ANNUAL REPORT

CHARGEURS

CHARGEURS KEY WORDS

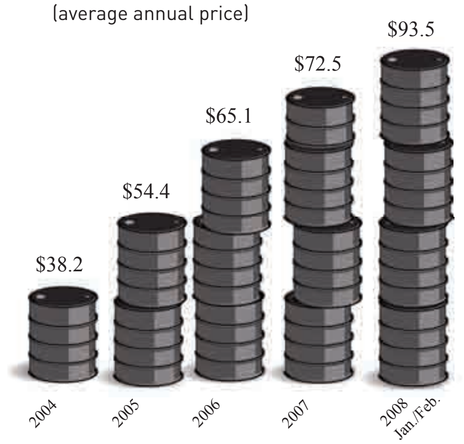
Chargeurs is a listed, global, diversified Group that invests for the long term and holds leadership positions in niche markets, both in manufacturing and in services. It is currently expanding its business in surface protection, with Chargeurs Protective Films, technical textiles, with Chargeurs Interlining, and raw materials processing, with Chargeurs Wool. In 2007, consolidated revenue totaled €790 million, of which 90% was generated outside France. Chargeurs employs nearly 3,000 employees in 37 countries.

In 2007, Chargeurs achieved good earnings growth in the midst of heavy turbulence created by skyrocketing **Oil** prices, which reached the symbolic $100 a barrel mark, a sustained rise in **Raw Materials** and energy prices and the **Dollar's** persistent weakness against the euro. In a global economic environment shaped by intense activity in **China** and certain other Asian countries, Chargeurs leveraged its own local units to deal with competition, which increased in early 2008 with the elimination of textile **Quotas**, and make the most of China's strong growth. The Group also cultivated its strengths by enhancing cooperation with **Partners** in China, Morocco and Argentina, with the goal of continuously improving its competitive edge. Chargeurs pursued its programs to **Innovate** both in products and services for customers and in risk and financial management. By bringing its industrial and marketing units closer to customers, the Group has become even more **Responsive**. This has become critical in today's extremely competitive economy, especially when it comes to meeting the needs of **Key Accounts** with global operations. Geographic rebalancing has allowed Chargeurs to continuously adapt to the increasingly intense **Globalization** in its markets. The Group's **Diversified Portfolio** also reduces exposure to difficulties that could arise in any one business. Chargeurs' profile is that of a **Yield Stock**, offering safe, recurring returns to **Financial Markets** in an extremely volatile environment.

OIL

BRENT PRICE TREND (in $ per barrel)

(average annual price)

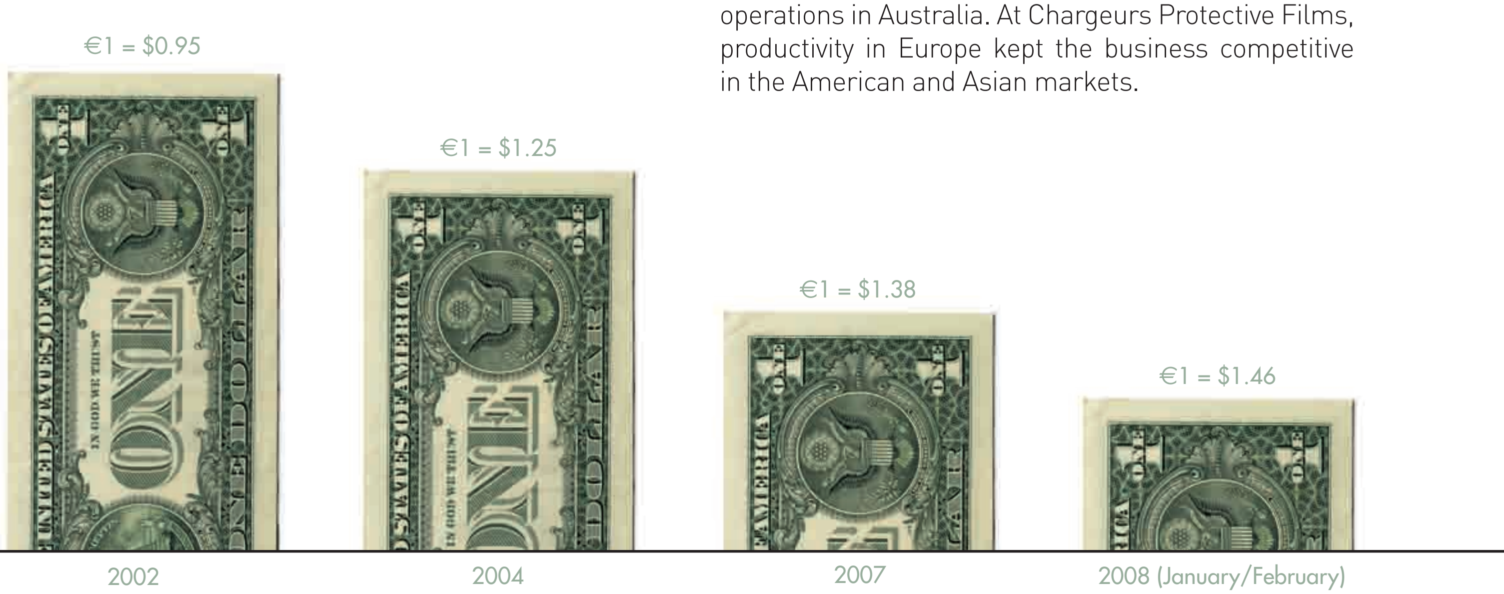


Skyrocketing oil prices in 2007 impacted Chargeurs Protective Films, as polyethylene is the business' main raw material. Chargeurs Protective Films deployed tools that allow it to manage these spikes in a short time frame. The oil situation also led to higher energy prices, which drove up costs in all the businesses. At Chargeurs Fashion, energy accounts for a third of total costs in the dyeing and finishing business. Chargeurs Interlining also felt the effect of price increases for energy and petroleum products such as polyester and adhesive coatings.

DOLLAR

US DOLLAR'S DEPRECIATION AGAINST THE EURO

(average annual exchange rate $/€)



In the past two years, the US dollar has depreciated by 20% against the euro, making eurozone production less competitive. Thanks to measures to relocate industrial capacity and sourcing closer to customers, Chargeurs Interlining was able to cushion the currency effect. Chargeurs Wool mainly does business in US dollars; the greenback's devaluation only affected operations in Australia. At Chargeurs Protective Films, productivity in Europe kept the business competitive in the American and Asian markets.

RAW MATERIALS

Raw material prices rose sharply in 2007, due primarily to Asian demand. Lower wool output in Australia and high consumption in China kept wool prices at high levels. Total available volume declined by 60 million kilograms as a result of drought in Australia, which accounts for 30% of global wool production. In a market where the interplay between supply and demand is no longer buffered by inventories, China purchased 60% of Australia's wool, pushing up prices by 18% in euros and 32% in US dollars between 2006 and 2007. As a manufacturer of wool-based fabrics, Chargeurs Fashion was impacted by higher prices for wool and synthetic fibers. Chargeurs Protective Films had to manage constantly rising polyethylene prices and slower demand from customers, who themselves were faced with higher raw material costs, notably for metals and plastic.

CHINA

China's growth and effectiveness in the export market, supported by very low labor costs, have violently ignited competition, notably in textiles. Yet they also represent an opportunity. Chargeurs has five production and six marketing sites of its own in China—all of them high performance facilities. Together with its partners, the Group employs more than 1,000 people in China, allowing it to get the most out of this vibrant environment. Chargeurs Wool has strengthened its Chinese combing operations and improved its competitive position. Substantial investments were made in pollution control systems. As with the three textile businesses, China has become an indispensable market for Chargeurs Protective Films. Backed by strong sales growth in China in 2007, Chargeurs Protective Films intends to leverage its technological advantages to significantly step-up its presence in the country in 2009. Chargeurs generated 19% of its 2007 sales in China, which is now the Group's largest market. It plans to continue expanding the Asian footprint of each of its businesses.

QUOTAS

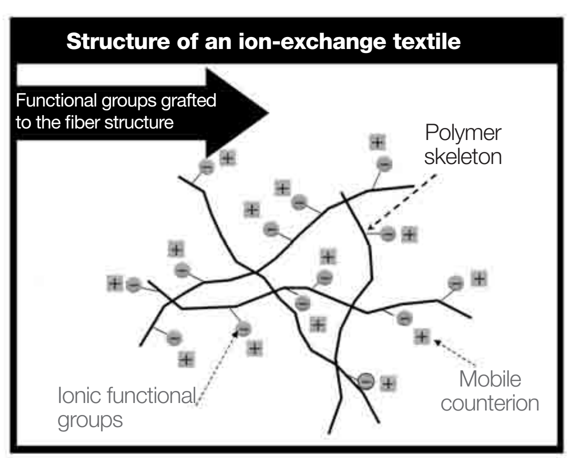
Quotas, a tool for regulating international flows, are another variable for which Chargeurs has developed specific responses. With the definitive elimination of textile quotas, the market finds itself in a similar situation at January 1, 2008 as it did at January 1, 2005, when the multifiber agreement that tempered free trade through import quotas ended. The ensuing flood of Chinese goods in the market was so huge that temporary quotas were introduced on certain products until December 31, 2007. Chargeurs Fashion has prepared for this by speeding the development of innovations and enhancing its partnership in Morocco. Similarly, Chargeurs Interlining has increased its presence in Asia and now has six production facilities, six distribution units and more than a dozen offices. Chargeurs Wool's Chinese operations are subject to annual quotas set by local authorities on raw wool imports. This had a slightly negative impact in 2007.

PARTNERSHIP

Chargeurs has always been committed to expanding its network with customers, suppliers and partners by nurturing relationships of loyalty. In 2007, Chargeurs Wool joined forces in Argentina with local wool manufacturer Ituzaingo. They now jointly own Trelew's combing operations in Patagonia on a 50/50 basis. Also in 2007, Chargeurs Fashion formed a strategic alliance with Moroccan partner Holfipar that will have the capabilities to offer fashionable products and innovative fabrics manufactured in the Euro-Mediterranean region to an increasingly globalized marketplace. The new entity's competitiveness, enhanced, internationally recognized know-how and creativity, powerful sales network and market knowledge will drive a strategy of expansion. Chargeurs Interlining's partnership with Yak in China delivered good results in its first year of operation, confirming the synergy between the two businesses. At Chargeurs Protective Films, partnership is a key feature of relations with customers, research centers and suppliers. The business has built solid cooperation in research to develop more effective products. It leverages these innovations and an array of services to add value to the customer relationship, for both protection needs and process support.

Innovation

Innovation is a key strategic avenue at Chargeurs for products, services and management. In 2007, Chargeurs Fashion parlayed its know-how in grafting microcapsules to fashion fabrics to create lasting features into a successful sales start-up for Klimeo, a fabric which reduces the perception of changes in temperature. Klimeo's sales performance, in line with forecasts, reflects its appeal with garment makers and large retail chains. The business is pursuing its research in two directions: paramedical applications and cosmeto-textiles Chargeurs Interlining has finalized the development of the entire Saflex range of fire-retardant fabrics. Specific coatings for difficult fabrics are being developed using innovative coating techniques. In addition, research is continuing on functional technical textiles that will meet emerging needs. Innovation is also a priority at Chargeurs Protective Films. This business is tapping into its deep human and technical potential to improve the functionalities –and competitiveness– of existing products and pursue research on new products.



RESPONSIVE

In a volatile world where visibility is low, responsiveness is absolutely critical. Chargeurs responds to the major parameters of the economic and financial environment, as well as to foreseeable changes in its markets and in customer needs. Chargeurs Interlining's fully globalized architecture and Chargeurs Fashion's units in China and North Africa allow these businesses to meet the apparel industry's growing demand for increasingly rapid turnaround times. In 2007, Chargeurs Wool took advantage of its global network to win market share. Responsiveness is also an integral part of Chargeurs Protective Film's business, as can be seen in the development of its service centers located in the major regions using surface protection.

Chargeurs has internationalized its base to support the growth of key accounts driven by market globalization. These accounts include large apparel chains and major industrial groups with worldwide operations. In 2007, massive concentration in the steel industry coupled with China's increasing importance created added pressure. Chargeurs Protective Films has developed a specific strategy that allows it to serve large accounts at all their international sites. These clients' wide ranging products and needs also provide the Group with new avenues for research and progress.

Expertise in managing different types of businesses is an integral part of Chargeurs' corporate "DNA". The events of 2007 demonstrated the advantages of having a diversified business portfolio. For Chargeurs Interlining, this operational diversity is reflected in research into functionalized technical textiles. At Chargeurs Protective Films, the customer portfolio spans a wide range of industries, from construction to home appliances and from automobiles to electronics. This requires the business to develop appropriate products for each specific industry.

GLOBALIZATION

Globalization is a major feature of the textile industry, exerting enormous downward pressure on sales prices now that customers of all sizes have access to products from around the world. With their global network, Chargeurs Wool and Chargeurs Interlining have production and distribution units located near their customers. To further enhance the competitiveness of its base, Chargeurs Interlining has continued to reduce production capacity in Europe and North America while expanding its presence in Asia. In January 2008, it finalized the acquisition of shirt interlining specialist Etacol in Bangladesh, a country that ranks among the world leaders in shirt manufacturing. Chargeurs Fashion's partnership with Holfipar in Morocco has given it a Euro-Mediterranean base that, along with its Chinese facilities, allows the business to meet the apparel market's demands for competitiveness and speed. For Chargeurs Protective Films, globalization has provided the opportunity to develop through service centers in regions like China, India, the Persian Gulf, Eastern Europe that are experiencing very high growth and booming demand for surface protection.

YIELD STOCK

Dividend

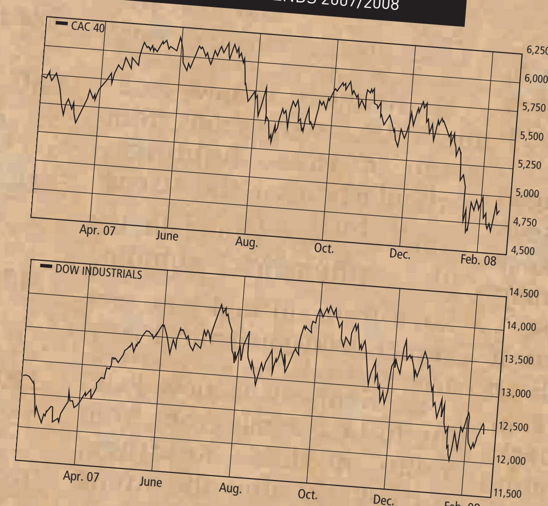
€0.65

In 2007, measures taken in the four businesses delivered a good return on capital employed. As a result, Chargeurs can offer its shareholders a payout that ensures a steady, predictable return in a world of uncertainty and sudden swings in performance.

Financial markets

After a year of heavy turbulence in the financial markets stemming from the subprime mortgage crisis, asset devaluation and weakening of financial establishments, Chargeurs' profile as a yield stock is a strength for investors looking for safe, steady returns. In difficult times, the Group has always demonstrated its ability to make swift changes when necessary to maintain this profile. In 2007, the wool purchase program (Dolly 1) was renewed for five years, reflecting financial partners' confidence in the Group's disciplined management.

STOCK MARKET TRENDS 2007/2008



To the shareholders,

Chargeurs kept its promises in 2007 by achieving results in line with forecasts. Operating income rose 13% and net income grew 17.5% from 2006. This performance validates the strategy carried out over the past several years that allowed our Group to navigate a very difficult global environment in 2007—an environment shaped by sharp price increases for oil and several other raw materials and by the dollar's persistent decline against the euro.

This strategy has involved enhancing our businesses' global structure by rebalancing our geographic footprint towards Asia (especially China) to take advantage of the region's strong growth, move closer to our customers and keep our production costs competitive.

It has also entailed forging solid partnerships, such as Chargeurs Fashion's alliance with Holfipar in Morocco, Chargeurs Interlining's agreement with Yak in China and Chargeurs Wool's venture with Ituzaingo in Argentina. Acquisitions are another avenue, as with Chargeurs Interlining's January 2008 transaction in Bangladesh, a top ranked country for shirt manufacturing.

These measures are designed to grow our markets and extend our offering of products and services.

Our strategy also focuses on leveraging sustained research to develop new products and services and optimize our production resources. Lastly, it is based on a model for capital employed that very carefully manages risk and return.

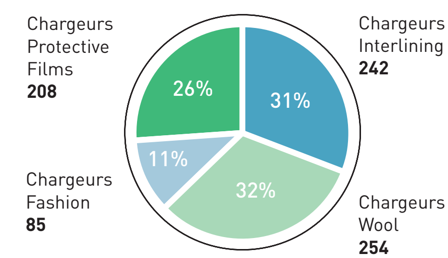
The Chargeurs share price has declined since the second half of 2007, a trend that in our view does not correctly reflect the Group's operating results or underlying assets. As we wait for the financial markets to gain a better perspective that will enhance the share's liquidity, we will recommend that shareholders approve a dividend of €0.65 per share at the Annual Meeting.

Eduardo Malone,
Chairman and Chief Executive Officer

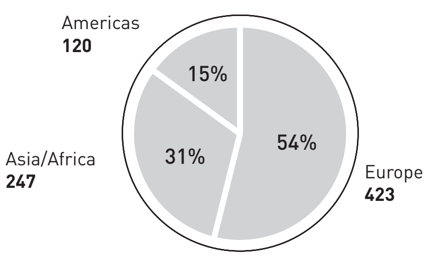
FINANCIAL HIGHLIGHTS

(in euro millions)	2007	2006
Revenue	790	769
Operating profit	28.7	25.4
Net profit	15.4	13.1
Cash flow = net profit before depreciation, amortization and provision expense	22.7	17.9
Net bank debt	(55)	(47)

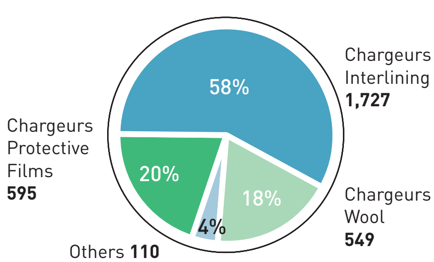
Revenue by business
(in euro millions)



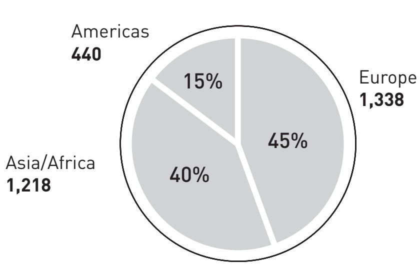
Revenue by region
(in euro millions)



Employees by business
(at December 31, 2007)



Employees by region
(at December 31, 2007)

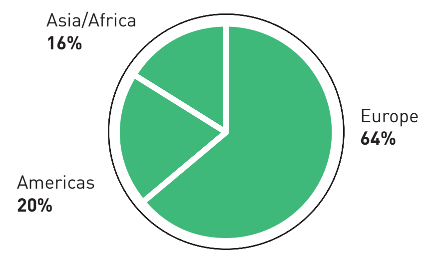


Businesses

Revenue by region

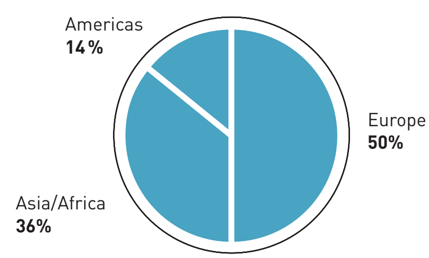
Chargeurs Protective Films

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



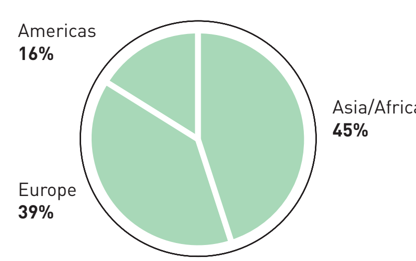
Chargeurs Interlining

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



Chargeurs Wool

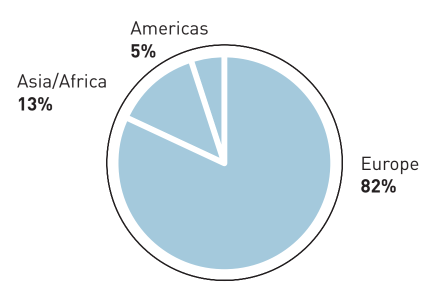
A world leader in its business, Chargeurs Wool specializes in topmaking, whose expertise consists in designing wool blends that successfully meet the needs of spinning mills.



Chargeurs Fashion*

Chargeurs Fashion offers men and womenswear manufacturers and retailers a broad range of creative, high-quality products.

* Chargeurs Fashion was removed from the scope of consolidation as of December 31,2007.



CHANGES IN SHARE CAPITAL

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

At March 31, 2008, the company's share capital stood at €166,033,552, divided into 10,377,097 shares with a par value of €16.

TREASURY STOCK

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

Number of shares held in treasury as of December 31, 2006	37,934
as of December 31, 2007[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, 2007, the company also held 29,326 Chargeurs shares purchased under the liquidity contract effective since May 16, 2007. These shares, representing 0.3% of the capital, were purchased at a total cost of €579,638.65, representing an average price per share of €19.77.

NUMBER OF CHARGEURS SHARES HELD BY SUBSIDIARIES

As of December 31, 2007: 0.

MARKET FOR THE COMPANY'S SHARES

Chargeurs shares are traded on the Euronext Paris market, Eurolist Compartment B (ISIN 13069).

DIVIDENDS

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

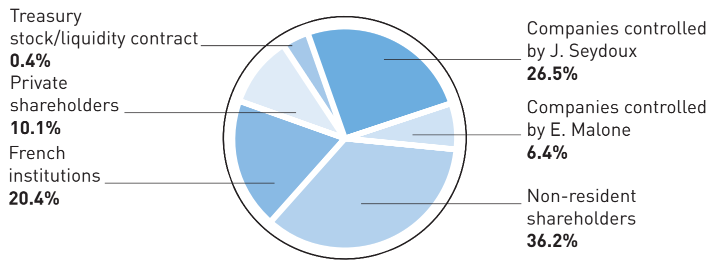
(in euros)	**2007**	2006
Dividend	**0.65**	0.65

PER SHARE PERFORMANCE

(in euros)	**2007**	2006
Consolidated net assets per share[1]	**23.20**	23.50
Consolidated profit per share[1]	**1.50**	1.30
Parent company profit per share	**0.40**	0.40
Dividend per share	**0.65**	0.65

(1) Based on average number of shares outstanding.

OWNERSHIP STRUCTURE (based on the January 31, 2008 TPI survey of identifiable holders of bearer shares)

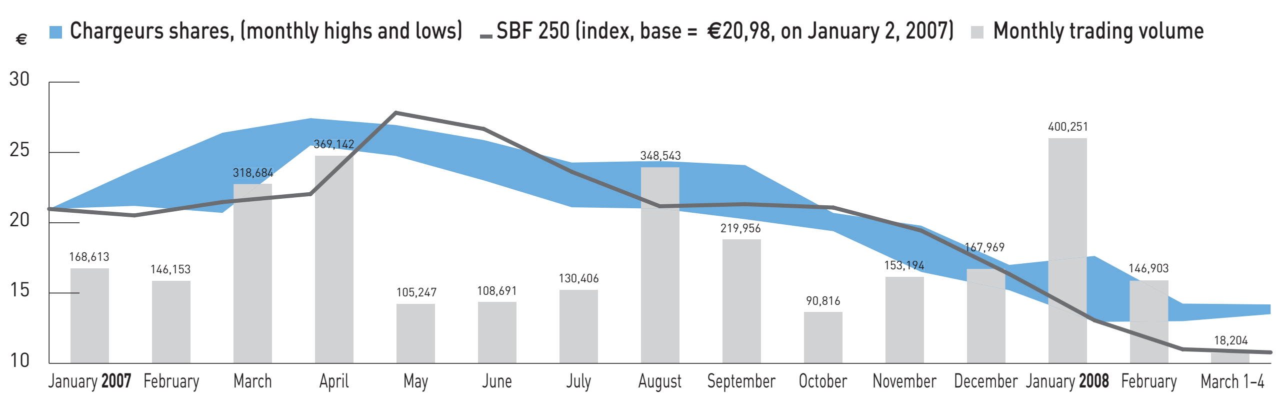


SHAREHOLDERS OWNING MORE THAN 5% OF SHARE CAPITAL

(as of December 31, 2007)	Number of shares	% interest	% voting rights
Pathé[1]	2,734,035	26.35%	26.06%
Ojej[1]	11,000	0.11%	0.21%
Jérôme Seydoux	1,341	0.01%	0.02%
Sofi Emy[2]	655,195	6.31%	6.25%
Eduardo Malone	7,163	0.07%	0.07%
The Baupost Group[3]	1,245,371	12.00%	11.87%
Harris Associates/ Oakmark Funds[3]	1,079,559	10.40%	10.29%
La Financière de l'Échiquier	641,000	6.18%	6.11%

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

Jérôme Seydoux, Eduardo Malone and the companies that they control together hold 32.85% of Chargeurs' capital and 32.61% of the voting rights, which are exercised in concert.



ENVIRONMENTAL REPORT

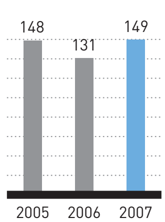
INTRODUCTION

As part of the Group's risk management policies, the Managing Directors of the subsidiaries have signed the Chargeurs Environmental Charter, comprising guidelines on anticipating and preventing environmental risks, as well as a set of short, medium and long-term objectives. Progress towards meeting these goals is monitored at quarterly intervals by the Group Risks Committee.
In 2007, environmental data were collected at the 13 primary production plants operated at year-end (three Protective Films, four Interlining, four Wool and two Fashion). These raw data were then used to calculate indicator performance for the year. Most of the data reported below are expressed on a unit-of-production basis, corresponding to one square kilometer of film or fabric in the Protective Films and Interlining businesses; one tonne of wool in the Wool business; and one kilometer of fixed-width fabric in the Fashion business.
The same criteria have been applied as in 2006, allowing direct year-on-year comparisons.

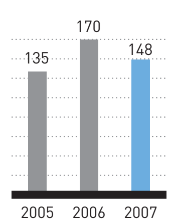
RESULTS

Chargeurs Protective Films

Energy and water consumption
At comparable scope of reporting, gas and power consumption declined at all plants. The reported increase in 2007 was attributable to the consolidation of a US plant whose product mix is very different compared to the two other sites in the previous scope of reporting.
After increasing in 2006, water consumption declined by more than 10% in 2007.

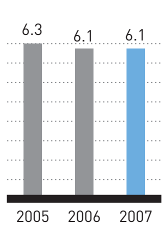


Energy (MWh/km²)

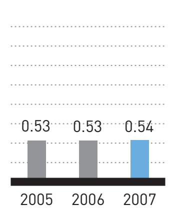


Water (m³/km²)

Waste production
Non-hazardous and hazardous waste production remained at 2006 levels. 93% of waste was recycled or burned as fuel.

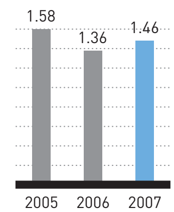


Non-hazardous waste
(t/km²)



Hazardous waste
(t/km²)

Volatile organic compound (VOC) emissions
Solvent emissions per square kilometer produced did not increase at comparable scope of reporting.

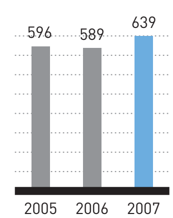


VOC emissions
(kg of carbon/km)

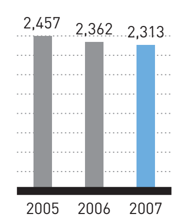
Environmental initiatives and management
Three people are employed full-time to deal with environmental, health and safety issues in France, and one person works full-time on these issues in Italy. The French plant is still in the process of building an ISO 14001-compliant environmental management system with the goal of earning certification in 2008.

Chargeurs Interlining

Energy and water consumption
Energy consumption per unit of production grew by 8% in 2007, while water consumption declined by 2%.

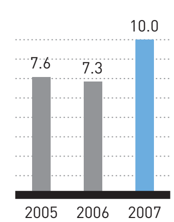


Energy (MWh/km²)

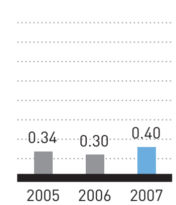


Water (m³/km²)

Waste production
Non-hazardous waste production rose by more than 30% in 2007, as did hazardous waste production.



Non-hazardous waste
(t/km²)

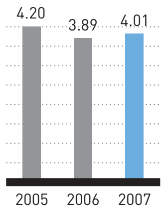


Hazardous waste
(t/km²)

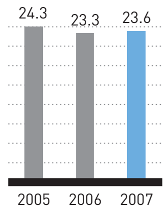
Environmental initiatives and management
In 2007, the average number of environmental, health and safety management staff per site was unchanged compared with the previous year, at 0.8 full-time equivalent employees.

Chargeurs Wool

Energy and water consumption
There were slight increases in both energy consumption (up 3.1%) and water consumption (up 1.3%) per tonne produced in 2007.

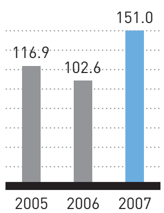


Energy (MWh/t)

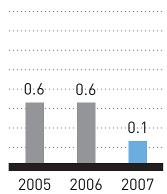


Water (m³/t)

Waste production
The quantity of non-hazardous waste generated per tonne produced increased by 47% due to a change in the product mix in 2007, while hazardous waste quantities fell by a sharp 83%.

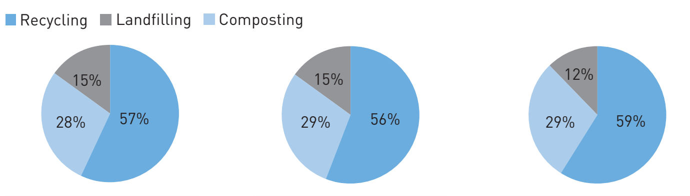


Non-hazardous waste
(kg/t)



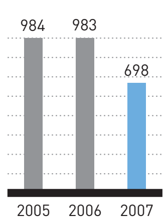
Hazardous waste
(kg/t)

The breakdown of disposal methods was virtually the same as in 2006.



2005 by disposal method
2006 by disposal method
2007 by disposal method

Volatile organic compound (VOC) emissions
VOC emissions fell by 29% in 2007.



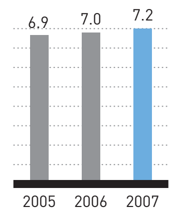
VOC emissions
(kg product/year)

Environmental initiatives and management
Chargeurs Wool's plant in China maintained the ISO 14001 -certification of its environmental management system. The plant in Uruguay is currently introducing an ISO 14001-compliant environmental management system, and should earn certification in 2009.
In addition, tops produced at all five plants carry the Öko-Tex 100 ecolabel, certifying that measures have been taken to limit the use of certain chemicals during the production process and that fabrics made from the wool do not contain any harmful substances.

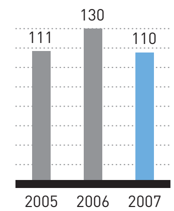
The four plants have set aside funds to improve their environmental performance, in the majority of cases through better processing of liquid effluent.

Chargeurs Fashion

Energy and water consumption
Energy consumption grew by a slight 2.9% in 2007, while water consumption fell by 15%.

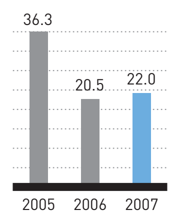


Energy (MWh/km)

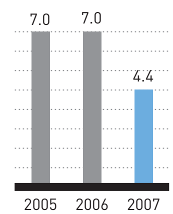


Water (m³/km)

Waste production
Hazardous waste production dropped 37%, while non-hazardous waste production increased by 7%. The portion of waste that was recycled or burned as fuel remained stable.

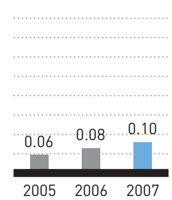


Non-hazardous waste
(kg/km)



Hazardous waste
(kg/km)

Volatile organic compound (VOC) emissions
VOC emissions rose by 25% in 2007, but levels remained very low and well within regulatory limits.



VOC emissions
(kg of carbon/km)

Environmental initiatives and management
As in 2006, Chargeurs Fashion had one ISO 14001 2004-certified plant, at Avelana in France, which also carries the Öko-Tex 100 eco-label. In 2007, the average number of environmental, health and safety management staff per site was unchanged compared with the previous year, at 0.6 full-time equivalent employees.

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. We operate in an erratic and highly competitive global environment, which became more challenging in 2007 due to major disruptions in the global commodity and financial markets. In 2007, we pursued our strategy of relocating production activities to low-labor-cost regions, mainly in Asia, and signed partnership agreements for Chargeurs Wool in Argentina and Chargeurs Fashion in Morocco.

EMPLOYEES

As of December 31, 2007, the Group had **2,996 employees**, 14% fewer than at end-2006. The decline reflected the removal of companies from the scope of reporting in the wake of partnership agreements. This concerned employees at Chargeurs Fashion, which was accounted for by the equity as of December 31, and Chargeurs Wool, whose workforce declined by 14% following de-consolidation of the Argentine combing unit. In addition, the number of Chargeurs Interlining's European and American employees declined by 4%, but this was partly offset by growth in China with the consolidation of Yak. Across the Group, Europe and the Americas respectively shed 19% and 30% of their employees, while the Asia-Pacific region saw a 9% increase. This was primarily due to growth in China, where our 705 employees now represent 23.5% of the Group total versus 18% at the end of 2006. As of December 31, 2007, operations in France employed 27% of the total workforce compared to 31% in 2006.

Women accounted for 31% of the entire workforce, as in 2006. The proportion was 36% at Chargeurs Interlining, 21% at Chargeurs Wool and 17% at Chargeurs Protective Films.

Temporary staff represented 5.2% of the workforce, giving the Group the required flexibility to cope with seasonal fluctuations in customer orders.

COMPENSATION

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

DIRECTORS' COMPENSATION

The gross base salary paid to Eduardo Malone, Chairman and Chief Executive Officer, by Group companies in 2007 totaled €451,010. His incentive bonus is tied to Group results and represents a percentage of his base salary, as determined by the Board of Directors. In 2007, his gross bonus in respect of 2006 results came to €80,000.

The gross base salary paid in 2007 to Jérôme Seydoux, Vice-Chairman and Chief Executive Officer, amounted to €50,000.

The total fees awarded to the members of the Board of Directors for 2007 amounted to €40,000. Eduardo Malone and Jérôme Seydoux do not receive any fees in their capacity as Directors of Chargeurs.

TRAINING

We are more than ever committed to giving our employees the opportunity to improve their skills. In line with our decentralized management structure, training programs are the responsibility of the Directors of the individual units. In 2007, total training hours and the number of people trained declined compared with the previous year, as the highly precise adjustments to the workforce continued to weigh on the time available for training.

SAFETY

The risk management policy implemented at each stage of the operating processes places considerable emphasis on employee safety. The incident frequency rate declined slightly to 18.47 from 19.9 in 2006, and the severity rate fell to 0.46 from 0.67.

In our textile businesses, the average worldwide frequency rate stood at 19.15, compared with 26.45 for the French textile industry, where safety regulations are often stricter than in many other countries, and the average worldwide severity rate was 0.39, compared with 1.39 for the French textile industry. For Chargeurs Protective Films, the average frequency rate was 16.08 and the average severity rate was 0.82, compared with chemical/rubber/plastics industry averages of 20.48 and 0.95 respectively.

SOCIAL DIALOGUE

In connection with its decentralized, empowered organization, Chargeurs has always been strategically committed to promoting social dialogue, especially with employee representatives.

In France, for example, the proportion of trade union representatives has remained unchanged for many years, despite the downsizing programs, at around 4% of the workforce.

Local employee representation is backed by a Group Works Council in France and a European Committee for Social Dialogue designed to promote constructive exchanges of views between the Executive Committee and employee representatives. Following the signature of a partnership agreement between Chargeurs and Holfipar, Chargeurs Fashion employees ceased to be employed by the Group as of december 21, 2007, with the result that they are no longer represented on the two Group employee representative bodies.

INDICATORS

Employees	Definition	Measurement unit	Scope	Dec. 31, 2006	Dec. 31, 2007
Total employees	Employees on the payroll at December 31	Employees under permanent and fixed-term contracts	World	3,487	2,996
Use of temporary staff	Temporary staff	% of total employees	World	4.7%	5,2%
Employees by business	Group employees by business	– Headquarters	World	19	15
		– Protective Films	World	605	595
		– Interlining	World	1,799	1,727
		– Wool	World	638	549
		– Fashion	World	426	–
		– Other	World	–	110
Employees by region	Group employees		– France	1,030	808
			– Europe (other)	626	530
			– Asia/Pacific	913	998
			– Americas	630	440
			– Africa	288	220
	Chargeurs Protective Films		– Europe	73%	78%
			– Asia	4%	5%
			– Americas	23%	17%
	Chargeurs Interlining		– Europe	52%	49%
			– Asia	33%	39%
			– Amériques	15%	12%
	Chargeurs Wool		– Europe	3%	3%
			– Asia/Pacific	62%	74%
			– Amériques	35%	23%
	Chargeurs Fashion		– Europe	58%	–
			– Asia	26%	–
			– Africa	16%	–
Men/women ratio	Group employees	Number of men	World	2,397	2,071
		Number of women	World	1,090	925
		Percentage of women	World	31%	31%

Training	Definition	Measurement unit	Scope	Dec. 31, 2006	Dec. 31, 2007
Number of persons trained	Employees who participated in at least one training course	% of total employees	World	34%	30%
Number of training hours	Time spent in training by employees who participated in at least one training course	Average training hours per person	World	25 h	18 h

Safety	Definition	Measurement unit	Scope	Dec. 31, 2006	Dec. 31, 2007
Accidents	Frequency rate: number of occupational accidents per million hours worked	Lost-time accidents (at least one day)	World	19.90	18.47
Absenteeism due to occupational accidents	Severity rate: number of days' absence per thousand hours worked	Day's absence due to an occupational accident	World	0.67	0.46

Compensation	Definition	Measurement unit	Scope	Dec. 31, 2006	Dec. 31, 2007
Payroll costs	Annual payroll costs recorded in the accounts (in euros millions)	Total employees of fully consolidated companies worldwide	World	103.40	97.10

CHAIRMAN'S REPORT ON INTERNAL CONTROL

The 2007 Chairman's report on internal control is partially based on the reference issued by the *Autorité des Marchés Financiers* in December 2006, in that it used the questionnaires concerning the internal control of accounting and financial processes attached to the reference.

ORGANIZATION OF THE WORK OF THE BOARD OF DIRECTORS

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

Compensation paid to the Chairman and Chief Executive Officer by Group companies is set by the Board of Directors. His variable compensation is tied to Group results and represents a percentage of his basic compensation. In view of the profit reported by the Group in 2007 a bonus will be paid for that year.

INTERNAL CONTROL

DEFINITION (according to the *Autorité des Marchés Financiers*)

Internal control is a company's system, defined and implemented under my responsibility, which aims to ensure that:

• laws and regulations are complied with;

• the instructions and directional guidelines fixed by Executive Management or the Management Board are applied;

• the company's internal processes are functioning correctly, particularly those implicating the security of its assets;

• financial information is reliable;

and generally, contributes to the control over its activities, to the efficiency of its operations and to the efficient utilization of its resources. By helping to anticipate and control the risks involved in not meeting the objectives the company has set for itself, the internal control system plays a key role in conducting and monitoring its various activities.

COMPONENTS OF THE INTERNAL CONTROL SYSTEM

An efficient organization

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

The Dolly model is based on obtaining accurate information about risks so that they can be actively managed. For the Dolly financial structures to operate effectively, it is essential for us 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 could 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;

– insurance Risk Management Committee with the participation of the Risk Managers of the core businesses;

– the Group Risk Manager, who reports directly to me.

A system to map and analyze the main identifiable risks

Every month, the Executive Committee pinpoints mission-critical issues and appoints the most appropriate manager for each one, regardless of his/her position relative to other managers. A specific reporting system is in place so that I am informed directly, at regular intervals, of the status of these managers' work. The quality of their status reports is one of the areas covered during their annual performance review.

The issues dealt with generally concern events that could have a material adverse effect on our financial results and the 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.

This organization places the Executive Committee at the center of the risk management process.

An information system focused on accountability

Chargeurs' information system is based on the monthly income statements reported by each of our 79 member companies.

We have long been committed to producing high-quality financial information. 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 consolidated financial statements. Over the years, this process has been improved and, since 2000, management and statutory reporting data are managed by the same information system. With the generation of the consolidated accounts now simply the last phase in the process, this system ensures that we have constant control over the production of financial information.

Each subsidiary's Managing Director and Finance Director send me comments on their monthly results, presented in a standard format.
I review these results, together with the updated annual forecasts reflecting the impact of any new developments, during monthly meetings with the Managing Directors of the core businesses.

Control procedures sized to address the challenges of each process

Accounting and financial risks

Since 2003, the main management processes have been analyzed in order to document and map financial statement risks, the related potential financial impact and the internal controls in place to contain them.
As part of this exercise, each core business has identified the three or four most sensitive processes and reviewed the highest risk transactions within each one. The procedures in place to manage and control these transactions have also been identified.
These analyses serve to prioritize future measures and represent the starting point for the Group's drive to strengthen control over its processes.

Operational risks

Several steps were taken in 2007 to strengthen the value of Chargeurs' assets, with the most significant transactions for each core business breaking down as follows:
– Chargeurs Protective Films: setting up trial derivative contracts to hedge price fluctuations for the business' main commodity;
– Chargeurs Interlining: integration of marketing processes via the international distribution network of the production business of the Chinese company, Yak;
– Chargeurs Wool: sale of 50% of the Argentinean wool processing company, Peinaduria de Rio Chubut, in order to more effectively balance the manufacturing load between the two partners;
– Chargeurs Fashion: sale of 50% of Chargeurs Fashion with a view to bolstering the long-standing partnership between the competitive-cost manufacturing base in Morocco and Chargeurs Fashion's portfolio of brands, networks and creative concepts.

Constant supervision of the internal procedures for controlling accounting and financial information

Supervising internal control

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

Internal audit

Chargeurs does not have its own internal audit department and therefore generally relies on local specialized firms in each region.
During the second half of 2007 Chargeurs set up an internal control self-assessment system. The related process consisted of sending all subsidiaries –except for holding companies– a copy of the regulations published by the *Autorité des Marchés Financiers* relating to subsidiaries' compliance with internal control procedures.
The following areas were covered:
– financial reporting and the preparation of financial statements;
– capital expenditure and divestments;
– property, plant and equipment and intangible assets;
– non-current financial assets;
– purchases and supplies;
– production costs, inventories and work-in-progress;
– revenue from external operations and trade receivables;
– cash and cash equivalents.
Each subsidiary's Managing Director and Financial Controller duly completed the related questionnaires, which were signed by the Managing Director of each subsidiary before being sent to head office. The information contained in these questionnaires was subsequently summarized in a business-specific data sheet, enabling us to identify any internal control weaknesses by business, procedure and company, and to implement any requisite corrective measures.

Specific assignments in 2007

The following specific internal control assignments were carried out in 2007 by each of the Group's businesses:
– Protective Films: several projects were undertaken in this business in 2007, covering areas such as managing customer credit risk, outstanding inter-company receivables, inventories and business expenses.
– Interlining: an independent firm performed an audit of the inventories process applied by one of the subsidiaries.
– Wool: measures relating to foreign currency mechanisms, ranging from the setting up of hedges to the accounting methods used. The first phase was focused on a pilot entity, which was assessed in depth and inspected on several occasions.
– Fashion: in view of the negotiations that took place during the year concerning the divestment of certain Fashion assets, the specific internal control assignments performed by this business in 2007 primarily concerned a Chinese entity that did not form part of the planned sale. The work carried out involved an independent firm controlling the entity's purchasing processes.

External audit

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

THE INTERNAL CONTROL SITUATION AT THE END OF 2007

At the end of 2007, the internal control procedures in place related to the processing and preparation of accounting and financial information seemed well adapted to the Group's features. As these features make in-depth testing of our processes very costly, few such tests are currently conducted. Further investments will be committed in coming years in this area.

Eduardo Malone,
Chairman and Chief Executive Officer
March 2008

FINANCIAL REPORT

2007 financial results

INCOME STATEMENT

Revenue

Revenue for 2007 totaled €790 million, up 2.7% on 2006 or 4.3% excluding the currency effect. The main growth drivers were (i) Chargeurs Wool, which reported a 13.4% increase primarily attributable to the rise in wool prices, and (ii) Chargeurs Interlining whose revenue rose by 2.5%. Chargeurs Fashion reported a lower revenue figure, down 5.2% year-on-year. Sales at Chargeurs Protective Films contracted from the fourth quarter onwards, due to the slowdown in the building sector.

The proportion of revenue generated outside France was stable at around 90%, with the weighting of the main geographic markets following the same trends as in 2006. China was once again the largest market and continued to increase its contribution to revenue, accounting for 19% of the Group total. Italy stayed in second place, representing almost 16%, and Germany remained in third position with 10.6%. France accounted for 9.6% of total Group revenue, overtaking the United States which contributed 8.5%. This role reversal was chiefly due to the depreciation of the US dollar against the euro.

Operating profit

The turnaround achieved in 2006 continued into 2007, with operating profit climbing 13% to €28.7 million from €25.4 million a year earlier. The €3.3 million improvement is analyzed below.

Operating profit for Chargeurs Protective Films came to €16.4 million, versus €17.7 million in 2006. The decrease was mainly due to higher polyethylene prices. At the same time, volumes for this business were hit by turbulent stainless steel markets caused by high nickel prices, as well as by lower sales in the building sector.

Chargeurs Interlining ended the year with operating profit of €10.5 million, up from €8.8 million in 2006. The €1.7 million increase reflects the positive impact of restructuring operations carried out in 2006 which offset the adverse effects of foreign exchange rates and commodity prices. The interlining markets have been strong in Europe all year around.

Chargeurs Wool reported operating profit of €5.4 million, versus €1.9 million in 2006. The €3.5 million increase reflects improved margins achieved as a result of the business's competitive-cost manufacturing base, in a context of soaring wool prices reflected in the Australian market indicator that surged over 30% in the space of two years.

Chargeurs Fashion's operating profit advanced €0.7 million in 2007, from €0.8 million to €1.5 million. This growth was spurred by an improved product mix, which more than offset the impact of lower volumes.

Net financial expense

Net financial expense totaled €11 million (€7 million in 2006), including both net finance costs and costs related to the factoring of receivables. The overall increase stemmed from three key factors: (i) higher interest rates; (ii) the termination at end-2006 of an investment made in connection with the Dolly 4 structure which paid interest above the market rate; and (iii) a negative exchange-rate impact in 2007 compared with 2006.

Income tax expense

Income tax expense amounted to €4.1 million, corresponding to a current tax charge of €5.6 million paid in the various countries where the Group operates, and a deferred tax benefit of €1.5 million.

Profit for the period

Profit for the period came to €15.4 million versus €13.1 million in 2006, representing an increase of 17.5%.

BALANCE SHEET AND FINANCIAL MANAGEMENT

Chargeurs' financial position changed significantly at the end of 2006 due to the early termination of most of the three textile businesses' equipment operating leases under the Dolly 4 program.

The most significant event in 2007 was the agreement to sell 50% of Chargeurs Fashion to the Morocco-based company Holfipar. A shareholders' agreement was signed in connection with this sale which came into force on December 31, 2007 and led to a change in the method of consolidating Chargeurs Fashion and its subsidiaries, from full consolidation to equity accounting.

The Group's net bank debt at December 31, 2007 stood at €55 million compared with €47 million one year earlier, reflecting an increase in working capital requirement. The €55 million net debt includes €57 million of medium term debt.

For several years, the Group has sold receivables under no-recourse agreements whose amounts were disclosed in Note 10 to the consolidated financial statements until the end of 2004.

Unlike the French accounting standards applied in 2004, IAS 39 requires companies to consider factors other than the transfer of title to determine whether financial assets should be reported in the balance sheet (see Note 3 to the consolidated financial statements).

At the end of 2005, in view of the fact that this issue was still being discussed by experts and no final official position had been taken, it was deemed prudent to keep these receivables on balance sheet, using a separate line to indicate they did not belong to Chargeurs, and record a corresponding liability –for the factoring companies– for the amount of the cash proceeds received.

In 2006 and 2007, the accounting authorities issued guidance on the circumstances in which sold receivables may be descognized. The presentation of these items in the 2007 consolidated financial statements is unchanged from 2005, but may be adjusted in the future to reflect changes in the sales contracts or the selling process.

Based on existing guidance concerning this type of contract it seems that a portion of these factored receivables may be recorded off-balance sheet for 2008, subject to certain amendments to the related contracts. These amendments –which were initially scheduled for 2007– have therefore been postponed until 2008.

PARENT COMPANY FINANCIAL STATEMENTS

The parent company reported an operating loss of €4.7 million in 2007, corresponding to expenses for the year.

Net financial income amounted to €1.7 million.

Net non-recurring income of €3.8 million corresponded primarily to the reversal of a provision for repayment of tax losses to subsidiaries in the event of a return to profit.

Pre-tax profit was €0.8 million.

The Company recorded a tax benefit of €3.2 million, stemming from tax paid by the subsidiaries to Chargeurs, which sets it off against the losses of the tax Group.

Profit for the period came to €4 million.

Christophe Pothier,
Vice-President, Finance
March 2008

CONSOLIDATED FINANCIAL STATEMENTS

Contents

CONSOLIDATED BALANCE SHEETS

At December 31 (in euro millions)

Assets	**2007**	2006
Non-current assets		
Property, plant and equipment (note 5)	89.4	114.8
Intangible assets (note 6)	63.7	71.1
Investments in associates (note 9)	25.1	17.5
Deferred tax assets (note 11)	29.2	29.2
Non-current financial assets		
Investments in non-consolidated companies (note 8)	3.1	3.1
Long-term loans and receivables (note 10)	9.3	10.2
Derivative instruments (note 15)	–	–
Other non-current assets (note 12)	6.6	10.6
	226.4	**256.5**
Current assets		
Inventories and work-in-progress (note 13)	155.2	167.3
Trade receivables (note 14)	82.5	78.9
*Factored receivables**	*82.5*	*87.2*
Derivative instruments (note 15)	1.8	2.0
Other receivables (note 16)	74.9	69.7
Cash and cash equivalents (note 17)	110.3	125.2
	507.2	**530.3**
Total assets	**733.6**	**786.8**
Equity and liabilities		
Equity (note 18)		
Attributable to equity holders of the parent company		
Share capital (note 18)	166.0	164.7
Share premium account	32.2	32.0
Other reserves and retained earnings (note 18)	38.5	35.1
Profit for the period	15.4	13.1
Treasury stock	(0.8)	(1.0)
Translation reserve	(13.9)	(1.8)
	237.4	**242.1**
Minority interests	**5.4**	**7.0**
Total equity	**242.8**	**249.1**
Non-current liabilities		
Long-term borrowings (note 21)	56.7	86.0
Deferred tax liabilities (note 11)	1.4	2.1
Pension and other post-employment benefit obligations (note 19)	11.5	13.0
Provisions (note 20)	3.9	6.2
Other non-current liabilities	0.8	0.8
	74.3	**108.1**
Current liabilities		
Trade payables (note 22)	157.0	185.7
Other payables (note 22)	61.5	65.1
*Factoring liabilities**	*82.5*	*87.2*
Current income tax liability	2.6	5.6
Derivative instruments (note 15)	4.7	0.2
Short-term portion of long-term borrowings (note 21)	26.9	15.3
Short-term bank loans and overdrafts (note 21)	81.3	70.5
	416.5	**429.6**
Total equity and liabilities	**733.6**	**786.8**

Notes 1 to 37 are an integral part of the 2007 consolidated financial statements.

* Receivables for which title has been transferred.

CONSOLIDATED INCOME STATEMENTS

At December 31 (in euro millions)

	2007	2006
Revenue	**789.6**	**768.9**
Cost of sales	(624.2)	(601.6)
Gross profit	165.4	167.3
Distribution costs	(79.6)	(80.9)
Administrative expenses	(47.7)	(50.8)
Research and development costs (note 24)	(9.4)	(10.5)
Other operating income and expense* (note 25)	0.0	0.3
Operating profit	**28.7**	**25.4**
Financial expense	(14.5)	(12.2)
Financial income	3.5	5.5
Net financial expense (note 27)	**(11.0)**	**(6.7)**
Share of profit/(loss) of associates	1.5	(0.2)
Pre-tax profit for the period	**19.2**	**18.5**
Income tax expense (note 28)	(4.1)	(5.2)
Profit for the period	**15.1**	**13.3**
Attributable to:		
Equity holders of the parent	15.4	13.1
Minority interests	(0.3)	0.2
Earnings per share (in euros)		
Basic earnings per share	1.5	1.3
Diluted earnings per share	1.5	1.3
Weighted average number of shares outstanding	10,253,666	10,075,102

Notes 1 to 37 are an integral part of the 2007 consolidated financial statements.

* Items previously recorded under "Other operating income and expense" have been reclassified but remain included in operating profit (see notes 24 and 25).

CONSOLIDATED CASH FLOW STATEMENTS

(in euro millions)

	2007	2006
Cash flows from operating activities		
Pre-tax profit of consolidated companies	17.8	18.7
Adjustments (note 31)	11.2	4.0
Income tax paid	(6.3)	(4.8)
Cash flow	**22.7**	**17.9**
Dividends from associates	0.3	0.3
Change in operating working capital	(29.7)	17.8
Net cash/(used by) from operating activities	**(6.7)**	**36.0**
Cash flows from investing activities		
Acquisitions of subsidiaries, net of cash acquired	–	2.3
Disposals of subsidiaries, net of cash transferred*	(3.0)	–
Purchases of property, plant and equipment	(13.3)	(37.3)
Proceeds from sales of property, plant and equipment	8.5	9.9
Purchases of other non-current assets	(1.7)	(11.4)
Proceeds from sales of other non-current assets	2.0	0.4
Other cash flows from investing activities	1.8	37.3
Net cash/(used by) from investing activities	**(5.7)**	**1.2**
Cash flows from financing activities		
Proceeds from issue of share capital	1.6	3.1
Sale/(purchase) of treasury stock	0.3	–
Proceeds from new borrowings	22.0	30.4
Repayments of borrowings	(16.9)	(32.0)
Dividends paid to equity holders of the parent company	(7.3)	–
Net cash/(used by) from financing activities	**(0.3)**	**1.5**
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	**(12.7)**	**38.7**
Cash and cash equivalents and bank overdrafts at beginning of year	125.2	87.4
Effect of changes in foreign exchange rates	(2.0)	(0.9)
Cash and cash equivalents and bank overdrafts at year-end	**110.5**	**125.2**

Notes 1 to 37 are an integral part of the 2007 consolidated financial statements.

* Corresponding to the net impact of cash and cash equivalents derecognized following the sale of 50% of Chargeurs Fashion.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in euro millions)

	Share capital	Share premium account	Other reserves and retained earnings	Translation reserve	Treasury stock	Equity attributable to equity holders of the parent company	Minority interests	Total
At January 1, 2006	**162.1**	**31.5**	**35.4**	**11.7**	**(1.1)**	**239.6**	**5.4**	**245.0**
Exchange difference on translating foreign operations				(13.5)		(13.5)	(0.7)	(14.2)
Dividends paid						0.0		0.0
Gains and losses on cash flow hedges			(0.2)			(0.2)		(0.2)
Gains and losses on financial instruments						0.0		0.0
Changes in treasury stock					0.1	0.1		0.1
Issue of share capital	2.6	0.5				3.1		3.1
Cancellation of shares						0.0		0.0
Profit for the period			13.1			13.1	0.2	13.3
Change in scope of consolidation						0.0	2.1	2.1
Other			(0.1)			(0.1)		(0.1)
At December 31, 2006	**164.7**	**32.0**	**48.2**	**(1.8)**	**(1.0)**	**242.1**	**7.0**	**249.1**
Exchange difference on translating foreign operations				(12.1)		(12.1)	(0.3)	(12.4)
Dividends paid			(6.7)			(6.7)	(0.6)	(7.3)
Gains and losses on cash flow hedges			(3.2)			(3.2)		(3.2)
Gains and losses on financial instruments						0.0		0.0
Changes in treasury stock					0.2	0.2		0.2
Issue of share capital	1.3	0.2				1.5		1.5
Cancellation of shares						0.0		0.0
Profit for the period			15.4			15.4	(0.3)	15.1
Change in scope of consolidation						0.0	(0.3)	(0.3)
Other			0.2			0.2	(0.1)	0.1
At December 31, 2007	**166.0**	**32.2**	**53.9**	**(13.9)**	**(0.8)**	**237.4**	**5.4**	**242.8**

Notes 1 to 37 are an integral part of the 2007 consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES – to the balance sheet

NOTES – to the income statement

NOTES – to the cash flow statement

NOTES – additional information

1. GENERAL INFORMATION

In 2007, Chargeurs and its subsidiaries (the Chargeurs Group) were organized around four 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), Chargeurs Wool (wool processing) and Chargeurs Fashion (design and marketing of mainly wool-based fabrics, including organizing production).

In July 2007 a shareholders' agreement was signed concerning Chargeurs Fashion, which came into force at end-2007 and resulted in a change in control over this business. Consequently, since December 31, 2007 Chargeurs Fashion has been accounted for by the equity method rather than being fully consolidated, as was previously the case.

Chargeurs is a *société anonyme* governed by the laws of France. Its headquarters are located at 29-31, rue Washington, 75008 Paris, France. Chargeurs shares are listed on Euronext.

The consolidated financial statements for the year ended December 31, 2007 were approved by the Board of Directors on March 4, 2008 and will be submitted to shareholders for approval on May 6, 2008. All amounts are expressed in millions of euros, unless otherwise specified.

The Board of Directors will recommend a dividend of €0.65 per share to the Annual General Meeting of May 6, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The 2007 consolidated financial statements of the Chargeurs Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The consolidated financial statements have been prepared in accordance with the historical cost convention, except for land and buildings—which were revalued at January 1, 2004—, investments in non-consolidated companies, financial assets and liabilities measured at fair value through profit or loss (including derivative instruments), financial assets and liabilities measured at amortized cost, and assets and liabilities underlying fair value hedges.

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

(a) New standards, amendments to existing standards and interpretations applicable in financial years commencing on or after January 1, 2007

Affecting the Group:

– IFRS 7 – Financial Instruments: Disclosures;

– IAS 1 – Amendment: Capital Disclosures (resulting from the adoption of IFRS 7);

– IFRIC 10 – Interim Financial Reporting and Impairment;

– IFRIC 9 – Reassessment of Embedded Derivatives.

Not applicable by the Group (deemed by Management as not relevant to the Group's operations):

– IFRIC 7 – Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies;

– IFRIC 8 – Scope of IFRS 2.

(b) New standards, amendments to existing standards and interpretations applicable in future years that the Group chose not to early adopt in 2007

Adopted by the European Union and affecting the Group:

– IFRS 8 – Operating Segments.

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

– IAS 23 – Amendment: Borrowing Costs;

– Revised version of IAS 1 – Presentation of Financial Statements;

– IFRIC 11 – Group and Treasury Share Transactions;

– IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Not yet adopted by the European Union and not applicable by the Group (deemed by Management as not relevant to the Group's operations):

– IFRIC 12 – Service Concession Arrangements;

– IFRIC 13 – Customer Loyalty Programmes.

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 given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill.

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

(b) Transactions with minority shareholders

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

(c) Associates

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

2.3 Segment reporting

Chargeurs'primary reporting format is based on the Group's four business segments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.
Geographical segments correspond to Chargeurs'secondary reporting format. A geographical segment is a distinguishable 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 of 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 the company's 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 into the income statement when the exchange gain or loss on the hedged item is recognized.
Exchange gains and losses arising from translation of foreign currency receivables and payables are recognized in the income statement.

(c) Group companies

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

2.5 Property, plant and equipment

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

On first-time adoption of IFRS, land and buildings were measured at fair value at January 1, 2004 (the IFRS transition date) based on independent valuations, and said fair values were used as the assets' deemed cost at that date.
The cost of dismantling and removing assets and restoring the site on which they are located is included in their carrying amount.
Each significant part of an item of property, plant or equipment whose useful life is different from that of the item concerned is recognized and depreciated separately.
Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:
– buildings: 15 to 40 years;
– plant and equipment: 4, 8, 12, 20 years;
– fixtures and fittings: 5 to 10 years.

Leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.
Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases and recognized as assets and liabilities. The capitalized amount corresponds to the lower of the fair value of the leased property at the inception of the lease and the present value of the minimum lease payments.

Impairment of property, plant and equipment

Impairment tests are performed whenever there is any internal or external indication that the carrying amount of any items of property, plant or equipment may be impaired. In addition, property, plant and equipment are covered in the annual impairment tests that the Group carries out by individual business.
If such tests show that the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in addition to accumulated depreciation. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).
In the absence of an observable market price, the recoverable amount of a cash-generating unit is considered to be equal to the higher of its value in use, corresponding to the discounted future cash flows expected to be generated by the unit, and its fair value less costs to sell. In practice, most calculations are based on value in use.
Gains and losses on the sale of property, plant and equipment are recognized in the income statement and are calculated by comparing the proceeds of the sale with the carrying amount of the sold asset.

2.6 Intangible assets

(a) Goodwill

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

(b) Trademarks and licenses

Trademarks and licenses are recognized 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 measure reliably 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, whether or not 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 the IAS 39: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

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

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

In the consolidated balance sheet, these items are recorded under "Derivative instruments" (note 15).

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, in which case they are recorded in "Long-term loans and receivables." Short-term loans and receivables are included in the balance sheet under "Other receivables."

In the consolidated balance sheet, loans and receivables appear under the following captions: "Long-term loans and receivables" (note 10) and "Other non-current assets" (note 12).

(c) Available-for-sale financial assets

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

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

(d) Financial liabilities

Financial liabilities as defined by IAS 39 include borrowings measured at amortized cost and financial liabilities measured using the fair value option.

They correspond to the following balance sheet items: "Long-term borrowings" (note 21), "Trade payables" and "Other payables" (note 22).

Recognition and measurement of financial assets

(a) Investments in non-consolidated companies

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

(b) Loans and receivables

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

(c) Marketable securities

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

Recognition and measurement of financial liabilities

Borrowings and other financial liabilities are generally measured at amortized cost using the effective interest method. As the Group's operating liabilities have short maturities their nominal value is close to their fair value.

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

2.8 Derivative instruments and hedges

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

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

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

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

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

In the second case, the gains and losses are recognized directly in profit and the carrying amount of the hedged portion of the underlying debt is adjusted to reflect the rate change.
Fair value adjustments to interest-rate and currency derivatives held for trading are recognized immediately in the income statement.

2.9 Deferred taxes

Deferred taxes are recognized for temporary differences between the carrying amount of assets and liabilities and their tax base, as follows:
– all deferred tax liabilities are recognized;
– deferred tax assets arising from temporary differences or from tax loss carryforwards are recognized only when it is probable that the differences will reverse or the assets will be recovered in the foreseeable future.
Deferred tax assets and liabilities are adjusted at the year-end for enacted changes in tax rates and tax laws.
A deferred tax liability is recognized for withholding taxes, where applicable, only in respect of dividends for the year to be received in the following year.
Deferred tax assets and liabilities are offset within each company or taxable entity.

2.10 Inventories

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

2.11 Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provisions for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of 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, the risk of default, or if a payment has been missed. The amount of the provision—which represents the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the initial effective interest rate—is recorded in the income statement under "Distribution costs."

2.12 Cash and cash equivalents

Cash and cash equivalents analyzed in the cash flow statement correspond to cash in hand, marketable securities and short-term deposits. Cash equivalents are highly liquid instruments with short maturities that are not exposed to any material risk of impairment. Marketable securities are accounted for as financial assets at fair value through profit or loss. Short-term bank deposits and cash in hand are deemed to be loans and receivables and are measured at amortized cost.
Bank overdrafts are recorded under current liabilities in short-term bank loans and overdrafts.

2.13 Share capital

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

2.14 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs. They are subsequently measured at amortized cost, and any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the balance sheet date, in which case they are classified as non-current.

2.15 Employee benefits

Obligations for the payment of post-employment benefits and other long-term employee benefits are measured by the projected unit credit method and recognized in accordance with IAS 19.
The Group's obligations are measured based on the fair value of plan assets—such as those funded under insured plans—at the balance sheet date.
For post-employment benefit plans, actuarial gains and losses are expensed over the estimated remaining service lives of employees using the corridor method.
For other long-term employee benefits and length-of-service awards payable to employees on retirement, actuarial gains and losses are recognized immediately.

2.16 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when (i) the Group has a present legal or constructive obligation as a result of past events, (ii) it is more likely

than not that an outflow of resources will be required to settle the obligation, and (iii) the amount of the provision can be reliably estimated. Restructuring provisions include lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.
The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used reflects current market assessments of the time value of money and the risks specific to the liability concerned. The increase in the carrying amount of provisions to reflect the passage of time is recognized as interest expense.

2.17 Revenue recognition

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

2.18 Other operating income and expense

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

2.19 Earnings per share

Basic earnings per share are computed by dividing profit attributable to equity holders of the parent company 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 are determined by adjusting basic earnings per share for the dilutive effect of employee stock options or stock warrants from the date on which the options are granted or the warrants are issued, except in cases where the exercise price exceeds the market price of Chargeurs shares.

2.20 Stock options

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

3. USE OF ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

3.1 Critical accounting estimates and assumptions

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

(a) Goodwill impairment

Goodwill is tested for impairment on an annual basis as described in note 2.6. The recoverable amounts of cash-generating units were determined based on calculations of value in use, which require the use of estimates (see note 6). The impairment tests performed in 2007 did not reveal any impairment in the carrying amount of goodwill.
Application of a 9.89% discount rate to calculate discounted future cash flows for Chargeurs Interlining, rather than the 8.89% rate used by Management, would not have led to the recognition of any further impairment loss on Chargeurs Interlining's goodwill.

(b) Income tax

The recoverability of the €21.3 million income tax asset arising from Group relief in France, tax loss carryforwards and temporary differences is based on forecast taxable profit.

3.2 Critical judgments

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

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

French GAAP

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

IFRS

Under IFRS, transfer of title is not the only criterion to be applied. IAS 39 – Financial Instruments: Recognition and Measurement, which deals with the derecognition of financial assets, including trade receivables, requires entities to base their analysis on the following three criteria:
– whether the entity has transferred the contractual rights to receive the cash flows of the financial asset;
– whether the entity has transferred substantially all the risks and rewards of ownership of the financial asset;
– whether the entity has retained control of the financial asset.
Chargeurs'teams analyzed the contracts for the sale of the receivables based on these three criteria. In view of the fact that this issue was still

being discussed by experts and no final official position had been taken, it was deemed prudent to keep these receivables on balance sheet and record a corresponding liability for the amount of the cash proceeds received.

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

4. ACQUISITIONS – DISPOSALS

Chargeurs Fashion

On December 31, 2007, Chargeurs sold a 50% stake in Chargeurs Fashion to the Morocco-based company Holfipar pursuant to a share transfer agreement entered into on July 8, 2007 and a shareholders' agreement dated April 27, 2007.
Chargeurs Fashion owns the French companies Avelana, Roudière, Lepoutre and FTS, as well as Roudière Portugal in Portugal and Drummond in the United Kingdom.
In addition, Chargeurs purchased Chargeurs Fashion's interest in the Moroccan company CFTM, representing 50% plus 1 share. This stake will be transferred to Chargeurs Fashion in early 2008.
The combined entity made up of Chargeurs Fashion and its subsidiaries and the Holfipar subsidiary Sefita will form a leading textile group, able to draw on the image, networks and innovative capabilities of Chargeurs Fashion's subsidiaries while gaining a competitive edge through the Moroccan companies Sefita and CFTM.

Control

The shareholders'pact signed on April 27, 2007 between Chargeurs and Holfipar states that the above-mentioned entities will be jointly controlled and also sets out the terms and conditions applicable to the control of Chargeurs Fashion. In particular it specifies that Chargeurs Fashion will be jointly controlled by the two partners and that neither one will be entitled to unilaterally control the company's business.

Consolidation method

In accordance with the option available under paragraph 38 of IAS 31, – Interests in Joint Ventures –, the Group has elected to account for its interest in Chargeurs Fashion using the equity method.
The Group's policy is to derecognize assets and liabilities that it no longer exclusively controls. This complies with the Exposure Draft ed. 9, issued by the International Accounting Standards Board—a draft IFRS designed to supersede IAS 31—under which joint venturers will no longer be permitted to use the proportionate method to recognize their interests in joint arrangements.

Date of change in consolidation method

The shareholders'pact came into force on December 31, 2007, the date on which the first installment of the purchase price for the shares was paid. As a result, joint control over Chargeurs Fashion by Chargeurs and Holfipar began on that date and the Group's interest in the joint venture was accounted for by the equity method at December 31, 2007.
The sale of the Chargeurs Fashion shares was based on the company's adjusted net assets (€14.6 million), as shown below.

Assets and liabilities derecognized from Chargeurs'consolidated balance sheet following the sale of 50% of Chargeurs Fashion shares (excluding CFTM)

(in euro millions)	Dec. 31, 2007
Assets	
Property, plant and equipment and intangible assets	5.9
Other non-current assets	4.3
Current assets	32.6
Total assets	**42.8**
Equity and liabilities	
Equity	14.6
Non-current liabilities	2.5
Current liabilities	25.7
Total equity and liabilities	**42.8**

The total purchase price comes to €7.2 million and the related amount recognized in "Investments in associates" is €7.3 million. As the overall sale price is slightly lower than the company's net asset value, the transaction represents a loss of €0.1 million.
Although Morocco-based CFTM is not a subsidiary of Chargeurs Fashion and is 51%-owned by Chargeurs, this company was also accounted for by the equity method at December 31, 2007 as the Chargeurs Fashion sale agreement provides that CFTM will be transferred to Chargeurs Fashion for €0.5 million when Holfipar pays the fixed portion of the purchase consideration for its Chargeurs Fashion shares.
Using the equity method to account for the Group's interest in the above companies did not affect the presentation of the 2007 income statement as the above transactions were not completed until end-December 2007.

NOTES TO THE BALANCE SHEET

5. PROPERTY, PLANT AND EQUIPMENT

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

(in euro millions)	Land	Buildings	Plant and equipment	Fixtures and fittings	Assets under construction	Total
December 31, 2005	**10.7**	**49.3**	**28.3**	**9.3**	**6.6**	**104.2**
Additions	0.2	0.1	23.4	0.7	14.0	38.4
Disposals	(1.1)	(4.1)	(5.2)		(1.5)	(11.9)
Business divestments						0.0
Depreciation		(3.2)	(8.1)	(2.1)		(13.4)
Impairment						0.0
Other	0.1	0.7	9.6	1.0	(9.2)	2.2
Translation adjustment	(0.2)	(1.4)	(2.1)	(0.4)	(0.6)	(4.7)
December 31, 2006	**9.7**	**41.4**	**45.9**	**8.5**	**9.3**	**114.8**
Additions		0.6	5.4	1.5	6.1	13.6
Disposals			(3.5)	(0.6)	(3.8)	(7.9)
Business divestments	(1.2)	(4.6)	(7.3)	(0.1)	(0.1)	(13.3)
Depreciation		(3.3)	(9.4)	(2.1)		(14.8)
Impairment						0.0
Other		1.0	6.0	1.1	(8.0)	0.1
Translation adjustment	(0.1)	(0.8)	(1.8)	(0.2)	(0.2)	(3.1)
December 31, 2007	**8.4**	**34.3**	**35.3**	**8.1**	**3.3**	**89.4**

The change in the consolidation method used for Chargeurs Fashion led to a €6.4 million reduction in net property, plant and equipment.

Measurement of property, plant and equipment

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

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

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

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

6. GOODWILL AND OTHER INTANGIBLE ASSETS

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

(in euro millions)	Gross	Accumulated impairment losses	Net
December 31, 2005	**95.2**	**(25.4)**	**69.8**
Goodwill recognized on companies acquired during the year	0.1		0.1
Translation adjustment	(5.5)		(5.5)
December 31, 2006	**89.8**	**(25.4)**	**64.4**
Goodwill recognized on companies acquired during the year			
Translation adjustment	(5.0)		(5.0)
Change in scope of consolidation[1]	(14.4)	11.5	(2.9)
December 31, 2007	**70.4**	**(13.9)**	**56.5**

(1) Following the sale of a 50% controlling interest in Chargeurs Fashion, as described in note 4, this segment's goodwill is now recognized in "Investments in associates" (see note 9).

Goodwill has been allocated to the following cash-generating units, representing the Group's business segments.

(in euro millions)	Dec. 31, 2007	Dec. 31, 2006
Chargeurs Protective Films	42.9	47.9
Chargeurs Interlining	13.6	13.6
Chargeurs Wool	–	–
Chargeurs Fashion	–	2.9

Chargeurs Protective Films goodwill is measured in US dollars and the €5.0 million reduction in 2007 was entirely due to the fall in the US currency against the euro. The three companies held by Chargeurs Interlining with Ningbo Yak Technology Industrial together constitute a separate cash-generating unit (CGU).

Goodwill impairment tests

Impairment tests were carried out on the Group's three CGUs by comparing their carrying amount with their recoverable amount. Recoverable amount was determined based on value-in-use calculations using the five-year cash flow projections contained in the business plans drawn up by management, as adjusted to comply with IAS 36. Cash flows beyond this five-year period were extrapolated by using the estimated growth rates shown in the table below.

Principal value-in-use assumptions.

	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool
Average operating margin over the business plan period[1]	9.5%	6.3%	2.0%
Growth rate[2]	2.5%	1.0%	0.0%
Discount rate[3]			
2006	8.4%	8.2%	8.8%
2007	9.1%	8.9%	9.6%

The main changes in 2007 for Chargeurs Interlining and Chargeurs Wool reflect the following:

– Chargeurs Interlining: the increase in the average operating margin for this CGU from 5.3% to 6.3% stems from the Group's decision to discontinue certain leases and low-margin operations, and to scale back certain development costs.

– Chargeurs Wool: the decrease in the average operating margin from 4% in 2006 to 2% in 2007 was due to the year-on-year increase in commodity prices but this did not affect the absolute value of cash flows. Chargeurs Wool's value in use is calculated solely for the purpose of substantiating the value of the segment's property, plant and equipment.

The growth rate applied in 2007 for calculating the terminal value for all three CGUs was unchanged from 2006.

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

(2) Equal to or less than the medium- to long-term growth rate for the industry as
a whole. This rate was unchanged from 2006 for all of the Group's CGUs.

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

General parameters:

– risk-free rate of interest: 4.4% compared with 3.7% in 2006, representing the rate for 10-year government bonds (OAT);

– market premium: 5.0%, unchanged from 2006 and based on information received from major Paris-based valuation firms;

– pre-tax cost of debt: 5.8% versus 4.5% in 2006;

– income tax rate: 33.33%.

Specific parameters:

Specific risk premium:
Protective Films 1.0%; Interlining 2%; Wool 3.0%.
Debt/capital employed:
Protective Films 0.20; Interlining 0.33; Wool 0.33.

(b) Other intangible assets

At December 31, 2007, the costs relating to two development projects satisfied the asset recognition criteria set out in IAS 38.

(in euro millions)	Patents and trademarks	Development costs	Rights of use	Other	Total
January 1, 2006	**4.1**		**3.1**	**0.4**	**7.6**
Additions				0.3	0.3
Disposals				(0.4)	(0.4)
Business divestments					0.0
Amortization	(0.2)			(0.1)	(0.3)
Impairment			(0.1)		(0.1)
Other	(0.1)		(0.2)	0.4	0.1
Translation adjustment	(0.1)		(0.3)		(0.4)
December 31, 2006	**3.7**	**0.0**	**2.5**	**0.6**	**6.8**
January 1, 2007	**3.7**	**0.0**	**2.5**	**0.6**	**6.8**
Capitalized development costs		1.3			1.3
Additions				0.3	0.3
Disposals			(0.2)	(0.1)	(0.3)
Business divestments	(0.2)		(0.1)		(0.3)
Amortization				(0.1)	(0.1)
Impairment	(0.1)		(0.1)	(0.1)	(0.3)
Other					0.0
Translation adjustment	(0.1)		(0.1)		(0.2)
December 31, 2007	**3.3**	**1.3**	**2.0**	**0.6**	**7.2**

The change in accounting method for Chargeurs Fashion at December 31, 2007 did not lead to any changes in other intangible assets.

7. FINANCE LEASES

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

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Land	2.7	2.7
Buildings	32.3	32.3
Plant and equipment	4.4	4.4
Fixtures and fittings	7.4	7.4
Gross	**46.8**	**46.8**
Accumulated depreciation	**(29.8)**	**(26.7)**
Net	**17.0**	**20.1**

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

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Future minimum lease payments under finance leases	20.8	22.4
Finance lease liabilities	18.4	19.9
Future finance cost	2.4	2.5

Future lease payments can be analyzed by maturity as follows:

(in euro millions)	Minimum lease payments	Finance lease liabilities
Due in less than one year	3.6	3.0
Due in one to five years	12.8	11.2
Due in more than five years	4.4	4.2
Total at December 31, 2007	**20.8**	**18.4**
Due in less than one year	3.2	2.6
Due in one to five years	12.1	10.7
Due in more than five years	7.1	6.6
Total at December 31, 2006	**22.4**	**19.9**

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

8. INVESTMENTS IN NON-CONSOLIDATED COMPANIES

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

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Investments more than 50%-owned:		
aggregate	1.8	1.9
Investments between 20% and 50%-owned:		
aggregate	0.5	0.3
Investments less than 20%-owned:		
aggregate	0.8	0.9
Total	**3.1**	**3.1**

These shares can be classified as "Available-for-sale financial assets". As they are not listed they are measured at historical cost and written down where necessary.

9. INVESTMENTS IN ASSOCIATES

(a) Movements

This item increased from €17.5 million in 2006 to €25.1 million in 2007, primarily reflecting (i) the first-time equity accounting of Chargeurs Fashion and Peinaduria Rio Chubut, which had respective impacts of €7.8 million and €2.1 million; and (ii) decreases due to capital reductions.

(in euro millions)	Yak entities	Chargeurs Fashion entities	Peinaduria Rio Chubut	Other	Total
January 1, 2006				**7.0**	**7.0**
Additions	10.8				10.8
Disposals					0.0
Change in scope of consolidation					0.0
Profit/(loss) for the period				(0.2)	(0.2)
Dividends				(0.3)	(0.3)
Other				0.1	0.1
Translation adjustment	0.1				0.1
December 31, 2006	**10.9**	**0.0**	**0.0**	**6.6**	**17.5**
January 1, 2007	**10.9**	**0.0**	**0.0**	**6.6**	**17.5**
Additions					0.0
Disposals				(2.0)	(2.0)
Change in scope of consolidation		7.8	2.1		9.8
Profit/(loss) for the period	1.3		0.3	(0.1)	1.5
Dividends				(0.3)	(0.3)
Other				(0.7)	(0.7)
Translation adjustment	(0.5)		(0.2)		(0.7)
December 31, 2007	**11.7**	**7.8**	**2.1**	**3.5**	**25.1**

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

Key figures for associates, representing ownership interests of €25.1 million, were as follows:

(in euro millions)	December 31, 2007				December 31, 2006			
	Yak	Fashion	Other	Total	Yak	Fashion	Other	Total
Assets	15.4	63.8	27.7	**106.9**	12		22.7	**34.7**
Liabilities	5.9	41.9	13.3	**61.1**	4.9		7.8	**12.7**
Revenue	3.2	(*)	10.3	**13.5**			8.9	**8.9**
Profit/(loss) for the period	2.7	(*)	1	**3.7**			(0.1)	**(0.1)**
Contribution to consolidated profit	**1.3**	(*)	**0.2**	**1.5**			**(0.2)**	**(0.2)**

* Not material since Chargeurs Fashion's profit was consolidated in 2007.

The increase in assets and liabilities of associates in 2007 reflects the first-time equity accounting of Chargeurs Fashion entities and the formation of Peinaduria Rio Chubut with assets contributed by the Chargeurs Group.

The carrying amount of the Group's investments in associates includes goodwill of €8.5 million with €7.0 million corresponding to two interlining manufacturers in China and €1.5 million relating to Chargeurs Fashion.

10. LONG-TERM LOANS AND RECEIVABLES

The €9.3 million total for this item breaks down as follows:
- long-term loans in an amount of €2.3 million;
- long-term deposits in an amount of €7.0 million.

The fair values of these assets are close to their carrying amount.

The change in the consolidation method used for Chargeurs Fashion at December 31, 2007 led to a €1.6 million reduction in long-term loans and receivables.

11. DEFERRED TAXES

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

(in euro millions)	Dec. 31, 2007	Dec. 31, 2006
Deferred tax assets		
– recoverable beyond 12 months	24.4	23.8
– recoverable within 12 months	12.8	15.3
Deferred tax liabilities		
– settlement beyond 12 months	(7.9)	(10.3)
– settlement within 12 months	(1.5)	(1.7)
Total	**27.8**	**27.1**

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

(in euro millions)	Dec. 31, 2007	Dec. 31, 2006
Deferred tax assets:		
– temporary differences	12.6	14.8
– tax loss carryforwards and tax credits	24.6	24.2
Deferred tax liabilities		
– temporary differences	(9.4)	(11.9)
Total	**27.8**	**27.1**

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.

A significant portion of the Group's evergreen losses (see below) has been written down in full.

Net deferred tax assets increased by €0.7 million in 2007.

Tax loss carryforwards were as follows at December 31, 2007:

(in euro millions)	Total	Unrecognized
Available until		
2008	5.0	5.0
2009	0.9	0.9
2010	0.7	0.7
2011	3.2	3.2
2012	21.3	19.3
Evergreen losses	304.4	225.8
Total tax loss carryforwards	**335.5**	**254.9**

12. OTHER NON-CURRENT ASSETS

The €6.6 million total for this item includes foreign tax credits representing €1.3 million.

The change in the consolidation method used for Chargeurs Fashion at December 31, 2007 led to a €0.6 million reduction in other non-current assets.

13. INVENTORIES AND WORK-IN-PROGRESS

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

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Gross		
Raw materials and supplies	51.9	62.6
Finished and semi-finished goods and work-in-progress	109.4	117.6
Total–gross	161.3	180.2
Provisions for impairment	(6.1)	(12.9)
Net	**155.2**	**167.3**
Increase in provisions for impairment of inventory	(5.0)	(4.8)
Reversals of provisions used	4.5	6.4
Reversals of surplus provisions	3.5	1.6

The change in the consolidation method used for Chargeurs Fashion at December 31, 2007 led to an €18.4 million net reduction in inventories and work-in-progress.

14. TRADE RECEIVABLES

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Trade receivables		
Gross	93.0	91.7
Provisions for impairment	(10.5)	(12.8)
Net	**82.5**	**78.9**

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

Factored receivables

At December 31, 2007, certain receivables had been sold under no-recourse agreements with factoring companies. The amounts paid by the factoring companies for these receivables totaled €82.5 million at December 31, 2007 (€87.2 million at December 31, 2006).
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).

The change in the consolidation method used for Chargeurs Fashion at December 31, 2007 led to a €2.1 million reduction in total trade receivables and a €12.1 million decrease in factored receivables.

15. DERIVATIVE INSTRUMENTS

The carrying amount of derivatives can be analyzed as follows:

(in euro millions)	**Dec. 31, 2007**		Dec. 31, 2006	
Assets net of liabilities	Fair value	Notional	Fair value	Notional
Fair value hedges				
Currency hedges	(0.2)	22.6	0.6	7.5
Cash flow hedges				
Currency hedges	(3.6)	47.5	–	–
Interest rate hedges	1.0	(30.0)	0.9	(30.0)
Commodity hedges	(0.1)	2.4	–	–
Hedges of net investments in foreign operations				
Currency hedges	–	–	0.1	(22.8)
Derivatives not qualifying for hedge accounting				
Currency instruments	0.0	(12.6)	0.2	(6.2)
Interest rate instruments	0.0	(31.9)		(32.3)
Derivative instruments – net asset/(liability)	**(2.9)**		**1.8**	

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 (notional amount: €22.6 million) correspond to hedges of assets and liabilities and firm commitments by subsidiaries.
Cash flow hedges (notional amount: €47.5 million) correspond to hedges of the Group's exposure to changes in the exchange rate for the US dollar, Korean won, Chinese yuan, Australian dollar and South African rand.
In the second half of 2007 the Group decided to terminate hedges of net investments in foreign operations corresponding to assets located in the United States and South America. Unwinding these hedges resulted in the recognition of a €0.9 million profit in financial income in 2007.
Interest rate instruments on a notional amount of €61.9 million (net borrower position) correspond to:
– partial conversion to fixed rate of credit lines representing a total of €50 million, obtained by Chargeurs Protective Films, through interest rate swaps. The fixed-rate portion represents €30 million, or 60% of the nominal amount of the credit lines. In addition, a swap cancellation option has been purchased on a notional amount of €24 million;
– conversion to fixed rate of a medium-term loan taken out by a subsidiary, for €4.4 million. In addition, a swap cancellation option has been purchased on a notional amount of €3.5 million.

Commodity hedges on a notional amount of €2.4 million correspond to the purchase of a derivative contract whose value is indexed to polyethylene prices.

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

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Australian dollar	61.3	26.9
US dollar	2.3	(47.9)
Euro	(4.3)	(5.1)
Pound sterling	(2.1)	(0.4)
Danish krona	–	(0.5)
Canadian dollar	–	5.5
New Zealand dollar	(0.9)	–
South African rand	17.1	–
Korean won	(3.6)	–
Chinese yuan	(12.3)	–
Total	**57.5**	**(21.5)**

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

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Euro	(61.9)	(62.3)
US dollar	–	–

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

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Euro	2.4	–

Maturities of derivatives at fair value

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Within 6 months	(3.5)	0.7
In 6 to 12 months	(0.3)	–
In 12 to 18 months	(0.1)	0.2
In more than 18 months	1.0	0.9

16. OTHER RECEIVABLES AND PREPAID EXPENSES

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Short-term tax receivables	3.4	4.7
Other receivables	72.6	70.6
Accruals	1.4	1.9
Provisions for impairment	(2.5)	(7.5)
Net	**74.9**	**69.7**

The change in the consolidation method used for Chargeurs Fashion at December 31, 2007 led to (i) a €7.7 million reduction in other receivables recognized by Chargeurs Fashion and its subsidiaries and (ii) an increase in other receivables stemming from the recognition of a €7.2 million receivable due from Holfipar in connection with its purchase of Chargeurs Fashion shares.
The fair value of these assets approximates their carrying amount.

17. CASH AND CASH EQUIVALENTS

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

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Cash equivalents		
Marketable securities	15.8	16.8
Term deposits	16.2	20.2
Sub-total	**32.0**	**37.0**
Cash at bank	78.3	88.2
Total	**110.3**	**125.2**

The change in the consolidation method used for Chargeurs Fashion at December 31, 2007 led to a €5.2 million reduction in cash and cash equivalents.

18. EQUITY

All Chargeurs shares have been called and are fully paid-up. Changes in the number of shares outstanding since January 1, 2006 are as follows:

Shares outstanding at January 1, 2006	**10,131,747**
Cancellation of shares held in treasury	–
Issuance of shares on exercise of employee stock options	161,450
Shares outstanding at December 31, 2006	**10,293,197**
Issuance of shares on exercise of employee stock options	83,900
Shares outstanding at December 31, 2007	**10,377,097**

Based on a par value of €16 per share, shares outstanding represented issued capital of €166,033,552 at December 31, 2007 (€164,691,152 at December 31, 2006).
All of the shares are of the same class, with the same rights to dividends and returns of capital.

Shares held in treasury can be analyzed as follows:

	Dec. 31, 2007 Number	**Dec. 31, 2007** Cost in euros	Dec. 31, 2006 Number	Dec. 31, 2006 Cost in euros
Chargeurs shares held:				
– by Chargeurs	13,334	230,851	56,517	1,023,687
– in connection with the liquidity contract	29,326	579,639	–	
Total	**42,660**	**810,490**	**56,517**	**1,023,687**

At December 31, 2007 no Chargeurs shares were held for allocation to employees (December 31, 2006: 29,400 shares).
"Other reserves" at December 31, 2007 included cumulative net losses on cash flow hedges in an amount of €2.3 million, compared with cumulative net gains of €0.9 million at December 31, 2006.

19. PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Post-employment benefit obligations	9.5	10.8
Other long-term employee benefit obligations	2.0	2.2

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)	**Dec. 31, 2007**	Dec. 31, 2006
Present value of obligations – funded plans	18.0	21.1
Fair value of plan assets	(15.7)	(18.8)
Present value of unfunded obligations – funded plans	2.3	2.3
Present value of obligations – unfunded plans	7.7	9.0
Deferred actuarial gains/(losses)	0.5	0.6
Unrecognized past service costs	1.0	1.1
Reimbursement rights		–
Net liability in the balance sheet	**11.5**	**13.0**

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

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Service cost	0.5	0.5
Interest cost	1.1	1.2
Expected return on plan assets	(1.1)	(1.1)
Past service cost	(0.2)	(0.2)
Reversal of surplus provisions	(0.4)	–
Net (income)/expense recognized in the income statement	**(0.1)**	**0.4**

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

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Net liability at start of year	**13.0**	**15.1**
Net (income)/expense recognized in the income statement	(0.1)	0.4
Benefits paid during the year	(1.3)	(1.8)
Exchange differences on foreign plans	(0.4)	(0.7)
Impact of the change in consolidation method for Chargeurs Fashion	0.3	–
Net liability at end of year	**11.5**	**13.0**

The main actuarial assumptions applied were as follows:

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Europe		
Discount rate applied to contributions	5.00%	4.50%
Discount rate applied to projected benefit obligation	5.50%	4.25%
North America		
Discount rate applied to contributions	6.00%	6.00%
Discount rate applied to projected benefit obligation	6.00%	5.75%
Probable retirement age	60-65 ans	60-65 ans

20. PROVISIONS

Provisions can be analyzed as follows:

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Provisions for other non-current liabilities	3.9	6.2
Provisions for other current liabilities [a]	3.6	4.8
Total	**7.5**	**11.0**

(a) Included in other payables.

Movements in provisions:

(in euro millions)	Provisions for other non-current liabilities	Provisions for other current liabilities	Total
January 1, 2006	**8.2**	**10.3**	**18.5**
Additions	0.7	0.7	1.4
Reversals of provisions used	(2.4)	(4.3)	(6.7)
Reversals of surplus provisions	(0.3)	(1.5)	(1.8)
Change in scope of consolidation			0.0
Other			0.0
Translation adjustment		(0.4)	(0.4)
December 31, 2006	**6.2**	**4.8**	**11.0**
January 1, 2007	**6.2**	**4.8**	**11.0**
Additions	0.5	2.8	3.3
Reversals of provisions used	(1.0)	(3.5)	(4.5)
Reversals of surplus provisions	(0.3)	(0.3)	(0.6)
Change in scope of consolidation	(0.7)	0.0	(0.7)
Other	(0.8)		(0.8)
Translation adjustment		(0.2)	(0.2)
December 31, 2007	**3.9**	**3.6**	**7.5**

Provisions include the following:

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Industrial restructuring costs	0.6	3.6
Other contingencies	6.9	7.4
Total	**7.5**	**11.0**

Provisions for industrial restructuring costs were decreased by €3 million in 2007, particularly due to the completion of reorganization measures in the United States.
Of the total cash outflows relating to "Other contingencies" €3.0 million will occur in 2008 and €3.9 million after 2008.
The change in the consolidation method used for Chargeurs Fashion had a €0.8 million negative impact.

21. BORROWINGS

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

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Due in less than 1 year	26.9	15.3
Due in 1 to 2 years	19.0	18.1
Due in 2 to 3 years	18.8	27.0
Due in 3 to 4 years	5.8	15.0
Due in 4 to 5 years	6.5	3.6
Due in more than 5 years	6.6	22.3
Total	**83.6**	**101.3**

Borrowings by type of lender

(in euro millions)	Notional amount **Dec. 31, 2007**	Notionnel amount Dec. 31, 2006	Effective interest rate Dec. 31, 2007
Loans from financial institutions	83.6	101.3	5.05%
Short-term bank loans and overdrafts	81.3	70.5	

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

	2008	2009	2010	2011	2012	2013 and beyond
Fixed-rate borrowings	0.4	0.3	0.3	0.2		
Variable-rate borrowings	82.4					

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

	2008	2009	2010	2011	2012	2013 and beyond
Fixed-rate borrowings	6.9	6.8	18.8	0.7	0.6	1.8
Variable-rate borrowings	48.0					

At December 31, 2007, the average interest rate on long-term debt was 5.05% (3.95% at December 31, 2006) before the impact of swaps and 4.57% (3.77% at December 31, 2006) after swaps. The average fixed-rate portion of these borrowings after hedging was 41.03% in 2007 (41.33% in 2006).
Long-term debt was denominated in the following currencies:

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Euro	71.7	91.8
Dollar	3.4	3.2
Other	8.5	6.3
Total	**83.6**	**101.3**

Long-term debt denominated in other currencies at December 31, 2007 included loans in Czech koruna (for an equivalent €3.5 million) and Hong Kong dollars (€2.0 million).
The carrying amount of variable-rate borrowings is close to their fair value in view of the interest rates applied. At December 31, 2007, the carrying amount of borrowings originally contracted at fixed rates was €35.6 million.
In September 2005, Chargeurs Protective Films took out a €50 million loan with two banks. The related agreements include the following banking covenants:

	2007	2006
Debt/equity	< 95%	< 115%
Debt/EBITDA	< 2.0	< 2.5
Interest cover (EBITDA / finance costs)	> 6.0	> 6.0

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

22. TRADE AND OTHER PAYABLES

"Other payables" include short-term provisions for contingencies and charges in an amount of €3.6 million (see note 20).
Receivables sold under no recourse agreements are shown in the balance sheet for €82.5 million (see note 14), with the corresponding liability recorded under "Factoring liabilities."
The change in the consolidation method used for Chargeurs Fashion at December 31, 2007 led to a €17.2 million reduction in trade payables and a €4.8 million decrease in other payables.

23. FINANCIAL RISK MANAGEMENT

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

(a) Market risk

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

(i) Foreign exchange risk

The Group operates internationally, with 90% 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 46% of revenue is generated in the Americas and Asia). Foreign exchange risk relates to future commercial transactions, recognized assets and liabilities denominated in foreign currencies, and net investments in foreign operations.
In order to manage exposures to changes in exchange rates for the US dollar and various Asian currencies on a long-term basis, Chargeurs has relocated production facilities to the Asian region and the USD zone, in which 36% of the Group's assets are now based.
Group entities primarily use forward contracts and options 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 after the budget process). The percentage applied is determined in line with the definition of "highly probable forecast transactions" under IFRS for hedge accounting purposes.

Chargeurs Wool's main foreign exchange exposure relating to transactions and borrowings in foreign currencies concerns the Australian dollar, US dollar and South African rand. Chargeurs Wool uses forward currency contracts as well as certain option-based products to hedge the related risks. At the end of 2007 Chargeurs Wool set up a cash flow hedge for transactions in the Australian dollar and South African rand as a result of these two currencies' highly volatile exchange rates.

For a number of years the Group hedged the foreign exchange risk arising on certain net assets denominated in currencies other than the euro. However this policy was discontinued in the second half of 2007 and Management consequently decided to no longer qualify the related transactions as hedges of net investments in foreign operations. The €0.9 million positive impact of this change was recognized in financial income.

(ii) Interest rate risk

In 2006, interest rates on a significant portion of the Group's five-year credit lines were converted from variable rate to fixed rate through interest rate swaps (see note 21). No new interest rate hedges were set up in 2007.

A 1% increase in interest rates would have a €0.2 million impact on the Group's €19 million worth of net debt (including amounts received for no-recourse receivables sales) that is not hedged against interest rate risks.

(iii) Price risk

The Group is exposed to price risk on certain materials that are essential for its production operations. The Protective Films business is exposed to risks relating to certain oil byproducts, which it manages via its supplier contracts and sales pricing strategy. In 2007 this business set up its first hedge using a derivative contract. 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 other. 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. No one customer represents more than 10% of revenue. In addition, it protects itself against receivables risk through credit insurance and letters of credit wherever possible.

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

(ii) Country risk

The Group's geographical diversity means that it is not significantly exposed to political risk. The five main countries in which the Group's customers are located have at least an "A" sovereign credit rating assigned by Standard & Poor's.

Exercice 2007

Country	% of total 2007 consolidated revenue	Credit rating [1]
China	19.1 %	A
Italy	15.7 %	A+
Germany	10.6 %	AAA
France	9.6 %	AAA
United States	8.5 %	AAA

(1) Standard & Poor's.

(iii) Banking counterparty risk

The Group only deals with leading financial institutions for derivative instruments, cash-settled transactions and cash deposits. At December 31, 2007 over 60% of the Group's cash investments were with financial institutions rated at least "AA" by Standard & Poor's.

Bank	% of Group cash and cash equivalents at Dec. 31, 2007	Credit rating [1]
Bank 1	> 30%	AA+
Bank 2	20% to 30%	AA–
Bank 3	5% to 10%	AA
Bank 4	less than 5%	B+
Bank 5	less than 5%	A

(1) Standard & Poor's.

(iiii) Risks relating to insurers

Chargeurs has set up insurance policies covering various types of risk including customer insolvency, freight, property and casualty, business interruption and third-party liability. These policies are taken out with a range of insurance companies, which were all rated at least "A+" by Standard & Poor's at December 31, 2007.

Insurers

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

(1) Standard & Poor's.

(c) Liquidity risk

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

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

December 31, 2007

(in euro millions)	Total	Due in less than one year	Due in one to five years	Due in more than five years
Financial assets and liabilities				
Cash and cash equivalents	110.3	110.3		
Long-term borrowings	(56.7)		(50.1)	(6.6)
Short-term portion of long-term borrowings	(26.9)	(26.9)		
Short-term bank loans and overdrafts	(81.3)	(81.3)		
Net debt	(54.6)	2.1	(50.1)	(6.6)
Derivative instruments – assets	1.8	1.8		
Deposits and guarantees	9.3		9.3	
Derivative instruments – liabilities	(4.7)	(4.7)		
Other financial assets and liabilities	6.4	(2.9)	9.3	0.0
Sub-total – financial assets and liabilities	**(48.2)**	**(0.8)**	**(40.8)**	**(6.6)**
Working capital				
Trade and other receivables	82.5	82.5		
Inventories	155.2	155.2		
Trade payables	(157.0)	(157.0)		
Sub-total – operating assets and liabilities	**80.7**	**80.7**	**0.0**	**0.0**
Total	**32.5**	**79.9**	**(40.8)**	**(6.6)**

December 31, 2006

(in euro millions)	Total	Due in less than one year	Due in one to five years	Due in more than five years
Financial assets and liabilities				
Cash and cash equivalents	125.2	125.2		
Long-term borrowings	(86.0)		(63.7)	(22.3)
Short-term portion of long-term borrowings	(15.3)	(15.3)		
Short-term bank loans and overdrafts	(70.5)	(70.5)		
Net debt	(46.6)	39.4	(63.7)	(22.3)
Derivative instruments – assets	2.0	2.0		
Deposits and guarantees	10.2		10.2	
Derivative instruments – liabilities	(0.2)	(0.2)		
Other financial assets and liabilities	12.0	1.8	10.2	0.0
Sub-total – financial assets and liabilities	**(34.6)**	**41.2**	**(53.5)**	**(22.3)**
Working capital				
Trade and other receivables	78.9	78.9		
Inventories	167.3	167.3		
Trade payables	(185.7)	(185.7)		
Sub-total – operating assets and liabilities	**60.5**	**60.5**	**0.0**	**0.0**
Total	**25.9**	**101.7**	**(53.5)**	**(22.3)**

(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 80% of its available credit facilities.

(iii) Applying strict underwriting rules

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

NOTES TO THE INCOME STATEMENT

24. RESEARCH AND DEVELOPMENT COSTS

(in euro millions)	Dec. 31, 2007	Dec. 31, 2006
Research and development costs	(9.4)	(10.5)
Total	**(9.4)**	**(10.5)**

25. OTHER OPERATING INCOME AND EXPENSE

(in euro millions)	2007	2006	2006 reported
Exchange gains and losses	(2.0)	(1.5)	(1.5)
Gains on disposal of non-current assets	1.2	1.2	1.2
Goodwill impairment		–	–
Restructuring costs		(0.8)	(0.8)
Other	0.8	1.4	1.4
Research and development costs	N/A	N/A	(10.5)
Discretionary profit-shares	N/A	N/A	(2.0)
Total	**0.0**	**(0.3)**	**(12.2)**

In 2006, other operating income and expense included research and development costs (€10.5 million) and discretionary profit-shares (€2 million). In 2007, these expenses have been reclassified in the income statement:
– on a separate line, in the case of research and development costs;
– in cost of sales, distribution costs, administrative expenses and research and development costs, in the case of discretionary profit-shares.

26. EMPLOYEES AND PAYROLL COSTS

The average number of employees of fully consolidated subsidiaries in 2007 and 2006 was as follows:

	Dec. 31, 2007	Dec. 31, 2006
Employees in France	990	1,035
Employees outside France	2,268	2,429
Total employees	**3,258**	**3,464**

The change in the consolidation method used for Chargeurs Fashion concerned an average of 310 employees in 2007.

(in euro millions)	Dec. 31, 2007	Dec. 31, 2006
Wages and salaries	72.8	76.2
Payroll taxes	24.3	27.2
Discretionary profit-sharing	1.6	2.0
Total	**98.5**	**105.4**

27. FINANCIAL INCOME AND EXPENSE

(in euro millions)	Dec. 31, 2007	Dec. 31, 2006
Finance costs	(14.1)	(11.7)
Interest income on loans and investments	3.5	4.6
Fair value adjustments to		
– investments in non-consolidated companies		0.7
– financial instruments	(0.4)	0.1
Exchange losses on transactions in foreign currencies		(0.5)
Other		0.1
Net financial expense	**(11.0)**	**(6.7)**

28. INCOME TAX EXPENSE

Income tax expense for 2007 and 2006 can be analyzed as follows:

(in euro millions)	Dec. 31, 2007	Dec. 31, 2006
Current taxes	(5.6)	(4.4)
Deferred taxes	1.5	(0.8)
Total	**(4.1)**	**(5.2)**

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

(in euro millions)	Dec. 31, 2007	Dec. 31, 2006
Income tax expense for the year	(4.1)	(5.2)
Standard French income tax rate	33.33%	33.33%
Tax at the standard rate	(5.9)	(6.2)
Difference between income tax expense for the year and tax at the standard rate	1.8	1.0
Effect of differences in foreign tax rates	0.8	0.7
Effect of permanent differences between book profit and taxable profit	(0.9)	0.6
Utilizations of tax loss carryforwards recognized in prior years	3.6	1.4
Effect of unrelieved tax losses	(1.3)	(1.2)
Other	(0.4)	(0.5)

29. STOCK OPTIONS

Employees have been granted options to purchase new or existing shares of Chargeurs stock under the following plans:

Plan date	Number of options[1]	Price in euros	Grantees at 31/12/2007[2]	Start date of exercise period	Expiry date of exercise period	Options outstanding at 31/12/2007
Options to purchase new shares						
March 11, 1997	99,000	14.48	0/39	March 12, 2002	March 11, 2005	0
September 10, 1997	18,000	17.02	0/1	September 11, 2002	September 10, 2005	0
May 5, 1998	374,850	20.43	0/90	May 6, 2003	May 5, 2006	0
May 18, 1999	75,000	17.73	0/1	May 19, 2004	May 18, 2007	0
May 2, 2000	329,250	18.80	35/102	May 3, 2004	May 2, 2008	62,630
May 31, 2001	369,000	26.23	60/110	June 1, 2005	May 31, 2009	247,950
Sub-total	**1,265,100**					**310,580**
Options to purchase existing shares						
May 18, 1999	293,400	17.73	0/96	May 19, 2004	May 18, 2007	0
Sub-total	**293,400**					**0**
Total	**1,558,500**					**310,580**

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

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

	Number of options	Weighted average exercise price
Options outstanding at January 1, 2007	452,530	23.25
Options expired during the year	33,450	24.68
Options exercised during the year	108,500	18.56
Options outstanding at December 31, 2007	**310,580**	**24.73**

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

30. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit attributable to equity holders of the parent company by the weighted average number of shares outstanding for the year. In 2007, basic earnings per share amounted to €1.5.
As there are no significant dilutive instruments outstanding, diluted earnings per share are the same as basic earnings per share.

31. CASH FLOWS FROM OPERATING ACTIVITIES

(in euro millions)	**2007**	2006
Pre-tax profit of consolidated companies	**17.8**	**18.7**
Adjustments for:	**11.2**	**4.0**
– depreciation and amortization	14.9	13.9
– provisions for liabilities and employee benefit obligations	(3.2)	(8.1)
– impairment of non-current assets	0.0	(1.9)
– fair value adjustments	0.1	(1.1)
– impact of discounting	–	–
– unrealized gains on cash flow hedges reallocated or used during the year (before tax and minority interests)	–	(0.5)
– gains on sales of investments in non-consolidated companies and other non-current assets	(0.6)	1.7
Income tax paid	**(6.3)**	**(4.8)**
Cash flow	**22.7**	**17.9**

32. COMMITMENTS AND CONTINGENCIES

32.1 Commercial commitments

At December 31, 2007, Chargeurs and its subsidiaries were committed to purchasing plant and equipment for a total of €0.4 million (€0.6 million in 2006).

32.2 Guarantees

At December 31, 2007, Chargeurs and its subsidiaries had given guarantees for a total of €0.4 million.
Chargeurs has given a seller's warranty to Holfipar in connection with the sale of 50% of Chargeurs Fashion, which expires on June 30, 2009.

32.3 Collateral

The Group's bank borrowings include a loan obtained in 2005 for a total of €4.5 million, guaranteed by a mortgage on the real estate assets of the subsidiary concerned.

32.4 Commitments under medium-term operating leases

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

(in euro millions)	**Dec. 31, 2007**	Dec. 31, 2006
Due in less than 1 year	10.2	10.3
Due in one to 5 years	28.3	28.6
Due in more than 5 years	0.0	10.4
Total	**38.5**	**49.3**

32.5 Legal risks

At December 31, 2007, 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.

32.6 Tax risks

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

32.7 Special purpose entities

- **Dolly structures**

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

- **CWP**

CWP performs approximately 42% of Chargeurs Wool's top-making operations. As these operations are outsourced, Chargeurs is a service provider for wool combing and top-making. If Chargeurs carried out these operations directly, its working capital requirement would be increased by approximately €45 million.

- **IMLA**

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

33. INFORMATION BY BUSINESS SEGMENT

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

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

Profits and losses by business segment were as follows for 2006:

(in euro millions)	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Chargeurs Fashion	Non-operating	Consolidated
Revenue	**218.4**	**236.3**	**224.5**	**89.7**		**768.9**
Operating profit/(loss)	17.7	8.8	1.9	0.8	(3.8)	25.4
Finance costs						(6.7)
Share of profit/(loss) of associates						(0.2)
Pre-tax profit for the period						**18.5**
Income tax expense						(5.2)
Profit for the period						**13.3**

Additional information concerning 2007:

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

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

Additional information concerning 2006:

(in euro millions)	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Chargeurs Fashion	Non-operating	Consolidated
Depreciation	(2.6)	(5.2)	(2.6)	(2.3)	(0.7)	(13.4)
Impairment losses:						
– on goodwill						0.0
– on property, plant and equipment						0.0
Impairment losses:						
– on inventories	(0.8)	(1.1)	(0.4)	(2.6)		(4.9)
– on trade receivables		(0.1)		0.5		0.4
Restructuring costs[1]	2.0	(1.5)	(1.1)	(0.2)		(0.8)

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

Segment profit includes gains and losses on cash flow hedges accumulated in equity that are recycled into the income statement in the period when the hedged item affects profit or loss.
Finance costs include gains and losses corresponding to the effective portion of cash flow hedges used to hedge future interest payments. They also include gains and losses resulting from changes in the fair value of interest-rate derivatives that are designated and qualify as fair value hedges. Unallocated costs represent Group-level costs and include gains and losses on derivatives held for trading.
Inter-segment transfers and transactions are carried out on an arm's length basis.

Segment assets and liabilities at December 31, 2007

(in euro millions)	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Chargeurs Fashion	Non-operating	Total
Assets[1]	150.0	213.0	142.0	21.0	27.0	553.0
Liabilities[2]	86.0	67.0	107.0	1.0	–	261.0
Capital employed	**64.0**	**146.0**	**35.0**	**20.0**	**27.0**	**292.0**
Purchases of assets	3.4	6.3	2.4	1.4	–	13.5

(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, 2006

(in euro millions)	Chargeurs Protective Films	Chargeurs Interlining	Chargeurs Wool	Chargeurs Fashion	Non-operating	Total
Assets[1]	154.0	213.0	144.0	54.0	26.0	591.0
Liabilities[2]	98.0	80.0	94.0	30.0	–	302.0
Capital employed	**56.0**	**133.0**	**50.0**	**24.0**	**26.0**	**289.0**
Purchases of assets	2.1	16.1	18.3	1.9	–	38.4

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

34. INFORMATION BY GEOGRAPHICAL SEGMENT

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

Revenue

(in euro millions)	**2007**	2006
Europe	422.7	419.4
Asia-Pacific and Africa	247.0	210.6
Americas	119.9	138.9

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

(in euro millions)	**2007**	2006
China and Hong Kong	151.4	117.8
Italy	123.8	115.5
Germany	84.0	80.6
France	75.7	72.7
USA	67.2	83.1

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

Total assets

(in euro millions)	**2007**	2006
Europe	470.2	528.2
Asia-Pacific and Africa	108.3	148.1
Americas	155.1	110.5
Total	**733.6**	**786.8**

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

Purchases of assets

(in euro millions)	**2007**	2006
Asia-Pacific and Africa	3.3	13.8
Europe	7.4	13.3
Americas	2.9	11.3

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

35. MAIN CONSOLIDATED COMPANIES

At December 31, 2007, 79 companies were fully consolidated (94 in 2006) and 16 were accounted for by the equity method (7 in 2006).

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

Percentages indicate Chargeurs' percentage of control at December 31, 2007 for companies that are not wholly owned or almost wholly owned by the Group.

36. RELATED PARTY TRANSACTIONS

Transactions with associates

In 2007 transactions with associates primarily concerned purchases from the Chinese companies Ningbo Yak Kyokuyo Textiles and Ningbo Lailong Bertero Interlining. The corresponding expenses amounted to €15.1 million, recognized in cost of sales.

Management compensation

Compensation paid to Directors and Officers in respect of 2007 amounted to €40,000 and €581,010 respectively.

37. EVENTS AFTER THE BALANCE SHEET DATE

On January 21, 2008 Chargeurs Interlining acquired the entire capital of Etacol, a Bangladesh-based company specialized in the production and marketing of interlinings. Etacol generates revenue of around €9 million.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Year ended December 31, 2007)

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 at the Annual Meeting, we have audited the accompanying consolidated financial statements of Chargeurs for the year ended December 31, 2007.
These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1 – Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies in accordance with IFRS as adopted for use in the European Union.

2 – Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:
Note 3 to the consolidated financial statements describes the significant estimates and judgments applied by management. Our work consisted of assessing the data and assumptions on which these estimates and judgments were made, and examining, on a test basis, the calculations performed by the company. We compared accounting estimates of prior periods with the actual results and reviewed approval procedures of these estimates by Management.
We also obtained assurance that the notes to the consolidated financial statements disclose appropriate information on the assumptions and options applied by the company. As part of our work, we assessed whether these estimates were reasonable.
The assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

3 – Specific verification

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

Neuilly-sur-Seine and Paris – March 31, 2008

The Statutory Auditors

PricewaterhouseCoopers Audit	S & W Associés
Catherine Sabouret	Vincent Young

STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE CODE DE COMMERCE, ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF CHARGEURS, ON THE INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

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

To the shareholders,

In our capacity as Statutory Auditors of Chargeurs, and in accordance with article L. 225-235 of the French Commercial Code *(Code de commerce)*, we report to you on the report prepared by the Chairman of your company in accordance with article L. 225-37 of the *Code de commerce* for the year ended December 31, 2007.

It is for the Chairman to give an account, in his report, notably of the conditions in which the duties of the Board of Directors are prepared and organized and the internal control procedures in place within the company. It is our responsibility to report to you our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

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

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

Paris and Neuilly-sur-Seine – March 31, 2008

The Statutory Auditors

PricewaterhouseCoopers Audit
Catherine Sabouret

S & W Associés
Vincent Young

EXECUTIVE COMMITTEE

Eduardo MALONE
Chairman and Chief Executive Officer

Laurent DEROLEZ
Managing Director, Chargeurs Protective Films

Philippe HAROCHE
Vice-President, General Counsel

Christian LAFFONT
Managing Director, Textile Investments

Martine ODILLARD
Vice-President, Human Resources and Corporate Communications

Christophe POTHIER
Vice-President, Finance

Richard VON GERSTENBERG
Managing Director, Worldwide Operations Chargeurs Wool

Bernard VOSSART
Managing Director, Chargeurs Interlining

BOARD OF DIRECTORS

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

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

Salim Meir IBRAHIM
Director

Giuseppe PIROLA
Director
Other directorships
Chairman of the Board of Directors Studio Pirola Pennuto Zei & Associati, E-Thinkers Srl
Director Antonello Manuli Finanziaria SpA, Auto Centauro de la Vallee Srl, Autocrocetta SpA, Cambiolavoro Srl, Coop-Lease SpA, Gest Auto SpA, Gruppo Euro Auto 2000 SpA, Idea Uno SpA, Manuli Rubber SpA, Manuli Strech SpA, Pathé SpA, Raggio di Sole Mangimi SpA, Riso Gallo SpA, Terme di Saturnia Srl
Lead Auditor ABB SpA, AAB Cap SpA, Aliaxis Holding Italia SpA, AVF Astore Valevs and Fittings Srl, Bluestar Silicones Italia SpA, Esselunga SpA, Europlast SpA, Fattoria Casabianca SpA, Fineurop SpA, FIP Formatura Iniezione Polimeri SpA, Fudfina Srl, Gancia SpA, Glynwed Srl, Gruppo Cordenons SpA, Idea SpA, Immobiliare Celsa SpA, La Villata SpA, Mare Holding SpA, Nerviano Medical Sciences Srl, Nicoll Srl, OMR Holding SpA (Officine Meccaniche Rezzatesi), Orofin SpA, Prosciuttificio Rovagnati Srl, Redi HT Srl, Redi SpA, Rhodia Italia SpA, Rovagnati SpA, S.F.E. Società Finanziaria Europea SpA, Sibelco Italia SpA, Simis Srl, Supermarkets Italiani SpA, Valeo SpA, Wave SpA
Auditor Ecodeco Srl, Fertilvita Srl, F.lli Gancia & C. SpA, Mare SpA

Georges RALLI
Director
Other directorships
Chairman Maison Lazard SAS (since May 31, 2007), Lazard Frères Gestion SAS
Chairman and Chief Executive Officer Lazard Frères Banque SA
Vice-Chairman, Executive Director and Managing Partner Compagnie Financière Lazard Frères SAS (formerly Lazard Frères SAS)
Vice-Chairman, Chief Executive Officer and Managing Partner Lazard Frères SAS (formerly Lazard SAS since May 31, 2007)
Managing Partner Maison Lazard SAS (until January 30, 2007)
Managing General Partner Partena SCS (until June 29, 2007)
Director Fonds Partenaires-Gestion, Lazard Frères Banque, SILIC, Veolia Environnement, VLGI
Non-Voting Director Eurazeo
Deputy Chairman Lazard Group LLC (USA)
Chief Executive European Investment Banking Business de Lazard Group LLC (USA)
Co-Chairman European Investment Banking Committee de Lazard Group LLC (USA)
Member European Advisory Board de Lazard Group LLC (USA)
Member of the Executive Committee Lazard Strategic Coordination Company LLC (USA)
Member of the Board of Directors Lazard & Co Srl (Italy)

As of March 4, 2008

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Yves Nicolas, Substitute Auditor,
63, rue de Villiers – 92208 Neuilly-sur-Seine – France
S & W Associés, Vincent Young, Auditor,
8, avenue Président-Wilson – 75116 Paris – France
Maryse Le Goff, Substitute Auditor,
8, avenue Président-Wilson – 75116 Paris – France

This version of the annual report is a translation from the original, which was prepared in French. In all matters of interpretation of information, views or opinions expressed therein, the original language version of the report takes precedence over this translation.
The financial report containing the documents required for the Annual Shareholders' Meeting (including the 2007 financial statements of the parent company, Chargeurs) is presented in a separate document, available on request from the Corporate Communications Department.

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