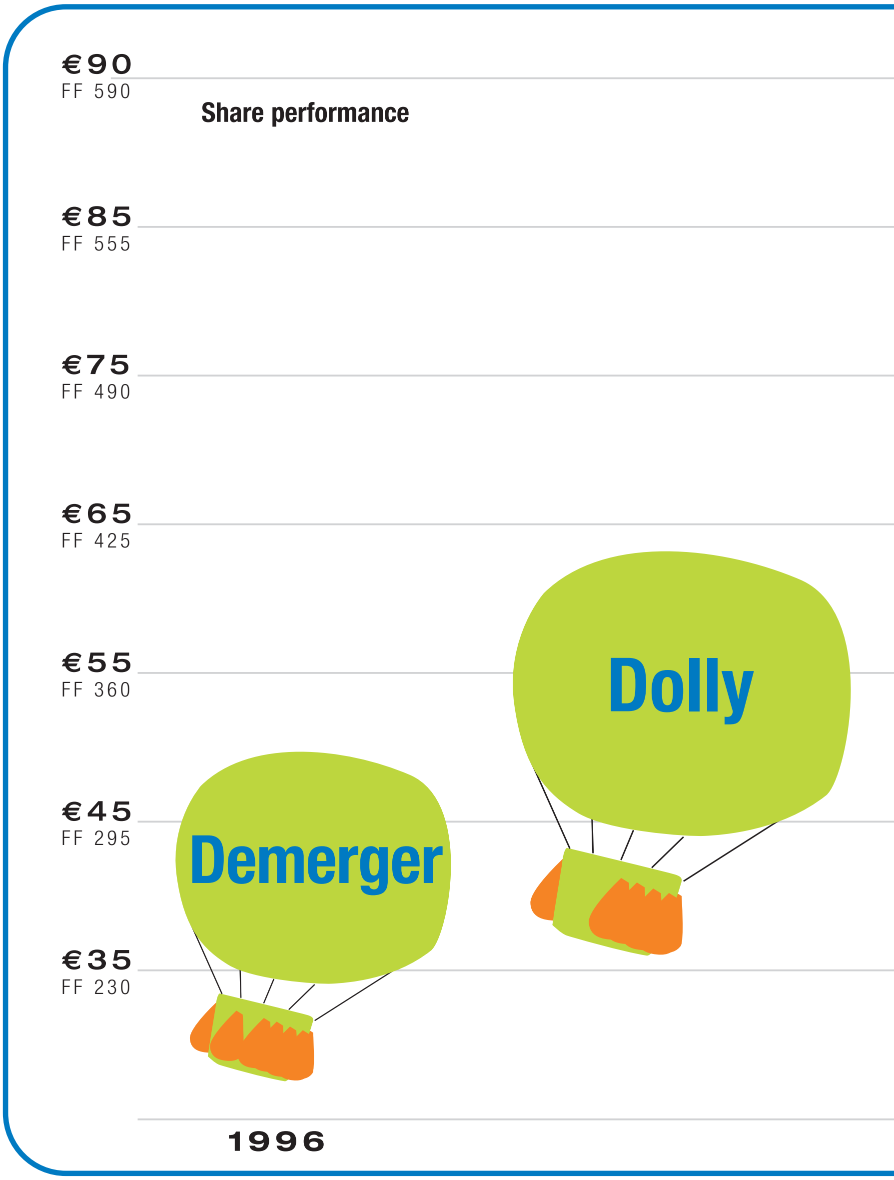
CHARGEURS

Annual Report 2000

Dolly – a new business model

A MARKET LEADER IN ALL OF ITS BUSINESSES, CHARGEURS GENERATED 87% OF ITS 2000
AND NET INCOME CAME TO € 53 MILLION. AT THE END OF 2000, CHARGEURS EMPLOYED

The Dolly dynamic



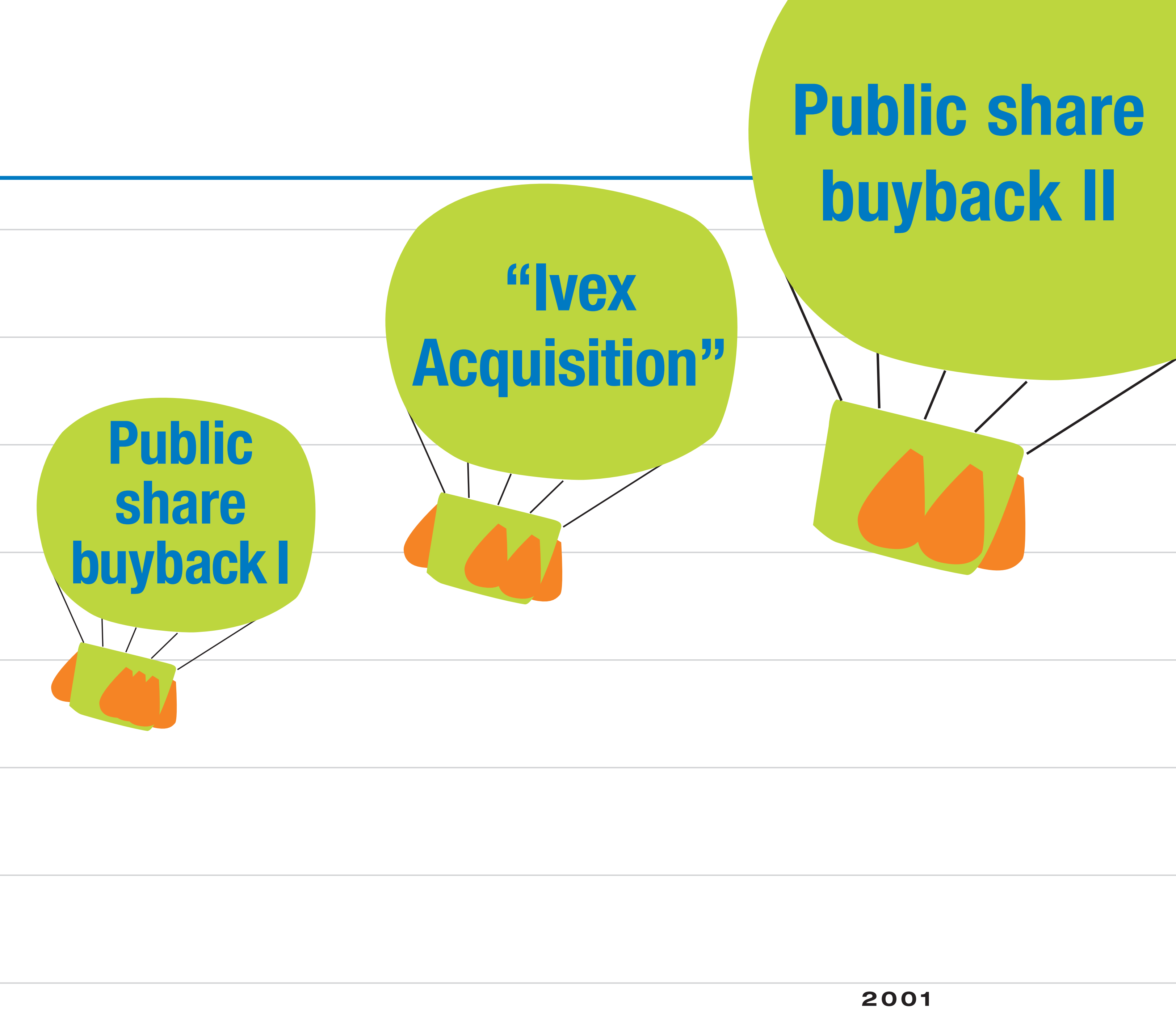
As part of an ongoing process, Chargeurs uses proprietary management tools to give it resources for sustainable expansion by tying up only the capital likely to provide high returns. Backed by a financial and manufacturing partner network, Chargeurs' management and employees are geared to creating value for customers and shareholders. This innovative management model spurs a virtuous circle that takes in business re-engineering, public share buybacks, organic growth and acquisitions.

Business re-engineering is founded on a management principle that requires risk-measurement to be built into every operating decision. This management culture aims to assess and control asset-related and operational risk as far upstream as possible. It allows risk-bearing capital employed to be reduced to very low levels or nil, through specialised, independent structures using the Dolly system.
Chargeurs retains control of operating processes while keeping capital employed to a minimum.
With reduced risks and lower fixed assets, Chargeurs can increase liquidity and return on equity.

Public share buyback offers. Regular, planned, public share buyback offers provide shareholders with more liquidity without endangering the company's structure. They also promote a more reliable reflection of the company's underlying value. By building up Chargeurs' value, public share buyback offers will allow stock-for-stock acquisitions to be carried out in the future.

Organic growth and acquisitions. The cash released by the Dolly mechanism offers scope for Chargeurs to step up growth by expanding in areas relevant to its expertise. It will

SALES OUTSIDE FRANCE. SALES AMOUNTED TO € 1.2 BILLION
5,452 PEOPLE IN 32 COUNTRIES.



focus on businesses where Chargeurs' global reach will be used to its best advantage and capital intensive sectors which often experience high stock-market discounts.
Now that the model has proved effective and is up and running with the backing of a reliable partner network, Chargeurs will use it to consolidate existing leadership positions in its current businesses and provide the resources needed to seize acquisition opportunities that will create value.

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Message to the share

"Chargeurs is starting the new century determined to step up growth..."

Chargeurs' transformation, begun several years ago, is now paying off.
A 12.7% increase in sales and strong 30% growth in operating income are evidence of the Group's sound financial health.
Backed by solid groundwork set to continue in all Group businesses, Chargeurs is deriving full benefit from the recovery on the Asian markets and growth in the North American and European economies.
Our strategy is built around refocusing on core businesses and tailoring manufacturing and sales resources to increasingly fast-paced international expansion, while anticipating market trends and rapidly responding to development opportunities.
This shareholder value creation strategy hinges on an innovative method that we have given the generic name Dolly.
It combines sophisticated risk-management techniques and a substantial reduction in capital employed.
The method builds in dynamic momentum and a drive for balanced businesses and has three major components: business re-engineering, public share buyback offers, organic growth and acquisitions.
In 2000, this strategy was borne out by Chargeurs Protective Films' acquisition of US Group Ivex's protective film business, market leader in the US, Canada and Mexico; restructuring and acquisitions at Chargeurs Fabrics along with securitization of Chargeurs Wool and Chargeurs Interlining's manufacturing facilities.
Our 2000 results testify to the method's worth with a 65.8% increase in sales for Chargeurs Protective Films, and a threefold rise in operating income at Chargeurs Wool, an industry known for its low market growth rates and cyclical trends.

holders

Firmly rooted in its strengths with a strict, ambitious management, Chargeurs is starting the new century determined to step up growth by using every opportunity to expand its businesses. Moreover, due to the resources released by its innovative economic model, in June 2001, Chargeurs will launch a second public share buyback offering that will involve 28.4% of share capital, excluding treasury stock.

Eduardo Malone
March 2001

1 **EDUARDO MALONE**
Chairman and Chief Executive Officer

2 **JEAN-CHRISTOPHE GIRAUD**
Managing Director, Chargeurs Wool

3 **LAURENT DEROLEZ**
Managing Director,
Chargeurs Protective Films

4 **SERGIO COIMBRA**
Managing Director, Chargeurs Fabrics

5 **BERNARD VOSSART**
Managing Director, Chargeurs Interlining

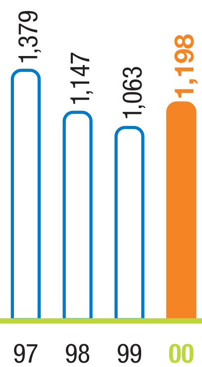
6 **MARTINE ODILLARD**
Vice-President, Human Resources
and Corporate Communications

7 **ROLAND BELLANDE**
Vice-President, Finance

8 **PHILIPPE HAROCHE**
Vice-President, General Counsel

9 **CHRISTOPHE POTHIER**
Vice-President, Corporate Development

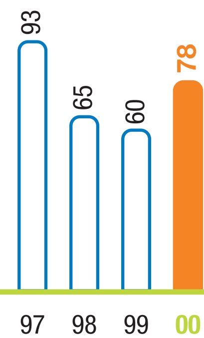
Key Figures



Sales

(in € millions)

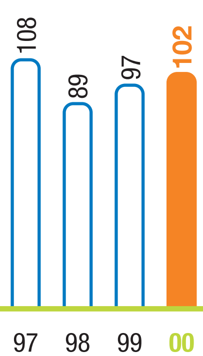
Brisk business in Asia and the Americas led to a 12.7% rise. Excluding the "Ivex acquisition", the rise was 7.2%.



Operating income

(in € millions)

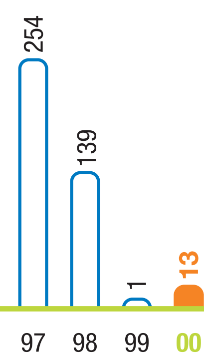
The 30% rise was due to an improvement in world wool operations in 2000 and Dolly's positive impact.



Cash flow
Net income + depreciation

(in € millions)

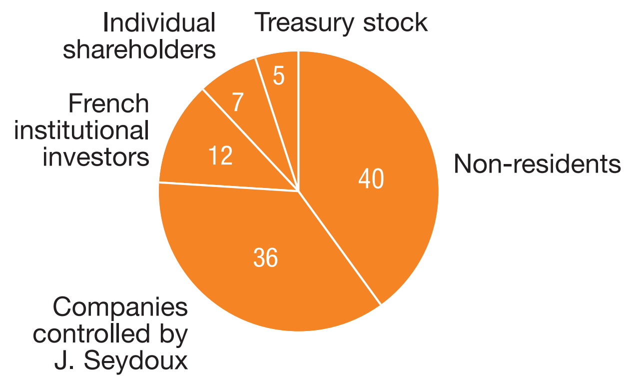
In 2000, cash flow totaled € 102 million and working capital requirement shrank by € 23 million, enabling the "Ivex acquisition" to be almost entirely self-financed.



Net indebtedness

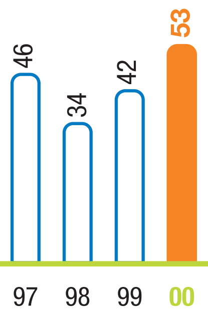
(in € millions)

Low net indebtedness was partly attributable to the implementation of the Dolly process since 1999.



Capital ownership

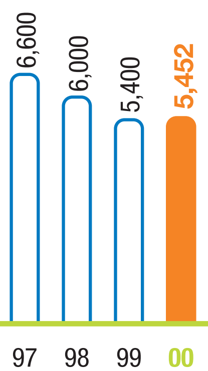
(in %, share ownership survey of January 31, 2001)



Net income

(in € millions)

Net income was up 26.2%, providing a net margin of 4.4%.



Employees

(at December 31, 2000)

The addition of US Ivex employees and Drummond's British employees offset the reductions stemming from the Fabrics refocusing plan.

Per share data

(in €)	1997	1998	1999	**2000**
Consolidated shareholders' equity [1]	75.92	75.46	90.17	**102.60**
Consolidated net income [1]	6.25	4.73	6.37	**9.00**
Parent company net income [1]	1.68	1.98	12.85	**44.67**
Net dividend	1.45	1.45	2.13	**2.13**

(1) Calculated based on average number of shares outstanding.

Dividend payment

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

(in €)	1997	1998	1999	**2000**
Dividend	1.45	1.45	2.13	**2.13**
Tax credit	0.72	0.72	1.07	**1.07**
Total	2.17	2.17	3.20	**3.20**

Share performance and additional information: page 18.

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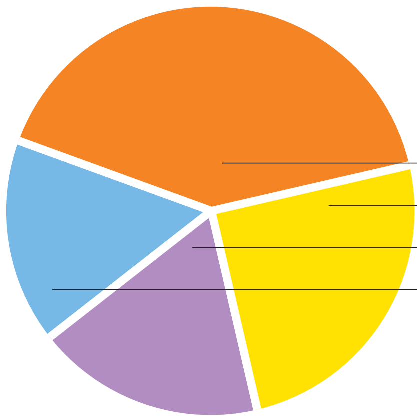
Businesses



Sales breakdown by business

(in € millions)

494 Chargeurs Wool

300 Chargeurs Interlining

215 Chargeurs Fabrics

189 Chargeurs Protective Films

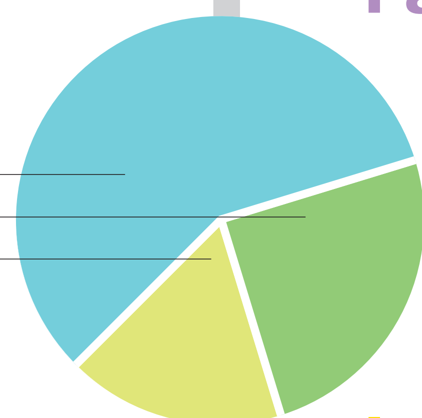
Sales breakdown by geographic area

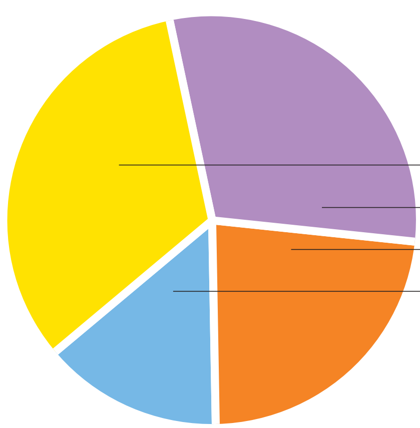
(in € millions)

700 Europe

292 Asia

206 Americas





Headcount by business

(at December 31, 2000)

1,777 Chargeurs Interlining

1,648 Chargeurs Fabrics

1,236 Chargeurs Wool

791 Chargeurs Protective Films

Wool

Fabrics

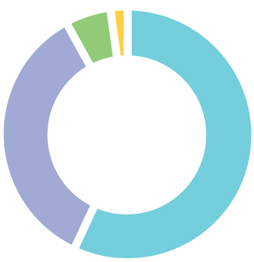
Interlining

Protective Films

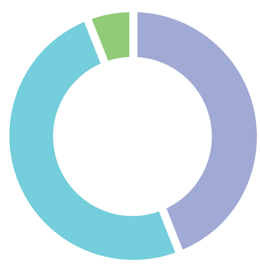
2000 sales

2000 headcount

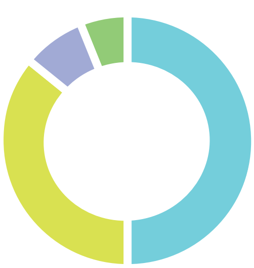
49%	Europe	25%
39%	Asia	35%
12%	Americas	28%
	South Africa	12%



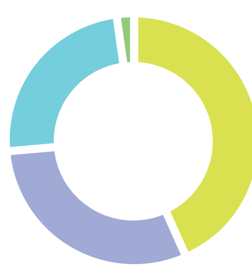
35%	France	44%
57%	Rest of Europe	50%
6%	Asia	6%
2%	Americas	



52%	Europe	62%
30%	Asia	23%
18%	Americas	15%



8%	France	30%
50%	Rest of Europe	25%
6%	Asia	1%
36%	Americas	44%



CHARGEURS Wool

A world leader in its business, Chargeurs Wool specializes in topmaking, which consists in designing blends containing the grades of wool that best meet the needs of the spinners in its customer base, then transforming them into wool tops through its global network of wool processing facilities.

Strategy Chargeurs Wool's strategic objectives include controlling price volatility and cyclical demand, enhancing profitability by deriving benefit from its worldwide architecture and reducing capital employed, while building up market share. Implementing various phases of the innovative Dolly system could only take place once substantial risk reduction initiatives were complete.
Secure contract management and strict financial control have reduced capital employed substantially.
Dolly has given Chargeurs Wool a competitive lead on all markets by enabling it to focus all its energies into its core business of topmaker.

Against a market backdrop that is increasingly demanding in terms of products, price, lead times and services, Chargeurs Wool is leveraging its strengths in a market previously characterized by surplus supply. Sector consolidation now offers a promising, profitable outlook.

Key Figures

(in € millions)
Sales
Operating income
Capital expenditure
Depreciation

Operating income triples

Dolly

1997	1998	1999	**2000**
664	466	436	**494**
27	2	7	**20**
8	9	8	**11**
21	16	16	**14**

Wool's competitive edge

With a 13.3% increase in sales, this business showed a solid performance in 2000. Operating income nearly tripled, up from € 7 million in 1999 to € 20 million in 2000 as a result of far-reaching business re-engineering.

Following on from the Dolly launch in 1999, which took the form of the securitization of raw materials inventory, contracts and receivables, 2000 saw a second step to the program, with an increase in supplier credit and the securitization of production equipment. This mechanism is designed to trim capital employed and reduce the impact of cyclical demand on results.

In 2000, the Dolly program freed up € 69 million in cash, which reduced Chargeurs Wool's capital employed by the same amount. In two years, the Dolly program has garnered a € 228 million cash inflow.

2000 saw a return to a situation not encountered for several years. Firstly, wool supply and demand are converging after a ten-year period, during which the market had to absorb a large quantity of the Australian wool surplus. The 1980s Australian Wool price protection system was the reason for expanded stock levels at a time when world demand for wool declined, primarily due to the crisis in the USSR in 1990.

Wool is currently well placed relative to its competitors, cotton and synthetic fibers. The wool/fibers price ratio is currently 2.5. In 1997, the ratio was 4. Wool consumption held firm, in 2000, lifted by a booming world economy and the fashion trend for natural fibers.

In 2001, the outlook for business is good and Chargeurs Wool's efficient manufacturing and marketing network allows it to derive benefit from this new economic configuration.

Chargeurs Fabrics

An expert producer of woollen blends, Chargeurs Fabrics offers designers and retailers of men's and womenswear a broad range of creative products, which embraces both classic and modern fabrics. The new creations respond to the market's demand for fabrics that combine comfort and easy care.

Strategy Chargeurs Fabrics objectives, namely anticipating the needs of its apparel industry customers, keeping in step with fashion and market trends and offering innovative products, require rapid response and an on-going capability to adapt to change. Backed by its sound expertise in creative fabrics, Chargeurs Fabrics is redefining its structures by seeking an optimum balance between innovation and maintaining its competitive edge. The goal is to enhance the most competitive resources and operations in order to improve customer service. Chargeurs Fabrics is focussing on high performance companies and on building up positions on mass-markets, spurring a continuing search for new partnerships. In order to expand its product offering to include non-wool fabrics, Chargeurs Fabrics is investing in research into innovative blends, reflecting apparel market trends.

Key Figures

(in € millions)
Sales
Operating income
Capital expenditure
Depreciation

8 star brands

Drummond acquisition

Sales in € millions

215

Operating income in € millions

10

	1997	1998	1999	**2000**
	293	259	215	**215**
	24	20	11	**10**
	18	12	5	**3**
	15	11	11	**10**

Lepoutre-Ternynck merger

2000 sales held firm at € 215 million. The refocusing plan begun at the end of 1999 was completed during the year, stemming the impact of the Asian crisis and allowing Chargeurs Fabrics to withdraw from heavily loss-making companies.

Operating income was stable compared with the prior year despite intense price pressure. The Ternynck acquisition and subsequent merger with Lepoutre to form a new company with sales of some € 46 million, steps up Chargeurs Fabrics' capabilities to develop a more responsive, higher fashion product offering. Chargeurs Fabrics bolstered its presence in the United Kingdom along with its positions in the mass-market segment by acquiring a 74% interest in UK company Drummond.

Chargeurs Fabrics also extended the international reach of its manufacturing and sales facilities and enhanced its customer service capabilities with operations in Morocco, Eastern Europe and China. Since 2000, Chargeurs Fabrics has focused on 8 brands: Avelana, Lepoutre-Ternynck and De Cathalo for womenswear; Roudière, A. Fiandeira and Drummond for menswear; Laina for China and RoXCLana for casualwear.

The outlook for 2001 is good, particularly since colour is back for winter after more minimalist, basic looks less in tune with Chargeurs Fabrics' style.

The drive to bolster operations will continue in 2001, with acquisitions that will pave the way for capturing new market shares, increased innovation and enhanced customer service. The C2N Textile Service joint-venture set up via a partnership agreement with Najberg in early 2001 is the first illustration of this strategy.

CHARGEURS
Interlining

Interlining, a highly technical product that is generally inserted between fabrics and linings using fusible fixing processes, plays a major role in the shape and suppleness of garments. Chargeurs Interlining is the world leader in woven interlinings and is also a significant player in non-woven interlinings. It develops a complete range of products suited to a host of fabrics and garments.

Strategy Chargeurs Interlining is aiming to underpin its world leadership position in a fast-paced market driven by the fabrics and apparel sectors. The three guiding principles for its strategy are expanded international reach, enhanced competitive edge and rapid response. With cost and service as prime concerns, Chargeurs Interlining is seeking out the most competitive locations in Asia and Europe. The global objective of stepping up returns requires a reduction in capital employed by way of the Dolly program.

At the same time as reasserting its leadership in woven interlining and building up its positions in non-woven interlining, Chargeurs Interlining is harnessing its energies into diversifying its operations by leveraging its coating expertise.

Key Figures

(in € millions)
Sales
Operating income
Capital expenditure
Depreciation

+20.8% operating income

Dolly

1997	1998	1999	**2000**
324	320	298	**300**
36	27	24	**29**
22	27	7	**5**
21	22	23	**17**

Proline

A sharp 20.8% increase in operating income, on steady sales along with a substantial reduction in borrowings, down 66%, were proof of Chargeurs Interlining's return to healthy profitability in 2000. These high performances were the result of a major cost-cutting drive begun at the first signs of the Asian crisis. The drive ended in 1999, having paved the way for Chargeurs Interlining to be one of the first to reap the benefits of the recovery, which was initially strongest in Asia, particularly in China and Korea.

This year's good results were all the more noteworthy since they were achieved in spite of a sharp rise in raw materials costs.

The search for more competitive operating locations from both a cost and market proximity standpoint continued, particularly in the Czech Republic for core activities producing woven and spun interlinings geared to the European market.

2000 also saw the roll-out of the Dolly program to Chargeurs Interlining. Securitization of manufacturing facilities garnered a cash inflow of € 61 million, reducing capital employed by the same amount.

Proline, a technical fabric that is the result of diversification initiatives continued to gain ground and won favour from the very demanding government sector.

Two major trends point to a more optimistic outlook for 2001. European markets should join the recovery in Asia while fashion, particularly womenswear, is showing a return to more structured garments, with a greater call for interlining.

CHARGEURS Protective Films

Chargeurs Protective Films specialises in designing, producing and selling self-adhesive films for temporary protection of surfaces. Its products are used in the building, household appliance and transportation industries to ensure that the materials covered emerge from machining, assembly, transportation or storage with a perfect finish.

Strategy As a world leader, Chargeurs Protective Films is continuing to build positions in Europe, America and Asia with the objective of a balanced mix of services across these three continents. At the same time, it is rounding out its offer in terms of increasingly innovative products as well as services tailored to customer needs. Chargeurs Protective Films has implemented commercial and manufacturing structures and more highly tailored services to a new palette of clients, made up of global groups with a broader geographic scope formed by a string of mergers and acquisitions.
International expansion has paved the way for optimal synergies between each geographic location and endowed Chargeurs Protective Films companies with specific strengths on their various markets.

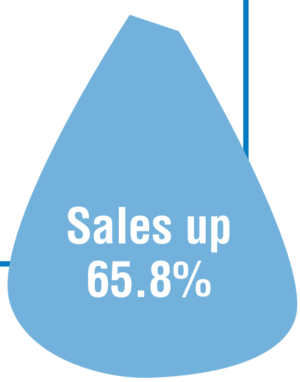
Key Figures

(in € millions)
Sales
Operating income
Capital expenditure
Depreciation

“Ivex acquisition”

World leader

	1997	1998	1999	2000
	98	102	114	**189**
	14	18	22	**24**
	4	3	4	**7**
	5	6	6	**8**



Sales grew 65.8%, operating income climbed from € 22 million in 1999 to € 24 million in 2000, despite a 27% rise in the price of polyethylene, the main raw material. The acquisition in May 2000 of the Protective Film business of US Group Ivex partly explains the sharp rise in sales. On a like Group structure, sales were up 15%.

The acquisition is in line with the Group's strategy of seizing opportunities for growth that also create value. With sales of € 105 million, a 385 headcount and manufacturing facilities located in Massachusetts, Ohio and Illinois, Ivex is the US leader with 25% market share in the United States, Canada and Mexico.

This major acquisition propels Chargeurs Protective Films to a world leadership position by rounding out its robust European positions with a strategic lead in the US market. This bolstered presence goes hand in hand with product fit and scope for profitable synergies.

In Asia, Chargeurs Protective Films has set foot in China, with a service centre in Shanghai and has opened an office in Seoul, Korea.

Chargeurs Protective Films also reorganised its sales and marketing networks in the United States, Germany, Italy, France, the United Kingdom and Mexico.

2001 will see the consolidation of the "Ivex acquisition" as sales and manufacturing synergies are built between US-based operations and European structures. In Asia, a market comparable in size to the US, Chargeurs Protective Films has selected organic growth as the way forward.

Financial statements

in €

Contents

Financial position

Sales grew 12.7%

Aggregate growth of € 135 million breaks down as € 58 million for Chargeurs Wool and € 75 million for Chargeurs Protective Films. Like-for-like growth for Protective Films was 15%, the acquisition of the US Group Ivex's protective film division, consolidated as of May 25, 2000, contributed additional sales of € 58 million.

The hardening of the dollar relative to the euro had a positive impact of some 3%.

The acquisition mentioned above has slightly altered the geographic sales distribution, lifting the Americas to represent 17% of total sales. The United States has become the Group's fourth largest market after Italy, France and China.

Operating income 30% ahead

€ 13 million of the € 18 million increase was attributable to Chargeurs Wool which enjoyed a more favourable international context over the past two years. Chargeurs Interlining, which again recorded substantial productivity gains in 2000, made a € 5 million contribution. The operating margin rose from 6% to 7%.

Operating income after interest rose in line with operating income

Interest expenses increased by only € 2 million despite the "Ivex acquisition" in an amount of US$ 113 million, due to the decrease in other borrowings items.

Non-recurring items came to € 17 million and included the cost of manufacturing reorganisation measures including business disposals and the write-down of manufacturing assets.

Net income advanced by 26.2% and net margin was 4.4%.

Cash flows generated by operating activities were € 104 million.

Cash flows of € 81 million were rounded out by a € 23 million reduction in working capital need. At € 104 million, cash flows from operating activities were almost identical to cash used by investing activities of € 103 million, including the "Ivex acquisition" for € 122 million.

The balance sheet was substantially reshaped over the year.

Property, plant and equipment declined by € 67 million subsequent to the implementation of Dolly 4. Furthermore, net expenditure of € 19 million was much lower than depreciation of € 48 million. Expenditure in coming years will be either identical to or less than the 2000 figure, in view of the Dolly mechanisms implemented.

Bank borrowings were kept low, at € 13 million, despite the "Ivex acquisition", which reflects the balanced net cash position referred to above.

The € 13 million total includes € 103 million in medium-term investments carried under loans and advances in the balance sheet.

Almost 50% of bank borrowings are now contracted over the medium term, thereby strengthening the Group's financial structure.

Roland Bellande
Vice-President, Finance

Stock market information

Movements in share capital since January 1, 2000

At March 31, 2001, the company's share capital stood at FF 615,000,000 (€ 93,756,146), divided into 6,150,000 shares with a par value of FF 100 (€ 15.24).
Since January 2001, there have been no changes to share capital.

Public share buyback offer

A proposal to buy back shares prior to cancelling them was announced in March 2001. The proposal will be voted on at the Annual General Meeting of May 31, 2001. The offer is set to take place in June 2001 and will concern 1,650,000 shares or 28.4% of Chargeurs' share capital, excluding treasury stock at a price of € 92 (FF 603,48) per share including dividend rights. Pathé, Chargeurs main shareholder, has already stated that it will tender 50% of its holding to the offer.

Treasury Stock

(art. 217.4.3 of the July 24, 1966 Companies Act)

Shares held in treasury stock at December 31, 1999	377,756
Shares cancelled during the year	303,180
Shares purchased during the year (1)	267,256
Shares sold during the year (2)	9,364
Shares held in treasury stock at December 31, 2000 (3)	332,468
	Representing 5.4% of share capital

(1) Shares acquired to stabilize the market price (average purchase price: € 59.15 per share, transaction costs: € 32,315).
(2) Shares sold subsequent to the exercise of employee stock option plans: 9,350 shares at an average purchase price of € 27.2 per share and 14 shares at € 53.2.
(3) Value at purchase price: € 18,626,325.

Number of shares held by companies owned by Chargeurs at December 31, 2000: 0

Performance per share

in €	2000	1999	1998	1997
Consolidated shareholders' equity (1)	102.60	90.17	75.46	75.92
Consolidated net income (1)	9.00	6.37	4.73	6.25
Parent company net income (1)	44.67	12.85	1.98	1.68
Net dividend	2.13	2.13	1.45	1.45

(1) Calculated based on the average number of shares in circulation for the year.

Dividend payment

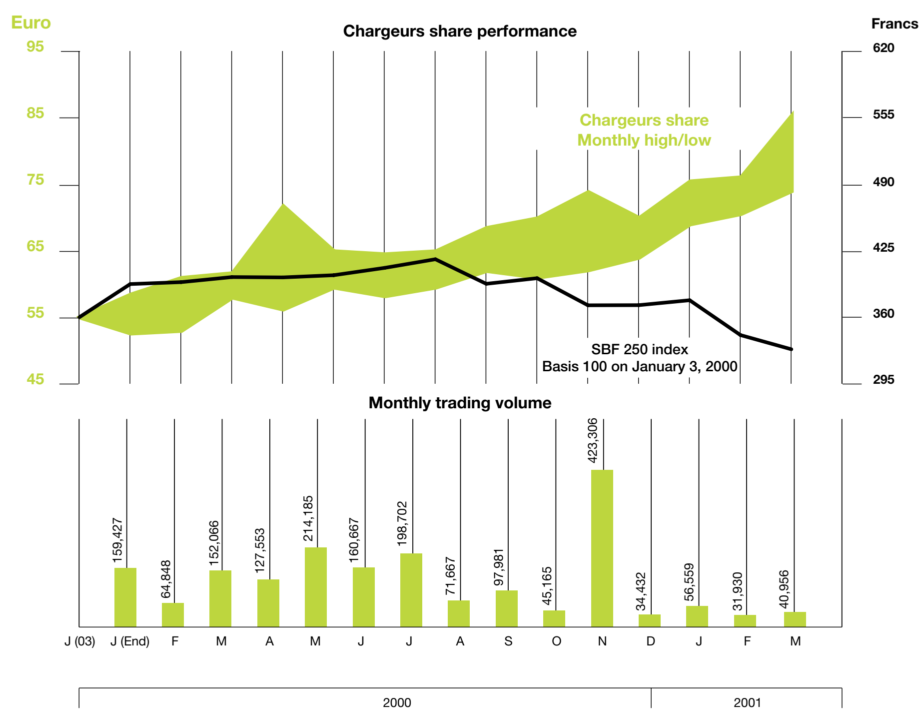
(Art. 47 of the July 12,1965 Companies Act)

in €	2000	1999	1998	1997
Dividends	2.13	2.13	1.45	1.45
Tax credit	1.07	1.07	0.72	0.72
Total	3.20	3.20	2.17	2.17

Shareholders owning more than 5% of share capital

(at December 31, 2000)	Number of shares	% interest	% voting rights
Pathé	1,993,149	32.41%	48.21%
Ojej	221,980	3.61%	5.64%
Jérôme Seydoux	9,447	0.15%	0.24%
The Baupost Group *	838,764	13.64%	10.65%
Oakmark Fund *	508,266	8.26%	6.46%

*American investment funds.



Consolidated balance sheets

At December 31, 2000 and 1999 (in € million)

Assets

Assets	2000	1999
Investments and other non-current assets	**515.7**	**452.9**
Goodwill–net (note 4)	137.0	51.2
Other non-current assets	9.4	8.7
Property, plant and equipment (notes 5-6)	208.6	275.8
Investments (note 7)		
Investments in non-consolidated companies	16.2	21.5
Loans and advances	135.5	86.4
Investments accounted for by the equity method (note 8)	9.0	9.3
Current assets	**623.2**	**540.9**
Inventory and work-in-progress (note 9)	258.7	241.5
Accounts receivable–trade	143.1	144.5
Other receivables and accruals		
Deferred taxes (note 13)	80.7	65.1
Other receivables and prepaid expenses	140.7	89.8
Marketable securities and short-term deposits	119.5	70.9
Cash at bank and in hand	113.3	98.8
Total assets	**1,371.7**	**1,163.5**

Liabilities and shareholders' equity

Liabilities and shareholders' equity	2000	1999
Shareholders' equity	**608.7**	**581.9**
Share capital (note 10)	93.8	98.4
Additional paid-in capital	30.2	32.0
Retained earnings and additional paid-in capital	461.9	444.3
Net income	53.3	42.0
Other:		
Foreign currency translation adjustments	(11.9)	(15.4)
Treasury stock (note 10)	(18.6)	(19.4)
Minority interests	**2.4**	**6.2**
Provisions for contingencies and charges (note 12)	**49.6**	**41.5**
Borrowings	**711.0**	**533.9**
Long-term liabilities		
Long-term debt (note 14)	151.4	62.7
Current portion of long-term debt (note 14)	54.3	36.0
Credit lines and bank overdrafts	143.1	144.8
Accounts payable–trade	173.2	127.0
Other liabilities and accruals (note 13)		
Deferred income taxes	32.3	49.5
Other	156.7	113.9
Total liabilities and shareholders' equity	**1,371.7**	**1,163.5**

The accompanying notes (pages 23 to 31) form an integral part of the consolidated financial statements.

Consolidated statements of income

Years ended December 31, 2000 and 1999 (in € million)

	2000	1999
Net sales	**1,198.3**	**1,063.1**
Cost of sales	(935.3)	(826.4)
Selling expenses	(117.1)	(113.0)
General and administrative expenses	(67.7)	(63.6)
Operating income	**78.2**	**60.1**
Interest expense, net	(12.7)	(10.7)
Operating income after interest expense	**65.5**	**49.4**
Other income and expense (note 15)	(16.9)	(11.6)
Income taxes (note 16)	14.3	11.6
Net income of consolidated companies	**62.9**	**49.4**
Equity in net earnings of affiliated companies (note 8)	(0.2)	(1)
Amortization of goodwill (note 4)	(8.4)	(5.4)
Net income before minority interests	**54.3**	**43.0**
Minority interests	(1.0)	(1.0)
Net income	**53.3**	**42**
Net earnings per share	9.0	6.37
Weighted average number of shares outstanding	5,926,943	6,588,578

N.B.: Fully diluted earnings per share are practically identical to earnings per share prior to dilution.

The accompanying notes (pages 23 to 31) form an integral part of the consolidated financial statements.

Consolidated statements of shareholders' equity

Years ended December 31, 2000 and 1999 (in € million)

	Share capital	Additional paid-in capital & retained earnings	Foreign currency translation adjustment	Total
Balance at December 31, 1998	**117.5**	**534.9**	**(39.1)**	**613.3**
Foreign currency translation adjustment in 1999			23.7	23.7
Dividends		(8.7)		(8.7)
Précompte=equalization tax		(1.2)		(1.2)
Gains on sale of Chargeurs shares held in treasury stock	–	0.2	–	0.2
Capitalization of reserves	–	–	–	–
Capital reduction	(19.2)	(48.9)	–	(68.0)
1999 consolidated net income		42.0	–	42.0
Balance at December 31, 1999	**98.4**	**518.3**	**(15.4)**	**601.3**
Foreign currency translation adjustment in 2000	–	–	3.5	3.5
Dividends		(12.5)		(12.5)
Précompte=equalization tax		(2.3)		(2.3)
Capital reduction	(4.6)	(11.4)		(16)
2000 consolidated net income		53.3		53.3
Balance at December 31, 2000	**93.8**	**545.4**	**(11.9)**	**627.3**

The accompanying notes (pages 23 to 31) form an integral part of the consolidated financial statements.

Consolidated statements of cash flows

Years ended December 31, 2000 and 1999 (in € million)

	2000	1999
Cash flows from operating activities		
Net income of consolidated companies	62.9	49.4
Elimination of income and expense with no impact on cash or not related to operations		
Depreciation	48.5	56.2
Provisions for contingencies and pensions	(1.5)	(9.9)
Deferred income taxes	(32.9)	(14.6)
Gain on disposal of property and investments	2	(3.4)
Other	2	–
Cash flows from consolidated companies	81	77.7
Dividends from affiliated companies	–	1.1
Change in working capital from operations (1)	22.5	147.7
Net cash provided by operating activities	**103.5**	**226.5**
Cash flows from investing activities		
Additions to fixed assets		
Property, plant and equipment	(26.2)	(24.5)
Other	(6.7)	(2.2)
Proceeds from disposals of fixed assets (3)	105.9	16.5
Impact of newly consolidated companies (2)	(141.3)	–
Other cash flows from investing activities	(34.6)	(2.9)
Net cash used by investing activities	**(102.9)**	**(13.1)**
Cash flows from financing activities		
Dividends paid to shareholders of the parent company	(14.9)	(10)
Dividends paid to minority shareholders	(2.8)	(1.8)
Increase/(decrease) in capital	(4.6)	(68)
(Purchases)/sales of Chargeurs shares held in treasury stock	0.8	3.7
Increase in credit lines and bank borrowings (4)	128.2	–
Decrease in credit lines and bank borrowings	(41.6)	(153.2)
Other cash flows from financing activities		(0.9)
Net cash provided by/(used by) financing activities	**65.1**	**(230.2)**
Net increase/(decrease) in cash and cash equivalents	**65.7**	**(16.8)**
Cash and cash equivalents at beginning of year	170.9	189.5
Cash and cash equivalents at end of year	232.8	170.9
Effects of exchange rate changes on cash and cash equivalents	(3.8)	(1.8)

(1) Excluding the increase in working capital requirement due to the consolidation of Ivex and Drummond.

(2) Acquisition cost of these companies plus their negative cash position i.e. "Ivex" € 122 million and Drummond € 19 million.

(3) Disposals in connection with the outsourcing of plant and equipments at Chargeurs Wool and Chargeurs Interlining via the Dolly 4 program.

(4) Borrowings to finance the Ivex acquisition.

Notes to the consolidated financial statements

1. Accounting policies

The consolidated financial statements of Chargeurs are prepared in accordance with accounting laws and regulations applied in France. The new French accounting rule no. 99-02 has been applied since January 1, 2000. It has no material impact on the financial statements for the year 2000 and does not prohibit meaningful comparisons.
As allowed under the provisions of rule 99-02, acquisitions and divestments made in prior years have not been restated based on the new principles.
The financial statements are also prepared in accordance with generally accepted accounting principles of the United States in all material respects with the exception of discounting of deferred taxes which led to an expense of € 2.7 million over the period. Income calculated based on US GAAP is presented in note 22.
The Group did not apply FAS 133 in respect of reporting for financial instruments ahead of time in 2000.
The financial statements of subsidiaries are prepared in accordance with the accounting principles of the countries in which they operate and are adjusted, prior to consolidation, to bring them in line with Group accounting policies.

1.1 Consolidation

The financial statements of significant subsidiaries in which Chargeurs owns, either directly or indirectly, more than 50% of the voting rights, are fully consolidated.
Companies that are more than 20%-owned and over which Chargeurs exercises significant influence are accounted for by the equity method.
Investments that meet the above criteria but are not intended to be held on a long term basis, and investments in companies over which the Group does not exercise significant influence are stated at cost less any provision considered necessary.
Specific companies set up for the purposes of the Dolly program and presented under that name in the management report are not consolidated in view of the financing structures implemented in this connection.
All material intercompany transactions are eliminated on consolidation.

1.2 Property, plant and equipment

Property, plant and equipment are stated at cost, including capitalized interest (note 1.3) and allocated goodwill (note 1.4). The impact of the statutory revaluation has been eliminated from the consolidated financial statements.
Depreciation is calculated by the straight line method over the estimated useful lives of the assets as follows:
- buildings: 15 to 40 years;
- plant and equipment: 4 to 8 years;
- fixtures and fittings: 5 to 10 years;

Leases that transfer substantially all the risks and rewards arising from ownership of an asset are capitalized. The capitalized amount corresponds to the fair value of the leased property and is amortized in accordance with the above policy.
Gains on sale-leaseback operations are deferred and credited to income over the lease term. Losses resulting from under-depreciation of the underlying assets are charged against income for the year in which the contract is signed.

1.3 Capitalized interest

Interest costs borne by the Group, both on specific debts and other sources of finance, during the period necessary to bring an asset to the condition and location for its operation, are capitalized as part of the cost of the asset concerned.

1.4 Goodwill and intangible assets

The positive or negative difference between the cost of an investment in a consolidated subsidiary and the Group's share in the investee's net equity at the date of acquisition is allocated, to the extent possible, among the assets and liabilities of the subsidiary. The unallocated difference is classified as goodwill and amortized by the straight-line method over a period not exceeding 20 years.
Other intangible assets are recorded under "Other non-current assets" and amortized by the straight-line method over periods corresponding to the legal rights attached thereto or over their estimated useful life, not to exceed 20 years.

1.5 Inventories

Inventories, with the exception of those held by companies engaged in wool trading and processing (note 1.7), are carried at the lower of cost or market. Cost corresponds to weighted average cost.

1.6 Foreign currency translation

The accounts of foreign subsidiaries are stated in the functional currency used in their operations.
Assets and liabilities denominated in currencies other than the French franc are translated at year-end exchange rates and income statement items are translated at weighted average exchange rates. The resulting translation difference is recorded as a separate component of shareholders' equity, "Foreign currency translation adjustments" with the translation difference due to minority interests being reported under minority interests.
In the case of foreign subsidiaries whose functional currency is the French franc, assets and liabilities denominated in foreign currency are translated according to the monetary/non-monetary concept. Under this concept, assets and liabilities carried at cost in the balance sheet (mainly fixed assets, inventories and securities not written down by provisions) are translated at the historical exchange rate and assets and liabilities carried at net realizable value (cash, short and long-term loans and borrowings, and inventories and securities written down by provisions) are translated at the year-end rate.

Exchange differences resulting from transactions in currencies other than the functional currency are recorded in the consolidated statement of income, with the exception of those relating to long-term intercompany financing transactions and the hedging of specific net foreign currency commitments, which are recorded in shareholders' equity under "Foreign currency translation adjustments".

1.7 Results for Chargeurs Wool

For operations outside the Dolly mechanism.
Inventories held by companies engaged in wool trading and processing and open market positions on buy and sell contracts with settlement dates after the year-end are valued at the market price quoted for wool on the balance sheet date and the resulting unrealized net gain or loss is credited or charged to income for the year for contracts on which settlement is not late or doubtful.
For operations using the Dolly mechanism.
Services provided by Chargeurs are recognized in the year when the finished goods are delivered to the end client by CWP.

1.8 Research and development costs

Research and development costs are expensed as incurred.

1.9 Repair and maintenance costs

Repair and maintenance costs are expensed as incurred.

1.10 Deferred income taxes

Certain adjustments made to the financial statements of subsidiaries to bring them in line with Group accounting policies and timing differences in the recognition of certain income and expenses for financial reporting and tax purposes give rise to deferred taxes which are recorded in the consolidated financial statements by the liability method.
These differences are primarily due to differences in depreciation policies or to tax regulated deductions and give rise to the recording of deferred tax assets or liabilities based on any difference between book income and taxable income.
Deferred tax assets arising from deductible timing differences, consolidation adjustments or tax loss carryforwards are recognized only if it is more likely than not that they will be realized.
Deferred tax assets and liabilities are adjusted for changes in tax rates and tax laws when changes are enacted.
Deferred tax assets and liabilities are offset within each company or taxable entity.
The retained earnings of consolidated subsidiaries are considered to be permanently re-invested and withholding taxes, where applicable, are provided for in the consolidated financial statements only in connection with dividends for the year, to be received in the following year.

1.11 Retirement bonuses and pensions

The pension liabilities of certain consolidated subsidiaries under supplementary pension schemes, and the various statutory amounts payable to employees upon retirement are provided for in the consolidated balance sheet under "Provisions and other long-term liabilities".
The pension commitments of certain companies of the Group are covered by insurance plans. The cumulative amount of the premiums paid is taken into account in computing the future liability under these plans.

1.12 Operating income after interest

Operating income after interest is comprised of income from ordinary activities including routine restructuring costs.
"Other income and expense" includes non-recurring items from ordinary activities including costs relating to disposals of a business or businesses, provisions for contingencies and charges and amounts paid as prescribed by law to employee profit-sharing and incentives which vary depending on income for the year. It also includes extraordinary items.

1.13 Earnings per share

Consolidated net earnings per share are computed by dividing net earnings for the period by the weighted average number of shares outstanding, representing the number of shares issued less the average number of shares held in treasury stock.
The dilution resulting from employee stock options or stock warrants is taken into account in computing the weighted average number of shares outstanding from the date on which the options were granted or the warrants were issued, in cases where the subscription price is below the market price of Chargeurs shares.

1.14 Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents are comprised of cash, bank balances and short-term investments available to consolidated companies within a period of less than three months.
The market value of these items is close to their book value in view of their very short-term nature.

2. Business acquisitions

Chargeurs Protective Films acquired the US Group Ivex's protective film activities in an amount of USD 113 million, or FF 803 million at the year-end rate. These businesses were purchased by two operating companies, Ivex Novacel and Ivex Chargeurs, and the shares are held by Chargeurs Protective Films Inc.
The operating companies are 100%-held by Novacel and have been fully consolidated as of the May 25, 2000 acquisition date.
Chargeurs Fabrics acquired Ternynck in March 2000. Chargeurs Fabrics also increased its investment in the UK company Drummond from 23% to 74%. Drummond has been fully consolidated as of October 1, 2000.
The Ivex acquisition provided additional sales of €58.4 million and additional operating income of € 3 million.
The impact of acquisitions and divestments at Chargeurs Fabrics was not material.

3. Business disposals

Chargeurs Fabrics sold PJT Industries and FTL in first-half 2000. Chargeurs Fabrics also sold its German subsidiaries (Irmen, Piko and KWC), effective July 1, 2000.

4. Goodwill - Net

Goodwill can be analyzed as follows at December 31, 2000 and 1999:

(in € million)	**2000**	1999
Cost	296	201
Amortization	(159)	(149.8)
Net	**137**	**51.2**

Movements in goodwill for 2000 reflected the acquisition of the Ivex Group's protective film activities (note 2) and the increase in the investment of Drummond (note 2) as well as the charge to amortization for the year.
Goodwill relating to the protective film business amounted to € 81.9 million. The realizable value of this asset exceeds its book value.

5. Property, plant and equipment

Property, plant and equipment can be analyzed as follows:
at December 31, 2000:

(in € million)	**France**	**Foreign**	**Total**
Land	2.6	19.2	21.8
Buildings	41.6	100.6	142.2
Plant and equipment	112.0	244.7	356.7
Fixtures, fittings and other	19.3	21.2	40.5
Fixed assets in progress	4.1	2.3	6.4
Cost	**179.6**	**388**	**567.6**
Accumulated depreciation	(129.7)	(229.3)	(359)
Net	**49.9**	**158.7**	**208.6**
Depreciation for the year	(20.3)	(28.2)	(48.5)

at December 31, 1999:

(in € million)	**France**	**Foreign**	**Total**
Land	3.0	19.1	22.1
Buildings	44.4	94.2	138.6
Plant and equipment	251.6	338.7	590.3
Fixtures, fittings and other	21.5	22.5	44
Fixed assets in progress	2.8	6.1	8.9
Cost	**323.3**	**480.6**	**803.9**
Accumulated depreciation	(225.7)	(302.4)	(528.1)
Net	**97.6**	**178.2**	**275.8**
Depreciation for the year	(25)	(30.6)	(55.6)

6. Leases

Property, plant and equipment include the following assets under capital leases (note 1.2):

(in € million)	**2000**	1999
Buildings	1.1	1.1
Plant and equipment	6.4	7.8
Fixtures, fittings and other	–	0.1
Cost	**7.5**	**9**
Accumulated depreciation	(5.3)	(8.8)
Net	**2.2**	**0.2**

In addition, Chargeurs has entered into certain long-term leases qualified as operating leases.
Repayment commitments under non-cancelable leases were as follows at December 31, 2000:

(in € million)	**2000**	1999
Current rentals		
2001	18.3	0.7
2002	18.0	0.4
2003	17.9	0.1
2004	17.8	–
2005	17.7	–
Beyond 2005	30.6	–
Total	**120.3**	**1.2**

The increase in 2000 corresponds to sales of fixed assets which are subsequently used under 7-year operating leases as part of the Dolly 4 program.

7. Investments in non-consolidated companies

At December 31, investments in non-consolidated companies broke down as follows:

(in € million)	**2000**	1999
Companies more than 50%-owned by the Group	15.4	15.8
Companies between 20% and 50%-owned by the Group	23.9	32.1
Companies less than 20%-owned by the Group	4.6	2.8
Cost	**43.9**	**50.7**
Provisions	(27.7)	(29.2)
Net	**16.2**	**21.5**

Investments in companies that are more than 20%-owned by the Group, but have not been consolidated or accounted for by the equity method in accordance with the principles outlined in note 1.1, are stated at the lower of cost or net realizable value. Should circumstances change, the Group may decide to consolidate these investments in future years.

Other investments included the following as at December 31, 2000 and 1999:

(in € million)	**2000**	1999
Companies more than 50%-owned by the Group:		
Chargeurs BV	4.7	4.8
Chargeurs Réassurances	2.3	2.2
Barraca	0.3	0.3
Novacel Shanghai	–	0.5
Other	0.9	0.8
Companies between 20%- and 50%- owned by the Group:		
Drummond	–	8.4
Lana Holding	1.1	2.2
Cedetex	0.6	0.6
Lanera Piedra Alta	3.2	0.1
Roussel Desrousseaux	0.6	–
Other	0.2	–
Companies less than 20%-owned by the Group:		
Chamatex	1.2	1.2
Other	1.1	0.4
Total	**16.2**	**21.5**

At December 31, 2000, loans and advances included liquid investments in the form of German sovereign securities in an amount of € 29.7 million and a medium-term note issued by a bank in an amount of € 34.2 million or a total of € 63.9 million. These investments were made over the past three years in order to improve the overall return on investment.

8. Investments accounted for by the equity method

Investments accounted for by the equity method represent ownership interests meeting criteria outlined in note 2.1. Key data concerning these investments are as follows:

(in € million)	**2000**	1999
Net sales	31.6	34.8
Operating income/(loss)	0.5	(2.0)
Net earnings/(loss)	(0.3)	(2.0)
Equity in net earnings/(loss) after amortization of goodwill	(0.2)	(1.0)
Dividends received by the Group during the year	0.3	1.1
Total assets	50.0	60.6

9. Inventories and work in progess

These totaled € 258.7 million net of a € 17.1 million provision to write down inventories to their probable realization value at December 31, 2000 and broke down as follows:

– Raw materials € 113.9 million

– Finished and semi-finished goods € 144.8 million

10. Shareholders' equity

Chargeurs' share capital was reduced to € 93,756,146 on June 30, 2000 from € 98,378,095 at December 31, 1999. It breaks down as 6,150,000 shares with a par value of € 15.24 each.

The foreign currency translation adjustment for euroland countries amounted to € 8.8 million.

At December 31, 2000 Chargeurs owned 332,468 treasury stock.

11. Effects of the demerger

Net assets at January 1, 1996 included gains of € 11.4 million realized on the sale of shares in the former Chargeurs which were held in connection with stock option plans and a € 8.1 million provision covering the difference between the market price of the shares and the price at which they were sold to employees. The sale of these shares was required under the terms of the demerger agreement.

Chargeurs completed its share purchase program in 1997. An additional provision of € 3.3 million was recorded to reflect the increase in the value of the shares during the year. This provision was charged against reserves at January 1, 1997 together with the tax impact of these transactions.

The provision was reduced to € 1 million at December 31, 2000 due to options exercised by plan beneficiaries during the year.

12. Provisions and other long-term liabilities

In addition to provisions for contingencies and other long-term liabilities, this item includes € 11 million (1999: € 6.7 million) in provisions for retirement bonuses and supplementary pensions (note 1.12).The funded status of pension benefits and retirement bonuses as at December 31, 2000 and 1999 was as follows:

(in € million)	**2000**	1999
Vested benefits	20.3	6.3
Non-vested benefits	8.5	6.3
Accumulated benefit obligation	28.8	12.6
Effect of projected future salary increases	1.7	2.2
Projected benefit obligation	30.5	14.8
Fair value of plan assets	(19.4)	(8.1)
Projected benefit obligation in excess of plan assets	11.1	6.7
Actuarial gains/losses	1	(1.1)
Transition gain/(debt)	(0.8)	1.1
Prior service cost	(0.3)	0.2
Adjustment required to recognize minimum liability		(0.2)
Pension liability recognized in the balance sheet	**11**	**6.7**

Pension expense for the year can be analyzed as follows:

(in € million)	**2000**	1999
Benefits earned during the year	1.2	1.1
Interest cost on projected benefit obligation	(0.5)	0.8
Expected return on plan assets	(0.3)	(1.0)
Net charge for other pension liabilities	0.3	–
Net pension expense for the year	**1.8**	**0.9**

The increase in vested benefits in 2000 stems from the consolidation of the "Ivex" business in 2000 (note 2).
The rate of return on plan assets was 3.9% in 2000 (3.5% in 1999) and the discount rate used to determine the interest cost on the projected benefit obligation was 5.5% (1999: 5 %). The probable retirement age of eligible employees ranges from 60 to 65, with different probabilities for men and women. The mortality tables used are the French TV and TD 88/90.
The policy of Chargeurs is to fund pension liabilities by setting up insurance schemes, wherever possible under local regulations.
Provisions for contingencies in an amount of € 38.6 million include provisions for industrial reorganization in an amount of € 14.2 million and provisions for miscellaneous contingencies in an amount of € 24.4 million.

13. Deferred taxes

The presentation of deferred taxes in the balance sheet has been changed in accordance with the new consolidation rules set out in note 1. Effective 2000, long-term and short-term deferred tax assets and liabilities are no longer presented separately in the balance sheet. Net deferred taxes amounted to € 15.6 million in 1999 and € 48.4 million in 2000.
Deferred tax assets and liabilities have been discounted only to the extent that the time period in which the temporary differences are expected to reverse can be determined with a reasonable degree of accuracy.
The impact of discounting deferred taxes was a € 2.7 million expense in the 2000 accounts.

14. Long-term debt

14.1 Maturities of long-term debt were as follows at December 31, 2000:

(in € million)	**Borrowings**
2002	30.8
2003	26.9
2004	22.3
2005	70.9
Beyond	0.5
Total due beyond one year	**151.4**
Current portion	54.3
Total	**205.7**

at December 31, 1999:

(in € million)	**Borrowings**
2001	38.3
2002	8.8
2003	11.5
2004	1.8
Beyond	2.3
Total due beyond one year	**62.7**
Current portion	36
Total	**98.7**

14.2 The average interest rate on long-term debt, calculated taking into account interest rate swaps, was 7% at December 31, 2000.

14.3 At December 31, 2000 and 1999, long-term debt was denominated in the following currencies:

(in € million)	**2000**	1999
Euro	100.6	63.5
US dollars	102.0	34.4
Pound sterling	3.1	–
Argentinian pesos	–	0.7
New Zealand dollars	–	0.1
Total	**205.7**	**98.7**

15. Other (expense)/income net

Other income and expenses include the following:

(in € million)	**2000**
Gain on disposals of property and investments	2
Loss on disposals of subsidiaries	(4)
Downsizing costs	(6)
Provision for impairment in value of assets	(2.7)
Employee profit-sharing and incentives	(3.3)
Other	(2.9)
Total	**(16.9)**

16. Income taxes

16.1 The net effect of taxes on income for the year can be analyzed as follows:

(in € million)	**2000**	1999
Current taxes	(14.9)	(2.2)
Deferred taxes	29.2	13.8
Net tax charge	**14.3**	**11.6**

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

16.3 The current tax charge represents the tax already paid or currently payable on income for the year, in accordance with the rules and tax rates in force in the various countries in which the Group operates, and taking into account the effect of the fiscal consolidation referred to above (note 16.2).

16.4 Available tax loss carry-forwards can be analyzed as follows:

(in € million)	**2000**	1999
Total tax loss carry-forwards	154.3	180
Tax losses available until:		
2000	–	7.1
2001	2.2	2.3
2002	2.1	3.3
2003	5.0	6.1
2004	41.0	50.6
2005	27.9	–
Without time limit	76.1	110.6

Deferred tax assets are recorded under the balance sheet caption "Other receivables and accruals" in a net amount of € 80.7 million.
Capital losses which can be carried forward at reduced rates amounted to € 152.4 million at December 31, 2000 (€ 80.8 million at December 31, 1999). A provision has been recorded for the total amount of the corresponding deferred tax asset.

16.5 In 2000, taxes on income excluding other expenses and income represented a € 14.3 million benefit (1999: € 11.6 million benefit). The € 29 million favorable difference compares with the theoretical tax charge at the French standard rate of 37.7% and can be explained as follows:
- the reversal of deferred tax liabilities which are no longer applicable in an amount of € 3.4 million;
- the impact of permanent differences between consolidated income and taxable income, mainly due to the deconsolidation of several companies, reduced effective taxation by € 25.9 million.

17. Employee stock options

17.1 At December 31, 2000, employees held 41,845 stock purchase options with a purchase price of € 27.2 allocated under plans prior to 1996.

17.2 The Combined General Meeting of June 21, 1996 authorized the Board of Directors to grant selected employees of the Company and its subsidiaries options entitling them to subscribe to 100,000 new shares. The authorization was valid for five years.

17.3 The Combined General Meeting of May 5, 1998 authorized the Board of Directors to grant selected employees of the Company and its subsidiaries options entitling them to subscribe to 100,000 new shares. The authorization was valid for one year.

17.4 Under the terms of these plans, the Board of Directors granted:
–March 11, 1997– 33,000 shares at a unit price of € 43.4 to 39 beneficiaries.
–September 10, 1997– 6,000 shares at a unit price of € 51.1 to one beneficiary.
–May 5, 1998– 125,000 shares at a unit price of € 61.3 to 90 beneficiaries.
–May 18, 1999– 25,000 shares at a unit price of € 53.2 to one beneficiary.

17.5 The Combined General Meeting of May 18, 1999 authorized the Board of Directors to grant selected employees of the Company and its subsidiaries options entitling them to subscribe to 100,000 new shares. The authorization was valid for one year.
Under the terms of this plan the Board of Directors Meeting on May 18, 1999 allocated 97,800 stock purchase options at a unit price of € 53.2 to 98 beneficiaries.

17.6 The Combined General Meeting of May 2, 2000 authorized the Board of Directors to grant selected employees of the Company and its subsidiaries and directors of the company and companies specified by article 208-4 of the July 24, 1966 French Companies Act, options entitling them to subscribe to 111,000 new shares. The authorization is valid for five years.

Under the terms of this plan the Board of Directors Meeting on May 2, 2000 allocated 110,450 stock subscription options at a unit price of € 56.4 to 104 beneficiaries.

17.7 9,350 stock purchase options granted under the May 11, 1994 plan and 14 stock purchase options under the May 18, 1999 plan were exercised during 2000. As of December 31, 2000, 139,631 stock purchase options and 299,450 stock subscription options were outstanding.

18. Financial instruments involving off-balance sheet risks

Chargeurs and its subsidiaries enter into various forward contracts for the purchase and sale of foreign currencies in the normal course of business, in order to manage the currency risks arising from their activities. At December 31, 2000 outstanding forward purchases and sales totaled, respectively, € 53.8 million and € 245 million. All these contracts are for terms expiring in 2001.
Chargeurs reduces currency risks on income due to fluctuations in euro-dollar exchange rates by setting up manufacturing operations in the dollar zone.
Currency risks on assets and liabilities are reduced by hedging capital located in the dollar zone in cases where the capital is expected to be repatriated to the euro zone in the short-term.
In this connection, financing of 2000 acquisitions from the Ivex Group in an amount of USD 113 million (note 2) was raised in US dollars or converted into US dollar debt by means of a swap, subscribed either by the Group's US subsidiaries or by Novacel and Chargeurs.
Exchange rate fluctuations recorded by Novacel and Chargeurs relate to the hedging of net investment in a consolidated foreign subsidiary and are set off against consolidated shareholders' equity.
The Group has also guaranteed the commitments of certain non-consolidated subsidiaries and other partners. The related amounts are disclosed in note 19 to the consolidated financial statements. As a general rule, these guarantees are not secured by collateral.
Chargeurs considers that the concentration of credit risks within its various businesses is not particularly significant.

19. Commitments and contingencies

19.1 At December 31, 2000, Chargeurs and its subsidiaries were committed to purchasing plant and equipment for a total of € 0.9 million (1999: € 1.4 million). The Group had further guaranteed the debts of non-consolidated subsidiaries in an amount of € 7.3 million.

19.2 Chargeurs does not extend collateral in the form of Group assets in exchange for financing.
The financing of the Ivex acquisition in the US (note 2) is based on a five year loan contracted from a banking syndicate.
As an exception to the general rule set out above and since the related amount has been contracted for a specific acquisition, € 90.6 million in assets has been pledged as collateral.

19.3 In connection with agreements covering no-recourse sales of receivables entered into with various financial institutions, certain Group companies sold receivables totaling € 81.3 million at December 31, 2000 (€ 69.5 million at December 31, 1999).

19.4 At December 31, 2000, Chargeurs and its subsidiaries were involved in various legal proceedings. The risks involved have been examined on a case-by-case basis and, after advice from counsel, provisions have been set up where necessary.

19.5 In connection with the sale of certain subsidiaries, Chargeurs has given guarantees covering undisclosed pre-disposal liabilities. Adequate provisions are set up as soon as it appears likely that payments will be claimed under these guarantees.

19.6 In several countries in which Chargeurs and its subsidiaries conduct their operations, including France, the tax returns for the years not yet time-barred are open to a tax audit (the statute of limitations in France is 4 years).

19.7 In connection with the tax administration authorization dated March 22, 1996 qualifying the Chargeurs Group demerger for tax treatment under the merger rules laid down in Articles 210 A and 210 B of the French General Tax Code, Chargeurs' principal shareholder made a commitment to retain the Chargeurs shares received following the merger for at least five years. The shares in question have been placed in escrow for the five-year period.

19.8 The changeover to the euro by companies in the euro zone should not give rise to any material contingencies.

20. Chargeurs Wool

Inventories held by companies engaged in wool trading and processing and forward contracts are valued at the market price quoted for wool on the balance sheet date (note 1.7). As a result of this restatement at year-end prices, an unrealized net of tax gain of € 1.1 million was credited to 2000 income (1999: gain net of tax of € 0.4 million).

21. Payroll costs and number of employees

The average number of employees of consolidated subsidiaries is as follows:

	2000	1999
Employees in France	1,761	2,169
Employees outside France	3,621	3,396
Total	**5,382**	**5,565**

The corresponding personnel costs amounted to € 150.8 million in 2000 (1999: € 152.8 million). Compensation paid by Group companies to officers of Chargeurs totaled € 0.7 million.

22. Income calculated based on US GAAP

Discounting of deferred taxes is not allowed under US GAAP. Income computed based on US GAAP would have been as follows:

	2000
Net income (French accounting standards)	53.3
Discounting of deferred taxes to be added back to income	2.7
Income calculated based on US GAAP	**56**

23. Information by business segment

(in € million)	Chargeurs Wool	Chargeurs Fabrics	Chargeurs Interlining	Chargeurs Protective Films	Non operating	Consolidated
2000						
Net sales	494.2	215.3	299.5	188.8	0.5	1,198.3
Operating income	20.4	9.6	28.7	23.6	(4.1)	78.2
Net income	–	–	–	–	–	53.3
Segment assets	441.6	183.1	261.3	241.2	269.7	1,388.8
Capital expenditure	11.1	3.2	5.2	7.2	(0.5)	26.2
Depreciation	13.7	9.6	17.3	7.7	0.2	48.5
1999						
Net sales	435.9	215.5	298	113.7	–	1,063.1
Operating income	7.2	11.3	23.7	22	(4.1)	60.1
Net income	–	–	–	–	–	42.0
Segment assets	450.3	153.5	273.9	87.5	198.3	1,163.5
Capital expenditure	8	4.5	7.2	3.9	0.9	24.5
Depreciation	(15.8)	(10.8)	(23.1)	(5.8)	(0.1)	(55.6)

24. Information by geographical area*

(in € million)	France	Europe	The Americas	Asia Pacific and others	Eliminations	Consolidated
2000						
Net sales						
–in the area - third party	144.8	263.3	173.9	122.6	–	704.5
- intercompany	132.6	44.8	56.9	21.0	(253.2)	2.2
–between areas - third party	378.7	35.4	61.0	16.8	–	491.6
- intercompany	135.7	57.0	32.0	133.1	(357.8)	–
Total	**791.8**	**400.5**	**323.6**	**293.5**	**(611.0)**	**1,198.3**
Net income	**44.9**	**2.5**	**(3.7)**	**9.6**	–	**53.3**
Assets	504.8	381.4	361.0	141.6	–	1,388.8
Capital expenditure	9.3	8.5	4.7	3.7	–	26.2
Depreciation	20.3	9.0	6.9	12.3	–	48.5
1999						
Net sales						
–in the area - third party	152.8	259.4	87.1	95.4	–	594.7
- intercompany	121.2	43.3	28.7	15.9	(209.1)	–
–between areas - third party	355.2	21.8	68.5	22.9	–	468.4
- intercompany	138.2	48.9	13.5	161.3	(361.9)	–
Total	**767.4**	**373.4**	**197.8**	**295.5**	**(571)**	**1,063.1**
Net income	**22.9**	**7.9**	**9.4**	**1.8**	–	**42**
Assets	429.5	335.7	246.5	151.8	–	1,163.5
Capital expenditure	10.7	6	3.5	4.3	–	24.5
Depreciation	25	12.8	6.9	10.9	–	55.6

* Results by geographical area correspond to the results of companies established in the area concerned. They do not reflect the size of the markets. Chargeurs reduces the risks in countries where it conducts manufacturing operations by taking out appropriate insurance cover.

List of main consolidated companies

In 2000, 134 companies were fully consolidated (123 in 1999) and 14 were accounted for by the equity method (7 in 1999).

Fully consolidated companies		Companies accounted for by the equity method
Parent	Chargeurs	
Financial holding companies	Chargeurs Textiles Chargeurs Savamo Pricel AG Chargeurs Deutschland	
Chargeurs Wool	Société Commerciale Prouvost Lefebvre and subsidiaries Leipziger Wollkammerei Prouvost Lefebvre Bradford Hart Wool (Bradford) Ltd and subsidiaries Prouvost Lefebvre Sabadell Peinaje del Rio Llobregat (68%) Prouvost Lefebvre Pty and subsidiaries (RSA) Chargeurs Textiles Sydney and subsidiaries Prouvost-Hart New Zealand Prouvost Lefebvre USA Otegui Hermanos Lanera Santa-Maria Lanas Trinidad Hart Argentine Zhangjiagang Yangtse Wool Combing NZ Tops	Comtex and subsidiaries (50%) Pettinatura Europa (50%) Gyor Wool Combing (50%)
Chargeurs Fabrics	Avelana De Cathalo Lepoutre A. Fiandeira Roudière SA Tissage Central du Sud Laina Filana Drummond	
Chargeurs Interlining	Lainière de Picardie and subsidiaries DHJ International DHJ Industries Italy DHJ Asia DHJ Malaysia	
Chargeurs Protective Films	Novacel and subsidiaries Boston Tapes and subsidiaries Chargeurs Protective Films Inc and subsidiaries	

The percentages shown represent the percentage controlled by Chargeurs at December 31, 2000, in cases where this is significantly less than 100%.

Chargeurs

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Chargeurs Wool	Chargeurs Fabrics	Chargeurs Interlining	Chargeurs Protective Films
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A second document in French francs, including information required for the Annual Meeting of Shareholders is printed as a separate document. Copies are available on request from the Corporate Communications Department. A French language version is also available.

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