	(430.1)

At 31 December 2017, given the financing conditions as of that date, the maturities of future cash outflows broke down as follows:

(€ millions)	Type of financial liability					
Annual cash flow	Bank borrowings	Short-term borrowings	Factoring liabilities	Finance lease obligations	Other	Total
Cash flows due within one year						
Interest for the period	(10.5)	-	(3.7)	-	-	(14.2)
Principal	(190.4)	(3.1)	(164.4)	(0.5)	(4.8)	(363.2)
Cash flows due between one and two years						
Interest for the period	-	-	-	-	-	-
Principal	-	-	-	(0.4)	(0.4)	(0.8)
Cash flows due between two and three years						
Interest for the period	-	-	-	-	-	-
Principal	-	-	-	(0.2)	-	(0.2)
Total						
Accumulated interest	(10.5)	-	(3.7)	-	-	(14.2)
Principal	(190.4)	(3.1)	(164.4)	(1.1)	(5.2)	(364.2)

Note 18
Deferred taxes

18a - Breakdown by period of reversal

(€ millions)	Less than 1 year[1]	More than 1 year	Total
Position at 31 December 2018			
Deferred tax assets	1.8	4.8	6.6
Deferred tax liabilities	-	(0.8)	(0.8)
NET POSITION AT YEAR-END	**1.8**	**4.0**	**5.8**
Position at 31 December 2017			
Deferred tax assets	1.2	6.4	7.6
Deferred tax liabilities	-	(0.8)	(0.8)
NET POSITION AT YEAR-END	**1.2**	**5.6**	**6.8**

(1) Offsetting entries between deferred tax assets and liabilities are allocated first to deferred taxes that reverse in less than one year.

18b - Deferred tax assets – movements during the year

(€ millions)	Provision for employee benefits	Loss carryforwards	Other items and offsets[1]	Total
At 1 January 2017	6.9	9.2	(8.1)	8.0
(Expense) income for the year	(0.5)	(0.5)	3.0	2.0
Other comprehensive income (loss)	(1.5)	-	-	(1.5)
Changes in scope of consolidation	(0.2)	-	-	(0.2)
Translation adjustments	(0.2)	(0.1)	(0.1)	(0.4)
Other movements, net	0.3	(0.4)	(0.2)	(0.3)
AT 31 DECEMBER 2017	4.8	8.2	(5.4)	7.6
(Expense) income for the year	0.4	1.8	4.3	6.5
Other comprehensive income (loss)	(0.5)	-	-	(0.5)
Translation adjustments	-	-	(0.2)	(0.2)
Other movements, net	0.7	(5.0)	(2.5)	(6.8)
AT 31 DECEMBER 2018	5.4	5.0	(3.8)	6.6

(1) Offsets between deferred tax assets and liabilities are recorded at tax group level.

18c - Deferred tax liabilities – movements during the year

(€ millions)	Provision for employee benefits	Property, plant and equipment	Tax depreciation and provisions	Other items and offsets[1]	Total
At 1 January 2017	(1.0)	(0.3)	(1.2)	1.9	(0.6)
(Expense) income for the year	-	0.3	-	(0.9)	(0.6)
Other comprehensive income (loss)	-	-	-	(0.1)	(0.1)
Translation adjustments	0.1	-	-	0.1	0.2
Other movements, net	0.1	(0.3)	0.1	0.4	0.3
AT 31 DECEMBER 2017	(0.8)	(0.3)	(1.1)	1.4	(0.8)
(Expense) income for the year	0.7	0.2	-	-	0.9
Other comprehensive income (loss)	(4.3)	-	-	-	(4.3)
Changes in scope of consolidation	(3.4)	-	-	-	(3.4)
Other movements, net	(0.2)	(3.9)	0.1	10.8	6.8
AT 31 DECEMBER 2018	(8.0)	(4.0)	(1.0)	12.2	(0.8)

(1) Offsets between deferred tax assets and liabilities are recorded at tax group level.

18d - Current and deferred taxes on gains and losses recognised in other comprehensive income

(€ millions)	Actuarial gains and losses	Fair value of financial instruments	Total
At 31 December 2018	(4.8)	-	(4.8)
At 31 December 2017	(1.5)	-	(1.5)

18e - Analysis of current tax losses and tax credits for which no deferred tax assets have been recognised

Group tax loss carryforwards excluding specific regimes applicable to asset disposals may be broken down by country as follows:

	Expiry (in base tax amounts)					
(€ millions)	Less than 1 year	Between 1 and 4 years	More than 4 years	Unlimited	Total taxable base	Estimated potential savings
Current tax losses (by originating country)						
At 31 December 2018						
France	-	-	-	3.0	3.0	1.0
Germany	-	-	-	33.2	33.2	10.0
United Kingdom	-	-	-	17.4	17.4	6.3
The Netherlands	12.8	28.0	36.1	-	76.9	20.7
Czech Republic	2.0	1.6	0.9	-	4.5	1.0
Spain	-	-	-	21.1	21.1	4.8
Poland	2.8	10.9	3.4	-	17.1	3.5
Belgium	-	-	-	38.6	38.6	9.2
Denmark	-	-	-	16.4	16.4	3.1
Brazil	-	-	-	11.4	11.4	3.0
Other countries	2.8	6.0	5.6	26.8	41.2	8.9
TOTAL AT 31 DECEMBER 2018	20.4	46.5	46.0	167.9	280.8	71.5
At 31 December 2017						
France	-	-	-	0.6	0.6	0.2
Germany	-	-	-	33.4	33.4	10.0
United Kingdom	-	-	-	37.2	37.2	6.3
The Netherlands	11.2	30.3	41.4	-	82.9	20.7
Czech Republic	1.2	2.7	1.1	-	5.0	1.0
Spain	-	-	-	19.3	19.3	4.8
Poland	4.2	10.5	3.6	-	18.3	3.5
Belgium	-	-	-	36.1	36.1	9.2
Denmark	-	-	-	14.3	14.3	3.1
Brazil	-	-	-	8.8	8.8	3.0
Other countries	1.3	6.5	8.0	23.2	39.0	8.9
TOTAL AT 31 DECEMBER 2017	17.9	50.0	54.1	172.9	294.9	70.7

Note 19
Other liabilities

(€ millions)	31/12/2018	31/12/2017
TRADE PAYABLES	336.6	386.0
OTHER PAYABLES	118.6	121.7
Current tax payables	5.9	5.6
Indirect tax payables	34.6	34.0
Employee-related liabilities	36.4	39.2
Payables arising on acquisition of assets	1.9	2.5
Other payables[1]	39.8	40.4

(1) Especially amounts owed for trade discounts granted to Group customers as part of its distribution business.

Maturity of other liabilities

(€ millions)	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
At 31 December 2018				
Trade payables	336.6	336.6	-	-
Other payables	118.6	118.6	-	-
At 31 December 2017				
Trade payables	386.0	386.0	-	-
Other payables	121.7	121.7	-	-

Note 20
Personnel expenses

(€ millions)	2018	2017
Personnel expenses		
Wages and salaries	(200.3)	(208.2)
Employee and employer social security contributions	(49.3)	(52.5)
Costs of temporary staff	(8.1)	(8.2)
Other components of compensation	(7.2)	(7.1)
Net additions to provisions for pension benefit obligations	(1.1)	0.6
TOTAL	**(266.0)**	**(275.4)**

Total compensation paid by the Company in 2018 to corporate officers amounted to €1.2 million versus €0.6 million paid for the period between 7 June 2017 and 31 December 2017 (the Company was transformed into a public limited company (*société anonyme*) on 6 June 2017 and its shares were listed).

Note 21
Other selling, general and administrative expenses

(€ millions)	2018	2017
External expenses[1]	(219.2)	(220.5)
Depreciation and amortisation of property, plant and equipment and intangible assets	(20.1)	(19.1)
Net (additions to) reversals of provisions[2]	(0.9)	(0.1)
Other recurring income (expense) from operations	(1.4)	(1.5)
TOTAL	**(241.6)**	**(241.2)**

(1) As indicated in Note 2B18, this caption includes all of the Group's logistics, general, sales and marketing costs, as well as subcontracting costs. Invoicing under the transitional services agreement between Antalis and Sequana through October 2018 (see Note 28) is also presented here up to this date when most of these services were taken in-house.

(2) Excluding the net impact of provisions for pension benefit obligations included in personnel expenses (see Note 20 above) and excluding the net impact of provisions for inventories presented at the level of gross margin in accordance with the calculation method described in Note 2B18.

Note 22
Other operating income and expenses

(€ millions)	2018	2017
Other operating income		
Gains on disposal of property, plant and equipment and intangible assets[1]	5.5	6.0
Negative goodwill[2]	17.4	-
Other revenues[3]	4.4	0.5
Sub-total	27.3	6.5
Other operating expenses		
Impairment losses on goodwill[4]	(22.0)	(6.0)
Other net impairment losses and asset write-downs	(4.8)	(0.1)
Losses on disposal of subsidiaries[2]	(9.0)	-
Net restructuring expenses	(21.3)	(17.3)
Impact of refinancing and IPO costs[5]	(9.4)	(9.6)
Other expenses[6]	(5.2)	-
Sub-total	(71.7)	(33.0)
TOTAL	**(44.4)**	**(26.5)**

(1) Most of this item comprises the sale of a building in Peru in 2018 and two sale and leaseback operations in 2017 (UK and Latvia).
(2) See Notes 1 and 3 for a breakdown of the impact of changes in scope of consolidation on the consolidated income statement.
(3) In 2018, this comprised the reimbursement of a fine imposed in 2013 on a former Spanish subsidiary by the local authorities following an investigation into the envelope production market. Following a revised court decision handed down in early 2018, the Group was informed that the sanction had been decreased to a negligible amount and it was reimbursed for most of the fine paid previously.
(4) See Note 4 for a breakdown of impairment losses recognised.
(5) Consulting fees, commissions and expenses incurred in connection with the operations described in Note 1. In 2018, this amount included the reversal of unamortised costs under the previous financing agreement for approximately €1 million given the extinction of this debt from an accounting perspective (see Note 16).
(6) Most of this item concerns the expense recorded following the legal decision handed down in the UK concerning pension benefit obligations (see note 15).

Note 23
Net financial income (loss)

(€ millions)	2018	2017
Net interest expense paid	(19.4)	(14.9)
Net deferred interest expense[1]	(5.3)	-
Other income and expenses included in cost of debt[2]	(7.4)	(7.2)
Net foreign exchange gains (losses)	(3.5)	(0.4)
Cost of net debt	**(35.6)**	**(22.5)**
Other financial income and expenses, net	**(3.0)**	**(2.9)**
NET FINANCIAL LOSS	**(38.6)**	**(25.4)**

(1) See Note 16: the refinancing agreements that came into effect on 31 May 2018 contained changes in the interest rates for the syndicated credit facility; they included a provision whereby the revised interest rate was backdated to 1 April 2018.
(2) This caption includes fees incurred to arrange financing agreements, which are capitalised and then gradually included in the amortised cost of the related liability, representing an expense of €1.9 million for 2018 (2017: €2.3 million). It also includes borrowing and factoring fees.

Note 24
Foreign exchange gains and losses

Foreign exchange gains and losses recognised in the income statement can be analysed as follows:

(€ millions)	2018	2017
Sales and other operating income (loss)	0.2	(0.5)
Purchases and other operating expenses	(1.5)	1.6
Cost of net debt	(3.5)	(0.4)
FOREIGN EXCHANGE GAINS (LOSSES)	(4.8)	0.7

The exchange rates of the main currencies used by the Group are as follows:

(€ millions)	2018	2017
Closing rate		
Pound sterling	0.89	0.89
Chilean peso	794.37	737.29
Swiss franc	1.13	1.17
US dollar	1.15	1.20
Average rate		
Pound sterling	0.88	0.88
Chilean peso	753.69	732.33
Swiss franc	1.15	1.11
US dollar	1.18	1.13

Note 25
Income tax

The tax expense and tax proof break down as follows:

(€ millions)	2018	2017
Current taxes	(6.6)	(5.8)
Deferred taxes	7.4	1.4
INCOME TAX BENEFIT (EXPENSE)	0.8	(4.4)

(€ millions)	2018	2017
Operating income	8.2	39.3
Net financial loss	(38.6)	(25.4)
Pre-tax income (loss) from continuing operations	**(30.4)**	**13.9**
Standard tax rate in France	34.4%	34.4%
Effective tax rate for the Group	2.6%	31.7%
Theoretical tax expense (i)	10.5	(4.8)
Actual tax expense (ii)	0.8	(4.4)
DIFFERENCE (ii-i)	**(9.7)**	**0.4**
This difference can be analysed as follows:		
Difference between the standard rate in France and the rates applicable in other tax jurisdictions	(1.1)	3.1
Impact of non-taxation of asset disposals	(1.4)	0.6
Permanent differences related to impairment losses recognised on goodwill	(5.9)	(1.6)
Other permanent differences	1.6	(1.1)
Recognition/(non-recognition) of deferred tax assets	(5.1)	(4.9)
Tax saving on unrecognised prior-year tax losses	0.6	2.5
Other items	1.6	1.8
DIFFERENCE	**(9.7)**	**0.4**

Note 26
Analysis of cash flows

(€ millions)	2018	2017
Depreciation, amortisation and provisions		
Impairment losses on goodwill	22.0	6.0
Depreciation and amortisation of property, plant and equipment and intangible assets, net	20.6	19.2
Net additions to (reversals of) other provisions	1.4	(12.2)
NET ADDITIONS TO DEPRECIATION, AMORTISATION AND PROVISIONS	**44.0**	**13.0**
Disposal (gains) and losses		
Proceeds from disposals of property, plant and equipment and intangible assets	(5.5)	(6.0)
Disposal of subsidiaries	9.0	(0.5)
DISPOSAL (GAINS) AND LOSSES	**3.5**	**(6.5)**
Other non-cash income (expense)		
Negative goodwill[1]	(17.4)	-
Other items	(3.3)	-
OTHER NON-CASH INCOME (EXPENSE)	**(20.7)**	**-**
Change in operating working capital		
Inventories	12.4	(10.6)
Trade receivables	14.8	10.3
Trade payables	(23.1)	14.5
Other receivables	(5.0)	(1.6)
Other payables	(7.8)	(3.9)
CHANGE IN OPERATING WORKING CAPITAL	**(8.7)**	**8.7**
Net impact of changes in scope of consolidation[1]		
Net impact of acquisitions in 2016 (deferred payment)	(0.1)	(3.8)
Net impact of acquisitions in 2018	(4.2)	-
Net impact of disposals in 2018	(2.7)	-
Other items	-	0.7
NET IMPACT OF CHANGES IN SCOPE OF CONSOLIDATION	**(7.0)**	**(3.1)**

(1) See Note 3.

Note 27
Segment information

27a - Segment analysis of the 2018 income statement

(€ millions)	Main European Geographies	Rest of Europe	Rest of the World	Total
Sales	**1,179.4**	**929.6**	**202.0**	**2,311.0**
Gross margin	267.8	235.4	57.0	560.2
EBITDA	38.4	28.2	8.1	74.7
Current operating income	30.1	18.4	4.1	52.6
Operating income	15.9	3.3	(11.0)	8.2

Reconciliation of 2018 EBITDA

(€ millions)	Main European Geographies	Rest of Europe	Rest of the World	Total
Current operating income	**30.1**	**18.4**	**4.1**	**52.6**
Less depreciation and amortisation	7.9	9.1	3.2	20.2
Less additions to provisions, net of reversals	0.4	0.7	0.8	1.9
EBITDA	**38.4**	**28.2**	**8.1**	**74.7**

27b - Segment analysis of the 2017 income statement

(€ millions)	Main European Geographies	Rest of Europe	Rest of the World	Total
Sales	**1,203.0**	**944.6**	**229.8**	**2,377.4**
Gross margin	273.1	245.0	64.3	582.4
EBITDA	41.9	32.8	9.7	84.4
Current operating income	34.0	26.4	5.4	65.8
Operating income (loss)	25.4	14.9	(1.0)	39.3

Reconciliation of 2017 EBITDA

(€ millions)	Main European Geographies	Rest of Europe	Rest of the World	Total
Current operating income	**34.0**	**26.4**	**5.4**	**65.8**
Less depreciation and amortisation	7.5	8.5	3.1	19.1
Less additions to provisions, net of reversals	0.4	(2.1)	1.2	(0.5)
EBITDA	**41.9**	**32.8**	**9.7**	**84.4**

27c - Other segment disclosures at 31 December 2018

(€ millions)	Main European Geographies	Rest of Europe	Rest of the World	Holding companies and eliminations	Total
Assets and liabilities					
Non-current assets	124.7	74.0	25.3	49.6	273.6
Working capital requirements	49.6	81.2	43.1	8.6	182.5
Provisions	34.4	10.9	3.4	5.4	54.1
Cash flow					
Expenditure on acquisitions of property, plant and equipment and intangible assets	3.4	4.7	2.2	9.0	19.3
Depreciation and amortisation for the period, net of reversals	3.6	5.3	2.3	9.0	20.2
Additions to provisions for impairment losses	0.2	0.3	22.0	-	22.5
Other additions to (reversals of) provisions	1.2	-	-	0.1	1.3
DEPRECIATION, AMORTISATION AND PROVISIONS, NET	5.0	5.6	24.3	9.1	44.0

27d - Other segment disclosures at 31 December 2017

(€ millions)	Main European Geographies	Rest of Europe	Rest of the World	Holding companies and eliminations	Total
Assets and liabilities					
Non-current assets	105.5	75.2	48.8	20.7	250.2
Working capital requirements	46.3	87.6	41.5	8.2	183.6
Provisions	39.3	12.0	5.0	4.8	61.1
Cash flow					
Expenditure on acquisitions of property, plant and equipment and intangible assets	2.5	5.7	3.0	7.9	19.1
Depreciation and amortisation for the period, net of reversals	3.6	5.0	2.2	8.3	19.1
Additions to provisions for impairment losses	1.0	-	6.7	-	7.7
Reversals of provisions for impairment losses	-	(1.5)	-	-	(1.5)
Other additions to (reversals of) provisions	(6.1)	(3.9)	(0.4)	(1.7)	(12.1)
DEPRECIATION, AMORTISATION AND PROVISIONS, NET	(1.5)	(0.4)	8.5	6.6	13.2

Breakdown of sales by geographical area

(€ millions)	2018	2017
UK & Ireland	594.8	619.3
France	275.3	271.0
Germany & Austria	309.3	312.7
Rest of Europe	929.6	944.6
Rest of the World	202.0	229.8
TOTAL	2,311.0	2,377.4

Breakdown of sales by business sector

(€ millions)	2018	2017
Papers	1,580.7	1,654.5
Packaging	517.2	501.6
Visual Communication	213.1	221.3
TOTAL	2,311.0	2,377.4

Note 28
Related-party transactions

Related parties that control or exercise significant influence over the Antalis Group are Sequana, which is the Group's majority shareholder, and Bpifrance Participations, which is Sequana's majority shareholder and a minority shareholder of Antalis.

Other related parties are entities controlled by Sequana and mainly include the subsidiaries of the Arjowiggins group, one of Antalis' strategic Papers suppliers.

Non-consolidated investments and associates are not material for the Group. Transactions with related parties are generally carried out on an arm's length basis.

The table below shows the impact of related-party transactions on the main consolidated income and cash flow statement items:

(€ millions)	2018	2017
Sales	4.6	5.8
Purchases and other selling, general and administrative expenses[1]	(166.2)	(167.2)
Dividends paid (to Sequana)	(4.3)	(8.0)
Dividends paid (to Bpifrance Participations)	(0.5)	-

(1) This caption primarily includes the cost of paper purchased from Arjowiggins group subsidiaries. It also includes certain amounts rebilled by Sequana, particularly under the lease of the Group's head office premises and under a service agreement providing Antalis with specific legal and financial assistance through October 2018. The amounts rebilled under these agreements represent a total expense of around €5 million for 2018 on an annualised basis.

Note 29
Off-balance sheet commitments

(€ millions)	31/12/2018	31/12/2017
UNUSED CREDIT FACILITIES	25.5	127.1
COMMITMENTS GIVEN	264.6	338.2
Guarantees of UK pension benefit obligations[1]	130.6	176.7
Other guarantees, deposits and sureties given[2]	107.0	134.4
Commitments to purchase property, plant and equipment, intangible assets and other items	4.9	4.9
Forward purchases of goods for resale and commodities	22.1	22.2
COMMITMENTS RECEIVED	22.5	22.7
Forward sales of goods for resale and commodities	22.1	22.2
Other commitments received	0.4	0.5

(1) This item notably concerns a guarantee given by Antalis in relation to the pension benefit funding obligations for past and present employees of their UK subsidiaries that are members of the Antalis Pension Scheme (APS). The amount of the guarantee is capped at the lower of 113% of the fund's buyout deficit as estimated at 31 December each year, or GBP 85 million (€95 million at 31 December 2018). The ceiling for this guarantee was reduced from GBP 125 million to GBP 85 million (€96 million) in an amended agreement signed in March 2018. The buyout deficit represents the theoretical amount of the deficit value to be used in the event of the transfer of all of the funds' obligations to an insurance company. Based on the pension fund regulations, the contribution requirements for employer entities, the guarantees given to the trustees by the participating entities and the counter-guarantees given by Sequana, the overall amount of the guarantees currently given by the Group remains capped at GBP 85 million. This item also includes guarantees given by Antalis International and its UK subsidiaries concerning the pension benefit obligations for past and present employees under three other smaller pension schemes (Arjo UK Group Pension Scheme, James McNaughton Paper Group Limited Pension and Insurance Scheme and Modo Merchants Pension Scheme). At 31 December 2018, these guarantees amounted to €36 million.

(2) This item includes the guarantees given by or on behalf of Group subsidiaries within the scope of their commitments under various agreements they have entered into in the normal course of business. These correspond mainly to warehouse or office leases as well as procurement and service agreements related to such areas as logistics.

Maturities of off-balance sheet commitments at 31 December 2018

(€ millions)	Total	Less than 1 year	1 to 5 years	More than 5 years
Unused credit facilities	25.5	5.5	20.0	-
Commitments given	264.6	37.8	73.9	152.9
Commitments received	22.5	22.5	-	-

Maturities of off-balance sheet commitments at 31 December 2017

(€ millions)	Total	Less than 1 year	1 to 5 years	More than 5 years
Unused credit facilities	127.1	127.1	-	-
Commitments given	338.2	62.0	79.3	196.9
Commitments received	22.7	22.7	-	-

Operating leases: future minimum payments (principal)

(€ millions)	Total	Less than 1 year	1 to 5 years	More than 5 years
At 31 December 2018	124.6	36.7	72.8	15.1
At 31 December 2017	155.5	42.4	91.3	21.8

These operating leases mainly concern warehouses.

At 31 December 2018, future minimum payments under operating leases broke down as €66 million at fixed rates and €54 million at floating rates, compared with €91 million and €64 million, respectively, at end-2017.

Total lease payments recorded in the 2018 income statement amounted to €52 million (2017: €55 million), including €33 million for leased warehouses (2017: €35 million), €11 million for other property leasing arrangements (2017: €11 million), and €9 million for rental costs (2017: €9 million).

Collateral posted in respect of financing agreements

As explained in Note 16, under the terms and conditions for refinancing the syndicated credit facility, Antalis provided the lenders with extra collateral; in particular, the Company expanded the list of entities whose assets are pledged to the lenders, which now account for 75% of consolidated EBITDA. It has also become easier to call upon the guarantees.

Other operating contingent liabilities

To the best of the Company's knowledge, no Group company has omitted to report any material commitments.

Note 30
Headcount

Number of employees	2018	2017
Breakdown by geographical area		
France	566	570
United Kingdom and Ireland	1,044	1,207
Germany & Austria	452	477
Rest of Europe	2,075	2,111
Rest of the World	1,085	1,196
TOTAL	**5,222**	**5,561**

Note 31
Statutory Auditors' fees

The fees charged to the Group by the Company's Statutory Auditors over the past two financial years are summarised in the following table:

	PricewaterhouseCoopers Audit				Constantin Associés (Deloitte network)			
	Amount		%		Amount		%	
(€ millions, net of taxes)	2018	2017	2018	2017	2018	2017	2018	2017
Audit								
Statutory audit engagement, audit and certification of the individual company and consolidated financial statements	0.4	0.8	*100.0%*	*88.9%*	0.2	0.3	*100.0%*	*100.0%*
Non-audit services	-	0.1	*0.0%*	*11.1%*	-	-	*0.0%*	*0.0%*
TOTAL	0.4	0.9	*100.0%*	*100.0%*	0.2	0.3	*100.0%*	*100.0%*

In 2017, Statutory audit fees included €0.4 million in fees relating to the listing of Antalis shares on the Euronext market and the planned high-yield issue.

In 2018, non-audit services included certification and reviews of translations. Non-audit services provided in 2017 primarily related to a review of the financial statements at 31 March 2017 carried out within the scope of the planned high-yield issue.

Note 32
Scope of consolidation

	Country	% ownership interest	% control
ANTALIS SA	France	Parent company	
ANTALIS ABITEK LTDA	Chile	100	100
ANTALIS AB	Sweden	100	100
ANTALIS AG	Switzerland	100	100
ANTALIS AS	Estonia	100	100
ANTALIS A/S	Denmark	100	100
ANTALIS A/S	Norway	100	100
ANTALIS, AS	Slovakia	100	100
ANTALIS ASIA PACIFIC PTE LTD	Singapore	100	100
ANTALIS AUSTRIA GMBH	Austria	100	100
ANTALIS AUSTRALIA PTY LIMITED	Australia	100	100
ANTALIS BOLIVIA SRL	Bolivia	100	100
ANTALIS BV	The Netherlands	100	100
ANTALIS BULGARIA EOOD	Bulgaria	100	100
ANTALIS CADORIT AB	Sweden	100	100
ANTALIS CHILE LTDA	Chile	100	100
ANTALIS DO BRAZIL PRODUTOS PARA A INDUSTRIA GRAFICA LTDA	Brazil	100	100
ANTALIS GMBH	Germany	100	100
ANTALIS GROUP HOLDINGS LIMITED	United Kingdom	100	100
ANTALIS GROUP (PRIVATE UNLIMITED COMPANY)	United Kingdom	100	100
ANTALIS HOLDINGS LIMITED	United Kingdom	100	100
ANTALIS HOLDING SARL	Luxembourg	100	100
ANTALIS HUNGARY KFT	Hungary	100	100
ANTALIS IBERIA SA	Spain	100	100
ANTALIS IQUIQUE SA	Chile	100	100
ANTALIS INVESTMENTS SARL	Luxembourg	100	100
ANTALIS IRELAND LIMITED	Ireland	100	100
ANTALIS JAPAN CO LTD	Japan	100	100
ANTALIS LIMITED	United Kingdom	100	100
ANTALIS NV/SA	Belgium	100	100
ANTALIS OVERSEAS HOLDINGS LIMITED	United Kingdom	100	100
ANTALIS OY	Finland	100	100
ANTALIS PACKAGING ITALIA SRL	Italy	100	100
ANTALIS PARTICIPATIONS	France	100	100
ANTALIS PERU SA	Peru	100	100
ANTALIS POLAND SPOLKA ZOO	Poland	100	100
ANTALIS PORTUGAL SA	Portugal	100	100
ANTALIS SA	Romania	100	100
ANTALIS FRANCE	France	100	100
ANTALIS RESSOURCES ET SERVICES	France	100	100
ANTALIS SERVICES LIMITED	United Kingdom	100	100
ANTALIS SRO	Czech Republic	100	100

	Country	% ownership interest	% control
ANTALIS VERPACKUNGEN GMBH	Germany	100	100
ANTALIS VERPACKUNGEN GMBH	Austria	100	100
ANTALIS 2000 A/S	Denmark	100	100
ANTALIS (HONG KONG) LIMITED	Hong Kong	100	100
ANTALIS (MALAYSIA) SDN BHD	Malaysia	100	100
ANTALIS (PROPRIETARY) LTD	South Africa	100	100
ANTALIS (SHANGHAI) TRADING CO. LIMITED	China	100	100
ANTALIS (SINGAPORE) PTE LTD	Singapore	100	100
ANTALIS (THAILAND) LIMITED	Thailand	90	90
ANTALOGNE 2	France	100	100
ANTALOGNE 3	France	100	100
AS ANTALIS	Latvia	100	100
BRANOPAC CZ SRO	Czech Republic	100	100
BRANOPAC PACKING S.R.O	Czech Republic	100	100
ESPACOL LTDA	Colombia	100	100
GST GRAPHIC SERVICE TEAM LTDA	Brazil	99.88	99.88
INTERPAPEL SA	Mexico	100	100
INVERSIONES ANTALIS HOLDINGS LIMITADA	Chile	100	100
ANTALIS MACRON GMBH	Germany	100	100
MAP MERCHANT GROUP LIMITED	United Kingdom	100	100
MAP MERCHANT HOLDINGS BV	The Netherlands	100	100
MAP MERCHANT HOLDINGS GMBH	Germany	100	100
MAP MERCHANT SWEDEN AB	Sweden	100	100
OOO MAP MERCHANT RUSSIA	Russia	100	100
OY MAP MERCHANT AB	Finland	100	100
PAPPERSHUSET FASTIGHETS AB	Sweden	100	100
SIMGE ANTALIS	Turkey	100	100
TFM INDUSTRIAL SA	Peru	70	70
UAB ANTALIS	Lithuania	100	100
ZAO MAP UKRAINE	Ukraine	100	100

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Antalis
8 rue de Seine
92100 Boulogne-Billancourt
France

For the year ended 31 December 2018

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. 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,

Opinion

In compliance with the engagement entrusted to us by your sole shareholder, we have audited the accompanying consolidated financial statements of Antalis SA for the year ended 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2018 to the date of our report and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Recoverable amount of goodwill (see Notes 2B, 4 and 5 to the consolidated financial statements)

Description of risk

At 31 December 2018, goodwill represented a net amount of €120 million out of total assets of €1,036 million.

Antalis recognised various amounts of goodwill on external growth transactions carried out over the period. Goodwill corresponds to the difference between (i) the acquisition price plus the amount of any non-controlling interests in the acquired targets measured either at their fair value ("full" goodwill method), or on the basis of the Group's share in the fair value of the identifiable net assets acquired ("partial" goodwill method), and (ii) the fair value of the identifiable assets acquired and liabilities assumed. As indicated in Notes 2B3 and 2B6, it is allocated to cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies developed through the combination, representing the lowest operational level at which the Group monitors the rate of return on investments.

Goodwill is not amortised but is tested for impairment at least once a year at the year-end or more frequently if there is an indication of impairment. The objective of the impairment test is to ensure that the carrying amount of the tested assets is not higher than their recoverable amount.

The recoverable amount is determined by management by discounting the estimated future cash flows of the activities to which goodwill is allocated. The measurement of these cash flows relies on numerous estimates and assumptions, including revenue growth rates, the operating margin rate and the discount rate, which can, particularly in the segments in which Antalis operates, fluctuate over time and vary significantly from actual future performance.

We deemed the measurement of the recoverable amount of goodwill to be a key audit matter due to the significant amounts

at stake and the high degree of judgement and estimation required from management in a highly volatile economic and financial environment.

How our audit addressed this risk

We examined the methodology used by management to determine the recoverable amount of goodwill, and assessed its compliance with current accounting standards.

We also performed a critical assessment of the implementation of this methodology and, in particular, carried out the following procedures:

- validated the consistency of the cash-generating units with the cash flow projections;
- gained an understanding of the process for preparing the Antalis four-year business plan as defined by management and presented to the Board of Directors on 28 March 2019;
- obtained the tests prepared by management and reconciled the value of the assets tested with the underlying accounting data;
- compared the cash flows used in the tests with the four-year business plan defined by management and presented to the Board of Directors on 28 March 2019;
- conducted, with the help of our valuation experts, a critical assessment of the methods used to calculate the recoverable amount and assessed the discount rates used;
- assessed the projected future cash flows, in particular the revenue growth rates, based on our knowledge of the relevant business segment and the economic and financial environment in which Antalis operates, and compared them with market data when available.

Lastly, we examined the disclosures provided in the notes to the consolidated financial statements, in particular the information concerning the analyses of the sensitivity of the recoverable amount to variations in the main assumptions used.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the Board of Directors' management report includes the consolidated non-financial information statement required under article L.225–102-1 of the French Commercial Code. However, in accordance with article L.823–10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Antalis International by decision of the sole shareholder:

- on 21 July 2006 for PricewaterhouseCoopers Audit; and
- on 11 May 2017 for Constantin Associés.

At 31 December 2018, PricewaterhouseCoopers Audit and Constantin Associés were in the thirteenth and the second consecutive year of their engagement, respectively, and the second year since the Group's securities were admitted to trading on a regulated market.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems relating to accounting and financial reporting procedures.

These consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide

a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Paris la Défense and Neuilly-sur-Seine, 11 April 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

Stéphane Basset

Constantin Associés

Member of Deloitte Touche Tohmatsu Limited

Thierry Quéron

PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

The parent company financial statements for the year ended 31 December 2016 and the related Statutory Auditors' report are incorporated by reference into this report.

Statement of financial position

Assets

(€ millions) (amounts shown net)	*Notes*	31/12/2018	31/12/2017
Property, plant and equipment and intangible assets	*3*	30.1	29.5
Investments	*4*	536.3	665.5
Total fixed assets		**566.4**	**695.0**
Operating receivables[1]		34.1	30.4
Other receivables[1]	*5*	113.8	84.5
Cash on hand		17.9	15.4
Total current assets		**165.8**	**130.3**
Accrual accounts		1.9	1.5
Unrealised translation losses		8.6	7.6
TOTAL ASSETS		**742.7**	**834.4**
(1) Of which, due in less than one year		*149.2*	*114.9*

Equity and liabilities

(€ millions)	*Notes*	31/12/2018	31/12/2017
Share capital		213.0	213.0
Additional paid-in capital		50.9	50.9
Legal reserve		14.9	14.6
Other reserves		40.4	40.4
Retained earnings		0.7	(5.3)
Net income (loss) for the year		(112.9)	12.0
Regulated provisions		9.4	21.8
Equity	*6*	**216.4**	**347.4**
Provisions for contingencies and losses	*17*	8.9	7.8
Debt	*7*	270.3	196.8
Trade payables		38.8	32.2
Tax and social security liabilities		1.9	1.8
Other payables (a)	*8*	205.8	248.3
Total payables [1]		**516.8**	**479.1**
Unrealised translation gains		0.6	0.1
TOTAL EQUITY AND LIABILITIES		**742.7**	**834.4**
(1) Of which, due in less than one year		*256.0*	*479.0*

(a) Mainly Group current accounts.

Income statement

(€ millions)	*Notes*	2018	2017
Sales		69.4	63.4
Other operating income (loss)		-	(0.3)
Total operating income		**69.4**	**63.1**
Purchases consumed		(27.4)	(32.7)
Taxes other than income taxes		(0.6)	(1.3)
Personnel expenses		(2.8)	(4.6)
Depreciation, amortisation and provisions		(11.9)	(8.3)
Other operating expenses		(20.3)	(11.0)
Total operating expenses		**(63.0)**	**(57.9)**
Operating income	*9*	**6.4**	**5.2**
Financial income		46.0	84.1
Financial expenses		(251.5)	(72.7)
Net financial income (loss)	*10*	**(205.5)**	**11.4**
Income (loss) before non-recurring items and tax		**(199.1)**	**16.6**
Non-recurring income		311.0	40.5
Non-recurring expenses		(224.8)	(45.1)
Net non-recurring income (expense)	*11*	**(86.2)**	**(4.6)**
Income (loss) before tax		**(112.9)**	**12.0**
Income tax	*12*	-	-
NET INCOME (LOSS)		**(112.9)**	**12.0**

Notes to the parent company financial statements

Note 1	Significant events of the year and subsequent events	Note 10	Net financial income (loss)
Note 2	Summary of significant accounting policies	Note 11	Net non-recurring income (expense)
Note 3	Intangible assets and property, plant and equipment	Note 12	Income tax
Note 4	Investments	Note 13	Compensation of corporate officers
Note 5	Other receivables	Note 14	Related companies
Note 6	Statement of changes in equity	Note 15	Off-balance sheet commitments
Note 7	Debt	Note 16	Treasury management – Financial instruments
Note 8	Other payables	Note 17	Provisions
Note 9	Operating income (loss)	Note 18	List of subsidiaries and associates at 31 December 2018

Note 1
Significant events of the year and subsequent events

Refinancing of the Group

Ahead of the maturity of its main financing agreements at the end of 2018 and in line with its IPO, in the first half of 2018 Antalis launched a plan aimed at refinancing its syndicated credit facility and providing the Group with long-term liquidity to secure the resources it needs for its future growth.

This led to the signature on 31 May 2018 of an agreement with the lenders of this facility to extend its maturity through to 31 December 2021, together with revised terms and conditions. The strengthening of pre-existing collateral led to the transfer of most of Antalis' directly-owned subsidiaries into an intermediate holding company (see notes 3 and xx). At the same time, an agreement was signed in respect of the primary trade receivables factoring programme (effective from 28 June 2018) to align its maturity with that of the syndicated facility as factoring arrangements also provide the Group with an important source of financing.

The costs arising from this operation amounted to almost €10 million for the period.

Sale of subsidiaries in South Africa and Botswana

In early October 2018, Antalis finalised the sale of its two operating subsidiaries in these countries to the local management team.

This sale generated a loss on disposal of approximately €9 million in the financial statements for the period.

Accounts closing context

Uncertainty related to Brexit

The accounts have been closed against a backdrop of uncertainty over the impending Brexit and its consequences for the economic and legal environment of the UK, the country that has been the leading contributor to the Antalis Group's consolidated sales and EBITDA for a number of years. Although they are still unknown at present, the withdrawal terms could negatively impact the Group's businesses in the UK, especially if they were to result in changes to free-trade agreements that pushed up the prices of goods that the Group's UK subsidiary imports for resale. This could also result in a fall in the value of sterling in relation to the euro that could have a negative translation impact in the Group's consolidated financial statements if it were to continue over time.

Difficulties of Sequana and Arjowiggins

Following the decision to abandon the sale of the Arjowiggins Graphic and Creative Papers divisions in early January, Sequana announced that its main production subsidiaries in France and the UK had entered into administration. Moreover, a few weeks later, the court decision handed down in the dispute between Sequana and the British American Tobacco Group threw out Sequana's appeal against a fine of €163 million awarded by the High Court of Justice at first instance.

The uncertainty faced by its majority shareholder and the Arjowiggins group, which accounts for around 8% of the Group's purchases, is likely to affect the market environment of Antalis, which factored these developments into its business outlook and the measurement of certain assets at 31 December 2018 (see Note 14).

Search for a new shareholder for the Group

In this context, and with the agreement of Sequana – which had already indicated that it did not intend to remain as its controlling shareholder – Antalis decided to mandate an investment bank to help it put a new shareholding structure in place that will enable it to pursue its development and to implement its strategic plan.

Subsequent events

There have been no material changes in the Group's financial or commercial position since 31 December 2018, other than those mentioned above.

Note 2
Summary of significant accounting policies

The parent company financial statements are prepared in accordance with French generally accepted accounting principles based on the General Chart of Accounts as set out in ANC Regulation No. 2016-07 of 4 November 2016 issued by the French accounting standards authority (*Autorité des Normes Comptables*). The Company also prepares consolidated financial statements in accordance with IFRS (International Financial Reporting Standards).

The basic method used to value items recorded in the accounting books is the historical cost method.

The usual accounting conventions have been applied in compliance with the principle of prudence and:

- the going concern principle;
- the consistency principle; and
- the accrual basis principle.

Accounting policies

Intangible assets

Intangible assets are measured at acquisition cost (purchase price plus any ancillary expenses), or at their contributed net carrying amount.

Software is amortised on a straight-line basis, pro rata over a period of one, three or eight years.

IT projects excluding software are amortised on a straight-line basis over eight years (ARIES and SAP projects), or on a straight-line basis over five years (other projects).

The portion of personnel expenses relating to time spent by Antalis on IT projects meeting the capitalisation criteria has been included within assets since 1 January 2006. Independent consultancy fees (along with ancillary expenses such as travel and other miscellaneous costs) incurred on these IT projects are also capitalised as part of the cost of the asset.

Property, plant and equipment

Property, plant and equipment are stated at cost (purchase price plus any ancillary expenses), or at their contributed net carrying amount.

Straight-line depreciation is considered to be representative of economic depreciation for property, plant and equipment.

Useful lives are as follows:

- Buildings: 20 years
- Technical facilities: 10 years
- Fixtures and fittings: 10 years
- General facilities: 8 to 10 years
- Office and IT equipment: 3 to 5 years
- Office furniture: 8 to 10 years

Investments in subsidiaries and associates

Investments in subsidiaries and associates are initially stated at cost. Where appropriate, acquisition fees are included in the cost of these items.

At regular intervals, and particularly at the date of any inventory, the entity determines the value in use of its investments. If the value in use of an investment is less than its cost, a provision for impairment is recognised. If the value in use of an investment exceeds its cost, no unrealised capital gains are booked.

The value in use of investments in subsidiaries and associates is determined based on enterprise value net of debt, whereas that of operating entities is determined by management based on the present value of future cash flows and, where appropriate, on independent valuation reports. The value in use of non-operating entities equals their net book assets.

If value in use calculated as described above is less than the value of the investment in a subsidiary's net assets, a provision for impairment is booked for the difference in these amounts. If value in use once again exceeds the carrying amount, the provision is written back accordingly.

Related acquisition fees are capitalised with the investments concerned within assets and are subject to accelerated tax depreciation over a period of five years.

Movements in provisions are included within financial income and expenses.

Cash pooling agreement

The Company and most of its subsidiaries are parties to a framework agreement pursuant to which cash surpluses are regularly invested with the parent company and pooled in order to meet the Group's day-to-day financing requirements. The resulting current account lending and borrowing positions may be settled at any time. Since the introduction of factoring programmes, certain subsidiaries may carry significant cash surpluses and are constantly lenders with regard to the Company. The cash pooling agreement sets out the interest terms applicable to current account positions based on several different inputs (key lending rates, borrowing costs, etc.).

Treasury shares

A liquidity agreement has been set up with Oddo & Cie to improve the liquidity of the Antalis share and share price stability without distorting the workings of the market. Treasury shares acquired within the scope of the liquidity agreement are recognised at cost within investments and a provision for impairment is booked if their carrying amount is less than the average share price during the last month prior to the reporting date. Any gain or loss on the disposal of treasury shares is recognised in non-recurring income or expense.

Tax regime

Between 2002 and 2016, the Company was a member of Sequana's tax consolidation group.

The tax group was modified on 1 January 2013 to allow the taxable earnings of the tax group's French companies (primarily Antalis France) to be directly reallocated to the Company in its capacity as intermediate holding company and head of a sector-specific group.

Sequana's distribution of 18% of its Antalis shares in June 2017 led to the exit of Antalis and of its French subsidiaries from Sequana's tax group with retroactive effect from 1 January of the same year. In this regard Sequana filed an advance ruling request with the tax authorities seeking confirmation that certain provisions of the French General Tax Code duly apply to this particular case and thereby allow it to form a tax group composed of Antalis and Antalis France effective as of 1 January 2017. Antalis is still awaiting the tax authorities' response and consequently, the new tax group composed of Antalis and its French subsidiaries was only effective as from 1 January 2018.

Estimates and inputs requiring judgement

The preparation of the parent company financial statements requires management to make certain estimates, evaluations and assumptions that they deem to be both realistic and reasonable. In order to limit uncertainty, these valuations and estimates are reviewed and analysed regularly based on actual data and experience, as well as on other factors deemed relevant in the light of current economic circumstances.

In recent years the highly volatile economic and financial environment has made forecasting for the various businesses especially difficult and actual results may differ from the estimates and related assumptions used. The estimates and assumptions used by the Company may have a material impact on the measurement of financial assets in the financial statements.

Note 3
Intangible assets and property, plant and equipment

(€ millions)	31/12/2017	Acquisitions	Disposals	Inter-account transfers	31.12.2018
Intangible assets	99.0	-	(0.5)	9.9	108.4
Intangible assets in progress	3.1	10.0	-	(9.9)	3.2
Other property, plant and equipment	3.4	-	-	-	3.4
Total gross amount	105.5	10.0	(0.5)	-	115.0
Amortisation of intangible assets	(72.6)	(8.9)	-	-	(81.5)
Depreciation of other property, plant and equipment	(3.4)	-	-	-	(3.4)
Accumulated depreciation and amortisation	(76.0)	(8.9)	-	-	(84.9)
CARRYING AMOUNT	29.5	1.1	(0.5)	-	30.1

Note 4
Investments

(€ millions)	31.12.2017	Increase	Decrease	31.12.2018
Investments in subsidiaries and associates	1,695.8	794.1	(2,036.0)	453.9
Loans and receivables due from subsidiaries and associates	16.6	294.9	-	311.5
Other	0.3	1.8	(1.7)	0.4
GROSS AMOUNT	1,712.7	1,090.8	(2,037.7)	765.8
Impairment of investments in subsidiaries and associates	(1,045.5)	(209.9)	1,028.2	(227.2)
Impairment of loans and receivables due from subsidiaries and associates	(1.7)	(0.9)	0.3	(2.3)
Total impairment	(1,047.2)	(210.8)	1,028.5	(229.5)
CARRYING AMOUNT	665.5	880.0	(1,009.2)	536.3

"Other" essentially concerns treasury shares held by the Company within the scope of the liquidity agreement with Oddo Corporate Finance (see Note 2). At 31 December 2018, the Company held 409,335 treasury shares with a historical value of €0.5 million. As the average price of these treasury shares at end-December 2018 was lower than their historical cost, an impairment provision was recognised for an amount of €0.1 million.

Movements in investments in 2018

(€ millions)	
Carrying amount at 31 December 2017	**665.5**
Investments in subsidiaries and associates	
Inter-company equity interests acquired:	
• Antalis Investments Sàrl (Luxembourg)	407.1
• Antalis Participations (France)	387.0
Inter-company transfers and disposals	
• Antalis A/S (Denmark)	(22.0)
• Antalis AB (Sweden)	(25.8)
• Antalis AG (Switzerland)	(82.0)
• Antalis AS (Estonia)	(14.9)
• Antalis Asia Pacific (Singapore)	(31.4)
• Antalis Austria GmbH (Austria)	(27.2)
• Antalis do Brasil Produtos (Brazil)	(15.4)
• Antalis France (France)	(288.9)
• Antalis GmbH (Germany)	(66.8)
• Antalis Group Holdings Ltd (UK)	(676.3)
• Antalis Hungary Kft (Hungary)	(13.8)
• Antalis Ireland	(21.8)
• Antalis NV/SA (Belgium)	(57.1)
• Antalis Participations (France)	(387.0)
• Antalis Poland Spolka ZOO (Poland)	(62.0)
• Antalis S.A. (Romania)	(13.1)
• Antalis S.R.O. (Czech Republic)	(22.7)
• Antalis Simge (Turkey)	(12.3)
• Map Merchant Holdings BV (Netherlands)	(160.9)
• Other subsidiaries	(27.9)
Disposal of investments:	
• Antalis Botswana Pty Ltd (Botswana)	(6.1)
• Antalis South Africa (Pty) Ltd (South Africa)	(0.6)
Loans and receivables due from subsidiaries and associates	
• Antalis Austria GmbH (Austria)	(5.0)
• Antalis a.s.(Slovakia)	(1.5)
• Antalis Austria GmbH (Austria)	1.4
• Antalis Participations (France)	300.0
Other investments	
Acquisition and disposal of treasury shares	0.2
Return of guarantee deposit	(0.1)
Movements in provisions for impairment of investments in in subsidiaries and associates:	
• Antalis Investments Sàrl (Luxembourg)	(204.2)
• Antalis Proprietary Ltd (South Africa)	(3.4)
• Antalis South Africa (Pty) Ltd (South Africa)	0.6
• Antalis Bulgaria EOOD (Bulgaria)	1.2
• UAB Antalis (Lithuania)	3.1
• Antalis Asia Pacific (Singapore)	4.7
• Antalis Hungary Kft (Hungary)	5.2
• Antalis Botswana Pty Ltd (Botswana)	6.1
• Antalis Simge (Turkey)	12.3
• Antalis S.R.O. (Czech Republic)	14.3
• Antalis do Brasil Produtos (Brazil)	15.4
• Antalis Austria GmbH (Austria)	20.3
• Antalis GmbH (Germany)	27.7
• Antalis Poland Spolka ZOO (Poland)	41.9
• Antalis NV/SA (Belgium)	53.9
• Map Merchant Holdings BV (Netherlands)	110.2
• Antalis France (France)	214.5
• Antalis Group Holdings Ltd (UK)	494.5
Movements in provisions for impairment of loans and receivables due from subsidiaries and associates:	
• OOO Map Merchant Russia	(0.8)
• Antalis Austria GmbH (Austria)	0.3
• Antalis do Brasil Produtos (Brazil)	(0.1)
Carrying amount at 31 December 2018	**536.3**

During the year, most of Antalis' directly-owned subsidiaries were transferred into an intermediate holding company, Antalis Participations SAS, whose shares were pledged to the lenders of the syndicated credit facility. Some of the subsidiaries were contributed at net book value, while others were sold at fair value and paid up by offsetting the corresponding amount against the vendor loan held by Antalis against Antalis Participations. This €285 million receivable bears interest at the same rate as the syndicated credit facility and is presented below under loans and receivables due from subsidiaries and associates (including accrued interest).

All of these transfers generated a net gain of nearly €80 million in non-recurring income (see Note 11) with no impact on the Company's taxable results.

In accordance with the principle outlined in the section on investments in Note 2, the value of operating subsidiaries and associates is estimated by discounting future cash flows to present value. This method is based around certain assumptions for which the Company needs to use its judgement by factoring in various different inputs. Changes in the values of these inputs from one period to another can result in considerable volatility in the resulting valuations, as has been the case over the past few years. While there was no material impact in 2017, adjustments to the provisions at 31 December 2018 resulted in a total write-down of €208 million recorded as a financial expense (see Note 10).

Note 5
Other receivables

(€ millions)	31/12/2018	31/12/2017
Amounts owed by suppliers, accrued credit notes	0.9	0.7
Tax and social security receivables	5.9	4.1
Group current accounts	107.0	79.7
TOTAL	113.8	84.5

Maturity of other receivables

(€ millions)	Total	Less than 1 year	1 to 5 years	More than 5 years
At 31 December 2018				
Amounts owed by suppliers, accrued credit notes	0.9	0.9	-	-
Tax and social security receivables	5.9	5.3	0.6	-
Group current accounts	107.0	107.0	-	-
TOTAL	113.8	113.2	0.6	-
At 31 December 2017				
Amounts owed by suppliers, accrued credit notes	0.7	0.7	-	-
Tax and social security receivables	4.1	4.1	-	-
Group current accounts	79.7	79.7	-	-
TOTAL	84.5	84.5	-	-

Change in current account receivables

(€ millions)	31/12/2017	Increase	Decrease	Change	31.12.2018
Group current accounts	152.4	373.8	(345.9)	27.9	180.3
GROSS AMOUNT	152.4	373.8	(345.9)	27.9	180.3
Impairment	(72.7)	(4.3)	3.7	-	(73.3)
CARRYING AMOUNT	79.7	369.5	(342.2)	27.9	107.0

Note 6
Statement of changes in equity

(€ millions)	Number of shares issued	Share capital	Additional paid-in capital	Reserves: Legal reserves	Reserves: Tax-regulated reserves	Reserves: Other reserves	Retained earnings	Net income (loss) for the year	Regulated provisions	Total equity
Equity at 1 January 2017	**71,000,000**	**639.0**	**50.9**	**14.6**	**0.5**	**48.0**	**9.2**	**(440.6)**	**23.2**	**344.8**
Allocation of 2016 net loss	-	-	-	-	-	-	(440.6)	440.6	-	-
Reduction in share capital	-	(426.0)	-	-	-	-	426.0	-	-	-
Dividends distributed	-	-	-	-	-	(8.0)	-	-	-	(8.0)
Net income for 2017	-	-	-	-	-	-	-	12.0	-	12.0
Other changes in the period	-	-	-	-	-	-	-	-	(1.4)	(1.4)
Equity at 31 December 2017	**71,000,000**	**213.0**	**50.9**	**14.6**	**0.5**	**40.0**	**(5.4)**	**12.0**	**21.8**	**347.4**
Allocation of 2017 net income	-	-	-	0.3	-	-	11.7	(12.0)	-	-
Dividends distributed	-	-	-	-	-	-	(5.7)	-	-	(5.7)
Allocation of 2018 net loss	-	-	-	-	-	-	-	(112.9)	-	(112.9)
Other changes in the period	-	-	-	-	-	-	-	-	(12.4)	(12.4)
Equity at 31 December 2018	**71,000,000**	**213.0**	**50.9**	**14.9**	**0.5**	**40.0**	**0.6**	**(112.9)**	**9.4**	**216.4**

Note 7
Debt

Debt at 31 December 2018

(€ millions)	Total	Due in 1 year or less	Due in more than 1 year
Syndicated credit facility	265.0	10.0	255.0
Accrued interest[1]	5.3	0.0	5.3
TOTAL	**270.3**	**10**	**260.3**

(1) See Note 16 concerning the revised conditions for the syndicated credit facility.

Debt at 31 December 2017

(€ millions)	Total	Due in 1 year or less	Due in more than 1 year
Syndicated credit facility[1]	192.0	192.0	-
Short-term bank borrowings and overdrafts	0.1	0.1	-
Other	4.7	4.7	-
TOTAL	196.8	196.8	0

(1) The extended maturity under the refinancing agreement negotiated in 2018 was not reflected in maturities at 31 December 2017.

Note 8
Other payables

Other payables at 31 December 2018

(€ millions)	Total	Due in 1 year or less	Due in more than 1 year
Payable to customers, accrued credit notes	0.2	0.2	-
Group current accounts[1]	205.1	205.1	-
Various Group creditors[1]	0.5	-	0.5
TOTAL	205.8	205.3	0.5

(1) See Note 14.

Other payables at 31 December 2017

(€ millions)	Total	Due in 1 year or less	Due in more than 1 year
Payable to customers, accrued credit notes	0.1	0.1	-
Group current accounts[1]	248.2	248.2	-
TOTAL	248.3	248.3	0

(1) See Note 14.

Note 9
Operating income (loss)

Operating expenses primarily include central Group overheads, namely payroll costs relating to employees at the Group's head office, including executive management and employees in corporate departments (legal, HR, finance, etc.) as well as marketing, purchasing and IT departments, part of which falls under head office functions. Since 2017, these costs have been rebilled to the Company by Antalis Ressources et Services, which is the new employer of these staff members.

Operating income results chiefly from rebilling the large majority of the aforementioned costs to Group subsidiaries under a "management fee" service agreement. In the context of head office trade negotiations with suppliers considered strategic to the Group's distribution business, the Company bills these suppliers listing fees which represent a significant portion of its sales. In the consolidated financial statements, this income item is accounted for as a deduction from amounts purchased from these suppliers by subsidiaries.

Note 10
Net financial income (loss)

(€ millions)	2018	2017
Dividends received	9.1	14.1
Interest income receivable from Group entities	25.4	10.6
Interest expense payable to third parties	(25.2)	(13.1)
Interest expense payable to Group entities	(2.8)	(2.8)
Reversals of provisions for impairment of investments and loans	-	34.5
Additions to provisions for impairment of investments and loans	(212.0)	(32.5)
Reversals of provisions for foreign exchange gains and losses	-	(0.6)
Foreign exchange gains	11.5	24.9
Foreign exchange losses	(11.5)	(23.7)
Net financial income (loss)	**(205.5)**	**11.4**

Note 11
Net non-recurring income (expense)

(€ millions)	2018	2017
Income on disposals and gains on securities	303.5	36.4
Carrying amount of securities sold	(223.6)	(42.7)
Reversals of provisions for contingencies and losses	0.1	1.4
Additions to provisions for contingencies and losses	(0.1)	(0.2)
Reversals of accelerated tax depreciation and amortisation	3.0	2.6
Additions to accelerated tax depreciation and amortisation	(1.0)	(1.2)
Other non-recurring income	4.4	0.1
Other non-recurring expenses	(0.1)	(1.0)
Net non-recurring income (expense)	**86.2**	**(4.6)**

Note 12
Income tax

(€ millions)	2018	2017
Income (loss) before tax	(112.9)	12.0
Income tax	-	-
NET INCOME (LOSS)	**(112.9)**	**12.0**

In light of the Company's stand-alone taxable results in 2017 (close to break-even), income tax due was not material.

The overall result of the new tax group effective as of 1 January 2018 was a loss of around €3 million.

Note 13
Compensation of corporate officers

Total compensation paid by the Company in 2018 to corporate officers amounted to €1.2 million versus €0.6 million paid for the period between 7 June 2017 and 31 December 2017 (the Company was transformed into a public limited company (*société anonyme*) on 6 June 2017 and its shares were listed).

Note 14
Related companies

Related parties that control or exercise significant influence over the Antalis Group are Sequana, which is Antalis 's majority shareholder, and Bpifrance Participations, which is Sequana's majority shareholder and a minority shareholder of Antalis. The Company's financial statements are fully consolidated by Sequana.

Other related parties are entities controlled by Sequana and mainly include the subsidiaries of the Arjowiggins group, one of Antalis' strategic Papers suppliers.

As indicated in Note 1, Sequana and most of the subsidiaries of Arjowiggins have entered into administration. In late March 2019, Arjowiggins Papiers Couchés was wound up by court order while the Sequana safeguard plan was converted into a receivership procedure one month before this.

Transactions with related parties are generally carried out on an arm's length basis.

The table below shows the impact of related-party transactions on the main income statement and statement of financial position items:

(€ millions)	2018	2017
Assets and liabilities		
Loans	311.5	15.0
Operating receivables	28.9	16.7
Other receivables[1]	108.0	79.7
Operating payables	31.0	20.9
Other payables[1]	205.8	248.2
Income statement		
Net interest expense	22.6	7.8
Income from investments in subsidiaries and associates	9.1	14.1

(1) Mainly cash current accounts with Group subsidiaries.

Note 15
Off-balance sheet commitments

(€ millions)	31/12/2018	31/12/2017
Commitments given	**250.7**	**291.9**
Guarantees of UK pension benefit obligations[1]	130.6	176.7
Joint guarantees and other first call guarantees given[2]	120.1	115.2

(1) This item notably concerns guarantees given by Antalis in relation to the pension benefit funding obligations for past and present employees of UK subsidiaries that are members of the Antalis Pension Scheme (APS). The amount of these guarantees is capped at the lower of 113% of the fund's buyout deficit as estimated at 31 December each year, or GBP 125 million (€140 million at end-2018), of which GBP 36 million (€40 million) are counter-guarantees given by Sequana. The ceiling for these guarantees was reduced from GBP 125 million to GBP 85 million (€96 million) in an amendment signed in March 2018. The buyout deficit represents the theoretical amount of the deficit value to be used in the event of the transfer of all of the funds' obligations to an insurance company. Based on the pension fund regulations, the contribution requirements for employer entities, the guarantees given to the trustees by the participating entities and the counter-guarantees given by Sequana, the overall amount of the guarantees currently given by the Group remains capped at GBP 85 million.
This item also includes guarantees given by Antalis and its UK subsidiaries concerning the pension benefit obligations for past and present employees under three other smaller pension schemes (Arjo UK Group Pension Scheme, James McNaughton Paper Group Limited Pension and Insurance Scheme and Modo Merchants Pension Scheme). At 31 December 2018, these guarantees amounted to €36 million.

(2) This item includes the guarantees set up on behalf of Group subsidiaries within the scope of their commitments under various agreements they have entered into in the normal course of business. These correspond mainly to warehouse or office leases as well as procurement and service agreements related to such areas as logistics.

Collateral posted in respect of financing agreements

In accordance with the obligations under its syndicated credit facility and to secure its existing borrowing commitments, in 2018 Antalis granted a pledge on the shares of certain subsidiaries – notably Antalis Participations (see Note 4) – to the lender banks, in addition to existing pledges.

Note 16
Treasury management – Financial instruments

As indicated in Note 1, during H1 2018, Antalis signed the legal documentation to complete the refinancing of its €285 million syndicated credit facility and its main factoring programme for an amount of €215 million. The maturity of both of these agreements has been extended to 31 December 2021. The agreement secured with the lenders of the syndicated facility also revised several terms and conditions applicable to the financing, including provisions for:

- strengthening of pre-existing collateral; in particular, Antalis expanded the list of entities whose assets are pledged to the lenders as well as making it easier to call upon the guarantees (see Note 4);
- revised conditions for interest payable on amounts drawn down, with a portion of interest now able to be gradually capitalised;
- an immediate €25 million reduction in the authorised amount under the credit facility, applying to both the tranches repayable at maturity and the revolving tranche;
- contractual repayments of €10 million per year beginning in 2019;
- maintenance of two main covenants based on ratios revised as from the 30 June 2018 test.

Based on tests carried out in 2018, the Group complied with all of the covenants applicable to the different financing agreements.

Note 17
Provisions

(€ millions)	31.12.2017	Additions	Reversals (utilised provisions)	Reversals (surplus provisions)	31.12.2018
Foreign exchange risk	7.5	8.6	(7.5)	-	8.6
BIC seller's warranty	0.3	-	(0.1)	-	0.2
Other provisions	-	0.1	-	-	0.1
TOTAL	7.8	8.7	(7.6)	-	8.9

At 31 December 2018, provisions for contingencies and losses relating to Antalis chiefly include provisions for foreign exchange losses.

Note 18 List of subsidiaries and associates at 31 December 2018

(€ millions)	Share capital	Equity other than capital before allocation of net income (loss)	% ownership	Carrying amount of investment Gross	Carrying amount of investment Net	Outstanding loans and advances granted by the Company	Guarantees given by the Company	2018 net sales	2018 net income (loss)	Dividends received by the Company during the year	Remarks
A) Detailed disclosures for investments with a carrying amount in excess of 1% of the Company's share capital:											
1 - Subsidiaries (more than 50%-owned by the Company)											
Inversiones Antalis Holdings Ltda (Chile)	23.5	41.1	59.1	16.7	16.7	-	-	-	1.7	-	
Antalis Proprietary Ltd (South Africa)	-	25.6	100.0	25.0	2.0	-	-	-	-	2.9	
Antalis Abitek Ltda (Chile)	3.5	4.2	100.0	1.4	1.4	-	-	16.5	0.9	-	
TFM Industrial SA (Peru)	0.6	0.7	70.0	2.3	2.3	-	-	7.7	0.5	-	
Antalis Ressources et Services (France)	0.6	0.7	100.0	1.3	1.3	-	-	17.5	0.8	-	
ANTALOGNE2 (France)	-	-	100.0	-	-	-	-	-	-	-	
Antalis Investments Sàrl (Luxembourg)	407.1	-	100.0	407.1	202.9	-	-	-	(206.9)	-	
2 - Associates (10%- to 50%-owned by the Company)											
3 - Other investments (less than 10%-owned by the Company)											
B) Aggregate data concerning other subsidiaries and associates:											
1 - Subsidiaries not included in section A:											
a) French companies											
b) Foreign companies											
2 - Associates not included in section A:											
a) French companies											
b) Foreign companies											
TOTAL				**453.8**	**434.2**						

FIVE-YEAR FINANCIAL SUMMARY

(€ millions, except employee and per-share data)	2018	2017	2016	2015	2014
I - Capital at year-end					
Share capital	213.0	213.0	639.0	639.0	639.0
Number of ordinary shares outstanding	71,000,000	71,000,000	71,000,000	71,000,000	71,000,000
II - Results of operations (€ millions)					
Sales	69.4	63.4	63.6	66.9	60.3
Income (loss) before tax and non-cash expenses (depreciation, amortisation and provisions)	(51.9)	16.3	14.8	16.6	24.2
Income tax benefit	-	-	0.3	-	-
Income (loss) after tax and non-cash expenses (depreciation, amortisation and provisions)	(112.9)	12.0	(440.5)	91.8	33.0
Dividends distributed	5.7	8.0	4.0	8.0	8.0
III - Per share data (in €)					
Income after tax but before non-cash expenses (depreciation, amortisation and provisions)	(0.73)	0.23	0.20	0.23	0.34
Income (loss) after tax and non-cash expenses (depreciation, amortisation and provisions)	(1.59)	0.17	(6.20)	1.29	0.46
Net dividend per share	0.08	0.11	0.06	0.11	0.11
IV - Employee data					
Average number of employees during the year	-	39	94	76	74
Total payroll	1.9	3.1	8.4	7.6	6.4
Total employee benefits	0.9	1.6	4.1	3.5	3.2

INFORMATION CONCERNING PAYMENT TERMS

	Article D. 441 I.-1°: Invoices received and due for payment but not settled at the reporting date (in Euro thousands)						Article D. 441 I.-2°: Invoices issued and due for payment but not settled at the reporting date (in Euro thousands)					
	0 days (approx.)	1-30 days	31-60 days	61-90 days	> 91 days	Total (≥1 day)	*0 days (approx.)*	1-30 days	31-60 days	61-90 days	> 91 days	Total (≥1 day)
(A) Overdue amounts												
Number of invoices concerned	95					638	109					301
Total amounts of invoices concerned (including VAT)	4,114	885	153	141	9,775	10,953	986	339	785	22	1,940	3,086
Percentage of total amount of purchases for the period concerned (including VAT)	13%	3%	0%	0%	31%	34%						
Percentage of total amount of sales for the period concerned (including VAT)							1%	0%	1%	0%	3%	4%
(B) Invoices excluded from (A) concerning disputed payables or receivables or unrecorded invoices												
Number of invoices excluded	None						None					
Total amounts of invoices excluded (including VAT)	None						None					
(C) Payment terms of reference used (contractual or legal - Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Payment terms used to calculate late payment interest	Contractual payment terms: Net 60 days upon receipt of invoice						Contractual payment terms: Net 60 days upon receipt of invoice					

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Antalis
8 rue de Seine
92100 Boulogne-Billancourt
France

For the year ended 31 December 2018

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. 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,

Opinion

In compliance with the engagement entrusted to us by your sole shareholder, we have audited the accompanying financial statements of Antalis SA for the year ended 31 December 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2018 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

Measurement of investments in subsidiaries and associates (Notes 2, 4 and 18 to the financial statements)

Description of risk

At 31 December 2018, investments in subsidiaries and associates totalled a net amount of €226.7 million, after accumulated impairment losses of €227.2 million and out of total assets of €742.7 million.

Investments are carried in the statement of financial position at cost plus acquisition fees. If the value in use is less than the carrying amount, a provision for impairment is booked for the difference in these amounts. If the value in use then subsequently rises above the carrying amount, the provision is reversed.

As indicated in Note 2, value in use is determined based on the enterprise value, net of debt. The enterprise value of non-operating entities equals their net assets at the carrying amount, whereas that of operating entities is determined by management based on the present value of future cash flows and, where appropriate, on independent valuation reports. These values rely on numerous estimates and assumptions, including revenue growth rates, operating margins and the discount rate, which can, particularly in the segments in which Antalis operates, fluctuate over time and vary significantly from actual future performance.

Measurements are carried out periodically, especially during the inventory.

We deemed the measurement of the value in use of investments to be a key audit matter due to the significant amounts at stake and the high degree of judgement and estimation required from management in a highly volatile economic and financial environment.

How our audit addressed this risk

We examined the methodology used by management to determine the value in use of these investments, and assessed its compliance with current accounting standards.

We also performed a critical assessment of the implementation of this methodology and, in particular, carried out the following procedures:

- gained an understanding of the process for preparing the Antalis four-year business plan as defined by management and presented to the Board of Directors on 28 March 2019;
- obtained the tests prepared by management and reconciled the value of the investments tested, as well as the amounts of net debt at 31 December 2018, with the underlying accounting data;
- compared the cash flows used in the tests with the four-year business plan defined by management;
- reconciled the net assets of non-operating companies with the underlying accounting data;
- conducted, with the help of our valuation experts, a critical assessment of the methods used to calculate the value in use and assessed the discount rates used;
- assessed the projected future cash flows, in particular the revenue growth rates, based on our knowledge of the relevant business segment and the economic and financial environment in which Antalis operates, and compared them with market data when available.

Lastly, we examined the related disclosures on investments in subsidiaries and associates provided in the notes to the financial statements.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to the shareholders with respect to the financial position and the financial statements.

We attest to the fair presentation and the consistency with the financial statements of the information concerning payment terms referred to in article D.441-4 of the French Commercial Code.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of article L.225-37-3 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements, and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

Concerning the information given in accordance with the requirements of article L.225-37-5 of the French Commercial Code relating to those items your Company has deemed liable to have an impact in the event of a takeover bid or exchange offer, we have verified its consistency with the underlying documents that were disclosed to us. Based on this work, we have no matters to report with regard to this information.

Other information

In accordance with French law, we have verified that the required information concerning the acquisition of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as the Statutory Auditors of Antalis International by decision of the sole shareholder:

- on 21 July 2006 for PricewaterhouseCoopers Audit; and
- on 11 May 2017 for Constantin Associés.

As at 31 December 2018, PricewaterhouseCoopers Audit and Constantin Associés were in the thirteenth and the second consecutive year of their engagement, respectively, and the second year since the Group's securities were admitted to trading on a regulated market.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements giving a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

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

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

- identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Paris la Défense and Neuilly-sur-Seine, 11 April 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

Stéphane Basset

Constantin Associés

Member of Deloitte Touche Tohmatsu Limited

Thierry Quéron

ALLOCATION OF NET INCOME

The Company ended 2018 with a net loss of €112,931,154.90.

The Board of Directors recommends allocating the net loss for the year (€112,931,154.90) to retained earnings/accumulated losses, which will therefore total €112,214,303.31.

No dividends will therefore be paid to shareholders in respect of 2018.

Pursuant to Article 243*bis* of the French Tax Code, the dividends paid by the Company over the last three years were as follows:

Year	Number of shares carrying dividend rights	Total dividend distributed (€)
2015	71,000,000	4,000,000.00[1]
2016	71,000,000	-
2017	70,829,680[2]	5,666,374.40

(1) The entire dividend was paid to Sequana, which at that time was the sole shareholder of Antalis, a legal entity not eligible for the 40% deduction provided for in Article 158-3.2° of the French Tax Code.

(2) The aforementioned dividend was not paid on the 170,320 treasury shares held at the dividend payment date.

The Company has also carried out the following exceptional distributions of reserves out of "Other reserves":

- €4,000,000 on 29 July 2015;
- €4,000,000 on 3 August 2015;
- €4,000,000 on 1 July 2016;
- €8,000,000 on 3 May 2017.

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Risk factors

Investors are requested to review all of the information presented in this document, including this chapter on risk exposure, prior to taking a decision to acquire Antalis shares or any other financial instruments issued by Antalis. The risks described are those risks existing as of the date of this document which, in the opinion of Group management and in the event that they crystallise, may have a material adverse impact on Antalis' business, financial position, results, development prospects or more generally, its ability to achieve its objectives. Investors should bear in mind that as of the date on which this document was filed, other unidentified risks or risks not deemed by management as constituting a material potential risk may also exist.

The Company last updated its Group risk map in July 2018 and considers that there are no material risks other than those presented below.

The risks to which the Group is exposed are mainly of a financial, operating and legal nature. Their significance is assessed in terms of probability and estimated impact for the purpose of ranking them within each category presented in this chapter.

Financial risks	*Operating risks*	*Legal risks*
- Relative weight of the Group's debts and restrictive covenants in financing agreements - Liquidity - Credit and/or counterparties - Changes to assumptions used for determining the book value of certain assets and liabilities - Retirement benefit commitments	- Business conditions and the Paper, Packaging and Visual Communication markets - Brexit - Competitive environment - Dependence on certain suppliers and impact of Arjowiggins' situation - Failure of the Company's information, telecommunications and cyber-security systems - International nature of the Group's activities - Attracting and retaining talent	- Environmental law and health and safety in the workplace CSR - Legal disputes

CSR risks described in Chapter 2, "Corporate Social Responsibility".

FINANCIAL RISKS

Relative weight of the Group's debts and restrictive covenants in financing agreements

Group debt

The Group's total debt and net debt is disclosed in Chapter 4, "Financial statements" Notes 16 and 17 of this document.

The level of the Group's debt could have negative consequences, such as:

- allocating a significant part of the cash flow from operating activities to the interest on and repayment of the Group's debt, thus reducing its ability to allocate available cash flow to finance its organic growth and acquisitions and make investments, and to the other general requirements of the business;
- increasing the Group's vulnerability to a slowdown in the business or in economic conditions;
- limiting the ability of the Group and its subsidiaries to borrow additional funds or to raise capital in the future, and to increase the cost of such additional financing.

Furthermore, the Group's ability to honour its obligations, to pay interest on its borrowings or to repay them in accordance with their terms and conditions, depend on its future operational performance and could be affected by many factors, some of which are outside the Group's control (economic circumstances, money market conditions, regulatory developments, etc.).

In the event that it lacks liquidity to service its debt, the Group might be obliged to reduce or defer acquisitions or investments, to sell assets, to refinance its debt or to seek additional financing, and this could have an adverse impact on its gross margin or financial position. The Group might not be in a position to refinance its debt or to obtain additional financing on satisfactory terms.

Restrictive covenants in financing agreements

The syndicated credit facility requires the Group to refrain from certain actions and to comply with certain obligations, notably financial covenants based on financial ratios. Two ratios in particular are tested quarterly: the leverage ratio (consolidated net debt/EBITDA) and the interest coverage ratio (consolidated current operating income/consolidated net interest). These tests are detailed in Chapter 4, Note 16 of this document.

The third financial covenant is tested annually and calculated as the maximum annual amount of expenditure on intangible assets and property, plant and equipment, capped at €23 million. The Group has complied with these covenants on all test dates since the inception of the financing agreements and the refinancing agreements signed in 2018 stipulate that these covenants, tested on the same basis, be maintained until the new expiry date of 31 December 2021.

The Group also remains bound by other clauses, limiting its ability, among other things, to:

- grant loans or advances to Sequana or its affiliates other than commercial loans concluded on normal market terms and in the ordinary course of its commercial activities;
- contract any debt;
- provide sureties;
- pay dividends or make certain payments, in particular by reason of specific limits applicable to cash transfers to Sequana;
- make certain investments, annual intangible and tangible investments in particular being limited by the above covenant, while the amounts of authorised acquisitions are expressly provided for each year;
- sell, transfer, assign or lease assets; and
- merge or combine with other companies.

However, the majority of such transactions can be authorised, subject to compliance with certain conditions such as limits of amount.

The restrictions contained in the syndicated credit facility and the contracts relating to the Group's factoring programmes could affect its ability to carry on business and limit its ability to respond to market conditions or to seize commercial or external growth opportunities that present themselves. By way of example, these restrictions could affect the Group's ability to finance the investments of its businesses, to make strategic acquisitions, investments or alliances, to restructure its organisation or to finance its capital requirements. Furthermore, the Group's ability to comply with these restrictive clauses might be affected by events outside its control, such as economic, financial and industrial conditions. If the Group breached its obligations or these restrictions, this could result in a default under the terms of the aforementioned agreements.

In the event of a default that was not remedied or waived, the creditors could terminate their commitment and/or demand that all outstanding amounts become immediately due and payable, or enforce their securities. The cross-default clauses of the Group's other loans might also be activated.

At 31 December 2018 and at the date this document was published, the Group complied with all the contractual conditions to which those transactions were subject.

Interest rate risk

The Group is exposed to fluctuations in interest rates because most of its debt is indexed to European monthly interbank rates (essentially EURIBOR and LIBOR). At 31 December 2018, the outstanding amount of the Group's debt at variable rates was €406 million.

Risk management

The Group tracks its level of debt very closely to ensure that it is able to meet current and future obligations under its financing agreements, which are independent of its shareholder Sequana. Interest rate sensitivity analyses are provided in Note 17 to the consolidated financial statements.

Liquidity

The liquidity risk relates to the business's ability to have financial resources available to meet its obligations.

On 29 March 2018, the Group finalised a refinancing agreement with the lenders of its syndicated credit facility to extend the maturity of the facility through to 31 December 2021. The agreement also revised certain terms and conditions.

At the same time, an agreement was signed in respect of the primary factoring programme to align its maturity with that of the syndicated facility as factoring arrangements also provide the Group with an important source of financing.

Antalis has therefore secured financing for its liquidity needs for the next three years.

The main provisions of the Group's existing financing agreements are set out in Chapter 4 of this document.

However, the inception of these agreements has led to an annual increase of around €12 million in finance costs in the income statement, with the impact on the Group's cash position limited to approximately €4 million in additional disbursements. This is because a portion of interest under the syndicated credit facility has been deferred to maturity, i.e., to the end of 2021. This represents an increase of around 200 basis points in the Group's average effective financing rate.

This agreement includes revolving lines of credit in a total authorised amount of €285 million at 31 December 2018 of which €265 million had been drawn down. Non-compliance with the financial covenants and other usual obligations could result in the revolving lines of credit being unavailable and in the early repayment of outstanding amounts.

Moreover, trade receivables eligible under the terms of the factoring programmes in force represent a financing capacity of approximately €215 million at this date, of which €139 million have been used.

The objective of these factoring programmes, apart from optimising the management and recovery of receivables, is to have the necessary cash available to finance its operations and external growth while pursuing its strategy of development and transformation in the medium term.

Since the sums lent by the factoring organisations are secured by trade receivables, the amount and quality of those receivables have a direct impact on the financing available. Even a temporary decline in the Group's activity would result in a reduction in the amounts due from customers on which the grant of the lines of credit is based, which could, in the event that this decline continued, represent a risk to the Group's liquidity. This would also apply in the event of a significant deterioration in the financial position of Antalis' customers, since it may affect the lenders' assessment of the quality of the receivables. However, this risk is limited due to the major diversification of the Group's customer portfolio and the existence of a programme of credit insurance associated with the main factoring programmes.

Nevertheless, a deterioration in the coverage provided by credit insurers in respect of the transferred receivables would also result in a reduction in the amounts due from customers on which the grant of the lines of credit is based, which could, in the event that this decline continued, represent a risk to the Group's liquidity. Furthermore, in the event that the companies concerned failed to comply with their obligations in respect of the factoring programme, the programme might be terminated.

Finally, the Group had cash on hand of €125 million at 31 December 2018 (€117 million at 31 December 2017).

Liquidity risk also covers contingencies described in this chapter which could give rise to an increase in the Group's commitments, particularly in the event of a deterioration in supplier credit risk (see following paragraph) or the deployment of restructuring measures (see operating risk).

Risk management

The Group manages the liquidity risk by means of suitable reserves, lines of bank credit and reserve lending facilities, while preparing cash flow forecasts and monitoring actual cash flow against the forecasts, and also trying to achieve the best balance between the maturity profile of assets and financial liabilities. In this context, the Group is dependent on its banks to conduct daily operational transactions such as cash pooling. The desire of one or more of its banks to withdraw from daily transactions could have an adverse impact on the Group's liquidity.

Credit and/or counterparties

Credit and/or counterparty risk is the risk that a party to a contract concluded with the Group will breach its contractual obligations, resulting in a financial loss for the Group.

The financial assets which could expose the Group to credit and/or counterparty risks are mainly its receivables in respect of customers, suppliers or partners (particularly in the event of default of payment or non-compliance with payment terms), cash flow or cash equivalents, investments and derivative financial instruments. Overall, the book value of the financial assets recorded in the Group's consolidated financial statements at 31 December 2018, net of depreciation, represents the Group's maximum exposure to credit risk.

As indicated on page 151, Antalis' exposure to supplier credit risk may be adversely impacted in an indirect manner by the perception that certain Group stakeholders may have of the situation of Sequana and Arjowiggins group companies and by the general situation in the paper market. A reduction in the coverage provided by credit insurers in respect of the Group's supplier creditors would have a negative impact on its liquidity and capacity to comply with its obligations under the syndicated credit facility, especially the related covenants.

Moreover, the Group benefits from annual discounts from its main strategic suppliers, including companies within the Arjowiggins Group, granted in respect of purchases of products made by the Group, and to a lesser extent from contributions to marketing initiatives, which are paid by the suppliers after payment for the products purchased by the Group. The failure of a strategic supplier and its inability to honour these commitments would consequently be liable to have a material adverse impact on the Group.

In view of the Group's current financial situation, its financial investments are either used to invest excess cash drawn down under bank credit facilities or to put up collateral for its subsidiaries. The Group's policy is to only put up financial collateral for subsidiaries in which it has a controlling interest.

More detailed information on credit and/or counterparty risks is given in Note 17c to the consolidated financial statements in Chapter 4, "Financial statements" of this document.

Risk management

The Group considers that it has a very limited exposure to concentrations of credit risk relating to customer receivables. The substantial number and wide dispersal of customers and the credit insurance put in place within the Group mean that problems of concentration of customer risk are not significant at the level of the Group's consolidated statement of financial position. The Group uses the strong ties it has forged with its suppliers to deal with the potential risk of a deterioration in supplier credit. These relationships are described in this chapter under operating risks.

Furthermore, the Group may enter into hedging contracts with financial institutions, and currently regards the risk of breach by its counterparties of their obligations to be very low, since the financial exposure of each of those financial institutions is limited.

Changes to assumptions used for determining the book value of certain assets and liabilities

Goodwill represents the additional amount paid by the Group upon a business combination, by reference to the fair value of the net assets identifiable on the acquisition date.

At 31 December 2018, the Group's goodwill amounted to €120 million, or 12% of the Group's consolidated balance sheet prepared on that date.

This amount is broken down by country and by activity in Chapter 4, "Financial statements" Note 5 to the consolidated financial statements.

In accordance with IFRS, the Group carries out impairment tests on its goodwill at least once a year, the value of tangible and intangible fixed assets only being tested in the event of evidence of loss of value. Based on tests carried out in 2018, the Group recognised impairment totalling €22 million on the value of the goodwill allocated to the South American businesses, which had a residual value of €7 million at 31 December 2018.

Note 4 to the consolidated financial statements in Chapter 4, "Financial statements" of this document, describes the parameters used by the Group to assess the recoverable value of its assets, such as the discount rate or the operating assumptions used in the preparation of business plans. Similarly, the Group's obligations in respect of defined benefit pension plans are estimated using the actuarial inputs set out in Note 15 to the consolidated financial statements.

At 31 December 2018, deferred tax assets on the Group's consolidated statement of financial position amounted to €7 million. These deferred tax assets are accounted for in the Group's statement of financial position in an amount that the Group considers itself able to recover within a reasonable period, and in any event, before the potential expiry of losses as regards the portion of the deferred tax assets associated with tax loss carryforwards.

Risk management

Most of the assumptions the Group uses when measuring changes in the value of its assets and liabilities under accounting standards are contingent on macro-economic parameters which are outside of Antalis' control. However, these parameters are closely tracked by the Group to anticipate changing trends and ensure that the manner in which they are measured complies with applicable guidelines based on maturity, geographical segment, etc.
Moreover, when deploying its acquisition strategy, the Group seeks to ensure that the profitability prospects of the targets it is considering justify the assets' long-term value in light of

geographical considerations, particularly when discount rates are high due to the target's location.
As regards deferred taxation, the Group's tax affairs department ensures that the levers at its disposal are used in an effective manner to maximise the tax benefit from the assets carried in each tax jurisdiction.

Retirement benefit commitments

Some of the Group's employees located abroad (particularly in the United Kingdom and in Switzerland) are registered with funded defined benefits pension schemes. The bodies responsible for protecting the rights of beneficiaries sometimes require a guarantee from employers to secure the funding of these plans.

When the amounts owed in respect of benefits upon retirement become due and payable, should the available plan assets or the insurance policies concluded to cover future disbursements prove to be insufficient or the management of the assets prove to be inadequate, the Group could be obliged to make additional payments in respect of pension benefits for potentially material amounts. In the United Kingdom in particular, the Group is already committed to make periodic payments intended to cover the deficit on certain pension plans in line with schedule of contributions giving rise to annual disbursements of around €6 million.

United Kingdom

The Group's UK pension plans are regularly reviewed in liaison with their independent trustees in order to bring them into line with local regulations.

The most important pension fund in existence within the Group is the Antalis Pension Scheme ("APS").

The participating companies fund the pension scheme in line with a funding plan reviewed every three years with the trustees. Their contributions are based on beneficiary risk and the return on plan assets.

The measurement of the funding obligation for UK pension schemes in terms of funded plan assets can depend on the fund's position, as well as the ability of the employer(s) (or their guarantors, where applicable) to meet their obligations. The obligations of the companies participating in the APS have, since 2010, been secured by joint and several guarantees from Antalis and Sequana in favour of the trustees responsible for the management of the APS. The amount of the guarantee is capped at the lower of 113% of the fund's buyout deficit as estimated at 31 December each year, or GBP 85 million (about €96 million). This ceiling was reduced from GBP 125 million to GBP 85 million in an amendment signed in March 2018. The buy-out-deficit is determined annually on a unilateral basis by actuaries appointed by the fund trustees. It represents the theoretical amount of the deficit that would be retained in the event of the assignment of all the obligations of the fund to an insurance company (see Note 15 to the consolidated financial statements in Chapter 4, "Financial statements" of this document).

In the case of the APS, the expiry date of these guarantees, which are renewable, is 8 January 2024.

In the United Kingdom there are three other smaller pension funds where the obligations of the participating company (Antalis Ltd) are guaranteed by Antalis, in a maximum amount of GBP 32 million (€36 million at 31 December 2018).

Risk management

A working group composed of representatives from the Finance department assisted by experts meets on a regular basis to identify and address risks related to the management of pension plans and other post-employment benefits. More specifically, it reviews plan funding and the performance of plan assets. It is kept informed of any significant events concerning employee benefits and their financial impact, as well as any changes to regulations.

OPERATING RISKS

Business conditions and the Paper, Packaging and Visual Communication markets

Demand for the Group's products and services depends chiefly on advertising and communication investment, and demand from private businesses and government organisations.

Demand for printing and office papers is particularly sensitive to changes in the economic environment. Paper volumes have declined since 2008 due both to the structural decline in demand linked to increased computerisation, a tough business environment and higher raw materials prices passed on to selling prices. This situation has created new consumer patterns: a reduction by businesses of marketing and communication expenditure against a backdrop of economic crisis, and a reduction in paper usage due to the widespread use of electronic tools and the internet. With the appearance of these new tools in the private and professional environments, new consumer habits have formed, favouring e-mail and online advertising and communication. These consumption trends are maintained by the increasing ownership and use of personal computers and tablets.

Furthermore, greater awareness of environmental issues has reduced the physical printing of electronic documents, leading to lower demand for office paper.

With the exception of the digital printing papers segment, the structural shrinkage in the paper market is expected to continue in the next few years. Should the trend continue, and should the Group be unable to adapt to new consumer habits, to differentiate itself from its competitors and develop in the Packaging and Visual Communication sectors, such a trend could have a material adverse impact on the Group.

To deal with this market decline, the Group may need to adopt restructuring plans to streamline and optimise its cost structure. These plans generally involve workforce reduction programmes and measures to support employees made redundant and they can involve significant costs, depending on their extent but also the labour relations and regulatory context of the country concerned.

Demand on the market for the distribution of packaging products and solutions is also linked to changes in gross domestic product and domestic and international trade in the countries in which the Group operates. The development of international trade has resulted in the increasing complexity of assembly lines due to the relocation of production units and the increase in imports of consumer goods. The surge in online sales in the last few years has also generated substantial requirements for packaging products. A slowdown in economic activity, in international trade and in online sales is liable to have a material adverse impact on the Group.

Demand on the market for the distribution of visual communication media is also sensitive to changes in the economic environment and to the level of businesses' advertising and communication expenditure. In the area of interior and exterior decoration, demand is mainly driven by the need for increasingly bespoke products. A slowdown in economic activity and a change in the pattern of demand are also liable to have a material adverse impact on the Group.

The Group's business is affected in particular by the economic situation in Europe, where it generated 91% of its sales in 2018. Any reversal of the economic situation in Europe or any slowdown, could have a material adverse impact on the Group.

Risk management

The Group tracks the paper market very closely to anticipate trends, monitors its margins closely and focuses on moving its product mix towards more profitable products.

Antalis participates in the consolidation of the paper market and continues to deploy its strategic plan by diversifying into the Packaging and Visual Communication sectors for which it has set up dedicated sales and marketing structures.

Brexit – Withdrawal of the United Kingdom from the European Union

As part of the Brexit process, negotiations are currently in progress between the United Kingdom and the European Union to determine the nature of their future relations, including trade relations, the freedom to provide services in the EU and similar agreements. The impacts of Brexit will depend on the agreements that the UK negotiates with a view to keeping access to EU markets, either following a transition period, or on a more permanent basis. A withdrawal agreement is expected by mid-2019.

Brexit may negatively impact the UK's economic and market conditions at EU and global level and may also accentuate instability in the international financial and currency markets, including volatility in the sterling-euro exchange rate. Brexit may also lead to legal uncertainty and to divergent legislation as the UK determines which EU rules it intends to keep or replace.

Uncertainty over future applicable legislation, regulations and treaties may increase the Group's costs, restrict its access to capital within the UK, lead to a slowdown in business and, more generally, reduce direct foreign investment in the UK.

Brexit impacts the Group's UK activities, particularly as regards its main British subsidiary, Antalis Ltd, which is faced with a contraction of local demand. Its approach to this risk includes increasing its market share, improving its product mix and adjusting its costs base. If such actions prove insufficient to offset the decline in sales, this could adversely impact its gross margin and results.

Moreover, a concerted decline in the value of sterling against the euro over time, or changes to free-trade agreements, may push up the prices of goods that the Group imports for resale. The Group might not be in a position to pass on all such increases in its sale prices, which could have an adverse impact on its gross margin and its results.

Finally, the depreciation of the pound sterling against the euro has an adverse exchange rate impact on the contribution of the UK subsidiaries to the Group's consolidated income statement, which could worsen should that depreciation increase, particularly as for several years, that country has been the biggest contributor in terms of the Group's sales and EBITDA, accounting for more than a quarter of the Group's consolidated sales. Moreover, most of the Group's pension benefit obligations concern pension plans for UK-based personnel. The Group's British subsidiaries also represent substantial amounts on the Group's consolidated statement of financial position and off-balance sheet commitments, particularly due to the relative weight of the pension obligations (see Chapter 4, Notes 9, 15, and 29 to the consolidated financial statements). Therefore, the exchange rate between the pound sterling and the euro also has a material impact on the changes in consolidated equity.

Each of these Brexit-related effects, and any others that cannot be anticipated, could have a material adverse impact on the business and the Group.

Risk management

The Group, and particularly the UK operating teams, closely track the UK business environment, which affects all sector players equally, and regularly update different scenarios and internal processes impacting its operations for the purpose of managing these more effectively. These factors are incorporated into the budgeting process and may give rise to adjustments. The Group has also deployed a process to make its overheads more flexible, especially its supply chain.

Competitive environment

The market for the wholesale distribution of papers, packaging products and visual communication media is very competitive and includes international, regional and local players.

In the wholesale paper distribution sector, the Group's main competitors are other distributors whose activity is exclusively similar to the Group's, distributors integrated with producers, paper producers, resellers of office supplies and major equipment manufacturers. The paper distribution sector became very concentrated in Europe from the year 2000 onwards, and that concentration process continued in 2018. Antalis acquired Igepa's papers distribution business in Sweden and Norway and OptiGroup's German subsidiary is in the process of being acquired by Inapa.

It may be the strategy of distributors to pass on increases in the external costs of marketed products in their product sale prices. However, some of the Group's competitors might abandon this strategy, deciding not to maintain their margins in order to gain market share, which could have a material adverse impact on the Group's market share and results and on its ability to retain customers in the future.

The overcapacities in the Papers sector associated with the decline in volumes of printing and office papers, and the difficult economic circumstances of the last few years, have encouraged certain paper manufacturers, including some of the Group's suppliers, to increase direct sales of certain categories of products to end customers, to the detriment of distributors. This trend became more pronounced in 2014 in Germany, Benelux and France, the main paper distribution markets in Europe. End customers might decide to obtain more supplies directly from manufacturers, which would reduce the outlets for and intensify competition between distributors.

New entrants on the Group's markets could take advantage of the development of new internet communication tools to target some of the Group's customers and thus capture some of its market share. The Group considers that competition from other

online trade suppliers could intensify, whether directly or in the marketplace.

Should the Group fail to develop its online trade distribution channel at an appropriate pace, this competition could result in pressure on the Group's sale prices and a loss of market share.

These various sources of competition force the Group to constantly step up its competitiveness in order to convince its customers of the quality and added value of its products and associated services. The Group also has to regularly develop new products and services in order to maintain or improve its competitive position. In spite of its efforts, the Group's customers may not recognise the quality and added value of its offering, particularly in comparison with that of its competitors.

Finally, the plans to diversify the Group's activities in new markets for the professional distribution of packaging products and solutions and visual communication media could be affected and slowed down due to competitors already being present on those new markets. Those markets are still very fragmented and the Group is to a large extent competing with local or regional players who have built strong relationships and established local roots. Only a few groups have international coverage.

Risk management

The Group's market position is essential in this context. The Group plays an active role in the consolidation of the sector and has cemented its relations with its strategic suppliers while continuing to leverage the key differentiating factors that set it apart from its competitors, benefiting from its extensive range of high value-added products and solutions and its highly efficient supply chain.

Moreover, faced with this threat from new entrants, the Group has developed its internet sales websites since the beginning of the millennium and continues to develop these resources. E-commerce represents a significant and growing proportion of the Group's sales (13.8% of the Group's consolidated sales in 2018 and 36% of its stock order lines).

Dependence on certain suppliers and impact of Arjowiggins' situation

In order to secure the best possible purchasing conditions, Antalis purchases from a limited number of strategic suppliers.

In 2018, the Group's 12 largest suppliers represented about 53% in value of its total purchases and none of its suppliers represented more than 20%.

However, the Group cannot guarantee that its relationships with its suppliers will be maintained or renewed in the future, or that they will be maintained or renewed on equivalent economic and financial terms. Any lasting breakdown of supplies or significant price increase on the part of the Group's strategic suppliers and any deterioration or alteration in the relationships with those suppliers, change in their commercial strategy or failure by any of the Group's strategic suppliers, would be liable to have a material adverse impact on the Group.

As indicated on page 78, the Arjowiggins group, through its graphic and creative papers divisions, accounted for around 8% in value of the Group's annual paper purchases, split equally between these two divisions.

At the beginning of 2019, the majority of Arjowiggins' subsidiaries entered into insolvency proceedings and production stopped at certain mills, representing a potential threat to Antalis' supply chain.

The search for a buyer for Arjowiggins' creative papers' business (around 4% of Antalis' purchases) is continuing and should be completes in the second quarter of 2019. It should enable Arjowiggins' creative papers division to pursue its activity and Antalis to secure supplies of these high value-added products.

As regards the Arjowiggins graphic division (representing around 4% of Antalis' purchases, particularly in the recycled papers range, where the Group sources its products almost exclusively from Arjowiggins), on 29 March 2019, the Commercial Court of Nanterre ordered the liquidation of the mill located at Bessé sur Braye in France. Antalis is deploying alternative options that will enable it to partially continue serving its customers in these market segments.

The insolvency procedures affecting Arjowiggins and its parent Sequana, which is also a shareholder of Antalis, have affected and may continue to affect customer perceptions of Antalis.

Risk management

The Group has already had to deal with this type of situation over the past few years and, thanks to its international presence, it benefits from a very substantial portfolio of suppliers which enables it to replace all or part of the products obtained from a defaulting supplier.

In addition, Antalis markets certain products under its own brands and has more flexibility to make changes to procurement arrangements for its products if this becomes necessary.

As well as a solid international profile, Antalis also enjoys a strong local presence. This has allowed the Group to develop strong commercial ties underpinned by specialised sales teams for each business sector. As borne out by the most recent satisfaction survey in 2018 in which customers express an average satisfaction rating of 8 out of 10, Antalis has developed a solid customer base.

Failure of the Group's information, telecommunications and cyber-security systems

The Group's activities particularly depend on the effectiveness of its information and telecommunications systems, which support the Group's operational and support functions and its logistical organisation. Failure of, or a significant breakdown in information and telecommunications systems could prevent the Group from processing and preparing customer orders and invoices, or from handling calls from customers or suppliers. Should customers be unable to access price lists and obtain information about product availability, this could affect the Group's sales. The Group also relies on the development of EDI messages to its suppliers and customers to exchange information and process some of its orders.

The Group's competitiveness is particularly reliant on efficient logistics with delivery on "D + 1" or even on the same day in certain large cities where the Group operates warehouses. Consequently, the Group is exposed to a risk of disruption in its strategic and operating information systems.

Furthermore, the performance and reliability of the Group's websites are crucial in the context of the Group's strategy to develop e-commerce. The Group might be affected by events outside its control, which are liable to cause interruptions or

prolonged slowdowns of its websites or of the servers on which they are hosted. Cyber-security risks could take the form of a violation of confidentiality or an attack on system integrity or the availability of data and transactions processed by the information system. They may originate from external (attempted intrusion, cyber attacks) or internal (malicious acts, violation of data confidentiality, etc.) threats. Such acts may disrupt and limit the use of information systems and negatively impact the Group's sales.

Risk management

To manage this risk, the Group has devised contingency plans, set up an in-house team and contracted specialised external service providers to ensure that their information systems and websites work smoothly.

International nature of the Group's activities

The Group is present in certain countries where the political, economic and legal systems are less predictable than in countries with institutional structures that have long been established and which, in some cases, are subject to common rules. In 2018, 91% of the Group's sales were generated in Europe and 9% in the rest of the world.

Consequently, the Group's operations are subject to the local economic, fiscal, monetary, regulatory, operational and political conditions of the countries in which the Group operates. Political, economic or legislative changes affecting the systems in force could have a material adverse impact on the Group's operations in those countries, and consequently on the income generated by the investments made by the Group in its operations in those countries, and on the value of those investments. Investments or supplies in those countries might also be exposed to other risks and uncertainties (for example an unfavourable tax regime, commercial restrictions, inflation, monetary fluctuations or nationalisation). Moreover, currency restrictions in certain emerging countries may prevent the Group from transferring profits or selling on investments made in these countries. Although currently no exchange controls significantly affect the Group in the countries in which it is established, it is not certain that those countries will not introduce such controls in the future.

Furthermore, the Group's activities are sensitive to macro-economic conditions on the markets in which the Group operates.

Each of the Group's subsidiaries concentrates its activity on its domestic market, with rare exceptions (certain subsidiaries deliver to countries in Latin America where the Group does not have a subsidiary), so that its commercial transactions are all denominated in the currency of the country where it operates, as are the sums that it may lend to or borrow from the Company, so that the exchange rate risk to which each is subject is low.

Antalis holding company is subject to foreign exchange risk principally due to its centralising role in respect of the Group's cash pooling and financing arrangements, which result in it lending or borrowing substantial sums to or from its subsidiaries (particularly in pounds sterling and Swiss francs).

Finally, the Group is subject to complex tax legislation in the various countries in which it is present. In particular, due to its international operations, it is subject to transfer pricing rules, which can be particularly complex and subject to conflicting interpretations. Changes in various local tax legislation could have material adverse consequences for the Group's tax situation, its effective tax rate or the amount of tax to which it is subject.

Risk management

The Group hedges these risks when deemed appropriate, mainly using forward contracts and currency swaps and to a lesser extent, currency options. In this context, the Group is dependent on its banks to enter into hedging transactions. If one or more of its banks decides to withdraw from such hedging transactions, this could have a material adverse impact on the Group's ability to hedge its foreign exchange risk.

Analyses of sensitivity to exposure to fluctuations in exchange rates, and in particular to the pound sterling, the materialisation of this risk within the Group, the associated hedging methods and the valuation at their fair value of exchange rate risk hedging instruments, are detailed in Note 17c to the consolidated financial statements in Chapter 4, "Financial statements" of this document.

Finally, the Group uses the services of tax consultants to help it with local or international legal issues in its operations.

Attracting and retaining talent

The Group's performance and ability to deploy its strategy depend on the efforts, skills and business-specific know-how of its senior executives and key operating managers. The Group's activities could be adversely affected if for any reason a certain number of these directors or key employees were to leave the Group. There may only be a few individuals on the market who have the skills required to occupy these positions and the Group might not be able to replace these key employees with employees with equivalent qualifications on acceptable terms, which could affect its operational performance.

The Group's future success requires retaining the services of its directors or key employees, and continuing to attract and foster the loyalty of competent personnel. The Group is constantly having to recruit and retain qualified personnel in order to meet the challenges of sustainable growth and enhance its efficiency.

In addition, in the event that the directors or other key employees joined a competitor or formed a competing business, the Group could lose customers, part of its know-how and the key employees who might follow them.

Risk management

The Group constantly reviews its recruitment, compensation and career development policies, and ensures that it attracts and retains competent employees. In certain countries, the Group has put non-competition clauses in place together with specific bonuses to attract and retain key talent.

LEGAL RISKS

Environmental law, health and safety in the workplace, breaches of the Code of Ethics and CSR *legislation*

The Group is subject to numerous laws and regulations in France and abroad in relation to its distribution activities, particularly as regards labour law, customs law, competition law, consumer and data protection, e-commerce, product

liability, advertising, safety standards and reception of the public, as well as being subject to security, health and safety, and environmental standards. Specifically, the Group is subject to regulations on the traceability of products and the potential risks of a connection with illegal supplies of wood.

These risks together with how they are managed are described in Chapter 2, "Corporate Social Responsibility".

Legal disputes

In the normal course of their business, Group companies may be involved in a certain number of judicial, administrative, criminal or arbitration proceedings, particularly in commercial matters (mainly associated with the recovery of receivables from customers in financial difficulty or in liquidation), and in labour, civil liability, product liability, competition, intellectual property, tax or industrial, environmental and discrimination matters.

INSURANCE AND RISK MANAGEMENT

Group insurance policy

The Group's policy regarding insurance is coordinated by the Finance and Legal departments.

Antalis' worldwide insurance programmes are intended to protect its subsidiaries against any negative operational and financial consequences that might arise in connection with its activities. Every two to three years, the Group updates the identification and description of insured and insurable risks, in order to ensure that its cover is adequate and competitive. Based on this information, the Finance department negotiates with the major insurance companies to arrange the most suitable insurance to cover the risks affecting its activities.

In general, the arrangement of insurance policies is based on a determination of the level of cover necessary to deal with the occurrence of reasonably estimated liability, damage or other risks. This assessment takes the appraisals made by the insurers as the underwriters of the risks into account.

Uninsured risks are those for which no offer of cover exists on the insurance market, for which the offer of insurance comes at a disproportionate cost compared to its potential benefit, or for which the Group considers that insurance cover is not required.

The Group's main insurance policies, taken out with insurance companies with an international reputation, are as follows:

- general civil liability for operations and products, for damage of any kind caused to third parties (personal injury, physical or pure economic damage);
- physical damage to real property and its contents and consequential operating losses (computer equipment, miscellaneous equipment, stock, etc.);
- damage suffered by employees and/or their personal possessions during business travel;
- damage to goods in transit;
- losses resulting from fraud and/or malicious acts;
- comprehensive environmental liability; and
- liability of directors and corporate officers.

The main insurance programmes are common to each of the operational subsidiaries. They are taken out in Antalis' name on its own behalf and on behalf of its subsidiaries, in the majority of countries where the Group is established. Each of the Company's operational subsidiaries thus benefits from the same terms of cover and amounts of indemnification.

For confidentiality reasons, and due to the structural complexity of the policies in question, the Group does not consider it appropriate to disclose a breakdown of the costs and coverage level for each of the insured risks. However, the maximum amounts covered for the following risk areas are set out in the table below.

(in millions of euros per claim per year)	Amount
Property damage and business interruption	200
Civil liability	65

The Group regards its existing insurance cover, including the amounts covered and the insurance terms, as providing it with appropriate protection against the potential risks associated with its business. However, the Group cannot guarantee that it will not suffer any loss, or that no legal action will be brought against it, which is not within the scope of the cover provided by its existing insurance policies.

In the last three years, the Group has not suffered any significant incident resulting in a claim being made under the insurance policies described above.

However, the insurance policies taken out by the Group contain exclusions, limits of indemnity, sub-limitations for certain risks and excesses which could expose it to adverse consequences in the event of a significant claim or legal action brought against it. Furthermore, the possibility cannot be excluded that in certain cases, the Group may be obliged to pay substantial compensation that is not covered by the insurance policies in place, or may have to incur very significant expenses that are not reimbursed or that are insufficiently reimbursed by its insurance policies.

Risk management

Internal control and risk management system

Objectives

The control of risks is carefully monitored by the Group's executive management, in close association with internal control. The Group's risk management and internal control systems rely on a range of resources, procedures and actions intended to ensure that the necessary steps are taken to identify, analyse and control:

- significant risks liable to have an impact on the assets of the business, whether they are of a financial nature (risks that could jeopardise the reliability and transparency of financial information, risks of mistakes or fraud) or of an operational nature (risks arising from the Group's business and that of its subsidiaries);
- significant risks liable to have an impact on the objective of compliance with current laws and regulations and with the internal practices developed within the Group.

Organisational framework

A major proportion of the process of management of risks and internal control is currently monitored by the Group's executive management. Executive management determines the Group's internal control strategy and oversees the implementation of all the related measures.

Risk management and internal control are constantly managed by the operational and functional departments of the Company and its subsidiaries.

The Internal Audit department reports to the Chief Executive Officer of the Group. It coordinates all audit processes at Group level, independently assesses the quality of internal control at each level of the Group's organisation and assists executive management in assessing the effectiveness of the risk management systems. It also monitors the proper application of the procedures put in place and evaluates the compliance with ethical rules and ensures that potential failings are resolved. After each audit mission, the Internal Audit department issues a report to the Group's executive management and to the executive management of the audited unit, together with recommendations.

The other functional departments involved in risk management and internal control are centralised at Group level: the Finance, Legal, Financing and Treasury, Corporate Social Responsibility, and the Information Systems departments.

Finally, in light of the risk map, the Group's executive management examines the audit plan of the Group's main operational subsidiaries, as drawn up by the Internal Audit department. It also reviews the summary of the self-assessment process.

The risk management and internal control system

The Group's risk management and internal control system is based on a number of factors, and in particular:

- the development of principles, procedures and organisation, whether in terms of accounting and finance, traditional management (separation of the commitment and settlement of expenses, separation of cash and accounting functions, limitation of bank signatures, limitation of the system of delegation of powers and authority), in the areas of human resources or ethics and integrity;
- the development of procedures to monitor various specific subjects in legal matters (intellectual and industrial property, economic and competition law regulations, the prevention of counterfeiting, site, building and mill security, work safety, the prevention of clandestine labour and protection of the environment) followed by staff training and inspections;
- an annual self-assessment process using detailed internal control questionnaires;
- the organisation of visits by the Internal Audit department to Group entities followed by the preparation of reports on each mission together with recommendations;
- the follow-up of those recommendations;
- the mapping of the Group's major risks followed by the preparation of an annual audit plan;
- the supervision of the Group's internal control system.

Internal control initiatives

Risk-reduction measures

- Every year, each of the Group's main entities is required to complete a self-assessment process based on detailed internal control questionnaires (340 questions concerning 12 key processes). In 2015, the Group used the launch of a new governance, risk and compliance application to reorganise the self-assessment questionnaire, which was completed by 41 of the Group's entities in 2018.
- The responses to this questionnaire are centralised and analysed by the Internal Audit department, which then issues a report for each entity, as well as a report dealing with each key process on a Group-wide basis. An annual summary of the self-assessment process is submitted to executive management and to the Audit Committee. The results of the self-assessment process are constantly improving.
- Internal audits were conducted in 16 Antalis entities during the year and in each case a report complete with recommendations was sent to Group executive management and to the executive management of the audited entity.
- The recommendations issued are being followed up on to ensure that the action plans deemed necessary at the time of the audit are correctly applied. All of the Group's subsidiaries are internally audited about every three years and progress has been noted in critical processes in all entities without exception since periodic audits were introduced.

Mapping of the main risks

In the context of its risk management procedure, the Group maps its principal risks. The risk mapping preparation and review process makes it possible to identify the principal risks to which the Group is exposed, and to assess, for each of those risks, their potential impact and the implemented action plan, and in particular the persons responsible within the Group for the associated monitoring and controls. This risk map is regularly updated, which enables the Group to define and monitor the various specific action plans implemented to reduce or control the risks identified. The risk map was updated most recently in July 2018.

The ethical mechanism and organisation of CSR

Ethical behaviour is one of the Group's core values and one of its major preoccupations. CSR processes are detailed in Chapter 2, "Corporate social responsibility".

Compliance programme

The Group is conscious of the need to maintain dynamic, healthy and fair competition, as well as its ethical reputation. For this purpose, it has put in place a programme of compliance with anti-trust rules and to raise awareness of anti-corruption practices. This programme is intended particularly to ensure strict compliance by the Group's employees with the laws and regulations relating to competition law, and to require them to observe best practice.

This programme is based on (i) training sessions and initiatives to foster awareness among employees of anti-trust legislation and the latest developments in this area, and (ii) procedures for identifying, flagging and stamping out any non-compliant practices.

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Information about the Company, its capital and ownership structure –Stock market information

General information about the Company

Company details

Corporate name

On 23 May 2018, the Annual General Meeting decided to change the Company's corporate name from Antalis International to **Antalis** with effect from 1 July 2018.

Address and registered office

Antalis' registered office is located at:

8 rue de Seine, 92100 Boulogne-Billancourt – France

The Company's postal address is:

8 rue de Seine, 92517 Boulogne-Billancourt cedex – France

Telephone contact details

Tel.: +33 (0)1 58 04 21 00

Date of incorporation and term

The Company was incorporated on 29 November 1996 for a term expiring on 18 December 2095, unless extended or dissolved before such time.

Legal form and governing law

Since 6 June 2017, Antalis has been a French joint stock company (*société anonyme*) governed by French commercial law, in particular the French Commercial Code (*Code de commerce*).

Prior to this, Antalis was a French simplified joint stock company (*société par actions simplifiée*).

Registration and LEI code

Antalis is registered with the Nanterre Trade and Companies Registry under number 410 336 069.

Its SIRET (business identification) number is 410 336 069 00050 and its APE (business sector) code is 7010Z.

Its LEI (Legal Entity Identifier) code is:

9695003PPW06L597WF15.

Financial year

The Company's financial year covers a twelve-month period from 1 January to 31 December.

Website

www.antalis.com

Information that can be found on the Company's website is not an integral part of this document, except if incorporated by reference into said document.

Corporate purpose

Antalis' purpose in all countries is:

1. designing, manufacturing, purchasing, selling, trading, processing and distributing any and all paper, cardboard, and plastic products and those in any related or derivative materials, any and all communication materials, items, including those in which paper, cardboard and paper fibres are one of the components, any and all items that may be produced on paper and cardboard machinery and products of which the development is related to paper and cardboard, such as but not limited to stationery, office supplies, office equipment, promotional items, IT, desktop or photocopying-related items, packaging and conditioning, health and safety products
2. marketing services of any and all kinds, including logistics or distribution-related services or selling the products referred to in paragraph 1
3. acquiring, operating, selling or transferring any patents, licences, copyrights, processes and manufacturing secrets, techniques, models, brands or software related to the products and materials designated in paragraph 1
4. designing, acquiring, operating, selling or granting a service concession (*affermage*) to any and all industrial or commercial companies, plants, warehouses, distribution centres, plant and equipment of any kind, necessary or useful for the furtherance of its corporate purpose
5. establishing shareholdings in any companies, irrespective of their corporate form, associations and groupings in France and elsewhere, regardless of their corporate purpose and their business activities
6. managing shares and securities, investing by any means, including through acquisitions, capital increases, absorptions and mergers
7. designing, acquiring, letting or securing a concession to, operating any businesses in France or abroad, irrespective of their activities and notably in the financial, industrial, commercial, mining, agricultural or forestry sectors, or those related to the activities laid down in paragraph 1
8. managing its assets and property, both tangible and intangible, and any portfolios, irrespective of their composition

Rights, preferences, obligations and restrictions attached to shares pursuant to the Articles of Association

Form of shares and shareholder identification (Article 9 of the Articles of Association)

The Company's shares – which may be held in either registered or bearer form – are recorded in shareholders' accounts in accordance with the applicable laws and regulations.

The Company may ask to receive information, from any authorised body or intermediary, on the identity of its shareholders or holders of other securities conferring voting rights in the Company, either immediately or in the future, the number of securities they hold, and any restrictions on said securities, in accordance with and subject to the penalties provided by the legislation in force.

In compliance with the applicable laws and regulations, any intermediary registered on behalf of a shareholder in accordance with Article L. 228-1 of the French Commercial Code is required to disclose the identity of the person or entity in the name of whom it is acting, upon simple request by the Company or its representative, which may be made at any time.

Clauses governing changes in the share capital

Any changes in the share capital attached to shares are subject to the applicable laws and regulations as the Company's Articles of Association do not contain any specific provisions in this respect. Changes in the voting rights attached to the shares, excluding those subject to applicable laws and regulations, are described below.

Voting rights (Article 21 of the Articles of Association)

Subject to the following provisions, the voting rights attached to the Company's shares are based on the proportion of capital those shares represent, with each share carrying at least one vote.

From 12 June 2019 on, double voting rights will be granted to all fully paid-up shares whose holders can prove they have been registered in the same name for at least two years.

Double voting rights cease automatically with respect to any shares converted into bearer form or transferred, except as expressly provided by law.

In the event of a capital increase paid up by capitalising reserves, profits or issue premiums, double voting rights will, from the date of issue, be allocated to shares awarded free of charge to eligible shareholders based on the number of existing shares held in registered form.

Transfer of shares (Article 10 of the Articles of Association)

The sale and transfer of shares shall be unrestricted.

Dividends (Articles 12 and 22 of the Articles of Association)

Each share entitles its holder to a proportion of the Company's profits and net assets equal to the proportion of capital represented by the share.

At least 5% of profit for the year, less any losses brought forward from prior years, is transferred to the legal reserve until such time as the legal reserve represents one-tenth of the share capital. Further annual transfers are made on the same basis if the legal reserve falls below one-tenth of the share capital.

Distributable income is composed of profit for the year less any prior year losses and amounts appropriated to reserves in compliance with the law or the Articles of Association, plus any retained earnings.

Shareholders in a General Meeting may decide to appropriate all or part of this amount to any discretionary reserves or to retained earnings.

The balance is then distributed among shareholders pro rata to their shareholding.

The Company's shareholders may decide to pay a dividend out of distributable reserves, stipulating the reserve accounts from which the dividend is to be deducted.

The methods of payment for dividends are determined by shareholders in a General Meeting or by the Board of Directors in the absence of a decision by the shareholders.

The General Meeting may offer shareholders the option of receiving all or part of the dividend in the form of cash, new shares in the Company or other assets. The Board of Directors may also offer this option in relation to an interim dividend in compliance with the law. In addition, the general meeting may decide in respect of part or all of the dividend, interim dividend, reserves or premiums distributed that the dividend, reserves or premiums will be paid out in kind through remittance of the Company's assets, including investment securities.

Disclosure thresholds (Article 12 of the Articles of Association)

In addition to the regulatory requirements concerning the statutory disclosure thresholds in force (5%, 10%, 15%, 20%, 25%, 33.3%, 50%, 66.6%, 90% and 95%), any individual or legal entity that raises its interest in the Company, held directly or indirectly, through one or more of the legal entities that it controls within the meaning of Article L. 233-3 of the French Commercial Code, to 0.5% of the share capital, is required to disclose to the Company by registered letter, with return receipt requested, the total number of shares owned. Said disclosure formalities must be carried out within five trading days of the date the threshold is crossed and must be respected each time a shareholder's interest is raised to above or reduced to below any 0.5% threshold, even if the thresholds crossed are higher or lower than those provided for by law. An intermediary registered as holding shares on behalf of a shareholder in accordance with the applicable laws and regulations is required, without prejudice to the obligations of the shareholder concerned, to make the above-mentioned disclosures with respect to all of the shares registered in the intermediary's account. In the case of fund management companies, said disclosure formalities must be carried out for all of the Company's shares held by the funds that they manage.

If a shareholder fails to comply with the above disclosure rules, the shares not disclosed pursuant to the law or the provisions described above will be stripped of voting rights at all General Meetings for a period of two years as from the date on which the omission is remedied. This sanction will only apply upon request by one or more shareholders owning at least 5% of the Company's capital, duly recorded in the minutes of a General Meeting.

General meetings – Notice of meetings and participation (Article 20 of the Articles of Association)

General Meetings are called by the Board of Directors or, where necessary, by the Statutory Auditors or any duly authorised person. Only matters on the agenda may be discussed at these meetings.

Irrespective of the number of shares held and in accordance with the applicable law and regulations, all shareholders have the right to participate in General Meetings, either in person, by proxy, or by casting a postal vote, subject to presentation of proof of identity and registration of their shares.

In accordance with the applicable law and regulations, shareholders may send their proxy/postal voting forms for Ordinary or Extraordinary General Meetings either in paper format or, if authorised by the Board of Directors in the notice of meeting, in electronic form.

The Company's Articles of Association state that postal and proxy votes will only be taken into account if received by the Company at least three days before the General Meeting, and that this period may be shortened if authorised by the Board of Directors. Electronic voting forms may also be received by the Company until 3.00 p.m. CET on the day preceding the meeting.

Once shareholders have cast a postal or electronic vote, appointed a proxy or requested an admission card or share ownership certificate for the purpose of attending a General Meeting, they may not participate in the meeting in any other way. Such shareholders may still sell or otherwise transfer all or some of their shares, but where the sale or transfer takes place prior to midnight CET on the second business day preceding the meeting, the Company will cancel or amend the related proxy, postal or electronic vote, admittance card or share ownership certificate accordingly.

Public consultation of corporate documents

In accordance with the law, the Company's corporate documents and historical financial information can be consulted at Antalis' registered office located at 8 rue de Seine – 92100 Boulogne-Billancourt – France.

Regulated information within the meaning of Article 221-1 of the AMF's General Regulations is also available in both English and French on the Company's website at www.antalis.com.

Further information on the Antalis Group may be obtained free of charge by writing to:

Antalis, 8 rue de Seine, 92517 Boulogne-Billancourt cedex, France.

INFORMATION ABOUT THE COMPANY'S CAPITAL AND OWNERSHIP STRUCTURE

Changes in share capital in 2018 and over the last five years

At 31 December 2017, Antalis' share capital amounted to €213,000,000, divided into 71,000,000 shares of the same class, each with a par value of €3.

As no new shares were created for any purpose during the year, the Company's share capital at 31 December 2018 still stood at €213,000,000, divided into 71,000,000 shares, each with a par value of €3.

There were no significant changes in the Company's share capital between 31 December 2018 and the date on which this document was published.

Changes in share capital over the last five years

	Date of the transaction	Increase or decrease (in €)	Number of shares created or cancelled	Number of shares making up the share capital	Par value of shares (in €)	Total share capital (in €)
Position at 31 December 2013				77,776,190	9.00	699,985,710
Capital reduction	25/07/2014	(60,985,710)	(6,776,190)	71,000,000	9.00	639 ,000,000
Position at 31 December 2014				71,000,000	9.00	639,000,000
Position at 31 December 2015				71,000,000	9.00	639, 000,000
Position at 31 December 2016				71,000,000	9.00	639,000,000
Capital reduction	21/04/2017	426,000,000	0	71,000,000	3.00	213,000,000
Position at 31 December 2017				71,000,000	3.00	213,000,000
Position at 31 December 2018				71,000,000	3.00	213,000,000

Ownership structure and voting rights

In 2016, the 71,000,000 shares comprising Antalis' share capital and voting rights were fully-owned by Sequana.

On 12 June 2017, Sequana distributed 12,995,373 of the Company's shares – i.e., 18.30% of its share capital – to its shareholders, leaving Sequana with an 81.70% stake in the Company's capital, and all of Antalis' shares were listed on the regulated Euronext Paris stock market.

When the Company's shares were listed on 12 June 2017, its ownership structure and voting rights were as follows:

	12 June 2017					
	Number of shares	% capital	Theoretical number of voting rights	% of theoretical voting rights	Number of voting rights exercisable at General Meetings	% of voting rights exercisable at General Meetings
Sequana	58,004,627	81.70	58,004,627	81.70	58,004,627	81.70
Bpifrance Participations	2,009,966	2.83	2,009,966	2.83	2,009,966	2.83
Free float	10,985,407	15.47	10,985,407	15.47	10,985,407	15.47
Treasury shares	0	-	0	-	0	-
Total	71,000,000	100.00	71,000,000	100.00	71,000,000	100.00

On 25 September 2017, Antalis was informed by its main shareholder, Sequana, of the transfer of 4,609,479 Antalis shares, i.e., 6.49% of its share capital, to partially repay loans granted to it on 6 November 2016 by Bpifrance Participations and Impala Security Solutions BV. Including these transfers, Antalis' ownership structure and voting rights were as follows on 31 December 2017[(1)]:

	31 December 2017					
	Number of shares	% capital	Theoretical number of voting rights	% of theoretical of voting rights	Number of voting rights exercisable at General Meetings	% of voting rights exercisable at General Meetings
Sequana	53,395,148	75.21	53,395,148	75.21	53,395,148	75.34
Bpifrance Participations	6,064,946	8.54	6,064,946	8.54	6,064,946	8.56
Free float	11,408,694	16.07	11,408,694	16.07	11,408,694	16.10
Treasury shares	131,212	0.18	131,212	0.18	0	-
Total	71,000,000	100.00	71,000,000	100.00	70,868,788	100.00

(1) The 554,499 shares transferred to Impala Security Solutions BV were reclassified in the free float.

There were no significant changes in the Company's ownership structure in 2018 besides changes relating to its liquidity agreement. Antalis' ownership structure and voting rights were as follows on 31 December 2018:

	31.12.2018					
	Number of shares	% capital	Theoretical number of voting rights	% of voting rights	Number of voting rights exercisable at General Meetings	% of voting rights exercisable at General Meetings
Sequana	53,395,148	75.21	53,395,148	75.21	53,395,148	75.64
Bpifrance Participations	6,064,946	8.54	6,064,946	8.54	6,064,946	8.59
Free float	11,130,571	15.68	11,130,571	15.68	11,130,571	15.77
Treasury shares	409,335	0.57	409,335	0.57	0	-
Total	71,000,000	100.00	71,000,000	100.00	70,590,665	100.00

There were no significant changes in the Company's ownership structure between 31 December 2018 and the date on which this document was published.

To the Company's knowledge, no shareholder other than those mentioned previously owns directly or indirectly, alone or in concert, more than 5% of the Company's capital or voting rights.

As far as the Company is aware, 2,132 shareholders held Antalis shares in registered form at 31 December 2018, compared with 2,240 shareholders at 31 December 2017 (*source: BNP Paribas Securities Services*), representing 84% of the Company's capital and voting rights.

At 31 December 2018, the proportion of the Company's share capital held by employees of Antalis in their own name was non-material.

No Antalis shares are held by any of its subsidiaries.

Voting rights

As described in "General information about the Company – Voting rights", all shares in the Company carry one voting right,

except for registered shares carrying double voting rights. The Company's Articles of Association provide for double voting rights for all shares registered in the name of the same holder for at least two years from the first day of trading of the Company's shares, i.e., 12 June 2017. Shares may therefore carry double voting rights as from 12 June 2019.

No shareholders hold any special voting rights.

At 31 December 2018, the 71,000,000 shares making up the Company's capital carried 71,000,000 theoretical voting rights and 70,590,665 voting rights exercisable at General Meetings. Only treasury shares do not carry any voting rights, in accordance with Article L. 225-210 of the French Commercial Code (which accounts for differences between the theoretical number of voting rights and the number of voting rights exercisable at General Meetings).

Shareholders agreement – Action in concert

No shareholders' agreements or action in concert exist between any of Antalis' shareholders.

Control of the Company

As of the date on which this document was published, Antalis is controlled exclusively by Sequana, which holds 75.2% of its share capital and voting rights.

To ensure that this control is not exercised in an abusive manner, half of the members of Antalis' Board of Directors are independent, i.e., a higher proportion that required under the AFEP-MEDEF corporate governance code for controlled companies, and all of the Board committees are chaired by an independent director.

Change of control – Information likely to have an impact in the event of a public offering

As of the date on which this document was published, there are no agreements in existence whose implementation could result in a change of control of the Company.

However, in April 2018 Sequana announced that it did not intend to remain Antalis' controlling shareholder in the long term. On 6 February 2019, Antalis informed the market that in agreement with Sequana, it had taken the decision to commission an investment bank to set up a new shareholding structure in the coming months in the interests of the Company, which would enable it to ensure its development and to implement its strategic plan.

The Group's financing agreements include a clause protecting lenders in the event of a change of control of the Company.

In the event of a public offering for the Company's shares, both the offerer and the Company must comply with relevant legislation and the guidelines published by the AMF. Antalis' Articles of Association do not contain any provisions liable to delay, postpone or prevent a change of control of the Company.

The Articles of Association do not contain any specific rules likely to have an impact in the event of a public offering, apart from the Company's entitlement to trade in its own shares under certain conditions, including when a public offering is in progress (see "Share buyback programmes").

Mandatory disclosure of changes in holdings

In 2018 and early 2019 up to the date on which the French version of this document was published, Antalis had not received any notifications disclosing changes in holdings. Antalis received the following notifications that thresholds provided for in the Articles of Association had been crossed:

	Date of notification	Increase/ Decrease	Threshold crossed (% capital)	% capital held
Talence Gestion	9 February 2018	Increase	0.50%	0.52%
Dimensional Fund Advisors LP	7 August 2018	Decrease	0.50%	0.49%

Dealings in the Company's shares by Antalis executives, related parties and members of their family

During 2018, the following disclosures were filed with and published by the AMF in accordance with Article L. 621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*):

- On 16 April 2018, Bpifrance Participations, which was a director of Antalis up to 24 July 2018, declared that it had entered into a €10 million loan agreement with Sequana and that 7,409,848 Antalis shares had been pledged to Bpifrance Participations as collateral for the obligations under said loan (AMF disclosure no. 2018DD546045). This pledge of Antalis shares followed in the wake of other previous loan agreements between Bpifrance Participations and Sequana, which were also secured by a pledge of Antalis shares to Bpifrance Participations (AMF disclosure no. 2017DD512044).
- On 16 April 2018, Sequana, in its capacity as a legal entity with close ties (within the meaning of EU Regulation No. 596/2014, Article 3.2.26d) to Pascal Lebard, its Chairman and Chief Executive Officer and Chairman of the Board of Directors of Antalis, declared that in application of EU Regulation No. 596/2014, Article 19-7, it had given pledges on Antalis shares as collateral for various loans granted to it by Bpifrance Participations and Impala Security Solutions BV. (AMF disclosure nos. 2017DD513300 & 2018DD546159). Sequana declared that the number of Antalis shares pledged (i) was determined for each loan based on the amounts due from Sequana and the volume-weighted price of Antalis shares on Euronext Paris over a number of trading days stipulated in the loan agreement, less a discount of 10% or 20% depending on the loan, and (ii) that this number was adjusted if the weighted average Antalis share price used to calculate the number of shares pledged increased or decreased of the most recent value used.

Pledges of the Company's shares

As far as the Company is aware, at 31 December 2018, pledges have been given on a total of 53,420,892 Antalis shares held in fully registered form (i.e., approximately 75.24% of its share capital).

Share buyback programmes

On 11 May 2017, the Company's shareholder decided, subject to the listing of Antalis' shares on Euronext Paris, to grant an 18-month authorisation to the Board of Directors and, by delegation, any other duly authorised person, to buy back Antalis shares representing a maximum of 10% of the Company's capital. This authorisation took effect on 12 June 2017 when the Company's shares were listed.

The Board of Directors subsequently decided to set up a share buyback programme.

On 19 June 2017, Antalis set up a liquidity agreement for the purpose of optimising the liquidity of its shares and the regularity of its quotations on Euronext Paris. This agreement is managed by Oddo & Cie and Antalis set the amount allocated to the agreement at €400,000.

On 23 May 2018, in the 7th resolution of the General Meeting, the share buyback authorisation granted on 11 May 2017 was terminated in respect of the unused portion, and replaced by a new 18-month authorisation granted to the Board of Directors and, by delegation, any other duly authorised person, to buy back Antalis shares representing a maximum of 10 % of the Company's capital.

On 3 July 2018, Antalis signed an amendment to the liquidity agreement with the allocation of a further €350,000, bringing the total amount to €750,000 as of 4 July 2018

All share buyback transactions in 2018 were carried out within the scope of the liquidity agreement.

Between 1 January and 31 December 2018, 808,256 Antalis shares were purchased at an average gross volume-weighted price of €1.49. In the same period, 530,133 Antalis shares were sold at an average gross volume-weighted price of €1.63.

The total amount of trading fees in 2018 was €35,000. At 31 December 2018, Antalis held 409,335 treasury shares, representing 0.57% of the Company's capital and a market value of €384,775. All of these shares were acquired in connection with the liquidity agreement.

Authorised, unissued capital - Financial authorisations in force

To date, the Company has the following authorisations and delegations of authority:

Purpose of the authorisation or delegation of authority	Maximum nominal amount authorised	Expiry/Duration of the authorisation or delegation of authority
Delegation of authority granted to the Board of Directors to issue shares or securities carrying rights to shares or to debt securities, with pre-emptive subscription rights for existing shareholders	Shares: €100 million Debt securities: €600 million	July 2019 (26 months)
Delegation of authority granted to the Board of Directors to issue shares or securities carrying rights to shares, without pre-emptive subscription rights for existing shareholders but with the possibility of granting a priority subscription period	Shares: €80 million Debt securities: €600 million	July 2019 (26 months)
Authorisation granted to the Board of Directors to increase the number of securities issued in the event of a capital increase with or without pre-emptive subscription rights for existing shareholders pursuant to the two aforementioned delegations of authority	15% of the issue	July 2019 (26 months)
Delegation of authority granted to the Board of Directors to issue shares or securities carrying rights to shares, without pre-emptive subscription rights for existing shareholders, as part of an offer referred to under section II of Article L. 411-2 of the French Monetary and Financial Code	Shares: 15% of the share capital Debt securities: €600 million	July 2019 (26 months)
Delegation of authority granted to the Board of Directors to issue shares or securities carrying rights to shares, without pre-emptive subscription rights, as a result of the issuance by a related company of securities carrying rights to shares of the Company	Shares: €80 million Debt securities: €600 million	July 2019 (26 months)
Delegation of authority granted to the Board of Directors to issue shares or securities carrying rights to shares as payment for shares tendered to a public exchange offer or similar operation	Shares: €80 million Debt securities: €600 million	July 2019 (26 months)
Authorisation granted to the Board of Directors to set the share issue price in the event of a capital increase without pre-emptive subscription rights	10% of capital (per year)	July 2019 (26 months)
Delegation of authority granted to the Board of Directors to issue shares or securities carrying rights to shares as consideration for contributions in kind granted to the Company in the form of shares or securities carrying rights to the share capital of third-party companies	10% of capital	July 2019 (26 months)
Delegation of authority granted to the Board of Directors to increase the Company's capital by capitalising premiums, reserves, profit or other eligible items	Total amounts available for capitalisation	July 2019 (26 months)
Issue of shares and/or securities carrying rights to shares, reserved for employees who are members of an employee savings plan	5% of capital(1)	July 2019 (26 months)
Issue of shares and/or securities carrying rights to shares, reserved for employees of foreign subsidiaries of the Group	5% of capital(2)	November 2019 (18 months)
Authorisation to grant stock options	5% of capital(3)	July 2020 (38 months)
Authorisation to award free shares	5% of capital(4)	July 2021 (38 months)
Authorisation to implement a share buyback programme	10% of capital	18 months(5)
Authorisation to reduce the Company's share capital	10% of capital	18 months(5)

(1) The total number of shares and securities issued to employees of foreign subsidiaries is included in this ceiling.
(2) The total number of shares and securities issued to employees who are members of an employee savings plan is included in this ceiling.
(3) The total number of share awards is included in this ceiling.
(4) The total number of stock subscription or purchase options granted by the Board is included in this ceiling.
(5) Authorisation expiring on the date of the Annual General Meeting called to approve the financial statements for the year ended 31 December 2018.

The aggregate maximum amount of any capital increases that may be carried out in accordance with these authorisations – excluding shares issued to members of an employee savings plan and employees of foreign subsidiaries – is capped at €100 million, and the issue of debt securities is capped at €600 million. The ceiling on capital increases does not apply to the delegation of authority granted to the Board of Directors to increase the Company's capital by capitalising premiums, reserves, profit or other eligible items.

In 2018, the following authorisations were used:

- The authorisation granted to the Board of Directors by the Company's sole shareholder on 11 May 2017 to trade in the Company's shares on the market was used from 1 January 2018 to 22 May 2018 in connection with the liquidity agreement managed by Oddo & Cie (see "Share buyback programmes").
- The authorisation granted to the Board of Directors by the Annual General Meeting of 23 May 2018 to trade in the Company's shares on the market was used from 23 May 2018 to 31 December 2018 in connection with the same liquidity agreement managed by Oddo & Cie.

Antalis did not use any of the other authorisations and delegations of authority granted.

As some of the above authorisations are due to expire shortly, shareholders will be invited to renew them under similar conditions, at the Annual General Meeting to be held on 28 May 2019.

Potential share capital

On 23 May 2018, a share award plan was set up for 40 beneficiaries with the aim of incentivising key Group executives and managerial-grade staff and giving them a stake in Antalis' future performance. This plan, which was decided by the Board of Directors using the authorisation granted to it by the Annual General Meeting of 23 May 2018, covers a maximum total number of 720,000 shares which may vest in 2020 following a two-year vesting period with no lock-up period.

All shares granted under this plan – regardless of the beneficiary – are subject to presence and performance conditions related to the Group's business plan and changes in the Antalis share price.

The shares awarded under this plan will be new shares issued by Antalis through the capitalisation of reserves, profit or issue premiums.

However, in light of the change in the performance criteria, the possibility of the shares being awarded free of charge under this plan, as described on page 60, is deemed remote.

At the date on which this document was published, there was no other potential share capital in any form.

STOCK MARKET INFORMATION

Antalis share data

Listing of Antalis shares	12 June 2017. Opening share price for the first trading session set at €3 per share. Settlement date: 14 June 2017.
Market	Euronext Paris The shares were listed in Segment B on 12 June 2017 and transferred to Segment C on 26 January 2018. Eligible for the SRD long-term settlement service from 27 December 2017 to 27 December 2018.
Indices	CAC Small – CAC Mid & Small
Stock market codes	ISIN: FR0013258589 Ticker symbol: ANTA Reuters ticker: ANTA.PA Bloomberg ticker: ANTA:FP

Trading volumes, share performance and market capitalisation

Month	Number of shares traded	Value of capital traded (in € millions)	High (in €)	Low (in €)	Market capitalisation (month-end) (in € millions)
January 2018	1,080,492	2.16	2.08	1.91	142.00
February 2018	540,103	1.02	2.01	1.81	132.06
March 2018	301,150	0.55	1.89	1.74	128.08
April 2018	587,452	1.03	1.92	1.58	116.01
May 2018	766,622	1.19	1.68	1.45	109.20
June 2018	1,763,216	2.52	1.54	1.31	96.84
July 2018	376,951	0.53	1.47	1.36	103.09
August 2018	172,021	0.25	1.46	1.40	99.54
September 2018	327,829	0.43	1.42	1.21	86.62
October 2018	1,259,099	1.40	1.23	0.94	79.95
November 2018	530,304	0.58	1.16	0.97	78.66
December 2018	261,287	0.26	1.10	0.91	66.74
January 2019	405,132	0.37	0.94	0.89	64.89
February 2019	487,587	0.54	1.34	0.81	78.81

Source: Euronext

Dividend payout policy

The Annual General Meeting of 23 May 2018 resolved to pay a dividend of €0.08 per share in respect of 2017. However, the terms of the Group's financing agreements prevent the Company from paying any dividends in respect of the period 2018-2020 in order to ensure the best conditions for its development and transformation plan.

In light of the above, at the date of this document, the Company had not defined a dividend payout policy for the coming years.

Dividends and reserves paid by the Company over the past five years

Year	Total amount of dividends paid for year concerned (in €)	Total amount of dividends paid during year concerned (in €)	Total amount of reserves paid during year concerned (in €)
2017	5,666,374	-	8,000,000
2016	-	4,000,000	4,000,000
2015	4,000,000	-	8,000,000
2014	-	-	7,992,000
2013	-	-	

Shareholder information

Antalis regularly reports to its individual and institutional shareholders – and the wider financial community – concerning its activities, strategy and outlook. It provides the market with quarterly updates on its key operational indicators and strategic focuses, and publishes full or condensed financial statements twice a year. A financial notice is published in the French media (in print or online) in connection with the Group's annual and half-yearly earnings announcements.

All of the Company's economic and financial information is available in both English and French on the Antalis website at www.antalis.com. The website may be used to consult the share price in real time and obtain the latest press releases, analyst presentations and regulated information. An e-mail alert service informs all interested parties of the latest news releases.

The Antalis Communication & Investor Relations department deals with any queries or requests for information sent:

- by mail, addressed to: Antalis, 8 rue de Seine, 92517 Boulogne-Billancourt Cedex, France
- via the Group's website: www.antalis.com
- by e-mail to contact@antalis.com
- by telephone: +33 (0)1 58 04 21 90

Moreover, shareholders who hold their shares in fully-registered form are exempted from custody fees and receive personalised mailings of information published by the Group, including Notice of the Annual General Meeting.

Shareholders who wish to register their Antalis shares should contact BNP Paribas Securities Services, the Company's share account manager:

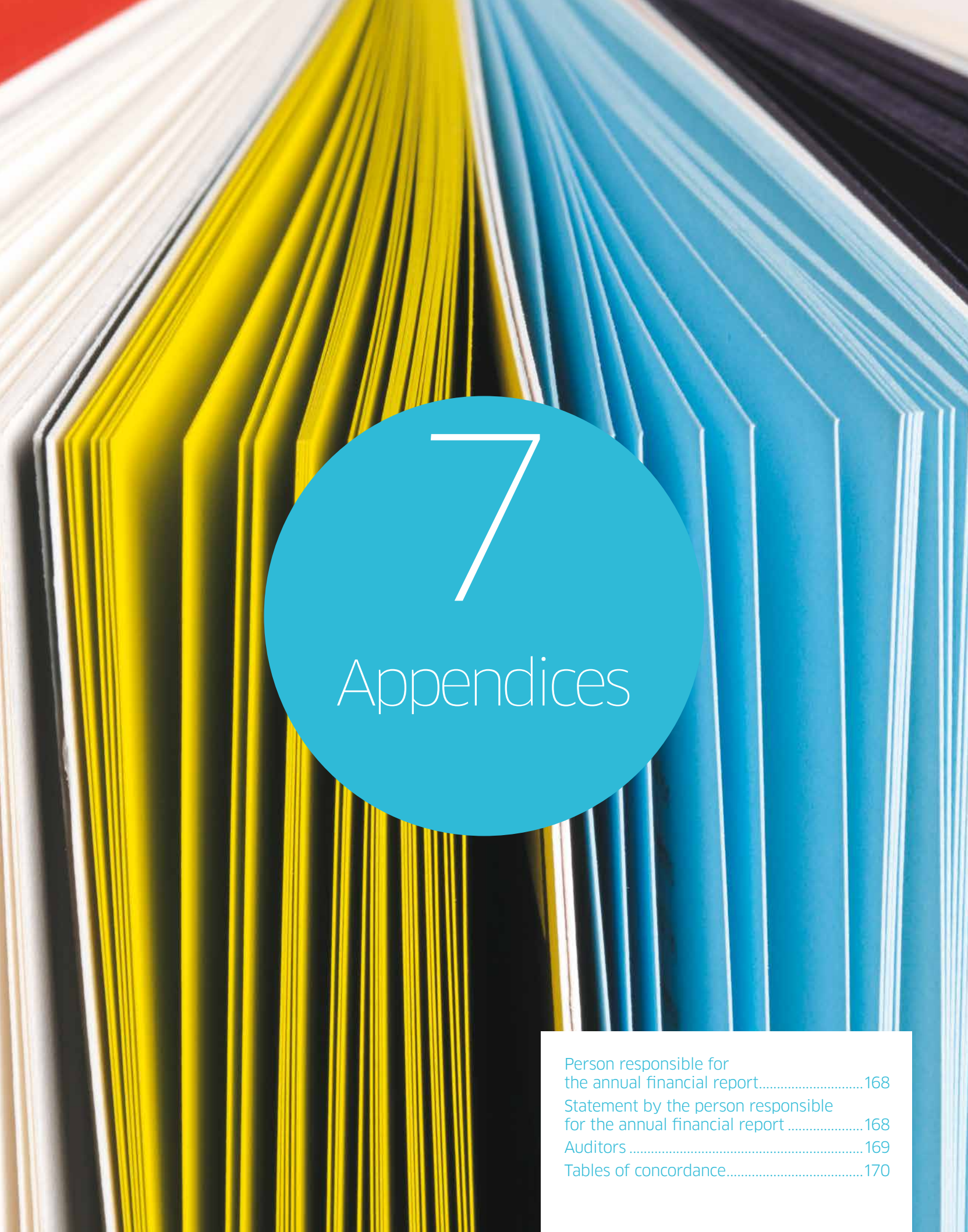
BNP Paribas Securities Services

Investor Relations

9, rue du Débarcadère

93500 Pantin, France

Tel.: 0 826 109 119 (France only)



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Appendices

Person responsible for the annual financial report

Hervé Poncin
Chief Executive Officer
Antalis
8 rue de Seine – 92100 Boulogne-Billancourt (France)

Statement by the person responsible for the annual financial report

I further declare that, to the best of my knowledge, the financial statements for 2018 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings in the consolidation taken as a whole, and that the management report presented in this document includes a fair review of the operations, profit or loss and financial position of the Company and the undertakings in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Boulogne-Billancourt, 11 April 2019

Hervé Poncin
Chief Executive Officer

AUDITORS

Statutory Auditors

PricewaterhouseCoopers Audit
63 rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France
represented by Stéphane Basset

Constantin Associés
(Member of Deloitte Touche Tohmatsu Limited)
6 place de la Pyramide,

92908 Paris La Défense Cedex
represented by Thierry Quéron

Deputy Statutory Auditor

Anik Chaumartin
63 rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France

PricewaterhouseCoopers Audit and Constantin Associés (member of Deloitte Touche Tohmatsu Limited) are registered as Statutory Auditors with the Versailles *Compagnie régionale des commissaires aux comptes* and fall under the authority of the *Haut Conseil du commissariat aux comptes*.

Information relating to the Statutory Auditors and their terms of office is provided on page 64.

Table of concordance for the annual financial report

Article L.451-1-2 of the French Monetary and Financial code (*Code monétaire et financier*) and Article 222-3 of the AMF's General Regulations	Pages
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