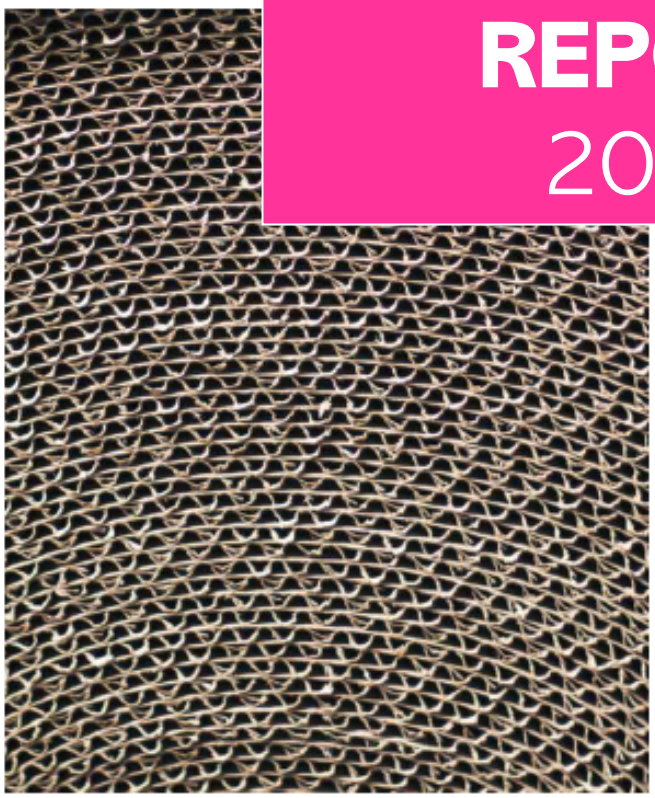
HALF-YEARLY FINANCIAL REPORT 2019



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Contents

Half-yearly business report

In H1 2019, the Group's operating performances were hit by the decline in volumes of Papers in a market that contracted by around 7%, and by the bankruptcy of one of its graphic and recycled papers suppliers. Consequently, consolidated sales declined by 5.4% on a comparable basis.

Against this backdrop, Antalis has continued to adapt its structure to changing patterns of demand and significantly reduced its overheads, particularly logistics and marketing costs. EBITDA margin came in at 2.8%. In the second-half of the year, in a tough global market, Antalis' sales will continue to decline in the Papers sector in a deflationary environment, partially offset by the positive impact of new ranges of recycled papers and the revamping of creative papers. The Group should also continue to benefit from the resilience of the Packaging business which, along with Visual Communication, contributed 39% of Antalis' consolidated gross margin in H1 2019, up 2 points year on year.

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019

Consolidated income statement

(in € millions)	H1 2019 before first-time application of IFRS 16	H1 2018	Δ as reported	Δ on a comparable basis[1]	H1 2019 after first-time application of IFRS 16	H1 2018
Sales	1,072.2	1,178.1	- 9.0%	- 5.4%	1,072.2	1,178.1
Gross margin	261.3	286.3	- 8.7%	- 5.5%	261.3	286.3
Gross margin rate (% of sales)	*24.4%*	*24.3%*	*+ 0.1 point*	-	*24.3 %*	*24.3%*
EBITDA	30.1	36.0	- 16.4%	- 9.9%	51.0	36.0
EBITDA margin (as % of sales)	*2.8%*	*3.1%*	*- 0.3 points*		*4.8%*	*3.1%*
Current operating income	19.4	24.7	- 21.4%	- 13.1%	20.9	24.7
Current operating margin (as % of sales)	*1.8%*	*2.1%*	*- 0.3 points*		*1.9%*	*2.1%*

Net income (loss) attributable to owners	(27.4)	(15.5)
Diluted earnings (loss) per share (€)	(0.39)	(0.22)
Average number of shares after dilution	70,511,313	70,836,485

(1) Changes in comparable figures reflect calendar, FX and perimeter impacts.

The following table shows the impact of first-time application of IFRS 16 on key operating indicators in H1 2019:

(in € millions)	H1 2019 before first-time application of IFRS 16	Cancellation of lease payments	Depreciation of right-of-use assets	Lease liabilities and finance costs	H1 2019 after first-time application of IFRS 16
Sales	1,072.2				1,072.2
Gross margin	261.3				261.3
Gross margin rate (% of sales)	*24.4%*				*24.4%*
EBITDA	30.1	20.9	-	-	51.0
EBITDA margin (as % of sales)	*2.8%*				*4.8%*
Current operating income	19.4	20.9	(19.4)	-	20.9
Current operating margin (as % of sales)	*1.8%*				*1.9%*
Net income (loss) attributable to owners	(24.5)	20.9	(19.4)	(4.4)	(27.4)
Net debt	318.1			115.4	433.5

During the first six months of the year, Antalis delivered sales of €1,072 million, down 5.4% on a comparable basis on H1 2018 (down 9.0% as reported, reflecting the negative €33 million impact from the sale of the Southern African business in October 2018). This mainly reflects the decline in volumes of Papers, compounded by supply chain disruption caused by the bankruptcy of one of Antalis' graphic and recycled papers suppliers. However, Antalis enjoyed slightly higher sales in the Packaging business and resilient performances in Visual Communication. The impact of exchange rates on sales was negligible over the period.

Gross margin was down 5.5% on a comparable basis to €261 million (down 8.7% as reported); higher selling prices partially absorbed lower volumes in Papers. The gross margin rate came in at 24.4% as reported (up 0.1 points). The contribution of Packaging and Visual Communication to Antalis' consolidated gross margin continued to grow – it increased by 2 points on H1 2018 and now stands at 39%.

EBITDA was €30 million, down 9.9% on a comparable basis and at constant accounting methods (down 16.4% on a reported basis). Antalis benefited from significantly lower overheads — notably logistics and marketing costs — which partially absorbed the impact of lower volumes in Papers. The EBITDA margin was 2.8% as reported (down 0.3 points).

Current operating income came in at €19 million, down 13.1% on a comparable basis and at constant accounting methods (down 21.4% on a reported basis) when compared with H1 2018.

Antalis recorded net non-recurring expenses of €25 million, notably comprising asset write-downs totalling €11 million; most of the balance consisted of restructuring costs recognised in the first six months of the year.

After recording the impact of first-time application of IFRS 16 (negative €3 million), finance costs and taxes, the net loss attributable to owners was €27 million for the period, compared with a net loss of €16 million for the six months to 30 June 2018.

Antalis' net debt excluding lease liabilities stood at €318 million at 30 June 2019 (versus €332 million at end-June 2018).

Furthermore, the amount authorised under the Group's main factoring contract was raised from €215 million to €290 million after the agreement was amended to include an additional financial partner.

Key figures by geography

(in € millions)	H1 2019		H1 2018		Δ as reported
Sales					
Main European Geographies		552.6		598.1	- 7.6%
- *UK & Ireland*	*282.0*		*298.7*		*- 5.6%*
- *Germany & Austria*	*145.2*		*156.0*		*- 6.9%*
- *France*	125.4		*143.4*		*-12.6%*
Rest of Europe		446.6		469.6	- 4.9%
Rest of the World		73.0		110.4	- 33.9%
TOTAL		1,072.2		1,178.1	- 9.0%
EBITDA[1]					
Main European Geographies		16.5		18.4	-10.3%
- *EBITDA margin*		*3.0%*		*3.1%*	*- 0.1 point*
Rest of Europe		11.6		13.8	- 15.9%
- *EBITDA margin*		*2.6%*		*2.9%*	*- 0.3 points*
Rest of the World		2.0		3.8	- 44.7%
- *EBITDA margin*		*2.7%*		*3.4%*	*- 0,7 points*
TOTAL		30.1		36.0	- 16.4%

(1) Unless stated otherwise, EBITDA presented in this report does not reflect changes arising from first-time application of IFRS 16 (Leases) from 1 January 2019.

Main European Geographies

The Main European Geographies generated sales of €553 million, down 7.6% on H1 2018. Lower volumes in Papers were partially offset by the favourable impact of sterling and by the growth in Packaging.

Sales in the UK & Ireland held up well at €282 million (down 5.6%) when compared to the market as a whole. Germany & Austria delivered sales of €145 million and growth in Packaging partially absorbed lower volumes in Papers. France generated sales of €125 million, down 12.6%, mainly due to the drop in volumes in Papers, which was greatly exacerbated by the failure of a key supplier to this subsidiary.

EBITDA for the Main European Geographies fell by 10.3% year-on-year to €17 million and EBITDA margin was 3% (down 0.1 point).

Rest of Europe

Sales for the Rest of Europe declined by 4.9% to €447 million. Antalis benefited from the growth in Packaging and the resilience of Visual Communication, which partially offset the impact of lower volumes in Papers and the negative FX impact (mainly the Turkish lira and Swedish krona, partially offset by the Swiss franc).

The Rest of Europe generated EBITDA of €12 million, down 15.9% on H1 2018 and EBITDA margin came in at 2.6% (down 0.2 points).

Rest of the World

Sales for the Rest of the World were down by 44.7% to €73 million due to the sale of the Southern African businesses in October 2018 (€33 million in sales to end-June 2018) and despite a slightly favourable FX impact (in the US dollar, partially offset by the Chilean peso).

EBITDA was €2 million and EBITDA margin represented 2.7% of sales.

Key figures by business sector

	Sales				Gross margin				Gross margin/sales		
(€ millions)	H1 2019	H1 2018	Δ as reported	Δ(1) on a comparable basis	H1 2019	H1 2018	Δ as reported	Δ(1) on a comparable basis	H1 2019	H1 2018	Δ as reported
Papers	714.1	812.6	- 12.1%	-7.6%	159.6	183.3	- 12.9 %	- 8.6%	22.3%	22.6%	- 0.3 points
Packaging	254.2	256.5	- 0.9%	0.3%	71.7	72.1	- 0.5%	0.5%	28.2%	28.1%	0.1 point
Vis. Comm.	103.9	109.0	- 4.7%	- 2.4%	30.0	30.9	- 2.9%	- 1.0%	28.9%	28.3%	0.6 points
TOTAL	1,072.2	1,178.1	- 9.0%	- 5.4%	261.3	286.3	- 8.7%	- 5.5%	24.4%	24.3%	+ 0.1 point

(1) Changes in comparable figures reflect FX, calendar and perimeter impacts

Papers

During the first six months of the year, paper consumption was negatively impacted by economic uncertainty and production volumes contracted by around 7% in Europe in a context of strong downward pressure on selling prices. The bankruptcy of one of the Group's graphic and recycled papers suppliers also resulted in supply chain disruption.

Papers sector sales were down 7.6% on H1 2018 to €714 million on a comparable basis (down 12.1% as reported). Gross margin fell by 8.6% on a comparable basis to €160 million (down 12.9% as reported) and the gross margin rate came in at 22.3% as reported (down 0.3 points).

Packaging

In a market beset by economic uncertainty, especially in the automotive sector, Antalis' packaging business delivered sales of €254 million, up 0.3% on a comparable basis (down 0.9% as reported) with fine performances in Italy, Germany, Poland and Latin America. Gross margin rose by 0.5% to €72 million (down 0.5% on a reported basis) when compared with H1 2018 and the gross margin rate remained stable at 28.2%. The contribution of Packaging to Antalis' consolidated gross margin continued to grow and now stands at 27.4%, up 2.4 points when compared to H1 2018.

Visual Communication

Visual Communication sales totalled 104 million, down 2.4% on a comparable basis (down 4.7% as reported), reflecting in particular re-phasing of equipment sales in Scandinavia and Germany, partially offset by the positive contribution from new product ranges and cross selling. Gross margin fell slightly to €30 million (down 1% on a comparable basis and down 2.9% as reported) while the gross margin rate rose by 0.6 points to 28.9%. The contribution of Visual Communication to Antalis' consolidated gross margin remained stable at 11.5% when compared to H1 2018.

Outlook

After the sharp drop in Papers volumes in the first-half of the year, notably due to the failure of one of the Group's graphic and recycled papers suppliers, Antalis will continue to be impacted by declining paper volumes in the European market, coupled with lower selling prices due to the drop in paper pulp prices. In H2 2019, Antalis should benefit from the launch of new ranges of recycled products and the relaunch of Arjowiggins Creative Papers ranges following its management buy-out. Packaging and Visual Communication should display resilience over the coming months and continue to grow their contribution to the Group's consolidated gross margin.

Antalis should continue to reap the benefits of considerably lower overheads and enhanced commercial productivity.

For full year 2019, at constant perimeter, accounting methods and exchange rates, Antalis' sales should decline by between 6% and 7% year-on-year, and EBITDA margin should come in at between 2.7% and 2.9%.

Finally, Antalis continues to progress in the search for a new shareholding structure and it will inform the market once it is in a position to announce definitive steps.

Corporate governance

At 30 June 2019 and at the date this report was prepared, the composition of the Board of Directors was as follows:

		Beginning of term of office	Expiry of term of office
Pascal Lebard	Chairman of the Board of Directors	6 June 2017 Renewed on 28 May 2019	2022
Hervé Poncin	Director Chief Executive Officer	6 June 2017	2021
Bruno Basuyaux	Director	27 May 2019	2020
Clare Chatfield	Independent director	6 June 2017	2021
Delphine Drouets	Independent director	6 June 2017 Renewed on 28 May 2019	2022
Cécile Helme-Guizon	Director	6 June 2017	2020
Christine Mondollot	Independent director	6 June 2017	2020
Frédéric Richard	Director representing the interests of employees	18 December 2018	2022

Bruno Basuyaux was appointed as director in place of Franck Bruel at the Board meeting held on 27 May 2019. His term of office expires in 2020.

The terms of office of Pascal Lebard and Delphine Drouets were renewed for a further period of three years at the Annual General Meeting of 28 May 2019.

Three out of the eight board members comply with the independence criteria set out in the AFEP-MEDEF corporate governance code and its requirement whereby at least one-third of the members of the boards of companies with controlling shareholders should be independent.

The composition of the Board also meets legal requirements on gender equality as it comprises four women and four men.

Related-party transactions

Disclosures of key related-party transactions and their impact on the Company's financial position or results are provided in Note 14 to the 2019 condensed interim consolidated financial statements.

For information, as part of the IPO of Antalis, the Company entered into a service agreement whereby Sequana undertook to provide Antalis with certain services, either on a transitional basis for pre-defined periods, or on a continual basis for as long as Sequana should own directly or indirectly, more than 50% of the Company's capital or voting rights. This agreement came to a *de facto* end on 1 November 2018.

Risk management

The main risks to which the Antalis Group is exposed are set out in the Group's most recent annual financial report published at the end of April 2019.

The Company considers that these risks have not and should not change materially between now and the end of 2019.

Condensed interim consolidated financial statements

The interim financial statements disclosed hereinafter include the impacts of first-time adoption of IFRS 16 (Leases). The Group elected to use the modified retrospective transition method and consequently, the comparative period for 2018 has not been restated. The detailed impact of IFRS 16 on the different financial indicators for the period is disclosed in Note 2b.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

(€ millions)	Notes	30.06.2019	31.12.2018
Non-current assets			
Goodwill	9	113.3	120.0
Other intangible assets		38.5	42.8
Property, plant and equipment		36.3	38.7
Right-of-use assets	2	118.4	-
Non-current financial assets		5.6	5.9
Deferred tax assets		6.6	6.6
Other non-current assets	4	66.0	59.6
Total non-current assets		384.7	273.6
Current assets			
Inventories		188.2	194.2
Trade receivables	4	345.1	369.5
Other receivables	4	60.2	71.0
Current financial assets		3.0	3.0
Cash and cash equivalents	7	94.8	125.0
Total current assets		691.3	762.7
TOTAL ASSETS		1,076.0	1,036.3

Equity and liabilities

(€ millions)	Notes	30.06.2019	31.12.2018
Equity			
Share capital		213.0	213.0
Additional paid-in capital		50.9	50.9
Cumulative translation adjustment		(71.1)	(72.5)
Retained earnings and other consolidated reserves		(102.1)	(78.7)
Shareholders' equity		90.7	112.7
Non-controlling interests		0.8	0.7
TOTAL EQUITY		91.5	113.4
Non-current liabilities			
Provisions	5	45.7	42.7
Long-term debt	7	328.9	257.9
Deferred tax liabilities		0.8	0.8
Total non-current liabilities		375.4	301.4
Current liabilities			
Provisions	5	10.5	11.4
Short-term debt	7	199.5	154.9
Trade payables	8	248.4	336.6
Other payables	8	150.7	118.6
Total current liabilities		609.1	621.5
TOTAL EQUITY AND LIABILITIES		1,076.0	1,036.3

The notes are an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT

(€ millions)	Notes	For the six months ended, 30 June 2019	2018
Sales		1,072.2	1,178.1
Gross margin		261.3	286.3
Personnel expenses		(127.9)	(139.1)
Other selling, general and administrative expenses		(112.5)	(122.5)
Current operating income		20.9	24.7
Other operating income		0.4	5.5
Other operating expenses		(24.4)	(25.9)
Other operating income and expenses, net	9	(24.1)	(20.4)
Operating income (loss)		(3.2)	4.3
Cost of net debt		(20.2)	(15.9)
Other financial income and expenses, net		(1.1)	(1.2)
Net financial income (expense)	10	(21.3)	(17.1)
Income tax benefit (expense)	11	(2.8)	(2.6)
NET INCOME (LOSS)		(27.3)	(15.4)
Attributable to:			
- Antalis shareholders		(27.4)	(15.5)
- Non-controlling interests		0.1	0.1

Earnings per share		
- Weighted average number of shares outstanding	70,511,313	70,951,156
- Diluted number of shares	70,511,313	70,951,156
Basic earnings (loss) per share (in €)		
- Consolidated earnings (loss) per share	(0.39)	(0.22)
Diluted earnings (loss) per share (in €)		
- Consolidated diluted earnings (loss) per share	(0.39)	(0.22)

The notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ millions)	For the six months ended, 30 June 2019	2018
Net income (loss) (i)	(27.3)	(15.4)
Items that may be recycled to profit or loss	*1.4*	*(5.0)*
Translation adjustments	1.4	(5.0)
Items that may not be recycled to profit or loss	*(0.4)*	*6.3*
Actuarial gains and losses related to pension and other post-employment benefit obligations	0.5	6.5
Tax impact of gains and losses related to pension and other post-employment benefit obligations	(0.2)	(0.2)
Other items	(0.7)	-
Other comprehensive income (loss) (ii)	1.0	1.3
TOTAL COMPREHENSIVE INCOME (LOSS) (i)+(ii)	(26.3)	(14.1)
Of which:		
- Attributable to Antalis shareholders	(26.4)	(14.2)
- Attributable to non-controlling interests	0.1	0.1

STATEMENT OF CHANGES IN CONSOLIDATED 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 2018	71,000,000	213.0	50.9	(67.6)	(72.5)	123.8	0.5	124.3
Net income (loss)	-	-	-	-	(15.5)	(15.5)	0.1	(15.4)
Dividends paid	-	-	-	-	(5.7)	(5.7)	-	(5.7)
Other comprehensive income (loss)	-	-	-	(5.0)	6.3	1.3	-	1.3
Equity at 30 June 2018	71,000,000	213.0	50.9	(72.6)	(87.4)	103.9	0.6	104.5
Net income (loss)	-	-	-	-	(14.3)	(14.3)	0.1	(14.2)
Other comprehensive income (loss)	-	-	-	0.1	23.0	23.1	-	23.1
Equity at 31 December 2018	71,000,000	213.0	50.9	(72.5)	(78.7)	112.7	0.7	113.4
Net income (loss)	-	-	-	-	(27.4)	(27.4)	0.1	(27.3)
First-time application of IFRS 16[(1)]	-	-	-	-	4.4	4.4	-	4.4
Other comprehensive income (loss)	-	-	-	1.4	(0.4)	1.0	-	1.0
Equity at 30 June 2019	71,000,000	213.0	50.9	(71.1)	(102.1)	90.7	0.8	91.5

(1) See Note 2

The notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ millions)	Notes	For the six months ended, 30 June 2019	2018
Cash flows from operating activities			
Operating income (loss)		(3.2)	4.3
Elimination of non-cash and non-operating income and expenses:			
Depreciation, amortisation and provisions (except on current assets), net	*12*	37.3	7.6
Disposal gains and losses	*12*	0.2	(0.2)
Other non-cash items	*12*	-	(1.1)
Gross operating cash flow		34.3	10.6
Income taxes paid		(4.6)	(2.0)
Change in operating working capital	*12*	(16.6)	(53.4)
Change in loans and guarantee deposits		-	(0.3)
Net cash from (used in) operating activities (i)		13.1	(45.1)
Cash flows from investing activities			
Expenditure on acquisitions of property, plant and equipment and intangible assets		(6.5)	(8.2)
Proceeds from disposals of property, plant and equipment and intangible assets		0.2	0.2
Proceeds from disposals of financial assets		1.0	-
Impact of changes in scope of consolidation	*12*	-	(10.2)
Net cash used in investing activities (ii)		(5.3)	(18.2)
Cash flows from financing activities			
Repayment of lease liabilities		(21.1)	-
Net change in borrowings and debt		(3.3)	51.6
Net interest paid		(14.0)	(12.9)
Dividends paid	*14*	-	(5.7)
Net cash from (used in) financing activities (iii)		(38.4)	33.0
Effects of fluctuations in foreign exchange rates (iv)		0.7	(1.1)
CHANGE IN CASH AND CASH EQUIVALENTS (i+ii+iii+iv)		(29.9)	(31.4)
Net cash and cash equivalents at start of period		124.5	113.5
Net cash and cash equivalents at end of period		94.6	82.1
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(29.9)	(31.4)
Analysis of net cash and cash equivalents at end of period			
Cash and cash equivalents		94.8	86.0
Short-term bank borrowings and overdrafts		(0.2)	(3.9)
Net cash and cash equivalents at end of period		94.6	82.1

The notes are an integral part of the financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 1
Significant events of the period and subsequent events

a) Accounts closing context

Difficulties encountered by Sequana and Arjowiggins

After the planned sale of the Arjowiggins Graphic and Creative Papers divisions was abandoned at the end of 2018, in early January 2019, Sequana announced that its main French and UK manufacturing facilities were entering bankruptcy proceedings. This culminated notably in the liquidation of most of the assets of the Graphic division in late March 2019, which represented approximately 4% of Antalis Group's paper purchases. Consequently, the Group gradually began to secure other sources of supply to enable it to continue serving its customers in this market segment.

Arjowiggins Creative Papers remained in business long enough to complete a management buyout, which was finally agreed and announced on 25 September 2019. This successful operation will enable Antalis to continue buying fine and creative papers from this longstanding strategic partner.

Sequana, which had been ordered to pay a €163 million fine by a lower court in its litigation with British American Tobacco (involving Sequana and Sequana only), had its appeal against this fine dismissed in late January 2019. In the absence of a turnaround plan that would enable Sequana to honour its commitments, the Nanterre Commercial Court placed Sequana in court-ordered liquidation on 15 May 2019 and its shares were subsequently delisted.

The difficulties being encountered both by its majority shareholder and by the Arjowiggins Group created uncertainty for Antalis in what was an already tough market environment that is likely to adversely impact the Group's operations and outlook.

Search for a new shareholder

In this context, and with the agreement of Sequana which had already signalled that it did not expect to remain Antalis' controlling shareholder, in Q1 2018, Antalis commissioned an investment bank to help it create a new shareholding structure that will provide a platform for its development and the resources it needs to deploy its strategic options. The search for a new shareholder is still in progress as of the date of this report.

Brexit

The accounts closing was also affected by uncertainty over the UK's plans to leave the European Union ("Brexit") and the risk that this will result in a "no-deal Brexit". The conditions in which Brexit takes place could have a major impact on the Group's activities in the UK which is the leading contributor country to Antalis' consolidated sales and earnings.

b) Asset write-downs

Under these circumstances, and in light of H1 performances on some of its markets, the Group identified impairment losses. Based on the results of impairment testing, residual goodwill recorded in the South America CGU was written down in an amount of €7 million, and property, plant and equipment and intangible assets recorded in the Benelux CGU were written down by an amount of €3 million.

c) Subsequent events

There have been no material changes in the Group's financial or commercial position since 30 June 2019, excluding those mentioned above.

Note 2
Summary of significant accounting policies

a) Standards applied

The condensed interim consolidated financial statements for the six months ended 30 June 2019 were prepared in accordance with IAS 34 - Interim Financial Reporting. They were approved by the Board of Directors on 27 September 2019. As these are condensed financial statements, they do not contain all of the information required by IFRS for annual financial statements and must be read in conjunction with the consolidated financial statements for the year ended 31 December 2018.

b) Basis of preparation

The condensed interim consolidated financial statements for the six months ended 30 June 2019 were prepared using the same accounting principles as those used to prepare the consolidated financial statements for the year ended 31 December 2018, with the exception of the items mentioned below and the changes in standards effective from 1 January 2019.

In particular, the Group applied IFRS 16 (Leases) for the first time. At the inception of a lease that provides for fixed-term payments, IFRS 16 requires the lessee to recognise a liability corresponding to discounted future payments against a right-of-use asset depreciated over the lease term.

The Group elected to use the modified retrospective transition method which consists in recognising a liability at the transition date equal to the amount of the discounted residual lease payments only, against a matching asset adjusted for the amount of any prepayments or accrued lease expenses. Among the simplifying measures provided for at the IFRS 16 transition date, the Group has elected to exclude leases with a term of less than 12 months and leases where the underlying asset is of low value. At the transition date, because there were very few leases that qualified as finance leases under IAS 17 and their value was not material, such leases were not restated.

The amount of the matching liability is largely dependent on assumptions made in terms of the lease term commitment, and on the discount rate used to a lesser extent. Because of the Group's broad geographical footprint, it encounters diverse legal arrangements when drawing up leases and consequently, Antalis uses a broad range of different lease terms. The lease term generally used when calculating the liability is that stipulated in the agreement initially negotiated, without factoring in early termination or extension facilities, except when conditions deviating from this hypothesis are realistic in terms of operating forecasts and planned use of the sites concerned. If leases fail to stipulate either a term or a termination date, as is the case with property leases in certain countries, in most cases Antalis has elected to use its business plan horizon to measure the residual lease obligation term. Moreover, this four-year maturity at the transition date is relatively close to the average residual terms observable at this date for the Group's other property leases. Lastly, in accordance with the relevant provisions of the standard, the value of any remediation obligations for sites leased by the Group is included in the right-of-use asset recorded for the sites concerned and depreciated on a consistent basis. At the transition date, this value was recorded against a matching entry in equity for an amount of €4.5 million.

Concerning the discount rate, the standard states that this should be determined for each lease by referring to the incremental borrowing rate of the contracting entity and Antalis has taken account of how the Group organises its financing which is mostly contracted or guaranteed by Antalis SA. In practice, the incremental borrowing rate by country has generally been determined based on the terms and conditions of the Group's cash pooling agreement in which most of the subsidiaries participate. This represents the sum of the risk-free rate for the currency in which the agreement is denominated plus a margin based on Antalis SA's weighted average cost of financing to reflect the Group's credit risk and the maturities of existing facilities. When lease terms were considerably different from these maturities, this rate has been adapted to actual lease terms and the point differential in terms of the currency concerned has also been projected over the corresponding duration.

The Group uses a dedicated IT application for collecting contractual data and performing the discounting and depreciation calculations, and it uses the results of these calculations to record information directly into the accounting journals that generate accounting and financial information in accordance with IFRS 16.

Most of the Group's leases cover storage warehouses used by Antalis for its distribution businesses and commercial and administrative offices located in the different countries in which it has a footprint. Utility and tourism vehicles also represent material lease obligation commitments.

The detailed impact of first-time application of IFRS 16 on the consolidated statement of financial position and income statement is presented in the table below:

Consolidated statement of financial position

(€ millions)	31.12.2018	Impact of first-time application	01.01.2019
Non-current assets			
Goodwill	120.0	-	120.0
Other intangible assets	42.8	-	42.8
Property, plant and equipment	38.7	-	38.7
Right-of-use assets	-	132.5	132.5
Other non-current assets	72.1	-	72.1
Non-current assets	273.6	132.5	406.1
Current assets	762.7	(1.7)	761.0
TOTAL ASSETS	1,036.3	130.8	1,167.1

(€ millions)	31.12.2018	Impact of first-time application	01.01.2019
Equity			
Shareholders' equity	112.7	4.5	117.2
Non-controlling interests	0.7		0.7
TOTAL EQUITY	113.4	4.5	117.9
Non-current liabilities			
Provisions	42.7	-	42.7
Long-term debt	257.9	94.3	352.2
Deferred tax liabilities	0.8		0.8
Total non-current liabilities	301.4	94.3	395.7
Current liabilities			
Provisions	11.4	-	11.4
Short-term debt	154.9	32.1	187.0
Other current liabilities	455.2	(0.1)	455.1
Total current liabilities	621.5	32.0	653.5
TOTAL EQUITY AND LIABILITIES	1,036.3	130.8	1,167.1

Income statement

	Interim consolidated income statement for the six months ended, 30 June		
(€ millions)	As reported	Of which: first-time impact of IFRS 16	At constant accounting methods
Sales	1,072.2	-	1,072.2
Gross margin	261.3	-	261.3
Personnel expenses	(127.9)	-	(127.9)
Other selling, general and administrative expenses	(112.5)	1.5	(114.0)
Current operating income	20.9	1.5	19.4
Other operating income	0.4	-	0.4
Other operating expenses	(24.4)	-	(24.4)
Other operating income and expenses, net	(24.1)	-	(24.1)
Operating income (loss)	(3.2)	1.5	(4.7)
Cost of net debt	(20.2)	(4.4)	(15.8)
Other financial income and expenses, net	(1.1)	-	(1.1)
Net financial income (expense)	(21.3)	(4.4)	(16.9)
Income tax benefit (expense)	(2.8)	-	(2.8)
NET INCOME (LOSS)	(27.3)	(2.9)	(24.4)

Lease liabilities totalled €126.4 million at 1 January 2019 and comprised the discounted value of eligible operating lease commitments as of that date.

The average lease obligation discounting rate at the transition date was in the order of 7.5%.

Opening right-of-use assets amounted to €132.5 million and consisted of the matching entry for lease liabilities, adjusted for miscellaneous current lease receivables and payables that had been recorded as of 31 December 2018. They also included incremental right-of-use assets for certain leased sites for which the Group had accrued remediation provisions (see previously).

Under the modified retrospective transition method, IFRS 16 does not allow comparative periods to be restated. Given the material importance of leases to the Group's businesses and for the purpose of presenting comparable financial information, Antalis has excluded first-time application impact on the alternative performance measures used to track performance for internal management purposes and to calculate the ratios tested as part of financial covenants and for financial reporting purposes.

While the impact of IFRS 16 on Current operating income is relatively non-material in H1 2019, it does have a material impact on EBITDA as defined by Antalis, which now excludes lease payments of €21 million for the same period. The impact of recording lease liabilities in net debt is also analysed separately to ensure the comparability of this indicator.

Off-balance sheet commitments

IFRS 16 first-time application impact is also apparent in commitments previously disclosed off balance sheet due to the fact that operating lease commitments are now recorded under liabilities. The variance between the amounts presented as operating lease commitments under off-balance sheet commitments at 31 December 2018 and lease liabilities measured under IFRS 16 at 1st January 2019 can be explained as follows:

(€ millions)	
Operating lease commitments given at 31 December 2018	124.6
Differences in assumptions	24.7
Discounting effect	(30.8)
Other items	7.9
Lease liabilities under IFRS 16 at 1 January 2019	126.4

Differences in assumptions are mainly due to the inclusion of optional periods that were not included within the off-balance sheet commitment scope. Other items mainly include lease liabilities for leases not previously identified within off-balance sheet commitments.

c) Estimates

The preparation of financial statements involves the use of estimates and assumptions that affect the reported amounts of certain assets and liabilities and recognised income and expenses. These estimates and assumptions take into account the specific risks associated with the Group's businesses as well as more general risks to which companies operating in an international environment are exposed.

In exercising its judgement, the Group refers to past experience and to available information it considers pertinent. Assumptions are revised on a regular basis and estimates adjusted as necessary. Due to the uncertainties inherent in assumptions used in any measurement process, the amounts shown in the Group's financial statements in future accounting periods may differ from those estimated and reported in the current period.

Significant assumptions used by the Group to prepare its financial statements for the six months ended 30 June 2019 chiefly concern estimates of lease liabilities under IFRS 16 (see previous section) and provisions (see note 5).

d) Seasonal fluctuations

Although the Group's activities are not greatly exposed to fluctuations between the first and the second-halves of the year, working capital requirements in the distribution business do vary considerably from one quarter to another.

Note 3
Changes in scope of consolidation

Acquisitions

2019
The Group did not complete any material acquisitions over the period.

2018
In Q1 and Q2 2018, respectively, Antalis acquired the Swedish packaging products distribution business of Alos and Igepa's paper distribution business in Sweden and Norway (annual sales of around €6 million and €10 million, respectively).

Both transactions comprised the acquisition of commercial businesses and the related working capital requirements, essentially consisting of inventories. Goodwill for an amount of €1.9 million was recognised in respect of Alos while negative goodwill totalling €1.1 million was booked for Igepa Sweden and Norway in Other operating income for the period. In view of their completion dates, neither acquisition had a material impact on H1 2018 sales or EBITDA.

Disposals

2019
The Group did not complete any material disposals over the period.

2018
The Group's 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 entities contributed sales of approximately €45 million (including €33 million for H1 2018) and €0.5 million to current operating income up to the date on which control was relinquished.

Note 4
Other assets

Breakdown by type

(€ millions)	30.06.2019	31.12.2018
OTHER NON-CURRENT ASSETS	66.0	59.6
Defined benefit pension plans with a net surplus[1]	61.9	57.0
Receivables on disposals of non-current assets	1.5	-
Tax credits and current tax receivables	2.6	2.6
TRADE RECEIVABLES	345.1	369.5
Gross amount	360.2	384.8
Provision for impairment in value	(15.1)	(15.3)
OTHER RECEIVABLES	60.3	71.0
Tax credits and current tax receivables	4.5	5.4
Indirect tax receivables	7.9	7.7
Receivables on disposals of non-current assets	3.0	4.6
Advances to suppliers	4.6	4.1
Other current receivables[2]	40.3	49.2

(1) Detailed disclosures of these plans are provided in the consolidated financial statements for the year ended 31 December 2018.

(2) Most of this caption relates to accrued trade discounts receivable from Antalis' suppliers under current terms of business.

Note 5
Provisions

Analysis by type of provision

	Current portion		Non-current portion	
(€ millions)	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Restructuring costs	2.3	3.1	0.5	0.6
Claims and litigation [1]	3.4	2.5	2.4	2.2
Pensions and other post-employment benefits [2]	2.8	1.1	35.1	34.7
Other provisions [3]	2.0	4.7	7.8	5.2
CLOSING BALANCE	10.5	11.4	45.8	42.7

(1) At 31 December 2018, provisions for claims and litigation included the amount of the transaction agreed with the Chilean tax authorities whereby Antalis paid a fine of €2.5 million in April 2018.

(2) Detailed disclosures of these commitments are provided in the consolidated financial statements for the year ended 31 December 2018.

(3) This caption mainly includes accrued future rents for various partially or totally vacant warehouses or premises together with the site remediation provisions disclosed in Note 2.

Movements in provisions over the six months to 30 June 2019

(€ millions)	Opening balance	Additions	Reversals (utilised provisions)	Reversals (surplus provisions)	Changes in scope of consolidation	Other	Closing balance
Restructuring costs	3.7	3.3	(4.2)	-	-	-	2.8
Litigation and tax risks	4.8	2.8	(3.7)	-	-	1.9	5.8
Pensions and other post-employment benefits	35.8	1.1	(3.1)	-	-	4.1	37.9
Other provisions	9.8	1.0	(1.0)	-	-	-	9.8
TOTAL	54.1	8.2	(12.0)	-	-	6.0	56.3
Impact on income statement captions							
Personnel expenses	-	1.0	-	-	-	-	-
Other selling, general and administrative expenses	-	0.3	-	-	-	-	-
Other operating expenses	-	6.8	-	-	-	-	-

Note 6
Employee benefits

Reconciliation of the net amount recognised with the consolidated statement of financial position

(€ millions)	30.06.2019	31.12.2018
Provisions for pension and other employee benefit obligations (see Note 5)	(37.9)	(35.8)
Defined benefit pension plans with a net surplus (see Note 9)	61.9	57.0
NET AMOUNT RECOGNISED	24.0	21.2

Note 7
Debt

Breakdown of debt by maturity

(€ millions)	Less than 1 year	1 to 5 years	More than 5 years	Total
Short-term bank borrowings and overdrafts	0.2	-	-	0.2
Other bank borrowings	12.2	244.7	-	256.9
Lease liabilities(1)	31.2	69.4	14.8	115.4
Factoring liabilities(2)	154.2	-	-	154.2
Other	1.7	-	-	1.7
At 30 June 2019	199.5	314.1	14.8	528.4
Short-term bank borrowings and overdrafts	0.5	-	-	0.5
Other bank borrowings	14.6	257.9	-	272.5
Finance lease obligations	0.5	-	-	0.5
Factoring liabilities(2)	138.9	-	-	138.9
Other	0.4	-	-	0.4
At 31 December 2018	154.9	257.9	-	412.8

(1) See Note 2b.

(2) The factored liabilities corresponding to the sale of receivables are recognised under current liabilities in accordance with the accounting policies applicable to this type of financing.

Breakdown of debt by interest rate

(€ millions)	Below 3%	Between 3% and 4%	Between 4% and 5%	Over 5%	Total
Short-term bank borrowings and overdrafts	-	-	0.2	-	0.2
Other bank borrowings	10.0	-	-	246.9	256.9
Lease liabilities	1.1	-	9.9	104.4	115.4
Factoring liabilities	134.4	7.8	-	12.0	154.2
Other	1.7	-	-	-	1.7
At 30 June 2019	147.2	7.8	10.1	363.3	528.4
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	10.3	-	10.3	138.9
Other	0.4	-	-	-	0.4
At 31 December 2018	128.4	10.8	0.3	273.3	412.8

Analysis of debt by main currencies

(€ millions)	EUR	GBP	USD	Other	Total
Short-term bank borrowings and overdrafts	-	-	-	0.2	0.2
Other bank borrowings	254.7	-	2.2	-	256.9
Lease liabilities	53.1	24.1	0.4	37.8	115.4
Factoring liabilities	61.0	47.5	0.4	45.3	154.2
Other	-	-	-	1.7	1.7
At 30 June 2019	368.8	71.6	3.0	85.0	528.4
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	-	-	0.4	-	0.4
At 31 December 2018	315.0	46.9	0.7	50.2	412.8

Contractual terms of use applicable to credit and liquidity lines

Antalis finalised the Group's refinancing in H1 2018 with the signature of legal documentation for the syndicated credit facility (€285 million) on 31 May 2018 and the main factoring contract (€215 million) on 27 June 2018. The maturities of both contracts have been extended to 31 December 2021. Certain terms and conditions of the agreement negotiated with the lenders of the syndicated credit facility have been revised as follows:

- extra collateral: Antalis has expanded the scope of the assets pledged to the lenders and made it easier to call upon this collateral;
- revised conditions for interest payable on amounts drawn down, a portion of which is now 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 from 2019 on;
- maintenance of the two main covenants based on revised ratios (see below).

Test date	Leverage ratio[1]	Interest coverage ratio[2]
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/consolidated EBITDA

(2) Consolidated current operating income/net interest expense

At 30 June 2019, Antalis complied with both ratios and made the contractual repayment of €5 million.

In H1 2019, the Group's financing capacity was also enhanced with the addition of a new organism to the lender syndicate for the primary trade receivables factoring programme and the authorised amount was raised from €215 million to €290 million.

Reconciliation of net debt figure

(€ millions)	30.06.2019	31.12.2018
Borrowings and debt excluding lease liabilities	413.0	412.3
Lease liabilities	115.4	0.5
Cash and cash equivalents	(94.8)	(125.0)
NET DEBT	433.6	287.8

Note 8
Trade and other payables

(€ millions)	30.06.2019	31.12.2018
TRADE PAYABLES	248.4	336.6
OTHER PAYABLES	150.7	118.6
Current tax payables	5.8	5.9
Indirect tax payables	35.0	34.6
Employee-related liabilities	32.2	36.4
Payables arising on acquisition of assets	0.9	1.9
Other payables[1]	76.8	39.8

(1) Especially amounts owed for trade discounts to be granted to Group customers as part of its distribution business.

Note 9
Other operating income and expenses

(€ millions)	For the six months ended, 30 June 2019	2018
Other operating income		
Gain on disposal of shares	0.4	-
Negative goodwill[1]	-	1.1
Other revenues[2]	-	4.4
Sub-total	0.4	5.5
Other operating expenses		
Impairment of goodwill[3]	(7.1)	-
Other net impairment losses and asset write-downs[3]	(3.4)	(7.5)
Net restructuring expenses[4]	(9.8)	(9.4)
Refinancing and search for a new shareholder[5]	(1.2)	(9.0)
Other expenses [6]	(2.9)	-
Sub-total	(24.4)	(25.9)
TOTAL	(24.0)	(20.4)

(1) See Note 3.

(2) The amount of the fine for anti-trust practices on the Spanish envelope market initially paid in 2013 and subsequently reimbursed in 2018.

(3) See Note 1

(4) These charges concerned reorganisation costs, mostly in the UK and the Nordic and Benelux countries and in Latin America.

(5) Commissions, fees and consulting expenses incurred within the scope of these two projects. In 2018, this amount included unamortised costs under the previous arrangement taken back to income in an amount of approximately €1 million, given that the refinancing operation has been accounted for as the extinction of the previous debt.

(6) In 2019, this amount mostly reflected the impact of litigation that has since been resolved with the organisms involved in the bankruptcy proceedings that culminated in the liquidation of Arjowiggins Graphic.

Note 10
Net financial income (expense)

(€ millions)	2019	2018
Net interest expense excluding lease liabilities	(9.5)	(8.7)
Net interest expense on lease liabilities	(4.4)	-
Deferred interest expense[1]	(3.4)	(1.7)
Other income and expenses included in cost of debt[2]	(4.0)	(4.2)
Net foreign exchange gains (losses)	1.1	(1.3)
Cost of net debt	(20.2)	(15.9)
Other financial income and expenses, net	(1.1)	(1.2)
NET FINANCIAL EXPENSE	(21.3)	(17.1)

(1) See Note 7: under the terms of the refinancing agreements that came into force on 31 May 2018, the revised interest rate for the syndicated credit facility was applicable early from 1 April 2018.

(2) This item includes capitalised loan arrangement fees expensed over time to the amortised cost of the related liability, which represented an expense of €0.7 million in H1 2019 as in 2018. It also includes lending fees and factoring commission.

Note 11
Income tax

(€ millions)	2019	2018
Current taxes	(2.8)	(2.1)
Deferred taxes	-	(0.6)
INCOME TAX BENEFIT (EXPENSE)	(2.8)	(2.7)

The tax proof breaks down as follows:

(€ millions)	2019	2018
Operating income (loss)	(3.2)	4.3
Net financial income (expense)	(21.3)	(17.1)
Pre-tax income (loss) from continuing operations	(24.5)	(12.8)
Standard tax rate in France	34.4%	34.4%
Effective tax rate for the Group	(11.4)%	(21.1)%
Theoretical tax expense (i)	8.4	4.4
Actual tax expense (ii)	(2.8)	(2.7)
DIFFERENCE (ii-i)	(11.2)	(7.1)
This difference can be analysed as follows:		
Difference between the standard rate in France and the rates applicable in other tax jurisdictions	(1.4)	(0.4)
Permanent differences related to the impairment of goodwill	(2.0)	-
Impact of non-taxation of asset disposals	-	(2.1)
Other permanent differences	(1.0)	(0.8)
Recognition/(non-recognition) of deferred tax assets	(7.1)	(4.6)
Tax saving on unrecognised prior-year tax losses	0.7	0.5
Other items	(0.4)	0.4
DIFFERENCE	(11.2)	(7.0)

Note 12
Analysis of consolidated cash flows

(€ *millions*)	For the six months ended, 30 June 2019	2018
Depreciation, amortisation and provisions		
Impairment of goodwill	7.1	-
Depreciation and amortisation of property, plant and equipment and intangible assets, net	12.9	10.2
Net additions to (reversals of) depreciation of right-of-use assets	18.7	-
Net additions to (reversals of) other provisions	(1.4)	(2.6)
NET ADDITIONS TO DEPRECIATION, AMORTISATION AND PROVISIONS	37.3	7.6
Other non-cash items		
Negative goodwill[1]	-	(1.1)
OTHER NON-CASH ITEMS	-	(1.1)
Change in operating working capital		
Inventories	6.6	(0.2)
Trade receivables	25.3	(8.8)
Trade payables	(43.2)	(21.8)
Other receivables	10.2	(20.8)
Other payables	(15.5)	(1.8)
CHANGE IN OPERATING WORKING CAPITAL	(16.6)	(53.4)
Net impact of changes in scope of consolidation[1]		
Net impact of acquisitions completed in 2018	-	(4.2)
Net impact of disposals completed in 2018	-	(5.9)
Other items	-	(0.1)
NET IMPACT OF CHANGES IN SCOPE OF CONSOLIDATION	-	(10.2)

(1) See Note 3. At 30 June 2018, the cash and cash equivalents of the Group's South African subsidiaries were among the assets reclassified and presented as held for sale in accordance with IFRS 5 (see Note 3).

Note 13
Segment information (prior to impact of IFRS 16)

Business segment analysis of the income statement for the six months ended 30 June 2019

(€ millions)	Main European Geographies	Rest of Europe	Rest of the World	Total
Sales	552.5	446.7	73.0	1,072.2
Gross margin	126.2	113.1	22.0	261.3
EBITDA	16.5	11.7	1.9	30.2
Current operating income	12.3	7.0	0.1	19.5
Operating income	5.3	(2.5)	(7.3)	(4.5)

Reconciliation of H1 2019 EBITDA

(€ millions)	Main European Geographies	Rest of Europe	Rest of the World	Total
Current operating income	12.3	7.0	0.1	19.5
Less depreciation and amortisation	4.2	4.7	1.6	10.5
Less net additions to (releases of) provisions	(0.1)	(0.1)	0.3	0.1
EBITDA	16.4	11.6	2.0	30.1

Business segment analysis of the income statement for the six months ended 30 June 2018

(€ millions)	Main European Geographies	Rest of Europe	Rest of the World	Total
Sales	598.1	469.6	110.4	1,178.1
Gross margin	137.0	119.0	30.3	286.3
EBITDA	18.4	13.8	3.8	36.0
Current operating income	14.0	9.0	1.7	24.7
Operating income	7.8	2.5	(6.0)	4.3

Reconciliation of H1 2018 EBITDA

(€ millions)	Main European Geographies	Rest of Europe	Rest of the World	Total
Current operating income	14.0	9.0	1.7	24.7
Less depreciation and amortisation	3.9	4.5	1.7	10.1
Less net additions to (releases of) provisions	0.5	0.3	0.4	1.2
EBITDA	18.4	13.8	3.8	36.0

Key figures by business sector

(€ millions)	2019	2018
Papers	714.1	812.6
Packaging	254.2	256.5
Visual Communication	103.9	109.0
TOTAL	1,072.2	1,178.1

Note 14
Related-party transactions

The related parties that exercise control or influence over Antalis are Sequana, its majority shareholder (currently in liquidation), and Bpifrance Participations which is Sequana's largest shareholder and a minority shareholder of Antalis.

Other related parties include the companies controlled by Sequana, mainly subsidiaries of Arjowiggins Group, previously one of Antalis' strategic paper suppliers.

The Group does not have any material non-consolidated investees or associates. Transactions with related parties are generally based on arm's length terms.

The impact of related-party transactions on the main consolidated income statement and consolidated statement of cash flows captions are as follows:

	For the six months ended, 30 June	
(€ millions)	2019	2018
Sales	1.8	2.4
Purchases and other administration and marketing expenses[1]	(42.7)	(83.6)
Distribution of dividends (Sequana)	-	(4.3)
Distribution of dividends (Bpifrance Participations)	-	(0.5)

(1) In 2018, this caption mainly includes the cost of paper purchases from subsidiaries of Arjowiggins Group as well as certain costs rebilled by Sequana, particularly for the Group's headquarters lease agreement and a service agreement under which Antalis benefited from legal and financial expertise until October 2018. Services provided under this agreement represented a total expense of approximately €2.5 million for H1 2018. In 2019, this caption only includes the cost of paper purchases from Arjowiggins Creative Paper and its subsidiaries due to the liquidation of Arjowiggins Graphic (see Note 1). The lease between Antalis and Sequana ended in H1 2019.

Statutory Auditors' Report on the consolidated financial statements for the six months ended 30 June 2019

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 should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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To the Shareholders,

In compliance with the assignment entrusted to us by your sole shareholder and in accordance with Article L. 451-1-2 paragraph III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the limited review of the accompanying condensed consolidated interim financial statements of Antalis SA for the six months ended 30 June 2019; and
- the specific verifications of the disclosures contained in the half-yearly business report.

These condensed consolidated interim financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our limited review.

1. Opinion on the consolidated financial statements

We conducted our work in accordance with professional standards applicable in France. A limited review consists primarily of making enquiries of senior managers in charge of accounting and finance and performing certain analyses. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with professional standards applicable in France. Consequently, the assurance, in the context of a review, that the financial statements taken as a whole are free of any material misstatements is a moderate assurance and less than that obtained by performing a full audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information is not prepared in all material respects in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matters set out in:

- Note 1 – Significant events of the period and subsequent events, which describes the accounts closing context and particularly the search for a new shareholder;
- Note 2 – Summary of significant accounting policies, which analyses the change in accounting method related to first-time adoption of IFRS 16 (Leases).

2. Specific verifications

We have also verified the disclosures contained in the half-yearly business report concerning the condensed interim consolidated financial information which was reviewed by us. We have no matters to report as to its fair presentation and its consistency with the condensed consolidated interim financial statements.

Neuilly-sur-Seine, 30 September 2019

The Statutory Auditors

PricewaterhouseCoopers Audit	Constantin Associés Member of Deloitte Touche Tohmatsu
Jean-Paul Collignon	Thierry Quéron

Statement by the person responsible for the interim financial report

I hereby declare that, to the best of my knowledge, the consolidated financial statements at 30 June 2019 presented in this interim financial report 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 business report presented in this half-yearly report includes a fair review of the major developments that have taken place over the first six months of the year, their impact on the interim financial statements, the main related-party transactions, together with a description of the principal risks and uncertainties for the second-half of the year.

Boulogne-Billancourt, 30 September 2019

Hervé Poncin

Chief Executive Officer

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