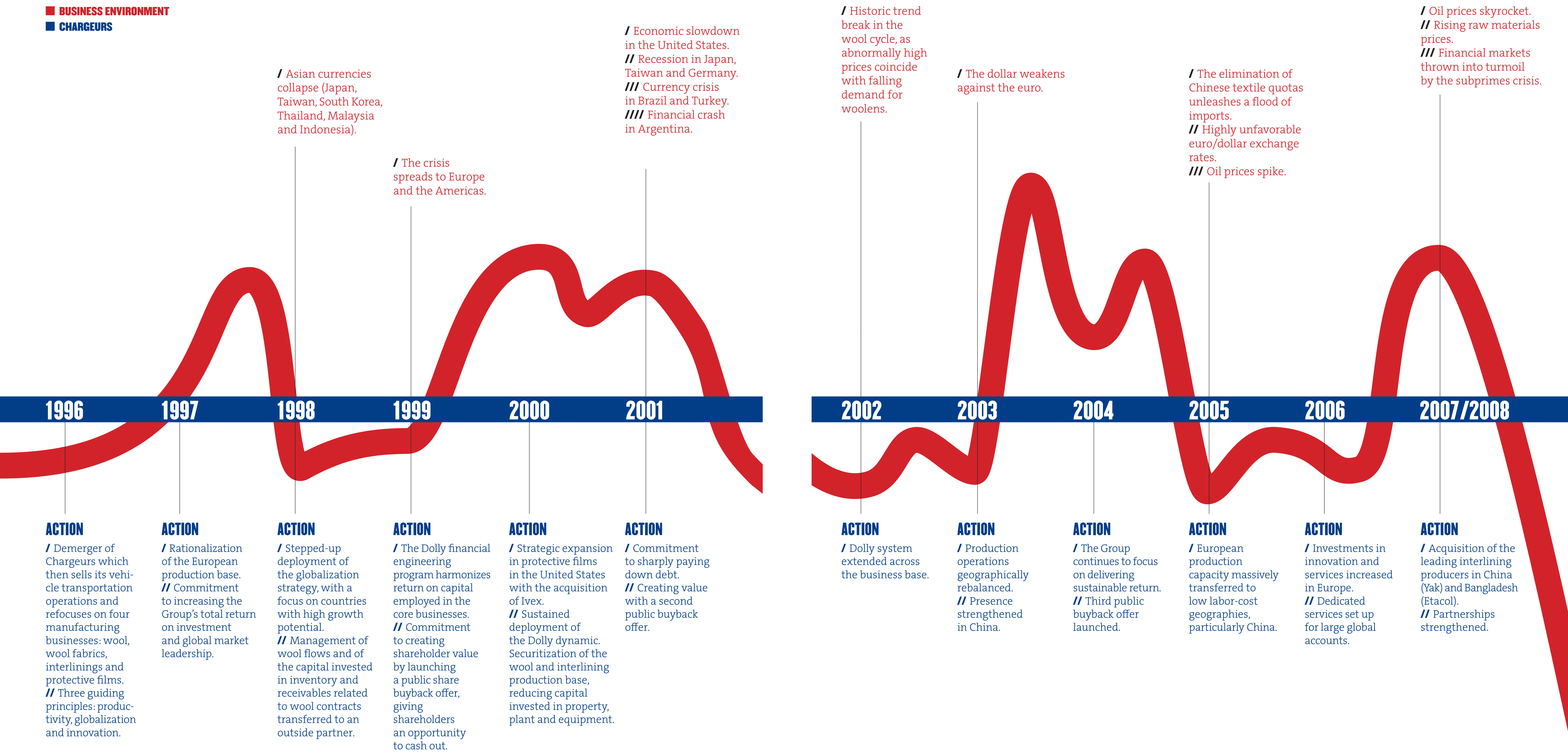
FAST RIGHT RESPONSE

ANNUAL REPORT 2008

CHARGEURS

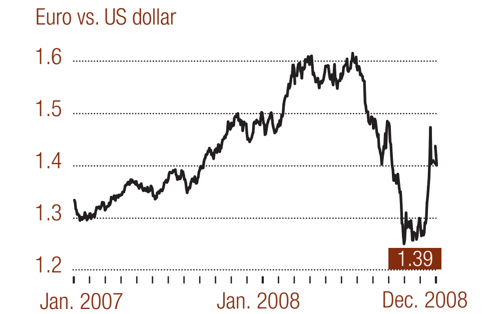


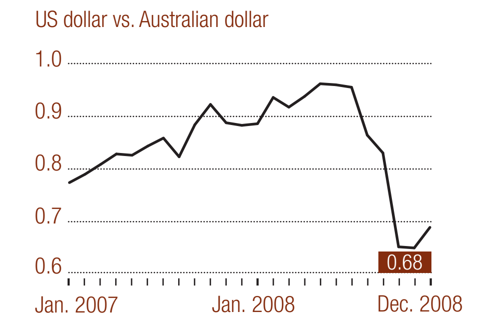
HOLDING THE COURSE

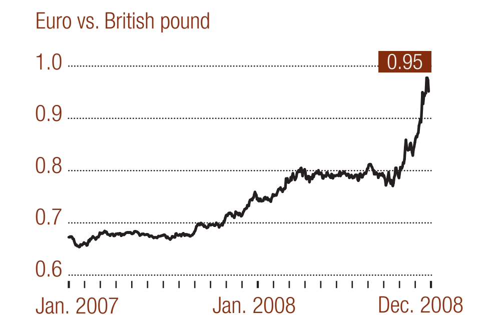
In **2008**, faced with a deep collapse in demand across all of its markets, Chargeurs very quickly initiated the changes required to set it back on the path to profitability.

MANAGING CURRENCY INSTABILITY

/ The euro continued to strengthen against the dollar in 2008, pursuing the upward trend that began several years ago. From $0.88 in January 2002, the European currency rose to $1.30 in January 2008 before peaking at $1.60 in March. Over the full year, it averaged $1.47, exceeding even our conservative late 2007 projections. This persistent strength hurt products made in the euro zone and sold in the dollar zone. In addition, the British pound weakened against the euro, while a number of Asian currencies, such as the Korean won, the Chinese renminbi and the Hong Kong dollar, remained undervalued during the year. In our manufacturing regions, production costs felt the negative impact of the appreciation in the Czech koruna against the euro, in the Interlining business, and of the Australian dollar against the US dollar, in the Wool business. Moreover, the financial crisis profoundly disrupted the global economy and aggravated the instability in the currency markets, dimming visibility and making it particularly difficult to manage day-to-day operations.







To deal with the wide swings in currency rates, Chargeurs had to take drastic measures. **CHARGEURS INTERLINING** continued to shift sourcing and production operations to Asia, especially China and Bangladesh, while reducing capacity at certain European locations. As part of this process, the business began to withdraw from manufacturing operations in the Czech Republic, where production costs are now prohibitively high following the strong gains in the Czech koruna.

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

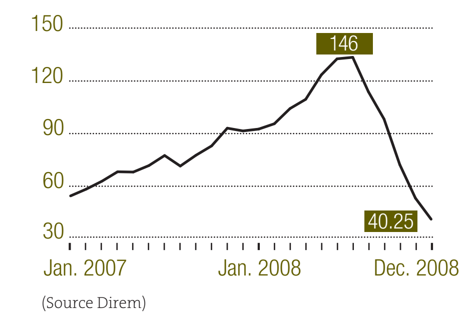
CHARGEURS PROTECTIVE FILMS saw its margins strongly weighed by adverse currency movements. Currency hedges were implemented to smooth out excessive fluctuations in raw materials input costs.

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

OVATING

// Oil prices, which had been steadily rising since the second half of 2004, skyrocketed to new heights in 2008, peaking at more than $140 a barrel in July. In their wake, energy costs also soared, driving an increase in production costs. Prices of polyethylene, an oil derivative that is the primary protective films feedstock, tracked oil upwards, reaching a record $1,585 a tonne in August 2008.
All the other raw materials followed the same upward trend, further increasing production costs.
Then in the second half, the price environment suddenly turned downwards, as the financial crisis spread to the real economy and triggered a dizzying drop in oil prices, to $40 a barrel in December, with the other commodities soon following suit.

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



THE OIL CRISIS

OPTIMIZING

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

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

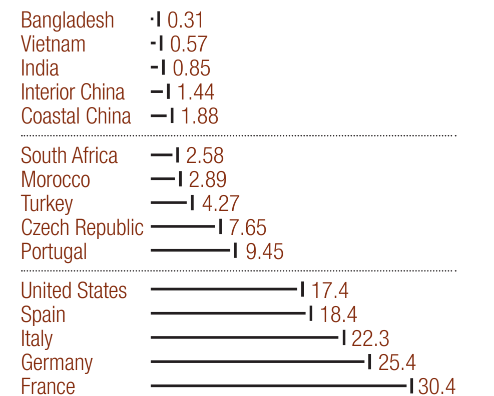
CHARGEURS INTERLINING after scaling back operations in the Czech Republic, will be able to effectively leverage its positions in Asia with competitive manufacturing facilities. In addition, it set up operations in Bangladesh with the January 2008 acquisition of local shirt-interlining company Etacol,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

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

/// An intense **price war is still raging in all of our wool, interlining and protective films businesses**, with impacts on both selling prices and production costs that make it particularly difficult to manage. Already affected by the weakness in the dollar and other currencies, euro zone output is suffering from intense competition from Asian producers concerned with using their excess capacity and benefiting from especially low labor costs. China now dominates the wool market, setting prices and pushing down prices across the textile industry. Its influence is overpowering, even though in 2008, Chinese companies saw a serious increase in production costs led by rising wages (up 121% in coastal Chinese textile companies), stricter environmental standards and a temporary reduction in export subsidies. In addition, the downward trend in prices was further exacerbated by the extensive inventory drawdowns in late 2008 in response to the crisis.

PRICE WAR

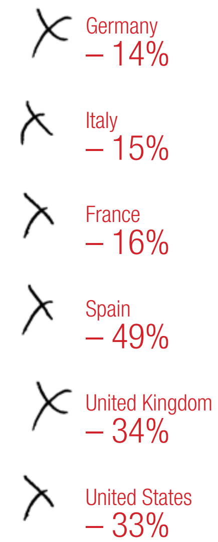
Comparative labor costs in the textile industry (in dollars per hour)



(Source Werner – 2008)

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

The fall in housing starts, 2008/2007.



Annual growth in apparel spending

	2007/2006	2008/2007
France	1.7%	– 2.3%
Germany	– 0.7%	– 1.0%
United Kingdom	3.4%	1.3%
Italy	0.5%	– 1.7%
Spain	5.8%	– 2.7%
United States	1.7%	– 2.3%
China	1.7%	– 2.3%

RESPonDING

COLLAPSING MARKETS

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

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

CHARGEURS INTERLINING after sharply downsizing its Czech production base and shifting to lower cost geographies, is continuing to restructure in Europe to adjust capacity to weaker demand, eliminate loss-making operations and reduce fixed costs.
CHARGEURS PROTECTIVE FILMS is enhancing its flexibility so as to respond more effectively to increasingly smaller order batches. To preserve market share, the business has also developed new services for its large European accounts.

Carefully managing risks, especially customer default risks, and reducing fixed costs are even more critically important in a period of uncertainty and business failures. A series of measures have been deployed in each of our businesses to reduce working capital requirement and fixed costs, decrease debt and support the generation of cash flow. Currency hedging and cash management have been optimized by centralizing the processes and using the most effective technical tools.

HOLDING THE COURSE

Eduardo Malone – Chairman and Chief Executive Officer

The first half of 2008 was much like the preceding year, with soaring oil prices, a weak dollar and a sudden spike in commodity prices. But by the summer the subprimes driven financial crisis was already beginning to profoundly shake up the global economy. The ensuring crisis has been of epic proportions, with western economies in free fall, growth slowing in Asia, markets shrinking, banking systems frozen and credit drying up.
Chargeurs has delivered the fast, right, response using its experience in dealing with a number of difficult situations since it was created in 1996.

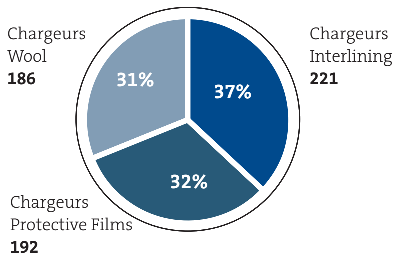
The strategic reengineering we have forged to manage businesses in industries where sustainable profitability is difficult to obtain, has been based on a disciplined asset management and financing model. It is built on accurate risk measurement, extremely detailed risk management and the development of practices that constantly take account of the cost of capital employed. Moreover, the financing transactions put together with management professionals such as insurers, financial institutions and investors are backed by the regular, methodical controls conducted for every securitization transaction.
Focused on its industrial operations in China and South America, **Chargeurs Wool** now has a production base adapted to demand and aligned with the competitiveness required in a market place shaped by global overcapacity.
Chargeurs Interlining, which has used acquisitions and partnerships to actively expand its presence in low-labor cost countries, needs to complete the process of rebalancing its business base by sharply scaling back capital invested in uncompetitive European operations. While Chinese textile and other exports have fallen precipitously, Chargeurs Interlinings' local operations represent its major competitive advantage in a country with a vast domestic market and companies active across the textile chain. At the same time, it will step up its technological diversification, which offers interesting growth opportunities.
Chargeurs Protective Films is faced with a severe recession and has to offset higher production costs by developing more effective products and services that are increasingly resonant with customer needs.
Chargeurs will continue to carefully manage risks, emphasize margins and cash flow rather than volumes, reduce capital employed, especially in working capital, and step up the development of innovative products and services.
While no one can predict when the recovery will come, we are doing everything we can to ensure that the Group will benefit from it as quickly and effectively as possible. Regardless of how rough the seas, Chargeurs has always stayed the course. We are all totally committed to demonstrating our ability to overcome the challenges we have to meet in the global crisis.

FINANCIAL HIGHLIGHTS

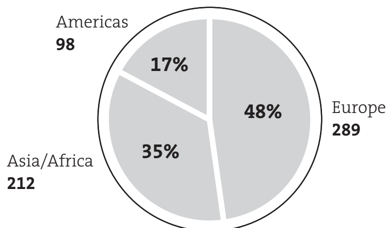
(in euro millions)	2008	2007*
Revenue	599.2	713.5
Operating profit/(loss)	(31.7)	27.7
Net profit/(loss)	(56.2)	15.6
Cash flow = net profit before depreciation, amortization and provision expense	2.6	22.1
Net bank debt	84.2	55

* Restated as if Chargeurs Fashion had been excluded from the scope of consolidation from January 1, 2007.

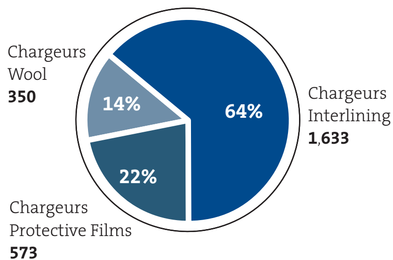
Revenue by business
(in euro millions)



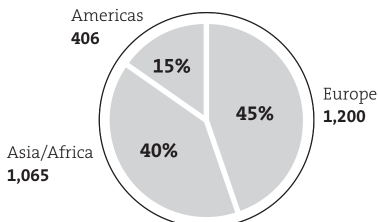
Revenue by region
(in euro millions)



Employees by business
(at December 31, 2008)



Employees by region
(at December 31, 2008)



GROUP PROFILE

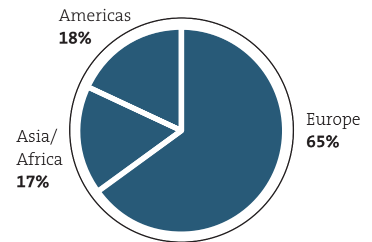
Chargeurs is a listed, global, diversified Group that invests for the long term and holds leadership positions in niche markets, both in manufacturing and in services. It is currently expanding its business in surface protection, with Chargeurs Protective Films, technical textiles, with Chargeurs Interlining, and raw material processing, with Chargeurs Wool.
In 2008, consolidated revenue totaled €599 million, of which 94% was generated outside France. Chargeurs employs nearly 2,700 people in 37 countries.

BUSINESSES

Revenue by region

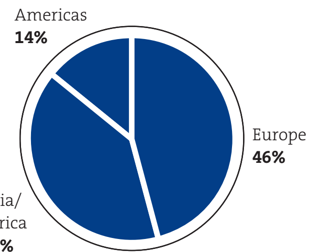
Chargeurs Protective Films

The world leader, Chargeurs Protective Films offers manufacturers solutions for the temporary protection of sensitive surfaces at all stages in the production process.



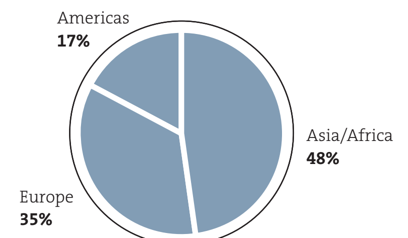
Chargeurs Interlining

The world leader, Chargeurs Interlining markets both a comprehensive range of interlinings suited to a variety of garment fabrics and a line of technical fabrics.



Chargeurs Wool

A world leader in its business, Chargeurs Wool specializes in topmaking, whose expertise consists in designing wool blends that successfully meet the needs of spinning mills.



CHANGES IN SHARE CAPITAL

Number of shares outstanding at January 1, 2008	10,377,097
Number of shares outstanding at December 31, 2008	10,377,097

At March 31, 2009, the company's share capital stood at €166,033,552, divided into 10,377,097 shares with a par value of €16.

TREASURY STOCK

(article L. 225-211 of the French Commercial Code)

Number of shares held in treasury as of December 31, 2007	13,334
Number of shares held in treasury as of December 31, 2008(1)	13,334
	representing 0.1% of the capital

(1) Total cost: €230,851.35, representing an average price per share of €17.31.

At December 31, 2008, the company also held 118,100 Chargeurs shares purchased under the liquidity contract in effect since May 16, 2007. These shares, representing 1.1% of the capital, were purchased at a total cost of €1,328,725, representing an average price per share of €11.25.

NUMBER OF CHARGEURS SHARES HELD BY SUBSIDIARIES

As of December 31, 2008: 0.

MARKET FOR THE COMPANY'S SHARES

Chargeurs shares are traded on the NYSE Euronext Paris stock market (ISIN: 13069).

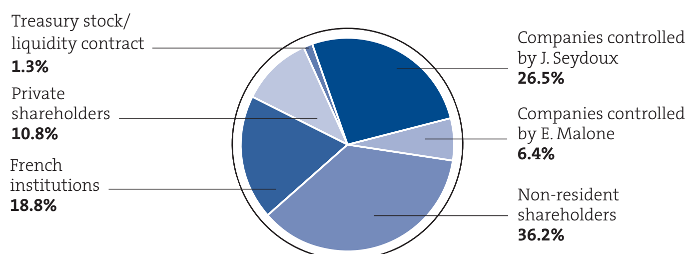
DIVIDENDS

(article 47 of the Act of July 12, 1965)

(in euros per share)	**2008**	2007	2006
Dividend	**0**	0.65	0.65

OWNERSHIP STRUCTURE

(based on the January 31, 2009 TPI survey of identifiable holders of bearer shares)

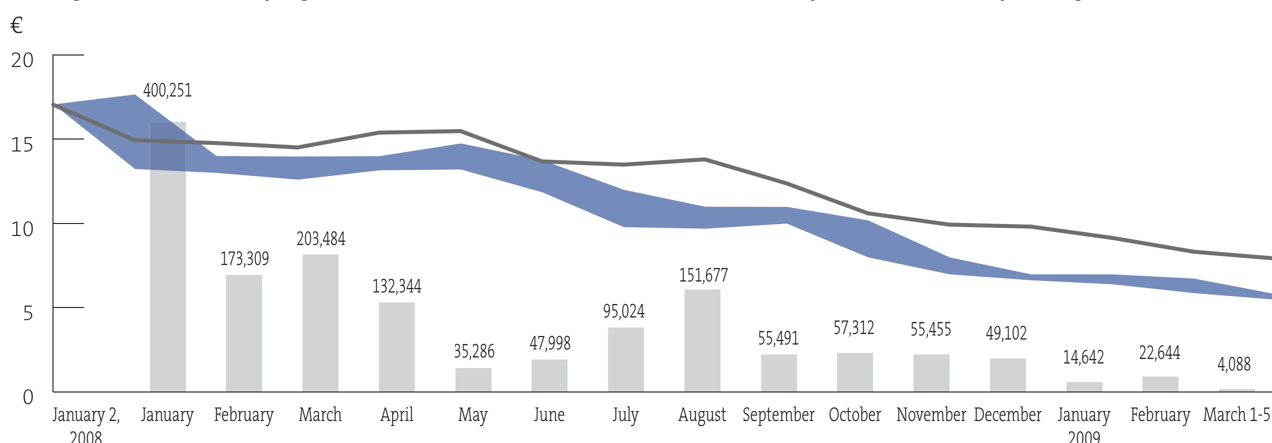


SHAREHOLDERS OWNING MORE THAN 5% OF SHARE CAPITAL

(as of December 31, 2008)	Number of shares	% interest	% voting rights
Pathé(1)	2,734,035	26.35	26.10
Ojej(1)	11,000	0.11	0.21
Jérôme Seydoux	1,341	0.01	0.03
Sofi Emy(2)	655,195	6.31	6.25
Eduardo Malone	7,163	0.07	0.07
The Baupost Group(3)	1,245,371	12.00	11.89
Harris Associates/ Oakmark Funds(3)	1,108,759	10.68	10.58
La Financière de l'Échiquier	768,114	7.40	7.33
HMG Finance	603,500	5.82	5.76

(1) Companies controlled by Jérôme Seydoux.
(2) Company controlled by Eduardo Malone.
(3) US investment funds.

Jérôme Seydoux, Eduardo Malone and the companies that they control together hold 32.85% of Chargeurs' capital and 32.65% of the voting rights, which are exercised in concert.



ENVIRONMENTAL REPORT

INTRODUCTION

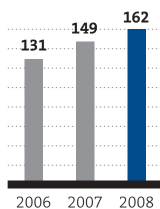
As part of the Group's risk management policies, the Managing Directors of the subsidiaries have signed the Chargeurs Environmental Charter, comprising guidelines on anticipating and preventing environmental risks, as well as a set of short, medium and long-term objectives. Progress towards meeting these goals is monitored at quarterly intervals by the Group Risks Committee.
In 2008, environmental data were collected at the 19 primary production plants operated during the year (three Protective Films plants, 14 Interlining plants and two Wool plants). These raw data were then used to calculate indicator performance for the year. Most of the data reported below are expressed on a unit-of-production basis, corresponding to one square kilometer of film or fabric for the Protective Films and Interlining businesses, and one tonne of combed wool for the Wool business.
The same criteria have been applied as in 2007, allowing direct year-on-year comparisons.

RESULTS

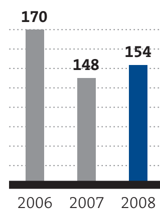
Chargeurs Protective Films

Energy and water consumption

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



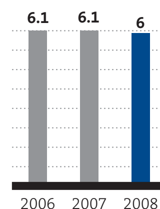
Energy use
(MWh/km²)



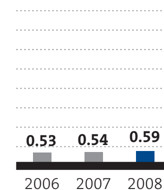
Water use
(m³/km²)

Waste production

The quantity of non-hazardous waste remained unchanged, while the volume of hazardous waste increased by more than 9%. In the United States, the Troy, Ohio plant introduced its waste recycling program during the year.



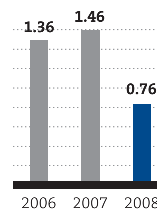
Non-hazardous waste
(t/km²)



Hazardous waste
(t/km²)

Volatile organic compound (VOC) emissions

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



VOC emissions
(kg of carbon/km)

Environmental initiatives and management

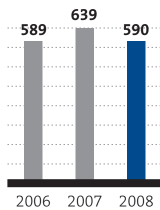
Three people are employed full-time to deal with environmental, health and safety issues in France, and one person works full-time on these issues in Italy. The French plant, which earned ISO 14001 certification in December 2008, is continuing to consolidate its environmental management system in 2009. It is also starting to introduce an occupational health and safety management system with a view to earning OHSAS 18001 certification in 2010. The Italian plant, which already has ISO 9001 and ISO 14000 certification, became OHSAS 18001-certified in May 2008.

Chargeurs Interlining

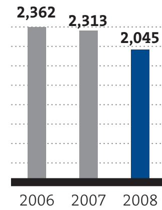
In 2008 the scope of reporting was extended to 14 plants from four in previous years.

Energy and water consumption

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



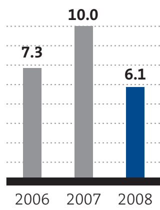
Energy use
(MWh/km²)



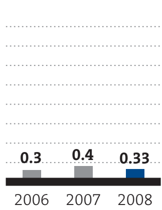
Water use
(m³/km²)

Waste production

Waste production declined across the board.



Non-hazardous waste
(t/km²)



Hazardous waste
(t/km²)

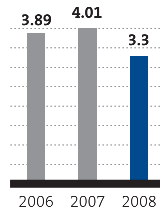
Environmental initiatives and management

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

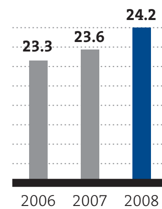
Chargeurs Wool

Energy and water consumption

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



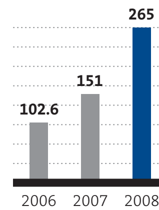
Energy use
(MWh/t)



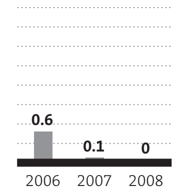
Water use
(m³/t)

Waste production

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

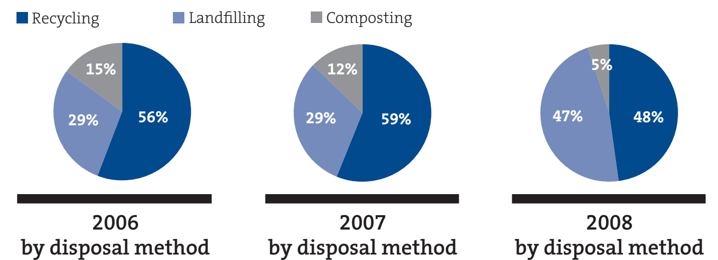


Non-hazardous waste
(kg/t)



Hazardous waste
(kg/t)

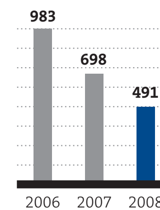
The breakdown of disposal methods has changed due to the smaller scope of reporting.



2006 by disposal method
2007 by disposal method
2008 by disposal method

Volatile organic compound (VOC) emissions

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



VOC emissions
(kg product/year)

Environmental initiatives and management

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

EMPLOYEE INFORMATION

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

EMPLOYEES

As of December 31, 2008, the Group had **2,671 employees**, 10.8% fewer than at year-end 2007. The decline reflected a 36% decrease at Chargeurs Wool, following deconsolidation of three combing mills, and a 15% reduction in Chargeurs Interlining's European headcount, partially offset by an increase in Asia with the consolidation of Etacol in Bangladesh. Groupwide, employee numbers declined by 10% in Europe, 8% in the Americas. The Asia-Africa region declined by 12.6% mainly from Chargeurs Wool. Our 728 employees in China now represent 27.3% of the Group total versus 25.1% at the end of 2007. Operations in France employed 27.7% of the total workforce at year-end 2008.

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

COMPENSATION

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

Directors' compensation

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

The total gross base compensation paid to Eduardo Malone, Chairman and Chief Executive Officer, by Group companies in 2008 totaled €452,171, compared with €451,009 in 2007. This amount included €350,000 in salary and €91,469 in directors fees (both unchanged from 2007), as well as the use of a company car, valued at €10,702 compared with €9,540 in 2007. Mr Malone's incentive bonus is tied to Group earnings and represents a percentage of his base salary, as determined by the Board of Directors. The bonus paid in 2008 based on 2007 results amounted to €95,000, compared with €80,000 paid in 2007 in respect of 2006.

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

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

TRAINING

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

SAFETY

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

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

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

SOCIAL DIALOGUE

In connection with its decentralized, empowered organization, Chargeurs has always been strategically committed to promoting social dialogue, especially with employee representatives. In France, for example, the proportion of trade union representatives has remained unchanged for many years, despite the downsizing programs, at around 4% of the workforce. Local employee representation is backed by a Group Works Council in France and a European Committee for Social Dialogue designed to promote constructive exchanges of views between the Executive Committee and employee representatives coming from France, the Czech Republic and Italy.

HUMAN RESOURCES INDICATORS

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

Training	Definition	Measurement unit	Scope	At Dec. 31, 2007	At Dec. 31, 2008
Number of persons trained	Employees who attended at least one training course	% of total employees	World	30%	36%
Training hours	Time spent in training by employees who attended at least one training course	Average training hours per person	World	18 hours	17 hours

Safety	Definition	Measurement unit	Scope	At Dec. 31, 2007	At Dec. 31, 2008
Accidents	Frequency rate: number of occupational accidents per million hours worked	Occupational accidents resulting in at least one day lost time	World	18.47	10.57
Absenteeism due to occupational accidents	Severity rate: number of days' absence per thousand hours worked	Days lost due to an occupational accident	World	0.46	0.82

Compensation	Definition	Measurement unit	Scope	At Dec. 31, 2007	At Dec. 31, 2008
Payroll costs	Annual payroll costs recorded in the accounts (in euros millions)	Total employees of fully consolidated companies worldwide	World	97.10	80.0

CHAIRMAN'S REPORT ON CORPORATE GOVERNANCE AND INTERNAL CONTROL

REFERENCE

In light of its size, Chargeurs has not applied the recommendations of the Afep-Medef corporate governance code of December 2008. The Group's corporate governance and internal control practices and procedures are based on the general principles of internal control defined by the French securities regulator *(Autorité des Marchés Financiers)* in its February 25, 2008 document entitled *"Cadre de référence du contrôle interne: Guide de mise en œuvre pour les valeurs moyennes et petites",* which provides internal control reference guidelines for small- and mid-cap companies.

BOARD OF DIRECTORS

Members

The membership of the Board of Directors is presented in the Corporate Governance section of the Annual Report, page 58.

Organization of the work of the Board of Directors

The Board of Directors, comprising the Chairman and four Directors, meets four times a year: twice to examine the interim and annual financial statements, once to review Group strategy in relation to the budget and the business plan, and once after the Annual General Meeting to implement the decisions voted by shareholders. At each meeting, the directors also discuss the Group's business performance, major projects and the matters submitted to the Board for a decision. The work of the Board is supported by that of the Finance Committee, which meets once a month.

Compensation paid to the Chairman and Chief Executive Officer by Group companies is set by the Board of Directors. His incentive bonus is tied to Group results and represents a percentage of his base salary. In light of 2008 results, no bonus will be paid in 2009.

INTERNAL CONTROL

Definition

Internal control is a system that the Company defines and implements under my own responsibility to provide assurance concerning:

– Compliance with laws and regulations.

– Implementation of the instructions and guidelines set by senior management or the Board of Directors.

– Efficient operation of the company's internal processes, particularly those contributing to the protection of its assets.

– Reliability of financial reporting.

More generally, it contributes to the control of the company's business, the effectiveness of its operations and the efficient use of its resources. By helping to anticipate and control risks that could prevent the company from meeting its objectives, internal control plays a key role in managing and overseeing its various business operations.

Components of the internal control system

An efficient organization

The Group is organized around a lean holding company structure, core businesses each with their own small holding company team, and a large number of operating subsidiaries. Empowering the operating companies is a fundamental principle at Chargeurs and one that is made possible by efficient information systems that provide the holding company with high quality financial information and the means to swiftly identify risks. In recent years, the rollout of the "Dolly" model has placed risk identification and management at center stage.

The Dolly model is based on obtaining accurate information about risks so that they can be actively managed. For the Dolly financial structures to operate effectively, it is essential to analyze and eliminate a large number of risks. The transactions, put together with risk management professionals such as insurers, banks and investors, automatically bring with them the controls that are a standard feature of securitizations.

Chargeurs is engaged in several very different businesses and has operations around the world. To take into account this diversity and the specificities of the Dolly model, we have implemented organizational measures designed to manage the risks that are likely to have a material adverse effect on our earnings, assets and commitments. The cornerstones of the system are:

– Empowerment and accountability: the Chairmen and Managing Directors of the subsidiaries have full responsibility for managing their units.

– Short lines of communication.

– Regular reporting on strategic issues.

– Group insurance programs covering all insurable risks.

– An Insurance Risk Management Committee, with the participation of the Risk Managers of the core businesses.

– Group-wide Intranet access to operational procedures and rules.

A system to map and analyze the main identifiable risks

Every month, the Executive Committee pinpoints mission-critical issues and appoints the most appropriate manager for each one, regardless of his/her position relative to other managers. A specific reporting system is in place so that I am informed directly, at regular intervals, of the status of these managers' work. The quality of their status reports is one of the areas covered during their annual performance review. The issues dealt with generally concern events that could have a material adverse effect on our financial results and our Group's various risk exposures.

An outside consulting firm, specialized in economic forecasting, is used to help evaluate macro-economic risks specific to each of our host countries. The consultants periodically present their findings to the Executive Committee and model certain specific risks when requested by one of our businesses.

Chargeurs occasionally retains the services of specialized firms to either perform key analyses or temporarily support its operational teams when critical projects are being implemented. This organization places the Executive Committee at the center of the risk management process.

An information system focused on accountability

Chargeurs' information system is based on the monthly income statements and key balance sheet indicators reported by each of our 75 consolidated companies. We have long been committed to producing high quality financial information. Back in 1980, we were one of the first companies in France to set up a monthly management reporting system based on

the same accounting standards used to produce the statutory consolidated financial statements. Over the years, this process has been improved and, since 2000, management and statutory reporting data are managed by the same information system. With the generation of the consolidated accounts now simply the last phase in the process, this ensures constant control over the production of financial information. Each subsidiary's Managing Director and Finance Director send me comments on their monthly results, presented in a standard format. I review these results, together with the updated annual forecasts reflecting the impact of any new developments, during monthly meetings with the Managing Directors of the core businesses.

Control procedures sized to address the challenges of each process

Accounting and financial risks

Since 2003, the main management processes have been analyzed in order to document and map financial statement risks, the related potential financial impact and the internal controls in place to contain them. As part of this exercise, each core business has identified the three or four most sensitive processes and reviewed the highest risk transactions within each one. The procedures in place to manage and control these transactions have also been identified.

These analyses serve to prioritize future measures, representing the starting point for the Group's drive to strengthen control over its processes.

Operational risks

Steps taken in 2007 to strengthen the value of Chargeurs' assets were pursued in 2008, with the most significant operations for each core business being as follows:

– Chargeurs Protective Films: introduction of a costing system that takes into account feedstock price volatility.
– Chargeurs Interlining: acquisition of Etacol in Bangladesh to continue expanding the business in Asia.
– Chargeurs Wool: sale of combing operations in Australia and of the investment in combing operations in South Africa.

Constant oversight of internal control procedures

Supervising internal control

The subsidiaries' Finance Directors are responsible for controlling the accounting and reporting processes. Second-tier controls are performed by the Finance Directors of the core businesses as part of their oversight role with regard to the subsidiaries.

Internal audit

Chargeurs does not have its own internal audit department and therefore generally relies on local specialized firms in each region. An internal control self-assessment process was initiated in the second half of 2007, which consisted of sending all subsidiaries – except for holding companies – a copy of the guidelines published by the *Autorité des Marchés Financiers* relating to subsidiaries' compliance with internal control procedures. The following areas were covered:

– Financial reporting and the preparation of financial statements.
– Capital expenditure and divestments.
– Property, plant and equipment and intangible assets.
– Non-current financial assets.
– Purchases and trade payables.
– Production costs, inventories and work-in-progress.
– Revenue from external operations and trade receivables.
– Cash and cash equivalents.

Each subsidiary's Managing Director and Financial Controller duly completed the related questionnaires, which were signed by the subsidiary's Managing Director before being sent to head office. The information contained in these questionnaires was subsequently summarized in a business-specific data sheet, enabling us to identify any internal control weaknesses by business, procedure and company, and to implement any requisite corrective measures.

Specific initiatives in 2008

The specific internal control initiatives carried out by each of the Group's businesses in 2008 were limited to the following, due to the extent of operational challenges:

– Chargeurs Protective Films: information systems security audit.
– Chargeurs Interlining: audit of inventories and receivables processes at one of the subsidiaries, performed by an independent firm.
– Chargeurs Wool: implementation of systems to manage financial flows on a consolidated basis.

External audit

Two audit firms share the task of auditing our consolidated financial statements. All of the local Auditors' observations arising from their audits of our subsidiaries' accounts are reported to the subsidiaries' senior management. The Group Auditors produce a summary of these observations, which is presented to me during twice-yearly meetings. The Group Finance Department is responsible for ensuring that the Auditors' recommendations involving organizational changes or changes to procedures are implemented without delay. The representation letters issued by the subsidiaries' Managing Directors to the Auditors are centralized by Chargeurs, to emphasize each Managing Director's accountability for information related to his or her subsidiary included in the Group financial statements.

The internal control situation at the end of 2008

I believe that internal control procedures related to the processing and preparation of accounting and financial information at the end of 2008 were appropriate considering the Group's characteristics. As these characteristics make in-depth testing of our processes very costly, few such tests are currently performed. Further investments will be committed in coming years in this area. The 2009 action plan is based on the following strategic priorities:

– Finalizing reorganization of the management and statutory reporting process with a view to upgrading our information systems.
– Launching a variety of specific initiatives that will be defined during the first half of the year.
– Setting up an audit committee.
– Establishing general financial risk reviews within each business.

SHAREHOLDER PARTICIPATION IN GENERAL MEETINGS

The article 19 of the bylaws, relative to attendance and representation at General Meetings, provides that:
– Shareholders may appoint their spouse or another shareholder as their proxy, in accordance with the law.
– Minors and incapacitated persons may be represented by their legal guardian or conservator, and companies and other legal entities may be represented by a person with the power of attorney or other authority, in accordance with the law.
– Spouses, guardians, conservators and other representatives are not required to be shareholders of Chargeurs.
– In order to take part in a General Meeting, shareholders must be able to provide evidence that their shares are recorded in a securities account, or deposit the shares or present a certificate attesting that the shares have been deposited, at least five days prior to the Meeting, in compliance with the instructions provided in the notice of Meeting.
– For any given Meeting, the Board of Directors may, at its discretion, advance the above-mentioned deadline or waive the requirement to deposit the shares.
– The Board may decide to issue admission cards to eligible persons in their name and for their use only.
– Shareholders can vote by filling out and returning to the company a postal or proxy form, in accordance with the applicable regulations.
– Prior to each Meeting, the Board may decide that shareholders who take part in the Meeting via video conference or any other telecommunication means that allows them to be identified and whose nature and conditions of use are determined by a decree of the *Conseil d'État* are deemed present and included for quorum and majority purposes.

ITEMS LIKELY TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC TENDER OFFER

None of the items mentioned in article L. 225.100-3- of the French Commercial Code is likely to have an impact in the event of a public tender offer, except for the following:
– The company's capital structure, as described in the Report of the Board of Directors presented at the Annual General Meeting and published on Chargeurs' website.
– Direct or indirect investments in the company's shares of which Chargeurs is notified pursuant to articles L. 233-7 and L. 233-12 of the French Commercial Code, and which are discussed in the Report of the Board of Directors presented at the Annual General Meeting and published on Chargeurs' website.
– The rules governing the election or replacement of Board members and changes to the company's bylaws, referred to in article 9, 10 and 12 of the bylaws.
– The powers of the members of the Board of Directors, defined in article 14 of the bylaws.

Eduardo Malone,
Chairman and Chief Executive Officer
March 2009

STATEMENT BY THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of Chargeurs and the consolidated companies, and that the management report included in the annual financial report presents a true and fair view of the business development, results and financial position of Chargeurs and the consolidated companies, together with a description of the main risks and uncertainties they face.

Eduardo Malone,
Chairman and Chief Executive Officer
March 2009

REPORT OF THE VICE-PRESIDENT, FINANCE
2008 FINANCIAL RESULTS

INCOME STATEMENTS

Consolidated revenue

Revenue for the year totaled €599.2 million, down 16% at comparable scope of consolidation (excluding Fashion) and down 14% excluding the currency effect. 80% of the decline, which concerned all of the Group's businesses, was attributable to falling volumes, with the fourth quarter alone accounting for 46% of the volume effect.

Revenue by business

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

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

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

Revenue performance was uneven across the year, with an 8% downturn in the first quarter giving way to a 26% contraction in the fourth quarter, which was severely affected by the global financial and economic crisis. The proportion of sales generated outside France continued to rise over the period, representing 94%. The weighting of the main geographic markets confirmed the trends observed in prior years. China reaffirmed its position as our largest market and continued to generate an increasing proportion of revenue, accounting for nearly 20% of the total in 2008. Italy remained our second largest market, contributing close to 17% of revenue and Germany was once again the third largest with 9.5%, while the United States overtook France to become the fourth largest market with 8.3% of revenue versus France's 6.1%.

Operating profit

Chargeurs Protective Films' operating profit demonstrated firm resilience in a fragile environment, ending the year at €13.1 million thanks to the introduction of new, less expensive products.

Plummeting apparel sales in most Western countries caused a sudden slowdown in the garment-making production chain and, further upstream, in the textile business. In response, Chargeurs Interlining stepped up programs to align its European production base with weaker demand and began closing its manufacturing facilities in the Czech Republic. The cost of all these measures totalled €25.9 million in 2008, causing the operating loss to come to €23.7 million for the year. Excluding these reorganization measures, Chargeurs Interlining would have reported operating profit of €2.2 million. To leverage Asia's competitive manufacturing resources, the business continued to expand its presence in the region with the early 2008 acquisition of Bangladesh-based shirt-interlining company Etacol, thereby raising its share of the global shirt interlining market to 25%.

In light of the sharp slowdown in the wool market, Chargeurs Wool pulled out of combing operations in Australia, New Zealand and South Africa during the year. The total impact of closures and divestments recognized in 2008 was €4.5 million, contributing to Chargeurs Wool's operating loss of €6.9 million.

Net financial expense

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

Share of profits and losses of associates

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

Income tax expense

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

Net loss

A net loss of €56.2 million was recorded for 2008 versus a net profit of €15.6 million in 2007. The 2008 loss reflects the following non-recurring items:

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

BALANCE SHEET AND FINANCIAL MANAGEMENT

Net bank debt at December 31, 2008 amounted to €84.2 million versus €55 million at the previous year-end. The increase mainly reflected the sharp fourth-quarter downturn in demand, which prevented the Group from lowering its working capital requirement to satisfactory levels in relation to revenue. In fact, working capital requirement increased €25.5 million over the period. Of the €84.2 million total, €62.1 million consisted of medium-term debt, of which €20.3 million is repayable in 2008. Together, the various Chargeurs companies had cash and cash equivalents of €57.8 million at December 31, 2008.

For several years, the Group has sold receivables under no recourse agreements. Until 2004, the amounts involved were disclosed in note 10 to the consolidated financial statements. Unlike under the French accounting standards applied in 2004, IAS 39 requires us to consider factors other than the transfer of title to determine whether financial assets should be reported in the balance sheet (see note 3 to the consolidated financial statements). At the end of 2005, in view of the fact that this issue was still being discussed by the experts and no final official position had been taken, it was deemed prudent to keep these receivables on balance sheet, using a separate line to indicate they did not belong to Chargeurs, and to record a factoring liability for the amount of the cash proceeds received. This accounting method continued to be applied in 2008.

PARENT COMPANY FINANCIAL STATEMENTS

The parent company reported an operating loss of €2.8 million in 2008, corresponding to expenses for the year. This represented an improvement of €1.9 million over 2007. Finance costs and other financial income and expense, net came to €94.4 million, due mainly to the recognition of €107.9 million worth of provisions to align the carrying amount of securities held with the market situation at the year-end. Net non-recurring income came to €11.8 million, corresponding mainly to €10 million in reversals of impairment losses on shares sold during the year. The company reported a pre-tax loss of €85.4 million. A tax benefit of €0.9 million was recorded, corresponding to group relief. The company ended the year with a net loss of €84.5 million.

Christophe Pothier,
Vice-President, Finance
March 2009

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CONSOLIDATED BALANCE SHEETS

At December 31 (in euro millions)

Assets	2008	2007
Non-current assets		
Property, plant and equipment (note 5)	70.7	89.4
Intangible assets (note 6)	70.1	63.7
Investments in associates (note 9)	18.0	25.1
Deferred tax assets (note 11)	20.0	29.2
Non-current financial assets		
– Investments in non-consolidated companies (note 8)	2.0	3.1
– Long-term loans and receivables (note 10)	9.3	9.3
Derivative instruments (note 15)		
Other non-current assets (note 12)	5.3	6.6
	195.4	**226.4**
Current assets		
Inventories and work-in-progress (note 13)	136.2	155.2
Trade receivables (note 14)	75.9	82.5
*Factored receivables**	*64.7*	*82.5*
Derivative instruments (note 15)	1.3	1.8
Other receivables (note 16)	59.4	74.9
Cash and cash equivalents (note 17)	57.8	110.3
	395.3	**507.2**
Total assets	**590.7**	**733.6**

Equity and liabilities	2008	2007
Equity (note 18)		
Attributable to equity holders of the parent		
Share capital (note 18)	166.0	166.0
Share premium account	32.2	32.2
Other reserves and retained earnings (note 18)	49.9	38.5
Profit/(loss) for the period	(56.2)	15.4
Treasury stock	(1.6)	(0.8)
Translation reserve	(8.1)	(13.9)
	182.2	**237.4**
Minority interests	**6.3**	**5.4**
Total equity	**188.5**	**242.8**
Non-current liabilities		
Long-term borrowings (note 21)	41.8	56.7
Deferred tax liabilities (note 11)	1.3	1.4
Pension and other post-employment benefit obligations (note 19)	10.3	11.5
Provisions (note 20)	7.2	3.9
Other non-current liabilities	0.4	0.8
	61.0	**74.3**
Current liabilities		
Trade payables (note 22)	116.5	157.0
Other payables (note 22)	55.1	61.5
*Factoring liabilities**	*64.7*	*82.5*
Current income tax liability	2.1	2.6
Derivative instruments (note 15)	2.6	4.7
Short-term portion of long-term borrowings (note 21)	20.3	26.9
Short-term bank loans and overdrafts (note 21)	79.9	81.3
	341.2	**416.5**
Total equity and liabilities	**590.7**	**733.6**

*Receivables for which title has been transferred (see note 3.2).
Notes 1 to 37 are an integral part of the 2008 consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

At December 31 (in euro millions)

	2008	2007
Revenue	**599.2**	**789.6**
Cost of sales	(489.1)	(624.2)
Gross profit	110.1	165.4
Distribution costs	(65.3)	(79.6)
Administrative expenses	(39.6)	(47.7)
Research and development costs (note 24)	(4.2)	(9.4)
Other operating income and expense (note 25)	(32.7)	0.0
Operating profit/(loss)	**(31.7)**	**28.7**
Finance costs and other financial expense	(18.5)	(14.5)
Financial income	7.0	3.5
Finance costs and other financial income and expense, net (note 27)	**(11.5)**	**(11.0)**
Share of profit/(loss) of associates	(7.9)	1.5
Pre-tax profit/(loss) for the period	**(51.1)**	**19.2**
Income tax expense (note 28)	(5.8)	(4.1)
Profit/(loss) for the period	**(56.9)**	**15.1**
Attributable to:		
Equity holders of the parent	(56.2)	15.4
Minority interests	(0.7)	(0.3)
Earnings/(loss) per share (in euros)		
– Basic earnings/(loss) per share	(5.5)	1.5
– Diluted earnings/(loss) per share	(5.5)	1.5
Weighted average number of shares outstanding	10,299,975	10,253,666

Notes 1 to 37 are an integral part of the 2008 consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

(in euro millions)

	2008	2007
Cash flows from operating activities		
Pre-tax profit of consolidated companies	(43.3)	17.8
Adjustments (note 31)	41.8	11.2
Income tax refunded/(paid)	4.1	(6.3)
Cash generated from operations	**2.6**	**22.7**
Dividends from associates	1.3	0.3
Change in operating working capital	(25.5)	(29.7)
Net cash used by operating activities	**(21.6)**	**(6.7)**
Cash flows from investing activities		
Acquisitions of subsidiaries, net of cash acquired	(3.3)	–
Proceeds from disposals of subsidiaries, net of cash sold	5.0	(3.0)
Purchases of property, plant and equipment	(8.2)	(13.3)
Proceeds from sales of property, plant and equipment	10.6	8.5
Purchases of other non-current assets	(1.5)	(1.7)
Proceeds from sales of other non-current assets	0.1	2.0
Other movements	0.1	1.8
Net cash from/(used by) investing activities	**2.8**	**(5.7)**
Cash flows from financing activities		
Proceeds from issue of share capital	–	1.6
(Purchases)/sales of treasury stock	(0.9)	0.3
Proceeds from new borrowings	0.7	22.0
Repayments of borrowings	(26.5)	(16.9)
Dividends paid to equity holders of the parent	(6.7)	(7.3)
Net cash used by financing activities	**(33.4)**	**(0.3)**
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	**(52.2)**	**(12.7)**
Cash and cash equivalents and bank overdrafts at beginning of year	110.3	125.2
Effect of changes in foreign exchange rates	(0.3)	(2.0)
Cash and cash equivalents and bank overdrafts at year-end	**57.8**	**110.5**

Notes 1 to 37 are an integral part of the 2008 consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in euro millions)

	Share capital	Share premium account	Other reserves and retained earnings	Translation reserve	Treasury stock	Equity attributable to equity holders of the parent company	Minority interests	Total
At December 31, 2006	**164.7**	**32.0**	**48.2**	**(1.8)**	**(1.0)**	**242.1**	**7.0**	**249.1**
– Exchange difference on translating foreign operations				(12.1)		(12.1)	(0.3)	(12.4)
– Dividends paid			(6.7)			(6.7)	(0.6)	(7.3)
– Gains and losses on cash flow hedges			(3.2)			(3.2)		(3.2)
– Changes in treasury stock					0.2	0.2		0.2
– Issue of share capital	1.3	0.2				1.5		1.5
– Profit for the period			15.4			15.4	(0.3)	15.1
– Change in scope of consolidation						0.0	(0.3)	(0.3)
– Other			0.2			0.2	(0.1)	0.1
At December 31, 2007	**166.0**	**32.2**	**53.9**	**(13.4)**	**(0.8)**	**237.4**	**5.4**	**242.8**
– Exchange difference on translating foreign operations				6.5		6.5	0.8	7.3
– Dividends paid			(6.7)	(0.2)		(6.9)	(0.1)	(7.0)
– Gains and losses on cash flow hedges			2.7			2.7		2.7
– Changes in treasury stock					(0.8)	(0.8)		(0.8)
– Issue of share capital						0.0	0.9	0.9
– Loss for the period			(56.2)			(56.2)	(0.7)	(56.2)
– Change in scope of consolidation				(0.5)		(0.5)		(0.5)
– Other						0.0		0.0
At December 31, 2008	**166.0**	**32.2**	**(6.3)**	**(8.1)**	**(1.6)**	**182.2**	**6.3**	**188.5**

Notes 1 to 37 are an integral part of the 2008 consolidated financial statements.

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1. GENERAL INFORMATION

In 2008, Chargeurs and its subsidiaries (the Chargeurs Group) were organized around three business lines: Chargeurs Protective Films (development and marketing of technical solutions to protect steel, aluminum, plastic and other surfaces during the production process), Chargeurs Interlining (interlining and technical fabrics production and marketing) and Chargeurs Wool (wool processing). Chargeurs is a *société anonyme* governed by the laws of France. Its headquarters are located at 29-31, rue Washington, 75008 Paris, France.

Chargeurs shares are listed on Euronext.

The consolidated financial statements for the year ended December 31, 2008 were approved by the Board of Directors on March 5, 2009 and will be submitted to shareholders for approval on May 7, 2009.

All amounts are expressed in millions of euros, unless otherwise specified.

At the Annual General Meeting of May 7, 2009, the Board of Directors has decided to recommend canceling the dividend.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

(a) New standards, amendments to existing standards and interpretations applicable in financial periods commencing on or after January 1, 2008 and affecting the Group

Adopted by the European Union:

– IAS 39 – Amendment: Reclassification of Financial Assets.

(b) New standards, amendments and interpretations applicable in future years and not early adopted by the Group

Adopted by the European Union and affecting the Group:

– IFRS 8 – Operating Segments.
– IAS 23 – Amendment: Borrowing Costs.
– IFRS 2 – Amendment: Vesting Conditions and Cancellations.
– IFRIC 11 – Group and Treasury Share Transactions.
– IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Adopted by the European Union but considered by Management as not relevant to the Group's operations:

– IFRIC 13 – Customer Loyalty Programmes.

Not yet adopted by the European Union but affecting the Group:

– IAS 1 (revised) – Presentation of Financial Statements.
– IFRS 3 (revised) – Business Combinations.
– IAS 27 (revised) – Consolidated and Separate Financial Statements.
– IFRIC 16 – Hedges of a Net Investment in a Foreign Operation.
– IAS 32 and IAS 1 – Amendments: Puttable Financial Instruments and Obligations arising on Liquidation.
– IFRS 1 and IAS 27 – Amendments: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.
– IAS 39 – Amendment: Eligible Hedged Items.

Not yet adopted by the European Union and considered by Management as not relevant to the Group's operations:

– IFRIC 12 – Service Concession Arrangements.
– IFRIC 15 – Agreements for the Construction of Real Estate.

2.2 Consolidation methods

(a) Subsidiaries

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

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

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

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

acquisition over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill.
If the cost of the acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement. Intercompany transactions and balances and unrealized gains on transactions between Group companies are eliminated.
Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with minority shareholders

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

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method and are initially recognized at cost. The Group's investments in associates include goodwill (net of any accumulated impairment losses) identified on acquisition (see note 2.6).
The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves – which has no impact on profit or loss – is recognized directly in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses of an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.
Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate concerned. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Non-consolidated companies

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

2.3 Segment reporting

Chargeurs' primary reporting format is based on the Group's three business segments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.
Geographical segments correspond to Chargeurs' secondary reporting format. A geographical segment is a distinguishable economic environment subject to risks and returns that are different from those of the other economic environments in which the Group operates. Chargeurs operates in three geographical segments: Europe – including the Group's home market, France – the Americas and Asia. The "Asia" segment encompasses the Asia-Pacific region and Africa.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency").
The consolidated financial statements are presented in euros, which is Chargeurs' functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into each entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges. In this case, gains and losses on the cash flow hedge accumulated in equity are reclassified to the income statement when the exchange gain or loss on the hedged item is recognized.
Exchange gains and losses arising from translation of foreign currency receivables and payables are recognized in the income statement.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency other than the euro are translated as follows: (i) balance sheet items are translated at closing exchange rates, (ii) income statement items are translated at average exchange rates for the period, and (iii) all resulting exchange differences are recognized as a separate component of equity under "Translation reserve" and "Minority interests".
Exchange differences arising from the translation of the net investment in subsidiaries with a functional currency other than the euro and of instruments designated as hedges of such investments are recorded under "Translation reserve" in equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

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

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

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

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

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

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

Leases

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

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

Impairment of property, plant and equipment

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

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

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

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

2.6 Intangible assets

(a) Goodwill

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

(b) Trademarks and licenses

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

(c) Computer software

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

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

(d) Development costs

Development costs are capitalized when the Group can demonstrate all of the following:

– The technical feasibility of completing the intangible asset so that it will be available for use or sale.
– Its intention to complete the intangible asset and use or sell it.
– Its ability to use or sell the intangible asset.
– How the intangible asset will generate probable future economic benefits.
– The availability of adequate technical and financial resources to complete the development.
– Its ability to reliably measure the expenditure attributable to the intangible asset during its development.

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

Impairment of intangible assets

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

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

2.7 Financial assets and liabilities

Definitions

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

(a) Financial assets at fair value through profit or loss

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or are not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within twelve months of the balance sheet date.

In the consolidated balance sheet, available-for-sale financial assets correspond to "Investments in non-consolidated companies" (note 8).

(d) Financial liabilities

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

Recognition and measurement of financial assets

(a) Investments in non-consolidated companies

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

(b) Loans and receivables

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

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

(c) Marketable securities

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

Recognition and measurement of financial liabilities

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

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

2.8 Derivative instruments and hedges

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

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

Changes in the fair value of hedged firm commitments and of currency derivatives that qualify as fair value hedges are recorded in the income statement.

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

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

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

2.9 Deferred taxes

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

– All deferred tax liabilities are recognized.

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

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

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

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

2.10 Inventories

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

2.11 Trade receivables

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

2.12 Cash and cash equivalents

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

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

2.13 Share capital

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

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

2.14 Borrowings

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

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

2.15 Employee benefits

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

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

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

2.16 Provisions

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

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

2.17 Revenue recognition

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

2.18 Other operating income and expense

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

2.19 Earnings per share

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

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

2.20 Stock options

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

3. USE OF ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

3.1 Critical accounting estimates and assumptions

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

(a) Impairment of goodwill

Goodwill is tested for impairment on an annual basis as described in note 2.6. The recoverable amounts of cash-generating units are determined based on calculations of value in use, which require the use of estimates (see note 6).
The impairment tests performed in 2008 did not reveal any impairment in the carrying amount of goodwill.

(b) Income tax

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

3.2 Critical judgments

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

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

French GAAP

Receivables sold under no-recourse agreements are derecognized. As there are no specific accounting standards under French GAAP dealing with this type of transaction, the accounting treatment used in the parent company accounts (which are still prepared in accordance with French GAAP) is based on the legal form of the transactions and the assets are derecognized when title is transferred. This approach was also applied in the consolidated financial statements prior to the transition to IFRS, as routine commercial transactions carried out in accordance with normal business or industry practice – such as the sale of receivables under no-recourse agreements – were excluded from the scope of application of the joint recommendation issued on November 15, 2002 by the Commission des opérations de Bourse *and the* Commission bancaire *on special purpose entities and asset derecognition (which set down a general principle based on the transfer of the significant risks of ownership of assets).*

IFRS

Under IFRS, transfer of title is not the only criterion to be applied. IAS 39 – Financial Instruments: Recognition and Measurement, which deals with the derecognition of financial assets, including trade receivables, requires entities to base their analysis on the following three criteria:
– Whether the entity has transferred the contractual rights to receive the cash flows of the financial asset.
– Whether the entity has transferred substantially all the risks and rewards of ownership of the financial asset.
– Whether the entity has retained control of the financial asset.
Chargeurs' teams analyzed the contracts for the sale of the receivables based on these three criteria. In view of the fact that this issue was still being discussed by experts and no final official position had been taken, it was deemed prudent to keep these receivables on balance sheet and record a corresponding liability for the amount of the cash proceeds received.

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

4. ACQUISITIONS – DISPOSALS

On January 21, 2008 Chargeurs Interlining acquired the entire capital of Etacol, a Bangladesh-based company specialized in the production and marketing of interlinings. Etacol contributed €6 million to Chargeurs' consolidated revenue in 2008.
In the second half of 2008, Chargeurs Wool sold its interests in two companies, Cape of Good Hope in South Africa and Riverina Wool Combing in Australia.

NOTES TO THE BALANCE SHEET

5. PROPERTY, PLANT AND EQUIPMENT

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

(in euro millions)	Land	Buildings	Plant and equipment	Fixtures and fittings	Assets under construction	Total
December 31, 2006	**9.7**	**41.4**	**45.9**	**8.5**	**9.3**	**114.8**
Additions		0.6	5.4	1.5	6.1	13.6
Disposals			(3.5)	(0.6)	(3.8)	(7.9)
Business divestments	(1.2)	(4.6)	(7.3)	(0.1)	(0.1)	(13.3)
Depreciation		(3.3)	(9.4)	(2.1)		(14.8)
Impairment						0.0
Other		1.0	6.0	1.1	(8.0)	0.1
Translation adjustment	(0.1)	(0.8)	(1.8)	(0.2)	(0.2)	(3.1)
December 31, 2007	**8.4**	**34.3**	**35.3**	**8.1**	**3.3**	**89.4**
Additions		0.3	7.4	0.9	3.6	12.2
Disposals	(0.9)	(2.1)	(4.7)	(0.4)	(0.4)	(8.5)
Change in scope of consolidation		0.1	(1.3)			(1.2)
Depreciation	(0.6)	(3.0)	(7.1)	(1.6)		(12.3)
Impairment	(1.4)	(3.5)	(6.0)	(0.1)	(0.1)	(11.1)
Other			3.4	(0.5)	(3.0)	(0.1)
Translation adjustment	0.1	0.9	0.9	0.3	0.1	2.3
December 31, 2008	**5.6**	**27.0**	**27.9**	**6.7**	**3.5**	**70.7**

Measurement of property, plant and equipment

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

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

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

The assets of Chargeurs Protective Films, Chargeurs Interlining and Chargeurs Wool were tested for impairment in accordance with paragraphs (ii) and (iii) above.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

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

(in euro millions)	Gross	Accumulated impairment losses	Net
December 31, 2006	**89.8**	**(25.4)**	**64.4**
Goodwill recognized on companies acquired during the year			
Translation adjustment	(5.0)		(5.0)
Change in scope of consolidation [1]	(14.4)	11.5	(2.9)
December 31, 2007	**70.4**	**(13.9)**	**56.5**
Goodwill recognized on companies acquired during the year	3.5		3.5
Translation adjustment	2.6		2.6
Other [2]	3.0	(1.8)	1.2
December 31, 2008	**79.5**	**(15.7)**	**63.8**

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

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

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

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Chargeurs Protective Films	46.5	42.9
Chargeurs Interlining	17.3	13.6

Chargeurs Protective Films' goodwill is measured in US dollars and the increase in this item in 2008 partly reflects a €2.4 million fair value adjustment as a result of the fall in the US dollar against the euro. Chargeurs Interlining's goodwill is now assessed based on two cash-generating units following the acquisition of Etacol. The three companies held by Chargeurs Interlining in partnership with Ningbo Yak Technology Industrial together constitute a separate cash-generating unit whose goodwill is included in "Investments in associates".

Goodwill impairment tests

Impairment tests were carried out on the goodwill allocated to the CGUs represented by the Group's three business segments by comparing their carrying amount with their recoverable amount based on value-in-use calculations.

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

For Chargeurs Protective Films a cash flow simulation model was developed based on various market parameters and different scenarios, taking into account the probability of each situation occurring. Simulations were then performed using the Monte Carlo method and calculating present values. The final value allocated to Chargeurs Protective Films' goodwill corresponds to the average value of all of the different simulated scenarios.

The main value-in-use assumptions applied were as follows:

	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool
Average operating margin over the business plan period (1)	6.6%	5.2%	2.8%
Growth rate (2)	2.5%	1.0%	0.0%
Discount rate (3)			
2007	9.1%	9.14%	9.6%
2008	9.2%	8.1%/10.1%	9.1%

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

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

The growth rates applied in 2008 to calculate terminal values for Chargeurs Protective Films and Chargeurs Interlining were unchanged from 2007, at 2% and 1% respectively, except for CGUs located in Asia which used a 2% growth rate.

(1) Operating profit/revenue.
The calculation is based on operating profit before restructuring costs or other non-recurring items.

(2) Equal to or less than the medium- to long-term growth rate for the industry as a whole. This rate was unchanged from 2007 for all of the Group's CGUs.

(3) The main parameters used to determine the discount rate were as follows:

General parameters:

	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool
Risk-free interest rate	3.70%	3.70%	3.70%
Market premium	5.00%	5.00%	5.00%
Beta	100.00%	100.00%	100.00%
Specific risk premium:	1.00%	2.00%	3.00%
Cost of equity	9.70%	10.70%	11.70%
Pre-tax cost of debt	5.80%	5.80%	5.80%
Income tax rate	33.33%	33.33%	33.33%
Post-tax cost of debt	3.87%	3.87%	3.87%
Net debt/capital employed	20.00%	33.00%	33.00%
Weighted average cost of capital	8.53%	8.45%	9.12%
		Range	
Discount rate applied	9.20%	8.1%/10.1%	9.12%

A one-point increase in the discount rate used to calculate Chargeurs Protective Films' goodwill would not lead to any impairment losses.

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

(b) Other intangible assets

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

(in euro millions)	Trademarks and patents	Development costs	Rights of use	Other	Total
January 1, 2007	**3.7**	**0.0**	**2.5**	**0.6**	**6.8**
Capitalized development costs		1.3			1.3
Additions				0.3	0.3
Disposals			(0.2)	(0.1)	(0.3)
Change in scope of consolidation	(0.2)		(0.1)		(0.3)
Amortization				(0.1)	(0.1)
Impairment	(0.1)		(0.1)	(0.1)	(0.3)
Other					0.0
Translation adjustment	(0.1)		(0.1)		(0.2)
December 31, 2007	**3.3**	**1.3**	**2.0**	**0.6**	**7.2**
January 1, 2008	**3.3**	**1.3**	**2.0**	**0.6**	**7.2**
Capitalized development costs		0.9			0.9
Additions	0.6				0.6
Disposals					0.0
Change in scope of consolidation					0.0
Amortization	(1.2)	(0.1)			(1.3)
Impairment			(0.1)		(0.1)
Other	(1.2)				(1.2)
Translation adjustment			0.2		0.2
December 31, 2008	**1.5**	**2.1**	**2.1**	**0.6**	**6.3**

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

7. FINANCE LEASES

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

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Land	2.9	2.7
Buildings	30.4	32.3
Plant and equipment	8.4	4.4
Fixtures, fittings and other	7.8	7.4
Gross	**49.5**	**46.8**
Accumulated depreciation	**(28.5)**	**(29.8)**
Net	**21.0**	**17.0**

Future lease payments can be analyzed by maturity as follows:

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Future minimum lease payments under finance leases	21.4	20.8
Finance lease liabilities	18.4	18.4
Future finance cost	3.0	2.4

Future lease payments can be analyzed by maturity as follows:

(in euro millions)	Minimum lease payments	Finance lease liabilities
Due in less than one year	4.4	3.4
Due in one to five years	15.2	13.3
Due in more than five years	1.8	1.7
Total at December 31, 2008	**21.4**	**18.4**
Due in less than one year	3.6	3.0
Due in one to five years	12.8	11.2
Due in more than five years	4.4	4.2
Total at December 31, 2007	**20.8**	**18.4**

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

8. INVESTMENTS IN NON-CONSOLIDATED COMPANIES

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

(in euro millions)	**Dec. 31, 2008**	Dec. 31, 2007
Investments more than 50%-owned:		
Aggregate	1.7	1.8
Investments between 20% and 50%-owned:		
Aggregate	0.2	0.5
Investments less than 20%-owned:		
Aggregate	0.1	0.8
Total	**2.0**	**3.1**

As these shares are not listed they are measured at historical cost and written down where necessary.

9. INVESTMENTS IN ASSOCIATES

a) Movements

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

(in euro millions)	Yak entities	Fashion entities	Peinaduria Rio Chubut	Other	Total
January 1, 2007	**10.9**	**0.0**	**0.0**	**6.6**	**17.5**
Additions					0.0
Disposals				(2.0)	(2.0)
Change in scope of consolidation		7.8	2.1		9.9
Profit/(loss) for the period	1.3		0.3	(0.1)	1.5
Dividends				(0.3)	(0.3)
Other				(0.7)	(0.7)
Translation adjustment	(0.5)		(0.2)		(0.7)
December 31, 2007	**11.7**	**7.8**	**2.1**	**3.5**	**25.1**
January 1, 2008	**11.7**	**7.8**	**2.1**	**3.5**	**25.1**
Additions			0.3	0.3	0.6
Disposals					0.0
Change in scope of consolidation					0.0
Profit/(loss) for the period	1.0	(7.7)	0.1	(1.3)	(7.9)
Dividends	(1.1)			(0.1)	(1.2)
Other					0.0
Translation adjustment	1.5	(0.1)			1.4
December 31, 2008	**13.1**	**(0.0)**	**2.5**	**2.4**	**18.0**

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

Key figures for associates, representing ownership interests of €18.0 million, were as follows:

(in euro millions)	December 31, 2008				December 31, 2007			
	Yak	Fashion	Other	**Total**	Yak	Fashion	Other	Total
Assets	16.1	53.5	28.4	98.0	15.4	63.8	27.7	106.9
Liabilities	5.6	35.1	13.5	54.2	5.9	41.9	13.3	61.1
Revenue	4.0	63.6	11.4	79.0	3.2	(1)	10.3	13.5
Profit/(loss) for the period	2.0	(11.5)	(1.3)	(10.8)	2.7	(1)	1.0	3.7
Contribution to consolidated profit	**1.0**	**(7.7)**	**(1.2)**	**(7.9)**	**1.3**	**(1)**	**0.2**	**1.5**

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

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

10. LONG-TERM LOANS AND RECEIVABLES

The €9.3 million total for this item breaks down as follows:

– Long-term loans in an amount of €3.4 million.

– Long-term deposits in an amount of €5.9 million.

The fair value of these assets approximates their carrying amount.

11. DEFERRED TAXES

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

(in euro millions)	**Dec. 31, 2008**	Dec. 31, 2007
Deferred tax assets		
– Recoverable beyond 12 months	17.6	24.4
– Recoverable within 12 months	13.0	12.8
Deferred tax liabilities		
– Settlement beyond 12 months	(10.0)	(7.9)
– Settlement within 12 months	(1.9)	(1.5)
Total	**18.7**	**27.8**

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

(in euro millions)	**Dec. 31, 2008**	Dec. 31, 2007
Deferred tax assets:		
– Temporary differences	15.9	12.6
– Tax loss carryforwards and tax credits	14.7	24.6
Deferred tax liabilities		
– Temporary differences	(11.9)	(9.4)
Total	**18.7**	**27.8**

Deferred tax assets are recognized for tax loss carryforwards only when their future recovery is considered probable based on projected taxable profits for the next five years.

No deferred tax assets have been recognized for a significant portion of the Group's evergreen losses (see below).

Net deferred tax assets decreased by €9.1 million in 2008.

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

(in euro millions)	Total	Unrecognized
Available until		
2009	0.7	0.7
2010	0.7	0.7
2011	0.2	0.2
2012	0.9	0.9
2013	26.0	26.0
Evergreen losses	321.0	276.9
Total tax loss carryforwards	**349.5**	**305.4**

12. OTHER NON-CURRENT ASSETS

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

13. INVENTORIES AND WORK-IN-PROGRESS

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

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Gross		
Raw materials and supplies	43.7	51.9
Finished and semi-finished goods and work-in-progress	102.9	109.4
Total – gross	146.6	161.3
Provisions for impairment	(10.4)	(6.1)
Net	**136.2**	**155.2**
Increase in provisions for impairment of inventory	(7.1)	(5.0)
Reversals of provisions used	1.4	4.5
Reversals of surplus provisions	1.4	3.5

14. TRADE RECEIVABLES

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Trade receivables		
Gross	87.3	93.0
Provisions for impairment	(11.4)	(10.5)
Net	**75.9**	**82.5**

As these receivables are all short term and are not interest bearing, changes in interest rates do not generate any material interest rate risk.
Given their short maturities, the fair value of these receivables may be considered to be close to their carrying amount.
Chargeurs manages customer credit risks on a local, decentralized basis. Provisions for past-due receivables are determined on a case-by-case basis, taking into account the amount recoverable under credit insurance, local practices, the customer's payment history and the total balance due.

Factored receivables

At December 31, 2008, certain receivables had been sold under no-recourse agreements with factoring companies. The amounts paid by the factoring companies for the receivables totaled €64.7 million at December 31, 2008 (€82.5 million at December 31, 2007).
These receivables are shown on Chargeurs' balance sheet even though they have been sold and despite the fact that title has been transferred to the factoring company (see note 3).

15. DERIVATIVE INSTRUMENTS

The carrying amount of derivatives can be analyzed as follows:

(in euro millions)	Dec. 31, 2008		Dec. 31, 2007	
Assets net of liabilities	Fair value	Notional	Fair value	Notional
Fair value hedges				
Currency hedges	(2.0)	3.9	(0.2)	22.6
Cash flow hedges				
Currency hedges	0.3	(7.4)	(3.6)	47.5
Interest rate hedges	0.1	(24.0)	1.0	(30.0)
Commodity hedges	–	–	(0.1)	2.4
Hedges of net investments in foreign operations				
Currency hedges	–	–	–	–
Derivatives not qualifying for hedge accounting				
Currency instruments	0.1	(6.3)	0.0	(12.6)
Interest rate instruments	0.2	(24.0)	0.0	(31.9)
Derivative instruments – net asset/(liability)	**(1.3)**		**(2.9)**	

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

Fair value hedges on a notional amount of €3.9 million (net buyer position) correspond to hedges of assets and liabilities and firm commitments by subsidiaries.
Cash flow hedges on a notional amount of – €7.4 million (net seller position) correspond to hedges of the Group's exposure to changes in the exchange rate for the US dollar.
Interest rate hedges on a notional amount of – €48.0 million (net borrower position) correspond to:
– The conversion to fixed rate of €24 million in credit lines obtained by Chargeurs Protective Films, through interest rate swaps. In addition, a swap cancellation option has been purchased on a notional amount of €24 million.

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

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Australian dollar	24.0	61.3
US dollar	(23.8)	2.3
Euro	(9.7)	(4.3)
Pound sterling	0.1	(2.1)
Danish krone		
Canadian dollar		
New Zealand dollar		(0.9)
South African rand	3.0	17.1
Korean won	(0.7)	(3.6)
Chinese yuan	(2.7)	(12.3)
Total	**(9.8)**	**57.5**

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

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Euro	(48.0)	(61.9)
US dollar	–	–

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

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Euro	–	2.4

Maturities of derivatives at fair value

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Within 6 months	(1.6)	(3.5)
In 6 to 12 months	–	(0.3)
In 12 to 18 months	–	(0.1)
In more than 18 months	0.3	1.0

16. OTHER RECEIVABLES

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Short-term tax receivables	3.0	3.4
Sundry receivables	58.0	72.6
Accruals	1.1	1.4
Provision for impairment	(2.6)	(2.5)
Net	**59.4**	**74.9**

Sundry receivables include tax credits, the unfunded portion of no-recourse sales of receivables and supplier advances.
The fair value of these assets closely approximates their carrying amount.

17. CASH AND CASH EQUIVALENTS

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

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Cash equivalents		
Marketable securities	21.0	15.8
Term deposits	7.3	16.2
Sub-total	**28.3**	**32.0**
Cash at bank	29.5	78.3
Total	**57.8**	**110.3**

18. EQUITY

All Chargeurs shares have been called and are fully paid-up. Changes in the number of shares outstanding since January 1, 2007 are as follows:

Shares outstanding at January 1, 2007	**10,293,197**
Issuance of shares on exercise of employee stock options	83,900
Shares outstanding at December 31, 2007	**10,377,097**
Issuance of shares on exercise of employee stock options	–
Shares outstanding at December 31, 2008	**10,377,097**

Based on a par value of €16 per share, shares outstanding at December 31, 2008 represented issued capital of €166,033,552, unchanged from one year earlier.
All of the shares are of the same class, with the same rights to dividends and returns of capital.

Shares held in treasury can be analyzed as follows:

	Dec. 31, 2008		Dec. 31, 2007	
	Number	Cost in euros	Number	Cost in euros
Chargeurs shares held:				
– By Chargeurs	13,334	230,851	13,334	230,851
– In connection with the liquidity contract	118,100	1,328 725	29,326	579,639
Total	**131,434**	**1,559 576**	**42,660**	**810,490**

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

19. PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Post-employment benefit obligations	7.5	8.4
Post-employment healthcare plans	1.4	1.6
Other long-term employee benefit obligations	1.4	1.5

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

The amounts recognized in the income statement for all of these plans can be analyzed as follows:

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Present value of obligations – funded plans	18.4	18.0	21.1	23.6	22.2
Fair value of plan assets	(12.5)	(15.7)	(18.8)	(19.2)	(18.2)
Present value of unfunded obligations – funded plans	**5.9**	**2.3**	**2.3**	**4.4**	**4.0**
Present value of obligations – unfunded plans	7.3	7.7			
Unrecognized actuarial gains/(losses)	(3.8)	0.5			
Unrecognized past service costs	0.9	1.0			
Reimbursement rights		–			
Net liability in the balance sheet	**10.3**	**11.5**			

The unrecognized actuarial loss for 2008 reflects the impact of falling equity markets on a portion of the plan assets and could result in the Company having to pay additional contributions into the plans over a period of seven years if the situation does not improve. Movements in the present value of obligations under funded plans can be analyzed as follows:

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Present value of obligations at January 1	**18.0**	**21.1**
Service cost	0.2	0.3
Interest cost	1.1	1.1
Curtailments and settlements	(0.2)	
Benefits paid out of plan assets	(1.5)	(1.5)
Transfer of obligations to external parties (employee transfers)	(0.1)	
Actuarial (gains)/losses for the year		(0.3)
Translation adjustment	0.8	(1.6)
Change in scope of consolidation		(1.1)
Other	0.1	
Present value of obligations at December 31	**18.4**	**18.0**

Movements in the fair value of plan assets were as follows:

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Fair value of plan assets at January 1	**15.7**	**18.8**
Actuarial (gains)/losses for the year	(2.7)	0.9
Employer contributions	0.5	0.5
Benefits paid out of plan assets	(1.5)	(1.5)
Translation adjustment	0.5	(1.4)
Change in scope of consolidation		(1.6)
Fair value of plan assets at December 31	**12.5**	**15.7**

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

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

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

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

The amounts recognized in the income statement for defined benefit plans and other long-term employee benefits can be analyzed as follows:

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Service cost	0.7	0.5
Interest cost	1.2	1.1
Expected return on plan assets	(1.1)	(1.1)
Amortization of past service cost	(0.3)	(0.2)
Reversal of surplus provisions	(0.5)	(0.4)
Net (income)/expense recognized in the income statement	**0.0**	**(0.1)**

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

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

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Net liability at January 1	**11.5**	**13.0**
Net (income)/expense recognized in the income statement	0.0	(0.1)
Benefits paid during the year	(1.1)	(1.3)
Exchange differences on foreign plans	0.1	(0.4)
Change in scope of consolidation	(0.2)	
Impact of the change in consolidation method for Fashion Company		0.3
Net liability at end of year	**10.3**	**11.5**

The main actuarial assumptions applied were as follows:

	Dec. 31, 2008	Dec. 31, 2007
Europe		
Expected rate of return on plan assets(1)	5.00%	5.00%
Discount rate applied to projected benefit obligation(2)	5.75%	5.50%
Estimated future salary increases:		
– Managers	2.50%	2.50%
– Other employees	2.00%	2.00%
Long-term underlying inflation rate	2.00%	2.00%

(1) Representing the average of the expected rates of return calculated for each asset category.
(2) Based on the iBoxx AA indices at January 2, 2009.

	Dec. 31, 2008	Dec. 31, 2007
North America		
Expected rate of return on plan assets(2)	7.75%	7.75%
Discount rate applied to projected benefit obligation(1)(2)	6.25%	6.00%

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

(1) Based on the Citigroup bond index.
(2) These two rates include an underlying inflation assumption.

	Dec. 31, 2008	Dec. 31, 2007
Probable retirement age	60-65 years	60-65 years

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

20. PROVISIONS

Provisions can be analyzed as follows:

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Provisions for other non-current liabilities	7.2	3.9
Provisions for other current liabilities(1)	13.7	3.6
Total	**20.9**	**7.5**

(1) Included in "Other payables".

Movements in Provisions:

(in euro millions)	Provisions for other non-current liabilities	Provisions for other current liabilities	Total
January 1, 2007	**6.2**	**4.8**	**11.0**
Additions	0.5	2.8	3.3
Reversals of provisions used	(1.0)	(3.5)	(4.5)
Reversals of surplus provisions	(0.3)	(0.3)	(0.6)
Change in scope of consolidation	(0.7)	0.0	(0.7)
Other	(0.8)		(0.8)
Translation adjustment		(0.2)	(0.2)
December 31, 2007	**3.9**	**3.6**	**7.5**
January 1, 2008	**3.9**	**3.6**	**7.5**
Additions	3.4	12.3	15.7
Reversals of provisions used	(0.1)	(1.3)	(1.4)
Reversals of surplus provisions		(0.3)	(0.3)
Change in scope of consolidation		(0.6)	(0.6)
Other			0.0
Translation adjustment			0.0
December 31, 2008	**7.2**	**13.7**	**20.9**

(in euro millions)	Dec. 31, 2008	Dec. 31,2007
Industrial restructuring costs	14.1	0.6
Other contingencies	6.8	6.9
Total	**20.9**	**7.5**

Provisions for industrial restructuring costs were increased by €13.5 million in 2008, mainly reflecting reorganization measures at Chargeurs Interlining. Cash outflows in 2009 relating to restructuring will represent €5.3 million.
Of the total cash outflows relating to "Other contingencies," €1.5 million will occur in 2009 and €5.3 million after 2009.

21. BORROWINGS

The Chargeurs Group's financial liabilities fall within the category of "Other financial liabilities". Borrowings are measured using the amortized cost method.
Maturities of long-term debt can be analyzed as follows:

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Due in less than 1 year	20.3	26.9
Due in one to 2 years	18.2	19.0
Due in two to 3 years	14.3	18.8
Due in three to 4 years	4.0	5.8
Due in four to 5 years	3.3	6.5
Due in more than 5 years	2.0	6.6
Total	**62.1**	**83.6**

Borrowings by type of lender

(in euro millions)	Notional amount Dec. 31, 2008	Notional amount Dec. 31, 2007	Effective interest rate Dec. 31, 2008
Loans from financial institutions	62.1	83.6	5.20%
Bank overdrafts	79.9	81.3	

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

(in euro millions)	2009	2010	2011	2012	2013	2014 and beyond
Fixed-rate borrowings	1.5	0.9	0.8	0.8	0.8	
Variable-rate borrowings	57.2					

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

(in euro millions)	2009	2010	2011	2012	2013	2014 and beyond
Fixed-rate borrowings	7.5	18.9	0.8	0.8	0.8	
Variable-rate borrowings	33.2					

At December 31, 2008, the average interest rate on long-term debt was 5.20% before hedging (December 31, 2007: 5.05%) and 4.54% after hedging (December 31, 2007: 4.57%).
The average fixed-rate portion of these borrowings after hedging was 41.90% in 2008 (41.03% in 2007).
Long-term debt was denominated in the following currencies at December 31, 2008 and 2007:

(in euro millions)	**Dec. 31, 2008**	Dec. 31, 2007
Euro	57.7	71.7
Dollar	4.4	3.4
Other	–	8.5
Total	**62.1**	**83.6**

The carrying amount of variable-rate borrowings is close to their fair value in view of the interest rates applied. At December 31, 2008, the carrying amount of borrowings originally contracted at fixed rates was €28.9 million.
In September 2005, Chargeurs Protective Films took out a €50 million loan with two banks. The related agreements include the following banking covenants:

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

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

22. TRADE AND OTHER PAYABLES

"Other payables" include short-term provisions for contingencies and charges in an amount of €12.3 million (see note 20).
Receivables sold under no recourse agreements are shown in the balance sheet for €64.7 million (see note 14), with the corresponding liability recorded under "Factoring liabilities".

23. FINANCIAL RISK MANAGEMENT

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

(a) Market risk

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

(i) Foreign exchange risk

The Group operates internationally, with 94% of revenue generated outside France, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Chinese yuan (as 48% of revenue is generated outside Europe). Foreign exchange risk relates to future commercial transactions, recognized assets and liabilities denominated in foreign currencies, and net investments in foreign operations.
In order to manage exposures to changes in exchange rates for the US dollar and various Asian currencies on a long-term basis, Chargeurs has relocated production facilities to the Asian region and the USD zone. A total of 58% of assets are now located outside Europe.
To manage foreign exchange risk arising from (i) future commercial transactions and (ii) recognized assets and liabilities denominated in foreign currencies Group entities primarily use forward contracts as well as options on an exceptional basis.
External foreign exchange contracts are designated by each business line as fair value hedges, cash flow hedges or hedges of a net investment in a foreign operation, as appropriate.
The risk management policy for Chargeurs Protective Films and Chargeurs Interlining involves hedging a portion of forecast transactions (mainly export sales) in each major currency for the subsequent twelve months (calculated as part of the budget process). The percentage applied is determined in line with the definition of "highly probable forecast transactions" under IFRS for hedge accounting purposes.

Chargeurs Wool's main foreign exchange exposure relating to transactions and borrowings in foreign currencies concerns the Australian dollar, US dollar and South African rand. Chargeurs Wool uses forward currency contracts as well as certain option-based products to hedge the related risks.

(ii) Interest rate risk

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

A 1% increase in interest rates would have a €1.2 million impact on net debt (including amounts received for no recourse receivables sales) that is not hedged against interest-rate risks.

(iii) Price risk

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

(b) Credit risk

(i) Trade receivables

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

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

(ii) Country risk

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

At December 31, 2008 the five main countries in which the Group's customers are located were rated at least "A" by Standard & Poor's.

Exercise 2008

Country	% of total 2008 consolidated revenue	Credit rating[1]
China	19.7%	A+
Italy	17.2%	A+
Germany	9.5%	AAA
France	6.1%	AAA
United States	8.3%	AAA

(1) Standard & Poor's.

(iii) Banking counterparty risk

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

(iv) Risks relating to insurers

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

Insurers

Insured risk	Credit rating[1]
Commercial credit	A+
Freight	A+
Property and casualty	AA–
Third-party liability	A

(1) Standard & Poor's.

(c) Liquidity risk

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

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

December 31, 2008

(in euro millions)	Total	Due in less than one year	Due in one to five years	Due beyond five years
Financial assets and liabilities				
Cash and cash equivalents	57.8	57.8		
Long-term borrowings	(41.8)		(39.8)	(2.0)
Short-term portion of long-term borrowings	(20.3)	(20.3)		
Short-term bank loans and overdrafts	(79.9)	(79.9)		
Net debt	(84.2)	(42.4)	(39.8)	(2.0)
Derivative instruments – assets	1.3			
Deposits and guarantees	9.3	1.6	7.7	
Derivative instruments – liabilities	(2.6)	(2.6)		
Other financial assets and liabilities	8.0	(1.0)	7.7	0.0
Sub-total – financial assets and liabilities	**(76.2)**	**(43.4)**	**(32.1)**	**(2.0)**
Working capital				
Trade and other receivables	75.9	75.9		
Inventories	136.2	136.2		
Trade payables	(116.5)	(116.5)		
Sub-total – operating assets and liabilities	**95.6**	**95.6**	**0.0**	**0.0**
Total	**19.4**	**52.2**	**(32.1)**	**(2.0)**

December 31, 2007

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

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

The Group works with over 25 banks and financial institutions, of which the eight largest represent 75% of its available credit facilities.

(iii) Applying strict underwriting rules

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

NOTES TO THE INCOME STATEMENT

24. RESEARCH AND DEVELOPMENT COSTS

(in euro millions)	2008	2007
Research and development costs	(4.2)	(9.4)
Total	**(4.2)**	**(9.4)**

25. OTHER OPERATING INCOME AND EXPENSE

(in euro millions)	2008	2007
Exchange gains and losses	(0.8)	(2.0)
Gains and losses on disposal of non-current assets	(0.3)	1.2
Restructuring costs	(31.3)	–
Other	(0.3)	0.8
Total	**(32.7)**	**0.0**

Restructuring costs are analyzed by business in note 33.

26. EMPLOYEE INFORMATION

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

	2008	2007
Employees in France	771	990
Employees outside France	1,941	2,268
Total employees	**2,712**	**3,258**

(in euro millions)	2008	2007
Wages and salaries	58.5	72.8
Payroll taxes	21.5	24.3
Discretionary profit sharing	0.5	1.6
Total	**80.5**	**98.5**

27. FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSE

(in euro millions)	2008	2007
Finance costs	(13.6)	(14.1)
Interest income on loans and investments	6.1	3.5
Fair value adjustments to:		
– Investments in non-consolidated companies	(1.5)	
– Financial instruments	(2.7)	(0.4)
Exchange losses on transactions in foreign currencies	–	–
Other	0.2	
Net financial expense	**(11.5)**	**(11.0)**

28. INCOME TAX EXPENSE

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

(in euro millions)	2008	2007
Current taxes	3.6	(5.6)
Deferred taxes	(9.4)	1.5
Total	**(5.8)**	**(4.1)**

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

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

(in euro millions)	2008	2007
Income tax expense for the year	(5.8)	(41)
Standard French income tax rate	33.33%	33.33%
Tax at the standard rate	14.4	(5.9)
Difference between income tax expense for the year and tax at the standard rate	(20.2)	1.8
Effect of differences in foreign tax rates	(1.5)	0.8
Effect of permanent differences between book profit and taxable profit	(3.7)	(0.9)
Utilizations of tax losses recognized in prior periods		3.6
Effect of unrelieved tax losses	(11.9)	(1.3)
Valuation allowances on deferred tax assets relating to tax loss carryforwards	(10.0)	
Other	6.9	(0.4)

29. STOCK OPTIONS

Employees have been granted options to purchase new Chargeurs shares under the following plan:

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

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

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

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

	Number of options	Weighted average exercise price
Options outstanding at January 1, 2008	310,580	24.73
Options expired during the year	67,730	19.36
Options exercised during the year	–	–
Options outstanding at December 31, 2008	**242,850**	**26.23**

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

30. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the year. The Company reported a basic loss per share of €5.50 for 2008.

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

31. CASH FLOWS FROM OPERATING ACTIVITIES

(in euro millions)	2008	2007
Pre-tax profit of consolidated companies	**(43.3)**	**17.8**
Adjustments for:	**41.8**	**11.2**
– Depreciation and amortization	13.3	14.9
– Provisions for liabilities and employee benefit obligations	13.0	(3.2)
– Impairment of non-current assets	14.5	0.0
– Fair value adjustments	0.9	0.1
– Impact of discounting	–	–
– Unrealized gains on cash flow hedges reallocated or used during the year (before tax and minority interests)	–	–
– Gains and losses on sales of investments in non-consolidated companies and other non-current assets	0.3	(0.6)
– Other	(0.2)	–
Income tax paid	**4.1**	**(6.3)**
Cash flow	**2.6**	**22.7**

32. COMMITMENTS AND CONTINGENCIES

32.1 Commercial commitments

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

32.2 Guarantees

At December 31, 2008, Chargeurs and its subsidiaries had given guarantees for a total of €0.2 million.
In 2007, Chargeurs gave a seller's warranty to Holfipar in connection with the sale of 50% of Chargeurs Fashion. In late 2008 the two groups amended certain of the contractual provisions relating to this sale. Consequently, Chargeurs' seller's warranty is no longer applicable and both Holfipar and Chargeurs have undertaken to inject €0.85 million each into Fashion Company in 2009.

32.3 Collateral

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

32.4 Commitments under non-cancelable medium-term operating leases

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

(in euro millions)	Dec. 31, 2008	Dec. 31, 2007
Due in less than 1 year	8.8	10.2
Due in one to 5 years	34.2	28.3
Due in more than 5 years	0.0	0.0
Total	**43.0**	**38.5**

32.5 Legal risks

At December 31, 2008, Chargeurs and its subsidiaries were involved in various legal proceedings. The risks involved have been examined on a case-by-case basis and, after advice from counsel, provisions have been set up where necessary.
Chargeurs has given seller's warranties in connection with the sale of certain subsidiaries. Adequate provisions are set aside as soon as it appears likely that payments will be claimed under these warranties.

32.6 Tax risks

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

32.7 Special purpose entities

• Dolly structures

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

• CWP

CWP performs approximately 45% of Chargeurs Wool's top-making operations. As these operations are outsourced, Chargeurs is a service provider for wool combing and top-making. If Chargeurs carried out these operations directly, its working capital requirement would be increased by approximately €49 million.

• IMLA

Following the termination of the operating leases between the three textile businesses and WMLA and IMLA, only Chargeurs Interlining renewed an operating lease with IMLA in 2006, for a six-year term. Under the lease, the lessor does not have any obligation to buy back the assets. The related contract compiles with the standard accounting criteria for classification as an operating lease.
Payments under this new lease with IMLA will average €3.75 million per year over the next five years.

33. INFORMATION BY BUSINESS SEGMENT

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

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

(in euro millions)	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Non-operating	Consolidated
Revenue	**191.5**	**221.2**	**186.5**		**599.2**
Operating profit/(loss)	13.1	(23.7)	(6.8)	(14.3)	(31.7)
Finance costs					(11.5)
Share of profit of associates					(7.9)
Pre-tax profit for the period					**(51.1)**
Income tax expense					(5.8)
Profit for the period					**(56.9)**

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

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

Additional information concerning 2008:

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

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

Additional information concerning 2007:

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

(1) Aggregate restructuring costs recorded under various account headings.

Segment profit includes gains and losses on cash flow hedges accumulated in equity that are recycled into the income statement in the period when the hedged item affects profit or loss.

Finance costs include gains and losses corresponding to the effective portion of cash flow hedges used to hedge future interest payments. They also include gains and losses resulting from changes in the fair value of interest-rate derivatives that are designated and qualify as fair value hedges. Unallocated costs represent Group-level costs and include gains and losses on derivatives held for trading.

Inter-segment transfers and transactions are carried out on an arm's length basis.

Segment assets and liabilities at December 31, 2008

(in euro millions)	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Non-operating	Total
Assets[1]	146.0	195.0	128.0	13.0	482.0
Liabilities[2]	78.0	72.0	66.0	–.	216.0
Capital employed	**68.0**	**123.0**	**62.0**	**13.0**	**266.0**
Purchases of assets	3.2	7.7	1.2	0.1	12.2

(1) Excluding cash and cash equivalents.
(2) Excluding equity and bank borrowings net of cash and cash equivalents.

Segment assets and liabilities at December 31, 2007

The data below for 2007 has been restated to eliminate the impact of inter-segment share transactions.

(in euro millions)	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Non-operating	Total
Assets[1]	150.0	220.0	142.0	41.0	553.0
Liabilities[2]	86.0	68.0	107.0	–	261.0
Capital employed	**64.0**	**152.0**	**35.0**	**41.0**	**292.0**
Purchases of assets	3.4	7.7	2.4	–	13.5

(1) Excluding cash and cash equivalents.
(2) Excluding equity and bank borrowings net of cash and cash equivalents.

34. INFORMATION BY GEOGRAPHICAL SEGMENT

The Group's operations are carried out on a global scale as shown in the tables below.

Revenue

(in euro millions)	2008	2007
Europe	289.8	422.7
Asia-Pacific and Africa	211.0	247.0
Americas	98.4	119.9

The main countries in which the Group operates are the following:

(in euro millions)	2008	2007
China and Hong Kong	117.8	151.4
Italy	103.1	123.8
Germany	56.9	84.0
France	36.6	75.7
USA	49.9	67.2

Revenue is analyzed by geographical segment based on the location of the customer.

Total assets

(in euro millions)	2008	2007
Europe	343.9	470.2
Asia-Pacific and Africa	150.6	108.3
Americas	96.2	155.1
Total	**590.7**	**733.6**

Assets are broken down based on the geographical area in which they are located.

Purchases of assets

(in euro millions)	2008	2007
Asia-Pacific and Africa	1.3	3.3
Europe	9.8	7.4
Americas	1.1	2.9

Purchases of assets are broken down based on the geographical area in which the assets are located.

35. MAIN CONSOLIDATED COMPANIES

At December 31, 2008, 75 companies were fully consolidated (79 in 2007) and 17 were accounted for by the equity method (16 in 2007).

Chargeurs	Parent
A – Fully consolidated companies	
Chargeurs Deutschland	
Chargeurs Textiles	
Leipziger Wollkämmerei AG	
Protective Films Business	
Chargeurs Protective Films	**Holding company for the business**
France	Novacel and subsidiaries – Germany – Belgium – Spain – United Kingdom
Italy	Boston Tapes and subsidiaries
North America	Chargeurs Protective Films Inc. – Novacel Inc.
Interlining Business	
Chargeurs Interlining	**Holding company for the business**
France	Lainière de Picardie BC – Intissel – DHJ International
Italy	Chargeurs Interfodere Italia
Germany	LP Deutschland
United Kingdom	LP UK
Spain	LP Hispana
Portugal	LP Portugal
Czech Republic	Bertero SRO
North America	LP Inc. – DHJ Canada
South America	LP Brazil – Entretelas Americanas – LP Chile
South Africa	Stroud Riley
Asia	Chargeurs Interlining Hong Kong – DHJ Malaysia – LP Wujiang – LP Korea DHJ China – Chargeurs Yak Textile Trading – Etacol
Wool Business	
Chargeurs Wool	**Holding company for the business**
France	Chargeurs Wool (Eurasia)
United Kingdom	Hart Wool Bradford (Ltd)
Italy	Chargeurs Wool Sales (Europe) SRL
South Africa	Chargeurs Wool (South Africa) Pty
Uruguay	Lanas Trinidad
Argentina	Chargeurs Wool (Argentina) SA
Australia	Chargeurs Wool Pty
New Zealand	Chargeurs Wool (NZ) Limited
USA	Chargeurs Wool (USA) Inc.
Asia	Chargeurs Wool Sales (Shanghai) Limited – Zhangjiagang Yangtse Wool Combing
Other	
China	Laina
B – Companies accounted for by the equity method	
Ningbo Yak Kyokuyo Textiles	(49%)
Ningbo Lailong Bertero Interlining	(49%)
Comtex	(50%)
Peinaje del Rio Llobregat	(40%)
Peinaduria Rio Chubut	(50%)
Fashion Company	(50%)

Percentages indicate Chargeurs' percentage of control at December 31, 2008 for companies that are not wholly owned or almost wholly owned by the Group.

36. RELATED-PARTY TRANSACTIONS

Transactions with associates

In 2008, transactions with associates primarily concerned purchases from the Chinese companies Ningbo Yak Kyokuyo Textiles and Ningbo Lailong Bertero Interlining. The corresponding expenses amounted to €13.8 million, recognized in cost of sales.

Management compensation

Compensation paid to Directors and Officers in 2008 amounted to €30,000 and €597,171 respectively.

37. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant post-balance sheet events.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Year ended December 31, 2008)

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. This report, together with the Statutory Auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by the Annual Meeting, we hereby report to you, for the year ended December 31, 2008, on:

The audit of the accompanying consolidated financial statements of Chargeurs.

The justification of our assessments.

The specific verification required by law.

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

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by the management and the overall financial statements presentation. We believe that our audit provides a sufficient and appropriate basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies in accordance with IFRS as adopted for use in the European Union.

2. Justification of our assessments

The accounting estimates used to prepare the financial statements for the year ended December 31, 2008 were made at a time when the economic outlook was hard to discern. It was in this context that, in accordance with the requirements of article L. 823-9 of the French Commercial Code *(Code de Commerce)*, we performed our assessments, which we now bring to your attention:

Note 3 to the consolidated financial statements describes the critical accounting estimates and judgments applied by management, particularly those related to impairment of goodwill and income tax. Our work consisted of assessing the data and assumptions on which these estimates and judgments were made, and examining, on a test basis, the calculations performed by the company. We compared accounting estimates of prior periods with the actual results and reviewed approval procedures of these estimates by management. We also obtained assurance that the notes to the consolidated financial statements disclose appropriate information on the assumptions and options applied by the company.

The assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

3. Specific verification

We have also verified the information given in the Group management report, in accordance with the law. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Neuilly-sur-Seine and Paris – March 20, 2009

The Statutory Auditors

PricewaterhouseCoopers Audit
Gérard Morin

S & W Associés
Vincent Young

STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE CODE DE COMMERCE, ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF CHARGEURS

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of Chargeurs, and in accordance with article L. 225-235 of the French Commercial Code *(Code de Commerce)*, we report to you on the report prepared by the Chairman of your company in accordance with article L. 225-37 of the *Code de Commerce* for the year ended December 31, 2008.

It is for the Chairman to prepare and submit to the approval of the Board of Directors a report reviewing the internal control and risk management procedures in place within the company and providing the other information specified in article L. 225-37 of the *Code de Commerce*, notably as concerns the corporate governance system.

It is our responsibility to:
Report to you our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information.
Attest that the report contains the other information specified in article L. 225-37 of the *Code de Commerce*. However, our responsibility does not include verifying the fairness of this other information.

We performed our procedures in accordance with professional standards applicable in France.

Information on the internal control procedures relating to the preparation and processing of financial and accounting information

Professional standards require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:
– Examining the internal control procedures related to preparation and processing of accounting and financial data underlying the information presented in the Chairman's report, as well as existing documentation.
– Acquiring an understanding of the work performed in order to prepare this information and existing documentation.
– Determining whether the major internal control weaknesses concerning the preparation and processing of accounting and financial information that we may have identified as part of our audit are appropriately disclosed in the Chairman's report.

Based on the procedures performed, we have no matters to report concerning the information provided on the company's internal control procedures related to the preparation and processing of accounting and financial information, as contained in the report of the Chairman of the Board of Directors prepared in accordance with article L. 225-37 of the *Code de Commerce*.

Neuilly-sur-Seine and Paris – March 20, 2009

The Statutory Auditors

PricewaterhouseCoopers Audit
Gérard Morin

S & W Associés
Vincent Young

EXECUTIVE COMMITTEE

Eduardo MALONE
Chairman and Chief Executive Officer

Laurent DEROLEZ
Managing Director, Chargeurs Protective Films

Philippe HAROCHE
Vice-President, General Counsel

Martine ODILLARD
Vice-President, Human Resources and Corporate Communications

Christophe POTHIER
Vice-President, Finance

Richard VON GERSTENBERG
Managing Director, Chargeurs Wool

Bernard VOSSART
Managing Director, Chargeurs Interlining

BOARD OF DIRECTORS

Eduardo MALONE
Chairman and Chief Executive Officer
Current term began: 2006
Current term expires: 2009
Other directorships
Co-Chairman Pathé
Chief Executive Officer Pathé SAS
Chairman EuroPalaces, Chargeurs Textiles
Chairman and Chief Executive Officer Sofi Emy
Director Companie Deutsch, Lanas Trinidad SA, Lanera Santa Maria SA, Lainière de Picardie UK Ltd, Otegui Hermanos SA

Jérôme SEYDOUX
Vice-Chairman and Chief Executive Officer
Current term began: 2007
Current term expires: 2010
Other directorships
Co-Chairman Pathé
Chairman Pathé SAS, Pathé Distribution SAS, Pathé Production SAS, Les Éditions du Coquelicot
Member of the Executive Committee Pathé Production SAS, Pricel SAS
Chief Executive Officer Pricel SAS
Vice-Chairman and member of the Investment Committee Olympique Lyonnais Groupe
Vice-Chairman and member of the Supervisory Board Compagnie du Mont-Blanc SA
Member of the Executive Board Pathé SAS
Chairman of the Compensation Committee Accor SA
Director, Accor SA, Olympique Lyonnais Groupe
Legal Manager Edjer EURL, Ojej SC, Sojer SC
Permanent representative of Soparic Participations on the Board of Olympique Lyonnais SASP

Salim Meir IBRAHIM
Director
Current term began: 2007
Current term expires: 2010

Giuseppe PIROLA
Director
Current term began: 2008
Current term expires: 2011
Other directorships
Chairman of the Board of Directors Studio Pirola Pennuto Zei & Associati, Finanziaria Brera Srl (formerly E-Thinkers Srl)
Director Antonello Manuli Finanziaria SpA, Auto Centauro de la Vallee Srl, Autocrocetta SpA, Coop-Lease SpA, F.lli Gancia SpA, Gest Auto SpA, Gruppo Euro Auto 2000 SpA, Idea Uno SpA, Manuli Rubber Industries SpA, Manuli Strech SpA, Premium Car Rent Srl, Riso Gallo SpA, Terme di Saturnia Srl
Lead Auditor ABB SpA, ABB Cap SpA, ABB Estense Service SpA in Liq., Aliaxis Holding Italia SpA, Bluestar Silicones Italia SpA, Ecodeco Srl, Fertilvita Srl, Fineurop SpA, Fudfina Srl, Glynwed Srl, Nerviano Medical Sciences Srl, OMR Holding SpA (Officine Meccaniche Rezzatesi), Orofin SpA, Prosciuttificio Rovagnati Srl, Redi HT Srl, Redi SpA, Rhodia Italia SpA, Rovagnati SpA, Sibelco Italia SpA

Georges RALLI
Director
Current term began: 2007
Current term expires: 2010
Other directorships
Chairman Maison Lazard SAS, Lazard Frères Gestion SA
Chairman and Chief Executive Officer Lazard Frères Banque SA
Vice-Chairman, Executive Director and Managing Partner Compagnie Financière Lazard Frères SAS
Vice-Chairman, Chief Executive Officer and Managing Partner Lazard Frères SAS
Managing Partner Lazard Frères Gestion SAS
Director Lazard Frères Banque, Fonds Partenaires-Gestion, SILIC, Veolia Environnement, VLGI
Non-Voting Director Eurazeo
Deputy Chairman and Member of the Board of Directors Lazard Group LLC (USA)
Chief Executive, European Investment Banking Business Lazard Group LLC (USA)
Co-Chairman European Investment Banking Committee Lazard Group LLC (USA)
Member of the European Advisory Board, Lazard Group LLC (USA)
Member of the Executive Committee Lazard Strategic Coordination Company LLC (USA)
Member of the Board of Directors Lazard & Co. Srl (Italy)
Director, Lazard Investments Srl (Italy)

As of March 2009

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PARENT COMPANY BALANCE SHEET

At December 31, 2008 and 2007 (in euro thousands)

Assets	2008			2007
	Gross	Depreciation, amortization and provisions	Net	Net
Fixed assets				
Intangible assets				
Patents, licenses, trademarks, processes	5	2	3	3
Property, plant and equipment				
Land	–	–	–	–
Buildings	–	–	–	–
Other	56	21	35	39
Assets under construction	–	–	–	–
Advances and prepayments	–	–	–	–
Investments and other non-current assets(1)				
Shares in subsidiaries and affiliates	485,937	183,595	302,342	440,280
Loans to subsidiaries and affiliates	3,779	3,775	4	4,262
Other long-term investments	1,670	699	971	773
Other long-term loans	2,803	24	2,779	2,173
Other	176	–	176	500
Total I	**494,426**	**188,116**	**306,310**	**448,030**
Current assets				
Prepayments to suppliers	3	–	3	–
Trade receivables(2)	969	–	969	951
Other receivables(2)	4,102	1,051	3,051	3,545
Marketable securities	7,301	–	7,301	4,206
Cash at bank and in hand	178	–	178	594
Accruals and other assets				
Prepaid expenses(2)	75	–	75	41
Total II	**12,628**	**1,051**	**11,577**	**9,337**
Deferred charges	–	–	–	–
Total III	**–**	**–**	**–**	**–**
Unrealized translation losses	–	–	–	62
Total IV	**–**	**–**	**–**	**62**
Total Assets (I + II + III + IV)	**507,054**	**189,167**	**317,887**	**457,429**
(1) Due within one year (gross)			6,053	7,541
(2) Due beyond one year (gross)			–	1,626

Equity and liabilities

	2008	2007
Equity		
Share capital	166,033	166,033
Share premium account	32,271	32,271
Revaluation reserve	–	–
Reserves:		
– Legal reserve	13,988	13,785
– Untaxed reserves	–	–
– Other reserves	170,556	173,395
Retained earnings	–	–
Profit/(loss) for the period	(84,532)	4,067
Untaxed provisions		
Total I	**298,316**	**389,551**
Provisions for contingencies and charges		
Provisions for contingencies	2,611	2,026
Provisions for charges	–	–
Total II	**2,611**	**2,026**
Liabilities[1]		
Bonds	16	16
Bank borrowings[2]	22	237
Other borrowings	12,328	60,973
Trade payables	71	774
Accrued taxes and payroll costs	306	491
Due to suppliers of fixed assets	–	–
Other payables	4, 217	3,361
Accruals and other liabilities[1]		
Deferred income	–	–
Total III	**16,960**	**65,852**
Unrealized translation gains	–	–
Total IV	–	–
Total equity and liabilities (I + II + III + IV)	**317,887**	**457,429**
(1) Due beyond one year	26	26
Due within one year	16,933	65,826
(2) Including short-term bank loans and overdrafts	10	237

PARENT COMPANY INCOME STATEMENT

Years ended December 31, 2008 and 2007 (in euro thousands)

	2008	2007
Operating revenues[1]	**542**	**400**
Operating expenses[3]		
Purchases of goods and external charges	(2,396)	(3,701)
Taxes other than on income	(127)	(146)
Salaries and wages	(587)	(971)
Payroll taxes	(223)	(267)
Amortization, depreciation and provisions:		
– Amortization and depreciation of fixed assets	(3)	(5)
– Provisions for contingencies and charges	–	–
Other	(30)	(40)
	(3,366)	**(5,130)**
Operating loss	**(2,824)**	**(4,730)**
Financial expense[1]		
From investments[2]: – Shares in subsidiaries and affiliates	12,478	2,185
– Loans to subsidiaries and affiliates	173	178
From other marketable securities and investments[2]	73	86
Other interest income[2]	1,980	867
Provision reversals and expense transfers	1,350	1,117
Foreign exchange gains	27	567
Income from disposals of marketable securities	789	137
	16,870	**5,137**
Financial expense[3]		
Amortization and provisions	(107,859)	(167)
Interest expense[4][5]	(2,895)	(3,123)
Foreign exchange losses	(556)	(100)
Losses on disposals of marketable securities	–	–
	(111,310)	**(3,390)**
Net financial income	**(94,440)**	**1,747**
Operating loss before tax and non-recurring items	**(97,264)**	**(2,983)**
Non-recurring income		
From revenue transactions	–	–
From capital transactions:		
– Proceeds from disposals of fixed assets	43,890	9,664
– Other	7,784	1,268
Provision reversals and expense transfers	10,916	18,116
	62,590	**29,048**
Non-recurring expense		
On revenue transactions	(3,800)	(3,963)
On capital transactions:		
– Carrying amount of assets sold	(45,442)	(14,055)
– Other	(107)	(6,022)
Amortization and provisions:		
– Untaxed provisions	–	–
– Other provisions	(1,404)	(1,207)
	(50,753)	**(25,247)**
Net non-recurring income	**11,837**	**3 801**
Pre-tax profit	**(85,427)**	**818**
Income tax benefit	**895**	**3,249**
Profit for the period	**(84,532)**	**4,067**
(1) Including income related to prior years	–	–
(2) Including income from related companies	13,122	2,419
(3) Including expenses related to prior years	4	22
(4) Including interest expense paid to related companies	2,495	3,093
(5) Including a grant given to a Group subsidiary	400	–

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

(in euro millions)

1. ACCOUNTING PRINCIPLES AND POLICIES

Chargeurs' parent company financial statements have been prepared in accordance with French generally accepted accounting principles (articles L. 123-12 to L. 123-28 of the French Commercial Code *(Code de Commerce)* and the standards issued by the *Comité de la Réglementation Comptable* (CRC), including the principles of prudence and segregation of accounting periods. They are presented on a going concern basis and accounting methods have been applied consistently from one year to the next other than the changes in methods described below.

1.1 Property, plant and equipment

Property, plant and equipment are stated at cost excluding capitalized interest, or at their transfer value.

For property, plant and equipment that cannot be broken down into separate component parts, depreciation is calculated by the straight-line method based on the estimated useful lives of each category of asset, as follows:

– Furniture: 10 years.

– Computer equipment: 3 years.

1.2 Investments and other non-current assets

Shares in subsidiaries and affiliates are stated at cost. In 2005, Chargeurs elected to recognize the incidental expenses on acquisitions of these shares directly as an expense. Since 2007, these costs have been added back for tax purposes and deferred over five years.

Other long-term investments are also stated at cost, excluding incidental expenses, or at their transfer value. Where appropriate, they are written down to fair value, generally determined by reference to the company's equity in the net assets of the acquired entities, adjusted for unrealized capital gains or losses and profitability criteria.

This caption also includes Chargeurs shares acquired through share buyback programs.

1.3 Marketable securities

Marketable securities are stated at the lower of cost and market value on the basis of the average price for the last month of the year.

1.4 Foreign currency translation

Transactions in foreign currencies are recorded at the exchange rate prevailing on the transaction date. Assets and liabilities in foreign currencies are converted at the year-end rates. Gains or losses arising on translation are carried under "Unrealized translation gains" or "Unrealized translation losses". Provision is made for unrealized losses by way of a charge to the statement of income, except in the case of hedged transactions.

1.5 Forward currency transactions

Losses or gains arising from forward currency contracts not used as hedges are taken to the income statement in cases where they are settled by taking a reverse position in the same year, whatever the final maturity.

2. FIXED ASSETS

	At Dec. 31, 2007	Internal transfers	Acquisitions/ transfers	Disposals/ decreases	**At Dec. 31, 2008**
Intangible assets	**nm**	**–**	**–**	**–**	**nm**
Property, plant and equipment	**nm**	**–**	**–**	**–**	**nm**
Investments and other non-current assets					
Shares in subsidiaries and affiliates[1]	531	–	–	45	486
Loans to subsidiaries and affiliates[2]	6	–	–	2	4
Other long-term loans[3]	2	–	1	–	3
Other long-term investments[4]	1	–	1	–	2
Other[5]	1	–	3	4	–
Total	**541**	**–**	**5**	**51**	**495**

(1) The main movements in 2008 concerning shares in subsidiaries and affiliates were as follows:

a. Disposals/decreases:

– Sale of 50% of Chargeurs' interest in Fashion Company to the Moroccan group Holfipar for €11.6 million.

– Purchase by Chargeurs Textiles of its own shares for €33.6 million.

– Cancellation of Colores shares for €0.3 million.

b. Acquisitions/increases:
– €0.1 million capital increase carried out by Chargetex 35.
(2) Movements in loans to subsidiaries and affiliates primarily reflect the repayment of a €2 million loan granted to Chargeurs Textiles.
(3) The increase in other long-term loans is due to the transfer to an external company of a loan granted to Fashion Company.
(4) Other long-term investments mainly consist of Chargeurs shares, as follows:
– 13,334 shares held for subsequent cancellation, representing €0.2 million, unchanged from December 31, 2007.
– 118,100 shares held under a liquidity contract with CA Cheuvreux bank, representing €1.3 million.
Movements in Chargeurs shares held by the company in 2008 chiefly include purchases amounting to €1.2 million and sales totaling €0.4 million.
(5) This item primarily includes units in CAAM Trésorerie money market funds held in connection with the liquidity contract with CA Cheuvreux bank, representing €0.2 million.

3. PROVISIONS

3.1 Provisions for contingencies and charges

In accordance with CRC standard 2000-06, the company records a provision to cover clearly identified contingencies and charges of uncertain timing or amount arising from past or present events, the settlement of which is expected to result in an outflow of resources embodying economic benefits.

	At Dec. 31, 2007	Charges for the year	Reversals for the year (used)	Reversals for the year (unused)	**At Dec. 31, 2008**
Provisions for contingencies	2	2	1	–	3
Provisions for charges	–	–	–	–	–
Total	**2**	**2**	**1**	**–**	**3**
Of which movements included in operating income and expense		–	–	–	
Of which movements included in financial income and expense		–	–	–	
Of which movements included in non-recurring income and expense		2	1	–	

3.2 Impairment

	At Dec. 31, 2007	Charges for the year	Reversals for the year	**At Dec. 31, 2008**
Impairment of investments	93	106	11	188
Impairment of other receivables	–	1	–	1
Total	**93**	**107**	**11**	**189**
Of which movements included in operating income and expense		–	–	
Of which movements included in financial income and expense		107	1	
Of which movements included in non-recurring income and expense		–	10	

Chargeurs' policy is to record impairment losses and reversals relating to investments under financial income and expense. However, in accordance with the recommendations issued by the *Ordre des Experts Comptables*, this general rule is not applied to reversals of impairment losses relating to divested shares, which are recorded under non-recurring income. Consequently, non-recurring income for 2008 included a €10 million reversal of an impairment loss on shares that have been sold.
Receivables are measured at nominal value and written down based on the recovery risk as assessed at the year-end.

3.3 Additions to and reversals of provisions break down as follows for the year:

Additions

– Provision for Chargeurs Protective Films shares	69.7
– Provision for Chargeurs Interlining shares	23.3
– Other	16.3
Total	**109.3**

Reversals

– Provision for repayment of tax losses to subsidiaries in the event of a return to profit	0.8
– Provision for Chargeurs Textiles shares	7.0
– Provision for Fashion Company shares	4.5
Total	**12.3**

4. MATURITIES OF RECEIVABLES AND PAYABLES

Total receivables, before impairment, amounted to €12 million at December 31, 2008, breaking down as follows:
– Loans to subsidiaries and affiliates (€4 million).
– Other loans and miscellaneous receivables (€3 million).
– Trade receivables (€1 million).
– Other receivables (€4 million).

Maturities of loans and receivables are as follows:

Due within one year	10
Due beyond one year	2
Total	**12**

Maturities of payables are as follows:

Due within one year	17
Due in one to five years	–
Total	**17**

Including €12 million in debt and €5 million in other payables.

5. ITEMS RECORDED UNDER SEVERAL BALANCE SHEET HEADINGS

	Gross amounts concerning:	
	related companies	other investments
Shares in subsidiaries and affiliates	480	6
Receivables	4	2
Payables	16	–

6. BREAKDOWN OF ACCRUED INCOME

At December 31, 2008, accrued income amounted to €3 million, corresponding mainly to a Group research tax credit for 2005 to 2008.
Accrued income is recorded in current assets under "Other receivables".

7. ACCRUED EXPENSES

Accrued expenses totaled €0.6 million at December 31, 2008 and primarily correspond to professional fees, service costs and various payroll costs.

8. MARKETABLE SECURITIES

At December 31, 2008, marketable securities comprised mutual fund units amounting to €7.3 million.

9. EQUITY

9.1 Changes in equity:

At January 1, 2008 (before appropriation)	389.5
Total dividend approved at May 6, 2008 AGM	(6.7)
At January 1, 2008 (after appropriation)	382.8
Loss for the period	(84.5)
At December 31, 2008 (before appropriation)	298.3

9.2 Changes in share capital

	Number of shares	Par value (in euros)
Shares outstanding at January 1, 2008	10,377,097	16
Share outstanding at December 31, 2008	10,377,097	16

9.3 Additional, paid-in capital and reserves

These items break down as follows:

Issue and demerger premiums	32.3
Legal reserve	14.0
Other reserves	170.5
Total	**216.8**

10. Chargeurs' bylaws provide that registered shares held in the name of the same shareholder for at least two years carry double voting rights. Consequently, in accordance with article 176 of the July 24, 1966 French Companies Act, holders of said shares are entitled to double voting rights at Chargeurs Shareholders' Meetings.
At December 31, 2008, 99,541 shares carried double voting rights. The company has not issued any founders' shares or convertible bonds.

11. OTHER BORROWINGS

Other borrowings, totaling €12 million, primarily correspond to borrowings from several Group subsidiaries whose sole role is to act as financial holding companies.
These borrowings will be repaid by way of capital reductions or by winding up the companies concerned.

12. NON-RECURRING INCOME AND EXPENSE

	Non-recurring expense	Non-recurring income
Sale of 50% stake in Fashion Company	11.6	4.8
Reversal of impairment loss	–	4.5
Own shares purchased by Chargeurs Textiles	33.6	28.7
Reversal of impairment loss	–	5.7
Colores Holding shares sold for cancellation	0.3	10.4
Net proceeds from the sale of a tax receivable, corresponding to a withholding tax refund for the period from 2002 to 2004	–	7.7
Other	5.2	0.8
Total	**50.7**	**62.6**

13. INCOME TAX

13.1 Analysis of income tax

	2008	2007
Current taxes	–	–
Exceptional taxes	–	–
Tax benefit arising from Group relief	0.9	3.4
Other	–	(0.2)
Income tax expense	**0.9**	**3.2**

13.2 As of January 1, 1996, Chargeurs and most of its French subsidiaries that are at least 95%-owned, directly or indirectly, elected to file a consolidated tax return. Under the fiscal consolidation rules, the losses of certain subsidiaries in the tax group can be offset against the taxable income of other companies in the group. The profitable subsidiaries pay an amount corresponding to the tax due on their income to Chargeurs, which pays the tax due by the tax group.

13.3 In 2008, Chargeurs reversed the €0.8 million provision recognized in the balance sheet at January 1, 2008 to cover the tax that would have been payable by Chargeurs if the subsidiaries had used the tax losses already taken into account to calculate the taxable income of the tax group. At December 31, 2008 the company's balance sheet no longer included any provisions to cover this risk.

13.4 The netting off of losses reported by certain subsidiaries against the taxable income of other subsidiaries resulted in a tax saving of €0.9 million, representing a cash flow benefit.

14. COMMITMENTS GIVEN, GUARANTEES AND SURETIES

Guarantees and sureties concern:

– Subsidiaries and related companies..142

– Other... –

At December 31, 2008 Chargeurs had no outstanding forward contracts.

15. UNRECOGNIZED DEFERRED TAXES

At December 31, 2008, under tax consolidation rules, Chargeurs had evergreen tax loss carryforwards of €179.2 million.
Temporary differences between book income and expenses and income and expense recorded for tax purposes were not material at that date.

16. MANAGEMENT COMPENSATION

Compensation paid to Directors and Officers in 2008 amounted to €30,000 and €597,171 respectively.

17. EMPLOYEE BENEFIT OBLIGATIONS

(a) Retirement benefits

The company's retirement benefit obligations were measured at December 31, 2007, based on seniority and the probability that the beneficiary would still be an employee of the company at their retirement date.
These benefit obligations have not been recorded in the financial statements, as the amounts involved are not material.

(b) Statutory training entitlement

The number of statutory training hours accrued by employees was 47 at December 31, 2008. The company did not record the related obligation, as the amount involved is not material.

18. FEES PAID TO THE STATUTORY AUDITORS

The fees paid to the Statutory Auditors in 2008 and recorded in the company's income statement amounted to €331,000.

19. STOCK OPTIONS

At December 31, 2008, outstanding options granted to employees to purchase new shares totaled 242,850. There were no outstanding options to purchase existing shares.

Plan date	Number of options(1)	Price in euros	Beneficiaries at Dec. 31, 2008(2)	Start date of exercise period	Expiry date of exercise period	**Outstanding options at Dec. 31, 2008**
Options to purchase new shares						
May 31, 2001	369,000	€26.23	55/110	June 1, 2005	May 31, 2009	242,850
Total	**369,000**					**242,850**

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

INFORMATION CONCERNING SUBSIDIARIES AND AFFILIATES

Year ended December 31, 2008 (in euro thousands)

Companies	Share capital	Reserves	% interest
A. Detailed information concerning equity investments with a carrying amount in excess of 1% of Chargeurs' capital			
1. Subsidiaries			
(at least 50%-owned by Chargeurs)			
Chargeurs Textiles	35,294	36,932	100.00
Chargeurs Protective Films	231,247	1,507	100.00
Chargeurs Interlining	14,914	71,105	99.99
Chargetex 34	6,077	(1,748)	100.00
2. Affiliates			
(10% to 50%-owned by Chargeurs)			
Chargeurs Deutschland	8,842	2,551	43.24
Fashion Company	23,131	(20,676)	50.00
Other companies	ND	ND	37.50
B. Aggregate information concerning other subsidiaries and affiliates			
1. Subsidiaries not listed in A			
French companies	295	308	–
Foreign companies	1,991	(230)	–
2. Affiliates not listed in A			
French companies	–	–	–
Foreign companies	296	859	–

(1) The majority of the companies owned by Chargeurs are purely financial holding companies and therefore do not generate any actual sales.

Cost of investment	Carrying amount of investment	Outstanding loans and advances granted by Chargeurs	Guarantees given by Chargeurs	2008 revenue[1]	2008 profit/(loss)	Gross dividends received by Chargeurs during 2008
82,597	72,100	–	–	–	27,246	–
286,266	158,300	–	–	–	1,010	–
84,609	61,300	–	3,492	–	2,667	–
6,077	4,300	–	–	–	(1,705)	–
6,941	4,800	–	–	–	(110)	2,595
11,566	–	3,305	–	2,192	(11,989)	–
6,296	–	1,524	–	–	–	–
221	178	–	–	11,528	314	84
692	692	–	–	3,054	(374)	9,800
–	–	–	–	–	–	–
671	671	–	4,291	42,106	79	–

FIVE-YEAR FINANCIAL SUMMARY

(in euros unless otherwise specified)

	2008	2007	2006	2005	2004
I – Capital at December 31					
Share capital	166,033,552	166,033,552	164,691,152	162,107,952	161,937,408
Number of shares	10,377,097	10,377,097	10,293,197	10,131,747	10,121,088
II – Results of operations					
Investment income, interest income and other revenues, net of tax	16,035,306	3,767,350	8,873,696	17,236,760	9,928,801
Income/(loss) before tax, amortization, depreciation and provisions	11,573,410	(17,034,986)	(32,514,061)	(81,466,719)	(13,639,914)
Income tax	895,326	3,248,773	4,102,104	882,017	4,480,106
Net income/(loss)	(84,531,656)	4,066,695	4,512,636	(112,053,774)	36,091,392
Total dividends	–	6,745,113	6,690,578	–	12,145,306
III – Per share data					
Income/(loss) after tax, before amortization, depreciation and provisions	1.20	(1.32)	(2.76)	(7,95)	(0.91)
Earnings/(loss) per share	(8.15)	0.39	0.44	(11,06)	3.57
Dividend per share	–	0.65	0.65	–	1.20
IV – Employee data					
Number of employees	3	3	3	3	3
Total payroll (in euro thousands)	763	729	575	691	558
Total benefits (in euro thousands)	223	267	203	214	218

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(Year ended December 31, 2008)

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. This report, together with the Statutory Auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by the Annual Meeting, we hereby report to you, for the year ended December 31, 2008, on:
– The audit of the accompanying financial statements of Chargeurs.
– The justification of our assessments.
– The specific verifications and information required by law.
These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by the management and the overall financial statements presentation. We believe that our audit provides a sufficient and appropriate basis for our opinion.
In our opinion, the financial statements give a true and fair view of the company's financial position and its assets and liabilities as of December 31, 2008, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

2. Justification of our assessments

The accounting estimates used to prepare the financial statements for the year ended December 31, 2008 were made at a time when the economic outlook was hard to discern. It was in this context that, in accordance with the requirements of article L. 823-9 of the French Commercial Code *(Code de Commerce)*, we performed our assessments, which we now bring to your attention:
Note 1.2 to the financial statements describes the accounting methods used to measure investments in non-consolidated undertakings. We reviewed the methods applied by the company and examined, on a test basis, the application of these methods.
The assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

3. Specific verifications and information

We have also performed the specific verifications required by law.
We have no matters to report regarding:
– The fair presentation and the conformity with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.
– The fair presentation of the information given in the management report concerning the compensation and benefits paid to Directors and Officers and the commitments given to them at the time of their appointment, termination or change in functions, or at any time thereafter.
As required by law, we have also verified that details of shareholders are disclosed in the management report of the Board of Directors.

Neuilly-sur-Seine and Paris – March 20, 2009

The Statutory Auditors

PricewaterhouseCoopers Audit — S & W Associés
Gérard Morin — Vincent Young

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

(Year ended December 31, 2008)

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of your company, we hereby present our report on regulated agreements and commitments.

Our responsibility does not include identifying any undisclosed agreements or commitments. We are required to report to shareholders, based on the information provided, about the main terms and conditions of agreements that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of article R. 225-31 of the French Commercial Code *(Code de Commerce)*, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Agreements and commitments signed during the year

We were not informed of any new agreements signed during the year that would be governed by article L. 225-38 of the *Code de Commerce*.

Agreements and commitments entered into in prior years

In application of the *Code de Commerce*, we were advised of the following agreements and commitments entered into in prior years, which remained in force during the year.

Management services contract between Chargeurs SA and Chargeurs Boissy SA

In accordance with the terms of the contract signed on January 2, 2002 and the addendum signed on January 5, 2005, Chargeurs SA undertakes to provide management, financial and human resources management services to Chargeurs Boissy SA. In 2008, Chargeurs Boissy SA paid Chargeurs SA the sum of €403,565 (excluding VAT), pursuant to the addendum.

We have performed our procedures in accordance with professional guidelines applicable in France. These procedures consisted in verifying that the information given to us agrees with the underlying documents.

Agreements and commitments not authorized in advance

We also present our report on the agreements and commitments governed by the provisions of article L. 225-42 of the *Code de Commerce*.

In application of article L. 823-12 of the *Code de Commerce*, we inform you that these agreements and commitments were not authorized in advance by your Board of Directors.

It is our responsibility to report to you, based on the information provided, about not only the main terms and conditions of these agreements and commitments but also the reasons why the authorization procedure was not followed.

Agreement between Chargeurs SA and Novacel SA

Your company paid its Novacel SA subsidiary an amount of €4.2 million to correct the effects of certain market disruptions. The December 15, 2008 agreement was not authorized in advance by your Board of Directors for scheduling reasons.

Neuilly-sur-Seine and Paris – March 20, 2009

The Statutory Auditors

PricewaterhouseCoopers Audit — S & W Associés

Gérard Morin — Vincent Young

REPORT OF THE BOARD OF DIRECTORS

on certain ordinary and extraordinary resolutions presented at the Annual General Meeting

To the shareholders,

We present below our report on the following resolutions submitted to your approval.

REPORT OF THE BOARD OF DIRECTORS ON THE FIFTH ORDINARY RESOLUTION PRESENTED AT THE ANNUAL GENERAL MEETING

The purpose of this resolution is to re-elect Eduardo Malone as Director for a three-year term.

REPORT OF THE BOARD OF DIRECTORS ON THE SIXTH AND SEVENTH ORDINARY RESOLUTIONS PRESENTED AT THE ANNUAL GENERAL MEETING

The purpose of the sixth resolution is to appoint Yves-Alain Ach as substitute Auditor to replace Maryse Le Goff, who has resigned, for the remainder of her term.
The purpose of the seventh resolution is to appoint Maryse Le Goff to replace Vincent Young as representative of S & W Associés, Statutory Auditor, whose six-year term shall expire at the Annual General Meeting to be held to approve the 2010 financial statements.

REPORT OF THE BOARD OF DIRECTORS ON THE NINTH (EXTRAORDINARY) RESOLUTION OF THE ANNUAL GENERAL MEETING

This resolution is being presented solely to fulfill the legal obligation to put to the vote by shareholders a proposal to carry out an employee share issue, pursuant to article L. 225-129-VI of the French Commercial Code (Code de Commerce).
The Board of Directors recommends that shareholders vote against this resolution..

ORDINARY RESOLUTIONS

FIRST RESOLUTION

The Annual General Meeting, having heard the report of the Board of Directors and the Auditors' report on the parent company financial statements, approves the parent company financial statements for the year ended December 31, 2008 and the balance sheet at that date, as presented, showing a net loss of €84,531,655.73, together with all the transactions for the year reflected in the accounts or referred to in the report of the Board of Directors.
The Annual General Meeting therefore gives discharge to the members of the Board of Directors for the fulfillment of their duties during the year ended December 31, 2008.

SECOND RESOLUTION

The Annual General Meeting, having heard the report of the Board of Directors and the Auditors' report on the consolidated financial statements, approves the consolidated financial statements for the year ended December 31, 2008 and the consolidated balance sheet at that date, as presented, showing a consolidated net loss of €56,171,000, together with all the transactions for the year reflected in the accounts or referred to in the report of the Board of Directors.

THIRD RESOLUTION

Having heard the Statutory Auditors' special report, the Annual General Meeting approves this report and all the agreements governed by article L. 225-38 of the French Commercial Code *(Code de Commerce)* referred to therein.

FOURTH RESOLUTION

The Annual General Meeting, having noted that the net loss for the year amounts to €84,531,655.73, resolves to appropriate the loss for the year and the deficit brought forward from 2007 to "Other Reserves", which have therefore been reduced to €86,023,698.72 from €170,555,354.45.
The Annual General Meeting decides that no dividend will be paid in respect of 2008.

The Annual General Meeting notes that the following dividends have been paid over the last three years:

Year	Dividend per share (in euros)
2007	0.65
2006	0.65
2005	–

FIFTH RESOLUTION

The Annual General Meeting re-elects Eduardo Malone as Director for a three-year term expiring at the close of the Annual General Meeting to be called to approve the 2011 financial statements.

SIXTH RESOLUTION

The Annual General Meeting notes the resignation of Maryse Le Goff as substitute Auditor and appoints Yves-Alain Ach to replace her as substitute Auditor for the remainder of her term. This appointment shall take effect at the close of the Annual General Meeting to be called to approve the 2010 financial statements.

SEVENTH RESOLUTION

The Annual General Meeting notes that the representative of S&W Associés has changed, in application of the French financial security act, and confirms that S & W Associés shall continue to serve as a Statutory Auditor until its term expires at the end of the normal six-year period.

EIGHTH RESOLUTION

The Annual General Meeting gives full powers to the bearer of an extract or copy of the minutes of the Meeting to carry out all publication, filing and other formalities.

EXTRAORDINARY RESOLUTIONS

NINTH RESOLUTION

The Extraordinary General Meeting, having considered the report of the Board of Directors and the Auditors' special report, resolves, in accordance with article L. 225-129 VI of the French Commercial Code, to carry out an employee share issue for cash, governed by article L. 3332-18 of the French Labor Code.

The Extraordinary General Meeting resolves:

– That the Chairman of the Board of Directors may set up an Employee Stock Ownership Plan governed by articles L. 3331-1 *et seq.* of the French Labor Code, within six months of the date of this Meeting.

– To authorize the Board of Directors to carry out a share issue reserved for employees participating in said Employee Stock Ownership Plan, in accordance with article L. 3332-18 of the French Labor Code, within six months of the date of this Meeting. The amount of the issue may not exceed €800,000. Shareholders shall automatically be required to waive their pre-emptive rights to subscribe to said issue.

TENTH RESOLUTION

The Extraordinary General Meeting gives full powers to the bearer of an extract or copy of the minutes of the Meeting to carry out all publication, filing and other formalities.

STATUTORY AUDITORS' REPORT ON THE EMPLOYEE SHARE ISSUE

(Annual and Extraordinary Shareholders' Meeting of May 7, 2009 – Ninth resolution)

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of Chargeurs and as required by article L. 225-135 *et seq.* of the French Commercial Code *(Code de Commerce)*, we present below our report on the proposed authorization for your Board of Directors to issue up to €800,000 worth of shares to be offered, without pre-emptive rights for existing shareholders, for subscription by employees of your company and related companies within the meaning of article L. 225-180 of the *Code de Commerce*.

As shareholders, you are being called on to approve this authorization in application of article L. 225-126-6 of the *Code de Commerce* and article L. 3332-18 *et seq.* of the French Labour Code *(Code du Travail)*.

Based on its report, the Board of Directors is asking you for a six-month authorization to carry out the share issue and to waive your pre-emptive subscription rights. If you grant the authorization, the Board will be responsible for setting the final terms and conditions of the issue.

It is the responsibility of the Board of Directors to prepare a report in accordance with articles R. 225-113 and R. 225-114 of the *Code de Commerce*. It is our responsibility to express our opinion concerning the fairness of the figures taken from the financial statements, the proposed waiver of the pre-emptive subscription rights and certain other information related to the issue, as given in this report.

We have performed our procedures in accordance with professional guidelines applicable in France. These procedures consisted in verifying the information given in the Board of Directors' report concerning the proposed issue and the procedure for determining the price of the shares to be issued.

Subject to the subsequent examination of the terms and conditions of the proposed issue, we have no comments to make on the method used to determine the price of the shares to be issued, as presented in the report of the Board of Directors.

As the price of the shares has not been set, we are not in a position to comment on the final terms and conditions under which the issue would be carried out, nor, in consequence, on the proposed waiver by shareholders of their pre-emptive rights to subscribe for the shares concerned.

As required by article R. 225-116 of the *Code de Commerce,* if the resolution is approved, we will prepare an additional report when the share issue is carried out by the Board of Directors.

Neuilly-sur-Seine and Paris – March 20, 2009

The Statutory Auditors

PricewaterhouseCoopers Audit
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This version of the annual report is a translation from the original, which was prepared in French. In all matters of interpretation of information, views or opinions expressed therein, the original language version of the report takes precedence over this translation. The financial report containing the documents required for the Annual Shareholders' Meeting (including the 2008 financial statements of the parent company, Chargeurs) is presented in a separate document, available on request from the Corporate Communications Department.

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