



Financial Report

Year ended December 2017

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Success of the strategic Game Changer plan and new operating performance milestones reached

- €533 million in revenue, up 5.3% as reported and 3.2% like-for-like
- EBITDA crossed the €50 million mark and EBITDA margin topped 10%
- Recurring operating profit up 14.1% to more than €40 million
- Recommended 2017 dividend of €0.60 per share, up 9.1%.

Guidance:

- In 2018, further profitable growth in revenue and another year of robust cash flow
- Five years out, more than €1 billion in revenue and twice as fast profitable growth

"The successful performance delivered since 2015 is the payoff from our disciplined and highly effective growth and management model, which has made Chargeurs a world leader in high value-added niche markets. Energized by the Game Changer plan, we are more than ever ready to step up our organic and acquisitions-led growth to exceed the revenue milestone of €1 billion five years from now subject to environment and macro-economic conditions remaining constant," said Michaël Fribourg, Chairman and Chief Executive Officer.

The Board of Directors of Chargeurs met yesterday under the chairmanship of Michaël Fribourg to approve the 2017 consolidated financial statements. The statements have been audited and the Statutory Auditors' report is in the process of being prepared.

2017 CONSOLIDATED FINANCIAL HIGHLIGHTS

(in euro millions)	2017	2016	Change	
Revenue	533.0	506.4	+26.6	5.3%
Like-for-like change as a %				+3.2%
EBITDA	54.6	48.8	+5.8	+11.9%
As a % of revenue	10.2%	9.6%		
Recurring operating profit	44.4	38.9	+5.5	+14.1%
As a % of revenue	8.3%	7.7%		
Attributable net profit	25.2	25.0	+0.2	+0.8%

Organic gains outpaced global and euro-zone growth in 2017

Revenue rose by 5.3% in the twelve months ended December 31, 2017, reflecting the 3.2% positive impact from the acquisitions made by Chargeurs Protective Films in 2016 and 2017, the 3.2% organic growth led by higher business volumes and a further improvement in the product mix across the business base, and a 1.2% reduction from the negative currency effect, stemming mainly from the US dollar, Argentine peso and Chinese yuan. Like-for-like (i.e. based on comparable scope of consolidation and constant exchange rates) and excluding Chargeurs Luxury Materials, growth came to 5.0% for the year.

Excellent performance supporting the capacity and operating efficiency drive More than €40 million in recurring operating profit

Impelled by the Game Changer plan, which is driving faster operating performance by activating four strategic levers – Sales & Marketing, Production Excellence, Innovation and Talent Management – Chargeurs delivered a robust, stronger than expected improvement in operating performance in 2017. Recurring operating profit symbolically broke the €40-million mark, gaining 14.1% on higher volumes and a better price-mix.

Net income came to €25.2 million, a 0.8% increase including the unfavorable impact of deconsolidating the "Yak" companies in 2016. Excluding the "Yak" impact, net income ended the year up 9.6%.

ANALYSIS BY BUSINESS SEGMENT

Chargeurs Protective Films: strong 7.0% organic growth in revenue and a 100bp increase in operating margin

<i>(in euro millions)</i>	2017	2016	Change	
Revenue	281.0	250.3	+30.7	+12.3%
<i>Like-for-like change as a %</i>				+7.0%
EBITDA	40.3	33.2	+7.1	+21.4%
<i>As a % of revenue</i>	14.3%	13.3%		
Recurring operating profit	34.3	28.0	+6.3	+22.5%
<i>As a % of revenue</i>	12.2%	11.2%		

Chargeurs Protective Films had another excellent year, with 7% organic growth in revenue led by further share gains in its core markets, the steady roll-out of disruptive innovations like Low Noise and rising global demand.

In 2017, the steady improvement in the price-mix, the impact of acquisitions completed in France, the United States and Italy, and the faster transfer of production to the dollar zone all combined to drive a steep rise in operating performance to hit new financial milestones, with more than €40 million in EBITDA and more than €30 million in recurring operating profit.

Taken together, the acquisitions have positioned the business unit to offer customers increasingly end-to-end protective film application solutions, following the creation of Chargeurs Protective Specialty Machines.

Lastly, in November 2017, Chargeurs announced the launch of a techno-smart capital project, involving the strategic internal investment of €20 million to give Protective Films a new 4.0 coating line. This one-of-a-kind technology will be based at one of the business unit's Western plants and dedicated to the production of highly engineered, high value added films. It will integrate state-of-the-art industrial functions for smart command and control, positioning the business unit at the forefront of the Industry 4.0 ecosystem.

Chargeurs Fashion Technologies: sustained strategic focus on selective marketing and improved operating performance

<i>(in euro millions)</i>	2017	2016	Change	
Revenue	131.2	132.0	-0.8	-0.6%
<i>Like-for-like change as a %</i>				+1.3%
EBITDA	11.3	11.7	-0.4	-3.4%
<i>As a % of revenue</i>	8.6%	8.9%		
Recurring operating profit	8.1	8.0	+0.1	+1.3%
<i>As a % of revenue</i>	6.2%	6.1%		

Chargeurs Fashion Technologies' revenue rose by an organic 1.3% in 2017, as the strategy of selectively focusing on higher margin products and very firm sales volumes, particularly in the fourth quarter, helped to offset the 1.9% negative currency effect, primarily due to the Argentine peso.

The business unit once again delivered a solid operating performance for the year, with a further improvement in operating margin in a fiercely competitive marketplace.

It also stepped up its investment in capital projects to serve a prestigious clientele, opening a showroom in New York to promote its distinctive expertise and strengthening its marketing capabilities for its bespoke offerings. It also introduced new CRM applications, to move up the value chain and improve its customer intelligence, thereby supporting the development of increasingly comprehensive solutions.

The appointment, in February 2018, of Angela Chan to replace Bernard Vossart as Managing Director of Chargeurs Fashion Technologies represents an important milestone in the internationalization of the unit's management team. Ms. Chan is an American whose wide-ranging experience with leading clothing brands in the United States and with Asian markets will enable the business unit to reinforce its global leadership as part of the Game Changer plan.

Chargeurs Technical Substrates: robust growth in revenue and operating performance

<i>(in euro millions)</i>	2017	2016	Change	
Revenue	25.8	24.6	+1.2	+4.9%
<i>Like-for-like change as a %</i>				+4.9%
EBITDA	4.9	4.7	+0.2	+4.3%
<i>As a % of revenue</i>	19.0%	19.1%		
Recurring operating profit	4.0	3.8	+0.2	+5.3%
<i>As a % of revenue</i>	15.5%	15.4%		

Backed by its strategy of creating competitive differentiation by bringing a continuous stream of innovations to market, Chargeurs Technical Substrates continued its brisk growth trajectory in 2017, with revenue gaining an organic 4.9% off of high prior-year comparatives.

The business unit enjoyed a good operating dynamic, reflecting the successful handover to Patrick Bonnefond in his first year as Managing Director.

In 2017, new capital projects were undertaken to diversify the product range with Sublimis, a revolutionary new innovation scheduled for worldwide launch in 2018. Chargeurs Technical Substrates has also deployed powerful new marketing capabilities to directly interface with its end customers and build business in new markets in Asia, North America and South America.

Chargeurs Luxury Materials: another year of high ROCE, at nearly 10%

<i>(in euro millions)</i>	2017	2016	Change	
Revenue	95.0	99.5	-4.5	-4.5%
<i>Like-for-like change as a %</i>				-4.2%
EBITDA	2.6	2.9	-0.3	-10.3%
<i>As a % of revenue</i>	2.7%	2.9%		
Recurring operating profit	2.6	2.9	-0.3	-10.3%
<i>As a % of revenue</i>	2.7%	2.9%		

Chargeurs Luxury Materials, whose premium wool trades are hedged by forward sale contracts, reported revenue of €95 million in 2017, reflecting the selective marketing strategy deployed to shift sales to more profitable business volumes. Margin and return on capital employed both held firm at nearly 10%, in line with Group expectations and positioning the business unit to move up-market and exercise full control over a proprietary supply chain.

The business unit continued to focus on premium, traceable, durable wool fibers, whose monetizable features appeal to the world's leading luxury and sportswear brands. As part of this process, in fourth-quarter 2017, it introduced a new range of premium fibers called Organica Precious Fiber (<http://www.organica-preciousfiber.com>), whose initial benefits are expected in 2019.

As part of the shift in its business model, Chargeurs Luxury Materials will continue with and step up its selective marketing policy in order to focus on activities with more profitable volumes and more potential in 2018. The business line's strategy is to substantially increase return on capital employed over the medium term.

INCREASINGLY ROBUST BALANCE SHEET AND STRONGER FINANCIAL RESOURCES

Chargeurs' robust financial position was further strengthened during the year, with equity attributable to owners of the parent rising to €229.9 million at December 31, 2017 from €227.3 million at the previous year-end.

Thanks to its high profit-to-cash conversion rate and disciplined working capital management, the Group successfully deployed projects to further optimize operations, carried out profitable investments and acquisitions, and increased its net cash position to €8.9 million at December 31, 2017 from €3.2 million a year earlier, all while paying a higher recurring dividend every year.

At the same time, the Group continued to optimize its financial resources by signing, on May 30, 2017, a new Euro PP issue involving €50 million in 8-year notes and a 10-year loan. The financing – the first in the Group's history to have such a long maturity – was raised as part of the Group's overall growth strategy and is repayable at maturity. In tandem, the Group extended the average maturity of its existing borrowings, which also helped improve its debt profile.

INCREASED DIVIDEND

In light of the faster pace of improvement in the Group's operating performance in 2017, the Board of Directors will ask shareholders at the Annual Meeting on April 16 to approve a 9% increase in the 2017 dividend to €0.60 per share, with once again a reinvestment option.

After deducting the interim dividend of €0.25, paid on September 29, 2017 after the 2017 interim financial statements were approved, the final dividend of €0.35 per share will be paid according to the following schedule:

- Ex-dividend date: April 26, 2018
- Payment date: May 17, 2018

OUTLOOK

Supported by a long-term shareholder vision, Chargeurs expects to pursue its profitable growth and robust cash generation in 2017, on a like-for-like basis and barring any changes in the geopolitical and macro-economic environment. As the world economy continues to recover in 2018, it will be able to seize the resulting opportunities to grow its niche businesses, develop new ones and secure the sustainability of its distinctive growth model, which is unrivaled in today's global markets. The Group is now structured to meet its target of doubling its profitable revenue to €1 billion five years from now.

SUBSEQUENT EVENTS

Chargeurs SA and some of its subsidiaries have renegotiated their receivables securitization programs in Europe with French banks. These programs involve no-recourse sales that transfer substantially all of the risks and rewards of the securitized receivables, leaving only the non-material risk of dilution.

Terminology

Like-for-like change – Organic change:

The like-for-like or organic change from one year to the next is calculated:

- by using average exchange rates for the prior year over the period being compared (year, half-year, quarter);
- and based on the prior-year scope of consolidation.

Operating margin: recurring operating profit / revenue

Return on capital employed: recurring operating profit / capital employed

Financial Calendar

Monday, April 16, 2018 (before start of trading)

First-quarter 2018 financial information

Monday, April 16, 2018

2018 Annual Shareholders' Meeting

Thursday, September 6, 2018 (before the start of trading)

First-half 2018 results

Wednesday, November 14, 2018 (after the close of trading)

Third-quarter 2018 financial information



ABOUT CHARGEURS

Chargeurs is a global manufacturing and services group with leading positions in four segments: temporary surface protection, garment interlinings, technical substrates and combed wool.

It has nearly 1,600 employees based in 34 countries on five continents, who serve a diversified customer base spanning more than 80 countries.

In 2017, revenue totaled €533 million, of which more than 90% was generated outside France.

CONTACT

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Consolidated Income Statement (in euro millions)

	Note	Year ended December 31	
		2017	2016
Revenue	4	533.0	506.4
Cost of sales		(391.4)	(376.4)
Gross margin		141.6	130.0
Distribution costs		(56.4)	(54.8)
Administrative expenses		(36.6)	(32.6)
Research and development costs		(4.2)	(3.7)
Recurring operating profit		44.4	38.9
Other operating income	5	0.1	-
Other operating expenses	5	(6.0)	(5.0)
Operating profit		38.5	33.9
Finance costs, net		(6.7)	(4.3)
Other financial expenses		(1.8)	(1.5)
Other financial income		-	3.8
Net financial expense	7	(8.5)	(2.0)
Share of profit/(loss) of equity-accounted investees	13	(0.8)	(2.0)
Pre-tax profit for the period		29.2	29.9
Income tax expense	8	(4.0)	(4.9)
Profit/(loss) from continuing operations		25.2	25.0
Profit/(loss) from discontinued operations		-	-
Net profit		25.2	25.0
Attributable to owners of the parent		25.2	25.0
Attributable to non-controlling interests		-	-
Earnings per share (in euros)	9	1.09	1.09
Diluted earnings per share (in euros)	9	1.10	1.09

Consolidated Statement of Comprehensive Income (in euro millions)

	Note	Year ended December 31	
		2017	2016
Net profit		25.2	25.0
Exchange differences on translating foreign operations	16	(16.5)	(4.5)
Cash flow hedges		(0.2)	(0.7)
Total items that may be reclassified subsequently to profit or loss		(16.7)	(5.2)
Other components of comprehensive income		(0.1)	0.2
Actuarial gains and losses on post-employment benefit obligations	18	0.5	(1.7)
Income tax on items that will not be reclassified to profit or loss		-	-
Total items that will not be reclassified to profit or loss		0.4	(1.5)
Other comprehensive income for the period, net of tax		(16.3)	(6.7)
Total comprehensive income for the period		8.9	18.3
Attributable to:			
Owners of the parent		8.9	19.5
Non-controlling interests		-	(1.2)

Consolidated Statement of Financial Position *(in euro millions)*

Assets	Note	Dec. 31, 2017	Dec. 31, 2016
Non-current assets			
Intangible assets	10	88.3	92.1
Property, plant and equipment	11	63.2	61.8
Investments in associates and joint ventures	13	11.7	14.9
Deferred tax liabilities	8	30.3	29.0
Financial assets		2.6	2.4
Other non-current assets		0.5	0.5
		196.6	200.7
Current assets			
Inventories and work-in-progress	15	107.3	105.4
Trade receivables	15	53.0	47.3
<i>Factored receivables(1)</i>		47.8	50.7
Derivative financial instruments	15	0.4	0.5
Miscellaneous receivables	15	23.5	23.0
Current income tax receivables	15	3.7	2.2
Cash and cash equivalents	17	214.8	161.5
		450.5	390.6
Total assets		647.1	591.3
Equity and liabilities			
		Dec. 31, 2017	Dec. 31, 2016
Attributable to owners of the parent	16	229.9	227.3
Non-controlling interests		-	-
Total equity		229.9	227.3
Non-current liabilities			
Convertible bonds		-	-
Long-term borrowings	17	179.3	133.1
Deferred tax liabilities	8	-	-
Pension and other long-term employee benefit obligations	18	16.4	16.7
Provisions	19	0.7	0.5
Other non-current liabilities	20	3.1	3.1
		199.5	153.4
Current liabilities			
Trade payables	15	96.7	91.3
Other payables	15	42.5	39.7
<i>Factoring liabilities(1)</i>		47.8	50.7
Current income tax liability	15	2.8	1.9
Derivative financial instruments	15	1.3	1.8
Short-term portion of long-term borrowings	17	10.1	8.1
Short-term bank loans and overdrafts	17	16.5	17.1
		217.7	210.6
Total equity and liabilities		647.1	591.3

(1) Excluding Chargeurs receivables for which title has been transferred (see note 3.2)

Consolidated Statement of Cash Flows (in euro millions)

	Note	Year ended December 31	
		2017	2016
Net cash from operating activities			
Pre-tax profit of consolidated companies		30.0	31.9
Adjustments to reconcile pre-tax profit to cash generated from operations		13.6	6.1
- Depreciation and amortization expense	10 & 11	10.2	9.9
- Provisions and pension and other post-employment benefit obligations		0.3	(1.2)
- Impairment of non-current assets		-	0.6
- Fair value adjustments		(0.3)	0.7
- Impact of discounting		0.2	0.3
- (Gains)/ losses on sales of investments in non-consolidated companies and other non-current assets		-	(3.6)
- Exchange (gains)/ losses on foreign currency receivables and payables		3.2	(0.6)
- Other non-cash adjustments		-	-
Income tax paid		(7.0)	(8.0)
Cash generated by operations		36.6	30.0
Dividends from equity-accounted investees	13	0.8	0.3
Change in operating working capital	15	(6.7)	0.8
Net cash from/(used in) operating activities		30.7	31.1
Cash flows from investing activities			
Acquisitions of subsidiaries, net of the cash acquired (1)		(5.5)	(19.7)
Proceeds from disposals of subsidiaries		-	(0.9)
Purchases of intangible assets	10	(0.8)	(0.7)
Purchases of property, plant and equipment	11	(12.8)	(10.2)
Proceeds from sales of intangible assets and property, plant and equipment		0.7	0.1
Other movements		0.5	0.1
Net cash from/(used in) investing activities		(17.9)	(31.3)
Cash flows from financing activities			
Capital increase following dividends paid in shares		7.2	-
Dividends paid to owners of the parent		(13.8)	(11.5)
Proceeds from new borrowings	17	56.1	92.2
Repayments of borrowings and overdrafts	17	(8.5)	(10.3)
Change in bank overdrafts	17	0.8	(0.5)
Other movements		-	(6.0)
Net cash from/(used in) financing activities		41.8	63.9
Increase/(decrease) in cash and cash equivalents		54.6	63.7
Cash and cash equivalents at beginning of period	17	161.5	97.7
Redclassification of cash and cash equivalents under "Assets held for sale"		-	-
Effect of foreign exchange rate changes on cash and cash equivalents		(1.3)	0.1
Cash and cash equivalents at period-end	17	214.8	161.5

(1) The €5.5 million recorded under this item is primarily linked to the acquisitions of Walco Machines (United States), Asidium Somerra (France) and Omma (Italy).

Consolidated Statement of Changes in Equity *(in euro millions)*

	Share capital	Share premium account	Other reserves and retained earnings	Translation reserves	Cash flow hedges	Actuarial gains and losses on post-employment benefit obligations	Treasury stock	Total equity attributable to owners of the parent	Non-controlling interests	Total
At December 31, 2015	3.7	53.0	146.2	21.4	0.3	(5.1)	(0.2)	219.3	3.1	222.4
Issue of share capital	-	-	-	-	-	-	-	-	-	-
Gains on disposals of Chargeurs shares	-	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	(11.5)	-	-	-	-	(11.5)	-	(11.5)
Profit for the period	-	-	25.0	-	-	-	-	25.0	-	25.0
Impact of changes in scope of consolidation	-	-	-	-	-	-	-	-	(1.9)	(1.9)
Other comprehensive income for the period	-	-	0.2	(3.3)	(0.7)	(1.7)	-	(5.5)	(1.2)	(6.7)
At December 31, 2016	3.7	53.0	159.9	18.1	(0.4)	(6.8)	(0.2)	227.3	-	227.3
Issue of share capital(1)	-	7.2	-	-	-	-	-	7.2	-	7.2
Gains on disposals of Chargeurs shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	0.3	-	-	-	-	0.3	-	0.3
Payment of dividends(1)	-	-	(13.8)	-	-	-	-	(13.8)	-	(13.8)
Profit for the period	-	-	25.2	-	-	-	-	25.2	-	25.2
Other comprehensive income for the period	-	-	(0.1)	(16.5)	(0.2)	0.5	-	(16.3)	-	(16.3)
At December 31, 2017	3.7	60.2	171.5	1.6	(0.6)	(6.3)	(0.2)	229.9	-	229.9

(1) €13.8 million paid in 2017, of which €6.6 million in cash and €7.2 million in shares.