Annual Report 2010

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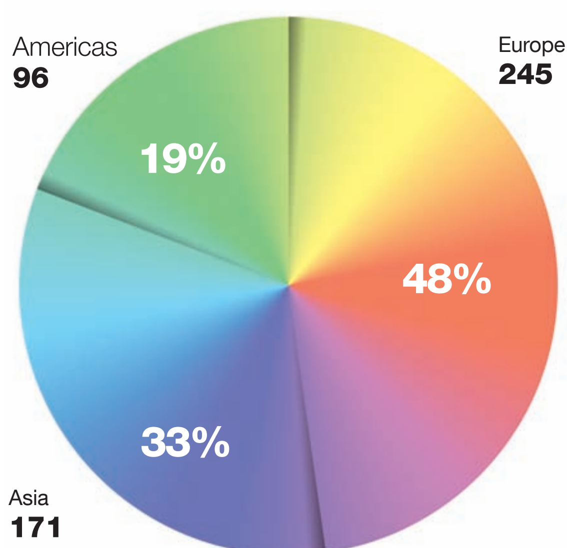
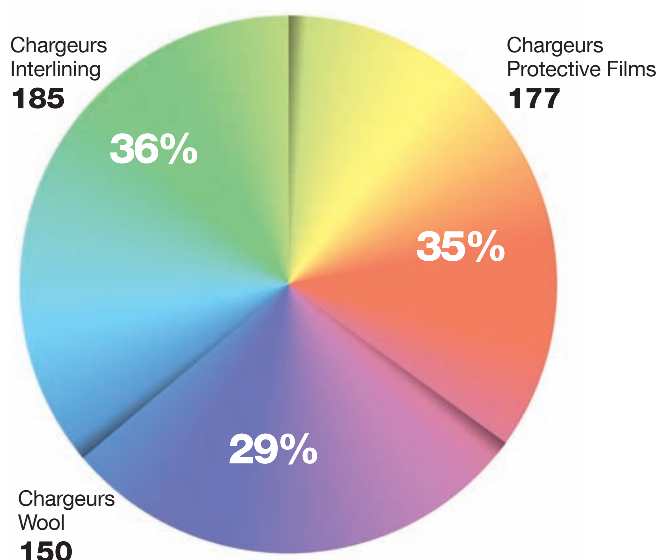
Revenue by region

(in euro millions)



Revenue by business

(in euro millions)



Chargeurs is a global diversified group

A leading player in niche manufacturing and service markets, Chargeurs operates in three business segments:

• Temporary surface protection, through **Chargeurs Protective Films**
• Technical textiles, through **Chargeurs Interlining**
• Raw material processing, through **Chargeurs Wool**

In 2010, consolidated revenue totaled €512 million, of which 94% was generated outside France.
Operating profit amounted to €21.3 million, while net profit reached €12.9 million.
With operations in 34 countries on five continents, the Group has 2,243 employees.

A proven strategy, a successful realignment

The sharp improvement in Chargeurs' performance in 2010 attests to the quality of the strategic plan developed as an immediate and vigorous response to the financial and economic crisis.

After realigning the manufacturing base and restructuring its debt in 2009, the Group successfully completed a €22.8 million convertible bond issue in early 2010 and drove a robust improvement in operating profitability throughout the year.

The target was met in an environment shaped by market recoveries that amplified the favorable effect of the Group's measures."

However, 2010 also saw extreme volatility in the currency markets and a continuous rise in raw materials prices, fueled mainly by strong Asian demand.

Our businesses have developed specific tools to integrate these persistent external factors into their operating models and sales strategies.

Chargeurs Protective Films delivered a very good performance in 2010, confirming the validity of its strategy to extend its European leadership and build positions in high value-added niches.

Chargeurs Interlining returned to profit on the back of increased revenue, illustrating the business's ability to leverage dynamic markets in China and the rest of Asia, as well as in Europe and the Americas.

Chargeurs Wool performed satisfactorily in a market affected by lower volumes and sharply higher raw wool prices, confirming the effectiveness of the policy of carefully selecting contracts and entering into commitments for shorter periods.

"The Group intends to continue reaping the benefits of market growth in Asia and other emerging markets, while also capturing the opportunities arising from its strong positioning in Europe.

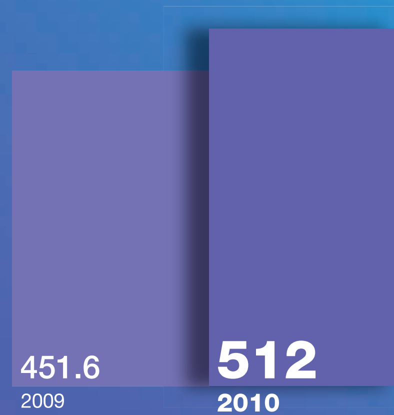
We also need to protect our current satisfactory margins from the effects of volatile currency markets and the relentless increase in raw materials prices.

It is still too early to issue any full year guidance, but the first few months of 2011 have seen a continuation of last year's solid performance, backed by a sounder financial position.

Thanks to its strategy, core strengths and performances, Chargeurs is begining 2011 on the road to delivering a healthy return on capital employed.

Eduardo Malone
Chairman and Chief Executive Officer

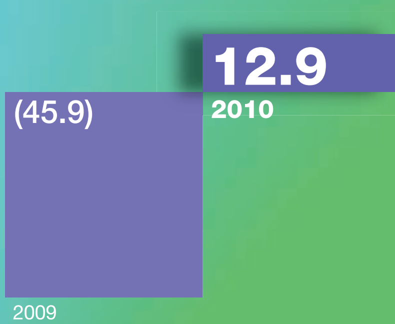
A return to profit



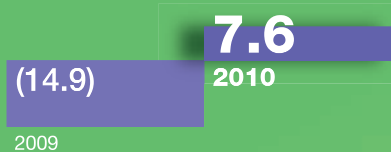
> "The radical cost-cutting measures implemented in 2009 have proven highly effective and Chargeurs is in advance on its business plan targets."

Martine Odillard
Chief Operating Officer

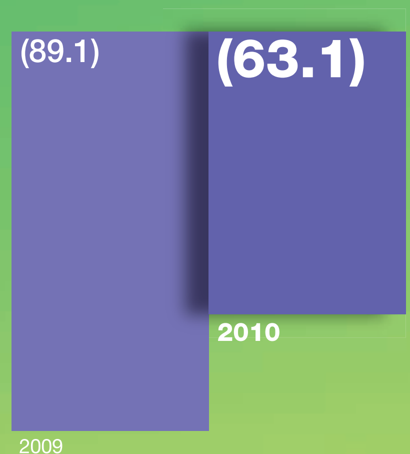
Attributable net profit
(in euro millions)



Cash flow
= net profit before depreciation, amortization and provision movement
(in euro millions)



Net debt
(in euro millions)



The recovery observed since September 2009 continued in 2010, with 13.4% growth in revenue and confirmation of the return to operating profit. The improvement accelerated over the year, to such an extent that the Group's targets were met nearly a year earlier than expected. The upturn in sales volumes amplified the favorable effect of the various measures taken by each of the businesses.

The €26 million reduction in net debt combined with a more than €37 million increase in equity led to a significant improvement in gearing over the year, with the debt-to-equity ratio falling from 68% to 38%.

Lastly, the leaner company governance structure will drive down headquarters costs while enhancing the company's responsiveness.

Chargeurs Protective Films

The European market leader, Chargeurs Protective Films supplies manufacturers – primarily in the building materials industry, but also in electronics and household appliances – with self-adhesive films for the temporary protection of fragile surfaces during every phase of an industrial process.

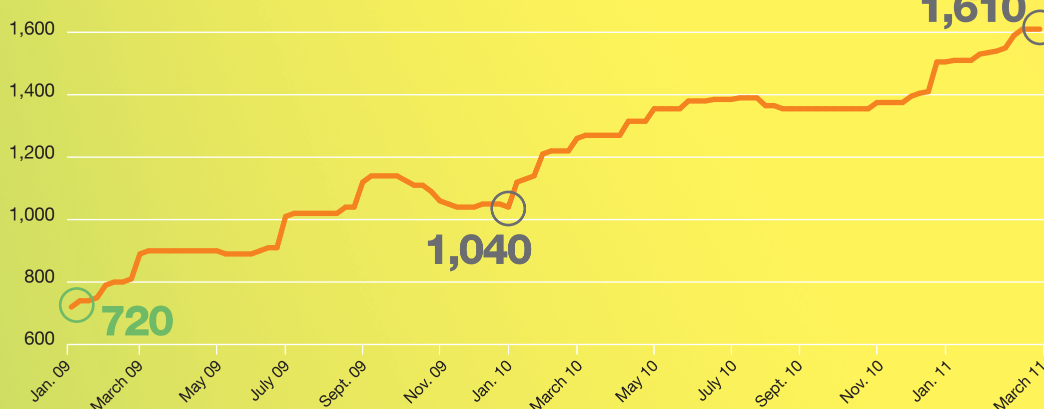
The surge in revenue and robust improvement in operating profitability attest to the business's resounding recovery in 2010. These performances were attributable to a winning strategy that focuses on high-value added products rather than low-margin commodity offerings. By concentrating on Europe, where it is already the unchallenged leader, and developing highly specialized products for profitable niche markets in the United States and Asia, Chargeurs Protective Films restored its margins, despite the fact that market volumes continued to fall short of their pre-crisis levels. The reduction in fixed costs also contributed to the improvement in operating profit.
Raw materials costs rose sharply over the year, particularly polyethylene prices as shown below. However, targeted marketing strategies offset part of the effect on margins.

Chargeurs Protective Films' innovation capabilities are being deployed to continue offering a comprehensive product and service line-up that is closely aligned with the needs of customers in its traditional markets, which include stainless steel, pre-coated metal and plastic materials used in the construction industry. Innovation also provides the business with the means of breaking into new sectors in the automotive, electronics and technical glass industries. Ongoing investment in research and development is leading to the creation of new products that will drive sustainable growth in the medium term.

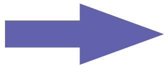
Chargeurs Protective Films has extended its expertise and enhanced its competency in all technologies by hiring additional R&D staff, particularly plastics

Polyethylene prices (in euros/tonne)

Source: Platts.

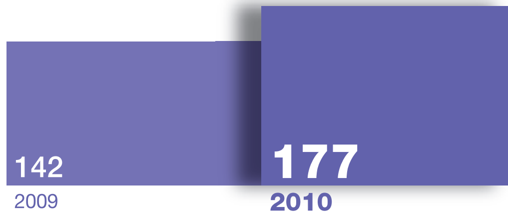


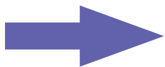
Between January and December 2010, the price of polyethylene climbed 47%, on the back of a 44% increase in 2009. The price continued to rise in January and February 2011, to over €1,600 per tonne.



Revenue

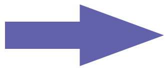
(in euro millions)



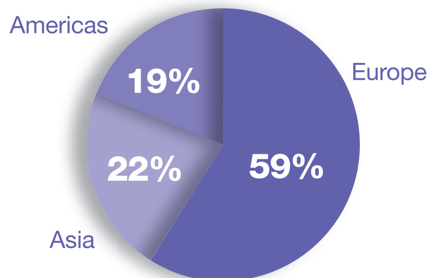


Operating profit

(in euro millions)



Revenue by region



chemists. In line with its sustainable development commitment, its films are recyclable and its European plants are ISO 14001-certified.

As part of the expansion strategy in Eastern Europe, offices are being opened in Russia to support the Polish base in leveraging the recovery in the region's markets, which were even harder hit by the crisis than Western Europe.

In 2011, Chargeurs Protective Films should report further earnings growth with profitability recovering to its historical level.

The focus on European markets and on high-value added products has put the business back on track to generate high margins.

Laurent Derolez
Managing Director – Chargeurs Protective Films

Chargeurs Interlining

One of the world's top two garment interlining manufacturers, with a highly globalized organization, Chargeurs Interlining is proficient in every aspect of this technical product, which is inserted between the fabric and the lining to keep garments flexible and help them to retain their shape.

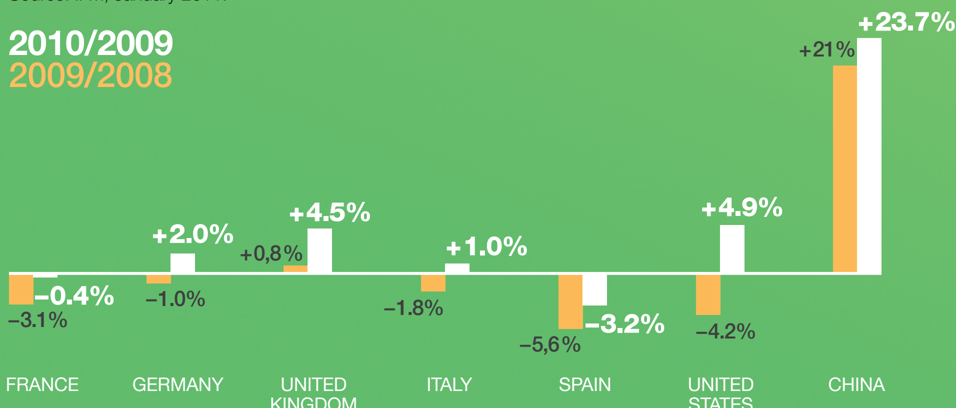
Chargeurs Interlining reported revenue up 11.7% and operating profit of €10 million in 2010, reflecting significantly improved profitability in all markets. The restructuring operations carried out in Europe during 2009 delivered the expected efficiencies, while the appreciation of the dollar and the Chinese yuan in 2010 also had a positive effect on results.

The recovery in the apparel market helped to create buoyant market conditions for Chargeurs Interlining. Sales were strong in the Americas, and were also satisfactory in Europe, where the incidence of customer bankruptcies was the greatest during the crisis.
In China, 2010 was a fairly tumultuous year, with steep salary increases, rises in raw materials costs and local manufacturers diverting production from export sales to domestic market. Thanks to its positioning in the premium segment of the market, its responsive service and a broad geographic presence that enables it to locally serve customers around the world, Chargeurs Interlining once again turned market changes to its advantage by enhancing its reputation for reliability and quality.

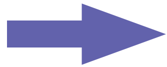
Its European operations allow it to respond to customers' needs in all technologies by offering a high quality local service.
The crisis underscored the importance of building long-term partnerships with customers, a strategy that enabled Chargeurs Interlining to pass on the very steep rise in raw materials prices, particularly the cotton price, which has more than doubled since 2009.

Annual growth in apparel spending

Source: IFM, January 2011.

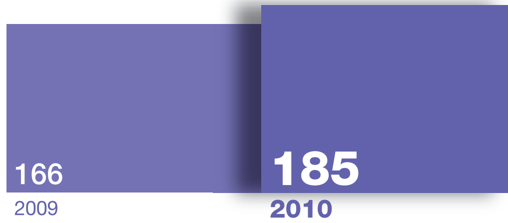


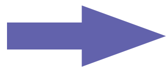
In 2010, the Chinese increased their apparel spending by 23.7%, in line with the trend rate of over 20% observed in recent years.



Revenue

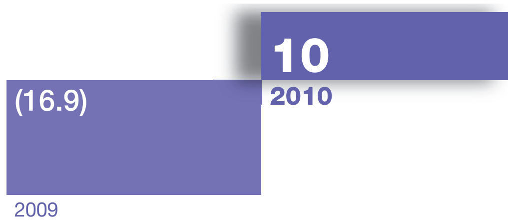
(in euro millions)

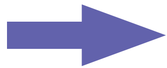




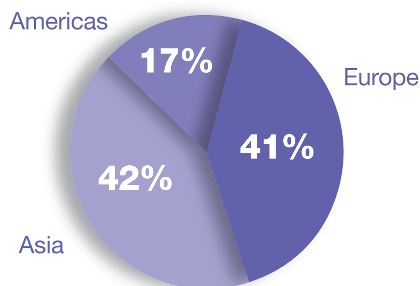
Operating profit

(in euro millions)





Revenue by region



Leveraging its proficiency in the latest coating processes and its strengthened R&D resources, Chargeurs Interlining has developed a range of very thin interlinings in response to the growing trend towards the use of voile fabric in women's apparel and lighter menswear fabrics.

In 2011, demand is expected to be even stronger than last year.

Our strength lies in our ability to offer customers, wherever they may be, a high quality response to their product and local service needs.

Stéphane Rigaut
Managing Director – Chargeurs Interlining

Chargeurs Wool

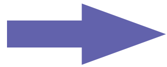
Chargeurs Wool specializes in top making, which consists of designing wool blends that successfully meet the needs of spinning mills. It is a world leader in combed wool sales.

With revenue up 4.3% and an operating profit for the year, Chargeurs Wool confirmed its return to break-even. This satisfactory performance was attributable to the strategic decision to focus on secure, profitable contracts rather than on volumes. Thus, while unit sales were down, revenue and operating profit were both up on 2010.

The increase in revenue was due to the steady rise in the raw wool price throughout 2010. The price has fluctuated wildly in recent years. After dropping 26% between January and December 2008, the Eastern Market Indicator (EMI), which is expressed in Australian dollars, gained 36% over the last two years and the uptrend continued in early 2011. The pressure was due to the imbalance between supply and demand caused by strong Chinese demand, droughts in Australia and the decision by many sheep farmers to quit the business when the price fell.

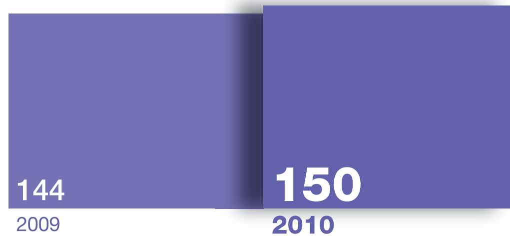
Despite the rise, markets were buoyant in Europe, the Americas and Asia. In South America, the Uruguayan combing mill operated at full capacity, while the Chinese mill – which now includes the washing units transferred from Australia – was able to offer competitive prices not only to customers in China, but also to those in Western markets.

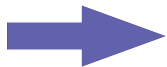
The strategic decision to sign contracts for no more than six months, the priority given to contracts that create value and a selective approach to Chinese business helped Chargeurs to reduce its risk exposure and overcome the challenges of volatile exchange rates and rising raw materials costs. Despite its high prices,



Revenue

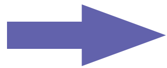
(in euro millions)



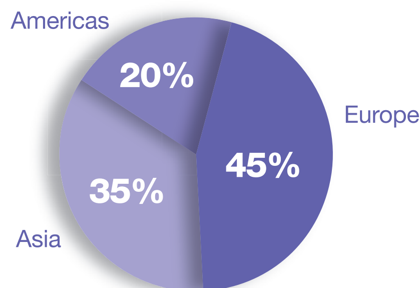


Operating profit

(in euro millions)



Revenue by region



wool remained competitive compared with synthetics and with cotton, which surged to record levels in 2010.

Chargeurs Wool is moving forward with confidence, with the aim of reporting even better results in 2011.

> The strategic decision to focus on margins rather than volumes sustained the return to break-even.

Richard Von Gerstenberg
Managing Director – Chargeurs Wool

Investor information

CHANGES IN SHARE CAPITAL

After the reduction in the par value of Chargeurs shares approved by shareholders at the General Meeting on February 8, 2010 and effective from March 8, 2010, the Company's capital was made up of 10,377,097 ordinary shares with a par value of €0.16 each.

On April 15, 2010, Chargeurs issued 415,083 subordinated convertible bonds.

At December 31, 2010, a total of 92,396 of these bonds had been tendered for conversion, representing 22.3% of the issue.

Number of shares outstanding at January 1, 2010	**10,377,097**
Number of new shares issued in 2010 on conversion of bonds(1)	**2,476,413**
Number of shares outstanding at December 31, 2010	**12,853,510**

(1) Not including the 18,279 new shares issued in early January 2011 on conversion of bonds tendered for conversion in December 2010.

At January 10, 2011, Chargeurs' share capital stood at €2,059,486.24, divided into 12,871,789 shares including the 2,494,692 new shares issued on conversion of the above-mentioned bonds in 2010.

At March 10, 2011, the Company's share capital amounted to €2,064,305.44, divided into 12,901,909 shares.

Issue of convertible bonds

On March 12, 2010, Chargeurs carried out an issue of subordinated convertible bonds with pre-emptive subscription rights. This issue led to the creation of 415,083 convertible bonds with a face value of €55 each, maturing on January 1, 2016.

The conversion and redemption terms of the bonds are described in note 11 to the Chargeurs parent company accounts (on page 71). The prospectus for the issue, which was approved by the AMF under visa number 10-044 on March 11, 2010, can be viewed on the websites of Chargeurs and the AMF.

CHANGES IN SHARE OWNERSHIP

Treasury stock

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

Number of shares held in treasury at December 31, 2009	**13,334**
Number of shares held in treasury at December 31, 2010(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, 2010, the Company also held 103,000 Chargeurs shares purchased under the liquidity contract in effect between May 16, 2007 and November 5, 2009. These shares, representing 0.8% of the capital, were purchased at a total cost of €972,436, representing an average price per share of €9.44. At the General Meeting held on February 8, 2010, the Company's shareholders authorized the signature of a new liquidity contract.

Number of Chargeurs shares held by subsidiaries

At December 31, 2010 none of the Group's subsidiaries held any Chargeurs shares.

Number of Chargeurs shares held by employees

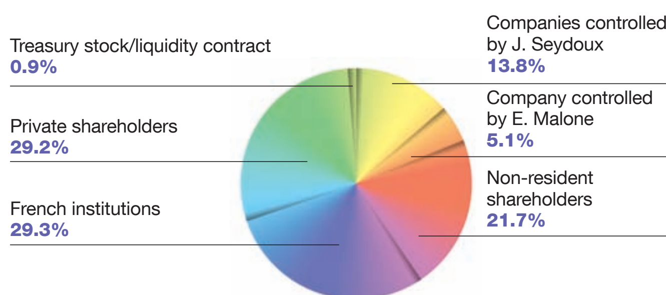
At December 31, 2010 none of the Company's shares were held by employees within the meaning of article L. 225-102 of the French Commercial Code.

Trading in Chargeurs shares by management or member of the Board

On December 16, 2010 Pathé carried out a block sale of 1 million Chargeurs shares, reducing its interest in the Company to 1,734,035 shares carrying the same number of voting rights.

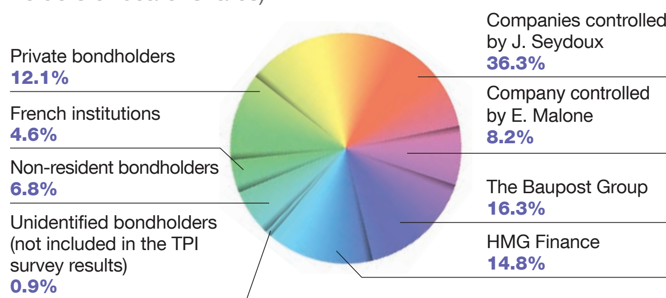
Ownership structure

(based on the January 31, 2011 TPI survey of identifiable holders of bearer shares)



Holders of convertible bonds outstanding at January 31, 2011

(based on the January 31, 2011 TPI survey of identifiable holders of bearer shares)



Shareholders owning more than 5% of share capital

(at December 31, 2010)	Number of shares	% interest	% voting rights
Pathé[1]	1,734,035	13.49	13.44
Ojej[1]	41,000	0.32	0.40
Jérôme Seydoux	1,341	0.01	0.02
Sofi Emy[2]	655,195	5.10	5.08
Eduardo Malone	7,163	0.06	0.06
The Baupost Group[3]	1,245,371	9.69	9.66
Natixis	1,000,000	7.78	7.75
La Financière de l'Échiquier[4]	868,700	6.76	6.74

(1) Companies controlled by Jérôme Seydoux. (2) Company controlled by Eduardo Malone. (3) A US investment fund. (4) On February 16, 2011 Financière de l'Échiquier reduced its interest to less than 5% of Chargeurs' capital.

At December 31, 2010, Jérôme Seydoux, Eduardo Malone and the companies that they control together held 18.97% of Chargeurs' capital and 19% of the voting rights, which are exercised in concert.

DIVIDENDS

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

No dividend was paid for 2008 and 2009. No dividend will be paid for 2010.

STOCK MARKET DATA

Market listing

Chargeurs' shares and convertible bonds are listed on the NYSE Euronext Paris market under the ISIN codes FR0000130692 – CRI (CAC Small Index) and FR0010870931 – YCRI, respectively.

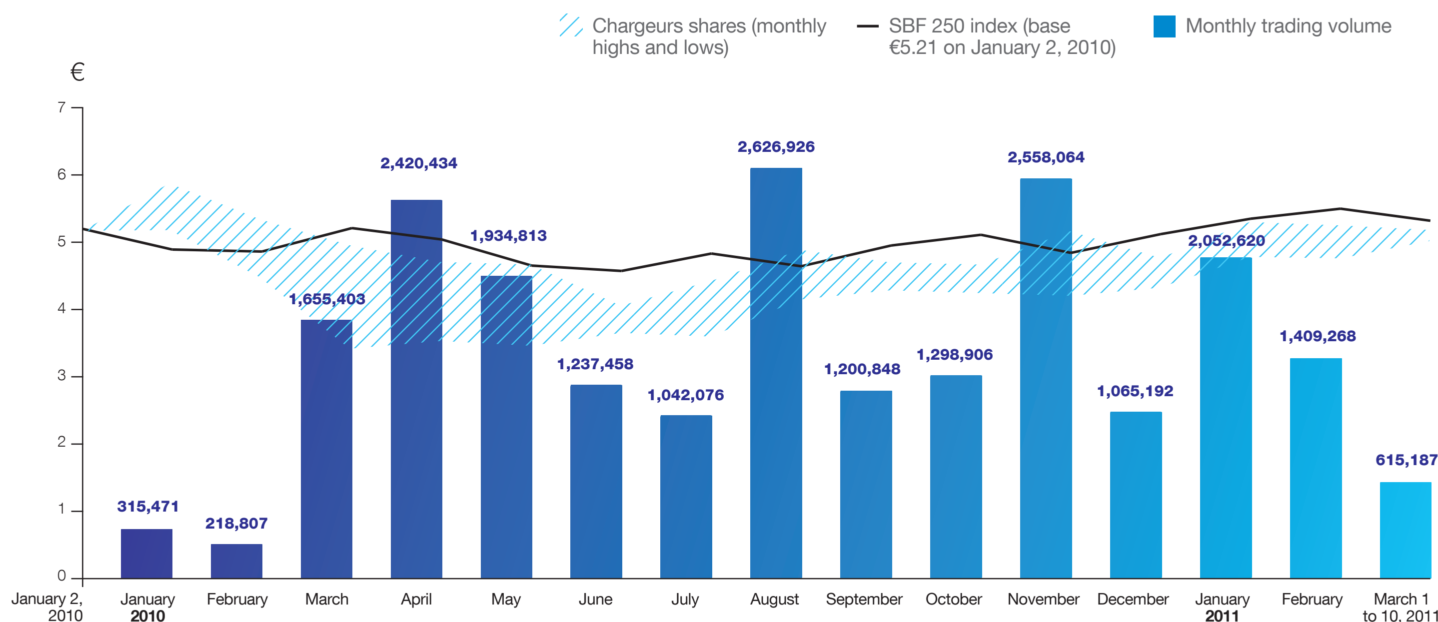
Listing of new shares

(convertible bonds)

Applications will be made periodically for admission to trading on NYSE Euronext Paris for the new shares issued on conversion of the bonds and payment of the stock-based coupon. Following these applications, said shares will be listed on a separate line from Chargeurs' existing shares.

The new shares will only rank pari passu with the Company's existing shares and be traded on the same line as the existing shares under the same ISIN code – FR0000130692 – as from either (i) the start of trading on the day when the existing shares are traded ex the dividend to be paid for the fiscal year preceding that in which the exercise date occurs, or (ii) if no dividend is paid, the start of trading on the day following the Annual General Meeting held to approve the financial statements for that year.
(See section 8.1.7 of the prospectus)

SHARE PERFORMANCE



Sustainable development

ENVIRONMENTAL REPORT

Introduction

As part of the Group' 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 each business's Risk Managers.

In 2010, as in 2009, environmental data were collected at the primary production plants operated during the year (17, of wich 3 Protective Films plants, 12 Interlining plants and 2 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 1 Km^2 of film for the Protective Films business, 1 Km^2 of fabric for the Interlining business, and 1 tonne of combed wool for the Wool business.

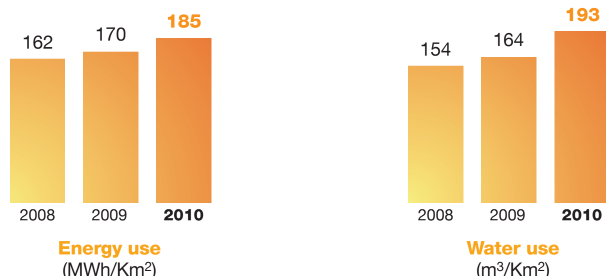
The same criteria have been applied for 2010 and 2009, allowing direct year-on-year comparisons.

Results

Chargeurs Protective Films

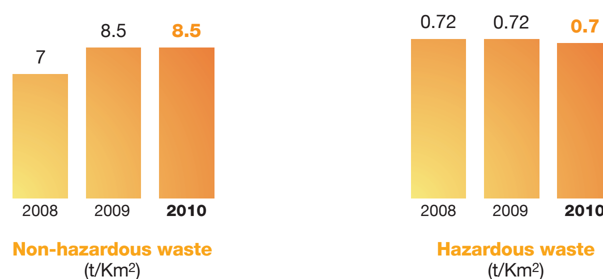
Energy and water use

The increases of 9% in energy use and 18% in water use were mainly attributable to a rise in the amount of steam used at the Déville-lès-Rouen plant in order to recover a greater quantity of solvent.



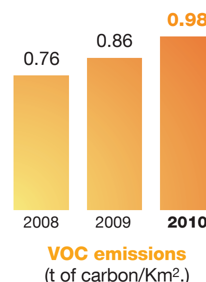
Waste production

Non-hazardous waste production was stable compared with 2009 and hazardous waste production decreased slightly.



Volatile organic compound (VOC) emissions

VOC emissions rose by 15% in 2010, reflecting an increase in the quantity of solvent used at the Déville-lès Rouen plant, as well as a slightly lower recycling rate than in 2009 for the plant's solvent recovery unit, although the unit performed satisfactorily throughout the year.



Environmental initiatives and management

One person is employed full-time to deal with environmental, health and safety issues in France and two people in Italy, while one person devotes a quarter of their time to these issues in the United States. In 2010, the French plant maintained its ISO 14001 certification and the Italian plant kept both its ISO 14001 and OHSAS 18001 certifications.

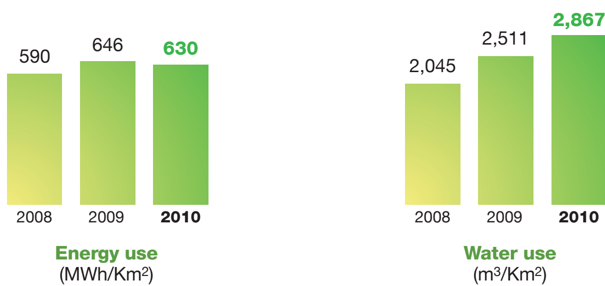
Compliance with REACH legislation

In 2010, the European units of the Protective Films and Interlining businesses verified that their suppliers had pre-registered all of the chemicals they use and that none of these chemicals contained SVHC substances in concentrations exceeding 0.1% w/w. This information is provided to customers on request.

Chargeurs Interlining

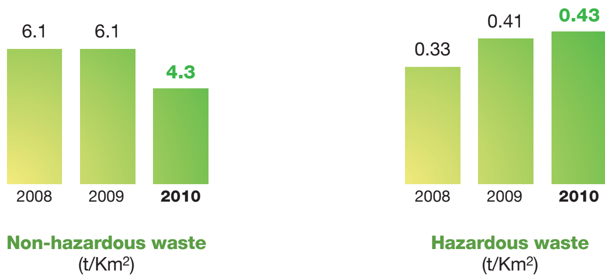
Energy and water use

Energy use decreased by 2.5% in 2010, whereas water use rose by 14.2% due to the development of new products.



Waste production

Non-hazardous waste production decreased by a sharp 28.9% but hazardous waste production increased by 4.8%, due to the destruction of products following the closure of certain production lines.



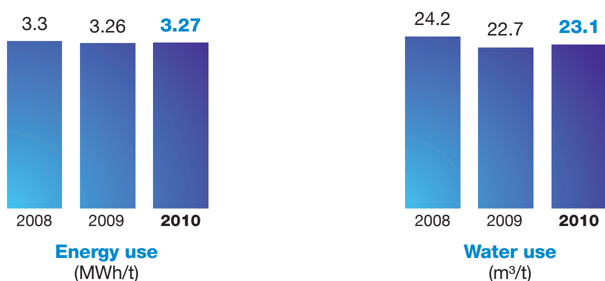
Environmental initiatives and management

In 2010, an average of one full-time equivalent employee was assigned to environmental, health and safety management at each site.

Chargeurs Wool

Energy and water use

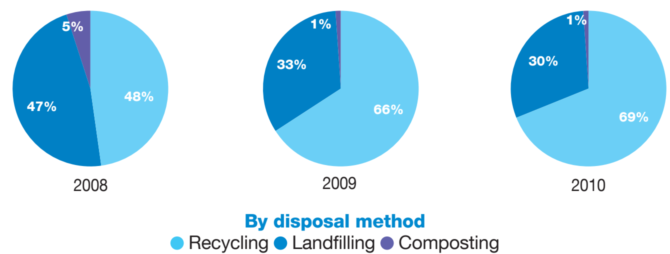
Energy use per tonne produced was stable compared with 2009, while water use per tonne edged up 1.7%.



Waste production

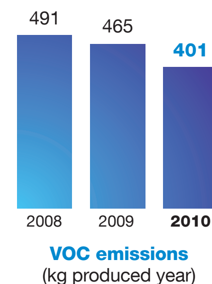
The quantity of non-hazardous waste generated per unit produced rose by a moderate 3.4% while no hazardous waste was generated.

The breakdown by disposal method changed due to the sale or closure of a number of mills, from 2008.



Volatile organic compound (VOC) emissions

Volatile organic compound (VOC) emissions continued to fall, dropping 13.8% in 2010.



Environmental initiatives and management

The combing mill in Uruguay obtained ISO 14001 and OHSAS 18000 certifications in 2010, and the China mill maintained its ISO 14001 and ISO 9000 certifications. Both units have been awarded the Global Organic Textile Standard (GOTS) label and the Öko-Tex 100 ecolabel.

EMPLOYEE INFORMATION

For Chargeurs, sustainable development means deploying resources and implementing action plans to efficiently manage the present and guarantee the Group's long-term viability. All three of Chargeurs' core businesses made a strong recovery in 2010, following the deep turmoil in the global economy in 2008 and 2009 when Chargeurs had to take drastic measures to adjust its manufacturing capacity.

Employees

As of December 31, 2010, the Group had **2,243 employees,** 3.5% fewer than at year-end 2009. The decline mainly reflected a 6.3% decrease at Chargeurs Interlining, due to the business's withdrawal of its manufacturing presence in South Africa and 30 staff redundancies in Europe. The Asia region now accounts for 45.4% of the total workforce, with the 742 employees in China representing 33.1% of the total, versus 31.8% at end-2009. Operations in France employed 24.6% of Chargeurs' overall headcount at end-2010.

Of the total 2010 workforce, 30.1% are **women**, unchanged compared with 2009. The proportion was 33% at Chargeurs Wool, 32% at Chargeurs Interlining and 18% at Chargeurs Protective Films.

Temporary staff represented 6.8% of the headcount, compared with 4.9% in 2009. This increase was attributable to short-term production peaks, when several entities needed to fill urgent orders from customers who had shed inventories in 2009 and/or are subject to very short lead times for their products, especially in the apparel segment.

Training

Management is more than ever committed to giving employees the opportunity to improve their skills. In line with the Group's decentralized structure, training programs are the responsibility of the Directors of the individual units. The number of employees who received training remained stable at 33% of the workforce and the average number of training hours received was 23.

Safety

The risk management policy implemented at each stage of the operating process places considerable emphasis on employee safety. The frequency rate stood at 21.14, compared with 16.62 in 2009, and the severity rate rose to 0.72 from 0.49 in 2009.

This apparent deterioration in safety performance was primarily due to several accidents that were not of major severity but led to very long absences.

In the Group's textile businesses, the average worldwide frequency rate stood at 20.03, compared with 30.86 for the textile industry in France, where safety regulations are often more stringent than in many other countries. The average worldwide severity rate was 0.72, compared with 1.70 for the textile industry in France. At Chargeurs Protective Films, the average frequency rate was 26.7 and the average severity rate was 0.74, compared with chemical/rubber/plastics industry averages of 18.34 and 1.04 respectively.

Social dialogue

Despite its decentralized organizational structure, Chargeurs has always been strategically committed to promoting social dialogue across the Group, 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 5.08% 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 across Europe.

Compensation

A significant proportion of managers receive performance-related bonuses, in line with the Group's value creation strategy.

Directors' and officers' compensation

The information below has been drawn up based on the recommendations in the Corporate Governance Code for Small- and Mid-caps published by Middlenext in December 2009.

Eduardo Malone joined the Chargeurs Group on July 1, 1973 and held various positions before being appointed Chairman and Chief Executive Officer, when his employment contract was suspended. The gross base compensation paid to Eduardo Malone in his capacity as Chairman and Chief Executive Officer totaled €452,556 in 2010 and €452,561 in 2009.

The amounts for both years included €350,000 in salary and €91,469 in fees for directorships held within Group subsidiaries. They also included the use of a company car valued at €11,087 in 2010 *versus* €11,092 in 2009.

Mr Malone's incentive bonus represents a percentage of his base salary, as determined by the Board of Directors, and is contingent on achieving performance criteria concerning consolidated operating income and profit. No bonus was paid to Mr Malone for 2009 as the Group reported a loss in that year. As the Group returned to profit in 2010, a bonus for that year will be paid in 2011.

Martine Odillard joined the Chargeurs Group on October 8, 1979 and held various positions before being appointed Chief Operating Officer, when her employment contract was suspended. The gross base compensation paid in 2010 to Martine Odillard in her capacity as Chief Operating Officer amounted to €104,711, reflecting the fact that she did not start her new position until September 15, 2010.

This amount included €103,409 in salary as well as the use of a company car, valued at €1,302.

As well as her base salary, Martine Odillard is eligible for an incentive bonus which is contingent on performance criteria, as follows: (i) 80% of the bonus is tied to the Group's performance as measured by growth in consolidated operating income and profit and (ii) the remaining 20% is based on the achievement of targets set at the beginning of each year for Mrs Odillard's areas of responsibility. As Mrs Odillard only took up her position as Chief Operating Officer on September 15, she will not receive any incentive bonus in 2011 for 2010.

Neither Eduardo Malone nor Martine Odillard have a supplementary pension plan and they are not entitled to a no-compete indemnity if they leave the Group. In addition, Chargeurs has not given any commitment to pay compensation for loss of office to either Mr Malone or Mrs Odillard.

The gross base compensation paid in 2010 to Jérôme Seydoux, Vice-Chairman and Chief Executive Officer until September 14, 2010, was €19,980, versus €50,000 in 2009.

The total fees awarded to the members of the Board of Directors for 2010 amounted to €30,000. Eduardo Malone and Jérôme Seydoux did not receive any fees in their capacity as Directors of Chargeurs.

Human resources indicators

EMPLOYEES	Definition	Measurement unit	Scope	12/31/2009	12/31/2010
Total employees	Employees on the payroll at December 31	Employees under permanent and fixed-term contracts	World	2,325	2,243
Use of temporary staff	Temporary staff	% of total employees under permanent and fixed-term contracts	World	4.9%	6.8%
Employees by business	Group employees by business	Headquarters	World	12	12
		Chargeurs Protective Films	World	498	502
		Chargeurs Interlining	World	1,373	1,286
		Chargeurs Wool	World	359	353
		Other	World	83	90
Employees by region	Group employees		France	572	552
			Rest of Europe	297	282
			Asia	1,072	1,019
			Americas	384	390
	Chargeurs Protective Films		Europe	79%	78%
			Asia	6%	6%
			Americas	15%	16%
	Chargeurs Interlining		Europe	33%	32%
			Asia	54%	52%
			Americas	13%	14%
	Chargeurs Wool		Europe	5%	4%
			Asia	60%	59%
			Americas	35%	37%
Gender parity	Group employees	Number of men	World	1,629	1,568
		Number of women	World	696	675
		Percentage of women	World	29.9%	30.1%

TRAINING	Definition	Measurement unit	Scope	12/31/2009	12/31/2010
Numbers of persons trained	Employees who attended at least one training course	% of total employees	World	33%	33%
Training hours	Time spent in training by employees who attended at least one training course	Average training hours per person	World	22 hours	23 hours

SAFETY	Definition	Measurement unit	Scope	12/31/2009[1]	12/31/2010
Accidents	Frequency rate: number of occupational accidents per million hours worked	Occupational accidents resulting in at least one day lost time	World	16.62	21.14
Absenteeism due to occupational accidents	Severity rate: number of days' absence per thousand hours worked	Days lost due to an occupational accident	World	0.49	0.72

(1) Data now include all production units.

COMPENSATION	Definition	Scope		12/31/2009	12/31/2010
Payroll costs	Annual payroll costs recorded in the accounts (in euro millions)	Employees of fully consolidated companies	World	72.80	71.80

Chairman's report on corporate governance and internal control

This report is presented to the Annual General Meeting of Chargeurs on May 5, 2011, pursuant to article L. 225-37 of the French Commercial Code. It was submitted to the Audit Committee for review on March 10, 2011 and was approved by the Board of Directors on the same date.

REFERENCES

The Board of Directors has decided to use the Corporate Governance Code for Small- and Mid-caps published by Middlenext in December 2009 as Chargeurs' reference for corporate governance practices and procedures, and particularly for the preparation of this report. This Code can be downloaded from the Middlenext website (in French only).

Chargeurs' risk management and internal control practices and procedures are based on the general principles defined by the French securities regulator *(Autorité des Marchés Financiers*) in its July 22, 2010 document entitled *"Cadre de Référence sur les dispositifs de gestion des risques et de contrôle interne: Guide de mise en œuvre pour les valeurs moyennes et petites",* which provides risk management and internal control reference guidelines for small- and mid-cap companies.

Chargeurs has gradually begun to implement the recommendations contained in the Middlenext Code and intends to continue this process over the coming years. In line with this, the members of the Board of Directors have been informed of the items included in the *"Points de vigilance"* sections of the Code, which set out the main issues to be addressed in order to ensure that the Company's governance system operates smoothly.

CORPORATE GOVERNANCE

Governance Structure

Chairman and Chief Executive Officer

At its meeting of May 6, 2010, the Board of Directors renewed Eduardo Malone's term as Chairman and Chief Executive Officer.

Limitations of power

Internally, the Chairman must ensure that he has the approval of the Board of Directors to grant guarantees before making commitments on behalf of the Company.

Chief Operating Officer

Following the resignation of Jérôme Seydoux, Martine Odillard was appointed Chief Operating Officer by the Board of Directors at its meeting of September 14, 2010.

Limitations of power

Internally, the Chief Operating Officer must be sure of the Chairman and Chief Executive Officer's instructions and seek his approval or validation for transactions outside the scope of routine management.

Board of Directors

Members

The list of members of the Board of Directors is included in the "Corporate governance" section of the Annual Report.

As of the date of this report, the Board comprised five directors, including the Chairman. At its meeting of March 10, 2011, the Board decided to submit a resolution to shareholders at the May 5, 2011 Annual General Meeting to re-elect one existing Director and elect an additional Director. If the shareholders approve the proposed resolution, the Board will comprise a total of six directors, including one woman.

Based on the independence criteria set out in the Middlenext Code and adopted by Chargeurs, the Board includes two independent Directors.

Organization of the work of the Board of Directors

The Board of Directors meets at least four times a year; twice to examine the interim and annual financial statements, once to review Group strategy in relation to the budget and business plan, and once after the Annual General Meeting to implement the decisions voted by shareholders. At each meeting, the Directors also discuss the Group's business performance, major projects and the matters submitted to the Board for a decision.

As the Board of Directors' roles and responsibilities as well as its main operating procedures are set out in the Company's bylaws, the Board considers that it does not need to draw up specific rules of procedure.

Compensation paid to the Chairman and Chief Executive Officer is set by the Board of Directors. Mr Malone's incentive bonus represents a percentage of his base salary, as determined by the Board of Directors, and is contingent on achieving performance criteria concerning consolidated operating income and profit. No bonus was paid to Mr Malone for 2009 as the Group reported a loss in that year. As the Group returned to profit in 2010, a bonus for that year will be paid in 2011.

The compensation paid to the Chief Operating Officer is also set by the Board of Directors. As well as her base salary, Martine Odillard is eligible for an incentive bonus which is contingent on performance criteria, as follows: (i) 80% of the bonus is tied to the Group's performance as measured by growth in consolidated operating income and profit and (ii) the remaining 20% is based on the achievement of targets set at the beginning of each year for Mrs Odillard's areas of responsibility. As Mrs Odillard only took up her position as Chief Operating Officer on September 15, 2010, she will not receive any incentive bonus in 2011 for 2010.

The total fees awarded to the members of the Board of Directors for 2010 amounted to €30,000, with each of the three non-executive Directors receiving an equal share. The Chairman and the Vice-Chairman and Chief Executive Officer did not receive any fees in their capacity as Directors of Chargeurs.

The Board met five times in 2010, with an average attendance rate of 80%. Each meeting lasted two hours on average.

The Board of Directors did not carry out a formal self-assessment of its work and procedures in 2010 but the Directors discussed these issues at various times during the year.

Audit Committee

At its meeting on December 3, 2009, the Board decided to set up an Audit Committee in application of article L. 823-19 of the French Commercial Code. This Committee currently comprises two Directors, which the Group considers appropriate in view of the skills and experience of each of its members. The Audit Committee has its own rules of procedure that set out its roles and responsibilities and its operating processes.

The Audit Committee meets at least twice a year, before the Board Meetings held to approve the publication of the annual and interim financial statements. It is tasked with assisting the Board in its role of approving the annual and interim financial statements of the parent company and the Group and preparing information to be disclosed to shareholders and the markets. It monitors the procedures used for Chargeurs' financial reporting process and ensures that the Group's internal control and risk management systems are effective. The Audit Committee also oversees the Statutory Auditors' audit of the financial statements of the parent company and the Group and verifies the Auditors' independence.

The Committee Chairman reports to the Board on the Committee's work on a regular basis.

The Audit Committee met three times in 2010. During these meetings it examined the financial statements for first-half 2010, the Statutory Auditors' fee proposal and Chargeurs' internal control and risk management systems.

When determining the roles and responsibilities of the Audit Committee, the Company referred to the report of the AMF Working Group on Audit Committees, which was issued in 2010 and can be viewed on the AMF's website at http://www.amf-france.org/documents/general/9627_1.pdf.

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

Definition and objectives of internal control

Internal control is a system that a company defines and implements under its own responsibility to provide reasonable 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.

Scope of internal control

The Group is organized around a lean holding company structure and three core businesses (Chargeurs Protective Films, Chargeurs Interlining and Chargeurs Wool), each with their own holding company, and a large number of operating subsidiaries.

Components of internal control

An efficient organization

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, detailed information to understand its businesses and how they generate earnings and cash, 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;
– a Risk Manager for each core business;
– Groupwide intranet access to operational procedures and rules.

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 74 consolidated companies.

Reflecting our deep-rooted culture of 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, the consolidation and reporting processes have been managed by the same information system. With the generation of the consolidated accounts now simply the last phase in the reporting process, this ensures constant control over the production of financial information.

In 2010, new higher-performing reporting and consolidation software was introduced, which is more suited to Chargeurs' current business and structure. The rollout of this new software was accompanied by training and awareness-raising measures for all of the Group's financial controllers.

Each subsidiary's Managing Director and Finance Director send me comments on their monthly results, presented in a standard format.

The results of each business are reviewed every month at a meeting with the business's Managing Director, which I lead, and annual earnings forecasts are updated as soon as any significant new developments occur.

A system to map, analyze and deal with the main identifiable risks

The Executive Committee pinpoints mission-critical issues and designates the most appropriate manager for each one, regardless of his/her position relative to other managers. A specific reporting system is in place to allow the managers to inform me directly at regular intervals of how their work on these mission-critical issues is progressing. The quality of their status reports is one of the areas covered during their annual performance review.

The issues addressed 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.

From time to time, Chargeurs uses 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.

The main risks identified by the Company in 2010 are the same as the ones set out in section 1.2, "Risk factors" in the Registration Document filed with the AMF on December 30, 2009.

Control procedures sized to address the challenges of each process

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.

Constant oversight of internal control procedures

Supervising internal control

The subsidiaries' Finance Directors are responsible for controlling the financial reporting process. 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 an integrated internal audit department and therefore generally relies on local specialized firms in each region.

Internal audit processes are overseen by Group Financial Control, which reports to senior management. Supervision of internal audit matters is shared between the different members of the Audit Committee.

During 2010, Chargeurs completed the update of its administrative and finance manual for application in 2011.

External audit

Two audit firms share the task of auditing our financial statements. All of the local Auditors' observations arising from their audits of our subsidiaries' accounts are reported to the Managing Directors of the subsidiaries concerned. The 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.

Chargeurs' risk management and internal control situation at end-2010

I believe that the risk management and internal control systems in place at the end of 2010 related to the processing and preparation of accounting and financial information 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 2011 action plan is based on the following strategic priorities:
– distributing and implementing the new administrative and finance manual;
– systematically updating the internal control risk maps and continuing to raise awareness of internal control and risk management issues within the Group's operating entities;
– regularly documenting delegations of authority and updating them in line with any changes in the roles and responsibilities of the authorized parties.

SHAREHOLDER PARTICIPATION IN GENERAL MEETINGS

Article 19 of Chargeurs' bylaws, relative to attendance and representation at General Meetings, provides that:
– shareholders may give proxy to their spouse or another representative in accordance with the applicable laws and regulations;
– minors and incapacitated persons may be represented by their legal guardian or conservator, and companies and other legal entities may be represented by a person with 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;
– only shareholders whose shares are registered or recorded in a securities account on the basis prescribed by law are entitled to participate in General Meetings;
– the Board may decide to issue admission cards to eligible persons in their name and for their use only;
– shareholders can vote by post by filling out and returning to the Company a postal voting form, in accordance with the applicable regulations;
– Prior to each Meeting, the Board may decide that shareholders who take part in the Meeting via videoconference 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 are 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 referred to in the Report of the Board of Directors presented at the Annual General Meeting and published on Chargeurs' website;
– the rules governing the election or replacement of Board members and changes to the Company's bylaws, referred to in articles 9, 10 and 22 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 2011

Statement by the person responsible for the annual financial report

I hereby declare that, to the best of my knowledge, (i) 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 (ii) 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 2011

Financial report

2010 FINANCIAL REVIEW

Results

Consolidated revenue

Revenue totaled €512 million, up 13.4% over 2009.

All of the Group's businesses contributed to the increase, led by higher volumes combined with favorable price and currency effects.

Revenue by business

Chargeurs Protective Films' revenue increased by a robust 24.4%, of which 13.3% due to higher volumes and 11.1% due to favorable price and currency effects.

Revenue for Chargeurs Interlining rose by 11.7%, with growth attributable to higher volumes for 4.9% and to favorable price and currency effects for 6.8%.

Chargeurs Wool's revenue climbed 4.3% over the year as significantly higher prices offset a decline in sales volumes.

Sales generated outside France represented 94% of the consolidated total. The weighting of the main markets remained the same as in prior years. China maintained its position as the largest market, accounting for 18.2% of total revenue in 2010. Italy remained the second largest market, contributing 15.5% of revenue, and Germany was once again the third largest with 10.9%, while the United States represented 9.8%. Along with France, these four markets together accounted for 60.4% of total revenue.

Operating profit

Consolidated operating profit amounted to €21.3 million, representing just over 4.1% of total revenue.

Chargeurs Protective Films reported operating profit of €11.4 million, reflecting a significant upturn in demand.

Chargeurs Interlining completed the measures to realign its manufacturing facilities in Europe that were initiated and provisioned in 2009. The business also benefited from a strong recovery in demand to end the year with an operating profit of €10.0 million.

Chargeurs Wool reported an operating profit of €1.2 million.

Finance costs and other financial income and expense, net

Finance costs and other financial income and expense represented a net expense of €9.9 million versus €9.2 million in 2009, and included the cost of net debt, factoring costs, and €1 million in convertible bond interest costs.

Share of profits/(losses) of associates

The Group's share of profits and losses of associates was a positive €0.3 million, versus a negative €2.5 million in 2009.

Income tax expense

The Group ended the year with an income tax benefit of €1.6 million, compared with income tax expense of €10 million the previous year, reflecting:

- income tax expense arising from the businesses' return to profit;
- reversal of €5.2 million in valuation allowances on deferred tax assets corresponding to tax loss carryforwards, to take into account the significant improvement in profit forecasts for the next five years. The Group recorded €7.3 million in valuation allowances on deferred tax assets for tax loss carryforwards at end-2009.

Net profit

The Group ended the year with net profit of €12.9 million, versus a €45.9 million net loss in 2009.

Balance sheet and financial management

The Group signed an agreement with its partner banks on February 4, 2010, finalizing the restructuring of its credit facilities.

The agreement mainly concerns short and medium-term facilities granted to the Protective Films and Interlining businesses.

Effective from January 2010, the unconfirmed facilities have been combined into a single facility for a firm period of two years and a two-year payment moratorium has been granted on the medium-term facilities, with payment due from the third to the fifth year.

In addition, Chargeurs issued 415,083 convertible bonds with a nominal value of €55, with pre-emptive subscription rights for existing shareholders. The offer was subscribed 1.78 times.

Details of the convertible bond issue are provided in note 20 of the consolidated financial statements.

Net debt excluding convertible bonds amounted to €63.1 million at December 31, 2010, compared with €89.1 million a year earlier, and net bank debt (excluding finance lease liabilities) amounted to €42.8 million, versus €64.5 million.

Together, the various Chargeurs companies had cash and cash equivalents of €83.2 million at end-2010, compared with €55.9 million at the previous year-end.

Parent company financial statements

The parent company reported an operating loss of €4.5 million in 2010 (€4.2 million in 2009), which included €1.5 million in fees and other expenses related directly to the convertible bond issue.

Finance costs and other financial income and expense represented net income of €23 million, primarily reflecting €23 million in reversals of provisions to re-align the carrying amount of shares in subsidiaries and affiliates with their fair value at the year-end, following the improvement in market conditions.

Non-recurring items represented net income of €0.7 million.
The Company reported pre-tax profit of €19.2 million.
A tax benefit of €0.2 million was recorded, corresponding to group relief.
The Company ended the year with net profit of €19.4 million.

The total amount of trade payables (€0.4 million at December 31, 2010) is due within sixty days.

Non-deductible expenses that are disclosable to shareholders pursuant to articles 223 quater and 39-4 of the *Code Général des Impôts* and the related tax impact amounted to €21.4 thousand in 2010.

March 2011

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Consolidated financial statements

CONSOLIDATED BALANCE SHEET

At December 31 (in euro millions)

Assets

	2010	2009
Non-current assets		
Property, plant and equipment (note 5)	59.4	61.4
Intangible assets (note 6)	70.9	67.5
Investments in associates (note 8)	18.3	17.3
Deferred tax assets (note 9)	18.6	12.6
Non-current financial assets		
– Investments in non-consolidated companies (note 10)	2.2	1.5
– Long-term loans and receivables (note 11)	7.4	7.2
Derivative instruments (note 12)		
Other non-current assets (note 13)	4.3	3.1
	181.1	**170.6**
Current assets		
Inventories and work-in-progress (note 14)	149.4	117.0
Trade receivables (note 15)	50.9	69.1
Factored receivables[1]	64.6	45.7
Derivative instruments (note 12)	1.2	1.2
Other receivables (note 16)	35.3	44.9
Cash and cash equivalents (note 17)	83.2	55.9
	384.6	**333.8**
Assets held for sale (note 18)	4.8	5.8
Total assets	**570.5**	**510.2**

Equity and liabilities

	2010	2009
Equity		
Attributable to owners of the parent		
Share capital (note 19)	2.1	166.0
Share premium account (note 19)	36.9	32.2
Other reserves and retained earnings (note 19)	111.5	(10.8)
Profit/(loss) for the period	12.9	(45.9)
Treasury stock	(1.2)	(1.2)
Translation reserve	5.3	(10.1)
	167.5	**130.2**
Non-controlling interests	**6.7**	**6.0**
Total equity	**174.2**	**136.2**
Non-current liabilities		
Convertible bonds (note 20)	12.7	
Long-term borrowings (note 21)	90.1	98.5
Deferred tax liabilities (note 9)	0.9	0.9
Pension and other post-employment benefit obligations (note 22)	10.0	11.1
Provisions (note 23)	1.9	5.8
Other non-current liabilities (note 24)	10.0	0.3
	125.6	**116.6**
Current liabilities		
Trade payables (note 24)	93.2	100.8
Other payables (note 24)	51.7	59.3
Factoring liabilities[1]	64.6	45.7
Current income tax liability	1.0	1.2
Derivative instruments (note 12)	0.5	0.7
Short-term portion of long-term borrowings (note 21)	7.8	6.4
Short-term bank loans and overdrafts (note 21)	48.4	40.1
	267.2	**254.2**
Liabilities related to assets held for sale (note 18)	3.5	3.2
Total equity and liabilities	**570.5**	**510.2**

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

Notes 1 to 38 are an integral part of the 2010 consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

At December 31 (in euro millions)

	2010	2009
Revenue	**512.0**	**451.6**
Cost of sales	(398.1)	(364.1)
Gross profit	**113.9**	**87.5**
Distribution costs	(55.3)	(52.2)
Administrative expenses	(34.9)	(37.1)
Research and development costs	(3.2)	(2.6)
Other operating income (note 26)	11.5	4.5
Other operating expense (note 26)	(10.7)	(22.7)
Operating profit/(loss)	**21.3**	**(22.6)**
Finance costs and other financial expense	(15.4)	(14.2)
Financial income	5.5	5.0
Finance costs and other financial income and expense, net (note 28)	**(9.9)**	**(9.2)**
Share of profit/(loss) of associates	0.2	(2.5)
Pre-tax profit/(loss) for the period	**11.6**	**(34.3)**
Income tax expense (note 29)	1.6	(10.0)
Profit/(loss) from continuing operations	13.2	(44.3)
Profit/(loss) from discontinued operations	(0.4)	(1.7)
Profit/(loss) for the period	**12.8**	**(46.0)**
Attributable to:		
Equity holders of the parent	12.9	(45.9)
Non-controlling interests	(0.1)	(0.1)
Earnings/(loss) per share (in euros)		
– Basic earnings/(loss) per share	1.1	(4.5)
– Diluted earnings/(loss) per share	0.7	(4.5)
Weighted average number of shares outstanding	11,561,700	10,233,366

Notes 1 to 38 are an integral part of the 2010 consolidated financial statements.

Consolidated statements of comprehensive income

At December 31 (in euro millions)

	2010	2009
Profit/(loss) for the period	**12.8**	**(46.0)**
Other comprehensive income/(expense)	(0.1)	(0.7)
Exchange differences on translating foreign operations	16.2	(2.7)
Available-for-sale financial assets		
– Fair value adjustments for the period recognized in equity	–	–
– Cumulative fair value adjustments reclassified to profit or loss	–	–
Cash flow hedges		
– Fair value adjustments for the period recognized in equity	(0.6)	–
– Cumulative fair value adjustments reclassified to profit or loss	–	–
Share of other comprehensive income of associates	–	–
Income tax relating to components of other comprehensive income	–	–
Other comprehensive income/(expense) for the period, net of tax	**15.5**	**(3.4)**
Total comprehensive income/(expense) for the period	**28.3**	**(49.4)**
Attributable to:		
Owners of the parent	27.6	(49.1)
Non-controlling interests	0.7	(0.3)

Notes 1 to 38 are an integral part of the 2010 consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

At December 31 (in euro millions)

	2010	2009
Cash flows from operating activities		
Pre-tax profit/(loss) of consolidated companies	11.4	(33.5)
Adjustments (note 32)	(0.6)	19.3
Income tax (paid)/refunded	(3.2)	(0.7)
Cash generated from/(used by) operations	**7.6**	**(14.9)**
Dividends from associates	0.3	0.4
Change in operating working capital	(6.9)	21.7
Net cash from operating activities	**1.0**	**7.2**
Cash flows from investing activities		
Purchases of intangible assets	(0.3)	(0.1)
Proceeds from sales of intangible assets	–	–
Purchases of property, plant and equipment	(6.9)	(2.9)
Proceeds from sales of property, plant and equipment	1.4	3.0
Purchases of non-current financial assets(1)	(2.2)	(1.7)
Proceeds from sales of non-current financial assets	–	–
Other movements	0.8	0.2
Net cash used by investing activities	**(7.2)**	**(1.5)**
Cash flows from financing activities		
Proceeds from issues of shares on conversion of bonds	5.1	–
(Purchases)/sales of treasury stock	–	0.1
Proceeds from convertible bond issues	21.5	–
Proceeds from new borrowings	0.6	0.8
Conversions of bonds	(5.1)	–
Repayments of borrowings	(2.8)	(6.4)
Other movements (note 24)	10.0	–
Dividends paid to equity holders of the parent	–	–
Net cash from/(used by) financing activities	**29.3**	**(5.5)**
Increase in cash and cash equivalents	**23.1**	**0.2**
Cash and cash equivalents at beginning of period	55.9	57.8
Cash and cash equivalents reclassified as “Assets held for sale”	1.0	(1.9)
Effect of changes in foreign exchange rates	3.2	(0.2)
Cash and cash equivalents at period-end	**83.2**	**55.9**

(1) Capital increase of non-consolidated companies.
Notes 1 to 38 are an integral part of the 2010 consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in euro millions)

	Share capital	Share premium account	Other reserves and retained earnings	Translation reserve	Cash flow hedges	Treasury stock	Total equity attributable to equity holders of the parent	Minority interests	Total Equity
At December 31, 2008	**166.0**	**32.2**	**(10.3)**	**(7.6)**	**0.4**	**(1.6)**	**179.1**	**6.3**	**185.4**
Issue of share capital							0.0		0.0
Changes in treasury stock			(0.2)			0.4	0.2		0.2
Dividends paid							0.0		0.0
Profit/(loss) for the period			(45.9)				(45.9)	(0.1)	(46.0)
Other comprehensive income/(expense) for the period			(0.7)	(2.5)			(3.2)	(0.2)	(3.4)
At December 31, 2009	**166.0**	**32.2**	**(57.1)**	**(10.1)**	**0.4**	**(1.2)**	**130.2**	**6.0**	**136.2**
Issue of share capital	0.4	4.7					5.1		5.1
Capital reduction	(164.3)		164.3				0.0		0.0
Equity component of convertible bonds			4.6				4.6		4.6
Changes in treasury stock							0.0		0.0
Dividends paid							0.0		0.0
Profit/(loss) for the period			12.9				12.9	(0.1)	12.8
Other comprehensive income/(expense)			(0.1)	15.4	(0.6)		14.7	0.8	15.5
At December 31, 2010	**2.1**	**36.9**	**124.6**	**5.3**	**(0.2)**	**(1.2)**	**167.5**	**6.7**	**174.2**

Notes 1 to 38 are an integral part of the 2010 consolidated financial statements.

Consolidated financial statements

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1. General information

In 2010, 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 NYSE Euronext Paris.
The consolidated financial statements for the year ended December 31, 2010 were approved by the Board of Directors on March 10, 2011 and will be submitted to shareholders for approval on May 5, 2011. All amounts are expressed in millions of euros.
At the Annual General Meeting of May 5, 2011, the Board of Directors has decided to recommend cancelling 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.
The new standards or amendments to existing standards adopted by the European Union and applicable in annual periods beginning on January 1, 2010 did not have a material impact on the consolidated financial statements.

2.1 Basis of preparation

The 2010 consolidated financial statements of the Chargeurs Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. These standards can be downloaded from the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm#adopted-commission).
The consolidated financial statements have been prepared in accordance with the historical cost convention, except for land and buildings revalued at January 1, 2004, available-for-sale financial assets, financial assets and liabilities measured at fair value through profit or loss (including derivative instruments), financial assets and liabilities measured at amortized cost and assets and liabilities underlying fair value hedges.
The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

a) New standards, amendments to existing standards and interpretations applicable in financial periods commencing on or after January 1, 2010:

Adopted by the European Union

Affecting the Group

- Improvements to IFRSs (issued by April 2009).
- Amendment to IAS 27 – Consolidated and Separate Financial Statements.
- Amendment to IFRS 2 – Group Cash-settled Share-based Payment Arrangements.
- IFRS 3 (revised) – Business Combinations.
- Amendment to IAS 39 – Eligible Hedged Items.
- IFRIC 15 – Agreements for the Construction of Real Estate.
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation.
- IFRIC 17 – Distributions of Non-Cash Assets to Owners.
- IFRIC 18 – Transfers of Assets from Customers.

Not affecting the Group (interpretation and standard considered by management as not relevant to the Group's operations):

- IFRIC 12 – Service Concession Arrangements.
- IFRS 1 (revised) – First-Time Adoption of IFRS.
- Amendment to IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters.

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

Adopted by the European Union

Affecting the Group:

- Amendment to IAS 32 – Classification of Rights Issues.
- Amendment to IAS 24 – Related Party Disclosures (revised November 2009).
- IFRIC 14 and IAS 19 – The Limit on a Defined Asset, Minimum Funding Requirement and their Interaction.
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments.

Not yet adopted by the European Union

Affecting the Group:

- Improvements to IFRSs (issued by May 2010).
- IFRS 9 – Financial Instruments.
- Amendment to IFRS 7 – Financial Instruments: Disclosures.

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. The directly attributable acquisition costs of the business combination are recognized as an expense for the period in which they are incurred.
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 non-controlling interests. The excess of the acquisition cost over the fair value of the Group's share of the identifiable net 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 acquired subsidiary, the difference is recognized directly in the income statement.
Intercompany transactions, 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 non-controlling interests

Disposals to non-controlling interests resulting in a loss of control of the subsidiary give rise to gains and losses for the Group that are recorded in the income statement. Disposals to non-controlling interests that do not result in a loss of control are treated as an equity transaction with owners and recognized in the statement of changes in equity.
Acquisitions of additional shares in a subsidiary (above 50%) are recognized in the statement of changes in equity.

(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 carrying amount of investments in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition (see note 2.6).
The Group's share of associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves – which have no impact on profit or loss – is recognized directly in reserves. 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 consolidation scope at December 31, 2010 would be less than €2 million.

2.3 Segment reporting

An operating segment is a group of assets and operations corresponding to a management unit.
Adoption of IFRS 8 – Operating Segments did not lead to any material change in the presentation of segment information in the notes to the consolidated financial statements.
A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those components operating in other economic environments. 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 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 "Non-controlling 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 initial 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 old 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 or 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 calculated by comparing the sale proceeds with the carrying amount of the sold asset and are recognized in the income statement.

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 in 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 any goodwill relating to that entity.

(b) Trademarks and licenses

Trademarks and licenses are shown at historical cost. They have a finite useful life and are carried 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 on goodwill 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 sub-categories: 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 12).

(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 "Long-term loans and receivables" (note 11) or "Other non-current assets" (note 13).

(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 reported under non-current assets unless Management intends to dispose of them within twelve months of the balance sheet date.
Available-for-sale financial assets correspond to "Investments in non-consolidated companies" (note 10) in the consolidated balance sheet.

(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 "Borrowings" (note 21) and "Other non-current liabilities, trade payables and other payables" (note 24) in the consolidated balance sheet.

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. Operating liabilities have short maturities and are therefore 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 remeasuring the hedged financial liability is recognized in profit or loss and is offset by the loss or gain from remeasuring the swap at fair value.

Fair value disclosures

IFRS 7 requires companies to disclose the technique used to measure financial instruments at fair value, based on the three levels of input introduced in the fair value hierarchy. These are quoted prices for similar instruments (level 1), directly observable market inputs other than level 1 inputs (level 2) and inputs not based on observable market data (level 3).

The table below presents financial assets measured at fair value. No financial liabilities are measured at fair value (except for derivative instruments).

	Level 1	Level 2	Level 3
Marketable securities	■		
Derivative instruments		■	
Investments in non-consolidated companies			■

2.8 Derivative instruments and hedges

The Group uses derivatives to hedge its exposure to currency 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 or loss in the same period or periods when the transaction is settled and impacts profit or loss.
Changes in the fair value of hedged firm commitments and of currency derivatives that qualify as fair value hedges are recorded in the income statement.
Changes in the fair value of financial instruments used to hedge currency risks on the Group's net investment in foreign operations that result from changes in exchange rates, are recognized in equity under "Translation reserve", offsetting all or part of the opposite change in the fair value of the underlying net investment caused by changes in exchange rates.
Depending on the circumstances, interest rate swaps are used to convert variable rate debt into fixed rate debt and vice versa. In the first case, gains and losses arising from remeasurement of the swaps at fair value are accumulated in equity and reclassified into profit or loss when the variable rate interest is recognized.
In the second case, the gains and losses are recognized directly in profit or loss 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 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 and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, less any provisions for impairment. Amortized cost is measured by the effective interest method. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. 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, a risk of default or a missed payment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the initial effective interest rate. It 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 (less than three months) 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 qualified as loans and receivables and are measured at amortized cost.
Bank overdrafts are recorded under "Short-term bank loans and overdrafts" in current liabilities.

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 from the issue proceeds, net of tax.
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 Bond debt

Convertible bonds are compound financial instruments comprising two components – a financial liability and an equity instrument – which are measured and accounted for separately.
In accordance with IAS 32 – Financial Instruments, the carrying amount of the equity instrument corresponds to the difference between the fair value of the compound instrument as a whole and the fair value of the financial liability, calculated as the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity instrument represented by the option to convert the instrument into ordinary shares is not adjusted during the life of the instrument. The liability component is measured at amortized cost over the instrument's expected life.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 Other operating income and expense

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

2.20 Earnings per share

Basic earnings per share are computed by dividing profit attributable to equity holders of the parent by the weighted average number of shares outstanding, representing the number of shares issued less the average number of shares held in treasury or by subsidiaries.
Diluted earnings per share may be 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.
In 2010, as the Group issued its convertible bonds, the diluted earnings per share is determined by taking into account the number of shares that may be converted under conditions prevailing at December 31, 2010.

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).
Impairment tests performed in 2010 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 carry-forwards and deductible temporary differences amounted to €11.6 million at December 31, 2010. The December 31, 2010 of these assets was assessed based on forecast taxable profit for future years.

3.2 Critical judgments

For several years, Group companies have sold receivables under no-recourse agreements. Property transfer takes place at the time of sale and they are therefore derecognized from the companies' financial statements.
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.
Based on Chargeurs' analysis of the sale contracts in relation to these three criteria, it was deemed prudent to keep these receivables in the consolidated balance sheet and to record a liability for the amount of the cash proceeds received.
The presentation of these items in the 2010 consolidated financial statements is unchanged from 2005, but may change in the future based on amendments to contracts or changes in receivable sale procedures.

4. Acquisitions – disposals

There were no significant changes in the scope of consolidation during 2010.

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
January 1, 2009	**5.6**	**27.0**	**28.6**	**6.7**	**3.5**	**71.4**
Additions	0.1	0.1	11.1	0.3	1.6	13.2
Disposals	(0.2)	(1.5)	(1.0)	(0.1)		(2.8)
Changes in scope of consolidation						0.0
Depreciation		(2.5)	(5.0)	(1.4)		(8.9)
Impairment	(0.6)	(0.1)	(8.2)	(0.1)		(9.0)
Other		0.2	1.8	0.9	(3.0)	(0.1)
Transfers to "Assets held for sale"		(0.2)	(0.3)	(0.8)		(1.3)
Translation adjustment	(0.1)	(0.2)	(0.7)	(0.1)		(1.1)
December 31, 2009	**4.8**	**22.8**	**26.3**	**5.4**	**2.1**	**61.4**

(in euro millions)	Land	Buildings	Plant and equipment	Fixtures and fittings	Assets under construction	Total
January 1, 2010	**4.8**	**22.8**	**26.3**	**5.4**	**2.1**	**61.4**
Additions		0.1	2.7	0.6	3.7	7.1
Disposals	(0.1)	(0.2)	(2.1)		(0.3)	(2.7)
Changes in scope of consolidation						0.0
Depreciation		(2.3)	(5.4)	(1.4)		(9.1)
Impairment			1.7			1.7
Other		(1.6)	2.4	0.5	(3.3)	(2.0)
Translation adjustment		0.9	1.9	0.1	0.1	3.0
December 31, 2010	**4.7**	**19.7**	**27.5**	**5.2**	**2.3**	**59.4**

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 IFRS transition date).
(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 2010 in accordance with paragraphs (ii) and (iii) above.

6. Goodwill and other intangible assets

(a) Goodwill arising on acquisition of subsidiaries

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

(in euro millions)	Gross	Accumulated impairment losses	Net
January 1, 2009	**79.5**	**(15.7)**	**63.8**
– Goodwill recognized on companies acquired during the year			
– Goodwill written off on companies disposed of during the year	–	–	–
– Goodwill written off on companies removed from the scope of consolidation	–	–	–
Translation adjustment	(1.7)	–	(1.7)
Changes in scope of consolidation	–	–	–
Impairment losses recognized during the period	–	–	–
December 31, 2009	**77.8**	**(15.7)**	**62.1**
January 1, 2010	**77.8**	**(15.7)**	**62.1**
– Goodwill recognized on companies acquired during the year			
– Goodwill written off on companies disposed of during the year			–
– Goodwill written off on companies removed from the scope of consolidation			–
Translation adjustment	3.7		3.7
Changes in scope of consolidation			
Impairment losses recognized during the period			–
December 31, 2010	**81.5**	**(15.7)**	**65.8**

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

Goodwill by business segment

(in euro millions)	31/12/2010	31/12/2009
Chargeurs Interlining	17.4	17.1
Chargeurs Protective Films	48.4	45.0

Chargeurs Protective Films goodwill is measured in US dollars and the €3.4 million increase in its carrying amount between December 31, 2009 and 2010 was due to the dollar's appreciation against the euro over the period.
Since the acquisition of Etacol, Chargeurs Interlining's goodwill has been allocated to two cash-generating units (CGUs). The three companies held by Chargeurs Interlining in partnership with Ningbo Yak Technology Industrial together constitute a separate CGU. Goodwill allocated to this CGU is included in the carrying amount of "Investments in associates".

Goodwill impairment tests

Impairment tests were carried out on the two CGUs to which goodwill has been allocated by comparing their carrying amount with their recoverable amount as determined based on value-in-use calculations.
For Chargeurs Interlining, recoverable amount was determined using the four-year cash flow projections contained in the business plans approved by Management, as adjusted to comply with IAS 36. Cash flows beyond this four-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.
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
Average operating margin over the business plan period (1)	7.90%	6.00%
Growth rate (2)	1.00%	1%-2%
Discount rate		
2009	8.70%	8.00%
2010	**8.51%**	**8.23%**

In 2010, terminal values were calculated using growth rates of 1% for Chargeurs Protective Films and 1% for Chargeurs Interlining 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.

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

	Chargeurs Protective Films	Chargeurs Interlining
Risk-free interest rate	3.75%	3.75%
Market risk premium	5.60%	5.00%
Beta	87.00%	100.00%
Specific risk premium	0.00%	2.00%
Cost of equity	9.62%	10.75%
Pre-tax cost of debt	6.75%	6.75%
Tax rate	33.33%	33.33%
Post-tax cost of debt	4.46%	4.46%
Net debt/capital employed	22.00%	40.00%
Weighted average cost of capital	8.51%	8.23%
Discount rate applied	**8.51%**	**8.23%-9.23%**

A one-point increase in the discount rate used to calculate the recoverable amount of Chargeurs Protective Films goodwill would not lead to the recognition of any impairment loss.
Similarly, applying the highest discount rate in the range to calculate the recoverable amount of Chargeurs Interlining goodwill would not lead to the recognition of any impairment loss.

(b) Other intangible assets

In 2010, no 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, 2009	**1.6**	**2.1**	**2.2**	**0.6**	**6.5**
Capitalized development costs		0.3			0.3
Additions	0.1			0.7	0.8
Disposals					–
Changes in scope of consolidation					–
Amortization	(0.1)	(0.2)		(0.2)	(0.5)
Impairment	(0.4)		(0.1)		(0.5)
Transfers to “Assets held for sale”	(0.5)		(0.6)		(1.1)
Other				–	–
Translation adjustment			(0.1)		(0.1)
December 31, 2009	**0.7**	**2.2**	**1.4**	**1.1**	**5.4**

(in euro millions)	Trademarks and patents	Development costs	Rights of use	Other	Total
January 1, 2010	**0.7**	**2.2**	**1.4**	**1.1**	**5.4**
Capitalized development costs					–
Additions				0.3	0.3
Disposals				–	–
Changes in scope of consolidation					–
Amortization	(0.1)	(0.4)	(0.1)	(0.4)	(1.0)
Impairment					–
Transfers to “Assets held for sale”					–
Other	(0.4)	–	0.4	(0.0)	(0.0)
Translation adjustment	0.1		0.3	–	0.4
December 31, 2010	**0.3**	**1.8**	**2.0**	**1.0**	**5.1**

7. Finance leases

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

(in euro millions)	31/12/2010	31/12/2009
Land	2.9	2.9
Buildings	30.4	30.4
Plant and equipment	17.5	17.5
Fixtures, fittings and other	9.0	9.0
Gross	**59.8**	**59.8**
Accumulated depreciation	**(32.5)**	**(30.5)**
Accumulated Impairment	**(9.6)**	**(9.6)**
Net	**17.7**	**19.7**

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

(in euro millions)	31/12/2010	31/12/2009
Future minimum lease payments under finance leases	22.3	27.7
Finance lease liabilities	20.3	25.4
Future finance cost	**2.0**	**2.3**

Future lease payments can be analyzed by maturity as follows:

(in euro millions)	Minimum leases payments	Finance lease liabilities
Due in less than one year	6.1	5.1
Due in one to five years	16.1	15.2
Due in more than five years	0.1	–
Total at December 31, 2010	**22.3**	**20.3**
Due in less than one year	6.5	5.7
Due in one to five years	21.1	19.7
Due in more than five years	0.1	–
Total at December 31, 2009	**27.7**	**25.4**

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

8. Investments in associates

(a) Movements

Investments in associates amounted to €18.3 million at December 31, 2010 and €17.3 million at December 31, 2009.

(in euro millions)	Yak entities	Fashion entities	Peinaduria Rio Chubut	Other	Total
January 1, 2009	**13.1**	**(0.0)**	**2.5**	**2.4**	**18.0**
Participation in rights issues		1.9	1.3		3.2
Additions					–
Disposals		(0.1)			(0.1)
Changes in scope of consolidation					–
Share of profit/(loss) for the period	0.5	(1.8)	(0.4)	(0.8)	(2.5)
Dividends received	(0.4)				(0.4)
Other					–
Translation adjustment	(0.5)		(0.4)		(0.9)
December 31, 2009	**12.7**	**0.0**	**3.0**	**1.6**	**17.3**

(in euro millions)	Yak entities	Fashion entities	Peinaduria Rio Chubut	Other	Total
January 1, 2010	**12.7**		**3.0**	**1.6**	**17.3**
Participation in rights issues					–
Additions					–
Disposals					–
Changes in scope of consolidation			0.1	(0.7)	(0.6)
Share of profit/(loss) for the period	0.9		(1.5)	0.9	0.3
Dividends received	(0.3)				(0.3)
Other					–
Translation adjustment	1.4		0.2	–	1.6
December 31, 2010	**14.7**		**1.8**	**1.8**	**18.3**

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

Key figures for associates, carried in the balance sheet in the amount of €18.3 million at December 31, 2010, are as follows:

(in euro millions)	31/12/2010			31/12/2009		
	Yak	Other	**Total**	Yak	Other	**Total**
Assets (100%)	16.8	19.1	**35.9**	15.9	26.1	**42.0**
Liabilities (100%)	4.3	6.3	**10.6**	5.6	10.3	**15.9**
Revenue (100%)	3.3	12.6	**15.9**	3.5	14.2	**17.7**
Net profit/(loss) (100%)	1.7	0.1	**1.8**	1.1	0.9	**2.0**
Group share of profit/(loss)	0.8	(0.6)	**0.2**	0.5	(3.0)	**(2.5)**

The carrying amount of the Group's investments in associates includes goodwill of €8.6 million corresponding to two interlining manufacturers in China.

9. Deferred taxes

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

(in euro millions)	31/12/2010	31/12/2009
Deferred tax assets, net		
– Recoverable beyond 12 months	14.2	10.7
– Recoverable within 12 months	13.3	12.9
Deferred tax liabilities		
– Settlement beyond 12 months	(8.0)	(10.1)
– Settlement within 12 months	(1.8)	(1.8)
Net	**17.7**	**11.7**

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

(in euro millions)	31/12/2010	31/12/2009
Deferred tax assets, net		
– Deductible temporary differences	14.9	16.5
– Tax loss carryforwards and tax credits	12.6	7.1
Deferred tax liabilities		
– Taxable temporary differences	(9.8)	(11.9)
Total	**17.7**	**11.7**

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 increased by €6 million in 2010.

Tax loss carryforwards were as follows at December 31, 2010:

(in euro millions)	Total	Unrecognized
Available until		
2011	0.5	0.5
2012	0.9	0.9
2013	4.7	4.7
2014	0.4	0.4
2015	7.1	7.1
Evergreen losses	384.0	338.5
Total tax loss carryforwards	**397.6**	**352.1**

10. Investments in non-consolidated companies

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

(in euro millions)	31/12/2010	31/12/2009
Interests of over 50%		
Other	2.0	1.3
Interests of between 20% and 50%		
Other	0.1	0.1
Interests of less than 20%		
Other	0.1	0.1
Total	**2.2**	**1.5**

As these investments are not listed they cannot be valued using observable market inputs and are therefore classified at level 3 in the fair value hierarchy, in accordance with IFRS 7R.
The fair value of these assets is close to their carrying amount. An impairment loss is recorded when necessary.

11. Long-term loans and receivables

The €7.4 million total for this item breaks down as follows:
– Long-term loans in an amount of €2.5 million.
– Long-term deposits in an amount of €4.9 million.
The fair value of these assets approximates their carrying amount.

12. Derivative instruments

The carrying amount of derivatives can be analyzed as follows:

(in euro millions)	31/12/2010		31/12/2009	
Assets net of liabilities	Fair value	Notional	Fair value	Notional
Fair value hedges				
Currency hedges	0.6	(13.8)	0.3	14.4
Cash flow hedges				
Currency hedges	0.1	4.5	0.3	1.0
Interest rate hedges				
Commodity hedges				
Hedges of net investments in foreign operations				
Currency hedges				
Derivatives not qualifying for hedge accounting				
Currency derivatives				
Interest rate derivatives			(0.1)	(48.0)
Derivative instruments – net asset/(liability)	**0.7**		**0.5**	

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 €13.8 million (net seller position) correspond to hedges of assets and liabilities and firm commitments by subsidiaries.
Cash flow hedges on a notional amount of €4.5 million (net buyer position) correspond to hedges of net sales and net purchases denominated in US dollars for €3.1 million, in British pounds for €0.4 million and in euros for €1.0 million.
The interest rate hedge was unwound during first-half 2010.

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

(in euro millions)	31/12/2010	31/12/2009
Australian dollar	2.1	11.2
US dollar	7.9	(4.3)
Euro	(19.4)	2.4
British pound	(0.6)	3.8
South African rand		2.3
Korean won	0.7	
Chinese yuan		
Total	**(9.3)**	**15.4**

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

(in euro millions)	31/12/2010	31/12/2009
Euro	–	(48.0)

Maturities of derivatives at fair value

(in euro millions)	31/12/2010	31/12/2009
Less than 6 months	0.7	0.5
More than 6 months	–	–

13. Other non-current assets

Other non-current assets amounted to €4.3 million at December 31, 2010.

14. Inventories and work-in-progress

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

(in euro millions)	31/12/2010	31/12/2009
Gross		
Raw materials and supplies	71.5	52.1
Finished and semi-finished goods and work-in-progress	82.8	72.4
Other	1.6	
Total – gross	**155.9**	**124.5**
Provisions for impairment	(6.5)	(7.5)
Net	**149.4**	**117.0**
Increase in provisions for impairment of inventory	(1.8)	(4.1)
Reversals of provisions used	1.7	3.5
Reversals of surplus provisions	1.4	3.1

15. Trade receivables

(in euro millions)	31/12/2010	31/12/2009
Trade receivables		
Gross	63.9	82.1
Provisions for impairment	(13.0)	(13.0)
Net	**50.9**	**69.1**

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, their fair value may be considered to be close to their carrying amount.
Customer credit risks are managed 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

Certain receivables have been sold under no-recourse agreements with factoring companies.
The amounts paid by the factoring companies for receivables totaled €64.6 million at December 31, 2010 (€45.7 million at December 31, 2009).
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).

16. Other receivables

(in euro millions)	31/12/2010	31/12/2009
Short-term tax receivables	0.8	1.2
Other receivables	34.7	44.4
Accruals	1.4	1.1
Provisions for impairment	(1.6)	(1.8)
Net	**35.3**	**44.9**

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

17. Cash and cash equivalents

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

(in euro millions)	31/12/2010	31/12/2009
Marketable securities	14.0	9.5
Term deposits	11.4	7.3
Sub-total	**25.4**	**16.8**
Cash at bank	57.8	39.1
Total	**83.2**	**55.9**

18. Assets held for sale

(in euro millions)	31/12/2010	31/12/2009
Assets held for sale	4.8	5.8
Liabilities related to assets held for sale	3.5	3.2

In 2009, the Group decided to sell two of its textile businesses in China and a textile unit in France. Following this decision, contacts have been established with various potential buyers.

19. Equity

All Chargeurs shares have been called and are fully paid-up. Changes in the number of shares outstanding since January 1, 2009 are as follows:

Shares outstanding at January 1, 2009	**10,377,097**
Issuance of shares on exercise of employee stock options	–
Shares outstanding at December 31, 2009	**10,377,097**
Issuance of shares on conversion of bonds by bondholders	2,494,692
Shares outstanding at December 31, 2010	**12,871,789**

a) Capital reduction

At the Extraordinary Meeting held on February 8, 2010, shareholders authorized the Board to reduce the shares' par value from €16 to €0.16 by transferring the corresponding amount from the capital account to a reserve account.
Based on a par value of €0.16 per share, shares outstanding at December 31, 2010 represented issued capital of €2,059,486.24 (December 31, 2009: €166,033,552).
All of the shares are of the same class, with the same rights to dividends and returns of capital.

b) Equity component of convertible bonds

Chargeurs carried out a convertible bond issue on April 15, 2010 (see note 20).
In accordance with IAS 32, the bonds' equity component – corresponding to the value of the conversion option – was recognized in equity on the issue date in the amount of €4.6 million (see note 20).

c) Conversion of bonds into shares

During 2010, 92,396 bonds were converted into shares. The aggregate par value of the shares issued on conversion was €0.4 million and the aggregate premium was €4.7 million, for a total of €5.1 million.

	2010
Number of convertible bonds	
– At April 15, 2010	415,083
– Conversions for the period	92,396
– At December 31, 2010	322,687
Number of shares issued on conversion of bonds	
– At April, 15, 2010	–
– Shares issued on conversions for the period	2,494,692
– Shares issued in payment of interest	–
– At December 31, 2010	2,494,692
Number of shares potentially issuable between December 31, 2010 and January 1, 2016	
– Minimum number of shares	1,955,483
– Maximum number of shares	10,325,984
Aggregate face value of the bonds (in euros)	22,829,565
Maximum amount redeemable at maturity (bonds outstanding at December 31, 2010) (in euros)	17,747,785

d) Treasury stock

Shares held in treasury can be analyzed as follows:

	31/12/2010		31/12/2009	
	Number	Cost in euros	Number	Cost in euros
Chargeurs shares held:				
– By Chargeurs	13,334	230,851	13,334	230,851
– For the liquidity contract	103,000	972,436	103,000	972,436
Total	**116,334**	**1 203,287**	**116,334**	**1,203,287**

e) Other reserves

"Other reserves" include cumulative net losses on cash flow hedges for €0.2 million at December 31, 2010 (net gains of €0.3 million at December 31, 2009).

20. Convertible bonds

a) Description of the operation

In April 2010, Chargeurs SA issued 415,083 convertible bonds with a nominal value of €55, with pre-emptive subscription rights for existing shareholders.
The offer ran from March 15 to 29 and was subscribed 1.78 times.
Principal terms of the bond issue:

Conversion of bonds into shares

The bonds are convertible into Chargeurs shares at any time between the issue date and the seventh business day preceding the normal or early redemption date, according to a ratio of 27 new shares for 1 bond.

Coupon

Holders of bonds redeemed at maturity on January 1, 2016 will receive a stock-based remuneration equal to 6.06 Chargeurs shares per bond.

In the case of early redemption, or conversion, the stock-based remuneration will be calculated rateably based on the period that has elapsed since the issue date as explained below:

Year of conversion	Coupon
2011	0.76 shares
2012	1.82 shares
2013	2.88 shares
2014	3.94 shares
2015	5 shares

The stock-based coupon paid on conversion is recognized directly in equity as a deduction from the premium on the shares and has no impact on profit.

Life of the bonds

5 years and 261 days.

Redemption at maturity

The bonds are redeemable at maturity on January 1, 2016 (or the next business day if January 1, 2016 is not a business day) at par.

Buyback and retirement of the bonds by the Company

The Company may, at any time, buy back and retire all or some of the bonds, subject to the unanimous agreement of the banks that are parties to the February 7, 2010 debt restructuring agreement. The bonds may be purchased by means of on or off-market transactions or through public purchase or exchange offers, without any limits as to the buyback price or the number of bonds purchased and retired.

Retirement of the bond issue at the option of the Company

Subject to the unanimous agreement of the banks that are parties to the February 7, 2010 debt restructuring agreement, the Company may, at any time between January 1, 2012 and the bonds' maturity date, provided it gives at least thirty days' notice, redeem all outstanding bonds at par if the arithmetical average of the opening prices quoted for the Company's shares on NYSE Euronext Paris over ten consecutive trading days within the twenty-day period preceding the publication of the retirement notice exceeds €6.

Listing

The convertible bonds are listed on the NYSE Euronext Paris stock market (ISIN: FR0010870931).

Conversion ratio adjustments

The usual adjustments that may be necessary as a result of any corporate actions are described in the prospectus published on the AMF website.

b) Accounting treatment

The accounting treatment of the convertible bonds in accordance with IAS 32 led to a €4.6 million increase in equity.
The market interest rate used to calculate the fair value of the debt and the initial breakdown between the bonds' debt and equity components are presented below:
– Market interest rate used to calculate fair value: 5.35%.
– Effective interest rate: 8.14%.
– Fair value of the debt on the issue date: €16.8 million.
The related finance cost for 2010 was €1 million.

As of December 31, 2010, 92,396 bonds had been converted, leading to a €5.1 million decrease in the outstanding debt.

(in euro millions)	April 15, 2010	Finance cost for the period	Conversions for the period	**31/12/2010**
Share capital			0.4	**0.4**
Share premium account (conversion premium)			4.7	**4.7**
Equity component of convertible bonds	4.6			**4.6**
Convertible bonds	16.8	1.0	(5.1)	**12.7**

21. Borrowings

The Chargeurs Group's financial liabilities correspond to "Other financial liabilities" as defined in IAS 39. Borrowings are measured using the amortized cost method.

(in euro millions)	**31/12/2010**	31/12/2009
Bank borrowings	**77.6**	79.5
Finance lease liabilities	**20.3**	25.4
Total	**97.9**	**104.9**

Long-term debt can be analyzed as follows by maturity:

(in euro millions)	**31/12/2010**	31/12/2009
Due in less than one year	**7.8**	6.4
Due in one to two years	**61.5**	9.1
Due in two to three years	**14.9**	61.7
Due in three to four years	**10.5**	17.9
Due in four to five years	**3.1**	7.7
Due in more than five years	**0.1**	2.1
Total	**97.9**	**104.9**

Borrowings by type

(in euro millions)	**Notional amount December 31, 2010**	Notional amount December 31, 2009	**Effective interest rate December 31, 2010**
Bank borrowings	**97.9**	104.9	**3.39%**
Bank overdrafts	**48.4**	40.1	

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

(in euro millions)	2011	2012	2013	2014	2015	2016 and beyond
Fixed-rate borrowings	2.8	10.4	0.9	0.2	0.3	0.1
Variable-rate borrowings	5	51.1	14	10.3	2.8	

The carrying amount of variable-rate borrowings approximates their fair value in view of the interest rates applied. At December 31, 2010, the carrying amount of borrowings originally contracted at fixed rates was €14.7 million.

The average interest rate on long-term debt was 3.39% at December 31, 2010 and 1.72% at December 31, 2009. No interest rate hedges were in place at December 31, 2010. The average interest rate after hedging at December 31, 2009 was 2.72%.

14.8% of average debt was at fixed rates of interest in 2010 (51.2% after hedging in 2009).

Long-term debt was denominated in the following currencies at December 31, 2010 and 2009:

(in euro millions)	**31/12/2010**	31/12/2009
Euro	**92.8**	92.8
US dollar	**2.6**	7.6
Other	**2.5**	4.5
Total	**97.9**	**104.9**

In 2009, the Group began negotiations with its partner banks to consolidate its financing resources by restructuring part of its debt.

A final agreement was signed on February 4, 2010 replacing all earlier agreements.

This final agreement concerns short and medium-term credit facilities granted to the Interlining and Protective Films businesses.

The main terms of the restructuring are as follows:

– The unconfirmed facilities have been combined into a single facility for a firm period of two years starting in January 2010.

– Effective from January 2010, a two-year payment moratorium has been granted on the medium-term facilities, with payment due from the third to the fifth year.

The credit facilities are subject to the usual clauses, including an acceleration clause that would apply if Chargeurs were to pay a dividend in 2010 and 2011.

Effective from June 2010, the credit facilities granted to the Interlining and Protective Films businesses are subject to the usual covenants, with the ratios (net debt/EBITDA and interest cover) calculated at six-monthly intervals over rolling twelve-month periods at the level of each business.

	Chargeurs Protective Films	Chargeurs Interlining
Net debt/EBITDA	< 11	< 9
Interest cover (EBITDA/finance costs)	> 2.6	> 2

22. Pension and other post-employment benefit obligations

Pension and other post-employment benefit obligations can be analyzed as follows:

(in euro millions)	31/12/2010	31/12/2009
Post-employment benefit obligations	7.2	8.5
Post-employment healthcare plans	1.0	0.9
Other long-term employment benefit obligations	1.8	1.7

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 balance sheet for these plans can be analyzed as follows:

(in euro millions)	31/12/2010	31/12/2009	31/12/2008	31/12/2007	31/12/2006	31/12/2005
Present value of obligations – funded plans	18.1	16.8	18.8	18.0	21.1	23.6
Fair value of plan assets	(14.6)	(13.1)	(12.5)	(15.7)	(18.8)	(19.2)
Net Present value of obligations – funded plans	**3.5**	**3.7**	**6.3**	**2.3**	**2.3**	**4.4**
Present value of obligations – unfunded plans	7.9	8.0	7.3	7.7		
Unrecognized actuarial gains/(losses)	(1.9)	(1.3)	(2.3)	0.5		
Unrecognized past service costs	0.5	0.7	0.9	1.0		
Reimbursement rights						
Net liability in the balance sheet	**10.0**	**11.1**	**12.2**	**11.5**		

Movements in the projected benefit obligation under funded plans can be analyzed as follows:

(in euro millions)	31/12/2010	31/12/2009
Projected benefit obligation at January 1	**16.8**	**18.8**
Service cost	0.1	0.2
Interest cost	1.0	1.1
Curtailments and settlements	(0.5)	(0.8)
Benefits paid out of plan assets	(1.3)	(1.5)
Benefits paid out of company reserves		(0.1)
Transfer of obligations to external parties (employee transfers)		–
Actuarial (gains)/losses for the period	0.9	0.5
Translation adjustment	1.1	(0.5)
Change from a funded to an unfunded obligation		(1.0)
Other		0.1
Projected benefit obligation at December 31	**18.1**	**16.8**

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

(in euro millions)	31/12/2010	31/12/2009
Fair value of plan assets at January 1	**13.1**	**12.5**
Actuarial (gains)/losses for the period	1.3	2.1
Employer contributions	1.1	0.3
Benefits paid out of plan assets	(1.3)	(1.5)
Curtailments and settlements	(0.4)	
Translation adjustment	0.8	(0.3)
Changes in scope of consolidation		
Fair value of plan assets at December 31	**14.6**	**13.1**

The breakdown of plan assets was as follows at December 31, 2010 and 2009:

	31/12/2010	31/12/2009
Money market funds	2%	1%
Equities	44%	43%
Bonds	52%	53%
Real estate	2%	3%
Total	**100%**	**100%**

Movements in the projected benefit obligations under unfunded plans can be analyzed as follows:

(in euro millions)	31/12/2010	31/12/2009
Projected benefit obligation at January 1	**8.0**	**7.3**
Service cost	0.4	0.4
Interest cost	0.1	0.2
Curtailments and settlements	(0.2)	(0.3)
Benefits paid out of company reserves	(0.4)	(0.5)
Actuarial (gains)/losses for the period	(0.1)	
Translation adjustment	0.2	
Change from a funded to an unfunded obligation		1.0
Changes in scope of consolidation		(0.1)
Other	(0.1)	
Projected benefit obligation at December 31	**7.9**	**8.0**

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)	31/12/2010	31/12/2009
Service cost	0.5	0.1
Interest cost	1.1	0.8
Expected return on plan assets	(0.9)	(0.1)
Amortization of actuarial gains and losses	0.1	–
Amortization of past service cost	(0.1)	(0.4)
Reversal of surplus provisions	(0.4)	(0.8)
Net (income)/expense recognized in the income statement	**0.3**	**(0.4)**

The net expense 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)	31/12/2010	31/12/2009
Net liability at January 1	11.1	12.2
Net (income)/expense recognized in the income statement	0.3	(0.4)
Benefits paid during the year	(1.7)	(0.6)
Exchange differences on foreign plans	0.3	(0.1)
Changes in scope of consolidation		
Net liability at December 31	**10.0**	**11.1**

The main actuarial assumptions at December 31, 2010 and 2009 were as follows:

	31/12/2010	31/12/2009
Europe		
Expected rate of return on plan assets [1]	4.5%	5.0%
Discount rate applied to projected benefit obligation [2]	4.75%	5.0%
Estimated future salary increases		
– Managers	2.5%	2.5%
– Other employees	2.0%	2.0%
Long-term (underlying) inflation rate	2.0%	2.0%

(1) Representing the average of the expected rates of return calculated for each asset class.
(2) Corresponding to the interest rate on investment grade corporate bonds.

	31/12/2010	31/12/2009
North America		
Expected rate of return on plan assets [2]	7.75%	7.75%
Discount rate applied to projected benefit obligation [1] [2]	5.75%	6.25%

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

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

Probable retirement age	**60-65**

A 1-point 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.

23. Provisions

The amount reported under “Provisions” in the balance sheet does not include short-term provisions which are included in “Other payables”.

(in euro millions)	31/12/2010	31/12/2009
Long-term provisions	1.9	5.8
Short-term provisions	6.5	14.6
Total	**8.4**	**20.4**

Movements in provisions:

(in euro millions)	Long-term provisions	Short-term provisions	Total
January 1, 2009	**7.2**	**13.7**	**20.9**
Additions	0.8	5.9	6.7
Reversals of provisions used	(0.1)	(5.0)	(5.1)
Reversals of surplus provisions	(1.1)	(1.0)	(2.1)
Other	(1.0)	0.9	(0.1)
Translation adjustment	–	0.1	0.1
December 31, 2009	**5.8**	**14.6**	**20.4**
January 1, 2010	**5.8**	**14.6**	**20.4**
Additions	**0.1**	**0.8**	**0.9**
Reversals of provisions used	**(0.2)**	**(7.4)**	**(7.6)**
Reversals of surplus provisions	**(1.2)**	**(2.0)**	**(3.2)**
Other	**(2.6)**	**0.2**	**(2.4)**
Translation adjustment	**–**	**0.3**	**0.3**
December 31, 2010	**1.9**	**6.5**	**8.4**

(in euro millions)	**31/12/2010**	31/12/2009
Provisions for industrial restructuring costs	**5.4**	12.9
Provisions for other contingencies	**3.0**	7.5
Total	**8.4**	**20.4**

Cash outflows covered by provisions for other contingencies will amount to €1.1 million in 2011 and €1.9 million in subsequent years.

24. Other non-current liabilities, trade payables and other payables

"Other non-current liabilities" include an €9.8 million bond received in respect of a license.

"Other payables" include short-term provisions in an amount of €6.5 million (see note 23).

Receivables sold under no recourse agreements are shown in the balance sheet for €64.6 million (see note 15), with the corresponding liability recorded under "Factoring liabilities".

25. Financial risk management

In the normal course of business, the Chargeurs Group is exposed to financial risks including market risks (foreign exchange risk, interest rate risk and price risk on certain commodities), as well as credit and liquidity risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. Derivative instruments are used 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. These indicators are 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 52% of revenue is generated outside Europe). Foreign exchange risk relates to future commercial transactions, recognized assets and liabilities 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 Asia and the dollar zone. A total of 53.1% of assets are now located outside Europe.

Group entities use forward contracts to manage foreign exchange risk arising from (i) future commercial transactions and (ii) recognized assets and liabilities denominated in foreign currencies.

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 IFRS definition of "highly probable forecast transactions" for hedge accounting purposes.

Chargeurs Wool's main foreign exchange exposures relating to transactions and borrowings in foreign currencies concern the Australian dollar and US dollar, and are hedged using forward contracts.

The following table presents the sensitivity of consolidated equity to currency risk, based on data at December 31, 2010.

(in euro millions)	Translation reserves by currency	Effect of a 10% increase in the exchange rate against the euro	Effect of a 10% decrease in the exchange rate against the euro
Australian dollar	0.3	0.0	(0.0)
Argentine peso	(3.2)	0.3	(0.3)
Bangladesh taka	0.1	0.0	(0.0)
Brazilian real	1.2	0.1	(0.1)
Canadian dollar	0.3	0.0	(0.0)
Swiss franc	0.1	0.0	(0.0)
Chilean peso	0.6	0.1	(0.1)
British pound	(0.7)	0.1	(0.1)
Hong Kong dollar	0.1	0.0	(0.0)
Czech koruna	1.3	0.1	(0.1)
Sri Lankan rupee	(0.2)	0.0	(0.0)
Mexican peso	(0.1)	0.0	(0.0)
Malaysian ringgit	1.0	0.1	(0.1)
New Zealand dollar	0.8	0.1	(0.1)
Chinese renminbi yuan	6.6	0.7	(0.7)
Singapore dollar	0.7	0.1	(0.1)
Turkish new lira	(0.8)	0.1	(0.1)
US dollar	(2.4)	0.2	(0.2)
South Korean won	(0.3)	0.0	(0.0)
South African rand	(0.1)	0.0	(0.0)
Total	**5.3**	**2.1**	**(2.1)**

(ii) Interest rate risk

In the period 2006-2009, 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 2010.
A 1-point increase in interest rates would have a €1.3 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. 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 and sales pricing strategy. 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 obtains protection against receivables risk through credit insurance and letters of credit wherever possible.

An internal ratings system has been developed for businesses that are exposed to a counterparty risk of over six months, whereby exposure limits are set in line with the risk profile of the counterparty concerned.
At December 31, 2010, of the €50.9 million in receivables carried in the balance sheet, €11.4 million were past due of which €7.2 million more than one month past due.

(ii) Country risk

The Group's geographical diversity means that it is not significantly exposed to political risk.
At December 31, 2010, the five main countries in which the Group's customers are located were rated at least "A" by Standard & Poor's.

2010

Country	% of total revenue	Credit rating (1)
China	18.2%	AA–
Italy	15.5%	A +
Germany	10.9%	AAA
USA	9.8%	AAA
France	6,0%	AAA

(1) Standard & Poor's rating.

(iii) Banking counterparty risk

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

(iv) Insurance counterparty risks

Chargeurs has set up insurance policies covering customer default, freight, property and casualty, business interruption, liability and other risks. These policies are taken out with a number of different insurance companies, which were all rated at least "A" by Standard & Poor's at December 31, 2010.

Insurers

Insured risks	Credit rating (1)
Customer default	A+
Freight	A+
Property and casualty	A–
Liability	A–

(1) Standard & Poor's rating.

(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

(in euro millions)	December 31, 2010				December 31, 2009			
	Total	Due in less than one year	Due in one to five years	Due beyond five years	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	83.2	83.2	–	–	55.9	55.9		
Long-term borrowings	(90.1)	–	(90)	(0.1)	(98.5)		(98.5)	
Short-term portion of long-term borrowings	(7.8)	(7.8)	–	–	(6.4)	(6.4)		
Short-term bank loans and overdrafts	(48.4)	(48.4)	–	–	(40.1)	(40.1)		
Net debt	**(63.1)**	**27.0**	**(90)**	**(0.1)**	**(89.1)**	**9.4**	**(98.5)**	**0**
Derivative instruments – assets	1.2	1.2	–	–	1.2	1.2		
Deposits	7.4	0.5	6.9	–	7.2	1.5	5.7	
Derivative instruments – liabilities	(0.5)	(0.5)	–	–	(0.7)	0	(0.7)	
Other financial assets and liabilities	**8.1**	**1.2**	**6.9**	**0**	**7.7**	**2.7**	**5**	**0**
Sub-total, financial assets and liabilities	**(55.0)**	**28.2**	**(83.1)**	**(0.1)**	**(81.4)**	**12.1**	**(93.5)**	**0**
Working capital								
Trade receivables	50.9	50.9	–	–	69.1	69.1		
Inventories	149.4	149.4	–	–	117	117		
Trade payables	(93.2)	(93.2)	–	–	(100.8)	(100.8)		
Sub-total – operating assets and liabilities	**106.3**	**106.3**	**0.0**	**0.0**	**85.3**	**85.3**	**0.0**	**0.0**
Total financial and operating assets and liabilities	**51.3**	**134.5**	**(83.1)**	**(0.1)**	**3.9**	**97.4**	**(93.5)**	**0.0**

(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 65% 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. To this end, specific negotiation standards have been issued and documentation for material financing arrangements has to be validated at several different levels.

NOTES TO THE INCOME STATEMENT

26. Other operating income and expense

(in euro millions)	2010	2009
Exchange gains and losses	(1.5)	0.2
Gains and losses on disposal of non-current assets	0.4	0.1
Goodwill impairment	–	–
Restructuring costs	0.7	(6.8)
Impairment of non-current assets	–	(9.5)
Reversal of surplus provisions	1.2	–
Other	–	(2.2)
Total	**0.8**	**(18.2)**

27. Employee information

a) Number of employees

The average number of employees of fully consolidated subsidiaries was as follows in 2010 and 2009:

	32/12/2010	31/12/2009
Employees in France	547	612
Employees outside France	1,668	1,779
Total employees	**2,215**	**2,391**

b) Payroll costs

(in euro millions)	32/12/2010	31/12/2009
Wages and salaries	56.3	55.1
Payroll taxes	15.0	17.7
Discretionary profit sharing	0.5	–
Total	**71.8**	**72.8**

28. Finance costs and other financial income and expense

(in euro millions)	32/12/2010	31/12/2009
Cost of net debt		
– Finance cost	(9.0)	(9.0)
– Interest income on loans and investments	2.3	2.2
Factoring cost	(1.0)	–
Convertible bond interest cost	(1.0)	–
Fair value adjustments		
– Investments in non-consolidated companies	(1.5)	(0.5)
– Financial instruments	0.1	(0.4)
Exchange gains and losses on transactions in foreign currencies	–	–
Other	0.2	(1.5)
Finance costs and other financial income and expense, net	**(9.9)**	**(9.2)**

29. Income tax expense

Income tax expense reported in the income statement is analyzed in the table below.

(in euro millions)	32/12/2010	31/12/2009
Current taxes	(4.0)	(3.1)
Deferred taxes	5.6	(6.9)
Total income tax benefit/ (expense)	**1.6**	**(10.0)**

The table below reconciles the Group's actual tax benefit/(expense) to the theoretical tax benefit/(expense) that would apply based on the weighted average tax rate of the consolidated companies (which is similar to the French tax rate):

(in euro millions)	2010	2009
Income tax benefit/(expense) for the period	1.6	(10.0)
Standard French income tax rate	33.33%	33.33%
Tax at the standard rate	(3.8)	11.2
Difference between income tax benefit/(expense) for the period and tax at the standard rate	5.4	(21.2)
Effect of differences in foreign tax rates	1.3	(1.2)
Effect of permanent differences between book profit and taxable profit	(0.5)	1.1
Change in tax assets recognized for tax losses:		
– Reversals of valuation allowances on tax loss carryforwards recognized in prior periods	4.2	–
– Utilizations of tax loss carry forwards recognized in prior periods and tax losses arising and recognized during the current period	3.0	–
– Effect of unrelieved tax losses	(1.7)	(13.9)
– Valuation allowances on deferred tax assets (tax loss carryforwards)	–	(6.7)
Other	(0.9)	(0.5)

France's 2010 Finance Act adopted on December 30, 2009 abolished the local *taxe professionnelle* business tax and replaced it with two new taxes:
– *Cotisation foncière des entreprises* (CFE), assessed on the rental value of real estate previously included in the tax base for the taxe professionnelle.
– *Cotisation sur la valeur ajoutée des entreprises* (CVAE), assessed on the value-added created by the Company, as reflected in the separate financial statements.

Following this change, the Group reviewed the accounting treatment of taxes in France under IFRS, based on the latest available analyses including the interpretations published by the International Financial Reporting Interpretations Committee (IFRIC).
The Group considers that the above change consists in substance of replacing the *taxe professionnelle* with two different types of taxes:
– CFE is assessed on rental values and may be capped at a certain percentage of value added. It is therefore very similar to taxe professionnelle and, like its predecessor, has been included in operating expense in 2010.

– Based on the Group's analysis, the CVAE meets the definition of income tax in IAS 12.2 ("taxes which are based on taxable profits"). In conducting its analysis, Chargeurs took into account the March 2006 and May 2009 decisions by IFRIC not to give guidance on which taxes are within the scope of IAS 12 – Income Taxes. IFRIC stated that, to be within the scope of IAS 12, a tax must be calculated on a net amount of income and expenses and that said net amount may be different from accounting profit. The Group considers that the CVAE meets the characteristics listed by the IFRIC, to the extent that value added represents a level of profit that is systematically used under French tax rules to determine the amount of CVAE due.

In accordance with IAS 12, the classification of CVAE as an income tax triggered the calculation, at December 31, 2009, of deferred tax liabilities on the carrying amount of property, plant and equipment, which represented the main source of taxable temporary differences at that date. As the entities concerned are all members of the French tax group, the effect of recognizing net deferred tax liabilities in respect of the CVAE was taken into account in the calculation of the tax group's deferred tax asset.

30. Stock options

At December 31, 2010, there were no stock options outstanding.

31. 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 period. The Company reported basic earnings per share of €1.10 for 2010 (net profit divided by the average number of shares outstanding).
Following the convertible bond issue, diluted earnings per share were determined by taking into account 8,957,791 potential ordinary shares at December 31, 2010 and the restatement of the interest cost on the bonds. On this basis, 2010 diluted earnings per share came to €0.70.

NOTES TO THE CASH FLOW

32. Cash flows from operating activities

(in euro millions)	2010	2009
Pre-tax profit/(loss) of consolidated companies	**11.4**	**(33.5)**
Adjustments to reconcile pre-tax profit to cash generated from operations:	**(0.6)**	**19.3**
– Depreciation and amortization expense	10.0	9.5
– Provisions and pension and other post-employment benefit obligations	(11.4)	(1.5)
– Impairment of non-current assets	(4.7)	8.8
– Fair value adjustments	0.4	0.8
– Impact of discounting	0.7	–
– Unrealized gains on cash flow hedges reallocated or used during the period (before tax and minority interests)	–	–
– (Gains)/losses on sales of investments in non-consolidated companies and other non-current assets	4.4	(0.1)
– Other adjustments	–	1.8
Income tax (paid)/refunded	**(3.2)**	**(0.7)**
Cash generated from/(used by) operations	**7.6**	**(14.9)**

NOTES – ADDITIONAL INFORMATION

33. Commitments and contingencies

33.1 Commercial commitments

At December 31, 2010, Chargeurs and its subsidiaries did not have any commercial commitments.

33.2 Guarantees

At December 31, 2010, Chargeurs and its subsidiaries had given guarantees for a total of €0.2 million.

33.3 Collateral

At December 31, 2010, the Group had a financing facility secured by pledge on inventories for €1.1 million and on a factoring retainer deposit for €2.7 million.

33.4 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)	31/12/2010	31/12/2009
Due in less than one year	4.6	5.8
Due in one to five years	13.1	19.8
Due in more than five years	–	1.1
Total	**17.7**	**26.7**

33.5 Legal risks

At December 31, 2010, 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 aside as 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.
In February and March 2010, the Company was summoned on several occasions to appear before the French Employment Tribunal due to claims lodged by individuals previously employed and dismissed by companies in which the Company had held an indirect interest. The total amount of these claims represented around €5.5 million. The Company considered that the claims were without merit and they were indeed subsequently dismissed by the Employment Tribunal. In November 2010, the former employees made a new claim against the Company on the same grounds, but for a double amount. The Company continues to consider that these claims are totally without merit.

33.6 Tax and customs 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 is four years.
At the beginning of February 2011, a subsidiary received a restatement for €0.84 million of taxes, corresponding to domestic energy consumption tax for the years 2007 to 2010. The Company has contested this claim.

33.7 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 that are legally and financially independent from Chargeurs. This strategy is aligned with the restrictions arising from local laws in the Group's host countries.

• CWP

CWP ceased operations in 2010 and, consequently, Chargeurs Wool no longer conducts any top-making activities for this company.

• 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 lessee does not have any obligation to buy back the assets and the related contract complies with the standard accounting criteria for classification as an operating lease. During 2009, Chargeurs Interlining renegotiated some of its operating leases in order to convert them into finance leases.

34. Information by business segment

Profits and losses by business segment were as follows for 2010:

2010 (in euro millions)	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Non-operating	Consolidated
Revenue	**177.0**	**185.1**	**149.8**	**–**	**512.0**
Operating profit/(loss)	11.4	10.0	1.2	(1.3)	21.3
Finance costs and other financial income and expenses, net					(9.9)
Share of profit/(loss) of associates					0.2
Pre-tax profit/(loss) for the period					**11.6**
Income tax expense					1.6
Profit/(loss) from continuing operations					**13.2**
Profit/(loss) from discontinued operations					**(0.4)**
Profit for the period					**12.8**

Profits and losses by business segment were as follows for 2009:

2009 (in euro millions)	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Non-operating	Consolidated
Revenue	**142.3**	**165.7**	**143.6**		**451.6**
Operating profit/(loss)	(2.8)	(16.9)	0.1	(3.0)	(22.6)
Finance costs					(9.2)
Share of profit/(loss) of associates					(2.5)
Pre-tax profit/(loss) for the period					**(34.3)**
Income tax expense					(10.0)
Profit/(loss) from continuing operations					**(44.3)**
Profit/(loss) from discontinued operations					**(1.7)**
Profit/(loss) for the period					**(46.0)**

Additional information concerning 2010:

(in euro millions)	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Non-operating	Consolidated
Depreciation	(2.6)	(4.8)	(1.7)	–	(9.1)
Impairment losses:					
– On goodwill	–	–	–	–	
– property, plant and equipment	–	1.7	–	–	1.7
Impairment losses:					
– inventories	(0.5)	(1.0)	(0.3)	–	(1.8)
– trade receivables	–	(0.4)	–	–	(0.4)
Restructuring costs					0.0

Additional information concerning 2009:

(in euro millions)	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Non-operating	Consolidated
Depreciation	(2.3)	(4.7)	(1.8)	(0.1)	(8.9)
Impairment losses:					
– On goodwill	–	–	–	–	
– property, plant and equipment	–	(8.3)	(0.2)	(0.5)	(9.0)
Impairment losses:					
– inventories	(2.0)	(2.1)	–	–	(4.1)
– trade receivables	(0.1)	(1.3)	–	–	(1.4)
Restructuring costs					0.0

Segment profit includes gains and losses on cash flow hedges of currency risks accumulated in equity that are recycled into the income statement in the period when the hedged purchase or sale transactions affect 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 in 2009 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, 2010

(in euro millions)	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Non-operating	Total
Assets [1]	124.3	174.8	115.6	8.1	422.8
Liabilities [2]	59.2	66.6	59.0	(5.3)	179.5
Capital employed	65.1	108.2	56.6	13.4	243.3
Purchases of assets	2.4	3.6	1.1	–	7.1

(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, 2009

(in euro millions)	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Non-operating	Total
Assets [1]	138.4	167.9	118.2	2.6	427.1
Liabilities [2]	78.9	69.4	59.5	–	207.8
Capital employed	**59.5**	**98.5**	**58.7**	**2.6**	**219.3**
Purchases of assets	0.7	11.9	0.6	–	13.2

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

35. 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)	2010	2009
Europe	245.1	212.7
Asia-Pacific and Africa	170.7	163.4
Americas	96.2	75.5
Total	512.0	**451.6**

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

(in euro millions)	2010	2009
China and Hong Kong	94.7	95.7
Italy	83.8	76.4
Germany	56.8	42.4
United States	50.5	40.6
France	30.5	27.9

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

Total assets

(in euro millions)	2010	2009
Europe	267.3	283.7
Asia-Pacific and Africa	156.6	128.6
Americas	146.6	97.9
Total	570.5	**510.2**

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

Capital expenditure

(in euro millions)	2010	2009
Europe	3.3	11.9
Asia-Pacific and Africa	3.0	0.6
Americas	0.8	0.7

Capital expenditure is analyzed based on the geographical area in which the assets are located.

36. Main consolidated companies

At December 31, 2010, 74 companies were fully consolidated (73 in 2009) and 7 were accounted for by the equity method (10 in 2009).

Chargeurs	**Parent Company**
A – Main fully consolidated companies	
Chargeurs Deutschland GmbH	
Chargeurs Textiles SAS	
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 SpA – Novacel Italia Srl
North America	Chargeurs Protective Films Inc. – Novacel Inc.
Interlining business	
Chargeurs Interlining	**Holding company for the business**
France	Lainière de Picardie BC SAS – Intissel SAS – DHJ International SAS
Italy	Chargeurs Interfodere Italia
Germany	Lainière de Picardie Deutschland GmbH
United Kingdom	Lainière de Picardie (UK) Limited
Spain	Lainière de Picardie Hispana SA
Portugal	Chargeurs Entretelas (Portugal) Ltd
Czech Republic	Interlana Sro
North America	Lainière de Picardie Inc. – DHJ Canada Inc.
South America	Lainière de Picardie Golaplast Brazil Textil Ltda – Entretelas Americanas SA – Lainière de Picardie – DHJ Chile SA
South Africa	Stroud Riley (Proprietary) Limited
Asia	Chargeurs Interlining (HK) Limited – DHJ (Malaysia) Sdn Bhd – LP (Wujiang) Textiles Co. Ltd – Lainière de Picardie Korea Co. Ltd – DHJ Interlining Limited – Ningbo Chargeurs Yak Textile Trading Co. Ltd – Etacol Bangladesh Ltd
Wool business	
Chargeurs Wool	**Holding company for the business**
France	Chargeurs Wool (Eurasia) SAS
United Kingdom	Hart Wool Bradford Ltd
Italy	Chargeurs Wool Sales (Europe) SRL
South Africa	Chargeurs Wool (South Africa) (Pty) Ltd
Uruguay	Lanas Trinidad SA
Argentina	Chargeurs Wool (Argentina) SA
Australia	Chargeurs Wool Pty – Yangtse (Australia) Pty Ltd
New Zealand	Chargeurs Wool (NZ) Limited
United States	Chargeurs Wool (USA) Inc.
Asia	Chargeurs Wool Sales (Shanghai) Limited – Zhangjiagang – Yangtse Wool Combing Co. Ltd
B – Companies accounted for by the equity method	
Ningbo Yak Kyokuyo Textiles Co. Ltd (49%)	
Ningbo Lailong Bertero Interlining Co. Ltd (49%)	
USA Wool (35%)	
Comtex (50%)	
Peinaduría Rio Chubut (50 %)	

Percentages indicate Chargeurs' percentage of control at December 31, 2010 for companies that are not almost or entirely wholly owned by the Group.

37. Related party transactions

Transactions with associates

In 2010, the main transactions with associates concerned purchases from Chinese companies Ningbo Yak Kyokuyo Textiles and Ningbo Lailong Bertero Interlining. These transactions were recognized by Chargeurs Interlining under cost of sales in an amount of €12.9 million.

Management compensation

Compensation paid to Directors and Officers in respect of 2010 amounted to €30,000 and €577,247 respectively.

38. Events after the balance sheet date

No significant events have occurred since December 31, 2010.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Year ended December 31, 2010)

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, 2010, 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 involves examining, using sample testing techniques or other selection methods, the evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by the management and the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements present fairly the results of operations for the year ended December 31, 2010 and the financial position and assets of the consolidated entities at that date, in accordance with the IASs and IFRSs adopted by the European Union.

2. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following matters:

– 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. We assessed the data and assumptions on which these estimates and judgments were based, and examined, on a test basis, the calculations performed by the company. We compared accounting estimates of prior periods with the actual results and reviewed procedures for the approval 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.

– These 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 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 professional standards applicable in France.

We have no observations to make concerning the fairness of this information and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris – March 29, 2011

The Statutory Auditors

PricewaterhouseCoopers Audit
Gérard Morin

S & W Associés
Maryse Le Goff

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

(Year ended December 31, 2010)

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, we report to you on the report prepared by the Chairman of your Company in accordance with article L. 225-37 of the French Commercial Code for the year ended December 31, 2010.

It is for the Chairman to prepare and submit for 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 French Commercial Code, 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 and risk management 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 French Commercial Code. 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 and risk management 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 and risk management procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:
– Examining the internal control and risk management 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.

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information, contained in the Chairman of the Board's report prepared in accordance with the final paragraph of article L. 225-37 of the French Commercial Code.

Other disclosures

We certify that the report of the Chairman of the Board of Directors includes the other required disclosures specified in article L. 225-37 of the French Commercial Code.
As required by law, shareholders are informed that the report of the Chairman of the Board of Directors does not contain the disclosures about Board restrictions on the Chief Executive Officer's powers required by article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris – March 29, 2011

The Statutory Auditors

PricewaterhouseCoopers Audit
Gérard Morin

S & W Associés
Maryse Le Goff

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Financial Statements Parent Company

BALANCE SHEET

At December 31, 2010 and 2009 (in euro thousands)

Assets

	2010			2009
	Gross	Accumulated depreciation, amortization and provisions	Net	Net
Fixed assets				
Intangible assets				
Patents, licenses, trademarks, processes	6	3	3	3
Property, plant and equipment				
Land	–	–	–	–
Buildings	–	–	–	–
Other	56	24	32	33
Assets under construction	–	–	–	–
Advances and prepayments	–	–	–	–
Investments and other non-current assets (1)				
Shares in subsidiaries and affiliates	494,547	196,734	297,813	257,755
Loans to subsidiaries and affiliates	1,526	1,526	–	–
Other long-term investments	1,314	711	603	747
Other long-term loans	693	24	669	1,188
Other	423	–	423	294
Total I	**498,565**	**199,022**	**299,543**	**260,020**
Current assets				
Prepayments to suppliers	6	–	6	1
Trade receivables (2)	885	–	885	2,615
Other receivables (2)	2,483	14	2,469	1,585
Marketable securities	5,148	–	5,148	2,329
Cash at bank and in hand	967	–	967	337
Accruals and other assets	–	–	–	–
Prepaid expenses (2)	99	–	99	126
Total II	**9,588**	**14**	**9,574**	**6,993**
Deferred charges	–	–	–	–
Total III	**–**	**–**	**–**	**–**
Unrealized translation losses	–	–	–	–
Total IV	**–**	**–**	**–**	**–**
Total Assets (I + II + III + IV)	**508,153**	**199,036**	**309,117**	**267,013**
(1) Due within one year (gross)			7,593	3,942
(2) Due beyond one year (gross)			–	–

Equity and liabilities (in euro thousands)

	2010	2009
Equity		
Share capital	2,059	166,033
Share premium account	36,953	32,271
Revaluation reserve	–	–
Reserves:		
– Legal reserve	13,988	13,988
– Untaxed reserves	–	–
– Other reserves	198,310	86,024
Retained earnings	–	–
Profit/(loss) for the year	19,400	(52,087)
Untaxed provisions	–	–
Total I	**270,710**	**246,229**
Provisions for contingencies and charges		
Provisions for contingencies	1,763	2,547
Provisions for charges	–	–
Total II	**1,763**	**2,547**
Liabilities (1)		
Convertible bonds	17,748	
Other bonds	16	16
Bank borrowings (2)	1,521	1,505
Other borrowings	14,794	13,075
Trade payables	402	533
Accrued taxes and payroll costs	233	497
Due to suppliers of fixed assets	–	–
Other payables	1,909	2,611
Accruals and other liabilities (1)		
Deferred income	21	–
Total III	**36,644**	**18,237**
Unrealized translation gains	–	–
Total IV	**–**	**–**
Total Equity and Liabilities (I + II + III + IV)	**309,117**	**267,013**
(1) Due beyond one year	19,248	1,526
Due within one year	17,397	16,711
(2) Including short-term bank loans and overdrafts	1,500	1,506

Financial Statements Parent Company

INCOME STATEMENT

Years ended December 31, 2010 and 2009 (in euro thousands)

	2010	2009
Operating revenues [1]	**610**	**1,601**
Operating expenses [3]		
Purchases of goods and external charges	(4,061)	(4,866)
Taxes other than on income	(108)	(119)
Salaries and wages	(686)	(659)
Payroll taxes	(211)	(167)
Amortization, depreciation and provisions		
– Amortization and depreciation of fixed assets	(1)	(3)
– Provisions for contingencies and charges	–	–
Other	(25)	(30)
	(5,092)	**(5,844)**
Operating profit/(loss)	**(4,482)**	**(4,243)**
Financial income [1]		
From investments [2]		
– Shares in subsidiaries and affiliates	7	1,187
– Loans to subsidiaries and affiliates	–	54
From other marketable securities and investments [2]	67	123
Other interest income [2]	911	835
Provision reversals and expense transfers	24,979	146
Foreign exchange gains	10	2
Income from disposals of marketable securities	137	68
	26,111	**2,415**
Financial expense [3]		
Amortization and provisions	(958)	(48,901)
Interest expense [4]	(2,205)	(294)
Foreign exchange losses	(4)	(4)
Losses on disposals of marketable securities	–	–
	(3,167)	**(49,199)**
Net financial income/(expense)	**22,944**	**(46,784)**
Profit/(loss) before tax and non-recurring items	**18,462**	**(51,027)**
Non-recurring income [1]		
From revenue transactions	38	1,784
From capital transactions	–	–
– Proceeds from sales of property, plant and equipment	–	–
– Other	–	2
Provision reversals and expense transfers	1,207	16,271
	1,245	**18,057**
Non-recurring expense		
On revenue transactions	(119)	(1,433)
On capital transactions		
– Carrying amount of assets sold	–	(14,156)
– Other	–	(2,488)
Amortization and provisions		
– Untaxed provisions	–	–
– Other provisions	(423)	(1,340)
	(542)	**(19,417)**
Net non-recurring income/(expense)	**703**	**(1,360)**
Profit/(loss) before tax	**19,165**	**(52,387)**
Income tax benefit	**235**	**300**
Profit/(loss) for the year	**19,400**	**(52,087)**
(1) Including income related to prior years	38	1,784
(2) Including income from related companies	910	1,972
(3) Including expenses related to prior years	–	8
(4) Including interest expense paid to related companies	148	261

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, as set out in articles L. 123-12 to L. 123-28 of the French Commercial Code *(*French Commercial Code*)* 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 except for 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 life 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 stated at cost excluding incidental expenses, or at their transfer value.
Where appropriate, they are written down to their fair value determined by reference to the Company's equity in the net assets of the acquired companies, 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 when they can be set off against unrealized gains in linked 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

(in euro millions)	At 31/12/2009	Internal transfers	Acquisitions/ transfers	Disposals/ decreases	**At 31/12/2010**
Intangible assets	**N/A**	**–**	**–**	**–**	**N/A**
Property, plant and equipment	**N/A**	**–**	**–**	**–**	**N/A**
Investments and other non-current assets					
Shares in subsidiaries and affiliates[1]	477	–	18	–	**495**
Loans to subsidiaries and affiliates	2	–	–	–	**2**
Other long-term loans[2]	3	–	–	(2)	**1**
Other long-term investments[3]	1	–	–	–	**1**
Other	–	–	–	–	**–**
Total	**483**	**–**	**18**	**(2)**	**499**

(1) The main movements in 2010 concerning shares in subsidiaries and affiliates correspond to the €17.9 million capital increase of Chargeurs Interlining.
(2) The decrease in other long-term loans is due to the waiver of a €2.0 million loan to Holfipar (provided for in full in 2009, see note 3.2) and a €0.5 million reduction in a loan to V2I Finance.
(3) 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, 2009.
– 103,000 shares held under a liquidity contract with CA Cheuvreux bank, representing €1 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.

(in euro millions)	At 31/12/2009	Charges for the year	Reversals for the year (used)	Reversals for the year (unused)	**At 31/12/2010**
Provisions for contingencies	3	–	–	(1)	2
Provisions for charges	–	–	–	–	–
Total	**3**	**–**	**–**	**–**	**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		–	–	1	

3.2 Impairment

(in euro millions)	At 31/12/2009	Charges for the year	Reversals for the year	**At 31/12/2010**
Impairment of investments	223	1	(25)	199
Impairment of other receivables	–	–	–	–
Total	**223**	**1**	**(25)**	**199**
Of which movements included in operating income and expense		–	–	
Of which movements included in financial income and expense		1	(25)	
Of which movements included in non-recurring income and expense		–	–	

– Chargeurs' policy is to classify 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.

– Receivables are measured at nominal value and written down based on the recovery risk as assessed at year-end.

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

Additions (in euro millions)	
– Provisions for Chargeurs Textiles shares	0.7
– Provisions for Chargetex 35 shares	0.1
– Provision for the repayment of tax benefits to subsidiaries in the event of a return to profit	0.4
Total	**1.2**

Reversals (in euro millions)	
– Provision for Chargeurs Interlining shares	19.1
– Provision for Chargeurs Protective Films shares	3.8
– Provision for Chargeurs Deutschland shares	0.1
– Provision for Holfipar loan	2.0
– Provision for losses on Sobelta	1.2
Total	**26.2**

4. Maturities of receivables and payables

Total loans and receivables, before impairment, amounted to €6 million at December 31, 2010, breaking down as follows:

– Loans to subsidiaries and affiliates (€2 million).

– Other loans and miscellaneous receivables (€1 million).

– Trade receivables (€1 million).

– Other receivables (€2 million).

Maturities of loans and receivables are as follows:

Due within one year	4
Due beyond one year	2
Total	**6**

Maturities of debt and other payables are as follows:

Due within one year	17
Due in one to five years	19
Total	**36**

The total includes an €18 million convertible bond issue, €16 million in other debt and €2 million in other payables.

Debt due beyond one year consists of medium-term bank loans and the convertible bond issue.

5. Items recorded under several balance sheet headings

(in euro millions)	Gross amounts concerning	
	Related companies	Other investments
Shares in subsidiaries and affiliates and other long-term investments	488	7
Receivables	2.5	2
Debt and other payables	16	–

6. Breakdown of accrued income

At December 31, 2010, accrued income amounted to €0.7 million, corresponding mainly to a Group research tax credit for 2010. Accrued income is recorded in current assets under "Other receivables".

7. Accrued expenses

Accrued expenses totaled €1.0 million at December 31, 2010 and primarily consisted of €0.6 million in professional fees, service costs and various payroll costs and an amount of €0.4 million due to V2I Finance.

8. Marketable securities

At December 31, 2010, marketable securities amounted to €5.1 million and mainly comprised money market mutual fund units and time deposits.

9. Equity

9.1 Changes in equity

(in euro millions)	
At January 1, 2010 (before appropriation)	298.3
2009 loss appropriated by decision of the AGM on May 6, 2010	(52.1)
At January 1, 2010 (after appropriation)	**246.2**
Profit for the year	19.4
Issuance of shares on conversion of bonds by bondholders	5.1
At December 31, 2010 (before appropriation)	**270.7**

9.2 Changes in share capital

	Number of shares	Par value
Shares outstanding at January 1, 2010	10,377,097	16 euros
Issuance of shares on conversion of bonds by bondholders	2,494,692	0.16 euro
Shares outstanding at December 31, 2010	12,871,789	0.16 euro

At the Extraordinary Meeting held on February 8, 2010, shareholders authorized the Board to reduce the shares' par value from €16 to €0.16 by transferring the corresponding amount from the capital account to a reserve account.

9.3 Share premium account and reserves at December 31, 2010

(in euro millions)

These items break down as follows:

Issue and demerger premiums	37.0
Legal reserve	14.0
Other reserves	33.9
Restricted reserve (capital reduction)	164.4
Total	**249.3**

10. Double voting rights

Chargeurs' bylaws provide for registered shares held for more than two years to 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, 2010, 46,132 shares carried double voting rights.

11. Convertible bonds

11.1 Description of the issue

In April 2010, Chargeurs SA issued 415,083 convertible bonds with a nominal value of €55, with pre-emptive subscription rights for existing shareholders.
The offer ran from March 15 to 29 and was subscribed 1.78 times.

Principal terms of the bond issue:

Conversion of bonds into shares

The bonds are convertible into Chargeurs shares at any time between the issue date and the seventh business day preceding the normal or early redemption date, according to a ratio of 27 new shares for 1 bond.

Coupon

Holders of bonds redeemed at maturity on January 1, 2016 will receive a stock-based remuneration equal to 6.06 Chargeurs shares per bond.

In the case of early redemption, or conversion, the stock-based remuneration will be calculated ratably based on the period that has elapsed since the issue date as explained below:

Year of conversion	Coupon
2011	0.76 shares
2012	1.82 shares
2013	2.88 shares
2014	3.94 shares
2015	5 shares

The stock-based coupon paid on conversion is recognized directly in equity as a deduction from the premium on the shares and has no impact on profit.

Life of the bonds

5 years and 261 days.

Redemption at maturity

The bonds are redeemable at maturity on January 1, 2016 (or the next business day if January 1, 2016 is not a business day) at par.

Buyback and retirement of the bonds by the Company

The Company may, at any time, buy back and retire all or some of the bonds, subject to the unanimous agreement of the banks that are parties to the February 7, 2010 debt restructuring agreement. The bonds may be purchased by means of on or off-market transactions or through public purchase or exchange offers, without any limits as to the buyback price or the number of bonds purchased and retired.

Retirement of the bond issue at the option of the Company

Subject to the unanimous agreement of the banks that are parties to the February 7, 2010 debt restructuring agreement, the Company may, at any time between January 1, 2012 and the bonds' maturity date, provided it gives at least thirty days' notice, redeem all outstanding bonds at par if the arithmetical average of the opening prices quoted for the Company's shares on NYSE Euronext Paris over ten consecutive trading days within the twenty-day period preceding the publication of the retirement notice exceeds €6.

Listing

The convertible bonds are listed on the NYSE Euronext Paris stock market (ISIN: FR0010870931).

Conversion ratio adjustments

The usual adjustments that may be necessary as a result of any corporate actions are described in the prospectus published on the AMF website.

11.2 Conversion of bonds into shares

As of December 31, 2010, 92,396 bonds were converted into shares. The aggregate par value of the shares issued on conversion was €0.4 million and the aggregate premium was €4.7 million, for a total of €5.1 million.

	2010
Number of convertible bonds	
– At April 15, 2010	415,083
– Conversions for the period	92,396
– At December 31, 2010	322,687
Number of shares issued on conversion of bonds	
– At April 15, 2010	–
– Shares issued on conversions for the period	2,494,692
– Shares issued in payment of interest	–
– At December 31, 2010	2,494,692
Number of shares potentially issuable between December 31, 2010 and January 1, 2016	
– Minimum number of shares	1,955,483
– Maximum number of shares	10,325,984
Aggregate face value of the bonds (in euros)	**22,829,565**
Maximum amount redeemable at maturity (bonds outstanding at December 31, 2010) (in euros)	**17,747,785**

12. Other borrowings

Other borrowings, totaling €15 million, primarily correspond to borrowings from several Group subsidiaries whose sole purpose is to act as financial holding companies.
These borrowings will be repaid by way of capital reductions or by winding up the companies concerned.

13. Non–recurring income and expense

(in euro millions)

	Non-recurring expense	Non-recurring income
– Reversal of provision for loss on Sobelta (unused)		1.2
– Addition to provision for repayment of tax benefits to subsidiaries in the event of a return to profit	(0.4)	–
– Accrual for additional payment due to V2I Finance	(0.1)	–
Total	**(0.5)**	**1.2**

14. Income tax

14.1 Analysis of income tax

(in euro millions)	2010	2009
Tax on recurring profit	–	–
Tax on non-recurring items	–	–
Group relief	0.2	0.3
Other	–	–
Income tax benefit	**0.2**	**0.3**

14.2 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 tax consolidation rules, the losses of certain subsidiaries in the tax group can be set off against the taxable profit of other companies in the group. The profitable subsidiaries pay an amount corresponding to the tax that would be due on their profit to Chargeurs, which in turn pays the tax due by the tax group.

14.3 In 2010, the provision for repayment of tax benefits to subsidiaries was increased by €0.4 million, as certain subsidiaries were expected to report a taxable profit in 2011. At December 31, 2010, this provision totaled €1.8 million.

14.4 The setting off of losses reported by certain subsidiaries against the taxable profits of other subsidiaries resulted in a tax saving of €0.2 million, representing a cash flow benefit.

15. Commitments given, guarantees and sureties

(in euro millions)	
Guarantees and sureties concern:	
– Subsidiaries and related companies	178.4
– Other	0.2

16. Unrecognized deferred taxes

At December 31, 2010, under French group relief rules, Chargeurs had evergreen tax loss carry-forwards of €217.3 million.
Timing differences between the recognition of income and expenses for statutory and for tax purposes were not material in 2010.

17. Management compensation

Compensation paid to Directors and Officers in 2010 amounted to €30,000 and €577,247 respectively.

18. Employee benefit obligations

(a) Retirement benefits

The Company's retirement benefit obligations were measured at December 31, 2010 based on years of service and the probability that employees would still be on the Company's payroll 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 71 at December 31, 2010. The Company did not record the related obligation, as the amount involved is not material.

19. Fees paid to the Statutory Auditors

Chargeurs paid €305,000 in fees to the Statutory Auditors in 2010 (disclosure made in application of French Decree 2008-1487 of December 30, 2008).

20. Stock options

There were no employee stock option plans at December 31, 2010.

21. Legal risks

In February and March 2010, the Company was summoned on several occasions to appear before the French Employment Tribunal due to claims lodged by individuals previously employed and dismissed by companies in which the Company held an indirect interest. The total amount of these claims represented around €5.5 million. The Company considered that the claims were without merit and they were indeed subsequently dismissed by the Employment Tribunal. In November 2010, the former employees made a new claim against the Company on the same grounds, but for a double amount. The Company continues to consider that these claims are totally without merit.

INFORMATION CONCERNING SUBSIDIARIES AND AFFILIATES

Year ended December 31, 2010 (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	38,297	17,948	100.00
Chargeurs Protective Films	231,247	(94,972)	100.00
Chargeurs Interlining	4,961	53,435	99.99
Chargetex 34	6,077	(5,254)	100.00
2. Affiliates			
(10% to 50%-owned by Chargeurs)			
Chargeurs Deutschland	8,842	534	43.24
Other companies	N/A	N/A	37.50
B. Aggregate information concerning other subsidiaries and affiliates			
1. Subsidiaries not listed in A			
French companies	294	94	–
Foreign companies	100	588	–
2. Affiliates not listed in A			
French companies	–	–	–
Foreign companies	296	1,099	–

Cost of investment	Carrying amount of investment	Outstanding loans and advances granted by Chargeurs	Guarantees given by Chargeurs	2010 revenue[1]	2010 profit/(loss)	Gross dividends received by Chargeurs during 2010
85,599	56,283	–	–	–	(738)	–
286,266	137,600	–	–	–	1	–
102,471	98,262	–	51,026	–	(3,765)	–
6,077	800	–	–	–	(5)	–
6,941	4,072	–	–	–	189	–
6 296	–	1,524	–	–	–	–
222	121	–	–	–	102	7
2	2	–	–	–	(94)	–
–	–	–	–	–	–	–
671	671	–	4,892	39,162	51	–

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

Financial Statements Parent Company

FIVE-YEAR FINANCIAL SUMMARY

(in euros unless otherwise specified)

	2010	2009	2008	2007	2006
I – Capital at December 31					
Share capital	**2,059,486**	166,033,552	166,033,552	166,033,552	164,691,152
Number of shares	**12,871,789**	10,377,097	10,377,097	10,377,097	10,293,197
II – Results of operations					
Operating revenue, investment income, interest income and other revenues, net of tax	**1,731,778**	3,867,432	16,035,306	3,767,350	8,873,696
(Loss)/profit before tax, amortization, depreciation and provisions	**(5,640,458)**	(18,560,749)	11,573,410	(17,034,986)	(32,514,061)
Income tax	**235,599**	299,535	895,326	3,248,773	4,102,104
Net profit/(loss)	**19,400,096**	(52,087,120)	(84,531,656)	4,066,695	4,512,636
Total dividends	**–**	–	–	6,745,113	6,690,578
III – Per share data					
(Loss)/earnings per share after tax, before amortization, depreciation and provisions	**(0.42)**	(1.76)	1.20	(1.32)	(2.76)
Earnings/(loss) per share	**1.51**	(5.02)	(8.15)	0.39	0.44
Dividend per share	**–**	–	–	0.65	0.65
IV – Employee data					
Number of employees	**2**	3	3	3	3
Total payroll (in euro thousands)	**686**	659	763	729	575
Total benefits (in euro thousands)	**211**	206	223	267	203

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(Year ended December 31, 2010)

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 Statutory Auditors' assessments of certain significant accounting 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, 2010, 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.

I – 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 financial statements are free of material misstatement. An audit involves examining, using sample testing techniques or other selection methods, the 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 statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements present fairly the results of operations for the year ended December 31, 2010 and the financial position and assets of the Company at that date, in accordance with the accounting rules and principles applicable in France.

II – Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following matters:
– Note 1.2 to the financial statements describes the methods used to measure investments in subsidiaries and affiliates. We reviewed the methods applied by the Company and examined, on a test basis, the application of these methods.
– These 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 opinion expressed in the first part of this report.

III – Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no observations concerning 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.

Concerning the information about the compensation and benefits paid and the commitments given to executive directors disclosed in accordance with article L. 225-102-1 of the French Commercial Code, we have verified the conformity of these disclosures with the financial statements or the underlying data and with any information obtained from entities that control the Company or that the Company controls. Based on our procedures, we certify that these disclosures are accurate and fairly stated.

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 29, 2011

The Statutory Auditors

PricewaterhouseCoopers Audit
Gérard Morin

S & W Associés
Maryse Le Goff

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

(Year ended December 31, 2010)

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, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Our responsibility also includes reporting to shareholders the information provided for in article R. 225-31 of the French Commercial Code on the execution during the reporting year of agreements and commitments approved by the shareholders at previous General Meetings.

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 submitted to the Annual General Meeting for approval

We were not informed of any new agreements or commitments authorized during the year that would be governed by article R. 225-38 of the French Commercial Code.

Agreements and commitments entered into in prior years

In application of article R. 225-30 the Code de Commerce, we were advised of the following agreements and commitments entered into in prior years that remained in force during the year.

Management services contract between Chargeurs and Chargeurs Boissy

In accordance with the terms of the contract signed on January 2, 2002 and the addendum signed on January 5, 2005, Chargeurs undertakes to provide management, financial and human resources management services to Chargeurs Boissy. In 2010, Chargeurs Boissy paid Chargeurs the sum of €400,000 (excluding VAT) pursuant to the addendum.

Neuilly-sur-Seine and Paris – March 29, 2011

The Statutory Auditors

PricewaterhouseCoopers Audit
Gérard Morin

S & W Associés
Maryse Le Goff

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Annual General Meeting of May 5, 2011

REPORT OF THE BOARD OF DIRECTORS
on the resolutions presented at the Annual General Meeting of May 5, 2011

First and second resolutions

(Approval of the parent company and consolidated financial statements for the year ended December 31, 2010)
The purpose of these two resolutions is for shareholders to approve the parent company and consolidated financial statements for the year ended December 31, 2010 as presented.

Third resolution

(Approval of agreements governed by article L. 225-38 of the French Commercial Code)
No new agreements governed by article L. 225-38 of the French Commercial Code were entered into in 2010.
One agreement entered into in a previous year remained in force in 2010 – a management services agreement between Chargeurs SA and Chargeurs Boissy SARL under which Chargeurs SA has undertaken to provide Chargeurs Boissy SARL with general, financial and human resource management services. This agreement is the subject of a special report issued by the Statutory Auditors, which shareholders are invited to approve.

Fourth resolution

(Appropriation of results)
The Board of Directors proposes that profit for 2010 in the amount of €19,400,096.23 should be allocated to "Other reserves", thus increasing the balance of this account from €33,936,578.48 to €53,336,674.71.

Fifth resolution

(Reduction of legal reserve)

The legal reserve is above the required level and the Board of Directors therefore proposes that €13,588,160.53 be transferred from the legal reserve to "Other reserves". This decision would reduce the legal reserve from €13,988,160.53 to €400,000, representing more than 10% of the share capital at December 31, 2010, and would increase "Other reserves" from €53,336,674.71 to €66,924,835.24.

Sixth resolution

(Re-election of Guiseppe Pirola as a director)
Giuseppe Pirola' s term as Director expires at the close of this Annual General Meeting and shareholders are therefore invited to re-elect him for a further three-year term.

Biography of Giuseppe Pirola

Giuseppe Pirola, 63, is an Italian national and holds Italian qualifications as a chartered tax advisor and a chartered accountant. He began his career in 1969 as a tax consultant and in 1980 founded a law and tax consultancy firm – Studio Pirola Pennuto Zei & Associati – of which he is currently the Chairman. Mr Pirola's firm has offices in nine Italian cities as well as in London and Beijing. It comprises over 450 lawyers and tax consultants and serves a broad-ranging Italian and international clientele. Giuseppe Pirola has been a Director of Chargeurs since 2004 and Chairman of the Company' s Audit Committee since 2010. He is also Chairman, a Director, Statutory Auditor or Lead Auditor for various Italian companies.

Seventh resolution

(Election of Martine Odillard as a Director)
In this resolution, shareholders are invited to elect Martine Odillard as an additional Director for a three-year term. If Ms Odillard is elected, the number of Directors on the Board will be increased from five to six, including one woman.

Biography of Martine Odillard

Martine Odillard, 57, is a Belgian national and holds a degree in classics as well as a masters in management from ECCIP. She began her career at Arjomari Prioux, and then in 1979 joined the Chairman' s office at the Pricel group, which subsequently became Chargeurs. She was appointed Vice-President, Human Resources at Chargeurs in 1990. When the Group de-merged in 1996, Ms Odillard was appointed to head up the Chargeurs Corporate Communications department in addition to her human resources responsibilities. In 2000, she became Vice-President, Human Resources and Corporate Communications at Pathé while continuing to carry out these duties for Chargeurs. She was named Chief Operating Officer of Chargeurs in September 2010.

Eighth resolution

(Directors' fees)
The Board of Directors recommends maintaining the aggregate annual amount of directors' fees at €40,000, effective for 2011 and subsequent years, until decided otherwise by shareholders in an Annual General Meeting. This amount is unchanged from the previously applicable amount, as set at the Annual General Meeting of May 10, 2005, and takes into account the Board's membership structure.

Ninth to twelfth resolutions

(Re-appointment of the Statutory Auditors and Substitute Auditors)

The appointments of (i) PricewaterhouseCoopers Audit and S & W Associés as Statutory Auditors and (ii) Yves Nicolas and Yves-Alain Ach as Substitute Auditors expire at the close of this Annual General Meeting. We propose re-appointing them for a further six-year period.

Thirteenth resolution

(Powers to carry out legal formalities)

Shareholders are asked to grant all of the necessary powers to carry out the legal formalities required in relation to the above-described resolutions.

We thank you in advance for demonstrating your confidence in Chargeurs by voting for these resolutions tabled by the Board.

The Board of Directors

ORDINARY RESOLUTIONS

First resolution

(Approval of the parent company financial statements for the year ended December 31, 2010)

The Annual General Meeting, having heard the report of the Board of Directors and the Statutory Auditors' report on the parent company financial statements, approves the parent company financial statements for the year ended December 31, 2010 and the balance sheet at that date, as presented, showing profit for the year of €19.4 million, 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, 2010.

Second resolution

(Approval of the consolidated financial statements for the year ended December 31, 2010)

The Annual General Meeting, having heard the report of the Board of Directors and the Statutory Auditors' report on the consolidated financial statements, approves the consolidated financial statements for the year ended December 31, 2010 and the consolidated balance sheet at that date, as presented, showing consolidated profit for the year of €12.9 million, 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

(Approval of agreements governed by article L. 225-38 of the French Commercial Code)

The Annual General Meeting, having heard the Statutory Auditors' special report, approves this report and all the agreements governed by article L. 225-38 of the French Commercial Code referred to therein.

Fourth resolution

(Appropriation of results)

The Annual General Meeting, having noted that profit for the year amounts to €19,400,096.23, resolves to appropriate this amount to "Other reserves", thus increasing the balance of this account from €33,936,578.48 to €53,336,674.71.

The Annual General Meeting resolves that no dividend will be paid for 2010.

Annual General Meeting of May 5, 2011

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

Year ended	Dividend per share (in euros)
December 31, 2009	–
December 31, 2008	–
December 31, 2007	0.65

Fifth resolution

(Reduction of the legal reserve)

The Annual General Meeting, having noted that the legal reserve exceeds the required level, resolves to transfer €13,588,160.53 from the legal reserve account to "Other reserves". This will reduce the legal reserve from €13,988,160.53 to €400,000, representing more than 10% of the share capital at December 31, 2010, and increase the balance of the "Other reserves" account from €53,336,674.71 to €66,924,835.24.

Sixth resolution

(Re-election of Guiseppe Pirola as a Director)

Having noted that Guiseppe Pirola's term of office expires at the close of this Meeting, the Annual General Meeting resolves to re-elect Mr Pirola as a Director for a three-year term expiring at the close of the Annual General Meeting to be held in 2014 to approve the 2013 financial statements.

Seventh resolution

(Election of Martine Odillard as a Director)

The Annual General Meeting resolves to elect Martine Odillard as a Director for a three-year term expiring at the close of the Annual General Meeting to be held in 2014 to approve the 2013 financial statements.

Eighth resolution

(Directors' fees)

The Annual General Meeting resolves to maintain the aggregate annual amount of Directors' fees at €40,000, effective for 2011 and subsequent years, until decided otherwise by shareholders in an Annual General Meeting.

Ninth resolution

(Re-appointment of PricewaterhouseCoopers Audit as Statutory Auditor)

Having noted that the appointment of the Company's Statutory Auditor PricewaterhouseCoopers Audit (63, rue de Villiers, 92208 Neuilly-sur-Seine, France, registered in Nanterre under no. 672 006 483 and represented by Gérard Morin) expires at the close of this Meeting, the Annual General Meeting resolves to renew said appointment for a period of six years, expiring at the close of the Annual General Meeting to be held in 2017 to approve the 2016 financial statements.

Tenth resolution

(Re-appointment of S&W Associés as Statutory Auditor)

Having noted that the appointment of the Company's Statutory Auditor S&W Associés (8, avenue du Président-Wilson, 75116 Paris, France, registered in Paris under no. 414 818 930 and represented by Maryse Le Goff) expires at the close of this Meeting, the Annual General Meeting resolves to renew said appointment for a period of six years, expiring at the close of the Annual General Meeting to be held in 2017 to approve the 2016 financial statements.

Eleventh resolution

(Re-appointment of Yves Nicolas as Substitute Auditor)

Having noted that the appointment of the Company's Substitute Auditor Yves Nicolas expires at the close of this Meeting, the Annual General Meeting resolves to renew said appointment for a period of six years, expiring at the close of the Annual General Meeting to be held in 2017 to approve the 2016 financial statements.

Twelfth resolution

(Re-appointment of Yves-Alain Ach as Substitute Auditor)

Having noted that the appointment of the Company's Substitute Auditor Yves-Alain Ach expires at the close of this Meeting, the Annual General Meeting resolves to renew said appointment for a period of six years, expiring at the close of the Annual General Meeting to be held in 2017 to approve the 2016 financial statements.

Thirteenth resolution

(Powers to carry out legal formalities)

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.

EXECUTIVE COMMITTEE

Eduardo MALONE
Chairman and Chief Executive Officer

Martine ODILLARD
Chief Operating Officer

Laurent DEROLEZ
Managing Director Chargeurs Protective Films

Stéphane RIGAUT
Managing Director Chargeurs Interlining

Richard VON GERSTENBERG
Managing Director Chargeurs Wool

BOARD OF DIRECTORS

Eduardo MALONE
Chairman
Current term began: 2009
Current term expires: 2012

Directorships and other positions held in other companies:

Co-Chairman: Pathé
Chief Executive Officer: Pathé SAS
Member of the Executive Board: Pathé SAS
Member of the Executive Committee: Les Cinémas Gaumont Pathé (formerly EuroPalaces)
Chairman and Chief Executive Officer: Sofi Emy
Director: Olympique Lyonnais Groupe (since February 8, 2011), Compagnie Deutsch (France), Lanas Trinidad SA (Uruguay), Lainière de Picardie (UK) Ltd (United Kingdom)

Salim Meir IBRAHIM
Director
Current term began: 2010
Current term expires: 2013

Giuseppe PIROLA
Director
Current term began: 2008
Current term expires: 2011

Directorships and other positions held in other companies:

Chairman of the Board of Directors: Studio Pirola Pennuto Zei & Associati, Compagnia Investimenti Brera Srl (formerly E-Thinkers Srl)
Director: Antonello Manuli Finanziaria SpA, Auto Centauro de la Vallee Srl, Autocrocetta SpA, Coop-Lease SpA, Gest Auto SpA, Gruppo Euro Auto 2000 SpA, Hedge Invest Sgr, Idea Uno SpA, Manuli Rubber Industries SpA, Premium Car Rent Srl, Riso Gallo SpA, Terme di Saturnia Srl
Lead Auditor: ABB SpA, Aliaxis Holding Italia SpA, Bluestar Silicones Italia SpA, Borgo del Sole SpA, Fin. Borgo SpA, Prosciuttificio Rovagnati Srl, Rovagnati SpA, Dell'Orto SpA, Ecodeco Srl, Fineurop SpA, Glynwed Srl, Gruppo Cordenons SpA, OMR Holding SpA (Officine Meccaniche Rezzatesi), Partenope Ambiante SpA, Redi HT Srl, Redi SpA, Rhodia Italia SpA, Sibelco Italia SpA
Auditor: Gruppo Industriale Tosoni SpA
Directorships and other positions held in 2010 that expired during the year: Director of F.lli Gancia SpA & C. SpA and of Manuli Strech SpA

Georges RALLI
Director
Current term began: 2010
Current term expires: 2013

Directorships and other positions held in other companies:

Chairman: Maison Lazard SAS, Lazard Frères Gestion SAS
Managing Partner: Compagnie Financière Lazard Frères SAS, Lazard Frères SAS, Lazard Frères Gestion SAS
Director: SILIC SA, Véolia Environnement SA
Member of the Supervisory Board: VLGI SAS
Member: LFCM Holdings LLC (USA), Executive Committee of Lazard Administration GmbH (Germany), Advisory Committee of Lazard BV (Belgium), European Advisory Board of Lazard (USA)
Chairman: Executive Committee of Lazard Fund Management GmbH (Germany), Advisory Board of Lazard GmbH (Switzerland)
Deputy Chairman and Managing Director: Lazard Group LLC (USA)
Chief Executive: European Investment Banking Business, Lazard (USA)
Co-Chairman: European Investment Banking Business, Lazard (USA)
Directorships held outside France: LAZ-MD Holding LLC (USA), Lazard Aserores Financieros SA (Spain), Lazard AB (Sweden), Lazard & Co. Srl (Italy), Lazard Investments Srl (Italy)
Directorships and other positions held in 2010 that expired during the year: Non-voting Director of Eurazeo, member of the Supervisory Board of Bazile Telecom, member of the Executive Committee of Lazard Strategic Coordination Company LLC (USA)

Jérôme SEYDOUX
Director
Current term began: 2010
Current term expires: 2013

Directorships and other positions held in other companies:

Co-Chairman: Pathé
Chairman: Pathé SAS, Pathé Distribution SAS, Pathé Production SAS
Chief Executive Officer: Pricel SAS
Member of the Executive Board: Pathé SAS
Member of the Executive Committee: Les Cinémas Gaumont Pathé (formerly EuroPalaces), Pathé Production SAS, Pricel SAS
Vice-Chairman, Director and member of the Investment Committee: Olympique Lyonnais Groupe
Legal Manager: Ojej SC, Sojer SC
Directorships and other positions held in 2010 that expired during the year: Legal Manager of Edjer EURL, Vice-Chairman and Chief Executive Officer of Chargeurs SA

March 2011

SHAREHOLDER AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS THAT WERE IN FORCE IN 2010

(Article L. 225-100 of the French Commercial Code)

Purpose	Date of the General Meeting	Period and expiry date	Maximum amount	Utilizations during the year
Issue of shares and/or securities carrying immediate and/or deferred rights to the Company's shares or to debt securities **(6th resolution)**	February 8, 2010	26 months, expiring April 7, 2012	The aggregate par value of shares issued under the authorization is capped at €30 million	Utilized Convertible bond issue: €22,829,565
Employee rights issue governed by the French Commercial Code and articles L. 3332-18 *et seq.* of the French Commercial Code **(7th resolution)**	February 8, 2010	26 months, expiring April 7, 2012	The aggregate par value of shares issued under the authorization (before statutory adjustments) is capped at €1 million	Not utilized

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C/O Chargeurs Wool (Argentine) SA
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Statutory Auditors

PricewaterhouseCoopers Audit SA, Auditor
63, rue de Villiers – 92208 Neuilly-sur-Seine – France
Yves Nicolas, Substitute Auditor
63, rue de Villiers – 92208 Neuilly-sur-Seine – France
S & W Associés, titulaire
8, avenue du Président-Wilson – 75116 Paris – France
Yves-Alain Ach, Substitute Auditor
Audit Conseil Holding – 58 bis, rue de la Chaussée-d'Antin – 75009 Paris – France

The Annual Report can be downloaded in English or French from the Company's website www.chargeurs.fr.
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.

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