Document de référence 2015

(English version)

SEQUANA

Contents

This English version of this *Document de Référence* (registration document) includes (i) all of the items from the annual financial report mentioned in Article L. 451-1-2 paragraph I of the French Monetary and Financial Code (*Code monétaire et financier)* and in Article 222-3 of the French financial market authority's (*Autorité des marchés financiers* – AMF) General Regulations; and (ii) all of the mandatory disclosures in the Board of Directors' report to the Annual General Meeting of 12 May 2016 (including those referred to in Article L. 225-211 paragraph 2) and set forth in Articles L. 225-100 *et seq.* of the French Commercial Code (*Code de commerce*).
Tables of concordance at the end of the registration document show where to find all of the key information in the two reports.

The 2015 report by the Chairman of the Board of Directors on the conditions for preparing and organising the work of the Board and on internal control procedures, prepared in accordance with Article L. 225-37 of the French Commercial Code, is included in this registration document as required by Article 222-9 of the AMF's General Regulations. The first section of the Chairman's report discusses the conditions for preparing and organising the work of the Board of Directors, as well as the contents of the Board's work. This information is taken up in Chapter 2 – Corporate governance. The second part of the Chairman's report describes how to participate in Annual General Meetings and also includes information likely to have a material impact in the event of a public offering, which can also be found in Chapter 5 – General information about the Company. The third and final section of the Chairman's report is on the internal control procedures described in Chapter 3 – Risk management. This report was drawn up at the request of the Chairman of the Board of Directors with the support of the Group's operating subsidiaries and divisions concerned. It was presented to the Audit Committee and was approved by the Board of Directors on 29 March 2016. The report was reviewed by the Statutory Auditors and their findings are set out at the end of Chapter 3 – Risk management.

This registration document may contain statements regarding Sequana's objectives or other forward-looking information, particularly in the section entitled "Recent developments and outlook" in the description of the outlook for subsidiaries and their business activities and with respect to the dividend payout policy.

These statements are not historical facts and must not be construed as constituting guarantees that the anticipated events and results will actually materialise or that the stated objectives will be attained. By nature, these objectives might not be achieved and the assumptions on which they are based may prove to be erroneous.

Readers' attention is drawn particularly to the fact that actual events and results might differ materially from the objectives stated or from the results based on the forward-looking information contained in the registration document.

The Company certifies that to the best of its knowledge, the information obtained from third parties included in this registration document, particularly in the "Share performance and ownership structure" section (Chapter 1 – Presentation of the Group) and in Chapter 5 – General information about the Company, has been faithfully reproduced.

Profile

A major player in the paper industry, Sequana is essentially a distributor of paper, packaging solutions and visual communication materials with Antalis, which generates over three-quarters of its sales. It is also a manufacturer of recycled and specialty papers through Arjowiggins.

The Group's strategy is to consolidate Antalis' positions on the distribution market, where it is No. 1 in Europe and No. 2 worldwide, and to accelerate its growth in the Packaging and Visual Communication sectors. Sequana is also refocusing Arjowiggins' production business on specialty markets, where the company enjoys strong positions.

With nearly 9,300 employees in more than 45 countries, Sequana serves corporate clients and printers across the globe. A global paper group committed to sustainable development, Sequana delivered sales of €3.3 billion in 2015.

€3.3 billion in sales	1.7 million tonnes of paper distributed by Antalis	over 560,000 tonnes of paper sold by Arjowiggins

Sequana in brief

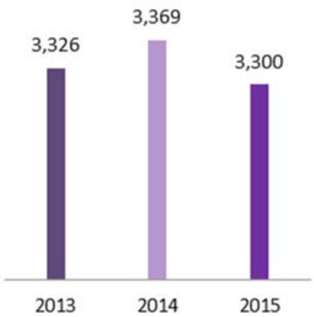
SEQUANA

100%	100%
Antalis B2B distribution	Arjowiggins Production

A worldwide player in the paper sector, Sequana is first and foremost a specialised distributor, an activity which generates over three-quarters of its sales.

With approximately 9,300 employees in more than 45 countries, Sequana serves corporate clients and printers across the globe.

Sales (€ millions)



Sales fell by 2.0% (up 1.5% for Antalis and down 11.2% for Arjowiggins) or by 5.6% at constant exchange rates (down 2.2% for Antalis and down 14.7% for Arjowiggins).

EBITDA (€ millions)

EBITDA rose 1.5% (up 16.7% for Antalis and down 17.4% for Arjowiggins) and represented 3.8% of sales.

Businesses - 2015 key figures

Antalis: No. 1 in Europe and No. 2 worldwide in B2B distribution of paper and packaging products

€2.6 billion in sales

Approximately **5,700 employees** in **43 countries**

Approximately **123,000 customers** worldwide

107 distribution centres across the globe

1.7 million tonnes of paper distributed

Arjowiggins: No. 1 producer of creative and technical papers worldwide

€905 million in sales

Approximately **3,500 employees**

16 production and converting facilities

More than **50 recognised brands**
(Conqueror®, Curious Collection®, Satimat® green, etc.)

Over **560,000 tonnes** of paper sold

Strategy

In 2015, Sequana finalised the Group's financial restructuring and refocused Arjowiggins on specialty markets. The Group also accelerated Antalis' development on the fast-growing Packaging and Visual Communication markets.

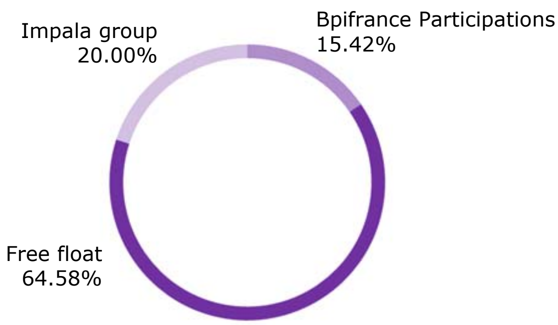
Share information at 31 December 2015

Listed on Euronext Paris (Segment C)

Indices: CAC Small® and CAC Mid & Small® - Eligible for the "long-only" segment of the deferred settlement service (SRD)

Ticker symbol: SEQ - ISIN code: FR0011352590

Par value per share: €1.00



Chapter 1
PRESENTATION OF THE GROUP

Definitions and preliminary remarks

Key figures are based on the following definitions:

EBITDA: recurring operating income before depreciation and amortisation and excluding movements in provisions.

Recurring operating income: operating income before “Other operating income and expenses” (see Chapter 4, Notes 2B23 and 2B24).

Consolidated net debt: debt less cash and cash equivalents (see Chapter 4, Note 2B18).

Capital employed: sum of net fixed assets and working capital requirements.

ROCE (Return on Capital Employed): recurring operating income/capital employed.

Cash flow from operating activities: algebraic sum of EBITDA, changes in working capital requirements and investment expenditure net of disposals.

Diluted basis:

Under the terms of the agreements of 2014 which led notably to a restructuring of its debt, the Group converted or was accorded the possibility to convert part of its bank debt into financial instruments redeemable in Sequana shares. The instruments could give right to a maximum number of shares which was decided and approved when the aforementioned agreements came into force on 30 July 2014, in such a way that on that date each financial instrument represents a certain percentage of the share capital on a diluted basis.

The diluted basis referred to the number of Sequana shares following the rights issue in July 2014, i.e., 51,060,304 shares, increased by the number of new shares resulting from the redemption of Sequana ORNANE, the number of new shares resulting from the redemption of Sequana ORA and the number of new shares that may result from the redemption of all financial instruments which may be issued in the event of a future conversion of part of Arjowiggins' bank debt. The definitive terms and conditions of the ORNANE and ORA bonds are described in the section Share performance and ownership structure, page 20.

Information provided in this document on the role of Group companies and divisions or their business segments, market share or competitive positions, is derived from the companies’ own research.

Changes in amounts and in margin percentages are based on data presented in millions of euros and rounded out to one decimal place.

The Group’s holding companies comprise Sequana and its wholly-owned subsidiaries that are not heads of operating sub-groups or which do not own any companies that carry out commercial activities.

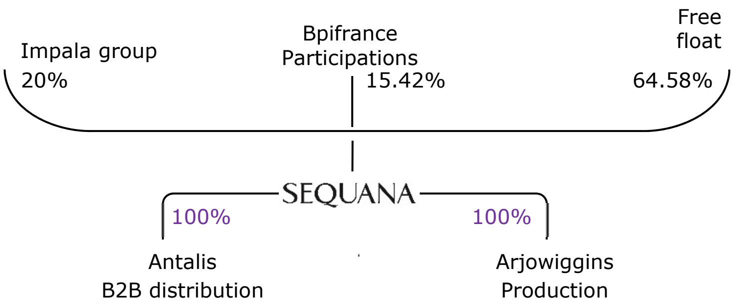
The brands referred to in this document, whether registered or not, are those of Sequana Group companies or third parties which hold them.

The English language version of this Document de Référence (registration document) is a free translation of the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinions expressed in the original language version of the document in French take precedence over the translation.

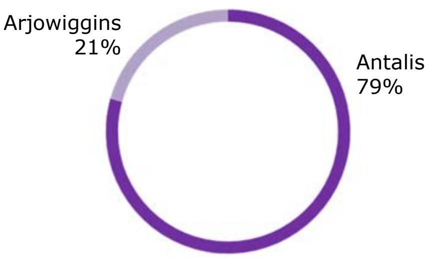
Presentation of Sequana

Sequana is an international paper group engaged chiefly in the distribution of paper and packaging products, and is the European leader in this sector in terms of sales. Sequana is also one of the largest producers of specialty and creative papers. Through Antalis (distribution) and Arjowiggins (production), the Group has operations in five continents and more than 45 countries, and employs approximately 9,300 people. In 2015, Antalis and Arjowiggins respectively distributed around 1.7 million tonnes and produced over 630,000 tonnes of paper.

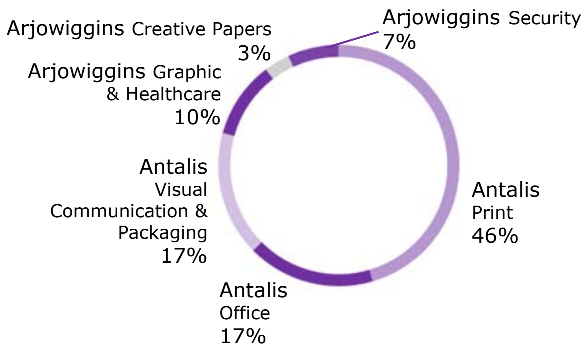
As of 31 December 2015, Sequana's ownership structure was as follows:



Breakdown of sales by business



Breakdown of sales by business segment



Market position

The value chain in Sequana's paper business essentially comprises two main stages.

Paper production

The main ingredient used to manufacture paper is virgin or recycled pulp. The majority of standard graphic paper producers are integrated in the production of virgin paper pulp to cover all or part of their needs whereas producers of specialty papers are generally not integrated producers and purchase pulp from specialised pulp manufacturers. Arjowiggins is not an integrated producer of virgin pulp. However, it is the only European integrated producer of 100%-recycled commercial pulp. Banknote papers made from cotton derivatives (combers and linters) have a different value chain.

Papers produced by the Group range from standard coated papers produced in large volumes to specialty papers produced at lower volumes but sold at higher prices.

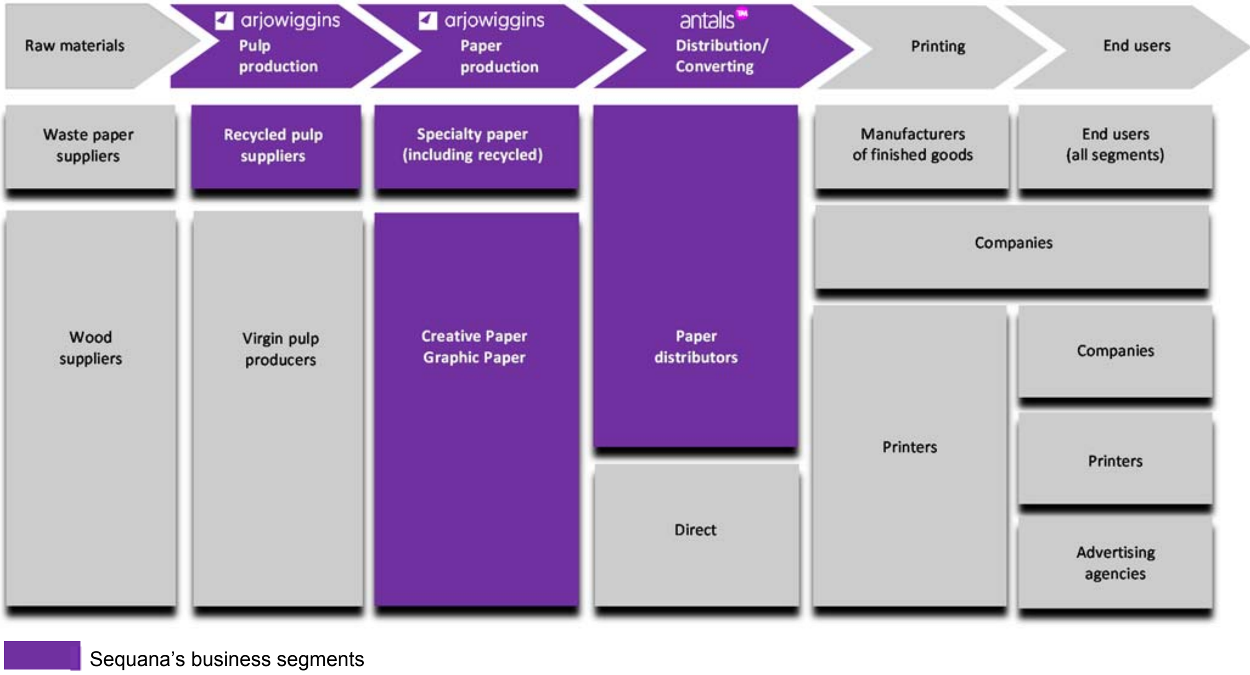
Paper sales

Most of the paper produced by Arjowiggins is sold by distributors like Antalis.

Graphic and premium fine papers are mainly sold to distributors offering a wide range of products and services to major companies, printers and advertising agencies and, to a lesser extent, directly to end customers (direct sales).

The other specialty papers are mainly sold to converters or to distributors which sell them to manufacturers of finished goods.

The table below shows Sequana's position within the paper industry value chain.



To contend with the structural decline in the print paper market, for the last few years Sequana has been diversifying its distribution business to sharpen its focus on the Packaging and Visual Communication markets (see page 9). On the Packaging market, Antalis provides standard products like kraft paper and bubble wrap for packaging goods during storage, transport and distribution, and bespoke logistics and technical solutions especially for the export market and to protect industrial goods against corrosion. In visual communication, Antalis supplies flexible or rigid materials made of paper or board such as wallpaper or plastic materials such as polyester banners.

On these markets, Sequana's position in the value chain is essentially in distribution with Antalis, since Arjowiggins' production of cardboard packaging is low and virtually inexistent in the visual communication segment (with the exception of Priplak).

Sales channels for B2B customers are the same as those for the print paper market in the Visual Communication sector (distributors, direct producers) and also include converters in the Packaging sector.

The end users in the Packaging market are major groups in a variety of industries (automotive, electronics, etc.), services companies (logistics, e-commerce, etc.) and printers. In visual communication, end users are digital printers and manufacturers of signage systems.

Group strategy

Sequana's strategy is to gradually refocus on distribution where it leads the European market with Antalis.

New consumption habits have emerged with the widespread use of new communication technologies (Internet, electronic media), boosting online communications and advertising and electronic mailing. This has driven a decline in volumes of printing and writing papers, exacerbated by the economic crisis, and has led to excess production capacity on the market, which has in turn put downward pressure on prices and margins.

After years of being correlated with changes in GDP, paper consumption now obeys its own trends and volumes are shrinking by around 8% every year in Europe. This corresponds to an overall decline of 40% in volumes in Western Europe and the US between the record high recorded in 2007 and the end of 2013.

In this context, the Group has implemented major restructuring and cost-cutting measures. Between 2008 and 2013, Sequana invested around €500 million in restructuring measures that generated annual cost savings of approximately €300 million. Over the same period, more than 4,900 employees left the Group and the number of mills fell from 29 to 20.

At the same time, the Group sold off loss-making, non-core businesses from within both Antalis (Promotional products and Office supplies businesses) and Arjowiggins (Carbonless paper, Decor paper Asia, Decor and Abrasive papers, the Moulin du Roy mill and the Casting Paper business).

In this market climate, the key thrusts of the Group's strategy are to:

- cement Antalis' leadership in Europe by participating in the consolidation of the paper industry, while stepping up development in the high-potential Packaging and Visual Communication segments;
- focus Arjowiggins' businesses on the production of recycled and specialty papers;
- improve operating efficiency and leverage innovation.

Cementing Antalis' positions on its historical markets and stepping up its development in complementary sectors

In a declining market such as printing paper, market consolidation is needed to maintain a scale effect and unlock synergies, particularly cost synergies. With this in mind, Antalis acquired Map in late 2007 and became Europe's leading paper distributor. The acquisition of Xerox's Western European office paper distribution business at the end of 2013 helped the company to gain a stronger foothold in 16 countries and reach critical mass in this market segment.

A stronger base in Europe allows Antalis to capitalise on these more mature sectors, characterised by more limited capital expenditure needs and cash flow generation, to diversify into the packaging and visual communication markets.

These markets are growing at a far faster rate than paper and because they are still relatively fragmented, they offer huge growth potential. For several years now, the group has pursued an active external growth strategy and this accelerated in 2015 with its acquisition of six distributors in the UK, Denmark Sweden and Estonia representing full-year sales of around €130 million. These businesses make an ever larger contribution to the group's gross margin (see the section on the Group's strengths on page 10).

Refocusing Arjowiggins on recycled and specialty papers

The significant decline in demand for printing paper since 2008 (see above), excess capacity on the market and the high cost of raw materials and especially virgin pulp, impacted profitability for Arjowiggins, which was experiencing chronic losses in its standard coated segment in the US and Europe. These market conditions also affected Arjowiggins' competitive edge in fine paper.

Faced with the accelerating deterioration in market conditions in the second half of 2013 and the downbeat market outlook for the following few years (volumes expected to decline between 2% and 5% per annum), in April 2014 Sequana launched a restructuring plan to (i) significantly reduce Arjowiggins' exposure to the standard coated market in order to refocus the business on recycled and specialty papers, and (ii) optimise its fine paper production capacity.

The main phases of this restructuring plan (completed in late June 2015) involved:

- a withdrawal from the US standard coated market in late 2014 through the sale of Appleton Coated to Virtus Holding LLC, a company formed by members of Appleton Coated's management team;
- the launch of a process to either sell or close the Wizernes mill in France in April 2014 in order to concentrate production capacity for the Graphic division at a limited number of sites, allowing it to absorb declining demand for coated paper made from virgin pulp and to focus selectively on higher margin customers and markets;
- the launch of a process to either sell or close the Charavines mill in France in April 2014 in order to concentrate production of fine paper at the Stoneywood mill in the UK.

Since the process of finding buyers for the mills begun in April 2014 proved unsuccessful, the two mills closed at the end of first-half 2015. An exclusive agreement was signed with Global Hygiène in November 2015 for the sale of the Charavines mill. The sale should be completed during second-quarter 2016 once Global Hygiène has obtained planning permission. No concrete viable offers have been put forward for Wizernes however.

Formal procedures regarding employment protection plans (PSE) were also initiated for the two mills. In late October 2014, the DIRECCTE administration (regional directorate for business and employment) approved the PSE collective agreement for the Charavines mill. The PSE for the Wizernes mill was approved by the DIRECCTE administration in April 2015.

Arjowiggins' operational restructuring plan also included restructuring its debt to allow it to finance its business transformation plan and restore a sustainable financial structure (see page 11).

Going forward, Sequana will continue to evaluate asset arbitrage opportunities across its production businesses. Sequana will ensure that they deliver solid operating performances and that any divestments reflect the strategic value of the assets in question and form part of a sustainable group.

Continuing to improve operating performance and efficiency

The Group's priorities going forward are to continue unlocking performance gains while maximising cash flow generation and steadily reducing financial leverage.

This means that it is constantly trying to keep overheads down (optimisation of the supply chain and sales organisation for Antalis, reorganisation of production processes at Arjowiggins) and scale back working capital requirements on both sides of the business to boost profitability and reduce debt.

Also, with a view to unlocking synergies between the production and distribution sides of the business, the Group has strengthened commercial ties between Antalis and the Arjowiggins' Graphic and Creative Papers divisions over the past few years and implemented joint marketing, backselling and product development initiatives. In terms of service quality, Arjowiggins has optimised its mills' capacity utilisation and supply chain management based on a just-in-time approach to inventory management, thereby reducing delivery lead times and working capital requirements.

In both of its businesses, the Group strives to protect its margins by carefully managing customer risk and sticking to its pricing policy.

Leveraging innovation

The communications and marketing campaigns are moving towards all-digital solutions, thus transforming printing paper consumers' habits. To partner its customers and meet their needs, Sequana has made innovation and added value a cornerstone of its strategy. In distribution, Antalis is permanently attuned to the market in order to anticipate its customers' expectations and enrich its range of products accordingly. In visual communication for example, the development of digital printing technologies has created new markets such as interior design, for which Antalis supplies a range of large format digital media such as customisable wallpaper. Services are also a key focus for Antalis as a source of innovation and added value. The group draws on different drivers of operational efficiency such as e-commerce and specific initiatives (e.g., the Green Star System allowing its customers to assess a product's eco-credentials) in a bid to bring its customers ever more added value.

Arjowiggins harnesses innovation in order to enhance its brands, create a competitive edge and secure customer loyalty over the long term, through the R&D department of each of its divisions. It designs new paper or applications leveraging its technological expertise or the quality and reliability of its products, while continuing to improve its customer relations through marketing services. The group's new Alive range for example combines premium fine paper with PowerCoat, a substrate used in printed electronics.

This range has many different possible uses for businesses, including "smart" business cards and interactive luxury packaging which enables companies to communicate with end consumers through their mobile devices. In terms of new product applications, Arjowiggins uses paper's intrinsic properties for example to offer alternatives to plastic on the loyalty cards market.

Group strengths

Diversified portfolio of brands

Through Antalis and Arjowiggins, Sequana is present in a broad spectrum of markets on which it enjoys front-ranking positions.

Antalis is the No. 1 distributor of paper in Europe and No. 2 worldwide, and has around 123,000 printer and business customers. The group is also present in the growing Packaging and Visual Communication markets (21% of sales in 2015). Antalis' global presence outside Europe (in South Africa, South America and Asia-Pacific) and its balanced geographic spread within Europe allow it to diversify its customer portfolio and its geographic risks. The company's wide array of products and services, broad geographical presence, strong relationships with its customers and suppliers and highly effective distribution network have helped to limit the negative impact of the sharp decline in volumes of writing and printing papers over the past few years.

Arjowiggins is present on various specialty markets for high value-added products on which it enjoys strong positions. Arjowiggins Creative Papers is one of the world's leading producers of premium fine papers including such recognised brands as Conqueror, Curious Collection and Keaykolour as well as the leading producer of tracing paper. Arjowiggins also ranks No. 1 in the world in packaging solutions for the disposable medical devices industry and No. 2 for banknote paper. It is also the largest European producer of recycled graphic paper (excluding Light Weight Coated – LWC – paper) integrated in 100%-recycled commercial pulp. This broad line-up of highly specialised businesses concerns several niche markets with their own customers, applications and market dynamics. This helps to limit the cyclical impact of Arjowiggins' businesses. These markets also concern high value-added products which command significantly higher prices than standard graphic paper, allowing Arjowiggins to better absorb fluctuations in input costs, especially pulp. Arjowiggins is also able to leverage its broad geographic spread in emerging markets, particularly in South America and Asia.

Information on business segments, market share or competitive positions is derived from the companies' own research. As a rule, markets tend to change little from one year to the next. However, in the event of a major change in the competitive landscape, a specific disclosure is included in the section dealing with the business or market segment concerned.

Strong competitive edge and barriers to entry

Antalis and Arjowiggins operate chiefly in highly concentrated markets where size (in terms of the depth of products and services on offer, capacity for innovation, scale of the distribution network and production/storage capacity) and efficiency can be major factors in forging a competitive edge.

Antalis enjoys leading positions in most countries in which it has operations and has set up customer-focused solutions including Customer Relationship Management (CRM) tools and e-commerce applications. Potential entrants onto Antalis' markets are faced with significant barriers to entry, since the relative market share, supply chain efficiency and density, and the ability to attract new customers, are key to profitability. The fragmented nature of the customer base also makes it hard to capture new customers and market share on a long-term basis.

Arjowiggins is present on niche markets where innovation, customer relations, brand recognition (more than 50 recognised brands among key market players) and product quality create significant barriers to entry. The size of these niche markets along with the highly specialised expertise they require and the nature of the paper manufacturing process also help stave off competition from major players. Arjowiggins' growth strategy hinges on innovation and on anticipating the needs of clients and end customers.

Each division has its own R&D department with a proven capacity for innovation and these units have received a steady stream of accolades over the past few years.

A growing footprint in high value-added segments

To reduce their exposure to the structurally declining printing and writing paper market, Antalis and Arjowiggins have spent the last few years developing a presence in higher value-added segments.

In 2015, Antalis generated 21% of its sales from its Packaging and Visual Communication businesses (versus 10% in 2010). The contribution of these businesses to Antalis' gross margin is constantly growing and represented 36% in 2015.

Antalis has managed its development in the Packaging distribution market by combining organic and external growth in Germany (2004) and the Benelux countries (2006). The external growth strategy continued in 2012 in Europe (Germany, UK, Czech Republic) and Latin America (Chile). Antalis stepped up its development on the packaging distribution market in 2015, with its acquisition of six distributors, bringing its full-year Packaging sales to €450 million and giving it the No. 1 market ranking in Europe. The company serves a wide range of customers with a broad line-up of standard products, bespoke logistics and technical solutions. Antalis' increasing foothold in the Visual Communication market has been achieved thanks both to organic growth and an enriched offering and geographical coverage through its acquisitions of Map and Axelium in 2007. In late 2010, the Group acquired Macron, a German distributor of large format digital printing equipment and other media. Antalis is currently among the market leaders, offering a wide range of products and bespoke services to graphic arts specialists.

Arjowiggins has refocused on specialty markets and high value-added products. The sale of Appleton Coated in the US in late 2014 and the restructuring of its Graphic business between April 2014 and late June 2015 have enabled Arjowiggins to significantly reduce its exposure to the commodities market (standard coated paper), which was taking a heavy toll on its profitability and on which it was a fairly modest player. Arjowiggins Graphic will pursue its development on the recycled graphic paper market and tap into the market's strong growth potential (the penetration rate for recycled products is still low in these segments). As Europe's No. 1 player, Arjowiggins Graphic has a unique position in this market thanks to Greenfield, the leader in commercial recycled pulp in Europe, and this has enabled it to develop a market-beating range of premium recycled and eco-friendly products.

Arjowiggins also intends to consolidate its positions in other specialty markets through its keen capacity for innovation and a customer-focused strategy.

Highlights and Group results for 2015

Finalisation of the Group's restructuring plan

Summary of 2014 key events

In April 2014, Sequana launched a major financial restructuring program. In view of the continuing deterioration in market conditions for printing paper, the Group considered it was vital to step up the pace of its strategic refocus through a business plan that would necessarily create a much leaner financial structure. Arjowiggins' poor operating performance was in fact severely affecting the Group's cash flow situation and had increased its debt to unsustainable levels, jeopardising its long-term solvency.

Key financial restructuring measures

Arjowiggins	Details
▪ Restructuring of the €400 million credit facility	- Conversion of €125 million into ORNANE bonds giving access to 30% of Sequana's share capital on a diluted basis in 2020 - A €150 million debt write-off (excluding interest)
▪ Reduction of bank overdraft facilities from €50 million to €30 million	
Sequana	**Details**
▪ Restructuring of the holding company's bilateral credit lines from €25 million to €10 million	- Conversion of €7 million into ORA bonds giving access to 2.5% of Sequana's share capital on a diluted basis in 2018 - An €8 million debt write-off

These measures reduced Arjowiggins' €400 million syndicated credit facility and Sequana's €25 million bilateral credit lines to €125 million and €10 million, respectively, through debt write-offs and conversion into bonds redeemable in shares for Arjowiggins and Sequana lenders. Antalis' credit facility was extended through to the end of 2018, giving it greater flexibility to pursue its external growth strategy. In return, the company agreed to set up a €200 million factoring programme.

In July 2014, in exchange for the debt write-offs agreed to by the Group's banks, part of Arjowiggins' debt (€125 million) and part of Sequana's debt (€7 million) were converted into ORNANE and ORA bonds. The ORNANE and ORA bonds will respectively give access to 30% and 2.5% of Sequana's share capital on a diluted basis when they mature in 2020 (ORNANE) and in 2018 (ORA).

2015 key events

Stronger financial structure for Arjowiggins

Arjowiggins completed two asset disposal transactions in first-half 2015, allowing it to clear the full amount of the outstanding balance under its €125 million syndicated facility and at the same time strengthen its financing capacity.

Repayment of the €125 million syndicated credit facility	**June 2015**
➢ Sale of 85% of Arjo Systems and Arjowiggins Solutions to Impala group.	
➢ In exchange for a €110 million debt write-off and repayment of the outstanding balance in cash (€15 million)	
Stronger financial structure	
➢ Sale of Arjo Wiggins Ltda	**May 2015**
➢ €53 million in sale & leaseback financing	**Fourth-quarter 2015**

As from second-half 2014, Arjowiggins' lenders began to sell the amounts they were owed on the syndicated facility and on their ORNANE bonds to financial brokers. In the first quarter of 2015, Impala group informed Sequana that it held all of the receivables and the ORNANE bonds, each representing a total amount of €125 million. It also informed Sequana of its interest in the Security solutions operations of Arjo Systems and Arjowiggins Solutions (Arjowiggins Security division). An agreement was signed with Impala group in this respect for the sale of 85% of these two companies in exchange for waiving a receivable in an amount of €110 million and repayment of the outstanding balance in cash. This transaction was finalised in late June.

At the end of May, Arjowiggins sold its Brazilian subsidiary Arjo Wiggins Ltda to the Fedrigoni group. The subsidiary's main business was the manufacture of banknote paper and paper for secure documents. This sale was carried out for an enterprise value of €83 million and an earn-out of up to €5 million payable in 2016 subject to certain performance conditions.

Sequana pursued the strengthening of Arjowiggins' financial structure and set up €53 million worth of sale & leaseback financing in the fourth quarter based on a number of the Group's industrial assets.

Streamlining Sequana's financial structure

Streamlined financial structure	
➢ Early redemption of ORNANE and ORA bonds, with less dilutive conditions	**June 2015**
➢ Acquisition by Impala group of a 20% stake in Sequana	
Repayment of the holding company's outstanding €6 million debt	**March 2015**

In order to streamline its financial structure, Sequana redeemed the ORA and ORNANE bonds early and amended the share redemption ratio, meaning less dilution for existing shareholders, at 21.67% instead of 33.51% previously (see page 20). Once this operation had been completed on 29 June 2015, Impala group, which held all of the outstanding ORNANE bonds (see above), became Sequana's largest shareholder with a 20% stake. In March 2015, the Group's holding company repaid the full amount of its outstanding bank debt for €6 million.

Finalisation of Antalis' factoring programme

In line with the commitments undertaken when renegotiating its syndicated credit facility in first-half 2014, in March 2015 Antalis finalised the set-up of a €200 million factoring programme, most of which has been secured through to 2018. The factored €200 million was then used to repay Antalis' credit facility on which the authorised amount was reduced from €515 million to €315 million (€310 million at 31 December 2015).

Improved operating performance

Consolidated sales were €3,300 million for 2015, down 2.0% on 2014 (down 5.6% at constant exchange rates). The Group's sales were buoyed by Antalis which benefited from the demise of PaperlinX in Europe, a favourable forex impact and the smooth integration of new acquisitions completed in the Packaging and Visual Communication sector (which contributed €77 million to sales). However, these favourable impacts were offset by the decline in Arjowiggins' printing volumes resulting from the closure of the Wizernes and Charavines sites, as well as by difficulties encountered in the second half of the year when transferring production from these mills to other Group sites. They also reflect the impact of the reduced scope related to Arjowiggins Security businesses divested in the first half of 2015 which represented €123 million worth of sales in 2014.

EBITDA rose 1.5% on the year to €126 million (2014: €124 million), and EBITDA margin edged up by 0.1 point to 3.8% of sales. Sequana benefited from an enhanced product mix – mainly due to acquisitions by Antalis and Arjowiggins' refocus on its specialty businesses, the favourable impact of consolidation in the paper distribution market, lower fixed costs resulting from the closure of Arjowiggins' mills and the streamlining of Antalis' supply chain. While currency fluctuations benefited Antalis, they had a negative impact on Arjowiggins' results, mainly due to the fall in the euro against the US dollar which pushed up the cost of raw materials (essentially pulp).

Recurring operating income was up 0.7% to €73 million, compared with €72 million in 2014. Operating margin edged up by 0.1 point and represented 2.2% of sales.

Other operating income and expenses represented a net expense of €76 million for the year, mainly comprising €45 million in additional costs for restructuring measures deployed over the period (€25 million for Arjowiggins and €20 million for Antalis) and asset write-downs representing a net amount of €32 million taken in the fourth-quarter of the year (mainly on the books of Arjowiggins).

The net loss attributable to owners was €67 million for the year compared with net income of €117 million in 2014, which included the positive impact of non-recurring income related to the Group's financial restructuring programme.

Consolidated net debt stood at €235 million at end-December 2015, down from €311 million at end-December 2014. The €76 million improvement reflects the positive impact of disposals (€158 million), partially offset by restructuring costs and other non-recurring expenses (€92 million).

Key figures

Condensed analytical income statement

€ millions, except for per share data	2015	2014	2013	Change 2015/2014
Sales	**3,300**	**3,369**	**3,326**	**-2.0%**
EBITDA	**126**	**124**	**117**	**1.5%**
EBITDA margin (as a % of sales)	3.8%	3.7%	3.5%	+ 0.1 points
Recurring operating income	**73**	**72**	**49**(1)	**0.7%**
Operating margin (as a % of sales)	2.2%	2.1%	1.5%	+ 0.1 points
Other operating income and expenses, net	(76)	119	(295)	-
Net financial income (loss)	(41)	(56)	(52)	-
Taxes	(23)	(11)	7	-
Associates and non-controlling interests	–	–	(2)	-
Net income (loss) from continuing operations	**(67)**	**125**	**(293)**	**NA**
Net income (loss) from discontinued operations	–	(8)	(8)	-
Net income (loss) attributable to owners	**(67)**	**117**	**(301)**	**-**
Diluted earnings (loss) per share (in €)	(1.16)	1.72	(9.76)	-
Weighted average number of shares outstanding, after dilution(2)	58,088,069	67,579,672	30,829,134	-

(1) Including gains of €12 million arising on changes to pension plans (€7 million for Arjowiggins and €5 million for Antalis). Adjusted for these items, recurring operating income amounted to €37 million instead of €49 million and the operating margin came in at 1.1% instead of 1.5%.

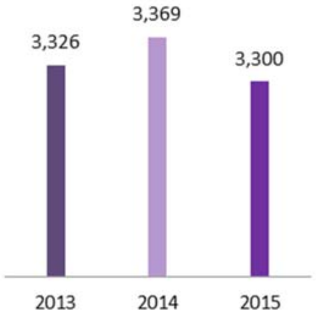
(2) The average number of shares between 1 January 2013 and 29 July 2014 was adjusted to take into account corporate actions carried out in 2014 and 2015 (see Chapter 4, Note 13, page 123).

Reconciliation of EBITDA

(€ millions)	2015	2014	2013
Recurring operating income(1)	73	72	49
Less depreciation and amortisation(1)	(47)	(50)	(61)
Less movements in provisions(1)	(6)	(2)	(7)
EBITDA	**126**	**124**	**117**

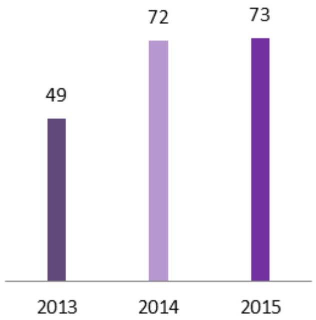
(1) See Chapter 4 – Consolidated income statement.

Sales (€ millions)



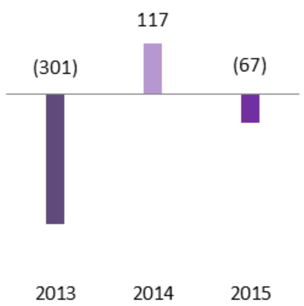
Sales were down by 2.0% (down 5.6% at constant exchange rates).

Recurring operating income (€ millions)



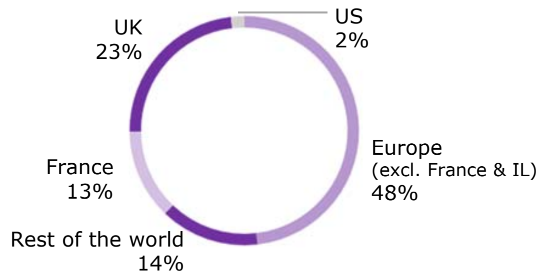
Recurring operating income rose by €1 million and represented 2.2% of sales.

Net income (loss) attributable to owners (€ millions)



The Group reported a net loss of €67 million, reflecting €76 million in non-recurring expenses related to additional costs of restructuring measures over the period and asset write-downs.

Breakdown of sales by geographic area

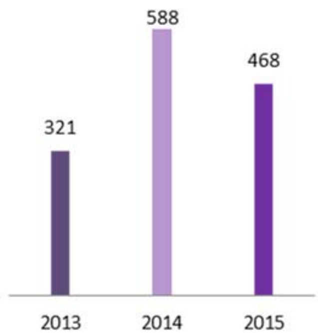


Sequana generates 87% of its sales outside France.

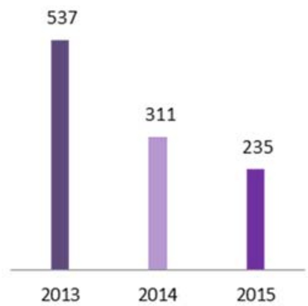
EBITDA (€ millions)

EBITDA grew by 1.5% (up 16.7% for Antalis and down 17.4% for Arjowiggins) and represented 3.8% of sales.

Shareholders' equity (€ millions)



Net debt (€ millions)

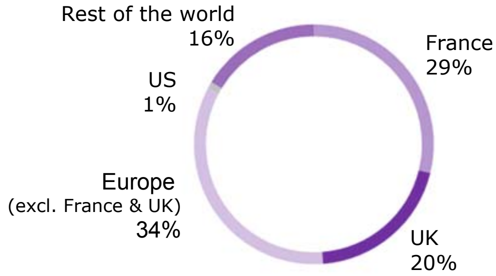


The €76 million improvement reflects the positive impact of disposals (for €158 million), partially offset by restructuring costs and other non-recurring expenses (for €92 million).

Change in net debt

(€ millions) at 31 December	2015	2014	2013
CONSOLIDATED NET DEBT – OPENING DATE	**(311)**	**(537)**	**(538)**
EBITDA	126	124	117
Change in working capital requirements	8	(76)	74
CAPEX	(49)	(43)	(50)
Proceeds from disposals of assets	14	11	12
Cash flow from operating activities	**99**	**16**	**153**
Net financial charges	(35)	(46)	(52)
Income taxes paid	(12)	(5)	(12)
Restructuring costs	(93)	(62)	(49)
Disposals/acquisitions	135	5	5
Dividends	-	-	-
Cash flow from discontinued operations	-	(20)	(14)
Capital increase	-	64	-
Financial restructuring programme	(6)	294	-
Foreign exchange gains (losses)	1	(3)	(8)
Other items	(13)	(17)	(22)
CONSOLIDATED NET DEBT – CLOSING DATE	**(235)**	**(311)**	**(537)**

Average headcount by geographic area



Group timeline

Birth of the Group

The history of Sequana goes back to the creation of Maison Worms in 1848, a company that was initially specialised in trading coal on international markets before growing rapidly into a diversified industrial and services holding company. In the 1990s, the group attracted foreign investors, including Exor SA (formerly Ifil), the investment holding company of the Agnelli group. 1999 marks the real birth of the Group with Worms & Cie's public takeover bid for Arjomari Prioux.

As the ownership structure and management team evolved, the Group was increasingly focused on the paper sector and became a pure paper player in 2007. Also in 2007, Exor SA sold 21.9% of the capital to DLMD, a company controlled by Pascal Lebard. The Group was renamed Sequana and made a series of acquisitions that turned Antalis into Europe's leading paper distributor and enabled Arjowiggins to consolidate the Graphic division’s eco-friendly strategy.

1998

Merger of Worms & Cie into Someal (holding company for Ifil's French investments), which subsequently adopted the name Worms & Cie and was listed on the *Premier Marché* (monthly settlement) of the Paris stock exchange (Bourse).

1999

- Public takeover bid for Arjomari Prioux followed by a mandatory withdrawal procedure (OPA-RO). Merger of Arjomari Prioux into the Group, providing the latter with direct control over Arjo Wiggins Appleton.
- Restructuring of Arjo Wiggins Appleton (AWA).

2000

- Acquisition of 15% of the voting rights of SGS.
- Sale of Saint-Louis Sucre to Financière Franklin Roosevelt, 46.9%-owned by Worms & Cie, 51.1% by Belgian (Albert Frère group) and Luxembourg investors (represented by Inveparco), and 2% by management.
- Launch of a cash bid by the Group to increase its stake in AWA from 40% to 100%. Its offer is subsequently approved by AWA's shareholders and its shares delisted from the London Stock Exchange.

2001

- Completion of the sale by AWA of its 40% stake in the Portuguese company Soporcel and sale of Appleton Papers Inc. to an entity set up by the employees of this subsidiary.
- Sale by Inveparco and the Group in late 2001 of their respective 51.1% and 46.9% stakes in Financière Franklin Roosevelt, the parent company of Saint-Louis Sucre, to Raffinerie Tirlemontoise, a subsidiary of the Südzucker AG group.

2002

- Elimination of AWA's registered office and transformation of Arjowiggins and Antalis International (the former operating divisions of AWA) into sole shareholder simplified joint stock companies and fully operational Group subsidiaries.
- Successive increases in the Group's stake in SGS, to 21.6% at 31 December 2002 and 23% at the beginning of 2003.
- Simplified public offer by Worms & Cie for 9.84% of its own stock (representing 11,500,000 shares at a price of €21 per share), followed by cancellation of the shares acquired and a corresponding reduction in capital.

2003

- Start of an industrial link-up between Arjowiggins and Carbonless to take advantage of the synergies offered by the two businesses and optimise management of production facilities.
- Continuation of the Antalis turnaround plan.
- Expansion of Permal Group following the restructuring process initiated in 2002.
- Acquisition of additional shares in SGS, bringing Worms & Cie's stake to 23.77%.
- Sale of Danone shares, generating post-tax capital gains of €75 million.

2004

- Implementation of the link-up between Arjowiggins and Carbonless from an operational and legal perspective.
- Sale of Accor shares, generating post-tax capital gains of €21.6 million.
- Reorganisation of Permal Group.

2005

- Change of governance of Worms & Cie to a joint stock corporation with a board of directors, and change of name to Sequana Capital.
- Sale of 70.5% of Permal Group to Legg Mason for a total amount of USD 718 million, plus an earn-out payment contingent on Permal's future performance. Sequana Capital retains a 6.36% stake in Permal, which it agrees to sell to Legg Mason in 2007 and 2009.
- Change in management team at Arjowiggins. Provisions are booked for exceptional items for a pre-tax amount of €197 million, including €191 million in additional provisions and writedowns of fixed assets.

2006

- Change in shareholding structure: unwinding of the shareholder agreement between the Worms, Barnaud, Meynial and Taittinger families in March, which raises the free float from 12.4% to 27.44% of the share capital.
- Successful completion by Sequana Capital in December 2006 of a public share buyback offer through the exchange of shares in SGS SA held in the portfolio or the cash equivalent. This operation follows the Group's decision to become a pure paper player through its two main subsidiaries and leads to a reduction of €86,470,470 in its share capital.
- Following the operation, Sequana Capital becomes a paper industry group. The ownership structure changes significantly with an increase in its free float to 37.38%. Ifil Investissements SA retains a shareholding of 48.88% and AGF 13.66%.

2007

- Exor SA (formerly Ifil Investissements SA) sells 21.9% of the share capital to DLMD, a family investment company controlled by Pascal Lebard, Chief Executive Officer of Sequana Capital. Exor SA thereby reduces its stake in Sequana from 48.7% to 26.7%, while retaining principal shareholder status. Exor SA and DLMD sign a shareholder agreement to act in concert for an initial period of three years.
- Antalis acquires Map for €382 million, becoming the No. 1 paper distributor in Europe.
- Arjowiggins acquires Dalum Papir A/S, Europe's leading distributor of premium recycled coated paper.

- Sequana Capital receives USD 164 million in cash and USD 29 million in Legg Mason shares as an earn-out payment on the disposal of 70.5% of Permal Group's share capital in November 2005 and 5.36% of its share capital in November 2007. Sequana Capital retains a 1% stake in Permal after this transaction.

Refocusing on distribution

In 2008, Sequana announced its intention to gradually refocus on the distribution sector and launched a business transformation plan in Arjowiggins, giving more autonomy to the divisions. This was followed by the sale of the Group's less profitable businesses (Decor paper in China and Carbonless paper in Europe) and participation in the consolidation of the paper market with the sale of the Decor and Abrasive papers divisions to Swedish group Munksjö.

In the wake of the July 2012 capital increase, Sequana reached a new milestone in its strategic plan: it took measures to enhance Arjowiggins' production model and stepped up development at Antalis. Despite the major restructuring and cost-cutting measures implemented between 2008 and 2013, the continued deterioration in market conditions and the downbeat outlook for the following years prompted Sequana to launch an operational and financial restructuring plan for the Group in 2014. This plan aimed at refocusing Arjowiggins on recycled and specialty paper and financing its business transformation plan, and pursuing Antalis' external growth strategy on the high-potential Packaging and Visual Communication markets.

2008

- Arjowiggins acquires Greenfield, a manufacturer of premium deinked pulp.
- Antalis sells Premier Paper Group Limited to the independent UK firm Beswick Paper. The sale complies with the commitment made to European competition authorities in connection with the Group's acquisition of Map to sell one of Map's two UK subsidiaries.
- Change in Sequana Capital's corporate name to Sequana, reflecting its move to become a pure paper player.
- Sequana decides that the roll-out of Arjowiggins' new strategy should be stepped up a gear, by increasing the autonomy of its divisions and launching restructuring measures for the Carbonless paper business, which involve the closure of the Dartford and Bor mills to focus production in Belgium.
- Arjowiggins sells its Bernard Dumas industrial division to the regional French private equity fund IRDI-ICSO for around €10 million.

2009

- Antalis sells its Promotional Products division to the BIC group.
- Arjowiggins closes its Faya tracing paper mill in the Ardèche and the Wizernes specialty coating machine in Pas-de-Calais (both in France).
- Sequana implements a new-look organisation for the Group, designed to accelerate operational link-ups between its subsidiaries. A new Executive Committee is created, composed of management executives from Sequana, Arjowiggins and Antalis.
- Sequana sells Arjo Wiggins Appleton Ltd (AWA Ltd), the entity responsible for the Fox River environmental claim. This risk is not counter-guaranteed by Sequana and the sale of this entity therefore allows the Group to extinguish its contingent liability.
- Arjowiggins sells shares in its subsidiary HKK2 to international investors. HKK2 is a holding company for the Decor paper joint venture with Chinese firm Chenming.
- Antonin Rodet, owner and merchant of Burgundy wines, is sold to the Boisset group for an enterprise value of €23 million.
- Arjowiggins sells its Carbonless paper business to local Arjowiggins managers with the support of the Walloon region.
- Sequana sells its remaining 1% stake in Permal Group to Legg Mason for USD 13.6 million. This amount was increased by an additional earn-out payment of USD 0.7 million calculated on the basis of Permal's performance at 30 September 2009.

2010

- With the 2007 shareholder agreement due to expire, Exor SA, DLMD and Pascal Lebard enter into a new agreement for an automatically renewable period of one year. Pursuant to this agreement, DLMD sells a 1.59% stake in Sequana to Exor SA on 30 July 2010. This reduces DLMD's interest in Sequana to 20.22%, while Exor SA, the Company's main shareholder, increases its interest to 28.24%.
- Antalis sells its 50% holding in Chilean office supplies firm Ofimarket to its partner Lapiz Lopez.

2011

- Antalis sells Antalis Office Supplies, its Spanish and Portuguese office supplies business, to Lyreco for an enterprise value of €23 million.
- Arjowiggins sells its Decor, Abrasives, Thin Opaque Papers and Fine Arts businesses based at the Arches (France) and Dettingen (Germany) mills to Swedish group Munksjö for an enterprise value of €95 million.
- Antalis sells off its wholesale cash and carry office supplies business in Porto and Lisbon and its paper and cardboard converting business in Portugal to Portuguese firm AVS for an enterprise value of €3 million.
- Arjowiggins sells the Moulin du Roy mill in Annonay (France) to the Hamelin group.
- Arjowiggins implements new measures to adjust its production capacity to falling demand and shuts down three machines, in France (Rives), Denmark (Dalum Papir) and Argentina (Witcel). These closures represent a reduction in production capacity of 65,000 tonnes.

2012

- Antalis acquires the packaging distribution business of UK-based Ambassador for an enterprise value of €10 million.
- Antalis acquires the packaging distribution business of the German company Pack 2000 for an enterprise value of €16 million.
- Sequana carries out a capital increase of €150 million with pre-emptive subscription rights maintained for existing shareholders. Bpifrance Participations (formerly FSI) becomes Sequana's largest shareholder with 20.09% of its share capital.
- A shareholders' agreement – which does not constitute an agreement to act in concert – covering a period of five years is signed by Bpifrance Participations (formerly Fonds Stratégique d'Investissement (FSI)), Exor SA, DLMD, Pascal Lebard and Allianz group as well as by BNP Paribas Arbitrage and Royal Bank of Scotland group. BNP Paribas Arbitrage and Royal Bank of Scotland group are parties to the agreement due to pledges that they hold on the Sequana shares owned by DLMD pursuant to an agreement to restructure DLMD's debt entered into in 2010.
- Termination of the shareholders' agreement to act in concert signed by Exor SA, DLMD and Pascal Lebard on 6 July 2007 and renewed on 21 July 2010.
- Arjowiggins brings its production capacity into line with demand and closes the Dalum Papir A/S (Denmark) and Witcel (Argentina) plants and shuts down a machine in Chartham (UK) in August. These closures represent a reduction in production capacity of 114,000 tonnes.
- Antalis continues its development drive in growth sectors with the acquisition of two packaging distributors in Chile (Abitek) and the Czech Republic (Branopac) for a total enterprise value of €17 million.
- Sequana, Antalis and Arjowiggins sign up to the United Nations Global Compact, bolstering the commitment of the entire Group to corporate, social and environmental responsibility.
- Launch of a reverse stock split of Sequana shares based on the exchange of one new Sequana share with a par value of €9 for six old Sequana shares with a par value of €1.50 each (see Chapter 5, page 180).

2013

- The Group and its banks finalise the terms and conditions to amend and extend the maturity of Arjowiggins' €400 million credit facility and Sequana's credit facilities through to 30 November 2015.
- The Board of Directors of Sequana votes to combine the offices of Chairman of the Board of Directors and Chief Executive Officer of the Company, and appoint Pascal Lebard to this role. Jean-Pascal Beaufret is appointed Vice Chairman.
- Antalis signs an agreement with its banks to amend and extend the maturity of its €530 million credit facility through to 30 November 2015.
- Antalis acquires Xerox's Western European office paper distribution business together with an exclusive license to market and distribute Xerox®-branded office paper and digital print media in the region.
- Closure of the Ivybridge mill in the UK representing a reduction in production capacity of 14,000 tonnes.
- Arjowiggins sells its Casting Paper commercial business and dedicated finishing equipment to the Italian group Favini for an amount of €26.5 million. The agreement also provides for an exclusive long-term agreement whereby Arjowiggins Creative Papers will supply Favini with base paper and coated paper for a minimum period of five years.

2014

- Sequana announces an operational and financial restructuring plan for the Group, allowing it to put in place Arjowiggins' business transformation plan and to pursue Antalis' targeted acquisitions strategy in the most dynamic businesses. This plan will also help reduce the Group's liquidity risk.
- Reduction of share capital by reducing the par value of the Company's shares from nine euros (€9) to one euro (€1) by means of a matching adjustment to accumulated losses at 31 December 2013.
- Increase of share capital in a gross amount of €66.3 million and transfer of the net issue proceeds to Arjowiggins in order to bolster its equity and finance its plan to refocus on specialty businesses.
- Finalisation of the Group's financial restructuring agreements.
- The Group issues bonds redeemable in Sequana shares (ORA, ORNANE) subscribed at par as a debt-conversion swap respectively by Sequana and Arjowiggins lenders.
- Approval of the employment protection plan (PSE) for the Charavines mill in France by the DIRECCTE administration (regional directorate for business and employment).
- Completion of the reverse stock split of old Sequana shares (ISIN code FR0000063364) begun in November 2012. Sequana's capital now comprises only one category of share (ISIN code FR0011352590).
- Sale of Appleton Coated to Virtus Holding LLC, a company formed by members of Appleton Coated's management team.

2015 highlights

March

- Finalisation of Antalis' €200 million factoring programme.

April

- Approval of the employment protection plan (PSE) for the Wizernes mill in France by the DIRECCTE administration.

May

- Sale of Arjo Wiggins Ltda to Fedrigoni for an enterprise value of €83 million and an earn-out of up to €5 million payable in 2016 subject to certain performance conditions. The main activity of Arjo Wiggins Ltda is the manufacture of paper for banknotes and secure documents and it generated sales of around €70 million in 2014.

June

- Acceleration of Antalis' development on the Packaging and Visual Communication markets with the acquisition of six distributors in Europe for an enterprise value of €24 million. The distributors represent annual sales of around €130 million.
- Early redemption of ORNANE and ORA bonds and a reduction in the dilution ratio from 33.51% to 21.67% (see page 20).
- Issue of new Sequana shares to Impala group and to ORA bondholders. Impala group becomes Sequana's largest shareholder with a 20% stake.
- Sale of 85% of Arjo Systems and Arjowiggins Solutions to Impala group, clearing the €125 million outstanding balance on Arjowiggins' syndicated credit facility in full. These companies operate in brand protection and in security solutions and access control. In 2014, the two businesses earned approximately €123 million in sales and €18 million in EBITDA.
- Closure of the Wizernes and Charavines mills in France as part of Arjowiggins' business transformation plan. These mills had respective production capacities of 150,000 tonnes and 20,000 tonnes.

November

- Signature of an exclusive agreement with Global Hygiène for the sale of the Charavines site. The sale should be quickly completed once Global Hygiène has obtained planning permission.

December

- Consolidation of Arjowiggins' financial structure after the company set up €53 million worth of sale & leaseback financing based on certain industrial assets.

Recent developments and outlook

Recent developments

April

Arjowiggins has announced the planned sale of Arjowiggins Healthcare to Meeschaert Private Equity in partnership with the company's executive management team. The sale should be finalised by the end of the second quarter of 2016.

Arjowiggins Healthcare produces sterile packaging solutions for medical devices in hospitals and in the healthcare industry. It reported sales of approximately €77 million in 2015 and employs over 330 people.

Outlook

In a complex business environment, 2016 looks set to be an uncertain year in the Group’s different markets.

Nevertheless, Antalis should continue to enjoy the momentum created by PaperlinX's demise in Europe in the early part of the year as well growth in its Packaging and Visual Communication businesses, buoyed by the acquisitions completed in 2015.

Arjowiggins should benefit from the positive impact of the restructuring of its Graphic and Creative Papers divisions finalised in 2015.

Sequana's 2016 EBITDA should be ahead of that for 2015.

The Group intends to continue refocusing on distribution, especially through its external growth policy in the packaging sector.

Focused on maintaining a balanced financial structure and despite cash-outs for Arjowiggins’ restructuring and Antalis' external growth drive, Sequana should keep its consolidated net debt/EBITDA ratio at 31 December 2016 below 2.5.

Share performance and ownership structure

Share information

The par value of each Sequana share is €1.

Stock market listing

Sequana shares were first floated on the *Premier Marché* of the Paris stock market on 25 May 1998, and have been listed on Euronext Paris since 21 February 2005. They have been listed in Segment C since 28 January 2015 and are eligible for the "long-only" segment of the deferred settlement service (SRD).

No commitments of any nature were made at the time of the flotation.

Stock market codes

Sequana's ISIN code is FR0011352590 and its ticker symbol is SEQ.

SEQ.PA is the code used by Reuters and SEQ.FP the code used by Bloomberg.

Sequana's shares have been listed on the CAC Small®, CAC Mid & Small® and CAC All-Tradable® indices since 21 March 2011.

Share ownership(1)

Early conversion and change in the redemption conditions for ORNANE and ORA bonds

In order to streamline its financial structure, Sequana redeemed the ORA and ORNANE bonds issued in July 2014 early in the context of the Group's financial restructuring programme. It also amended the share redemption ratio, which reduced the dilution ratio from 33.51% to 21.67% as shown in the table below.

	Pre-amendment of redemption conditions			Post- amendment of redemption conditions		
	Number of shares	in % of post-redemption capital	in % of issued capital	Number of shares	in % of post-redemption capital	in % of issued capital
Share capital at 30 July 2014	51,060,304	66.50%		51,060,304	78.33%	
ORA	1,979,040	2.58%	3.88%	1,086,377	1.67%	2.13%
ORNANE	23,748,750	30.93%	46.51%	13,036,670	20.00%	25.53%
Post-redemption capital	76,788,094	100%	50.39%	65,183,351	100%	27.66%

This operation on 29 June 2015 resulted in the issue of 13,036,670 new shares for Impala group, the holder of all ORNANE bonds at that date, and of 1,086,377 new shares for holders of the ORA bonds.

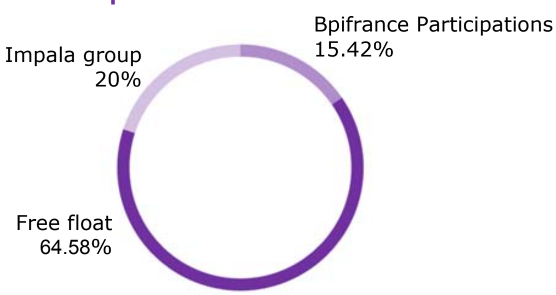
The share capital was therefore increased by €14,123,047 (par value), and has since stood at €65,183,351.

On completion of the issue, Impala group became Sequana's largest shareholder with a 20% stake, ahead of Bpifrance Participations which owns 15.42%.

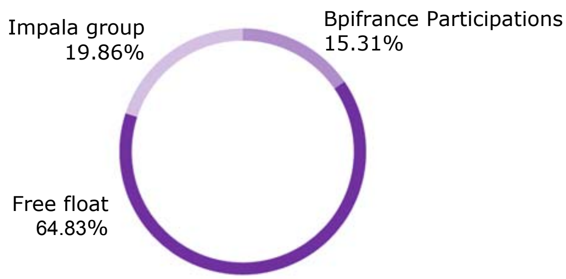
Voting rights(1)

Each Sequana share carries one voting right and, since 26 June 2014, double voting rights are granted to each share registered in the name of the same holder for at least two years.

Ownership structure at 31 March 2016



Voting rights at 31 March 2016



(1) See Chapter 5

Share performance

Share data over the last three years

	2015	2014	2013
Number of shares at 31 December	**65,183,351**	**51,060,304**	**25,011,221**
Dividend *(in €)*	-[(1)]	-	-
Share price *(in €)*			
High	5.20	7.75	9.63
Low	2.50	2.10	5.13
Closing	4.07	2.64	5.70
Market capitalisation at 31 December (in € millions)	**265**	**135**	**143**

(1) Decision subject to shareholder approval at the Annual General Meeting of 12 May 2016.

Share performance between 1 January 2015 and 31 March 2016

The table below presents Sequana's share performance and trading volume over the past 15 months (source: Euronext Paris):

		Average price[(1)] *(in €)*	High *(in €)*	Low *(in €)*	Average daily trading volume *(number of shares)*	Average market capitalisation[(2)] *(in € millions)*
January	**2015**	2.62	2.84	2.53	314,764	134
February		2.83	3.35	2.46	723,241	145
March		3.30	3.62	3.01	580,383	168
April		3.97	5.02	3.05	1,523,028	203
May		4.40	4.98	4.03	440,711	225
June		4.07	4.60	3.63	664,500	208
July		4.66	5.30	4.04	559,988	304
August		4.50	4.99	4.11	300,284	293
September		4.09	4.41	3.76	221,546	267
October		3.92	4.33	3.37	385,603	256
November		3.71	3.96	3.41	175,549	242
December		3.82	4.10	3.49	108,485	249
January	**2016**	3.41	4.04	2.96	147,004	222
February		2.99	3.30	2.64	153,077	195
March		3.17	3.47	2.88	147,473	207

(1) Arithmetic average of closing prices.
(2) Based on 51,060,304 shares making up the share capital between 1 January 2015 and 28 June 2015 and 65,183,351 shares making up the share capital as from 29 June 2015.

Dividend per share

Dividends paid by the Company for the past five years

Year	Net dividend
2011	-
2012	-
2013	-
2014	-
2015[(1)]	-

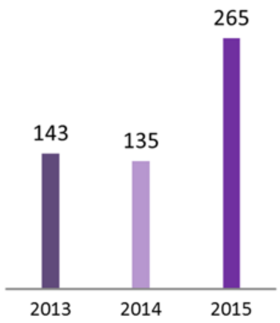
(1) Decision subject to shareholder approval at the Annual General Meeting of 12 May 2016.

Dividend payout policy

Sequana's dividend policy is chiefly based on the Group's earnings capacity, financial position, the ability of its operating subsidiaries to pay out dividends, and any other factors that the Board deems relevant.

At its meeting of 26 February 2016, Sequana's Board of Directors decided that it would recommend not paying any dividends in respect of 2015 at the Annual General Meeting to be held on 12 May 2016 to approve the financial statements for the year ended 31 December 2015.

Market capitalisation (€ millions)



Regular dialogue with investors

Sequana provides the market with quarterly updates on its results (sales by business and condensed consolidated income statement) and its strategic focuses, and publishes full or condensed financial statements twice a year. A financial notice is published in the French media in connection with the Group's annual and half-yearly earnings announcements.

All of this information can be consulted on its website in French and English. The website may be used to consult the share price in real time and obtain the latest press releases, analyst presentations and so on. An e-mail alert service informs all interested parties of the latest news releases. A new-look website was launched at the beginning of 2016 offering users simplified search capabilities and access to information, and customised display in line with the browsing media used (tablets and smartphones).

Sequana published its first Shareholders' letter in 2013. It is published twice a year to give shareholders a better idea of what is going on in the Group. In addition to presenting the Group's financial results, the newsletter provides an overview of key developments on both the distribution (Antalis) and production (Arjowiggins) sides of the business. It also keeps shareholders abreast of new products, contract wins and progress in the field of Corporate Social Responsibility.

Sequana organises information meetings that coincide with the publication of annual and half-yearly earnings, and takes part in investor meetings in Europe.

Further information on the Sequana share can be obtained from the communications and investor relations department:

- by mail, addressed to: Sequana, 8 rue de Seine, 92517 Boulogne-Billancourt Cedex, France
- on the Group's website: www.sequana.com
- by e-mail: contact@sequana.com
- by telephone: +33 (0)1 58 04 22 80

Management of share accounts

Sequana's Articles of Association require that shares be held in fully registered or administered registered form or as bearer shares in order to facilitate trading in the Company's shares.

BNP Paribas Securities Services manages Sequana's share accounts.

BNP Paribas Securities Services
Investor Relations
9, rue du Débarcadère
93500 Pantin, France
Tel: +33 (0)8 26 10 91 19

Presentation of business activities

Antalis

No. 1 in Europe and No. 2 worldwide in B2B distribution of paper and packaging products

Four business segments	Leading positions	Broad range of clients	Antalis 2015 key figures
▪ **Print** Coated and uncoated papers, specialty and creative papers, envelopes, graphic supplies. ▪ **Office** Paper and envelopes, consumables. ▪ **Visual Communication** Paper, board and plastics. ▪ **Packaging** Consumables, machines and additional services for the protection of all goods (industry, printers, companies).	**No. 1** in the Baltic States, Chile, Czech Republic, Denmark, Finland, France, Ireland, Netherlands, Norway, Poland, South Africa, Switzerland, UK. **No. 2** in Belgium, Spain, Hungary, Romania, Slovakia, Sweden.	Approximately 123,000 customers around the world: ▪ printers, publishers; ▪ companies, government agencies and resellers; ▪ professionals specialised in signage systems; ▪ industrial firms.	**€2.6 billion in sales** **107 distribution centres** **14,000 deliveries** a day **worldwide** **1.7 million tonnes** of paper distributed Around **5,700 employees** in **43 countries**

Geographic reach

Europe	Latin America	Asia-Pacific	Africa
Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, UK.	Bolivia, Brazil, Chile, Colombia, Mexico, Peru.	Australia, China, Hong Kong, Japan, Malaysia, Singapore, Thailand.	Botswana, South Africa.

Profile

Europe's leading B2B distributor of paper and packaging products and No. 2 worldwide, Antalis offers a broad array of products and services to around 123,000 business customers in its four market segments.

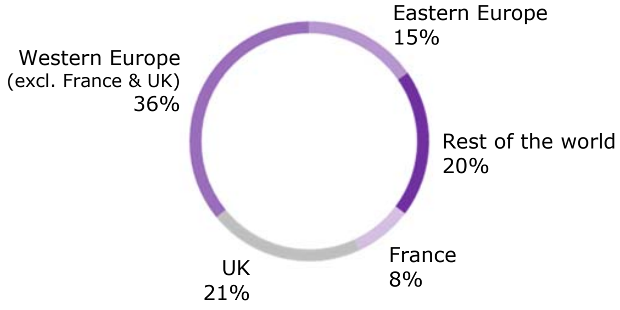
Due to the diversity of its customers, Antalis can significantly reduce its sensitivity to changes in its customer base. Active in markets only marginally affected by seasonal fluctuations, Antalis usually reports slightly weaker sales figures in August and December.

Selling prices vary depending on the category of product, quantity, service offering, country, customer segment, purchasing prices, competitive environment and special offers. In general, a catalogue listing selling prices is available in each country and is used as a basis for specific discounts and net prices, which also depend on the factors mentioned above. Antalis actively monitors its pricing policy with dedicated pricing managers and pricing tools embedded in the Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) systems, as well as e-commerce. Sales and payment terms and conditions are closely monitored by teams specialising in receivables management in order to optimise cash recovery and minimise bad debt risk.

Antalis' operations span five continents and 43 countries. Its main markets are Western and Eastern Europe, where it respectively generated 79% and 12% of its sales in 2015. Antalis also has operations outside Europe, in South Africa, South America and Asia-Pacific.

In 2015, Antalis had around 5,700 employees, 80% of whom were based in Europe.

Average headcount by geographic area



Antalis' business segments

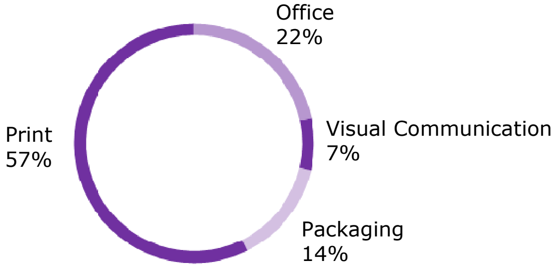
The paper and communication media distribution market is fiercely competitive and became far more concentrated in Europe as from the turn of the 21st century. Market consolidation gathered pace in Europe, as PaperlinX sold off its businesses in Italy and five Eastern European countries in 2012 and Antalis acquired Xerox's office paper distribution business in 2013. In 2015, PaperlinX stopped trading in Europe after it was placed in administration in several countries and following the sale of its subsidiaries in the other countries in which it operated.

These trends are also apparent in the US, where the country's largest players xpedx and Unisource merged in 2014 to form Veritiv Corporation, the world's leading distributor of paper and packaging products in terms of sales, operating only in the North American market.

As well as companies whose businesses are exclusively similar to its own (Igepa, Papyrus), Antalis competes directly with paper producers who are also distributors (Torraspapel) and with office supply dealers (Lyreco, Office Depot, Staples). Excess capacity in the paper sector linked to the decline in demand for printing and writing paper, and a tough economic climate in recent years have also prompted certain paper manufacturers to increase their direct sales in certain product categories to end customers at the expense of distributors (see Chapter 3, page 74). Eugropa, a European association of paper merchants, stopped publishing market data in April 2013 and consequently, Antalis is no longer able to estimate its market shares by segment and region. Therefore, this data no longer appears in the information published by the Group.

In the fragmented Packaging and Visual Communication sectors, competition is mainly local, with only a handful of groups enjoying Antalis' international reach (e.g., Raja and Nefab in Packaging, and Spandex, Vink and Igepa in Visual Communication).

Breakdown of sales by business



Antalis operates in four segments:

Print

Antalis is a leader in the print market and is recognised as having the highest quality and most extensive range of products on the market. Printers, graphic designers, publishers and advertising agencies can choose from a huge variety of premium coated and uncoated papers, creative papers and envelopes as well as specialty products such as carbonless and self-adhesive papers.

Antalis' main competitors in this segment are Papyrus, Igepa and Inapa. Demand in the print market is driven by expenditure on printed advertising and corporate communications. However, the market has to contend with the growing use of electronic media and a volume downturn in Europe.

In 2015, Antalis' Print business generated €1,505 million in sales, or 57% of the company's total sales.

Office

Antalis distributes a comprehensive array of reams (for photocopiers and printers) to large corporations, government organisations and resellers (central purchasing bodies, office supply dealers and retailers) along with envelopes suitable for the very latest inkjet, laser jet and digital printing techniques.

Antalis' main competitors in this segment are Lyreco, Office Depot, Staples and Igepa. Demand for office paper depends on the consumption of paper for photocopiers, inkjet and laser printers for printing documents and e-mails.

In 2015, Antalis' Office business generated €567 million in sales, or 22% of the company's total sales.

Packaging

Packaging distribution is a growing, high value-added segment, and the market remains very fragmented. Antalis became Europe's leading player on this market in 2015 thanks to its active external growth strategy.

The customer base comprises major industrial groups in sectors such as the car industry and electronics, as well as SMEs and printers. Antalis provides these customers with consumables, machines, and additional services and solutions for protecting goods in transit and in storage in accordance with their specific characteristics and needs. Its product offering includes standard packaging products like kraft paper, bubble wrap, cardboard boxes, strapping and packaging machines, as well as bespoke logistics and technical solutions, especially for the export market and to protect industrial goods against corrosion.

In 2015, Antalis' estimated share of the Packaging market was around 5% in value terms and the company was ranked No. 1 in Europe. Its main competitors are Raja, Nefab and Prodinger. This market is currently undergoing consolidation. Growth in the packaging market mainly depends on GDP trends and national and international trade.

In 2015, Antalis' Packaging business generated €369 million in sales, or 14% of the company's total sales.

Visual communication

The visual communication business targets graphic art specialists (digital printers and manufacturers of signage systems), to whom Antalis supplies flexible or rigid materials made of paper or board such as wallpaper or plastic materials such as polyester banners for advertising campaigns or the interior decoration of professional and private spaces. Antalis also distributes ink and printing machines in certain countries. Its products are used in a wide variety of applications including posters, banners and panels; point-of-sale (POS) advertising; signage; window displays; customised car displays; and interior decoration (wall, floor, curtains). The products distributed by the company are adapted to different printing techniques including the constantly innovative large format digital printing (LFP) market. Antalis is also committed to environmental responsibility and opts for solutions using PVC-free raw materials wherever possible.

Antalis' share of the still highly fragmented visual communication market was around 6.5% in value terms in 2015. The company is one of Europe's leading distributors for the signage and POS advertising markets. Its main competitors in this segment are Spandex, Vink and Igepa. Demand on this market is steadily growing and moves in line with the needs of the advertising, signage, self-adhesives and POS advertising sectors.

In 2015, Antalis' Visual Communication business generated €184 million in sales, or 7% of the company's total sales.

Antalis – Key strengths

A global player

Antalis is one of the few paper distributors with a truly global reach, with operations spanning 43 countries across Europe, South America, South Africa and Asia-Pacific.

Balanced European coverage

Antalis consolidated its position as European market leader by acquiring Map in late 2007. It now has operations in 28 countries and estimates that it has a market share of about 20%. This critical mass allows it to optimise its supply chain and strengthen partnerships with key suppliers. This broad geographical base also allows the company to spread risk more effectively.

Antalis has operations in 17 countries across Western Europe, and enjoys a strong presence in the UK, France and Switzerland, all of which contribute significantly to sales. In 2015, Antalis generated €2,071 million in sales in Western Europe (79% of its total sales), and €73 million in EBITDA (78% of its total EBITDA).

In Eastern Europe, Antalis has operations in 11 countries including Poland, the Czech Republic, Romania, Turkey and the Baltic States. During the year, the company generated €313 million in sales (12% of its total sales) and €12 million in EBITDA (12% of its total EBITDA) in Eastern Europe.

Growth drivers outside Europe

Outside Europe, Antalis has a strong foothold in South Africa, South America and Asia-Pacific. It has operations in seven countries across Asia-Pacific and a further six across South America. It is also present in South Africa and Botswana, and exports to several African countries.

In 2015, Antalis generated €241 million in sales outside Europe (9% of its total sales), and €9 million in EBITDA (10% of its total EBITDA).

Strong local presence

In addition to its solid international profile, Antalis also enjoys a strong local presence. This is essential for meeting customer needs and developing lasting commercial ties. Its local presence is underpinned by a hands-on sales approach adapted to the specific characteristics and profile of each customer, which enables it to offer tailored solutions and efficient customer relationship management (CRM).

Antalis' sales teams are generally organised into three main categories:

- a field salesforce that looks after major accounts in given areas;
- telesales staff who look after smaller accounts and are responsible for telephone marketing operations for a specific customer segment; and
- inside sales teams (known as sales advisers), providing support to field sales teams, making outgoing calls, processing orders and managing certain administrative tasks.

This sales organisation is underpinned by increased specialisation of the sales teams' expertise, tighter coordination between the different sales channels and the continued roll-out of CRM tools.

Efficient data and CRM tools

In customer relationship management, Antalis makes significant, ongoing investments to upgrade its IT systems, a key factor driving growth and opportunities for development.

The aims of its IT strategy are to:

- standardise and harmonise order processing, customer invoicing, raw material purchasing, inventory management, production control, delivery management and financial oversight using ERP tools within all entities. The number of programmes was reduced from 16 in 2007 to 7 at the end of 2015 and will be reduced to 5 by the end of 2018;
- focus on sales, marketing and customer initiatives by rolling out CRM tools across the globe (35 countries covered by end-2014), develop new electronic services and ensure that IT plays a part in programmes and initiatives aimed at improving customer service quality;
- roll out e-commerce solutions for its customers and suppliers in order to improve efficiency and customer service, in particular by developing an e-commerce platform;
- unlock cost synergies using a central IT platform (a single data centre was created out of three existing centres in March 2012, leading to a 30% reduction in IT infrastructure costs for Antalis) and a supplier/customer EDI message process;
- improve data reliability, develop a catalogue of products and services and set up a reporting system based on key performance indicators (creation of a single centralised product catalogue as part of a master data management solution).

These initiatives aim to improve the reliability, security and implementation lead times of information systems. They also provide the flexibility and responsiveness required to offer value-added services to customers.

High-performance supply chain

The organisation of Antalis' logistics operations, coupled with major storage capacity, allow it to deliver to customers within 24 hours and even offer same-day service in certain large cities. Service excellence is rooted in its highly effective distribution and transport network.

Distribution network

Two paper distribution models are used:

- the "stock" model, which represents around two-thirds of Antalis' paper sales, where the distributor purchases its inventories from manufacturers and stocks them before delivering them to its customers;
- the "indent" model, which represents around one-third of Antalis' paper sales, where goods are shipped directly from production sites to end customers.

Antalis has an extensive distribution network with 107 distribution centres worldwide, including 80 in Europe which are used to meet its customers' "stock" requirements. It does this through two complementary distribution centre levels:

- national distribution centres (CDCs) located close to capital cities, which stock most of the products distributed by Antalis; and
- an extensive network of smaller regional distribution centres (RDCs) located near customers' own sites. These centres offer fast delivery times but only stock Antalis' high-turnover products.

Surface areas for distribution centres can be up to 42,000 sq.m. (e.g., Melun Sénart in France).

Antalis' distribution network makes an average of over 14,000 deliveries per day worldwide, which enables it not only to serve a huge number of customers but also to offer a high level of service at competitive prices. Thanks to the broad geographical reach of its warehousing network and an efficient, well-managed supply chain, Antalis is able to provide its customers with a cost effective and efficient next-day delivery service (same-day service in certain large cities).

Antalis strives to continually improve its distribution efficiency by consolidating its ERP tools and optimising its warehousing network.

Antalis further leverages its network to offer its customers a comprehensive array of logistics services, which range from end-to-end service using just-in-time management to optimise the supply chain and deliver goods in accordance with consumption patterns, to the storage of customers' goods and the delivery of these goods to the customers' own clients.

Transport

Antalis subcontracts the management of its transport network or sometimes manages the network internally in order to improve customer service while maintaining a tight rein on upstream and downstream transportation costs.

In its upstream transport operations, products are delivered directly to national or regional distribution centres by Antalis' suppliers. Except for the UK, the transportation of products to Antalis' customers is subcontracted throughout Europe. Outside Europe, products are generally routed to regional distribution centres or cross docks by international carriers.

Partnerships with key suppliers

To optimise its purchasing terms and conditions, purchases are made with a limited number of key suppliers, all of which are global paper and board manufacturers. However, in the Packaging and Visual Communication businesses (not based on volumes), Antalis continues to have a fairly broad supplier portfolio, although its purchases are being made with fewer and fewer suppliers across all segments.

Dealing with a limited number of strategic suppliers, for which Antalis is a key customer in their relevant product lines, provides Antalis with greater bargaining power through volume pricing. Antalis is also able to offer a consistently high quality of service through a broader product offering and thereby increase its operating efficiency and profitability. In general, Antalis negotiates annual discounts with its key suppliers based on volume targets.

Antalis' ten biggest suppliers accounted for approximately 68% of its purchases in value terms in 2015.

To capitalise fully on Arjowiggins' technical and industrial expertise across Antalis' distribution network, commercial ties between the Group's two activities have grown stronger in creative papers as well as in the recycled and coated paper segment. This allows the Group to generate synergies in terms of sales and the supply chain, making it easier to adapt its products to the constantly changing demands of the market. In 2015, Arjowiggins accounted for around 10% of purchases (in value terms) made by Antalis.

In 2013 Antalis set up its Antrak online platform to improve supply chain management, guarantee customers full product compliance, and consolidate relations with suppliers. Antrak includes all information and documents relating to certifications of supplier facilities, compliance with the company's fundamental principles and product conformity. In 2015, Antrak featured nearly 200 suppliers, representing around 80% of the company's purchase volumes.

Antalis – Results and strategy

2015 highlights

- Strategic development in packaging and visual communication product distribution.
- Strengthening of leadership in printing papers following the demise of PaperlinX in Europe.
- Acquisition of Data Copy from Metsä Board.
- Ongoing supply chain optimisation in Europe.
- Set up of a €200 million factoring programme

Improved operating performance despite a still challenging printing paper market

In a declining printing paper market with major discrepancies between different countries, Antalis delivered sales of €2,625 million, up 1.5% year-on-year (down 2.2% at constant exchange rates). There was a favourable impact of €77 million (3%) from acquisitions and a favourable forex impact of €98 million (3%), mainly attributable to fluctuations in sterling and the Swiss franc.

Antalis benefited from the demise of PaperlinX in Europe in the second quarter, especially in the UK and Benelux markets. There was a more marked decline in volumes in markets that were unaffected by this consolidation movement, amplified by Antalis' gross margin protection policy and its proactive supplier and brand portfolio reorganisation strategy.

The Packaging and Visual Communication businesses continued to deliver significant growth (24% and 11%, respectively) on the back of the acquisitions completed during the first six months of 2015.

EBITDA jumped 16.7% on the year, from €80 million in 2014 to €94 million in 2015. This rise mainly reflects a favourable forex impact, an improved product mix that was further enhanced by acquisitions in the Packaging and Visual communication sector, the favourable impact of the demise of PaperlinX, and lower overheads in line with the pursuit of supply chain restructuring in Germany, Austria and France. EBITDA margin grew by 0.5 points and represented 3.6% of sales.

Recurring operating income was €68 million, compared with €55 million in 2014. Operating margin edged up by 0.5 points and represented 2.6% of sales.

Net debt stood at €232 million, compared with €250 million at 31 December 2014, reflecting good working capital management over the period despite higher levels of business due to the demise of PaperlinX and acquisition financing requirements.

In late June and early July, Antalis stepped up its growth drive in the high-potential Packaging and Visual Communication markets and acquired distributors in the UK, Denmark, Sweden and Estonia, representing full-year sales of around €130 million.

These acquisitions – completed for an enterprise value of €24 million – enabled Antalis to become No. 1 in the European Packaging market with annualised sales of €450 million.

In March 2015, Antalis finalised the refinancing of its debt – most of which has now been secured through 2018 – by setting up a €200 million factoring programme. This reduces the outstanding balance on its €515 million syndicated credit facility to €315 million (€310 million at 31 December 2015).

Key figures

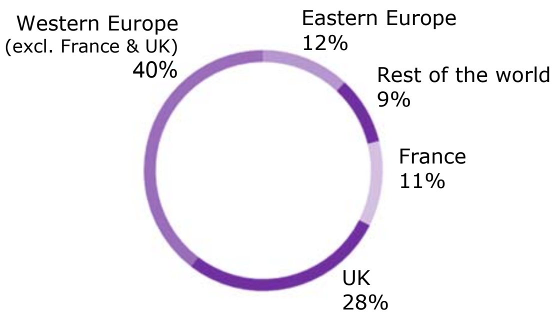
(€ millions)	2015	2014	2013
Sales	**2,625**	**2,585**	**2,528**
EBITDA	**94**	**80**	**70**
Recurring operating income(1)	68	55	44
Operating margin	2.6%	2.1%	1.7%
CASH FLOW FROM OPERATING ACTIVITIES	**129**	**48**	**147**
Capital employed at 31 December	442	479	476
Recurring operating income/Capital employed (ROCE)	15.4%	11.5%	9.2%
Net debt	232	250	199

(1) Including gains of €5 million in 2013 arising on changes to pension plans. Adjusted for these items, recurring operating income amounted to €39 million instead of €44 million, the operating margin came in at 1.5% instead of 1.7%, and ROCE was 8.1% instead of 9.2%.

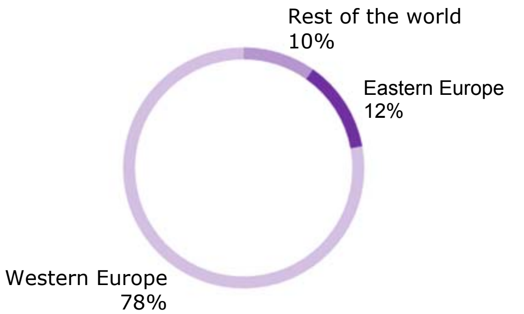
Changes in cash flows

(€ millions) at 31 December	2015	2014	2013
EBITDA	**94**	**80**	**70**
Change in working capital requirements	41	(21)	93
CAPEX	(17)	(14)	(17)
Disposals of non-current assets	11	3	1
CASH FLOW FROM OPERATING ACTIVITIES	**129**	**48**	**147**
Net debt	232	250	199

Breakdown of sales by geographic area



Breakdown of EBITDA by geographic area



Key figures – Europe

(€ millions)	2015	2014	2013
Sales	**2,384**	**2,337**	**2,265**
EBITDA	**85**	**69**	**58**
Recurring operating income(1)	62	47	35
Operating margin	2.6%	2.0%	1.5%

(1) Including gains of €5 million in 2013 arising on changes to pension plans. Adjusted for these items, recurring operating income amounted to €30 million instead of €35 million and operating margin came in at 1.3% instead of 1.5%.

Key figures – Asia-Pacific, South America and South Africa

(€ millions)	2015	2014	2013
Sales	**241**	**248**	**263**
EBITDA	**9**	**11**	**12**
Recurring operating income	6	8	9
Operating margin	2.7%	3.3%	3.4%

Europe – Key events in 2015

Stepping up development in the Packaging and Visual Communication segments

Antalis confirmed its strategy targeting development on the high-potential packaging and visual communication distribution markets and is aiming to make these segments the second cornerstone of its business alongside paper distribution.

In June and July, Antalis acquired six distributors in the UK, Denmark, Sweden, and Estonia, representing full-year sales of around €130 million. These acquisitions increase Antalis' annualised Packaging sales to €450 million and make it Europe's leading distributor of packaging products and solutions. Operating in over 29 countries in Europe and South America, Antalis leverages its international network to offer bespoke services and solutions across Europe to large industrial groups in a variety of sectors including automotive, engineering, electronics, logistics and e-commerce.

Antalis also hired employees with new skills sets in the Netherlands, following the demise of its main competitor in Europe, allowing it to consolidate its position on the packaging market in this region.

Thanks to these acquisitions, Antalis also significantly strengthened its positions on the visual communication market in Nordic countries, becoming a leading player in Denmark and cementing its presence in Sweden. The integration of these new teams enabled Antalis to reinforce its technical and commercial expertise in the sale of signage materials and to grow its sales with its traditional printer clientele who adopt large format printers (LFP).

Antalis continued to expand Coala, its range of large format digital print media, in phase with its customers' expectations and with trends in the visual communication market. In the decoration and interior design market, which represents 66% of demand in the large format segment (source: 2015 Fespa Print Census), Antalis developed Coala Wall Design, its range of customised wallpaper. This rounds out its easy-to-apply Coala Easy Stick range suitable for one-off communication campaigns. The Coala range is currently distributed in 30 countries across Europe, South Africa and Latin America. Coala's continued success is reflected in a year-on-year rise of over 31% in sales and prestigious customers from the *haute couture* fashion, DIY and sports events industries.

To help its customers become more efficient in printing from Coala media, Antalis launched a portal accessible exclusively to its customers on its website allowing them to download each product's International Color Consortium (ICC) profile. These profiles are determined based on a variety of criteria linked to the machine model and printing software, and make it easier to print and manage colour throughout the graphic design chain.

In 2015, the Packaging and Visual Communication businesses respectively represented 14% and 7% of Antalis' sales. Their contribution to the Group's gross margin continues to rise, standing at 36% in 2015, 4 points more than in 2014.

Cementing leadership on historical markets

Antalis cemented its position on the office paper market with its July acquisition of Metsä Board's Data Copy business. This brand has a long-standing reputation on the European market for over 30 years, with resellers in particular. Data Copy complements and enhances Antalis' product portfolio, which includes a range of high-quality media comprising merchant own labels such as Image, the exclusive licence for Xerox®, and mills and OEM brands such as Pioneer and HP. Antalis continued to roll out initiatives targeting resellers through Club Premium, designed specifically for this segment.

In the area of recycled and eco-friendly papers, Antalis continued to foster awareness among businesses of the key role that paper plays in a sustainable development strategy, as part of its Green Connection programme. Antalis was also an official partner of the COP21 conference on climate change held in Paris in December, supplying the paper for all printed documents throughout the event. Produced by Arjowiggins Graphic, the Cyclus and Cocoon papers used for COP21 are 100% recycled, carry the EU Ecolabel and have a five-star rating under the Green Star System. The Green Star System was created by Antalis to help its clients evaluate the "greenness" of paper using a score of between zero and five stars based on environmental performance. Paper is considered "green" when it has three stars at least. Antalis also had a stand at the "La Galerie" exhibition of low-carbon solutions, which gave customers and visitors the opportunity to discover the full range of its recycled papers.

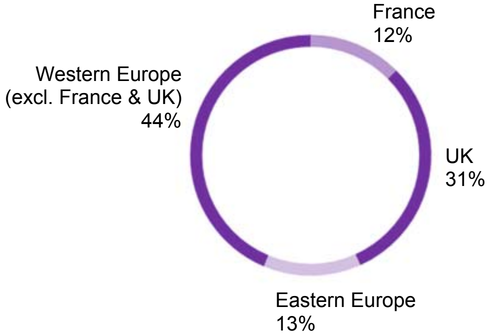
In creative papers, Antalis' aim is to strengthen its positioning with designers and advertising agencies. To this end, it launched Creative Power, a programme combining all initiatives designed to show how choosing paper is a creative decision that helps enhance brand value.

Following on from the launch of the Cube in 2013, Antalis devised a worldwide marketing campaign in 2014 showcasing the work of an artist each month using different creative paper and printing techniques. The cards produced by the artists were sent out to 15,000 customers in 27 countries.

Some of the designs were selected for the Pop'Up exhibition curated by Arjowiggins Creative Papers in six European capital cities. Lastly, over 15,000 copies of The Paper Book, which represents the full range of Arjowiggins' creative papers, were published and sent out to customers across the globe.

As part of the "d2b®" – digital to business – initiative, Antalis continued to play a leading role in the digital printing eco-system as sponsor of three events in Europe, Asia and Latin America organised by Dscoop (Digital Solutions Cooperative), a Cooperative of HP® graphic arts users, as well as through Xerox's annual European forum. Thanks to the partnership between Arjowiggins Creative Papers and US group Mohawk Fine Papers Inc, Antalis enriched its range of digital print media by becoming distributor of Superfine i-Tone® in all countries where it is present. Superfine i-Tone® is the leading brand of HP Indigo and dry-toner digital web press printing.

Breakdown of sales by geographic area



Rest of the world – Key events in 2015

The Asia-Pacific, South America and South Africa regions were affected by political and economic factors that weighed on business more generally. Combined with strong currency volatility, this put margins under pressure. In this context, Antalis' operating performance in the "Rest of the world" region was down on the previous year.

Asia-Pacific

The Group's new-look website launched in 2014 gave Antalis Asia Pacific an effective tool to boost sales. In eco-friendly paper, the group used the first Corporate Social Responsibility (CSR) report to promote all of its product ranges in this segment. Antalis Asia Pacific also stepped up its cooperation with teams in Hong Kong and South China to maximise sales potential. Cross-border projects are now monitored using CRM software, enabling the group to offer its customers regional coverage.

South America

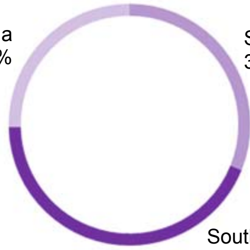
The region continued to focus on growth and profitability levers during the year by harnessing CRM tools and training initiatives.

Chile and Peru reported a robust performance in the Packaging sector, and Bolivia launched packaging operations in 2015. The sales function was reorganised in graphic supplies and the digital segment. The digital portfolio was streamlined and the machine sales business separated from the technical services business in order to better meet customers' needs. In visual communication, the Coala range for large format printing launched in 2014 enjoyed brisk growth. Antalis launched its e-commerce website in Chile, and this will be rolled out in Brazil, Bolivia, Colombia, Mexico and Peru as from 2016.

South Africa

Antalis continued to consolidate its leadership in printing papers in a challenging market environment. The office paper business was hit by taxes and imports from the Far East. Visual Communication and Packaging businesses continued to expand.

Breakdown of sales by geographic area



Achieving excellence for customers through employees

Offering excellence for customers is at the heart of Antalis' sales strategy. This is based on developing employee skills to boost organisational performance.

In 2015, Antalis conducted an in-house survey (MyView) of around 4,000 group employees to find out how they perceived their working environment. The survey had a response rate of over 70% and helped Antalis identify the progress made over the last two years and to benchmark the group against other companies. Its different teams were informed of the findings of the survey in order to determine the measures to be put in place. The next survey will be conducted in 2017.

In response to general expectations in terms of communication and information sharing, Antalis created a group intranet site known as WeConnect. Launched in early 2015, WeConnect provides employees with opportunities for international, cross-business cooperation. Rolled out across the group throughout 2015, the intranet is now available in all European countries, South Africa, Botswana, and in Asia and Latin America. A total of 30 or so communities and around ten regional teams have already been created in order to ensure more efficient and timely communication.

In order for the human resources system to be fully integrated at group level, WeConnect also comprises skills and performance management and online training. Talent management features were incorporated in 2015 and recruitment will be included as from 2016.

The use of WeConnect for training purposes advanced in 2015. Almost 2,200 people took at least one training module and the number of modules taken also increased. The offer was enhanced by a new module on project management: the Leading Successful Projects programme combines classroom and online training. A toolbox and forum answering questions round out the programme. Over 100 people in 12 different countries took this training programme in 2015, and the initiative will continue to be deployed in 2016.

Antalis also continued its initiative to raise employees' awareness of safety rules, particularly during country-based seminars.

Arjowiggins

No. 1 producer of creative and technical papers worldwide

Division	Products	Brands	Applications	Arjowiggins 2015 key figures
Graphic & Healthcare	Recycled paper, eco-friendly coated and uncoated paper	Cyclus, Eural, Cocoon, Maine, Chromomat, Satimat	Publishing, illustrated books, advertising and promotion, magazine covers, catalogues, envelopes	**€905 million** in **sales**
	Recycled pulp		Production of eco-friendly paper	Around 3,500 **employees**
	Paper for specialty applications	Playper, Sequoia, Maine 1 Face, SecureCard, Kaleïdo, Teknocard	Playing cards, tissue, labels and flexible packaging, transfer paper, POS advertising, posters, covers, packaging	**16** production and converting facilities
	Paper and substrates for sterile packaging	Propypel, Ethypel, Polybond, Sterisheet	Sterile packaging solutions for medical devices in hospitals and in the healthcare industry	Over **560,000** tonnes of paper sold **More than 50 recognised brands**
Creative Papers	Premium fine paper	Conqueror, Curious Collection, Keaykolour, Opale, Pop'Set, Rives, Guaflex, Butterfly, Geltex, Delos	Business stationery, corporate communications, advertising and promotion, bookbinding, luxury packaging and labelling	
	Paper for specialty applications	Gateway, Priplak	Technical drawing, packaging, communications, office supplies	
	Paper for printed electronic applications	Powercoat	Packaging, advertising, smart labels	
	Paper for secure payment solutions and secure documents	JetGuard, LaserGuard	Official documents, cheque books, vouchers, tickets	
Security	Banknote paper	Diamone, Bioguard, Pixel watermark, Picture thread, Wink	Banknotes	
	Secure documents	JetGuard, LaserGuard	Passports, official documents	
	Synthetic paper	Polyart	Food labels, in-mould labels, road maps	

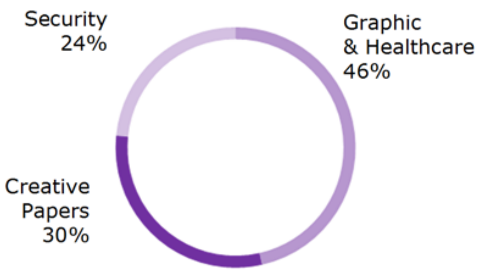
Profile

The world's leading producer of technical and creative papers, Arjowiggins generated €905 million in sales in 2015, including €223 million worth of business with Antalis. Arjowiggins accounts for 21% of Sequana's total sales.

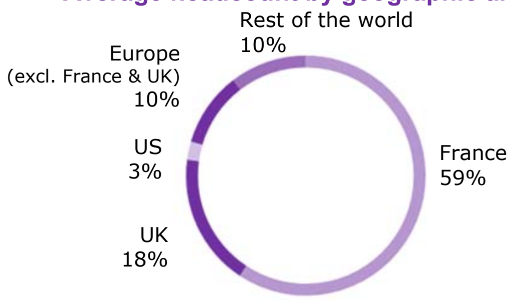
Arjowiggins produces a wide range of high value-added creative and technical papers using environmentally-friendly, cutting-edge technology and is a top-ranking international player in this sector. Selling prices for specialty products are far higher than for standard coated and uncoated papers, reflecting the value added resulting from the specific technical and technological components used. Arjowiggins has a portfolio of over 50 brands, all well known on their respective markets (e.g., Conqueror and Rives) for their high quality and broad product range and it has operations in Europe, North America and Asia.

Arjowiggins is organised around three divisions: Graphic & Healthcare, Creative Papers and Security. The group had around 3,500 employees in 2015, of which 87% were based in Europe.

Average headcount by division



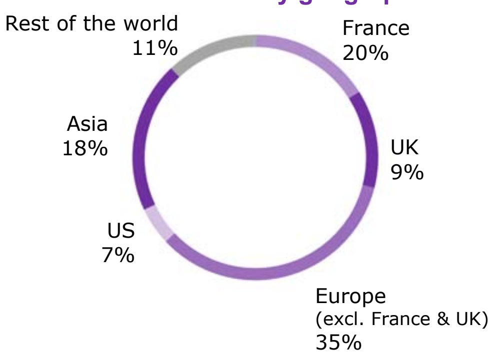
Average headcount by geographic area



A global player

With 36% of its sales generated outside Europe, Arjowiggins is a truly global player. In 2015, it had 16 industrial sites in Europe, North America and Asia, producing around 630,000 tonnes of paper in 2015. Arjowiggins also operates 11 mills (including three non-paper plants producing synthetic or polypropylene substrates) and 17 paper machines of varying sizes and capacities. Most of Arjowiggins' mills have a comprehensive production capacity which includes finishing and converting capabilities. Arjowiggins also has three sites dedicated to converting certain specialty papers (at Brno, Charleston and Rives) and two recycled pulp facilities at Greenfield and Le Bourray in France (the pulp production unit at Le Bourray is fully integrated with paper production).

Breakdown of sales by geographic area



Production and converting facilities

Business	Number of sites	Europe	Americas	Asia
Graphic & Healthcare	6	**France**: Bessé-sur-Braye, Château-Thierry, Le Bourray, Palalda **Czech Republic**: Brno	**United States**: Charleston	
Creative Papers	5	**France**: Neuilly-en-Thelle **United Kingdom**: Chartham, Stoneywood **Spain**: Gelida		**China**: Quzhou
Security	5	**France**: Crèvecœur, Rives **Netherlands**: Apeldoorn **United Kingdom**: Clacton	**United States**: Charlotte	

Diversified sales channels and customers

Arjowiggins sells primarily to the B2B (Business-to-Business) market and its customer base is fairly concentrated in each of its segments. Arjowiggins' customers are paper distributors, converters, printers, corporate customers, government authorities and central banks. Arjowiggins sells paper and solutions in Europe, Asia and North America through three different channels:

- sales to distributors, mainly paper distributors and brokers, which then sell to end users;
- sales to converters and printers; and
- direct sales to end users such as large companies, government authorities and central banks.

Strict procurement requirements

The raw materials used to make Arjowiggins' products are mostly:

- pulp, waste paper and cotton;
- minerals and chemical products;
- energy and water.

The cost of supplies depends on the price of these raw materials. Due to overcapacity and pressure from competitors, the price of Arjowiggins' products is not always correlated with increases and decreases in the cost of raw materials.

Pulp, waste paper and cotton

Pulp is the main raw material required to produce paper. There are two types of chemical pulp:

- long-fibre chemical pulp made of spruce or pine and used to make highly resistant paper;
- short-fibre chemical pulp made of birch, beech or eucalyptus, used to improve the surface properties of the paper.

Arjowiggins uses both short- and long-fibre chemical pulp depending on the requirements of each type of paper. The company has long-standing relationships with different suppliers for each grade of pulp, and the raw material represents the bulk of its costs. It protects itself against a rise in pulp prices by entering into hedging contracts.

Arjowiggins also produces recycled pulp using an industrial process in which printing ink is separated from waste paper fibres. This process combines mechanical methods and chemical processes to produce deinked pulp which is then used to manufacture paper. Arjowiggins purchases waste paper from key strategic suppliers and from some local collection initiatives.

Arjowiggins Security uses cotton fibres to produce banknote papers which have to meet the highest standards of wear, resistance and durability.

Minerals and chemical products

The main minerals and chemical products used to produce paper and coatings include latex, polymers, carbonates and starch. Arjowiggins buys these minerals and chemical products from various leading producers worldwide. It may enter into long-term contracts to secure supplies of critical raw materials and ensures that it uses diverse supply sources at all times. Arjowiggins keeps an up-to-date database of suppliers across the globe.

Energy and water

Energy is a key component of Arjowiggins' production process. The cost of gas and electricity is heavily dependent on oil and natural gas prices, and is also affected by the deregulation of energy markets, particularly in Europe.

Arjowiggins' energy policy seeks to secure reliable gas and electricity supplies at an optimum cost by entering into fixed- and variable-price contracts with local electricity and gas suppliers. Arjowiggins Graphic is a member of the Exeltium consortium in France, which has signed a fixed-price electricity supply contract with EDF.

Large quantities of water are required to produce paper. All Arjowiggins' sites are located close to water and respect local and governmental drawing rights. Over the past few years, the company has reduced the use of freshwater in its production processes thanks to greater recycling efforts. Most of its installations are equipped with dual wastewater treatment facilities which dispose of suspended solids and help reduce the quantity of oxygen in the water recovered.

Arjowiggins – Key strengths

Arjowiggins produces specialty papers and boasts a unique positioning on its market.

A focus on specialty products

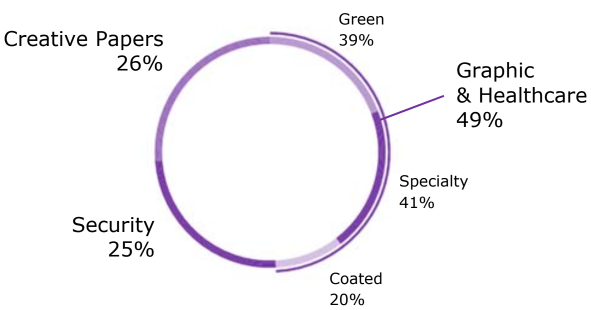
Arjowiggins significantly reduced its exposure to the standard coated market following the sale of Appleton Coated in the US at the end of 2014 and the closure of the Wizernes mill in late June 2015. Its business is now focused on specialty products:

- recycled and eco-friendly paper, paper for specialty applications such as playing cards, transfer paper and tissue paper (Arjowiggins Graphic);
- paper for the healthcare sector (Arjowiggins Healthcare);
- premium fine papers and specialty papers such as tracing paper or paper for printed electronic applications, and paper for payment solutions and secure documents (Arjowiggins Creative Papers);
- banknote paper, synthetic paper and paper for secure documents (Arjowiggins Security).

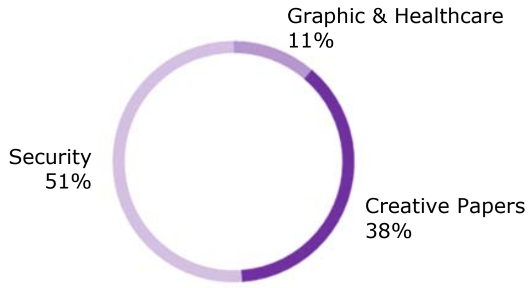
Selling prices for specialty products are higher than for traditional coated papers, reflecting the value-added resulting from the technical and environmental components of these papers.

Given the broad range of its business activities, Arjowiggins has many competitors depending on the market segment.

Breakdown of sales by division



Breakdown of EBITDA by division



Integrated recycled pulp operations

Arjowiggins is the only integrated European producer of recycled commercial pulp thanks to its Greenfield mill (Arjowiggins Graphic). Greenfield produces premium, extra-white FSC®-certified 100% recycled pulp, giving it a major advantage amid growing demand for eco-friendly products.

Leveraging innovation to cement leadership

Innovation is a vital part of the sales strategy pursued by Arjowiggins' divisions, which all have their own research and development teams.

To anticipate and meet consumers' needs, each R&D department works closely with operational teams in order to develop new, highly innovative products. Partnerships developed with outside research institutes and laboratories help transfer fixed costs out of the Group and provide access to highly specialised resource expertise.

Arjowiggins' divisions put innovation at the centre of their strategy, helping to forge powerful brands and giving them a real edge in their respective markets.

Research and development expenses totalled €7.6 million in 2015, or 0.8% of sales (2014: €8.8 million).

Arjowiggins – Results and strategy

2015 highlights

- Sale of Arjo Wiggins Ltda (Brazil) to the Fedrigoni group.
- Sale of 85% of Arjo Systems and Arjowiggins Solutions to Impala group.
- Clearance of the €125 million syndicated facility (see page 12).
- Closure of the Wizernes and Charavines mills (see page 9).

Decline in operating performance

Arjowiggins' sales declined by 11.2% year-on-year to €905 million (down 14.7% at constant exchange rates). There was a favourable forex impact of €42 million over the period.

The drop in sales reflects the continued decline in printing volumes, amplified by production capacity cuts in the standard coated paper segment and by difficulties encountered by the Graphic and Creative Papers divisions in the second half of the year when transferring production following the closure of the Wizernes and Charavines mills which weighed on volumes and on the level of sales. The other specialty businesses held up well, particularly the Healthcare business. Lower sales in the Security division were mainly attributable to changes in Group structure due to the businesses sold in the first half of the year (Security Solutions and Brazilian banknote business) as well as to downtime on a machine in the European banknote business.

EBITDA came in at €45 million, down 17.4% on 2014, and represented 4.9% of sales (a drop of 0.4 points). This decline reflects the negative impacts of lower volumes and divestments carried out in the first six months, which neutralised the positive impact of lower overheads following the closure of the Wizernes and Charavines mills. Higher raw material prices were essentially related to pulp which was affected by the fall in the euro against the US dollar, hitting the Graphic division's results in particular. However, Arjowiggins benefited from a favourable forex impact on export sales as well as from an improved product mix.

Recurring operating income was €18 million, compared with €28 million in the year to 31 December 2014. Operating margin came in 0.7 points lower at 2% of sales.

During the year, Arjowiggins completed several major financing operations that cleared the €125 million outstanding balance on its syndicated credit facility in full and strengthened its financing capacity.

In the first half, Arjowiggins sold the Brazilian banknote business Arjo Wiggins Ltda to the Fedrigoni group for an enterprise value of €83 million and an earn-out of up to €5 million payable in 2016 subject to specific performance criteria. It also sold 85% of Arjo Systems and Arjowiggins Solutions to Impala group. In consideration of this sale, Impala group, which had acquired the €125 million outstanding balance on Arjowiggins' syndicated credit facility, agreed to a debt waiver of €110 million and payment by Arjowiggins of the balance in cash. These divestments represented sales of €62 million and EBITDA of €14 million in the first half of 2015.

For full-year 2014, they represented sales of €123 million and EBITDA of €18 million.

In order to consolidate its financing capacity, Arjowiggins set up €53 million worth of sale & leaseback arrangements in the fourth quarter based on a number of the Group's industrial assets.

In late June, Arjowiggins closed down the Charavines and Wizernes mills as part of the restructuring of its printing paper businesses. The production difficulties related to the transfer of product ranges to Stoneywood and Bessé-sur-Braye were resolved in the fourth quarter of the year and inventory and customer service levels are expected to return to normal in the first quarter of 2016. All redundancy notices have also been sent out with the exception of those concerning protected workers at the Wizernes mill for which procedures are ongoing.

In November, an exclusive agreement was signed with Global Hygiène group for sale of the Charavines site and the sale should complete in the second quarter of 2016, once Global Hygiène obtains planning permission. However, no concrete viable offers have been received for the Wizernes site.

Key figures

(€ millions)	2015	2014	2013
Sales	**905**	**1,020**	**1,039**
EBITDA	**45**	**54**	**56**
Recurring operating income(1)	18	28	15
Operating margin	2.0%	2.7%	1.5%
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES	**(15)**	**(17)**	**18**
Capital employed	194	248	235
Recurring operating income/Capital employed (ROCE)	9.4%	11.3%	6.6%
Net debt	1	67	325

(1) Including gains of €7 million in 2013 arising on changes to pension plans. Adjusted for these items, recurring operating income amounted to €9 million instead of €15 million, the operating margin came in at 0.8% instead of 1.5%, and ROCE was 3.7% instead of 6.6%.

Changes in cash flows

(€ millions) at 31 December	2015	2014	2013
EBITDA	**45**	**54**	**56**
Change in working capital requirements	(31)	(48)	(16)
CAPEX	(32)	(28)	(33)
Disposals of non-current assets	3	5	11
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES	**(15)**	**(17)**	**18**
Net debt	1	67	325

Graphic & Healthcare business

Arjowiggins Graphic produces a wide range of coated and uncoated papers adapted to four-colour printing. These papers are made from virgin or recycled fibre and can be white or natural with a glossy, semi-matte or matte finish, and are designed for publishing, advertising and printed communications.

Europe's leading producer of recycled graphic paper in volume terms, Arjowiggins Graphic has a comprehensive offer and market-beating range of 100%-recycled and eco-friendly paper made of recycled and virgin FSC®-certified fibres. The division's Greenfield mill is a major asset in promoting its eco-friendly offering as the European leader in the production of recycled, commercial FSC®-certified premium extra-white pulp for graphic applications.

Arjowiggins Graphic also enjoys strong positions in certain niche markets for specialty papers such as for playing cards, labels and flexible packaging, transfer paper, posters, displays, point-of-sale (POS) advertising, colour-intense tissue paper and tissue paper for printing and flame retardant papers. Arjowiggins Graphic boasts leading positions in most of its specialty markets.

Its main competitors for graphic papers are Burgo, Lecta, Leipa, Lenzing, Metsä-Board, Sappi, Steinbeis, Stora Enso and UPM. Demand for graphic papers is linked mainly to the publishing, magazine, catalogue and illustrated books segments.

Arjowiggins Healthcare offers manufacturers of medical devices a wide range of sterile packaging solutions for disposable equipment (syringes, catheters, scalpels, compresses, gowns, etc.) as well as sterile sealing and wrapping solutions used in operating theatres or to protect reusable medical devices in hospitals or clinics (surgical knives, forceps, etc.). The Propypel, Ethypel, Polybond, Cryptopak, Arjogreen and Sterisheet brands offer a vast range of sterile packaging solutions and related services certified to the strictest medical standards and featuring high bacterial barriers, controlled permeability, suitable strength and aseptic opening.

In the healthcare sector, Arjowiggins Healthcare is the world's leading producer of paper and products for sterile packaging in terms of sales. Its main competitors in this sector are Ahlstrom, Billerud and Neenah.

Demand in this sector has been driven by increasing demand for healthcare in general, the growing use of disposable instruments over reusable instruments, the development of ready-to-use products and stricter health regulations.

2015 highlights

Graphic

- Closure of the Wizernes mill in France (see page 9)
- Investment in a new cutting and packing line
- Product offer extended to include high-end graphic board which is 100%-recycled or made from virgin pulp
- Partnership with La Poste within the context of COP21

Healthcare

- Robust growth of reinforced coated products in the US
- Vigorous growth of Propypel "steam" papers
- Promising developments in the hospital market, particularly in emerging countries and for SMS ranges

2015 results

Sales for the business retreated 10.7% year-on-year, to €446 million, chiefly reflecting the fall in volumes of standard coated paper combined with the closure of the Wizernes mill in France at the end of June. The business was hit in the third quarter by the blockade on paper and pulp stocks at the Wizernes mill built up in anticipation of its closure and by production issues in the second half in transferring its product ranges to the Bessé-sur-Braye mill. These issues were resolved in the fourth quarter and a return to normal inventory and customer service levels is expected during the first quarter of 2016. Specialty businesses held up well, particularly Healthcare.

EBITDA came in at €5 million, down 46.8% from €9 million in 2014 and represented 1.1% of sales. This decline is attributable to the negative impact of the fall in standard coated paper volumes and the adverse effect of raw material costs (mainly pulp) owing to the euro's weakness against the US dollar.

As part of the employment protection plan, (PSE), all redundancy notices have been sent out with the exception of those concerning protected workers, for which procedures are ongoing.

Leveraging innovation to support growth and promote recycled paper

In all of its businesses, Arjowiggins Graphic harnesses its expertise as European leader in recycled paper to bring the market high-quality innovative new solutions for applications other than printing and writing.

Arjowiggins Graphic launched Teknocard, the widest range of premium SBS board for packaging and graphical applications on the market. The entire Teknocard range is FSC®-certified and ensures exceptional colour reproduction and converting performance. To meet the needs of businesses and printers looking for an eco-friendly alternative, the brand also offers 100%-recycled products. Teknocard can be used for business cards, book and brochure covers, clothing labels, and cosmetic or pharmaceutical packaging.

The business also continued to develop on the desktop publishing market through its range of recycled papers, particularly premium recycled envelopes which are very efficient on automatic folding/inserting machines for large volumes.

To meet the needs of the booming digital market, Arjowiggins Graphic has invested in one cutting and one packing line suitable for small format printing, thereby increasing its production capacity. These new machines have been in service since the summer, allowing customers to benefit from high-precision cutting adapted to new high-speed digital web presses and premium packaging.

Arjowiggins Graphic continued to roll out initiatives to promote recycled paper in 2015. As an official partner of the COP21 conference on climate change, the business supplied all A4 paper to the General Secretary and conference participants under its La Poste partner brand, Recy'Go. Recy'Go is a 100%-recycled, FSC®-certified paper which carries the EU Ecolabel. The business set up a circular economy model in partnership with La Poste, whereby paper used during the conference was collected and sorted by La Poste and then converted to pulp, the raw material for Recy'Go reams, at Arjowiggins' Greenfield mill. To ensure that it was also present among businesses and the general public, this partnership was extended to the COP21 exhibition at the Grand Palais showing solutions for fighting against climate change. The 100%-recycled Cyclus and Cocoon papers, given a five-star rating by Antalis' Green Star System, were selected for the exhibition's communication media. Information displays about recycled paper and the circular economy were on show during the entire event and pedagogical workshops were organised in partnership with La Poste.

Arjowiggins Graphic also continued its Cyclus marketing campaign in 2015 supporting SOS Children's Villages in Madagascar (see Chapter 6, page 207). This charitable initiative also helps to increase the visibility of Cyclus, a brand known on the market for the range and quality of its papers.

Harnessing the vertical integration strategy in the healthcare sector

Arjowiggins Healthcare continued to roll out its integration strategy downstream in 2015. This strategy is based on a range of solutions that represent an alternative to synthetically packaged products and on the desire to offer an array of ready-to-use, already-converted products. It helps to cement the business' leadership in the market for medical packaging solutions, where it is the only vertically integrated player.

Arjowiggins Healthcare continued its Pack Design Days initiative, designed to inform medical device manufacturers about the constraints and regulations affecting sterile product packaging. These training days have been held since 2014 at the Palalda mill in France and have since given rise to worldwide mobile training modules which means that international customers can also benefit. The initiative also includes a dedicated Internet platform which allows users to consult programmes and participant testimonials and discover the new range of Sterimed sterile packaging featuring reinforced, coated and printed solutions. In 2015, the Pack Design Days were attended by over 50 companies and more than 200 participants in Europe and Asia. In 2016, these training modules will be rolled out in Brazil, Mexico and Thailand, in addition to training days at the Palalda mill which will be repeated in the spring and autumn. Thanks to investments made at the Palalda mill in 2015 (chiefly to increase coating, printing and reel capacity), Arjowiggins Healthcare has doubled its small-reel production capacity for the medical device industry.

In the hospital segment, the market penetration of ArjoDuo™ (Sterisheet range) is encouraging. This new patented concept of bonded sterilisation wraps launched at the end of 2014 was included in competitive tenders for several hospitals in 2015. Elsewhere, Sterisheet was boosted by the two-fold increase in production capacity at Brno (Czech Republic).

Key figures – Graphic & Healthcare business

(€ millions)	**2015**	**2014**	**2013**
Sales	**446**	**499**	**510**
EBITDA	**5**	**9**	**4**
Recurring operating loss	(6)	(3)	(16)
Operating margin	-1.3%	-0.7%	-3.1%

Creative Papers division

Arjowiggins Creative Papers offers an extensive line-up of prestigious brands covering a wide variety of applications, including:

- business stationery and corporate communications (Conqueror, Opale, Inuit, etc.);
- advertising and promotion (Curious Collection, Keaykolour, Rives, Pop'Set, Priplak, etc.);
- bookbinding, luxury packaging and labelling (Guaflex, Geltex, Delos, Butterfly, etc.);
- paper for specialty applications (tracing paper for technical drawing, Priplak for communication media and office supplies);
- paper for payment media and secure documents (official documents, cheque books, vouchers); and
- paper for printed electronic applications (PowerCoat).

Arjowiggins Creative Papers helps its customers achieve maximum impact from their communication campaigns. Innovation is relentless to ensure that customers are offered the products best adapted to market trends, featuring industry-leading content, texture, feel, shade and finish.

Paper media for corporate communications, advertising and luxury packaging are usually coloured, with smooth or textured finishes and are generally offset printed, increasingly using digital technology. They may also be embossed or gold-tooled.

Creative papers are produced using virgin or recycled pulp in five mills located in France, the UK, Spain and China (except for Priplak which uses polypropylene), and are sold through specialised distributors or directly to printers or converters. Creative papers are sold at a premium due to their superior quality and technical properties.

Arjowiggins Creative Papers boasts leading positions in most of its markets: it is one of the world's largest producers of premium fine paper and No. 1 in tracing paper.

Its main competitors on these markets are Gruppo Cordenons, Fedrigoni SpA, Mohawk Fine Papers Inc, Neenah Paper Inc, Metsä-Board, Reflex Premium Paper AG, James Cropper Plc, Ecological Fiber Inc, Schoellershammer, Ming Feng and Favini Srl. In 2015, the creative papers market saw a wave of consolidation, with Neenah Paper Inc.'s acquisition of FiberMark Inc.

2015 highlights

- Closure of the Charavines mill in France (see page 9).
- Signature of an exclusive agreement with Global Hygiène for the sale of the Charavines mill.
- Strategic alliance with US group Mohawk Fine Papers Inc.
- Promising development of the Conqueror Alive range with an embedded Near Field Communication (NFC) tag.

2015 results

Sales for the business retreated 4.6% year-on-year, to €237 million, chiefly reflecting the fall in volumes of fine paper. After the closure of the Charavines mill in France at the end of June, the division was affected in the second half by industrial issues in transferring its production to the Stoneywood site in the UK. These issues were resolved in the fourth quarter and a return to normal inventory levels and customer service is expected during the first quarter of 2016.

EBITDA came in at €17 million, down 18.8% from €21 million in 2014, and represented 7.1% of sales. This decline is attributable to the negative impact of the downturn in volumes and of subcontracting costs incurred in serving customers as a result of production difficulties.

In the context of a search for a buyer for the Charavines mill, an exclusive agreement for the sale of Charavines was signed with Global Hygiène in November. The sale should be completed during second-quarter 2016 once Global Hygiène has obtained planning permission.

Key developments on bullish markets

In May, Arjowiggins Creative Papers signed a strategic alliance with Mohawk Fine Papers Inc, a US-based manufacturer of fine papers, granting it exclusive rights in Europe to produce and market Superfine paper and the patented i-Tone® process, the reference on the market for HP indigo and dry-toner digital web press printing. As from 2016, the division will roll out its ranges of i-Tone® fine papers suitable for new digital applications such as fine art books, high-end stationary and photo books. Mohawk in turn has exclusive rights to produce and market the luxury packaging brands Delos and Butterfly in North America. The US-based group will also become the exclusive distributor of the Conqueror and Curious Collection brands as from 2016. This unprecedented alliance in the paper industry helps to reinforce the position of Arjowiggins Creative Papers in the digital printing segment and allows the division to confirm its creative papers as international benchmarks and offer a range of luxury packaging products worldwide.

In the printed electronic segments, Arjowiggins Creative Papers launched PowerCoat in 2012, followed two years later by Alive, a range of NFC-ready fine papers allowing instant integration of smart functionality and interactivity to virtually any paper product through contactless data transmission technology. In 2015 Conqueror, the division's flagship brand and also available in an Alive version, was chosen by the design and online printing business MOO for its innovative new range of business cards.

The chip embedded in the paper allows a company to communicate with its target via URL addresses that it has specified and can change at any time. This application for example allows creative teams to continually update their products for their customers or heads of planning to monitor the number of participants at an event. This first stage in the development of the Alive range provides the division with growth opportunities through new applications and places paper as an integral part of the smart world.

Arjowiggins Creative Papers continued to successfully develop on other markets, especially bookbinding and luxury packaging along with tracing paper.

Enhancing brands and paper ranges

Since 2014, Arjowiggins Creative Papers has sought to enhance creative papers through its marketing strategy in order to position them as international benchmarks. Two major initiatives were launched in this respect in 2015. The Paper Book is the first time the complete collection of creative papers has appeared in a single volume. With hundreds of samples in A4 format, over 15,000 copies of The Paper Book were published worldwide. Applauded by artistic directors, creative teams and luxury companies, The Paper Book created a real buzz on social networks.

The Pop Up exhibition, which seeks to demonstrate the added value of creative paper in brand communications, showcased over 150 exhibits created and printed by Arjowiggins Creative Papers customers across the globe. This travelling exhibition organised with Antalis in six European capitals involved over 4,600 designers, printers and end users. An Ifop survey of guests and visitors in three cities confirmed the success of the event with a satisfaction rate of 97%.

The division also continued to take part in a series of conferences on communication organised by Luxury Society, offering the opportunity to raise the awareness of those in the luxury segment about the importance of paper in brand communication and promotion.

Key figures – Creative Papers division

(€ millions)	2015	2014	2013
Sales	**237**	**249**	**248**
EBITDA	**17**	**21**	**21**
Recurring operating income	12	14	9
Operating margin	5.1%	5.6%	3.8%

Key figures – Creative Papers division (excluding discontinued operations)

(€ millions)	2015	2014	2013
Sales	**228**	**225**	**235**
EBITDA	**16**	**19**	**20**
Recurring operating income	12	13	9
Operating margin	5.1%	5.7%	3.7%

Security division

Arjowiggins Security is the world's second largest producer of banknote paper in accessible markets (countries with no integrated paper mills) in terms of volumes and designs high value-added paper and innovative security threads for banknotes. Harnessing this expertise, Arjowiggins Security also provides solutions to protect proof-of-identity documentation (passports, official documents, etc.). The division's highly technical products and solutions are purchased by central banks and national printers.

Agreements entered into with public bodies can be subject to specific regulations and requirements whose impacts are mentioned in Chapter 3.

Arjowiggins Security was accredited by the Banknote Ethics Initiative (BnEI) in 2014. The BnEI, of which Arjowiggins Security is a founding member since 2013, lobbies for a code of best practice and business ethics in the banknote sector, particularly to enforce absolute compliance with anti-trust and anti-corruption regulations.

Through its subsidiary Arjobex, Arjowiggins Security also produces a range of secure and non-secure synthetic papers. These products are used in a broad spectrum of applications (industrial and food labels, in-mould labels and road maps) by label manufacturers and the graphics industry. Arjobex is the world's third biggest producer of synthetic paper for commercial printing and labelling in terms of volume.

Its main brands are Diamone Xtra, Bioguard, Pixel watermark, Picture thread, Wink, Paperlam, and Polyart.

The division was also present on the Security Solutions market through Arjo Systems and Arjowiggins Solutions, 85% of which were sold to Impala group at the end of June 2015. These companies operate in brand protection (product traceability to combat counterfeiting and parallel trade) and identification and access control solutions (individual proof-of-identity documents, travel documents, event ticketing).

The main competitors of Arjowiggins Security are Louisenthal, Fedgrigoni, De La Rue, Crane AB (for banknote paper), Yupo and Nan Ya (for synthetic paper), along with Gemalto and Morpho (for security solutions). Demand on these markets depends heavily on macroeconomic factors and particularly GDP growth and population growth in emerging countries.

2015 highlights

- Sale of Arjowiggins' Brazilian subsidiary Arjo Wiggins Ltda at the end of May. The subsidiary's main business is the manufacture of banknote paper and paper for secure documents.
- Sale of 85% of Arjo Systems and Arjowiggins Solutions (brand protection, ID solutions and access control) at the end of June.
- Product innovation efforts were continued.

2015 results

Sales for the division retreated 18.2% year-on-year, to €223 million, reflecting the impact of the reduced scope further to the sale of Arjo Wiggins Ltda in Brazil and the sale of 85% of the companies owning the Security Solutions businesses. The sales decline also results from the volume downturn for European banknote paper due to machine downtime following a fire at the end of 2014. Other businesses reported good momentum, particularly secure documents.

EBITDA slipped from €24 million in 2014 to €23 million, and represents 10.2% of sales.

Divestments represented sales of €62 million and EBITDA of €14 million in the first half of 2015. In 2014, they had contributed €123 million to sales and €18 million to EBITDA.

Delivering innovative solutions in step with market trends

One of the main goals of Arjowiggins Security is to develop new products and technologies to make paper and synthetic substrates more secure and incorporating a greater capacity for integration.

On the banknote paper market, Arjowiggins Security leverages its portfolio of high value-added secure solutions to drive its growth. The division won over a second customer in the Middle East with Diamone Xtra, a high-durability paper launched in 2013. Cementing its technological leadership, Arjowiggins Security also launched Wink, a new security thread embedded in banknote paper, in order to meet central banks' demands for straightforward public authentication solutions that are difficult to imitate. Wink® offers durability and a totally new dynamic optical effect. Its innovative design with two parallel reflecting silver strips giving the impression of movement and revealing hidden information when the banknote is tilted was achieved using a unique oriented-pigments technology. Unveiled in the first half of 2015 at the Vancouver Currency Conference, an event bringing together the banknote industry's main players and decision-makers from around the world, the Wink security thread was very well received by those central banks in attendance.

On the Secure Documents market, Arjowiggins leverages its expertise to offer solutions adapted to new generations of passports incorporating more security features. The division enjoyed brisk business in 2015, buoyed by the widespread use and ramp-up of biometric passports and by international regulations requiring passports for children.

In synthetic papers, Arjobex continued to partner the shift to digital solutions in Europe through its capacity for innovation and high-quality service. After adding the HP-certified Polyart Digital range to its offer in 2011, this year Arjobex launched a new version of Polyart Inkjet. Adapted to variable printing, this polyethylene film coated on one or two sides is used to print labels or for other graphic applications such as cards, manuals, banners or posters. Building on the high added value of its products, Arjobex made further inroads in Europe on the industrial label segment thanks notably to iridescent coating and new digital applications.

Industrial and commercial operations were restructured in the US during the year in an attempt to reduce the cost base and thereby improve competitiveness. Service quality was another focus, so as to position the business as a partner of choice in its sector.

Key figures – Security division

(€ millions)	**2015**	**2014**	**2013**
Sales	**223**	**272**	**281**
EBITDA	**23**	**24**	**31**
Recurring operating income(1)	12	17	22
Operating margin	5.3%	6.4%	7.6%

(1) Including gains of €7 million in 2013 arising on changes to pension plans. Adjusted for these items, recurring operating income amounted to €16 million instead of €23 million, and operating margin came in at 5.4% instead of 7.6%.

Key figures – Security division (excluding discontinued operations)

(€ millions)	**2015**	**2014**	**2013**
Sales	**161**	**173**	**180**
EBITDA	**10**	**8**	**6**
Recurring operating income	(1)	3	(1)
Operating margin	-0.5%	2.1%	-0.3%

Chapter 2
CORPORATE GOVERNANCE

Sequana ensures that it complies with best corporate governance practices so that its management bodies operate effectively and that it continuously enhances its financial information. The Company refers to the November 2015 version of the AFEP-MEDEF corporate governance code (available on www.afep.com and www.medef.fr).

Board of Directors

Composition of the Board of Directors and the Board's committees

Composition of the Board of Directors in 2015 and early 2016

The Annual General Meeting of 23 June 2015 renewed the terms of office of Jean-Yves Durance as a director for a one-year term and of Eric Lefebvre as a non-voting observer for a three-year term. It also ratified the appointment of Christine Bénard as a director.

At the Board of Directors' meeting held on 21 October 2015, Michel Taittinger confirmed that he intended to step down as a director of the Company with immediate effect. After placing on record Mr Taittinger's resignation, and acting on the recommendation of the Nominations and Compensation Committee, the Board decided to appoint Michel Giannuzzi as a director to replace Mr Taittinger for the remainder of his term of office, i.e., for a term expiring at the end of the Annual General Meeting to be called to approve the 2016 financial statements. Mr Giannuzzi – who meets the independence criteria set out in the AFEP-MEDEF corporate governance code – was also named as Mr Taittinger's replacement on the Audit Committee.

The composition of the Board of Directors, which remained unchanged between the end of 2015 and the date the French version of this registration document was filed, was as follows at 31 December 2015:

		First appointed	Reappointed	Expiry of term of office
Pascal Lebard	Chairman and Chief Executive Officer	2005	2008-2011-2013	**2017**
Jean-Pascal Beaufret	Vice-Chairman Independent director	2008	2011-2014	**2018**
Luc Argand	Independent director	2005	2008-2011-2014	**2018**
Christine Bénard	Independent director	2014		**2016**
Odile Desforges	Director	2012	-	**2016**
Jean-Yves Durance	Independent director	2013(1)	2014-2015	**2016**
Michel Giannuzzi	Independent director	2015	-	**2017**
Marie Lloberes	Independent director	2013	-	**2017**
Bpifrance Participations represented by Bertrand Finet	Director	2012	-	**2016**
Eric Lefebvre	Non-voting observer	2012	2015	**2018**

(1) Jean-Yves Durance was also a non-voting observer of Sequana between 2012 and 2013.

At 31 December 2015 and at the date on which the French version of this registration document was filed, out of the Board's total of nine members six were independent directors (see page 57), and the Board complied with the AFEP-MEDEF corporate governance code in terms of director independence and gender equality.

One of the nine directors (or representatives of legal entities which sit on the Board) is non-French. The average age of directors is 58.

In accordance with corporate governance rules and in order to ensure an effective rotation of directors and hence a seamless renewal process, the Company's Articles of Association provide the possibility of setting tenures at varying periods not exceeding four years. Four director tenures are due to expire at the end of the Annual General Meeting of 12 May 2016, three at the end of the 2017 Annual General Meeting and the other three at the end of the 2018 Annual General Meeting. Jean-Yves Durance's tenure as a director is renewed on a yearly basis, since the Company's Articles of Association state that all directors aged over 70 shall be appointed for a maximum period of one year.

The Board's members also include a non-voting observer, who was appointed in 2012 and whose term of office was renewed for a further period of three years at the Annual General Meeting of 23 June 2015. In accordance with the Company's Articles of Association, the non-voting observer attends meetings of the Board of Directors but only in an advisory capacity and has no specific duties other than those specified by the law or the Articles of Association. The non-voting observer is eligible for the variable portion of attendance fees (see page 66 for a detailed description), based on his attendance rate at Board meetings.

Since the proportion of the Company's capital held by Group employees (see Chapter 5, "Ownership structure") does not exceed the 3% threshold provided for in Article L. 225-23 of the French Commercial Code (*Code de commerce*), no director was appointed among employee shareholders. The Company's Articles of Association do not currently provide for the appointment of employee directors and no changes in this respect will be recommended to the Annual General Meeting of 12 May 2016. The Board of Directors will examine in due course the conditions for applying the new legal provisions in this area to ensure that it complies with any such provisions.

Composition of the Board of Directors recommended to the Annual General Meeting of 12 May 2016

The terms of office of Christine Bénard, Odile Desforges, Jean-Yves Durance and Bpifrance Participations are due to expire at the end of the Annual General Meeting to be held to approve the 2015 financial statements. Eric Lefebvre informed the Company of his intention to step down from his current office of non-voting observer with effect from the Annual General Meeting of 12 May 2016, while Bpifrance Participations informed the Board that as of this date, Mr Lefebvre would replace its permanent representative, Bertrand Finet. Lastly, the Company will take into account corporate governance rules which require at least 40% of Board members to be women as from 2016.

At its meeting on 29 March 2016, the Board of Directors approved the recommendations of the Nominations and Compensation Committee and took the following decisions:

- Having placed on record the upcoming expiry of Jean-Yves Durance's term of office as a director, the Board decided to ask shareholders to reappoint him. Mr Durance would be appointed for a one-year term, expiring at the end of the Annual General Meeting to be called to approve the 2016 financial statements, in compliance with Article 13 of the Company's Articles of Association which states that directors aged 70 or over may only be appointed for a maximum period of one year.
- Having placed on record the upcoming expiry of Christine Bénard's term of office as a director, the Board decided to ask the shareholders to reappoint her for a two-year term expiring at the end of the Annual General Meeting to be called to approve the 2017 financial statements.
- Having placed on record the upcoming expiry of Bpifrance Participations' term of office as a director, the Board decided to ask the shareholders to reappoint Bpifrance for a four-year term expiring at the end of the Annual General Meeting to be called to approve the 2019 financial statements.
- Having placed on record the upcoming expiry of Odile Desforges' term of office as a director, the Board decided to ask the shareholders to appoint Cécile Helme-Guizon as a director for a three-year term expiring at the end of the Annual General Meeting to be called to approve the 2018 financial statements.
- The Board also decided to ask the shareholders to appoint Isabelle Boccon-Gibod as a director for a three-year term expiring at the end of the Annual General Meeting to be called to approve the 2018 financial statements.
- Having placed on record Eric Lefebvre's intention to step down as non-voting observer with effect from the Annual General Meeting of 12 May 2016, the Board decided to ask the shareholders to appoint Amélie Finaz de Villaine as a non-voting observer for a two-year term expiring at the end of the Annual General Meeting to be called to approve the 2017 financial statements.

The shareholders will also be asked to ratify Michel Giannuzzi's appointment as a director by the Board of Directors' meeting of 21 October 2015.

In order to ensure an effective rotation of directors, the terms of office of directors whose renewal or appointment the Board will recommend to shareholders have been set at varying periods of up to four years, in accordance with the Company's Articles of Association.

If the shareholders approve the Board's recommendations, the composition of the Board of Directors at the end of the Annual General Meeting of 12 May 2016 will be as follows:

		First appointed	Reappointed	Expiry of term of office
Pascal Lebard	Chairman and Chief Executive Officer	2005	2008-2011-2013	**2017**
Jean-Pascal Beaufret	Vice-Chairman Independent director	2008	2011-2014	**2018**
Luc Argand	Independent director	2005	2008-2011-2014	**2018**
Christine Bénard	Independent director	2014	2016	**2018**
Isabelle Boccon-Gibod	Director	2016	-	**2019**
Jean-Yves Durance	Independent director	2013	2014-2015-2016	**2017**
Michel Giannuzzi	Independent director	2015	-	**2017**
Cécile Helme-Guizon	Independent director	2016	-	**2019**
Marie Lloberes	Independent director	2013	-	**2017**
Bpifrance Participations represented by Éric Lefebvre	Director	2012	2016	**2020**
Amélie Finaz de Villaine	Non-voting observer	2016	-	**2018**

Provided that the shareholders approve these recommendations at the Annual General Meeting of 12 May 2016, the Board of Directors will comprise ten directors and one non-voting observer, all of whom are French. The average age of directors will be 54.

As detailed on page 57, the recommendations to shareholders comply with the recommendations set out in the AFEP-MEDEF corporate governance code or in the applicable law, as regards both independence and gender equality.

Composition of the Board's committees in 2015 and early 2016

The Board of Directors ensures that the composition of its committees complies with the applicable corporate governance rules.

Nominations and Compensation Committee

Since 27 June 2013, the Nominations and Compensation Committee has comprised the following three members (all appointed for the duration of their terms of office as directors):

- Jean-Yves Durance (Committee Chairman)
- Odile Desforges
- Marie Lloberes

Two of these three members are independent (Jean-Yves Durance and Marie Lloberes) and none of them are executive corporate officers, thereby complying with the AFEP-MEDEF corporate governance code. The Chairman and Chief Executive Officer and the Vice-Chairman may attend meetings of the Nominations and Compensation Committee unless the committee is deliberating on a matter that concerns them.

Audit Committee

Since 29 July 2014, the Audit Committee has comprised the following three members (all appointed for the duration of their terms of office as directors):

- Jean-Pascal Beaufret (Committee Chairman)
- Christine Bénard
- Michel Taittinger

Following Mr Taittinger's resignation from the Board of Directors on 21 October 2015 and the Board's decision to appoint Michel Giannuzzi as a director and as Mr Taittinger's replacement on the Audit Committee, the Audit Committee has comprised the following three members:

- Jean-Pascal Beaufret (Committee Chairman)
- Christine Bénard
- Michel Giannuzzi

All of these members are independent and none of them are executive corporate officers. The Audit Committee's members have the requisite accounting and financial expertise and the committee therefore complies with the AFEP-MEDEF corporate governance code.

Eric Lefebvre (non-voting observer) is also invited to attend Audit Committee meetings.

Strategy Committee

Since 25 June 2014, the Strategy Committee has comprised the following four members (all appointed for the duration of their terms of office as directors):

- Luc Argand (Committee Chairman)
- Pascal Lebard
- Marie Lloberes
- Bpifrance Participations, represented by Bertrand Finet

Taking account of Sequana's ownership structure since the last corporate action and Impala's acquisition of a 20% stake in the Company, the Board of Directors' meeting of 21 October 2015 decided to reshuffle the Strategy Committee. Since that date, the Committee has comprised the following five members:

- Jean-Pascal Beaufret (Committee Chairman)
- Pascal Lebard
- Jean-Yves Durance
- Bpifrance Participations, represented by Bertrand Finet
- Jacques Veyrat

The four members of this committee up to 21 October 2015 and the five members since that date have an in-depth knowledge of the Group. Moreover, as this possibility is set out in the Board's internal rules, one member of the committee is not a member of the Board but represents the Company's major shareholder (Jacques Veyrat). Two of the committee's members are independent directors (Jean-Pascal Beaufret and Jean-Yves Durance).

Once they have been reshuffled at the end of the Annual General Meeting of 12 May 2016, the composition of the Board's committees will continue to reflect corporate governance rules.

Profiles, directorships and positions held by the corporate officers

The information below gives a short profile of corporate officers along with details of the directorships and positions held at the date on which the French version of this registration document was filed and in the past five years. It covers the members of the Board of Directors currently in office, as well as those directors whose term of office ended in 2015 and those whose appointment is recommended to the Annual General Meeting of 12 May 2016.

Directors and non-voting observer in office

Pascal Lebard – Chairman and Chief Executive Officer of Sequana

Director since 3 May 2005

Deputy Managing Director from 3 May 2005 to 30 June 2007

Chief Executive Officer since 1 July 2007. Chairman and Chief Executive Officer since 27 June 2013

Pascal Lebard is also a member of Sequana's Strategy Committee.

His term of office as a director, which was last renewed in 2013 for a further four-year term, will expire at the end of the Annual General Meeting to be called to approve the 2016 financial statements.

Mr Lebard, a French citizen, is 53 years old and holds 128,720 shares in Sequana (0.20% of the Company's capital), registered in his own name.

He is a graduate of the EDHEC business school. He began his career in the banking sector and went on to become an Associate Director of 3i SA. He has held several executive management positions in the Exor group (formerly Ifil) and also holds a number of directorships in other companies.

Address: Sequana – 8, rue de Seine – 92517 Boulogne-Billancourt Cedex, France

Directorships and positions held in 2015 and since 1 January 2016:
Chairman and Chief Executive Officer of Sequana
Chairman of DLMD SAS
Chairman of Pascal Lebard Invest SAS
Director of Lisi – Listed company
(also a member of the Strategy Committee)
Director of Bureau Véritas – Listed company
(also a member of the Nominations and Compensation Committee)
Director of Permal Group Ltd (UK)
Director of CEPI (Confederation of European Paper Industries) (Belgium)

Directorships and positions that ended in 2015:
Director of Club Méditerranée – Listed company
(also a member of the Nominations and Compensation Committee) (until 29 April 2015)

Positions held within Sequana Group subsidiaries:
Chairman of Arjowiggins
Chairman of Arjowiggins Paper Trading (Shanghai) Co Ltd (China)
Chairman of Arjowiggins Security
Chairman of Arjobex
Director of Arjowiggins HKK1 Ltd (China)
Chairman of Antalis International
Chairman of Antalis Asia Pacific Ltd (Singapore)
Chairman of Boccafin

Other directorships and positions held in the past five years:
Chairman of Etoile Plus
Chairman of Fromageries de l'Etoile
Director of Greysac SAS
Director of SGS SA (Switzerland)
Director of Taminco Corp. (USA)
Member of the Supervisory Board of Eurazeo PME
Member of the Supervisory Board of Ofi Private Equity Capital

Positions held within Sequana Group subsidiaries:
Chairman of Arjowiggins Security Solutions
Liquidator of Boccafin Suisse SA (Switzerland)
Director of Arjowiggins HKK2 Ltd and HKK3 Ltd (China)

Luc Argand – Partner at the law firm Pfyffer & Associés, Geneva *(Switzerland)*

Independent director since 3 May 2005

Luc Argand's term of office, which was last renewed in 2014 for a four-year period, will expire at the end of the Annual General Meeting to be called to approve the 2017 financial statements.

Mr Argand, a Swiss citizen, is 68 years old and holds 100 shares in Sequana.

He is an attorney with the Geneva Bar, of which he was President from 1996 to 1998. He is also Arbitrator at the Court of Arbitration for Sport (Lausanne), was a member of the High Council for the Judiciary (Geneva) and is Chairman of the Supervisory Committee of Notaries in Geneva. He is specialised in business, banking and sport law.

Address: Étude Pfyffer & Associés – 6, rue François Bellot – 1206 Geneva, Switzerland

Directorships and positions held in 2015 and since 1 January 2016:
Partner at the law firm Pfyffer & Associés (Switzerland)
Chairman of the Supervisory Committee of Notaries in Geneva (Switzerland)
Arbitrator at the Court of Arbitration for Sport in Lausanne (CH)
Chairman of the Board of Directors of Banque Syz & Co (CH)
Chairman of the Board of Directors of Financière Syz & Co (CH)
Vice-Chairman of the Board of Directors of Banque Morval & Cie (CH)
Vice-Chairman of the Board of Directors of Palexpo (Switzerland)
Director of Banque Edmond de Rothschild (Switzerland) – Listed company
Director of Yafa SpA (Italy)
Director of Yura International BV (Netherlands)
Member of Casino Barrière de Montreux (Switzerland)
Member of Compagnie Benjamin de Rothschild (Switzerland)

Other directorships and positions held in the past five years:
Chairman of the Board of Directors of Hôtel Olden AG (Switzerland)
Chairman of Salon International de l'Automobile de Genève (Switzerland)
Director of LCF Holding Benjamin & Edmond de Rothschild (Switzerland)

Jean-Pascal Beaufret – Partner and member of the Management Committee of Portalis AM – Partner and member of the Investment Committee of Aurinvest Capital 3

Independent director since 21 May 2008, Vice-Chairman since 27 June 2013

Mr Beaufret is also Chairman of the Company's Audit Committee and Chairman of the Strategy Committee, and attends meetings of the Nominations and Compensation Committee.

His term of office as a director, which was last renewed in 2014 for a four-year period, will expire at the end of the Annual General Meeting to be called to approve the 2017 financial statements.

Mr Beaufret, a French citizen, is 65 years old and holds 100 shares in Sequana.

He is a graduate of the HEC business school and of École Nationale d'Administration. He has had major responsibilities at the French Treasury, in the banking world and in industry. He held several senior posts at the French Ministry of Economy and Finance, particularly at the General Inspectorate of Finance (*Inspection générale des finances*), the French Treasury, and the French General Tax Division. He was deputy governor of Crédit Foncier de France (1994-1996), Head of the French General Tax Division (1997-1999), and Deputy Chief Financial Officer and then Chief Financial Officer of Alcatel Lucent (1999-2007). In 2008, he was a member of the Executive Board of Natixis. From September 2009 to February 2012, he was Chief Financial Officer of Australian firm National Broadband Network Co. Limited. In 2012, he became a partner of Portalis AM and of the venture capital firm Aurinvest Capital 3 where he is also a member of the Management Committee and Investment Committee, respectively. Since 2013, he has also been the sole shareholder and Managing Director of Pardys SAS, a consulting firm. Through Pardys SAS, Mr Beaufret has also been advisor to Goldman Sachs Paris Inc. & Cie since January 2013.

Address: 16, rue de Bourgogne – 75007 Paris, France

Directorships and positions held in 2015 and since 1 January 2016:	Other directorships and positions held in the past five years:
Partner and member of the Management Committee of Portalis AM Partner and member of the Investment Committee of Aurinvest Capital 3 *(also member of the Strategy Committee or Supervisory Committee of several start-ups within the scope of his tenure at Aurinvest)* Sole shareholder and Managing Director of Pardys SAS	Chief Financial Officer of National Broadband Network Co. Ltd (Australia) Director of National Broadband Network Tasmania Ltd (Australia)

Christine Bénard – Chief Executive Officer of G-G+

Independent director since 29 July 2014

Christine Bénard is also a member of Sequana's Audit Committee.

Her two-year term of office as a director is due to expire at the end of the Annual General Meeting of 12 May 2016. The Board is recommending reappointing Ms Bénard for a further term of two years.

Ms Bénard, a French citizen, is 48 years old and holds 100 shares in Sequana.

She is a graduate of the HEC business school and has worked mainly in industry. She spent the first half of her career with the consulting firm Oliver Wyman before subsequently holding operations-based executive posts. She was VP Global Purchasing at Valeo between 1999 and 2002 before becoming CEO of its Air Conditioning business for Southern and Western Europe from 2003 to 2006. She then served as VP, Strategy and Innovation at Alstom (between 2008 and 2009) and Chief Executive Officer of Mecaplast (from 2010 to 2012) Christine Bénard is currently Chief Executive Officer of G-G+, a management consultancy firm that she founded in early 2014, and is a Senior Advisor to Brainsonic, assisting major industrial groups with their corporate and digital strategies. She is also a director of Manageris and of the Habitat et Humanisme 06 association.

Address: Résidence Le Diodato 16, avenue Le Corbusier – 06190 Roquebrune Cap Martin, France

Directorships and positions held in 2015 and since 1 January 2016:	Other directorships and positions held in the past five years:
Chief Executive Officer of G-G+ Senior Advisor to Brainsonic Director of Manageris *Business finder for Brainsonic and Manageris* Director of the Habitat et Humanisme 06 association *(since 6 January 2016)*	Chief Executive Officer of Mecaplast

Odile Desforges

Director since 9 July 2012

Odile Desforges is also a member of Sequana's Nominations and Compensation Committee.

Her four-year term of office as a director is due to expire at the end of the Annual General Meeting of 12 May 2016.

Ms Desforges, a French citizen, is 66 years old and holds 200 shares in Sequana.

She graduated from Ecole Centrale de Paris and began her career as a research officer at the Transport Research Institute. She joined the Renault group in 1981 as a research officer at the Automobile division's Planning department before becoming a product engineer on the R19 and then for the M1 range. In 1986, she moved to Purchasing as Head of the Exterior Equipment department and was appointed Director of body hardware purchasing. In March 1999, she became Executive Vice-President of the Renault VI-Mack group, in charge of 3P (Product Planning, Product Development, Purchasing Project). In January 2001, she was appointed President of the AB Volvo group's 3P business unit. She became Senior Vice-President, Renault Purchasing, and Chairman and Managing Director of Renault Nissan Purchasing Organization in 2003 as well as a member of Renault's Management Committee.

In 2009, she was appointed Head of Renault's Engineering and Quality Control department and also became a member of Renault's Executive Committee. Odile Desforges retired in 2012. She is currently a director of Safran, Johnson Matthey and Dassault Systèmes.

Address: 3, rue Henri Heine – 75016 Paris, France

Directorships and positions held in 2015 and since 1 January 2016:

Director of Safran – Listed company
(also Chairman of the Audit & Risks Committee and member of its Strategic & Major Projects Committee)
Director of Dassault Systèmes – Listed company
(also a member of the Audit Committee)
Director of Johnson Matthey Plc (UK)
(also a member of the Audit Committee and the Nominations Committee) – Listed company

Other directorships and positions held in the past five years:

Director of GIE Regienov
Head of Engineering and Quality of the Renault group, and member of the Executive Committee of Renault
Head of Renault Nissan Technology and Business Centre India
Director of Renault Nissan BV (Netherlands)
Director of Renault España (Spain)
Director of Association des Anciens Élèves de l'École Centrale

Jean-Yves Durance – Chairman and Chief Executive Officer of Société Immobilière du Palais des Congrès (SIPAC)

Independent director since 27 June 2013

He is also Chairman of the Nominations and Compensation Committee and member of the Company's Strategy Committee.

Mr Durance also served as non-voting observer on the Board of Directors from 9 July 2012 to 27 June 2013.

His one-year term of office as a director, which was last renewed in 2015, is due to expire at the end of the Annual General Meeting to be held on 12 May 2016. The Board recommends reappointing him for a further term of one year.

Mr Durance, a French citizen, is 73 years old and holds 100 shares in Sequana.

He graduated from École Polytechnique and Institut d'Études Politiques de Paris, and spent most of his career (1965-2001) at Crédit Lyonnais, where he served as a member of the Executive Committee in charge of the branch network among other responsibilities. He was appointed Chairman of the Management Board of Marsh France until 2006, and he currently holds several different offices in a number of companies.

Address: SIPAC – 2, place de la Porte Maillot – 75853 Paris Cedex 17, France

Directorships and positions held in 2015 and since 1 January 2016:

Chairman and Chief Executive Officer of SIPAC
Chairman of the Board of Directors of Viparis Holding
Director of Comexposium Holding
Director of Compagnie Daher
Chairman of JYM Conseil SAS
Chairman of Association des Utilisateurs de la Défense (AUDE)
Director of Etablissement Public d'Aménagement de la Défense (EPADESA)
Vice-Chairman of the Paris-Ile-de-France Chamber of Commerce and Industry

Other directorships and positions held in the past five years:

Member of the Supervisory Board of Quilvest Banque Privée
Non-voting observer of Sequana
Chairman of the Board of Directors of CFCA

Michel Giannuzzi – Chairman of the Executive Committee of Tarkett

Independent director appointed by the Board of Directors on 21 October 2015

Mr Giannuzzi is also a member of Sequana's Audit Committee.

Shareholders will be asked to ratify Mr Giannuzzi's appointment at the 12 May 2016 Annual General Meeting. His term of office as a director will expire at the Annual General Meeting to be called to approve the 2016 financial statements.

Mr Giannuzzi, a French citizen, is 51 years old and holds 100 shares in Sequana.

A graduate of École Polytechnique and Harvard Business School, he has spent his entire career in industry, both in France and on the international stage. From 1988 to 2001, he held various positions within the Michelin group. From his initial diverse industrial responsibilities in France and the UK, he went on to manage a tire production unit using highly innovative technologies, before taking on the responsibility of re-engineering the supply chain in Europe and becoming CEO of Michelin Japan. In 2001, he joined the Valeo group as Vice-President and member of the Executive Committee, successively in charge of the global Electrical Systems and Wiper Systems businesses. Building on his extensive management experience, in 2007 he joined Tarkett, world leader in flooring and sports surface solutions, where he serves as Chairman of the Executive Board.

Address: Tarkett – Tour Initial – 1 Terrasse Bellini – 92919 Paris La Défense, France

Directorships and positions held in 2015 and since 1 January 2016:

Chairman of the Executive Board of Tarkett
Chairman of the Board of Directors of Tarkett Capital SA and Tarkett GDL SA (Luxembourg)
Chairman of the Board of Directors of Zao Tarkett
Chairman of the Board of Directors of Tarkett Brazil Revestimentos
Chairman of the Board of Directors of Tarkett Hong Kong Ltd (China)
Chairman of the Board of Directors of Laminate Park GmbH & Co. KG (Germany)
Member of the Supervisory Board of Morton Extrusionstechnik GmbH (Germany)
Member of the Board of Directors of Tarkett Inc. (Canada)
Member of the Supervisory Board of Desso Holding BV
Member of the Board of Directors of Tarkett Asia Pacific Ltd *(until 18 June 2015)*

Other directorships and positions held in the past five years:

-

Marie Lloberes – Head of La Poste Conseil – La Poste group

Independent director since 27 June 2013

Marie Lloberes is also a member of Sequana's Nominations and Compensation Committee.

Her four-year term of office as a director will expire at the Annual General Meeting to be called to approve the 2016 financial statements.

Ms Lloberes, a French citizen, is 58 years old and holds 100 shares in Sequana.

She graduated from École Nationale Supérieure des Postes et des Télécommunications and has held various positions within the La Poste group since 1984. She served as Head of the National Mail Assistance and Advisory department, Head of La Poste de l'Aveyron, Coliposte, and La Poste de Haute-Garonne, and subsequently Head of Mail production (2003), Executive Head of Mail operations for Ile-de-France (2004), General Manager of Mail operations (2006) and Executive General Manager, Mail (2014). In January 2016, she was appointed Head of La Poste Conseil.

Address: La Poste Conseil – 44 boulevard de Vaugirard – 75757 Paris Cedex 14

Directorships and positions held in 2015 and since 1 January 2016:

Head of La Poste Conseil *(since 5 January 2016)*
Executive General Manager, Mail – La Poste *(until 5 January 2016)*
Director of Docapost
Director of the La Poste corporate foundation

Other directorships and positions held in the past five years:

General Manager of Mail operations – La Poste

Bpifrance Participations

Director since 9 July 2012

Bpifrance Participations is also a member of Sequana's Strategy Committee.

Its four-year term of office will expire at the Annual General Meeting of 12 May 2016. The Board recommends that the shareholders reappoint Bpifrance Participations for a further term of four years.

Bpifrance Participations is a French *société anonyme* and holds 10,049,832 shares in Sequana (15.42% of the Company's capital).

Registered office: 27/31 av. du Général Leclerc – 94710 Maisons Alfort Cedex, France

Directorships and positions held in 2015 and since 1 January 2016:

Director of Altia Industry
Director of Altrad Investment Authority
Director of Cegedim – Listed company
Director of CDC Entreprises Capital Investissement
Director of Clestra *(since 15 October 2015)*
Director of Cylande
Director of Eutelsat Communications – Listed company
Director of Farinia
Director of G2 Mobility
Director of Gruau
Director of Horizon Sarl (Luxembourg) *(since 14 December 2015)*
Director of Horizon Sas *(since 14 December 2015)*
Director of Isorg
Director of Limagrain (CGH)
Director of Metnext
Director of Neoen
Director of NTL Holding
Director of Orange – Listed company
Director of Paprec Holding
Director of Poxel
Director of Stentys – Listed company
Director of Soitec
Director of Tinubu Square
Director of Tokheim Luxco (Luxembourg)
Director of Tokheim Luxco 2 (Luxembourg)
Director of Vexi – Listed company
Director of Viadéo
Member of the Governance Committee and non-voting observer of AD Industrie
Member of Altrad Investment Authority
Member of the Supervisory Board of Crystal
Member of the Supervisory Board of De Dietrich
Member of the FIDEC Monitoring Committee
Member of the Supervisory Board of Financière du Millénium
Member of the Supervisory Board of Grimaud
Member of the Supervisory Board of Inside Secure – Listed company *(also member of the Inside Secure Audit Committee)*
Member of the Supervisory Board of Mäder
Member of the Supervisory Board of Mecachrome
Member of the Supervisory Board of Mersen – Listed company
Member of the Supervisory Board of NGE
Member of the Supervisory Board of Novasep Holding
Member of the Supervisory Board of Vergnet – Listed company
Member of the Supervisory Board of Voluntis
Non-voting observer of Cerenis
Non-voting observer of Constellium
Non-voting observer of Groupe Gorgé
Non-voting observer of Innate Pharma – Listed company
Non-voting observer of Meca Dev
Non-voting observer of Qosmos
Non-voting observer of Siclaé
Non-voting observer of Valneva
Non-voting observer of Vittal Finances
Non-voting observer of Withings

Other directorships and positions held in the past five years:

Member of the Supervisory Board of Assystem
Non-voting observer of Avanquest
Non-voting observer of Financière Carso
Director of Hime
Director of HPC
Director of Soprol
Director of SuperSonic Imagine
Non-voting observer of Dailymotion
Non-voting observer of Tokheim Group
Director of Tyrol Acquisition 1
Director of Tyrol Acquisition 2
Director of Windhurst

Bpifrance Participations is represented by:

Bertrand Finet – Executive Director of the Mid & Large Cap Equity division at Bpifrance Investissement

Bertrand Finet represents Bpifrance Participations at meetings of the Company's Board of Directors and Strategy Committee. As of 12 May 2016 he will be replaced by Eric Lefebvre, currently non-voting observer of the Company (see below).

Mr Finet, a French citizen, is 49 years old and does not hold any shares in Sequana.

He is a graduate of the ESSEC business school and began his career with 3i Group (first in London and then in Paris) as Head of Investments. He joined CVC Capital Partners France as Managing Director in 1996 and was appointed Chief Executive Officer of Candover's Paris branch in 2006. In 2009, he was appointed Director and a member of the Executive Committee of Fonds Stratégique d'Investissement (FSI, now Bpifrance Participations). In 2013, he was appointed Executive Director of the SME Equity division of Bpifrance Investissement. Since April 2015, he has been Executive Director of the Mid & Large Cap Equity Division at the same company. He is also member of the Executive Committee of Bpifrance.

Address: Bpifrance Investissement – 14 rue Le Peletier – 75009 Paris, France

Directorships and positions held in 2015 and since 1 January 2016:
Executive Director (Mid & Large Cap Equity Division since April 2015 and SME Equity Division up to that date) at Bpifrance Investissement
Chairman and Chief Executive Officer of CDC Entreprises Capital Investissement
Chairman of the Supervisory Board of Consolidation Développement Gestion
Member of the Supervisory Board and Strategy Committee of Mersen *(until 30 April 2015)*
Permanent representative (director) of Bpifrance Participations on the Board of Directors of Horizon Holding Sarl (Luxembourg) and Horizon Holding Sas *(since 14 December 2015)*
Permanent representative (director) of Bpifrance Participations on the Board of Directors of Technicolor – Listed company *(since 8 January 2016)*

Permanent representative (non-voting observer) of Bpifrance Participations on the Board of Directors of Constellium – Listed company

Other directorships and positions held in the past five years:
Permanent representative of FSI on the Board of Directors of Farinia
Permanent representative of FSI on the Supervisory Board and Audit Committee of Assystem
Director and a member of the Executive Board of FSI/Bpifrance Participations

Éric Lefebvre – Investment Director at Bpifrance Investissement

Non-voting observer since 9 July 2012

Mr Lefebvre is also invited to attend meetings of the Audit Committee.

He informed the Board of his intention to step down as non-voting observer with effect from the Annual General Meeting of 12 May 2016, since he is to replace Bertrand Finet as of that date as permanent representative of Bpifrance Participations on the Company's Board of Directors. In view of his resignation, the Board is asking shareholders to appoint Amélie Finaz de Villaine as non-voting observer (see next page).

Mr Lefebvre, a French citizen, is 48 years old and does not hold any shares in Sequana.

He graduated from the ESC business school in Bordeaux and holds a Master's level diploma in accountancy (DESCF). He joined Caisse des Dépôts et Consignations in 1999 where he served as an accountant in the Consolidation department (1999-2000), Head of the Consolidation department (2001), Deputy Head of Accounting for Caisse des Dépôts group (2002-2004), and Advisor to the Head of Investments and Development (2004-2008). In 2009, he was appointed Head of Investments at Bpifrance (formerly Fonds Stratégique d'Investissement), and then Managing Director and member of the Executive Board in April 2015.

Address: Bpifrance Participations – 14 rue Le Peletier – 75009 Paris, France

Directorships and positions held in 2015 and since 1 January 2016:
Managing Director at Bpifrance Investissement
Director of FSI-PME Portefeuille
Permanent representative of Bpifrance Participations on the Monitoring Committee and Audit Committee of Meca Dev
Permanent representative of Bpifrance Participations on the Board of Directors of CDC ECI
Permanent representative of Bpifrance Participations on the Board of Directors and Audit Committee of Compagnie Daher *(since 15 April 2015)*

Other directorships and positions held in the past five years:
Director of Soprol

Director whose term of office expired in 2015

Michel Taittinger

Independent director from 3 May 2005 to 21 October 2015, the date on which he stepped down as a director.

Mr Taittinger, a French citizen, is 72 years old and holds 37,500 shares in Sequana.

He graduated from Institut d'Études Politiques in Paris and has held a number of executive management positions and directorships in different companies.

Address: 3 Queen's Elm Square – London SW3 6EP, United Kingdom

Directorships and positions held in 2015 and since 1 January 2016:
Director of Provence Prestige International
(SICAV Crédit Suisse France)

Other directorships and positions held in the past five years:
-

All of the directors comply with the current provisions of Article L. 225-94-1 of the French Commercial Code regarding the combination of corporate offices. No directors except Pascal Lebard hold offices in any other companies belonging to the Sequana Group.

Directors and non-voting observer whose appointment is recommended to the Annual General Meeting of 12 May 2016

Isabelle Boccon-Gibod

The Board of Directors recommends that the shareholders appoint Isabelle Boccon-Gibod as a director for a period of three years at its meeting of 12 May 2016.

Ms Boccon-Gibod, a French citizen, is 48 years old and holds 1,666 shares in Sequana.

A graduate of École Centrale de Paris and Columbia University in the US, Isabelle Boccon-Gibod has extensive experience in the paper industry. Between 1991 and 2004, she held various positions managing mills at the International Paper group in the US and the UK as well as holding executive and strategic management functions in the group. She joined Sequana as Executive Vice-President of the Arjowiggins group and Executive Director of Sequana until 2013. Ms Boccon-Gibod has also served as Chair of Copacel, the French federation of board, paper and tissue industries.

Directorships and positions held in 2015 and since 1 January 2016:
Director of Paprec Holding
Permanent representative of Fonds Stratégique de Participations on the Board of Directors of Arkema – Listed company
Director of CTP (Centre Technique du Papier)
Member of the National Advisory Board of Bpifrance
Vice-President of the MEDEF Economics Committee

Other directorships and positions held in the past five years:
Vice-Chairman and then Chairman of Copacel
Executive Director of Sequana
Executive Vice-President of Arjowiggins

Cécile Helme-Guizon – Strategy Director of Darty

The Board of Directors recommends that the shareholders appoint Cécile Helme-Guizon as an independent director for a period of three years at its meeting of 12 May 2016.

Ms Helme-Guizon, a French citizen, is 50 years old and does not yet hold any shares in Sequana.

A graduate of EM Lyon business school, chartered accountant and certified director in France and in the UK, Cécile Helme-Guizon began her career with PriceWaterhouseCoopers in 1987 in the Audit and subsequently Corporate Finance practices, before joining Kingfisher Plc as Head of Mergers and Acquisitions. She joined Darty as Director of International Development in 2001, before becoming Managing Director, Subscriptions & Services and then Strategy Director, a position she has held since 2011. Since November 2014, Ms Helme-Guizon has also been Chief Executive Officer of Mistergooddeal.

Directorships and positions held in 2015 and since 1 January 2016:
Strategy Director of Darty
Chair and Chief Executive Officer of Mistergooddeal *(until August 2015)*
Chief Executive Officer of Mistergooddeal
Deputy Chief Executive Officer of Menafinance
Director of Kesa France

Other directorships and positions held in the past five years:
Director of PWN (Professional Women Network)

Amélie Finaz de Villaine – Investment Director at Bpifrance Investissement

The Board of Directors recommends that the shareholders appoint Amélie Finaz de Villaine as a non-voting observer for a period of two years at its meeting of 12 May 2016.

Amélie Finaz de Villaine, a French citizen, is 34 years old.

She is a graduate of the ESSEC business school and began her career in M&A at Rothschild & Cie in Paris, before joining Société Générale's structured financing division in New York where she spent five years. Since 2009, she has been Investment Director at Bpifrance Investissement.

Directorships and positions held in 2015 and since 1 January 2016:
Non-voting observer of Groupe Gorge SA
Director of Grandir SAS (Petits Chaperons Rouges group)

Other directorships and positions held in the past five years:
-

Organisation and *modus operandi* of corporate decision-making bodies

Organisation of management and oversight powers

Duties of the Chairman of the Board of Directors

The duties and powers of the Chairman are defined in Article 14 of the Company's Articles of Association: "The Chairman organises and directs the work of the Board of Directors and reports to the Annual General Meeting. He ensures that the Company's decision-making bodies operate effectively and that the directors are able to carry out their duties and responsibilities."

Duties of the Chief Executive Officer

The duties and powers of the Chief Executive officer are defined in Article 17 of the Company's Articles of Association: "The Chief Executive Officer has the broadest powers to act in the Company's name under all circumstances, within the scope of the corporate purpose and subject to the powers vested by the law and by the Company's Articles of Association in Annual General Meetings and the Board of Directors. He represents the Company in its dealings with third parties."

A detailed description of the powers vested in the Board of Directors by the Company's Articles of Association, which automatically affect those vested in the Chief Executive Officer, is provided on page 56.

Combined role of Chairman of the Board and Chief Executive Officer

The Company ensures that its corporate governance structure is always adapted to the Group's financial circumstances and operational requirements. Consequently, over the last decade or so, its corporate governance structure has changed several times, with the positions of Chairman of the Board and Chief Executive Officer separated and held by two different people or combined and held by a single person. For example, from 2007 to 2013 the positions of Chairman of the Board and Chief Executive Officer were separated in order to guarantee the closest possible monitoring of the Group's operations during a period when it was refocusing on its paper business. In June 2013 the positions were then recombined when it was decided to strengthen the Company's representational powers vis-à-vis third parties and in view of the fact that Sequana's ownership and Board membership structure were undergoing significant changes. Decisions on the type of corporate governance structure put in place are taken in the best interests of the Company based on the prevailing economic circumstances and the Group's operational requirements.

Since 27 June 2013, the combined position of Chairman and Chief Executive Officer has been held by Pascal Lebard, who has the above-mentioned duties and powers.

After considering the recommendations of the Nominations and Compensation Committee and debating on the appropriateness of separating the roles of Chairman of the Board and Chief Executive Officer, the Board of Directors' meeting held on 27 June 2013 decided to combine the roles of Chairman and Chief Executive Officer pursuant to Article L. 225-51-1 of the French Commercial Code and Article 17 of the Company's Articles of Association (these offices had been separated following a decision of the Board dated 11 May 2007). The Board then decided to appoint Pascal Lebard, who had held the position of Chief Executive Officer since 1 July 2007, as Chairman and Chief Executive Officer of the Company for his term of office as a director, i.e., until 2017.

Reflecting its wish to adopt an organisation that would best serve the Company's interests, the Board of Directors considered that in view of the ever-tougher and increasingly uncertain economic climate, it was no longer appropriate for the roles of Chairman of the Board and Chief Executive Officer to be separate since both strategic and operational decisions needed to be taken more promptly and expediently.

On 29 July 2014, the Board of Directors decided to appoint Hervé Poncin as Senior Executive Vice-President of Sequana in order to assist the Chief Executive Officer with his Group management responsibilities. Mr Poncin, who is also Chief Operating Officer of Antalis International, is a member of the Sequana Executive Committee but does not sit on the Board of Directors.

Duties of the Vice-Chairman

In addition to the powers vested in the Vice-Chairman by the Articles of Association, which include replacing the Chairman if he is prevented from fulfilling his duties, the Vice-Chairman carries out the duties and responsibilities assigned to him in the Board of Directors' internal rules. These include taking part in assessing the Board's work, anticipating any potential conflicts of interests and informing the Board of any conflicts he may have identified concerning executive corporate officers and the other members of the Board of Directors. The Vice-Chairman may attend any committees of which he is not a member as deemed necessary. The Vice-Chairman also ensures compliance with the Board's internal rules and makes sure that there is transparency and a proper flow of information between the directors and the Chairman and Chief Executive Officer.

The role of the Company's Vice-Chairman was strengthened in 2013 when the Chairman's and Chief Executive Officer's roles were combined, in order to ensure that relations of the utmost transparency are maintained between management and the Board of Directors – the Group's oversight body tasked with approving strategic transactions.

Jean-Pascal Beaufret was appointed as Vice-Chairman on 27 June 2013, for the duration of his term as a director, as the Board considered that his experience of both managing industrial companies and of financial matters would be a real asset for the Group. He was reappointed as a director at the Annual General Meeting of 25 June 2014. At the Board of Directors' meeting held on the same date after the Annual General Meeting, the Board reappointed Mr Beaufret as Vice-Chairman for the duration of his term as a director, i.e., until the end of the Annual General Meeting to be called to approve the 2017 financial statements. His powers as Vice-Chairman (as set out in the Company's Articles of Association and the Board of Directors' internal rules) remained unchanged. Jean-Pascal Beaufret attended each of these three Board meetings.

Preparation of the Board's work, *modus operandi* and assessment of the Board's performance

The Board of Directors' internal rules were adopted by the Board on 3 May 2005 and are regularly updated in order to comply with best corporate governance practices, most recently on 21 October 2015. These rules govern the Board's composition, its *modus operandi*, and its role and responsibilities. The internal rules are designed in particular to ensure that Board meetings and deliberations take place in an efficient manner and that the Company's governing bodies operate smoothly. They also specify the Board's role with regard to shareholder meetings, by explaining or supplementing existing legal and statutory provisions. The internal rules specify the role of the Board's committees, which also have their own internal rules. These committees are composed of directors who deal with matters within the Board's remit and who deliberate and submit their opinions and recommendations to the Board. The internal rules are applicable to all Company directors, any permanent representatives of legal entities, and more generally, anyone participating in meetings on a temporary or permanent basis.

When deemed appropriate, extracts from Sequana Board's internal rules (in italics), or a summary of those rules, are set out below.

Preparation of Board meetings

The schedule of Board of Directors' and committee meetings is adopted at the end of a given year for the following year. However, unscheduled meetings may be called where necessary in exceptional circumstances.

Barring exceptional circumstances, prior to each Board meeting directors are sent a formal notice of meeting along with the minutes of the previous meeting and any documentation and information necessary to deliberate on the upcoming items on the agenda. These documents are sent to directors via a secure data communication and storage platform intended solely for use by the Board.

Depending on the agenda and nature of the issues to be discussed, the Chairman of the Board may request that one or more of the Board's three committees meet before the date of the Board meeting.

The information needed for the Board's discussions is sent to directors several days before the meeting. This timing is compatible with the confidentiality requirements applicable to any transfer of privileged information, and allows directors to examine in depth the documents sent before the meeting takes place.

The same procedure applies to the Board's committees.

The Audit Committee meets to review the annual and interim financial statements before the relevant Board meeting is called to adopt those financial statements.

The electronic information pack sent to directors prior to each Board meeting includes comprehensive documentation regarding issues on the agenda. Generally speaking, and depending on the nature of the subject to be discussed, internal and/or external information is provided for each issue on the agenda as well as draft deliberations where appropriate.

When a Board meeting concerns information to be released to the public, the information pack also includes the draft press release, which is usually published the day after the meeting before the Paris stock market opens for trading, in accordance with the AMF's recommendations.

Modus operandi

"The Board of Directors meets at least four times a year, and whenever the Company's interests so require, to deliberate as a collegial body on the matters referred to it for approval.

As well as attending the meetings of the Board or of the relevant Board committees in person, directors may also take part in the Board's deliberations by video-conference or conference call (except when this is disallowed by law), in which case they are deemed to be present for purposes of quorum and majority requirements.

In accordance with applicable laws, video conferences and conference calls shall meet the requisite technical specifications which ensure that the parties can be identified, all debates remain confidential, and the directors concerned can participate effectively and in real time in the Board meeting, whose deliberations must be broadcast on an ongoing basis."

Assessment of the Board's performance

"The Board of Directors meets once a year to assess its modus operandi and independence and subsequently reports to shareholders on these issues.

The Board may also hold a meeting once a year to discuss the performance of the executive corporate officers without any executive directors or Company employees being present, under the aegis of the Vice-Chairman, if one has been appointed.

Where appropriate, the Board of Directors may also commission (at least once every three years) an assessment of its own performance by an external consultant or by the Board secretary."

The most recent assessment of the Board's performance was carried out in early 2015 and was assigned to an external consultant as the previous assessment (in 2012) was conducted by the Board secretary. The findings of the external assessment – which were presented to the Board at its meeting held on 9 April 2015 – showed that the Board has a balanced membership structure in terms of the number of independent directors, the proportion of women Board members and the seniority of directors. The consultant's report stated that a number of directors were highly skilled in financial matters, which has enabled the Board to meet the challenges faced by the Company over the past few years.

The documents and other information provided to the Board's members were found to be of high quality and the Board's *modus operandi* was deemed satisfactory. The directors debate constructively and the documents they receive give them a good basis for their discussions and enable them to make fully informed decisions.

The Executive Committee – whose members all attend Board meetings – was considered to operate effectively and communications between the executive team and the Board were deemed to be strong and transparent. In relation to the Board's committees, the consultant found that the reports presented to the Board by their respective Chairmen are good and concise.

The Audit Committee operates effectively and its Chairman is particularly involved in its work. The Nominations and Compensation Committee performs well and its members are reactive. The report stated that the composition of the Strategy Committee may need to be reviewed, and this review was duly carried out in October 2015. Overall, the assessment revealed that the Company's governance structure has functioned smoothly in an extremely difficult operating context and has enabled Sequana to get back on track, but having recently had to spend an extensive amount of time discussing financial matters, the Board now needs to concentrate more on strategic and operational issues.

Each director's individual contribution to the Board's work was also appraised during the assessment process, based on their level of expertise and involvement.

Duties, rules of conduct, responsibilities and powers of the Board of Directors

The Board of Directors has the following responsibilities:

Duty of administration

"In addition to handling matters that fall within the scope of the powers ascribed to it by law or by regulations, the Board regularly makes decisions regarding the Group's strategy, internal restructuring operations, and important investment projects designed to generate organic growth."

Duty of review

"In addition to the duties ascribed to it by law (reviewing and approving the Company's financial statements), the Board deliberates on significant acquisitions and sales of equity interests and assets that do not fall within the scope of the strategy it has determined. It also votes on any transactions or commitments that are liable to materially affect the Group's earnings or result in a significant change in its balance sheet structure. "

Duty of caution and of information

"In order to be able to take the appropriate decisions relative to the Company's financing and debt situation, the Board is kept regularly informed, either directly or through its committees, of any significant events affecting the conduct of the Company's business. It also has the right to obtain information at any time, including between meetings convened to review the financial statements, on any significant change in the Company's financial situation, liquidity position, commitments and risks.

To exercise effective oversight over the Company's management, the directors can ask to be trained in Group businesses, visit sites and receive any information necessary to fulfil their duty of information. "

Prior to their first Board meeting, the directors appointed in 2014 and 2015 each had an introductory meeting with senior management and visited the Group's mills and distribution centres.

Duty of transparency

"The Board of Directors is responsible to the shareholders for ensuring that all of its activities are conducted in a transparent manner."

Rules of conduct

According to the Company's Articles of Association, each director must hold at least 100 shares during his or her entire term of office. Each director also undertakes to comply with the rules of conduct set forth in the Directors' Charter and the Code of Good Conduct.

These documents, which were adopted by the Board of Directors on 3 May 2005 and subsequently amended to incorporate best corporate governance practices, are designed to govern the rights and obligations of directors irrespective of whether they are natural persons, legal entities, or permanent representatives of these legal entities. In particular, they are intended to prevent potential conflicts of interest and to define the rules under which the directors may trade in the Company's shares along with the disclosure requirements for such transactions.

Within the scope of good corporate governance practices, the Directors' Charter and the Code of Good Conduct stipulate that corporate officers must comply with stock market rules on insider trading and refrain from trading in the Company's shares on the basis of as yet unpublished privileged information they may have in their possession due to the position they hold. Corporate officers are required to hold newly-acquired shares for a minimum of three months and may not trade in the Company's shares during periods immediately before the publication of the Company's financial statements. They may not trade in the Company's shares on the stock market between (i) the later of either the first trading day immediately after the end of a calendar quarter, i.e., the 20th trading day (inclusive) preceding the Board meeting that adopts the annual or interim financial statements, or the 16th trading day (inclusive) preceding the publication of quarterly financial statements, and (ii) the publication date (inclusive) of the financial statements (generally the day after the Board meeting). As these rules are stricter than the recommendations issued by the AMF and better adapted to the Company's way of working, no changes were deemed appropriate. In accordance with the applicable regulations, corporate officers must inform the AMF of any transactions they have carried out involving the Company's shares within five trading days of the transactions in question. They must also provide the Company with a copy of said disclosures within the same timeframe.

The Directors' Charter and the Code of Good Conduct also apply to all those who participate for any reason whatsoever and either on an ongoing or one-off basis, in the deliberations of the Board or of one of its committees (Board secretary, non-voting observer, advisory member, guest, speaker, member of Company management, Statutory Auditors, etc.). Further, "*when a person who does not serve on the Board participates in a Board committee, he or she must previously undertake to respect the confidentiality of the information provided and of the deliberations in which he or she takes part, as well as the regulations on market abuse*."

Responsibilities of the Board of Directors

"The responsibilities and remit of the Board of Directors are defined by law and by the Articles of Association. The Board determines the strategy of the Company and of its subsidiaries and ensures that it is duly implemented. It carries out any verifications and checks it considers appropriate, particularly in order to ensure the effective operation of internal control, and makes sure that the information provided to shareholders and to the financial markets is reliable.

The Board decides on the management arrangements for the Company, and in particular on the separation or combination of the roles of Chairman of the Board of Directors and Chief Executive Officer, and provides information on these matters to shareholders.

In defining the expertise of the Chairman and/or Chief Executive Officer and, where appropriate, Deputy Chief Executive Officer, the Board may ascribe to itself exclusive areas of expertise above and beyond those set out in the Articles of Association or may define limits above which the Board is required to intervene.

The Board of Directors is a collegial body which acts in the Company's interest and represents the interests of all shareholders. "

Powers of the Board of Directors

Article 16 of the Company's Articles of Association, which was simplified by the Annual General Meeting of 23 June 2015 in order to clarify the powers vested in the Board among its various competencies, provides for an enhanced majority voting system for the adoption of certain decisions by the Board. The following decisions fall within the exclusive remit of the Board of Directors and require approval by at least two-thirds of the directors present or represented at Board meetings:

- the approval of the business plan and the consolidated annual budget for the Company, Arjowiggins and Antalis International and any material transactions not appearing in the consolidated annual budget;
- any investments (excluding acquisitions) made by the Company, Arjowiggins, Antalis International or one of their subsidiaries to enable them to carry on their business, with a unit value of more than €20 million;
- any proposed transaction concerning an acquisition, the creation of subsidiaries, a business combination or joint arrangement, a sale or transfer of assets (including securities) by the Company, Arjowiggins, Antalis International or any of their subsidiaries, other than an intragroup transaction, with a unit value of more than €20 million (enterprise value) or representing annual sales of more than €40 million;
- any proposed merger, demerger or partial contribution of assets involving the Company, Arjowiggins, Antalis International or one of their main subsidiaries (the main subsidiaries within the meaning of this Article being the direct and indirect subsidiaries of Arjowiggins and Antalis International whose annual sales represent 5% or more of Arjowiggins' or Antalis International's consolidated annual sales);
- any draft restructuring plan by the Company, Arjowiggins, Antalis International or any of their subsidiaries with a unit value of more than €10 million;
- any proposed issuance of securities carrying immediate or deferred rights to shares, without pre-emptive subscription rights for existing shareholders, by the Company, Arjowiggins, Antalis International or one of their subsidiaries, which would effectively open the capital to third parties;
- any financing or refinancing operation (including the issue of debt securities or the granting of sureties, endorsements, guarantees or collateral of any kind) by the Company, Arjowiggins, Antalis International or one of their subsidiaries, with a unit value of more than €50 million;
- any proposal to amend the Articles of Association of the Company, Arjowiggins, Antalis International or one of their main subsidiaries, except as a result of changes in applicable laws or regulations or a strictly formal change;
- the development or implementation of a strategic partnership or the acquisition of a company operating in a different market segment from those in which Arjowiggins and Antalis currently operate;
- the appointment or removal from office of the Company's Chief Executive Officer or Deputy Chief Executive Officer(s) and the appointment (if he or she is not also Chief Executive Officer or Deputy Chief Executive of Sequana) or removal from office of the Chairman or Chief Executive Officer of Arjowiggins or Antalis International;
- the dividend policy of the Company, Arjowiggins and Antalis International;
- any legal or administrative proceedings initiated by the Company, Arjowiggins, Antalis International or any of their subsidiaries for over €5 million;
- any agreements entered into by the Company, Arjowiggins or Antalis International with related parties (shareholders or corporate officers), excluding agreements entered into in the ordinary course of business; and
- the implementation of any stock option plans, share award plans or any other similar mechanisms directly or indirectly granting access to securities carrying rights to the Company's share capital.

Criteria for selecting Board members

Most Board members have held directorships or executive management positions in other companies and acquired both corporate management skills and sufficient financial expertise to enable them to deliberate independently and in an informed manner on the Group's financial statements, as well as on accounting compliance issues. The directors bring all of their complementary skills and experience to the Board and were chosen with a view to complying with good governance criteria and due to the wish to consolidate the Board's expertise in terms of financial affairs and the Group's specific businesses (distribution, logistics, etc.).

Gender equality

Three of Sequana's nine current directors are women: Christine Bénard, Odile Desforges and Marie Lloberes, together representing one-third of the Board members.

If the Annual General Meeting of 12 May 2016 approves the appointments of Isabelle Boccon-Gibod and Cécile Helme-Guizon, and given that the term of office of Odile Desforges expires at that date, there will be four women out of a total of ten members on the Company's Board of Directors: Christine Bénard, Isabelle Boccon-Gibod, Cécile Helme-Guizon and Marie Lloberes.

This proportion meets legal requirements and the recommendation of the AFEP-MEDEF corporate governance code on gender equality, which sets a target 40% of female directors for 2016.

Director independence

The Board of Directors reviewed director independence and the situation of each director in light of the criteria set out in the AFEP-MEDEF corporate governance code at its meetings of 9 April 2015 and 29 March 2016.

Directors are considered independent if they have no direct or indirect relations of any nature with the Company, the Group or the Group's management that could compromise their freedom to make independent decisions. Independent directors should not:

- be employees or executive corporate officers of the Company, employees or directors of the parent company or of a company consolidated by the parent, nor have occupied any of these positions in the previous five years;
- be executive corporate officers of an entity in which the Company holds a directorship, either directly or indirectly, or in which one of its employees (designated as such) or executive corporate officers holds a directorship (either at present or in the past five years);
- be (or be directly or indirectly related to) a major customer, supplier, commercial banker or investment banker of the Company or the Group to which it belongs, or for which the Company or the Group accounts for a significant portion of business;
- have any close family ties to a corporate officer;
- have been an auditor of the Company in the previous five years;
- have been a director of the Company for more than 12 years.

It should be recalled that since 2012, Sequana is no longer considered to be a controlled company. Indeed, the agreement signed on 4 June 2012 by Sequana's main shareholders (see Chapter 5, "Shareholder agreements"), which was terminated early on 1 June 2015, did not constitute an agreement to act in concert since each shareholder effectively acted on its own behalf. According to the rules of the AFEP-MEDEF corporate governance code, at least half of the members of the boards of directors of companies with no controlling shareholders must be independent.

Sequana's Board of Directors had six independent directors in 2015: Luc Argand, Jean-Pascal Beaufret, Christine Bénard, Jean-Yves Durance, Marie Lloberes and Michel Taittinger (see below), who resigned on 21 October 2015. Including Michel Giannuzzi who was appointed to replace Michel Taittinger as a director on that date, the Board continues to have a total of six independent directors out of nine.

Given the position he holds in the Company, Pascal Lebard cannot be considered independent. In light of the Company's ownership structure, Bertrand Finet also cannot be considered independent in his capacity as permanent representative of Bpifrance Participations.

Odile Desforges' past links with Bpifrance Participations give rise to a conflict of interest and accordingly, she can also not be considered as independent.

The Board considered that since the Vice-Chairman Jean-Pascal Beaufret was not in a position to replace the Chairman on a long-term basis he had no executive role within the Company and could therefore continue to be considered as independent. Jean-Pascal Beaufret has reported that he worked (via a company called Pardys of which he has been sole shareholder and managing director since January 2013) for Goldman Sachs investment bank, which the Group has used as a consultant from time to time. Nevertheless, Mr Beaufret abstains from participating in any deliberations or discussions relating to Sequana's dealings with Goldman Sachs and is not involved in the provision of any services by Goldman Sachs to the Sequana Group. Consequently, the aforementioned situation was not deemed to compromise Jean-Pascal Beaufret's status as an independent director.

The Board noted that Michel Taittinger has been a member of one of Sequana's corporate entities since 2000 but once again considered that he still qualifies as an independent director despite the fact that his cumulative terms of office exceed the 12-year period specified by the AFEP-MEDEF corporate governance code. Michel Taittinger was in fact a non-voting member of the Supervisory Board of Sequana (formerly Worms & Cie) between 2000 and 2005, and took part in the Board's work in an advisory capacity only. He became a Sequana director in May 2005, the date on which the Company adopted its structure with a Board of Directors, and has therefore only been able to vote at Board meetings since that date.

Accordingly, the Board of Directors considers that a person who has been a member of a corporate entity for more than 12 years should not automatically lose their status as an independent director if they have been acting in a non-voting capacity for part of that period and that the concern that an excessively long term of office may limit the holder's powers of analysis is perfectly legitimate; however it should not be applied mechanically or without due regard to the specificity of each situation. In the case in point, the length of Michel Taittinger's term of office has not been deemed an obstacle to his freedom of judgement or expression in Board meetings. Rather, Michel Taittinger's experience is of major benefit in helping to assess the performance of Sequana and its businesses in all their complexity and ensuring effective oversight and control over the Company. His personal qualities, together with the absence of any conflicts of interest with the Group's activities, reinforced the Board's opinion in this regard.

Christine Bénard, Marie Lloberes, Luc Argand, Jean-Yves Durance and Michel Giannuzzi are fully compliant with the afore-mentioned independence criteria defined by the AFEP-MEDEF corporate governance code.

If the proposed director appointments submitted by the Board to the Annual General Meeting of 12 May 2016 are approved by the shareholders, the Company's Board will have seven independent directors (Luc Argand, Jean-Pascal Beaufret, Jean-Yves Durance, Michel Giannuzzi, Christine Bénard, Cécile Helme-Guizon and Marie Lloberes) out of its ten members. While Cécile Helme-Guizon meets the independence criteria set out in the AFEP-MEDEF corporate governance code, Isabelle Boccon-Gibod cannot be considered independent since she held positions in the Sequana Group until 2013.

As well as director independence, particular attention is paid to ensuring directors' freedom of judgement on the Board and on the Board's committees, especially directors holding a significant stake in Sequana's capital, to ensure that they can fulfil their duties with the objectivity required.

Based on information provided by members of the Board, the Company can confirm that no director has family ties to another director or to the management team. The Company has also ascertained that over the past five years, no director has been convicted of fraud or been subject to criminal, public or administrative sanctions; and that no director has been associated with bankruptcy, receivership or judicial liquidation proceedings or has been prevented by a court or any other legal, administrative or regulatory authority from acting as a member of a corporate decision-making body or from being involved in a company's day-to-day management or conduct of its business.

The independent directors have not reported any conflict of interests that would be likely to raise questions about their independence with regard to the Company or the performance of their duties as corporate officers. As indicated above, Jean-Pascal Beaufret reported that he had worked for the investment bank Goldman Sachs which has advised the Group in the past. However, the Board did not consider this situation to compromise his independence.

None of the members of the corporate decision-making bodies or the executive management team have entered into a service agreement with the Company or with one of its subsidiaries providing for benefits.

No director has an employment contract with the Company.

Missions entrusted to the Board's committees

Nominations and Compensation Committee

In accordance with the committee regulations adopted by the Board of Directors on 3 May 2005, the role of the Nominations and Compensation Committee is to review all matters relating to the composition of the Board of Directors and its committees, how they are organised and how their business is conducted, and to submit to the Board recommendations on compensation to be paid to executive managers and corporate officers.

The committee identifies the best possible candidates to fill vacant directorships in order to make suitable recommendations to the Board of Directors, reviews on a yearly basis the performance criteria used to calculate the Chief Executive Officer's variable compensation, and reviews any stock option plans and proposals for share awards put forward by management.

Audit Committee

In accordance with the committee regulations adopted by the Board of Directors on 3 May 2005 and subsequently amended on 27 July 2010, the Audit Committee focuses on three main areas: (i) the financial reporting process, (ii) the effectiveness of risk management and internal control procedures, and (iii) the independence of Statutory Auditors and the performance of the statutory audit engagement.

The committee monitors issues regarding the preparation and verification of accounting and financial data, ensures that the accounting policies used to prepare the consolidated and parent company financial statements are pertinent and applied consistently, and that major transactions are accounted for appropriately at the level of the Group. It also verifies that internal data compilation and validation procedures are designed with this purpose in mind.

The committee analyses (a) the scope of the consolidated Group and, where appropriate, the reasons why certain entities are not consolidated, (b) the accounting standards applicable to the Group and their implementation, (c) the annual and interim consolidated and parent company financial statements along with any financial and accounting issues brought to its attention by executive management, particularly as regards the Group's cash position, financing and compliance with bank covenants, and (d) the risks to which the Group may be exposed and any material off-balance sheet commitments.

The committee is kept up-to-date on the organisation and operation of risk management procedures by executive management, and ensures that these procedures are effective. It also oversees how risks are flagged up, monitored or covered by appropriate insurance policies. The committee issues recommendations on the organisation of the Group's internal audit department and is informed of the internal audit agenda. It also receives regular summaries of internal audit reports. The committee also familiarises itself with the internal audit action plan, is informed at least once a year of the progress of this plan, and monitors the procedures put in place by the Company to ensure the actions taken are effective and comply with regulations and a recognised framework.

The Audit Committee is provided with the report of the Chairman of the Board of Directors on internal control and risk management procedures and issues an opinion before the report is approved by the Board.

The committee is responsible for the Statutory Auditor selection procedure and makes recommendations to the Board on auditor appointment or renewal upon expiry of their term of office. The committee ensures that the Statutory Auditors meet the requisite independence criteria and makes recommendations on fees payable to the Statutory Auditors in respect of their statutory audit engagement. It also issues recommendations on advisory engagements and other audit-related services that may be provided by the Statutory Auditors or by members of their network outside the statutory audit engagement, and ensures that such engagements comply with the applicable legislation.

Every year, the committee is briefed by the Statutory Auditors on the amount and breakdown of fees per category of audit and advisory engagement and other services paid by the Group to the Statutory Auditors or to the members of their network in the past year. It also examines the auditors' work schedule and the findings of the audit. On closing the interim and annual financial statements, the committee receives a report from the Statutory Auditors setting out the key issues resulting from their work and the accounting options applied.

The committee meets on a regular basis and may hear reports from the Group's executive managers and their teams, particularly the head of internal audit. It may also meet with the Statutory Auditors, with or without management being present.

At each meeting, attended by the Chief Financial Officer and, where appropriate, the Statutory Auditors who make recommendations, the committee reviews the full financial statements and accompanying notes, including information on all reported entities, any risks to which the Group is exposed, and any off-balance sheet commitments. During the review of the interim and annual financial statements, the committee meets with the Statutory Auditors without Group management being present.

Strategy Committee

In accordance with the committee regulations adopted by the Board of Directors on 3 May 2005, the Strategy Committee's brief is to issue recommendations on the Group's key strategic focuses while taking account of market trends and the potential risks to which the Group may be exposed. It also examines the investment opportunities that best fit with this predefined investment strategy. The committee meets as often as needed at its Chairman's discretion.

Report on the work of the Board of Directors and its committees in 2015 and early 2016

Board meetings

The Board's work is based on executive management presentations, proposals put forward by the Chairman and when appropriate, recommendations made by the committees, which are freely discussed by the directors.

The Board met on six occasions in 2015, with an attendance rate of 95%. Each meeting lasted an average of three and a half hours. The Board met three times between 1 January 2016 and the date on which the French version of this registration document was filed.

Corporate governance

In April 2015, the Board reviewed director independence and gender equality on the Board, and discussed its *modus operandi*. It was also given a report by an external consultant on an assessment of its operating procedures which is carried out every three years (see page 54). After noting the recommendations of the Nominations and Compensation Committee, the Board also set the variable compensation due to Pascal Lebard for 2014 as well as his fixed compensation and the methods for calculating his variable compensation in respect of 2015, and determined the benefits for which he may be eligible if his position as a corporate officer were terminated (see page 65). Since the tenures of certain directors were due to expire at the end of the Annual General Meeting to be called to approve the 2014 financial statements, the Board decided to recommend their reappointment at the following Annual General Meeting. Lastly, the Board heard the report of the Nominations and Compensation Committee regarding the succession plan for the Chairman and Chief Executive Officer and for the Group's main senior executives and it approved the sections of the 2014 registration document concerning corporate governance (notably the information on the compensation of senior executives and corporate officers).

At its meeting held on 23 June 2015 after the Annual General Meeting, after noting the reappointment of all directors whose terms of office were due to expire, the Board of Directors noted that the composition of the Board remained unchanged and decided not to make any changes to the composition of its committees.

On 21 October 2015, having noted Michel Taittinger's resignation from his position as a director along with the recommendations of the Nominations and Compensation Committee, the Board appointed Michel Giannuzzi as a director to replace Mr Taittinger for the remainder of his term of office, i.e., until 2017, and also named him as Mr Taittinger's replacement on the Audit Committee. Lastly, it reviewed the basis for calculating attendance fees (see page 66).

In early 2016, following several working sessions of the Nominations and Compensation Committee in 2015 based on an independent study conducted by a specialist firm (see page 54), the Board reviewed the succession plan for the Chairman and Chief Executive Officer and for the Group's main senior executives, as presented by said committee. The Board also set the amount of Pascal Lebard's variable compensation for 2015, along with the amount of his fixed compensation and the basis for calculating his variable compensation for 2016. As provided for by regulations on related-party agreements, it also reviewed the indemnity due to Mr Lebard on termination of his corporate office. The Board performed its annual self-assessment of (i) its *modus operandi* and (ii) its composition, focusing particularly on the number of independent directors and the requirements in terms of gender equality on the Board (see page 57). After considering the report of the Nominations and Compensation Committee on Board membership, it decided to recommend to the forthcoming Annual General Meeting that the shareholders renew the three directors' terms of office due to expire and appoint two new directors, including one independent director, as well as a non-voting observer. Lastly, it approved the sections of the 2015 registration document concerning corporate governance (notably the information on the compensation of senior executives and corporate officers).

Conduct of the Group's operations

In early 2015, the Board continued to review the progress of the Group's industrial and financial restructuring measures, particularly for Arjowiggins. It also confirmed Antalis' business development strategy, particularly in light of the economic circumstances affecting certain market players. In late April 2015, the Board approved the terms and conditions of the planned sale of Arjo Wiggins Ltda in Brazil to the Fedrigoni group, as well as the planned sale of Arjo Systems (Identity and Access Control) and Arjowiggins Solutions (Brand Protection) to the Impala group. This last transaction also enabled Arjowiggins to pay down €125 million of its debt and strengthen its financing capacity. The Board defined the changes to the terms and conditions for redeeming the 2014 ORNANE and ORA bonds in shares, put to the vote of shareholders at the Annual General meeting of 23 June 2015. The Board then decided to implement the early redemptions and noted the corresponding increase in share capital.

Throughout the course of 2015, the Board oversaw the progress of the operational restructuring measures implemented within the Arjowiggins group, and particularly any sales or closures of mills and the resulting impact on employees. It also monitored Antalis' consolidation projects in the distribution sector.

Throughout the course of 2015 and continuing into 2016, the Board tracked developments in the litigation between the Company and BAT Industries Plc (see Chapter 3 for further details). The Board was informed of the arguments of each party and of the progress of the litigation proceedings which began on 23 February 2016.

It gave particular attention to the Group's cash position and the liquidity risk it could face and was kept frequently informed of Arjowiggins' debt and cash situation.

In general, the Board regularly reviews the market position of Group companies and deliberates on Group strategy and the industrial processes to be rolled out in its subsidiaries, as well as on any restructuring operations that need to be carried out in response to difficult market conditions. At each of the Board's meetings, executive management gives a comprehensive presentation on the conduct of the Group's operations.

Financial statements

In early 2015, after considering the opinion of the Audit Committee, the Board approved the 2014 financial statements as well as the projected management accounts. It also recommended not paying any dividends in respect of 2014. At its meeting of 28 April 2015, the Board reviewed the financial statements for the first quarter of 2015 and approved the annual financial report and the Chairman's report on internal control and risk management procedures for 2014.

At its meeting of 28 July 2015, after having considered the opinion of the Audit Committee, the Board approved the consolidated financial statements at 30 June 2015 and the financial documentation drawn up in application of the French Commercial Code (*Code de commerce*). It also prepared an interim review of operations. At the end of October, the Board reviewed the financial statements for the third quarter and, more generally, the results of the Group at 30 September 2015.

In 2015, it reviewed the trends and the budget for the year and monitored the budget against the Group's actual results. At the end of 2015, the Board reviewed the provisional budget for 2016 and approved the Group's 2016-2018 three-year business plan. At each presentation of the financial statements, the Board examined the various accounting options selected and their main impacts.

In early 2016, after considering the opinion of the Audit Committee and the consequences of the dispute between Sequana and BAT Industries Plc, the Board approved the 2015 financial statements as well as the projected management accounts. It also recommended not paying any dividends in respect of 2015. At two other meetings, the Board received updated information on the latest developments in the litigation proceedings with BAT Industries Plc and after hearing the Statutory Auditors and considering the opinion of the Audit Committee, approved the section of the registration document on risks. The Board also reviewed the financial report and the 2015 Chairman's report on internal control and risk management procedures and, after having considered the term of the Statutory Auditors due to expire, decided to recommend the reappointment of the Statutory Auditors at the next Annual General Meeting.

Delegations and authorisations to carry out financial transactions

At its meeting of 9 April 2015, the Board renewed the authorisation granted on 18 March 2014 to the Chairman and Chief Executive Officer to grant sureties, endorsements and guarantees on the Company's behalf for all transactions and/or all financing operations up to a lower aggregate limit of €100 million and for a period of one year. However, any sureties, endorsements and guarantees for individual amounts in excess of €50 million are subject to prior authorisation of the Board of Directors. Sequana used €17 million of this authorisation, mostly to guarantee commitments made by its subsidiaries to third parties. On 29 March 2016, the Board granted a new authorisation to grant sureties, endorsements and guarantees on the Company's behalf under the same terms (see above), for a period of one year ending on 28 March 2017.

In addition, pursuant to the authorisation granted to it at the Annual General Meeting of 23 June 2015, the Board also gave full powers to the Chairman and Chief Executive Officer to trade in the Company's shares on the open market, under the terms and within the limits set at the meeting, and in accordance with stock market regulations. This authorisation was used in 2015 and early 2016 in connection with the ongoing liquidity agreement (see Chapter 5, "Share buyback programmes").

Lastly, in July 2015, within the scope of Arjowiggins' authorised bank overdraft facilities, the Board also authorised first-call guarantees to be granted to Arjowiggins' lending banks and authorised the Chairman and Chief Executive Officer to sign these guarantees in the name and on behalf of Sequana.

Annual General Meeting

At its meeting of 28 April 2015, the Board of Directors approved the contents of the 2014 registration document containing the management report of the Board of Directors. It convened the Combined General Meeting of 23 June 2015 and approved the agenda for the meeting and the related necessary documentation, in particular the resolutions to be submitted to the shareholders for approval. At this same meeting, it also decided to convene meetings of holders of ORA and ORNANE bonds redeemable in Sequana shares, which were held on 9 June 2015.

In early 2016, the Board sent out the convening notices for the Combined General Meeting to be held on 12 May 2016, decided which documents would be submitted to the meeting, and reviewed the 2015 registration document.

Committee meetings

Nominations and Compensation Committee

The committee met on four occasions in 2015, with an attendance rate of 92%. After organising an assessment of the Board's *modus operandi* by a specialist independent firm, it placed on record the report of the assessment's findings and presented the report to the Board of Directors. It reviewed the composition, organisation and *modus operandi* of the Board and its committees, and more particularly the criteria required under good corporate governance principles (and notably the AFEP-MEDEF corporate governance code) concerning the independence and expertise of directors and the representation of women on the Board. Also in 2015, the Nominations and Compensation Committee considered the renewal of the directorships expiring at the Annual General Meeting held to approve the 2014 financial statements and made recommendations in this respect to the Board of Directors for the Board to decide on the directors to put forward for reappointment and set their terms of office. After considering the recommendations of a specialist independent firm, the committee also discussed the succession plan for the Chairman and Chief Executive Officer and the Group's main senior executives, which was one of the committee's priorities for 2015. Lastly, it reviewed the compensation policy for the Group's main senior executives as well as the form and content of the "Executive compensation" section of the 2014 registration document.

The committee also made recommendations regarding the Chief Executive Officer's variable compensation for 2014, and his fixed compensation and the methods to be applied to calculate his variable compensation for 2015, which it put forward to the Board for approval.

At the end of the year, the committee placed on record Michel Taittinger's resignation from his term of office as a director and member of the Audit Committee, and recommended that the Board appoint Michel Giannuzzi to replace Mr Taittinger. It then reviewed the basis for calculating attendance fees.

The committee met twice in early 2016. It again reviewed the Board's composition, focusing particularly on the number of independent directors and on requirements in terms of gender equality on the Board. It examined the terms of office due to expire at the forthcoming Annual General Meeting and recommended appointing new female directors in order to meet the criteria set out in applicable legislation and corporate governance rules, as well as a non-voting observer. The committee also finalised the succession plan for the Chairman and Chief Executive Officer and the Group's main senior executives which was presented to the Board. It made recommendations to set the amount of Pascal Lebard's variable compensation for 2015 as well as the amount of his fixed compensation and the methods to be used to calculate his variable compensation for 2016. It discussed the Group's compensation policy for its main senior executives and reviewed and approved the form and content of the "Executive compensation" section of the 2015 registration document.

Audit Committee

The Audit Committee met on five occasions in 2015 in the presence of executive management, with an attendance rate of 73%. At these meetings, it firstly reviewed the Group's financial position and its forecast results for 2014, was briefed on the reports prepared by the Internal Audit department for 2014 and obtained an understanding of the action plan for 2015, and also analysed in detail the risk map drawn up in late 2014. It examined the principles applied by the Company to prepare its 2014 financial statements, analysed those financial statements, and considered the remarks of the Statutory Auditors. It also made recommendations to the Board as regards the 2014 financial statements. The committee later reviewed the Group's results for the first quarter of 2015 and, in accordance with corporate governance rules and the internal rules of the Audit Committee, reviewed existing internal control procedures and the 2014 Chairman's report on internal control and risk management procedures.

During the year the committee also reviewed the Company's interim financial statements at 30 June 2015 and the work of the Group's Internal Audit department carried out in the first half of 2015. At the end of 2015, it reviewed the Group's results for the third quarter along with the expected outlook for the end of the year.

The committee has met three times since the beginning of 2016. It first reviewed the Company's financial position, its liquidity requirements and the forecasts for 2016. It considered the Group's main risks and commitments (dispute between Sequana and BAT Industries Plc, pension benefit obligations in the UK) and discussed the measures to be taken with regard to the forthcoming expiry of the principal and deputy Statutory Auditors' terms of office.

It was briefed on the reports prepared by the Internal Audit department in 2015 and obtained an understanding of the action plan for 2016. In the presence of the Statutory Auditors, the committee reviewed the 2015 financial statements and made recommendations to the Board in respect of the accounts closing procedure. It also reviewed the Chairman's report on internal control and risk management for 2015 along with the Group's forecast results for the first quarter of 2016.

Strategy Committee

The Strategy Committee met on two occasions in 2015 with an attendance rate of 89%. It met at the beginning of that year mainly to review (i) the terms and conditions and impact of the operations planned by Sequana in connection with the sale of Arjo Wiggins Ltda in Brazil and of 85% of the entities that own Arjowiggin Security's Security Solutions operations, and (ii) the consequences of the sale of receivables by their holders under Arjowiggins' syndicated loan agreement. It also met at the end of the year to discuss the transactions likely to be carried out in 2016.

Executive Committee

The Executive Committee is made up of senior Group executives. At 31 December 2015, the committee included the following members:

Pascal Lebard	Chairman and Chief Executive Officer of Sequana and Chief Executive Officer of Antalis and Arjowiggins
Hervé Poncin	Senior Executive Vice-President of Sequana and Chief Operating Officer of Antalis
Xavier Roy-Contancin	Group Chief Financial Officer, Chief Financial Officer of Antalis
Antoine Courteault	Company Secretary

Guy Léonard, Chief Operating Officer of Arjowiggins and Group Human Resources Director until 28 July 2015, was also a member of the Executive Committee until this date.

All members of the Group's Executive Committee have been with Sequana for at least 10 years and have between 10 and 20 years' experience on average in the paper industry.

Compensation

The Board of Directors reviews the Company's executive compensation practices and ensures that they comply with the recommendations published by AFEP and MEDEF, or with recommendations that may be issued by competent authorities, in particular the AMF.

Executive corporate officers

Since 27 June 2013, the roles of Chairman of the Board of Directors and Chief Executive Officer have been combined and entrusted to Pascal Lebard.

Overall compensation

Compensation payable to the Chief Executive Officer

The annual compensation paid to the Chief Executive Officer comprises a fixed portion and a variable portion which are set each year by the Board of Directors based on recommendations made by the Nominations and Compensation Committee.

The fixed portion of Pascal Lebard's annual compensation, corresponding to €900,000 since 2010, was maintained in 2015, pursuant to a decision of the Board of Directors' meeting of 9 April 2015, previously approved by the Nominations and Compensation Committee. Based on a recommendation of the Nominations and Compensation Committee, the Board of Directors' meeting of 26 February 2016 also decided to maintain Pascal Lebard's fixed compensation at €900,000 for 2016.

Regarding his variable compensation, the Board of Directors' meeting of 27 June 2013, after having decided to combine the roles of Chairman of the Board and Chief Executive Officer and entrusted this position to Pascal Lebard, resolved to maintain the terms and conditions of Mr Lebard's variable compensation in his capacity as Chief Executive Officer as decided by the Board meeting of 25 April 2013, i.e., variable compensation representing up to 100% of his fixed compensation, based on changes during 2013 in consolidated EBITDA, the Group's net debt at end-2013, management of the Group's working capital, and the policy of reducing overheads and capacity. This amount may be increased further to a decision of the Board of Directors acting on a discretionary basis, provided that strategic transactions are carried out in good conditions and in line with the three-year plan and the Group's general refinancing arrangements.

At its meeting of 29 April 2014, the Board of Directors decided not to pay Pascal Lebard any variable compensation for 2013. This decision was in line with the recommendations of the Nominations and Compensation Committee and Pascal Lebard's own proposals, taking into account the Group's situation and in particular the restructuring operations in progress and their impact on employees, as well as Sequana's operating performance in 2013. At this same meeting, the Board set the variable compensation for 2014 – which could represent up to 100% of Mr Lebard's fixed compensation – depending on the implementation and success of the Group's transformation plan as defined for 2014 – including its industrial and financial restructuring – as decided by the Board, and on Sequana's share price. After considering the opinion of the Nominations and Compensation Committee, the Board may also at its own discretion decide to modify this variable compensation based on a qualitative assessment of Mr Lebard's work.

At its meeting on 9 April 2015, after considering the recommendations of the Nominations and Compensation Committee, the Board of Directors placed on record that the Group's transformation plan had been implemented as planned in 2014 and decided to set Mr Lebard's variable compensation for 2014 at 100% of its target value, corresponding to the amount of his fixed compensation (€900,000). The payment of two-thirds of this amount (€600,000) was not subject to any conditions, whereas payment of the remaining third (€300,000) was contingent on the completion of the sale of the Brazil-based company Arjo Wiggins Ltda. As this sale was completed in May 2015, this amount was paid. At the same meeting, the Board also set the criteria to be used to calculate Mr Lebard's variable compensation for 2015 and decided that it may represent up to 100% of his fixed compensation. These criteria are based on (i) the Group's operating results and cash management (which together account for 50% of the overall amount), and (ii) the success of the distribution and production strategies determined by the Board and the finalisation of the succession plan for the Group's senior executives (which together account for the other 50%). The Board also reserved the right to increase Mr Lebard's variable compensation to 110% of his fixed compensation if it deemed such a rise justified in light of any exceptional transactions occurring in 2015.

On 26 February 2016, after adjusting the objectives set in order to take account of the exceptional transactions in 2015, the Board of Directors considered that:

- based on EBITDA as reported in 2015, 50% of the corresponding target which had been weighted at 33.33% should be taken into account;
- given the success of the strategy defined in the distribution and production businesses along with the completion of the succession plan for the Group's senior executives, 90% of the corresponding objectives, each of which had been weighted at 25%, should be taken into account;
- the objectives set as regards cash management and maintenance of the liquidity needed by the Group to conduct its operations, which had been weighted at 16.7%, had been met in full.

The amount of variable compensation payable therefore came out at 80% of the target amount. However, considering the crucial importance of the sale of the Security Solutions business to the Impala group and the reduction in Arjowiggins' debt in 2015, the Board decided to increase Mr Lebard's variable compensation to 100% of his fixed salary, i.e., €900,000.

At its meeting on 29 March 2016, the Board set the criteria to be used to calculate Pascal Lebard's variable compensation for 2016. The latter may represent up to 100% of his fixed compensation if all the corresponding performance conditions are met. The Board also reserved the right to increase Mr Lebard's variable compensation to 110% of his fixed compensation if it deemed such a rise justified in light of any exceptional transactions occurring in 2016. These performance conditions are based on both operating and financial criteria and qualitative criteria. The operating and financial criteria include Sequana's EBITDA levels and the net debt to EBITDA ratio compared to the amounts set by the Board in the 2016 budget at the end of 2015, each of which accounts for 35% of the variable compensation. The three qualitative criteria, each of which accounts for 10% of the variable compensation, include implementing the Arjowiggins Security division turnaround plan, monitoring and implementing the succession plan set up in 2016 and continuing to roll out Sequana's strategic plan.

It should be noted that the Group has established the precise degree to which these quantitative criteria were achieved. However, this information is not disclosed for confidentiality reasons.

Compensation payable to the Chairman of the Board of Directors

Between 2008 and 2013, the Chairman of the Board of Directors received annual attendance fees of €250,000 for these duties, on top of the attendance fees to which he was already entitled in his capacity as a director. These additional fees were deducted from the aggregate amount of attendance fees payable. The additional fees were consideration for his duties as Chairman of the Board and specifically for his role and responsibilities in organising the Board's work as defined by Sequana's Articles of Association.

At its meeting of 27 June 2013, the Board decided not to award Pascal Lebard any specific compensation in respect of his duties as Chairman. Consequently, Mr Lebard does not receive any specific compensation for his duty as Chairman of the Board of Directors or any attendance fees other than those related to his tenure as a director.

At the same meeting of 27 June 2013, after having appointed Jean-Pascal Beaufret as Vice-Chairman and with his agreement, the Board decided not to grant Mr Beaufret any specific compensation for these duties. Consequently, Mr Beaufret does not receive any compensation in his capacity as Vice-Chairman other than the attendance fees payable in respect of his tenure as a director.

Aggregate executive compensation and benefits

The table below sets out all compensation and benefits payable and paid by Sequana and the companies it controls to executive corporate officers in 2014 and 2015:

Overview of compensation, stock options and free shares allocated to executive corporate officers

Table 1	2014	2015
Pascal Lebard Chairman and Chief Executive Officer		
Amounts payable in respect of the year (see Table 2)	€1,844,552	€1,864,337
Value of variable multi-year compensation allocated during the year	-	-
Value of options allocated during the year (see Table 4)	-	-
Value of free shares awarded during the year (see Table 6)	-	-
Total	**€1,844,552**	**€1,864,337**

Overview of compensation payable to each executive corporate officer

Table 2 (Gross amounts before tax)	2014 Amounts payable in respect of 2014	2014 Amounts paid during 2014	2015 Amounts payable in respect of 2015	2015 Amounts paid during 2015
Pascal Lebard Chairman and Chief Executive Officer				
Fixed compensation	€900,000	€900,000	€900,000	€900,000
Annual variable compensation (see page 63)	€900,000	€0	€900,000	€900,000
Variable multi-year compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Attendance fees	€44,552	€43,878	€63,981	€42,435
Fringe benefits	-	-	356	€356
Total	**€1,844,552**	**€943,878**	**€1,864,337**	**€1,842791**

Besides the aforementioned fringe benefits granted to Pascal Lebard in 2015 (see above), corresponding to a company car in an estimated amount of €2,136 (€356 for 2015), no benefits whatsoever were granted by Sequana (or by the companies it controls) in 2014 or 2015 to its executive corporate officers, and no variable multi-year compensation arrangement was put in place.

Share awards

On 9 February 2010, the Board of Directors set up a share award plan for key management personnel and executives considered to play a key role in the Group's development. Under this plan, Pascal Lebard was awarded 540,000 shares measured at the grant date in accordance with IFRS 2 at an amount of €5.4670 per share.

All 540,000 shares accruing to Pascal Lebard were subject to presence and performance conditions related to Sequana's three-year business plan. These conditions were to be assessed on 31 December 2011 and again on 31 December 2012. The performance criteria for the shares granted to Pascal Lebard were based equally on Sequana's consolidated EBITDA and its consolidated net debt.

As 50% of the related performance conditions had been met at 31 December 2011, Pascal Lebard acquired 180,000 shares in Sequana on 30 April 2012 (with a par value of €1.50 each), corresponding to 50% of two-thirds of the total number of shares awarded. The remaining shares would have vested on 30 April 2013 had the specific performance conditions been satisfied at 31 December 2012. As this was not the case, Pascal Lebard did not receive any free shares in 2013 and no longer has any share award entitlements.

The 180,000 shares acquired by Mr Lebard on 30 April 2012 were combined on 15 November 2012 (based on six old shares with a par value of €1.50 for one new share with a par value of €9), resulting in a total of 30,000 shares. The lock-up period applicable to these shares expired on 30 April 2014. However, in accordance with the AFEP-MEDEF recommendations on executive compensation, Pascal Lebard is required to hold a portion of the acquired shares, corresponding to 50% of the net capital gain on the acquisition value, until the end of his term of office or until such time as his office is renewed. At the date the French version of this registration document was filed, Mr Lebard still held all of the 30,000 shares he acquired on 30 April 2012.

No free shares (including performance shares) were awarded to the Company's executive corporate officers in 2014 or 2015.

Share awards granted in the past to the Company's corporate officers are shown in the table on page 68.

Stock options

No stock subscription or purchase options were granted to executive corporate officers by the Company or by the companies it controls in 2014 or 2015.

Stock options granted by Sequana or its subsidiaries during the year to executive corporate officers

Table 4	No. and date of plan	Type of options	Value under IFRS	Number of options granted in 2015	Exercise price	Exercise period
Pascal Lebard Chairman and Chief Executive Officer	*none*	-	-	*0*	-	-

No stock subscription or purchase options were exercised by executive corporate officers in 2014 or 2015.

Stock subscription or purchase options exercised by executive corporate officers during the year

Table 5	No. and date of plan	Number of options exercised in 2015	Exercise price
Pascal Lebard Chairman and Chief Executive Officer	*none*	*0*	-

Stock options granted in the past to the Company's corporate officers are shown in the table on page 68.

Other compensation and miscellaneous benefits

Table 11	Employment contract	Top-up pension plan	Indemnities or benefits payable in the event of termination or a change of position	Indemnities relating to a non-competition clause
Pascal Lebard Chairman and Chief Executive Officer	No	No	Yes[1]	No

(2) Since 28 April 2015 as mentioned below.

Other than the compensation mentioned above, in 2014 and until 28 April 2015 the Company did not make commitments of any kind to its executive corporate officer in terms of compensation, indemnities or benefits payable or likely to be payable in connection with or following the assumption, termination or change of duties.

On 28 April 2015, acting on the recommendation of the Nominations and Compensation Committee, the Board of Directors determined the compensation, indemnities and benefits ("termination benefit") for which Pascal Lebard could be eligible in the event of the termination or a change of his position as Sequana's Chairman and Chief Executive Officer. This termination benefit may represent up to 1.5 times Mr Lebard's annual salary at the date his duties are terminated (based on his fixed compensation for the year plus the most recent amount paid for his variable compensation). Payment of the benefit will be contingent on Mr Lebard achieving the same performance conditions as those set by the Board for his variable compensation for the two years preceding the termination of his duties, with each condition carrying the same weighting. These financial conditions comply with the recommendations of the AFEP-MEDEF corporate governance code, as revised in November 2015. The termination benefit will not be payable if Mr Lebard (i) leaves the Company at his own initiative, (ii) is no longer an executive corporate officer at the date of his departure, or (iii) is entitled to claim his retirement pension within a short period following his departure.

Pascal Lebard is not eligible for any other type of benefits (except for the company car as mentioned on page 64) and he does not have – and has not had during his tenure as an executive corporate officer – an employment contract (including an employment contract which was suspended but not cancelled) binding him to Sequana or another company controlled by Sequana. In addition, he is not bound by any non-competition clause with respect to the Company. Pascal Lebard benefits from the same pension scheme as the Company's other executives, i.e., a "traditional" scheme. Current employees and executives do not benefit from any guaranteed or defined benefit pension scheme that could have a long-term financial impact on the Company. Pascal Lebard has the same rights as the Company's other executive employees in terms of health cover and travel insurance, and is not entitled to any further benefits.

Non-executive corporate officers

Members of the Board of Directors receive attendance fees in an amount determined by shareholders at the Annual General Meeting.

Amount and breakdown of attendance fees

The Annual General Meeting of 21 May 2008 set the annual amount of attendance fees payable to members of the Board of Directors at €700,000, applicable until such time as shareholders decide otherwise.

Up to 27 June 2013, the date on which the roles of Chairman and Chief Executive Officer were combined, the Chairman was allocated a yearly amount of €250,000 and all directors were allocated an aggregate amount of €450,000. At its meeting of 27 June 2013, the Board of Directors decided, in agreement with the persons concerned, not to allocate any specific compensation to the Chairman of the Board or to the Vice-Chairman in respect of their duties. Accordingly, the Chairman and Vice-Chairman would not collect any compensation other than the attendance fees attributable to them in their capacity as directors, and the distributable portion of attendance fees was therefore limited to €450,000 per year until the Board decides otherwise.

However, given the important work carried out by the Board over the past few years, the commitment required of its members and the members of its committees, and their resulting greater responsibilities, the Board of Directors' meeting of 21 October 2015 resolved to increase the annual distributable portion of attendance fees up to the maximum amount authorised by the shareholders, i.e., €700,000.

Regarding the allocation of attendance fees, the amount of €450,000 payable to directors and non-voting observers for 2014 and of €700,000 as from 2015, is split into a fixed portion paid in consideration of the work carried out by the directors outside of Board meetings and for the duties entrusted to them, and a variable portion to be allocated among the directors and non-voting observers based on their rate of attendance at Board meetings and, if applicable, at the meetings of any committees of which they are members.

The fixed portion, representing 40% of total attendance fees, is divided equally between the directors. The variable portion, comprising 60% of total attendance fees, is divided among the members of the Board, the committee members and the non-voting observers in accordance with their attendance at the meetings to which they are invited in relation to their respective duties and responsibilities.

Payment of attendance fees

Pending any new decision by the Board, attendance fees for each financial year shall be paid as follows:

- prepayment of part of the fixed portion and part of the variable portion calculated on the basis of directors' attendance at past meetings and the estimated number of meetings for the year, at the end of the Annual General Meeting held during the year in question;
- payment of the remainder of the fixed and variable portions in the first month of the year following that in respect of which the attendance fees are paid.

Aggregate attendance fees paid to Board members in respect of 2015 totalled €667,130.

When attendance fees are payable to legal-entity directors, they are paid directly to the entity in question and not to their permanent representatives, i.e., to Bpifrance Participations for Éric Lefebvre since his appointment as a non-voting observer in 2012.

The table below sets out attendance fees and other compensation paid by Sequana and the companies it controls to non-executive corporate officers in 2014 and 2015:

Attendance fees[1] and other compensation received by non-executive corporate officers

Table 3

Non-executive corporate officer	Amounts paid during 2014	Amounts paid during 2015
Luc Argand Attendance fees	€34,710	€35,689
Other compensation	-	-
Jean-Pascal Beaufret Attendance fees	€53,045	€60,628
Other compensation	-	-
Christine Bénard Attendance fees	-	€40,884
Other compensation	-	-
Odile Desforges Attendance fees	€46,945	€44,742
Other compensation	-	-
Jean-Yves Durance Attendance fees	€44,649	€49,180
Other compensation	-	-
Michel Giannuzzi[2] Attendance fees	-	-
Other compensation	-	-
Éric Lefebvre Attendance fees	€27,519	€29,377
Other compensation	-	-
Marie Lloberes Attendance fees	€45,403	€51,487
Other compensation	-	-
Pierre Martinet Attendance fees	€47,699	€10,603
Other compensation	-	-
Michel Taittinger Attendance fees	€30,889	€35,689
Other compensation	-	-
Allianz France Attendance fees	€36,989	-
Other compensation	-	-
Bpifrance Participations Attendance fees	€37,760	€42,435
Other compensation	-	-
TOTAL	**€405,608**	**€400,714**

(1) Before withholding tax, if applicable.

(2) As Michel Giannuzzi was appointed on 21 October 2015, he received his attendance fees for 2015 in January 2016.

The corporate officers (including representatives of legal-entity directors) do not receive any other attendance fees, or more generally any other compensation from the Company's subsidiaries, in respect of their duties within the Company, nor do they receive any other benefits from the Company. As stated on page 58, no service agreements have been entered into, directly or indirectly, between the Company and any of its executive or non-executive corporate officers.

Stock option plans

Summary of stock options (and other financial instruments carrying rights to shares in the Company) granted to corporate officers

Table 8

None

There are no stock subscription or purchase option plans currently in force within the Company. The last stock subscription option plan was approved by the Board of Directors on 3 May 2005 following the authorisation given by the Annual General Meeting on the same date. The 515,000 options awarded under this plan at the time, subsequently adjusted to 226,813 options following the corporate actions carried out (including 46,224 options awarded to Pascal Lebard), lapsed on 3 May 2013 without any such option having been able to be exercised since their exercise price was higher than the price of the Sequana share.

No hedging instruments were used by the Company for beneficiaries of outstanding stock option plans, including corporate officers.

Stock options (and other financial instruments carrying rights to shares in the Company's capital) granted in 2015 to the top ten employee grantees (i.e., excluding corporate officers) and options exercised in 2015

Table 9	Total number of options granted//shares subscribed or purchased	Weighted average price
Options granted by Sequana and any company falling within the scope of its option awards in 2015 to the top ten employee grantees of Sequana and any company falling within this scope	0	-
Options granted by Sequana and the aforementioned companies exercised in 2015 by the ten employees having purchased or subscribed for the most options	0	-

Share award plans

Pascal Lebard is the only corporate officer who holds free shares granted by Sequana. These shares were granted under the 9 February 2010 share award plan (see page 65).

Details of share awards to corporate officers over the past few years

Table 10	2010 plan
Date of AGM	11 May 2007
Date of Board of Directors' meeting	9 February 2010
Total number of free shares awarded under the plan	1,921,000
o/w Total number of free shares awarded to **Pascal Lebard**	540,000
Vesting date(1)	*First tranche*: 30 April 2012 *Second tranche*: 30 April 2013
End of lock-up period(2)	*First tranche*: 30 April 2014 *Second tranche*: 30 April 2015
Number of free shares vested for Pascal Lebard on 30 April 2012 (first tranche) *(shares with a par value of €1.50)*	180,000
Number of free shares vested for Pascal Lebard on 30 April 2013 (second tranche)	0
Number of free shares held by Pascal Lebard at 31 December 2015 *(shares with a par value of €1)*	30,000(3)
Outstanding rights to free shares held by Pascal Lebard at 31 December 2015	0

(1) *The performance conditions that were applicable to vesting are described in detail on page 65.*

(2) *As well as the mandatory two-year lock-up period, Pascal Lebard must also hold a portion of his free shares until the end of his term of office or until such time as his term of office is renewed (see page 65).*

(3) *The 180,000 shares with a par value of €1.50 which vested on 30 April 2012 were combined on 15 November 2012 (based on six old shares with a par value of €1.50 for one new share with a par value of €9), resulting in a total of 30,000 shares, each with a par value of €9. The par value of these shares was reduced to €1 following the capital reduction carried out on 25 June 2014.*

Free shares awarded to corporate officers in 2015 by Sequana and Sequana Group companies

Table 6

Corporate officer[1]	No. and date of plan	Number of shares awarded in 2015	Value under IFRS	Vesting date	Availability date	Performance conditions
Pascal Lebard Chairman and Chief Executive Officer	none	0	-	-	-	-

(1) Sequana's other corporate officers are not eligible for free share awards.

No free shares were awarded by Sequana or any Sequana Group company to the corporate officers in 2014 or 2015.

Free shares which became available to corporate officers in 2015

Table 7

Corporate officer[1]	No. and date of plan	Number of shares which became available in 2015	Vesting conditions
Pascal Lebard Chairman and Chief Executive Officer	-	0	-

(1) Sequana's other corporate officers are not eligible for free share awards.

Executive Committee

In line with the Group's compensation policy for top-level management and key management executives, compensation payable to members of the Executive Committee includes a fixed portion and a variable portion based on the Group's performance (particularly key results for the year in question) and on the executives' individual performance.

The aggregate amount of gross compensation and benefits paid to members of the Executive Committee during 2015 (see page 62 for details of Executive Committee members), excluding compensation paid to the Chairman and Chief Executive Officer and described above, was unchanged from 2014, i.e., €2.5 million, including €1.3 million relating to fixed compensation. A termination indemnity of €0.8 million was also paid to a member of the Executive Committee during the year.

The variable portion paid in early 2016 to Executive Committee members in respect of 2015 was discussed at a meeting of the Nominations and Compensation Committee and approved by the Board of Directors at its meeting of 26 February 2016.

No free shares were awarded to members of the Executive Committee in 2014 or 2015 and Executive Committee members do not currently have any entitlements to either free shares or stock options.

Compliance with the AFEP-MEDEF corporate governance code

Sequana complies with the applicable provisions of the AFEP-MEDEF corporate governance code, except for the recommendations set out in the table below, which were amended or interpreted by the Company in light of its specific situation.

AFEP-MEDEF recommendations	Sequana's practices
4. The internal rules of the Board of Directors should specify the cases in which the Board's prior approval is required.	The Board's internal rules refer to the Company's Articles of Association, which specify in Article 16 the cases in which the Board's prior approval is required.
9.4. To qualify as independent, a director shall not have served as a director of the Company for more than 12 years.	Michel Taittinger, a director of Sequana until 21 October 2015, held this office since 2005. He also served as a non-voting observer between 2000 and 2005. Nevertheless, the Board considered that Mr Taittinger qualified as an independent director (see detailed explanation on page 57).
19. An executive corporate officer should not hold more than two other directorships in listed companies not affiliated with the Group.	Until 29 April 2015, Pascal Lebard held more than two directorships in listed companies outside the Sequana Group. This combination of directorships did not, however, prevent Pascal Lebard from duly and properly fulfilling his duties at Sequana, since his directorships were in companies engaged in businesses similar to those in which Mr Lebard has already worked and in which his expertise therefore facilitated his duties. Since 29 April 2015, Mr Lebard has complied with the recommendations of the AFEP-MEDEF corporate governance code and since that date only holds two directorships in listed companies that are outside the Sequana Group (Lisi and Bureau Véritas – see page 47).

Related-party agreements

Agreement entered into and approved in 2015, already approved by shareholders

The following agreement falling within the scope of Article L. 225-38 of the French Commercial Code was entered into in 2015:

Commitment given on 28 April 2015 to Pascal Lebard

On 28 April 2015, the Board of Directors decided, in accordance with Article L. 225-42-1 of the French Commercial Code, that Pascal Lebard would be entitled to an indemnity in the event of the termination of his duties as Sequana's Chairman and Chief Executive Officer. This termination benefit may represent up to 1.5 times Mr Lebard's annual salary at the date his duties are terminated (based on his fixed compensation for the year plus the most recent amount paid for his variable compensation). Payment of the benefit will be contingent on Mr Lebard achieving the same performance conditions as those set by the Board for his variable compensation for the two years preceding the termination of his duties, with each condition carrying the same weighting. The termination benefit will not be payable if Mr Lebard (i) leaves the Company at his own initiative, (ii) is no longer an executive corporate officer at the date of his departure, or (iii) is entitled to claim his retirement pension within a short period following his departure.

This commitment given by the Company to Pascal Lebard on 28 April 2015 constitutes a related-party agreement within the meaning of Article L. 225-38 of the French Commercial Code. A report was therefore prepared by the Statutory Auditors and the agreement was submitted for shareholder approval at the Annual General Meeting held on 23 June 2015, at which it was approved.

No other related-party agreement was signed in 2015. Consequently, no agreements will be submitted for approval at the forthcoming Annual General Meeting.

Agreements already approved by shareholders which remained in force in 2015

It should first be recalled that at its meeting on 9 April 2015, the Board of Directors decided that – as permitted under Article 38 of French governmental order 2014-863 dated 31 July 2014 – the agreements entered into prior to 2 August 2014 that fall within the scope of the exemption applicable to agreements signed between a company and a wholly owned subsidiary as provided by Article L. 225-39 of the French Commercial Code subsequent to the application of the governmental order, would not be reviewed by the Board on an annual basis. This decision applies to the following agreements which are therefore excluded from the verification procedure provided for in Article L. 225-40-1 of said code:

- the Group's refinancing agreements of 30 April 2012, amended on 30 April 2013 and 26 June 2014 (Arjowiggins and Sequana, respectively) and on 24 July 2013 and 25 June 2014 (Antalis International);
- conciliation agreements signed on 5 June 2014 by Arjowiggins, Antalis International and their respective lending banks.

The conciliation agreement regarding Sequana's debt, signed on 5 June 2014 and approved on 27 June 2014, between Sequana, Arjowiggins, their respective lending banks and Sequana's main shareholders (Bpifrance Participations, Exor SA and several Allianz group companies), which was approved by Sequana's Board of Directors on 9 April 2014 pursuant to Article L. 225-38 of the French Commercial Code, ceased to be binding on the aforementioned main shareholders of Sequana before the start of the 2015 financial year. However, the agreement continued to have an impact in the year, albeit solely for Sequana's lending banks, Natixis and BNP Paribas, up to 27 March 2015 and 31 March 2015, respectively, the dates on which Sequana paid ahead of maturity the amounts due under the credit agreements binding it to the two banks.

Lastly, aside from ties of ownership, there are also agreements within the Sequana Group covering the provision of internal, legal, administrative, accounting and financial services as well as intragroup financing and tax consolidation agreements that link or may link Sequana and its subsidiaries. These agreements are common to any group and are entered into on an arm's length basis. The services are paid for in line with general market practices. There are no other remunerated agreements between Sequana and its subsidiaries that could be construed as related-party agreements.

The Statutory Auditors' special report on related-party agreements and commitments approved in 2015 can be found at the end of Chapter 4.

Statutory Auditors

Statutory audit engagements

The principal Statutory Auditors (see below) prepare auditors' reports in respect of the parent company and consolidated financial statements of Sequana:

	Appointment	Renewal of term of office	Expiry of term of office
Principal			
PricewaterhouseCoopers Audit 63, rue de Villiers 92208 Neuilly-sur-Seine Cedex, France *represented by Stéphane Basset*	19 May 1998	18 June 2004 19 May 2010	2016
Constantin Associés *(member of Deloitte Touche Tohmatsu Limited)* 185, avenue Charles de Gaulle 92200 Neuilly-sur-Seine, France *represented by Jean-Paul Séguret*	10 May 2006	26 June 2012	2018
Deputy			
Yves Nicolas 63, rue de Villiers 92208 Neuilly-sur-Seine Cedex, France	18 June 2004	19 May 2010	2016
François-Xavier Ameye 185, avenue Charles de Gaulle 92200 Neuilly-sur-Seine, France	10 May 2006	26 June 2012	2018

Details of fees paid to the Statutory Auditors are disclosed in Note 33 to the consolidated financial statements.

As the terms of office of PricewaterhouseCoopers Audit and Yves Nicolas as principal and deputy Statutory Auditors, respectively, were due to expire at the end of the Annual General Meeting called to approve the 2015 financial statements, at the Annual General Meeting of 12 May 2016 it will be recommended that the shareholders reappoint PricewaterhouseCoopers Audit as principal Statutory Auditor and appoint Jean-Christophe Georghiou (partner of PricewaterhouseCoopers Audit) as deputy Statutory Auditor, each for a term of six years, i.e., expiring at the end of the Annual General Meeting called to approve the 2021 financial statements.

This recommendation is in line with the new EU audit regulations, and is made to the shareholders by the Board of Directors based on the prior approval of the Company's Audit Committee, which examined issues concerning auditor independence and the need to rotate the PricewaterhouseCoopers Audit partner signing off on the financial statements. Stéphane Basset, currently representing PricewaterhouseCoopers Audit, has served as Statutory Auditor since 27 June 2013.

The committee considered and pronounced itself fully satisfied with the quality of the services provided by, and the communication established with, PricewaterhouseCoopers. In the current context of profound changes for Sequana requiring a long-term vision of the issues it faces, the committee also took into account PricewaterhouseCoopers Audit's knowledge of the Group's history and audit stability. It did not consider that a call for bids would necessarily lead to a more informed choice, and accordingly recommended that the Board reappoint PricewaterhouseCoopers Audit without any such bidding procedure. Based on the above, the Company also recommended Jean-Christophe Georghiou's appointment as deputy Statutory Auditor.

Chapter 3
RISK MANAGEMENT

Investors are requested to review all of the information presented in the registration document, including the following section on risk exposure, prior to taking a decision to acquire Sequana shares or any other financial instruments issued by Sequana. The risks described are those risks existing at the present time which, in the opinion of Group management and in the event that they crystallise, may have a material adverse impact on Sequana's business, financial position, results or development prospects. Investors should bear in mind that as of the date on which the registration document was filed, other unidentified risks or risks not deemed by management as constituting a material potential risk to Sequana's business, financial position, results or development prospects may also exist.

The Group has taken measures to contain certain risks and to enhance its risk management procedures. These are presented in the Report of the Chairman of the Board of Directors which describes the conditions for preparing and organising the work of the Board (Chapter 2) as well as the internal control procedures deployed throughout the Group, included at the end of this chapter.

The risks to which the Group is exposed mainly comprise market risks, financial risks, industrial and environmental risks, and legal risks. Where possible, the Group insures or hedges all or a portion of these risks.

Business-related risks

Risks related to the paper market

Demand for the Group's products and services depends chiefly on advertising and communication investment and on demand from businesses and government organisations.

Demand for printing and writing paper is particularly sensitive to changes in the economic environment and spending habits, such as:

- reduction by businesses of marketing and communication expenditure against a backdrop of economic crisis;
- reduction in paper usage due to the widespread use of computerised tools and the internet.

With the propagation of these tools in the personal and professional environment, new habits have formed, favouring advertising and communication by email.

Furthermore, greater awareness of environmental issues has reduced the physical printing of emails and electronic documents, automatically leading to a decrease in demand for office paper.

This market environment is discussed in further detail in the section on the Group's strategy in Chapter 1.

Excess capacity in the paper sector linked to falling demand for printing and writing papers, along with the tough economic climate in recent years, have prompted certain paper manufacturers to increase their direct sales to end customers in certain product categories, at the expense of sales via distributors. This trend became more pronounced in 2014 in Germany, Benelux and France, the main paper distribution markets in Europe.

Antalis' market position is essential in this context. Antalis has enhanced and cemented its relations with its strategic suppliers while continuing to leverage the key differentiating factors that set it apart from its competitors, benefiting from its extensive range of high value-added products and solutions and its highly efficient supply chain.

The Group's capacity to adjust to changes in demand depends on its ability to develop and manufacture new products in line with customer expectations at competitive prices. That is why Sequana puts innovation at the heart of its strategy for all of its activities.

Raw materials and energy risks

There are two types of raw materials and energy risks:

- risks related to the availability of supplies when there is a change in the pattern of demand. For example, changes in the paper pulp market due to the increasing importance of China put periodic pressure on supplies. Similarly, the shake-out in the European market for petroleum-derivative monomers has led to leaner sizing of resources in certain segments for other latex-type processed raw materials. The Group's supplies are also affected by geopolitical and climatic events;
- risks related to changes in prices driven by either periodic pressure on supplies or external factors affecting prices of paper pulp, cotton, raw materials or energy (weather conditions, monomer prices for latex, cereal prices for starch, etc.). Such changes can sometimes occur very rapidly. For example, cotton prices increased almost three-fold between September 2010 and March 2011.

In theory, a 10% rise or fall in the price of raw materials in 2015 would have had the following impacts on Arjowiggins' results:

- Energy: €8 million
- Cotton: €2 million
- Pulp: €15 million
- Waste paper: €5 million

Where possible, Arjowiggins has entered into contracts spanning several years with partner suppliers to optimise total procurement costs for certain specific raw materials over time and it has hedged a very large portion of its medium-term (i.e., between one year and 18 months) energy requirements in order to lock-in pricing arrangements. In 2010, as part of the Exeltium project, Arjowiggins entered into a long-term arrangement for the supply of electricity at predefined prices over a 15-year period to cover part of the energy requirements of its three most energy-intensive French mills. Nevertheless, while benefiting from the security offered by such fixed-price arrangements, Arjowiggins may risk missing out on opportunities arising from prolonged periods of low electricity prices. Arjowiggins may also use financial instruments (fixed-price swaps) to hedge a portion of its paper pulp purchases based on forecast prices. However, it no longer held any such instruments in portfolio at 31 December 2015 or at the date on which this registration document was filed.

Country risk

Sequana Group subsidiaries operate in numerous foreign countries whose currencies may at times fluctuate erratically and whose political stability is not always certain. The impact of these risks on the financial statements of Antalis and Arjowiggins is attenuated by the fact that their operations are mainly concentrated in the European market.

Incoterms

Group sales are exposed to a relatively low level of risk in relation to Incoterms (International Commercial Terms setting out the liabilities and obligations of a seller and a buyer in international commercial transactions, particularly in terms of loading, carriage, means of transport, insurance and delivery). The Group's exposure varies depending on the business concerned and on how its supply chains are organised.

As a distributor, the bulk of Antalis' sales are in local markets. While most of its sales are subject to Incoterm DDP (Delivery Duty Paid), the fact that its supply chains are organised around physical deliveries within very short periods (less than one day) means that Incoterms are not all that relevant.

When billing export sales, Arjowiggins usually applies Incoterm DAP (Delivered at Place) for goods sent by road, and Incoterms CIF (Cost, Insurance and Freight) and CFR (Cost and Freight) for goods sent by sea. At the end of the reporting period, sales for goods in transit are only recognised once the risk and rewards have been transferred to the customer, as assessed based on Incoterms. However, the proportion of export sales remains limited and the amount of undelivered sales at the end of the reporting period is limited by supply chain logistics designed to keep such exposure to a minimum.

Financial risks

Liquidity risk

The comprehensive restructuring of the Group's financing agreements conducted in 2014 took place amid a continuing deterioration in market conditions. In this context, the Group considered it vital to step up the pace of its strategic refocus, through a business plan that would result in a much leaner financial structure. The operating performance of the Group – especially on the production side of the business – was severely affecting the cash flow situation and had increased Arjowiggins' debt to untenable levels, jeopardising its long-term solvency.

As part of this continuing process, during the first half of 2015, the Group complied with its final obligations under the new agreements that came into effect in the summer of 2014. The potentially tight liquidity situation has been eased by the major restructuring of the Group's balance sheet, involving:

- cutting the Group's bank debt by half when compared with the situation prior to the renegotiation. Arjowiggins' bank debt has actually been settled in full thanks to the transaction concluded with the Impala group;
- significantly extending the maturity of Antalis' loans and introducing more flexibility into borrowing arrangements;
- raising fresh cash from the capital increase of July 2014 and the sale of Arjo Wiggins Ltda.

In the first quarter of 2015, Antalis fulfilled its obligation to launch a trade receivables factoring programme in line with the commitments taken with regard to its lenders to set up alternative sources of financing to reduce their own exposure: the resulting €200 million raised was used to repay the banks within the syndicated loan pool accordingly. The maximum amount available under the credit facility was therefore reduced to €315 million.

This new arrangement gives Antalis access to two separate secure sources of funding for the next few years, since the maturity of most of its factoring agreements matches the term of its syndicated loan, i.e., 31 December 2018. This will allow the Group to finance its operational liquidity requirements while pursuing its medium-term development and transformation strategy.

However, Antalis is still required to respect certain conditions under both its bank financing and factoring programmes, particularly covenants based on solvency ratios which are tested on a regular basis.

These covenants are defined on the basis of business forecasts and seasonal trends underlying the business plan, and any under-performance with regard to these forecasts resulting in a failure to meet contractual conditions could prompt the lenders to scale back their commitments or even to withdraw them.

Furthermore, since the amounts lent by factoring organisations are secured by trade receivables, the level and quality of these receivables have a direct impact on the available financing. Even a temporary decline in the Group's business would inevitably lead to a reduction in its receivables balance used as a basis for the credit granted. If this decline were to persist, Antalis could be exposed to a liquidity risk. This would also apply in the event of a significant deterioration in the financial position of Antalis' customers, since it may affect the lenders' assessment of the quality of the receivables. However, this risk is mitigated by the significant diversity of Antalis' customer portfolio.

The redundancy plan currently being implemented by Arjowiggins following the closure/sale of two mills represents a considerable drain on the company's cash resources and payments will continue to put pressure on Arjowiggins' cash position throughout 2016. Consequently, two aspects of the business transformation plan remain key:

- generating, as expected, operating cash flows at the sites to which the discontinued operations have been transferred, requiring highly effective planning and adaptation at the host sites. After the temporary problems encountered in the second half of 2015, production picked up again in early 2016. However, the risk of significant production downtime continues to exist due to the work needed to adapt certain machines to market needs and the related loss of earnings, or the risk of mills being affected by one-off contingencies such as fire or flooding, as already encountered at certain mills. The Group will continue to do all it can to mitigate these two risks insofar as possible;
- following the extinction of its syndicated credit facility as a result of the financial restructuring programme, Arjowiggins needs to raise secure additional sources of funding to cover the period in which it will have to pay out significant amounts for the employment protection plan, as existing available sources are likely to be insufficient (such as financing raised under the factoring programmes in place since 2008, as well as more limited use of authorised overdrafts). In late 2015, the Group set up sale and leaseback arrangements based on a number of the Group's industrial assets and put its Healthcare business up for sale. Other additional financing opportunities currently under consideration could bear fruit towards the middle of 2016 and these combined measures should provide Arjowiggins with sufficient cash resources to cover its liquidity requirements over the redundancy plan disbursement period.

Finally, the Group's liquidity could be significantly impacted by a change in supplier payment terms and this risk is developed in the Supplier risk section.

In early April 2016, the Group reviewed Arjowiggins' liquidity risk and it believes that it can honour its commitments.

Counterparty risk

Customer risk

The Group's companies have forged special relationships with their customers over the years. The degree of dependence on any one customer is analysed if the volume of sales with this customer exceeds 10% of total sales.

Antalis serves around 123,000 customers in 43 countries. The broad diversity of its customer mix – offset and silkscreen printers, converters, companies, government organisations – means that Antalis has a relatively low customer concentration risk and none of its customers generates more than 2% of its total sales.

While Arjowiggins has a narrower customer mix than Antalis (distributors, converters, printers, etc.), it still has a relatively low customer concentration risk and none of its customers (apart from Antalis) generates more than 10% of its total sales.

However, some of Arjowiggins' businesses are on markets where its customers are governmental, public or semi-public bodies. This type of customer can influence the seasonal nature of sales and inflows. In particular, national central banks – generally bound by exclusive supply agreements for issuing money – present a low credit risk but, unlike the Group's other businesses, can impose on their suppliers (which include the Group and its banknote business) unpredictable order schedules as a result of unforeseen political and budgetary constraints. These types of transactions are generally governed by legislation on public procurement contracts specific to each country, and in some cases specific regulations that can differ significantly from private sector trading practices. The resulting market and competitive environment can also be a risk factor for the Group.

Customer credit risk is assessed at the level of each sub-group based on the size of each sub-group's portfolio of trade receivables. It mainly comprises default risk arising upon expiry of the period of credit granted to the customer where it is not possible to repossess the goods sold – in spite of the contractual clause providing for retention of title – because they have been transformed by the customer.

In 2006, Arjowiggins negotiated a framework credit insurance policy with a credit insurer and its main European subsidiaries entered into bilateral agreements with the credit insurer selected. Some of these agreements have since been amended, notably to reflect factoring programmes that have been set up.

Similarly, in 2012 Antalis negotiated a framework credit insurance policy with a credit insurance provider and its French, UK and German subsidiaries entered into bilateral agreements with the credit insurer selected. Antalis' other subsidiaries negotiate local credit risk insurance policies.

The Group's different types of credit risk exposure along with the related management procedures and provisioning policy are presented in Note 18c to the consolidated financial statements in Chapter 4.

Supplier risk

In order to secure the best possible purchasing conditions, each of Sequana's subsidiaries purchases from a limited number of strategic suppliers.

Antalis' ten biggest suppliers accounted for almost 68% of its purchases in value terms in 2015, and a single supplier represented more than 20% of its purchases in value terms. Antalis is exposed to the risk of its paper producer suppliers, which are implementing policies of selling directly to end customers, thus bypassing Antalis and attacking its market share. However, this risk is limited somewhat by Antalis' high-performance supply chain and ability to satisfy customers.

Arjowiggins' main purchases consist of raw materials (mainly pulp and waste paper) and energy. Arjowiggins' ten biggest suppliers of raw materials and energy accounted for 57% of its purchases, and no supplier represented more than 20% of its purchases in 2015.

The Group's two businesses have been granted payment terms by their suppliers that allow them to optimise their working capital. The ability to maintain the payment terms granted by the Group's suppliers is contingent on the level of coverage provided to suppliers by the credit insurance companies and/or on the assessment made by suppliers' credit analysts of the associated risk. This assessment is chiefly based on the economic environment and on Arjowiggins' and Antalis' commercial and financial performance. It also considers the businesses' liquidity outlook and timing of repayments. Any uncertainties concerning one of these aspects can have an adverse impact on risk analyses and consequently on the payment terms granted by the suppliers.

A significant and prolonged reduction in these payment periods would quickly have an adverse impact on the liquidity position of Antalis and Arjowiggins.

Risks relating to financial partners

In view of the Group's current financial situation, its financial investments are either used to invest excess cash drawn down under bank credit facilities or to put up collateral for its subsidiaries. The Group's policy is to only put up financial collateral for subsidiaries in which it has a controlling interest.

When implementing its hedging strategy (hedging of foreign exchange, interest rate and raw materials risks), Sequana is also exposed to counterparty risk with the pool of top-ranking banks it uses to set up its hedges.

More detailed information on counterparty risk is provided in Note 18b to the consolidated financial statements.

Market risk

Within the Group, Antalis and Arjowiggins each manages its finances autonomously. Sequana's Treasury Management department manages interest rate and foreign exchange risks on behalf of each of the Group's two main subsidiaries (Arjowiggins and Antalis). The Group uses derivative instruments when appropriate to hedge its exposure to changes in interest rates (swaps) and foreign exchange rates (forwards, swaps and options).

Market risks and market risk hedging strategies are described in further detail in Note 18c to the consolidated financial statements in Chapter 4.

Foreign exchange risk

Foreign exchange risk is mainly concentrated in the Group's operating subsidiaries – Antalis and Arjowiggins – and related to the regions in which their businesses are located or are otherwise present. Foreign exchange risk may result from sales or purchases (raw materials or goods for resale) made in currencies other than an entity's local currency. The Group hedges these risks when appropriate, mainly using forward contracts and currency swaps and to a lesser extent, currency options.

The crystallisation and hedging of foreign exchange risk and the fair value measurement of currency hedges are analysed in Note 18c to the consolidated financial statements.

Although Sequana's net investments outside the euro zone are exposed to fluctuations in exchange rates against the euro that may impact the Group's assets and liabilities, it has not set up any hedges of investments in foreign operations.

Interest rate risk

The Group is exposed to interest rate risk on its debt as its primary sources of financing are at floating rates of one, two or three months in the currency concerned (Euribor for the euro and Libor for the US dollar and pound sterling). Derivatives are used to manage this exposure (essentially interest rate swaps) when appropriate. At 31 December 2015, no such derivatives were outstanding.

The crystallisation and hedging of interest rate risk and the fair value measurement of interest rate hedges are analysed in Note 18c to the consolidated financial statements.

Economic assumptions used in the financial statements

Note 4 to the consolidated financial statements describes the methods used by the Group to assess the recoverable value of its assets, such as the discount rates and operating assumptions used to draw up business plans. Similarly, the Group's obligations in respect of defined benefit pension plans are estimated using the actuarial inputs set out in Note 16 to the consolidated financial statements.

Any significant change in any of these methods is likely to have a significant impact on the Group's financial statements and can represent a risk factor. The Group's sensitivity to the assumptions used is described in detail and measured in the aforementioned notes.

Equity price risk

Sequana's non-consolidated holdings currently comprise its 15% residual holding in Arjo Systems and Arjowiggins Solutions in which it sold a majority 85% stake to Impala group as part of an operation conducted in the first half of 2015. Arjowiggins also has a non-controlling interest in the Exeltium consortium which has been set up to provide some of France's most energy-intensive businesses with secure, long-term sources of electricity.

The Group's other marketable securities described in Note 8 to the consolidated financial statements are mainly composed of units in medium-term, liquid money-market funds which are not exposed to the risk of a decline in value.

Industrial and environmental risks

Sequana's production and distribution businesses give rise to a certain number of industrial and environmental risks. Arjowiggins' production-related risks concern the nature and use made of raw materials and equipment as well as the different types of waste generated by its mills. These risks are fully taken into account and are managed through the environmental management systems used by all mills. These systems are compliant with ISO 14001 and their certifications are audited by independent third parties. Antalis' industrial and environmental risks are mainly indirect and located upstream of its value chain. They chiefly include risks relating to product traceability and to illegally harvested timber. Antalis manages these risks by requiring all suppliers to make detailed disclosures concerning the origin of raw materials and the manufacturing processes involved. This information is integrated within a dedicated platform, which collects all supplier-related information and particularly regulatory data, and is designed to ensure full compliance for the Group and all of its stakeholders.

Risks to people

Through the equipment and the various components used in paper manufacturing, Sequana's production facilities present a certain number of risks for operatives. These risks break down into various different categories:

- risks related to airborne particles (fine wood dust);
- risks related to the use of chemical products (inhalation following accidental liquid spills, creation of toxic clouds due to leakage from containers or faulty equipment, accidental explosions during movements of chemicals, accidental release into the environment of chlorine dioxide, explosions of stored products, etc.);
- risks related to pollution and discharges (odorous compound emissions, noise, waste sludge containing heavy metals, phenols, resin acids, chlorinated organic compounds, etc.);
- risks related to machines and fixtures (fire, crushing or pinching of limbs in a machine, falls into open bowls during preparation, injury by cutting, electric shocks related to unprotected electric relays, etc.);
- risks related to handling and on-site operations (back injuries, shocks or crushing caused by falling packaging/reels, shocks or crushing caused by lifting and handling vehicles, etc.).

These numerous dangers inherent to industrial paper manufacturing and the use of various items of equipment can lead to occupational injury and serious accidents, both during the usage phase and during cleaning and maintenance operations.

Sequana is therefore responsible for putting in place and ensuring the rigorous application of the most stringent standards guaranteeing the safety of its employees and for regularly verifying and adjusting the Group's policy in this area. These standards are implemented via regular audits and an analysis of each incident or accident. The Arjowiggins group also systematically organises training sessions for each employee before he/she takes up their post as well as regular awareness-raising campaigns.

The Group systematically engages in dialogue with employee representative bodies (previously the Occupational Health and Safety Committee in France) in order to take into consideration employees' expectations, and to prepare ways of raising awareness and training schemes aimed at reducing the risks in mills and warehouses.

Furthermore, in order to prevent physical injury, and more generally ensure good workplace safety conditions, the safety and security of industrial installations is progressively enhanced at each production facility through continuous investments.

In order to reinforce the health and safety of employees at its various production facilities, the Group has undertaken to set up management systems designed specifically to address these issues. These systems are compliant with OHSAS 18001 and are certified and audited by independent third parties. To date, 12 of Arjowiggins' 16 production and converting facilities have been certified OHSAS 18001 and these include all of its mills, where the related risks are highest. As regards Antalis' distribution activities conducted via leased or outsourced logistics platforms, 11 of the 92 biggest warehouses have obtained OHSAS 18001 certification.

Existence of asbestos at some Arjowiggins mills

Certain mills previously operated by the Arjowiggins group have been found to contain traces of asbestos or were given an asbestos classification. Some former employees have developed asbestos-related illnesses, which have been recognised as occupational illnesses by the French primary health insurer (*Caisse primaire d'assurance maladie* – CPAM). The Compensation Fund for Asbestos Victims (*Fonds d'indemnisation des victimes de l'amiante* – FIVA), which has paid damages to those affected (or to their beneficiaries), has filed a claim against CPAM and Arjowiggins' successors at the mills seeking the repayment of these sums, alleging gross negligence on the part of the employer. Other disputes have been initiated by employees (or former employees) for anxiety as a result of their exposure to asbestos.

In February 2015, a decision covering all of these disputes was handed down by the lower courts regarding all outstanding proceedings, granting damages for anxiety but dismissing the plaintiffs' claims for additional sums. Arjowiggins settled those claims which had not been appealed by the former employees.

Environmental risks

Potentially dangerous raw materials and different types of fossil energies as well as various manufacturing by-products pose a number of environmental risks. The Group manages these risks by continually striving to limit the use of such sensitive materials, controlling the production of waste and effluent in strict compliance with local regulations, and altering its energy mix in order to reduce the use of fossil fuels with a large carbon footprint.

The environmental policy developed by the Group in 2012, which began to be deployed in 2013, endeavours to be fully compliant with applicable regulations. It meets the latest regulatory requirements and in particular EU Directive 2004/35/EC on environmental liability (or biodiversity damage) and its transposition in 2008 into French law (Act No. 2008-757). The policy also complies with the EU Timber Regulation No. 995/2010 dated 3 March 2013, banning illegally-sourced timber from the common market.

However, the Group is aware of its environmental impacts and for several years has pursued a proactive environmental policy that goes above and beyond regulatory requirements. This takes the form of dedicated management systems for key issues related to risk management. The quality, safety and environmental certification provided by the ISO 9001, ISO 14001 and OHSAS 18001 standards enables the Group to have an overall risk management policy. These three standards are based on similar models, thereby facilitating integration. They also form the basis for ISO 26000, which the Group chose as its reference framework in 2011. Within the Group, virtually all of Arjowiggins' production facilities are certified to the standards: ISO 14001 (Environment), ISO 9001 (Quality Management) and OHSAS 18001 (Health and Safety). These certifications are audited and regularly validated in a report by independent third parties. Since 2014, additional energy management certification (ISO 50001) is being sought for all of Arjowiggins' mills and 5 out of 11 mills have been awarded this to date.

Use of chemical products, fibres and mineral content, and related discharges

The risks associated with certain chemical products (chlorine dioxide, sulphuric acid and soda ash) used in paper making need to be very carefully monitored. Arjowiggins strives to carefully monitor and limit the use of these products in its mills. Whenever possible, it systematically recycles waste paper and increases the use of recycled paper as a secondary raw material in certain divisions in an effort to deploy solutions with the least possible impact on both people and the environment. Preventing and reducing the risk of accidents due to dispersal of the aforementioned products, resulting in environmental pollution, is a major concern for the Group.

In its use of chemical products, Arjowiggins complies strictly with the applicable legislation in the countries in which it is present, in respect of authorisations, security forms, labelling, storage, utilisation, haulage and disposal procedures. In particular, it applies REACH regulations (Registration, Evaluation, Authorisation and Restriction of Chemicals) that have been in force since 1 June 2007 (EC 1907/2006).

In 2016, Arjowiggins plans to set up a cross-functional working group spanning all its businesses to focus on the whole area of chemicals. Its work will take place over a number of years and it will be tasked with consolidating best practices in this area and reducing the related risks.

Use of energy and atmospheric discharges

Arjowiggins' energy policy has two major focuses. The first is improving energy efficiency on an ongoing basis. The related initiatives involve daily, strict machine maintenance and targeted investments in machines that use less energy.

To improve its energy stewardship and manage the associated risks more effectively, the Bessé-sur-Braye, Château-Thierry, Le Bourray and Wizernes mills (until plan's closure)operated by Arjowiggins Graphic (62% of the Group's energy consumption) have been ISO 50001-certified since late 2013. ISO 50001 is a specification for an energy management system based on ongoing improvement in energy performance, and guarantees the development of a specific policy based on the definition of targets.

By rigorously implementing tools to assess and monitor data, corrective measures can be deployed to improve both management processes and operations. ISO certification therefore ensures that ever greater consideration is given to energy management issues at the mills. Another two Group mills (Stoneywood and Palalda) were awarded this certification in 2015.

The second is concerned with the energy mix. Constantly rising prices for fossil fuels, coupled with the increasing strain placed on the environment by these same fossil fuels, are diverting the Group's present and future energy procurement strategy towards alternative – mostly renewable – sources of energy. Initiatives to replace fuel or coal with natural gas are systematically deployed at mills that are still heavy users of these sources of energy. The key strategy over the coming years will be based around the switch to renewable resources such as biomass.

Generating heat from biomass boilers that use wood chips has many advantages, not least a much smaller environmental footprint than any other fossil fuel. Using waste (wood) to produce biomass-to-energy also reduces drawdown of non-renewable fossil raw materials and the related GHG emissions. This is the principle underpinning the energy transition project being developed at the Arjowiggins Healthcare mill in Palalda, France, in partnership with a local operator. This project has been up and running since early 2014 and powers machines by burning wood scraps.

Use of water and waste effluent

Significant quantities of water are drawn down, mainly to prepare pulp, blend and convey the fibres throughout the manufacturing process. But the quantity of water actually consumed (not counting the water returned to the natural environment) is merely 5% to 10% of the volume drawn down. Therefore risks related to the use of water mainly arise in relation to the quality of the water returned to the natural environment.

Reducing the quantity of water used in the paper manufacturing process remains a challenge for certain Arjowiggins mills. Some mills are located in areas of potential seasonal water stress where local authorities have imposed restrictions on both individuals and businesses.

Consequently, the Group must do its utmost to develop production techniques that reduce water abstraction and the Group's water footprint on an ongoing basis. Closed-loop water recycling projects are currently in progress at certain mills, particularly in cleaning and washing cycles. Using recycled water in manufacturing processes raises several issues related to the physico-chemical properties of the recycled water as well as its temperature. Other ways of reducing the amount of water used in manufacturing processes include more effective maintenance of equipment and water pipes to prevent and eliminate leaks as well as the use of water substitutes in certain washing processes.

The quality of waste effluent and management of the related risk is the overriding environmental concern at all Arjowiggins' mills. Each has its own waste treatment facilities and these must comply with very strict legislation. This guarantees that the quality of waste water complies rigorously with local regulations. Water and waste water quality is checked both upstream and downstream from each mill on a daily basis and regularly monitored by the relevant local authorities. The existing physico-chemical facilities at these mills now also include biochemical treatment facilities and some have been equipped with tailored waste treatment cycles.

Management of waste

A commitment to reduce waste is another key plank in Arjowiggins' strategy. The group is using ISO 14001 Environmental Management Certification – which it has obtained for all of its mills – to manage its waste more efficiently through systematic sorting of all waste before it is entrusted to firms specialised in recycling or waste treatment. Waste reduction initiatives reduce Arjowiggins' environmental footprint and the related costs. The volume of waste generated by each business line (ordinary and special industrial waste) is tracked on a regular basis (see table 6.12).

Supplies

The large majority of products manufactured or distributed in relation to the Group's businesses are paper-based and are therefore derived directly from timber sources. Certain risks associated with the nature of the raw material have to be carefully considered by the Group. The main such risks include the risk of timber originating from illegal harvests or from deforestation. Although most pulp used to manufacture paper is certified as to the source of the raw material by the Forest Stewardship Council (FSC) or the Pan European Forest Certification (PEFC) scheme or is sourced in European forests (thereby significantly reducing the associated deforestation risk), it is nevertheless extremely difficult to eliminate this risk completely for certain complex supply chains. The difficulty in obtaining oversight of the entire supply chain is exacerbated by the fact that Arjowiggins is not an integrated producer and therefore has to purchase pulp to use in its manufacturing process.

However, all the product traceability initiatives put in place (certification, controlled wood, supplier questionnaires, due diligence) ensure optimum consideration of the associated risk and are proof of the Group's determination to reduce the risk as far as possible.

The new regulation on illegally harvested timber (EU Timber Regulation No. 995/2010), which came into force on 3 March 2013, seeks to ban illegally harvested timber and timber products on the EU market. Operators placing timber products on the EU market are now required to exercise due diligence with regard to their timber supplies sourced outside the European Union. As part of this due diligence requirement, operators placing timber on the market should assess the risk involved, and also endeavour to mitigate any risk identified.

In order to comply with this new regulation, the Group has set up two separate due diligence systems for each of its businesses. For the paper manufacturing business concerned by this regulation as regards its purchases of pulp, a specific questionnaire collecting information on the origin of the pulp used has been sent to all non-European supplies. Compliance and traceability certificates are managed centrally by Arjowiggins Sourcing, so as to be able to respond to any checks performed by the regulatory authorities. For the distribution business (Antalis), a new platform was set up in 2013 to collate information on suppliers. This online tool allows information on all suppliers concerned to be centralised in a reliable and effective manner. The platform also includes a tool to assess country and deforestation risks and the risk of using protected tree species, with a view to industrialising the process. In 2015, information collated from around 214 suppliers of paper and non-paper products covered more than 80% of supply volumes. Although it is not feasible to include all of Antalis' suppliers on the platform at present, the group does try to include the highest-risk suppliers, particularly those located outside of the European Union. At end-2015, the Antrak platform contained data on over 1,350 products and more than 510 related mills.

Environmental risk insurance

To better identify and manage the risks relating to its production and distribution businesses, the Group took out a P&C environmental insurance policy in 2013 on the 16 Arjowiggins mills and Antalis' distribution centres. It concerns design, production, storage and distribution activities in the paper business and in the authentication and traceability solutions business (until its sale), the transport of ethanol on behalf of customers, and certain ancillary and related businesses. However, work to remove or confine friable or non-friable asbestos, site dismantling and decontamination operations are not included. This policy covers the period from 9 July 2013 to 9 July 2016.

The aim is to secure coverage for the Group in the event of third party claims for environmental damage: site decontamination costs and damage prevention costs are therefore insured. The policy also insures the Group against operating losses caused by environmental damage or pollution (under certain contractual conditions).

The insurance provides a maximum €10 million coverage per claim over the insured period.

Risks to goods and property

While the major risks involved in manufacturing and distributing paper concern people and the environment, risks relating to equipment, buildings and products also need to be considered. The different Group sites are also exposed to potential risks that include fire, flooding and technical breakdowns (breakages, collapse, etc.).

Fire

Fires could potentially be caused by industrial manufacturing processes, certain raw materials, dust and certain maintenance operations.

An annual review of fire risks by Arjowiggins' insurers is used as the basis for managing this risk. Compliance with action plans in line with recommendations on fire break-outs, sprinkler systems, fire hoses and extinguishers is inspected each year by accredited third parties. Sprinkler systems have been fitted in particular in high-risk areas housing equipment or used for storage. Special extinguisher systems protect electrical and machine control rooms.

On-site response teams have been set up and trained in fire drill procedures, and exercises for evacuating all employees are organised regularly at each mill. A more specific training programme on the different aspects of fire risk is prepared each year together with the insurance company and the Group's accident prevention team based on audit findings. The manner in which the recent fire at the Crèvecœur mill was handled confirmed the reliability of the different processes.

Flooding

Paper and pulp production mills are systematically located very near rivers and potentially exposed to the risk of flooding. Flooding risks at each mill are also reviewed annually by Arjowiggins and its insurers.

Each plant has developed plans to clean up waterways and canals in their vicinity, surveillance procedures based on warning levels and emergency plans for protecting or evacuating machinery and products.

Technical breakdowns

In spite of the deployment of maintenance and security measures, unforeseen technical breakdowns affecting plant and equipment may still cause harm to either people or property. The related risks at each plant are also reviewed annually by Arjowiggins and its insurers. In 2015, Sequana's insurer declared that 18 facilities* were Highly-Protected Risks (HPR) – the highest possible safety status designation.

* This number includes the Wizernes and Charavines mills which shut down during the year.

Legal risks

Specific regulations

Each of the Group's companies takes measures to ensure compliance with the specific laws and regulations governing its business activities.

Arjowiggins' industrial operations are subject to a range of regulations that are constantly evolving and becoming ever stricter, particularly in the environmental sphere. As a result, as mentioned previously, Arjowiggins treats environment-related industrial risks as an inextricable component of its operations.

In addition to the regulations referred to beginning on page 79, Arjowiggins' French businesses are required to comply with regulations concerning environmentally classified facilities. The construction, extension or conversion of Arjowiggins' mills therefore requires a permit from the local authorities that takes into account the technical and financial capacity of the applicant in compliance with Decree No. 2010-368 of 13 April 2010.

Arjowiggins' environmental report for 2015 is provided in Chapter 6, page 204.

In accordance with Decree No. 2011-829 of 11 July 2011 concerning the reporting of greenhouse gas emissions and the territorial climate and energy plan, a number of the Group's mills located in France now report annually on their GHG emissions as well as on the actions they have taken/are planning to take to reduce such emissions.

Regulatory compliance programme

In light of changing anti-trust regulations and fair trading practices based on ethical principles, the Group has put in place a code of conduct containing all of the rules to be respected both internally and externally by its partners. This code of conduct specifies the appropriate behaviour to adopt in business dealings and dealings with third parties. An audit and training programme on compliance with anti-trust regulations was rolled out in the Group's companies in a bid to promote best anti-trust practices. This programme is based on (i) training sessions and initiatives to foster awareness among employees of anti-trust legislation and the latest developments in this area, and (ii) procedures for identifying, flagging and stamping out any non-compliant practices. In the sectors that are most exposed, either due to the nature of the business involved or to their location, compliance committees meet regularly to approve agreements entered into with intermediaries and audits are performed to certify that the appropriate measures are respected. Arjowiggins Security, for example, is one of the founding members of the Banknote Ethics Initiative (BnEI) which accredits companies in the banknote paper manufacturing sector according to their degree of compliance with anti-corruption and anti-trust regulations. The company received its accreditation in 2014, thereby confirming its compliance with best business practices.

This Sequana-driven policy forms one of the key planks of Arjowiggins' and Antalis' employee training programmes.

Links with or dependence on other parties

To the best of the Company's knowledge, other than those mentioned above, no commercial contracts have been entered into by Group companies, except for Arjowiggins' Security division (see page 76), the expiry or breach of which could have a significant impact on the Company's financial position, operations or results.

The structure of the markets – in terms of both purchasing and sales – in which the Group's subsidiaries operate, enables them to limit supplier and customer risks. No Group company is overly dependent on any of its suppliers or customers.

In terms of supplies, Arjowiggins remains exposed to fluctuations in pulp, cotton, waste paper and energy prices.

As regards intellectual property, the Group registers trademarks in France and throughout the world in order to protect the image and products of its companies. A number of these trademarks are widely renowned. All of the trademarks necessary for the Group's operations are owned directly by the subsidiary concerned or by the Group.

The Group's companies – particularly Arjowiggins – hold several patents which they use directly or licence to third parties. They also use patents under licence from third parties, some of which have been granted exclusively.

Although these trademarks, patents and licences have a certain value, the expiry or loss of the related rights would not jeopardise the financial position of either Arjowiggins or Antalis.

Pension benefit obligations for staff in foreign subsidiaries

Certain of the Group's employees in foreign subsidiaries – notably in the UK and also in the US up to 2014 – benefit from pay-as-you-go and defined benefit pension plans. The bodies responsible for protecting the rights of beneficiaries sometimes require a guarantee from employers to secure the funding of these plans.

United Kingdom

In particular, the Group's UK pension plans have been completely reviewed in liaison with their independent trustees in order to bring them into line with local regulations.

The largest pension fund within the Group is the Wiggins Teape Pension Scheme (WTPS).

The participating companies fund the pension scheme in line with a funding plan reviewed every two years with the trustees. Their contributions are based on beneficiary-related risk and the return on plan assets.

The measurement of the level of funding of the obligation for UK pension schemes by the plan assets can depend on the fund's position as well as the ability of the employer(s) (or their guarantors, where applicable) to meet their obligations. Since March 2008, Arjowiggins and Sequana have provided a joint guarantee to the WTPS trustees of the funding obligations of participating companies. The amount of the guarantee is capped at the lower of 113% of the fund's buy-out deficit as estimated at 31 December each year, or GBP 164 million (€223 million at 31 December 2015). Every year, the buy-out-deficit is recalculated – on a unilateral basis by the actuaries who advise the trustees – at the theoretical amount in the event of the transfer of all of the fund benefit obligations to an insurance company. Following the transfer of the working members of WTPS to the Antalis Pension Scheme (APS) in 2010, similar guarantees were provided by Antalis International and Sequana.

The amount of this guarantee is also capped at the lower of 113% of the fund's estimated buy-out deficit or GBP 61 million (€83 million at 31 December 2015). However, following an agreement that took effect on 12 April 2016, the cap on the guarantee was raised to GBP 125 million (€158 million).

No additional guarantees above these amounts may be given to these pension funds without the approval of the Board of Directors of Sequana. The guarantees expire on 31 March 2025 and on 31 January 2030, respectively, for WTPS and APS, and may be renewed.

There are three other smaller pension schemes in operation in the UK. The obligations of the participating company (Antalis Limited) under these schemes are guaranteed by Antalis International for a maximum amount of GBP 35 million (€48 million at 31 December 2015).

United States

Various pension schemes are in operation for employees or former employees of Arjowiggins' former Coated US division, along with health insurance guaranteed by the employer.

Pursuant to the agreement to sell shares in the company operating this business in the US to Virtus Holding LLC, dated and signed in December 2014, the buyer agreed that the company would pay all of the contributions and benefits due under these schemes for a period of seven years starting from the date of the transaction.

While the Group did not grant any vendor's warranty in respect of this sale, in the event the company fails to pay, the third parties concerned by the pension rights could seek to establish the liability of the Group in its capacity as former shareholder.

Assets required for operations that are not owned by Group companies

Arjowiggins owns all of the mills it operates. However, Antalis operates a large number of its warehouses under leases and, since it does not always own its vehicle fleets, mostly uses transport service providers to meet its needs.

Anti-trust legislation

In view of stricter anti-trust laws, the Group has set up an anti-trust compliance programme aimed at sharing best practices in this field. This programme comprises training and initiatives to foster awareness among employees of developments in anti-trust legislation, and procedures for identifying, flagging and stamping out any non-compliant practices.

The policy forms one of the key planks of Arjowiggins' and Antalis' employee training programmes.

Claims and litigation

The Group is involved in a number of legal proceedings, the most significant of which are described in this registration document. Certain claims, which have arisen in connection with the normal course of business – essentially trade-related (at Antalis, mainly regarding the recovery of amounts owed by customers in financial difficulty or in liquidation) or labour-related disputes – are not expected to result in significant costs for the Group when considered separately. Excluding these claims, however, other disputes exist (see below) for which the Group cannot totally rule out the possibility of them having a significant impact on the financial statements at some date in the future.

Restructuring measures carried out in the wake of the Arjowiggins business transformation plan unveiled on 10 April 2014 continued throughout 2015 and a number of legal challenges were initiated through the courts. No decision has been handed down that is likely to undermine the validity of either the redundancies or the mill closures. An exclusive agreement was signed with a potential buyer for the Charavines site and the sale should go through during the first six months of 2016 (see Chapter 1).

Tax dispute between Boccafin and the French tax authorities

A tax dispute is ongoing between Sequana subsidiary Boccafin (previously known as Permal Group and operating as a partnership limited by shares at the time), and the French tax authorities, who claim that Boccafin was not part of the Sequana tax group. In a decision handed down on 16 May 2013, Montreuil Administrative Court recognised that Boccafin belonged to the Sequana tax group and granted Boccafin a release from the additional income tax that it had been ordered to pay by the tax authorities. The tax authorities appealed this decision before the Administrative Court of Appeal of Versailles which, in a decision handed down on 31 December 2015, upheld the decision of the Montreuil Administrative Court of 16 May 2013. The tax authorities have appealed this decision, however this does not affect the Group's assessment of the consequences of this dispute and, consequently, no provisions have been set aside in the financial statements.

Anti-trust practices on the Spanish envelope market

In late 2012 and early 2013, the Spanish Competition Authority handed down two decisions in which it found that Spanish envelope manufacturers had engaged in horizontal cartel arrangements on both the domestic and export envelope markets. Antalis Envelopes Manufacturing SL has paid two fines – for reduced amounts due to the group's cooperation with the authorities – of €0.5 million and €4.7 million (it was jointly responsible with Antalis International for paying the second of these amounts).

The other envelope manufacturers, who received bigger fines, have appealed the ruling and the Group has joined these appeal proceedings in order to protect its rights. These proceedings are still pending before the courts. In 2015, legal proceedings were also initiated against these other envelope manufacturers by customers who considered that they had suffered harm as a result of the practices which were subsequently punished by the Spanish Competition Authority. Antalis International has not been notified of any claim in this regard and Antalis Envelopes Manufacturing SL has since been liquidated.

Disputes with Fossil Industries Inc.

Fossil Industries Inc. has brought action against Arjowiggins USA before the US courts seeking damages for allegedly faulty products delivered between 2005 and 2009. The proceedings are still pending but to date, Arjowiggins USA has not received any information contradicting its belief that there is no proof to link the alleged damages to the faulty nature of the products sold. Accordingly, it considers that the claim lodged by Fossil Industries Inc. for around USD 30 million is unfounded. In a provisional judgment, the Federal District Court limited Fossil Industries Inc.'s claim to two orders totalling USD 50,000. However, as both parties have appealed this decision, the precise amount involved in this dispute remains undetermined. The Court has also urged the parties to undertake mediation and this should begin in mid-May 2016.

Disputes with Donfield Limited

Donfield Limited has brought action against McNaughton Paper Ireland Limited (an indirect subsidiary of Antalis International) before the Irish courts for the early termination of a long-term real estate lease. Antalis justifies its decision to terminate the lease on the grounds that the lease was invalid due to it violating the rules forbidding any real estate agreement between a company and a related party in the absence of formal authorisation from the shareholders. In the case at hand, although there were links between two executives of McNaughton Paper Ireland Ltd and Donfield Limited, the sole shareholder (James McNaughton Group Ltd – a subsidiary of Antalis International) had not been informed of the terms of the disputed lease and had not authorised the signature of the lease agreement. Antalis considers that Donfield's claims for around €6.5 million are unfounded. Nevertheless, as the outcome of any legal dispute is by definition uncertain, in order to resolve the matter once and for all, the parties signed a settlement agreement in late December 2015.

Litigation with BAT Industries Plc

Sequana is involved in legal proceedings concerning the legality of dividends distributed to it in 2008 and 2009 from its former subsidiary, Windward Prospects Ltd (formerly Arjo Wiggins Appleton Ltd), which was sold on 18 May 2009 to a third party. BAT Industries Plc claims to be a creditor of Windward Prospects Ltd and is seeking an order requiring Sequana to pay it €578 million, corresponding to the sums received. This litigation is the subject of proceedings before the London High Court of Justice initiated by BAT Industries Plc and its subsidiary BTI 2014 LLC, which has acquired the rights of Windward Prospects Ltd.

In substance, the claimants contend that these distributions sought to put the assets of Windward Prospects Ltd out of the reach of its creditors and prejudice their interests, and that the decisions to make said distributions were taken illegally by the Board of Directors of the company in view of the company's distributable reserves at the time. The claimants further claim that these reserves were incorrectly calculated in view of the provisions that should have been set aside by the company to cover decontamination costs relating to the Fox River and other sites in the US.

Sequana considers the arguments of BAT Industries Plc have no merits and contends particularly that the contested distributions were made on the basis of valid decisions taken by the Board of Directors of Windward Prospects Ltd in accordance with applicable legal rules and accounting practice and supported by independent legal advisors. In particular, Sequana considers that the directors of Windward Prospects Ltd carried out all of the necessary reviews and received assurances from their advisors to ensure that the company had sufficient assets to meet its commitments and contingent liabilities. This position is being contested by BAT Industries Plc and BTI 2014 LLC.

Following written opening submissions by legal counsel of both parties, the case got under way at the London High Court of Justice on 23 February 2016. As of the date on which this registration document was filed, cross-examination of witnesses of fact and certain of the experts called as witnesses has been completed. Proceedings should last until the end of April 2016 and the Court's decision could be handed down as early as late June 2016. As with any such dispute, the outcome of this case remains subject to a high degree of legal uncertainty. However, Sequana considers that is has an arguable defence that it intends to deploy in both oral and written pleadings. Consequently, the Group has not set aside any provision for this litigation in its consolidated financial statements.

It should also be recalled that when Windward Prospects Ltd was sold in May 2009, Sequana expressly excluded from the vendor's warranties any risks related to the pollution of Fox River or of any other site subsequently found to be polluted

Insurance coverage

Sequana has set up worldwide insurance programmes to provide coverage against its main business-related risks: accidental damage to buildings, equipment, finished and semi-finished goods and raw materials; the financial consequences of civil liability arising from the Group's operations or from physical injury and material and consequential damage caused to third parties; and claims arising from the professional travel commitments of employees and executives.

The main insurance policies have been taken out in Sequana's name and provide coverage for all of the subsidiaries in most of the countries in which the Group does business. This means that the entire Group now enjoys similar insurance coverage and the same level of guarantees.

The principal insurance cover contracted is as follows:

- insurance for damage to buildings (including production and storage units) and their contents (manufacturing materials, IT equipment, sundry equipment, inventories, etc.) providing coverage representing the amount of the loss likely to be incurred;
- insurance against business interruption arising from property damage;
- insurance to cover physical injury and material and consequential damage caused to third parties and involving the civil liability of Sequana or its subsidiaries: business and product liability;
- insurance covering claims arising from the professional travel commitments of employees and executives;
- insurance covering damage to goods in transit;
- insurance against fraud and malicious damage.

Sequana considers that the insured coverage reflects the type of risks incurred by the Group as well as comparable cover available on the market for companies of similar size that are engaged in similar business activities.

In accordance with standard insurance practices, these are All risks with exceptions-type policies and they provide for exclusions, loss limits for certain risks, such as equipment breakdown, poor supplier performance or substandard service, natural catastrophes, pollution, IT incidents, and acts of terrorism, as well as excesses defined on a plant-by-plant basis and adapted to the amount and risks covered for each business.

Sequana has also deployed a prevention programme – in liaison with its brokers and insurers – for the purpose of reducing both the risk of damage to property and business interruption risk.

The Group has also taken out directors' and corporate officers' liability insurance.

In order to ensure that it pays competitive premiums for appropriate levels of coverage, Sequana puts these insurance policies out to tender every two or three years.

Sequana has a captive insurance entity that it uses to optimise financing of the risk of damage to property and business interruption risk. The captive entity reinsures any claims by Arjowiggins/Antalis for an annual net-of-excess amount of €1.5 million per claim and €3 million per loss year.

For reasons of confidentiality, and due to the structural complexity of the policies in question, the Group does not consider it appropriate to disclose a breakdown of the costs and coverage level for each of the insured risks.

However, the following table sets out the amounts covered for the main risk areas.

(€ millions per claim per annum)	**Sequana Group**
Property damage and business interruption	450
Civil liability	65

To the best of the Company's knowledge, the Group is not exposed to any specific risks – such as serious labour disputes – other than those customarily inherent in any industrial or commercial activity (see environmental policy in Chapter 6, Environmental policy on pages 199 *et seq.*).

Internal control and risk management procedures

This section presents the internal control and risk management procedures deployed on a Group-wide basis. As regards financial and accounting information, Sequana has developed internal control procedures which it aims to apply in accordance with the Reference Framework for internal control issued by the AMF.

Report of the Chairman of the Board of Directors on internal control and risk management procedures

Internal control and risk management system

Objectives

Sequana has implemented various measures aimed at optimising internal control within the Group, notably by ensuring that there are no significant factors that may affect the reliability of the individual and consolidated financial statements. This involves giving due consideration to the material risks arising from the business activities conducted by the Company and its subsidiaries as described at the beginning of this chapter, as well as the risk of error and fraud – particularly in the area of finance and accounting – in order to ensure the reliability and transparency of financial and accounting information and to safeguard the interests of the Company's shareholders. However, no control system can provide absolute assurance that these risks have been completely eliminated.

The procedures applied by executive management and other employees of the Company and its subsidiaries under the supervision of the Board of Directors are designed to provide reasonable assurance regarding the achievement of objectives concerning the reliability of information and compliance with (i) applicable laws and regulations and (ii) the Group's internal practices.

The internal control system is underpinned by three principles:

- shared responsibility: internal control is based on resources provided by the subsidiaries and on the responsibility of each employee, backed by a system of delegation that enables the Group's policies to be consistently applied. Every manager has a duty to exercise effective control over the activities for which he or she is responsible;
- definition and compliance with standards, procedures and data reporting processes;
- segregation of duties: the person carrying out an operation must not also be responsible for validating and controlling that operation.

Risk management is the responsibility of the different divisions in charge of the operating departments in charge of the various risk areas, i.e., the Internal Audit department, Finance department, Legal department, Financing and Corporate Treasury department, the Corporate Social Responsibility department, the Health and Safety department, and the Information Systems department.

Overview

Executive management

Sequana's executive management team is responsible for the internal control system. The Chief Executive Officer ensures that the procedures in place enable the Group to prepare reliable consolidated financial statements, and to effectively monitor its subsidiaries.

Executive management devises the Group's internal control strategy and oversees the implementation of all the related measures. Information is centralised in the form of performance indicators reported to executive management on a regular basis as well as through monthly meetings held to review the performances of the subsidiaries. The Internal Audit department also provides executive management with regular reports.

The subsidiaries, which in France have generally become simplified joint stock companies controlled by a sole shareholder without any corporate decision-making bodies, are headed up by the chairman of the companies concerned and, where appropriate, a chief operating officer chosen on the basis of his or her skills and organisational abilities. They must consult with their majority shareholder before taking a certain number of key decisions. Thresholds have been laid down in the entities' Articles of Association regarding investments and divestments, providing guarantees or collateral, taking on debt and signing settlement agreements concerning legal proceedings. The majority shareholder must be consulted if these thresholds are exceeded.

Operating departments

The Internal Audit department reports directly to the Chairman and Chief Executive Officer of Sequana and its engagements are organised on a Group-wide basis in accordance with a pre-determined audit plan and special assignments that may arise during the year.

Internal audits are directly requested and monitored by Group executive management or the heads of the Group's subsidiaries or divisions. The fact that the Chairman and Chief Executive Officer of Sequana is Chairman of both Arjowiggins and Antalis has simplified decision making and speeded up the entire internal audit process.

The Internal Audit department comprises a team of auditors – mostly specialised in financial audits and audits of critical processes – backed up by external resources. The role of the Internal Audit department is to (i) provide an independent assessment of internal control at each level in the Group, (ii) assist the executive management teams in assessing the effectiveness of their risk management systems, (iii) verify that the procedures described are correctly applied, and (iv) ensure that any problems are resolved and their causes eradicated. It is also responsible for regularly checking that accounting procedures are correctly applied, monitoring the overall internal control environment and ensuring that rules on corporate ethics are respected.

Centralising internal audit has helped to streamline Group-wide audit plans and processes: once each engagement has been completed, a report containing recommendations is sent to the executive management of the audited entity and to Group executive management.

The finance departments of Sequana and its subsidiaries – in liaison with the business managers in the subsidiaries – are in charge of preparing budgets and financial projections, as well as individual and consolidated financial statements. They are also tasked with overseeing the operations carried out by the Group as well as with drawing up and relaying accounting procedures throughout the Group, and ensuring that these are correctly applied and that they comply with the laws and accounting standards applicable to the preparation and publication of financial statements. In addition, the finance departments are responsible for publishing the financial statements on a timely basis.

The Financing and Corporate Treasury department manages the Group's finance and cash resources. It is tasked with tracking the Group's liquidity position and with structuring and negotiating its financing arrangements (credit facilities, factoring agreements, etc.). It uses financial forecasts and weekly cash reports to coordinate financing of the operating subsidiaries and the transfer of any surplus cash to the appropriate holding company via current accounts or lending/borrowing arrangements. As stipulated in the different financing agreements, there are no cash pooling arrangements between Antalis, Arjowiggins and Sequana.

The Financing and Corporate Treasury department is also in charge of devising and implementing the foreign exchange and interest rate risk hedging policy for the Group's main entities and for defining and arranging credit risk insurance policies with credit insurers for the main subsidiaries, in particular when these subsidiaries are involved in a factoring programme.

The IT department is responsible for data security and ensuring that information is communicated via reliable and secure networks, as well as for developing and maintaining applications tailored to the Group's needs. Efficient, secure IT networks are particularly vital for Antalis, given the importance of its (i) sales and marketing functions and (ii) logistics and IT functions. IT systems have to be fast, reliable and sophisticated enough to be able to handle customer requirements in real time. The applications deployed by Antalis (software, e-commerce platforms, etc.) and the accompanying human resources are monitored especially closely.

Data integrity and the effectiveness of automatic controls are enhanced by the use of standard access control software and user profiles. The security of the IT network and systems is enforced by advanced intrusion detection and protection technology. In addition, the Group's main applications and financial consolidation software have back-up procedures guaranteeing rapid recovery of data and services in the event of any major incident.

In early 2015, the Audit Committee ensured that all of these processes were functioning effectively for the Group.

Audit Committee

Sequana's Audit Committee is composed of three members of the Board of Directors. It is responsible for verifying that adequate internal procedures have been deployed for compiling and controlling financial information and ensuring that such information is reliable. Audit Committee meetings are attended by Sequana's Chief Executive Officer, Chief Financial Officer and the Statutory Auditors. The Committee reviews the financial statements prepared by the Company before they are approved by the Board of Directors and ensures that the Group's financial reporting correctly reflects its financial situation. The Committee's duties also include examining the risks to which the Group may be exposed. It receives the action plans and reports prepared by the Internal Audit department and ensures that any recommendations or findings are properly followed up.

Lastly, it analyses any financial, accounting or environmental issues referred to it by the Chief Executive Officer. The Audit Committee meets at least four times a year to examine the quarterly, interim and annual financial statements, and more often if required. It reports to the Board of Directors of Sequana.

In 2015, Sequana's Audit Committee met five times and – in the presence of the Head of Internal Audit – reviewed the audit plans for the Group's main operating subsidiaries. It was also presented with the conclusions of assignments conducted in 2015 and the recommendations that needed to be followed up. One Audit Committee meeting in early 2015 focused specifically on the risk mapping prepared at the end of 2014.

Charters and procedures

Code of Good Conduct

The Code of Good Conduct was widely circulated in 2013 and deals with the rules to be respected in terms of ethical behaviour aimed at avoiding conflicts of interest, fair competition and anti-corruption practices, good stock market conduct, and respect for the environment and human dignity, particularly in terms of labour relations. The Group's ethical rules are based on both corporate responsibility and good governance principles. They are designed to guarantee transparency, avoid conflicts of interest, and prevent the improper use or disclosure of insider information within Sequana.

Accounting procedures

Following the adoption of International Financial Reporting Standards (IFRS), the Group has completely overhauled its consolidation procedures in order to establish internal management rules that are IFRS-compliant. A manual of Group IFRS accounting policies was prepared in 2004 and is updated regularly to reflect amendments to, and interpretations of, these standards.

Management procedures

Within Sequana and each of its main subsidiaries, a number of standard internal control procedures have been formally documented and implemented with the aim of preventing risks, including:

- the segregation of powers concerning expense commitment and settlement procedures;
- the segregation of treasury and accounting functions;
- limits on the number of bank signatories and authorised amounts;
- limits on the delegations of authority in terms of the number of people concerned and the type of authorisations granted.

Group-wide human resource principles and management procedures have been unified within Arjowiggins and Antalis.

The Group has prepared and circulated general guidelines on corporate ethics and integrity to key executives and senior management who may be requested to formally adhere to them.

Internal control initiatives

Risk-reduction measures

Every year, each of the Group's main entities is required to complete a self-assessment process based on detailed internal control questionnaires (341 questions concerning 12 key processes). In 2015, the Group used the launch of a new governance, risk and compliance application to reorganise the self-assessment questionnaire, which was completed by 52 of the Group's entities during the year.

The responses to this questionnaire are centralised and analysed by the Internal Audit department, which then issues a report for each entity as well as a report dealing with each key process on a Group-wide basis. An annual summary of the self-assessment process is submitted to the Audit Committee.

Internal audits were conducted in 13 Antalis entities and 4 Arjowiggins entities during the year and in each case a report complete with recommendations was sent to Group executive management and to the executive management of the audited entity.

The recommendations issued are being followed up to ensure that the action plans deemed necessary at the time of the audit are correctly applied. All of the Group's subsidiaries are internally audited about every three years and progress has been noted in critical processes in all entities without exception since periodic audits were introduced.

Risk maps have been drawn up by both Arjowiggins and Antalis for their main businesses since 2010. In view of current trends in Sequana's markets and changes to the Group's financial structure in 2014, the risk map was updated in the fourth quarter of 2014. Risks were identified based on a survey of some 40 people representing key senior managers and the executive committees of Arjowiggins and Antalis. The position of each risk on the map was determined based on its importance and on the Company's ability to manage it. The updated risk map was presented to the Audit Committee in February 2015.

The Internal Audit department draws up the annual audit plan based on the main risks identified in the risk-mapping process and the principle of covering all Group entities once every three years, and in line with specific requests from Group management.

The internal audit teams also use a database to input and monitor their recommendations to ensure that the action plans put in place at the time of the audit are correctly applied.

Control procedures for legal issues

All of the Group's main subsidiaries use the same software application for managing legal issues relating to equity holdings. This ensures that the legal information concerning all Group entities is consistent.

Depending on each company's business, particular care is taken by the various departments – including legal affairs, human resources, quality control, and safety and security – to protect registered trademarks and patents, combat counterfeiting, comply with economic regulations and anti-trust legislation (especially within the European Union), ensure the safety and security of employees, facilities, buildings and mills, avoid employing illegal workers, and protect the environment. Steps have been taken to enhance the Group's performance in these areas, including measures to (i) increase the number of certified mills and manufacturing processes and (ii) raise employees' awareness of the strategies adopted and provide training on their implementation. In certain sensitive areas (e.g., compliance with anti-trust legislation), training may be provided and tests carried out to monitor the conduct of employees and senior managers in critical situations. The subsidiaries and countries most exposed to these types of risk are inspected on a regular basis. Monitoring compliance in all of these areas will progressively become part of the brief of the Internal Audit department.

Purchase and sales order procedures have been drafted in order to ensure that the applicable regulations are respected and that the relevant employees comply with the Group's code of conduct.

Lastly, the Group's management keeps careful tabs on delegations of power, ongoing legal disputes and insurance coverage, as well as on control procedures concerning employee-related issues, environmental matters, manufacturing processes and information systems.

The Legal department oversees a procedure for validating contracts and significant undertakings entered into in the name of any Group company. Both Antalis and Arjowiggins have developed a procedure for tracking major legal disputes in progress and reporting back to Group executive management and the Statutory Auditors.

Internal control oversight

Oversight of the internal control system is the responsibility of Sequana's executive management team, which reports to the Audit Committee. It must ensure that the system is appropriate for and compliant with Group objectives. The Internal Audit department is also involved in this process via the assignments it carries out and the resulting reports and follow-up procedures. The annual audit plan is approved by the Group's Chief Executive Officer and Chief Financial Officer.

Internal audit reports give rise to action plans and documented follow-up procedures.

Financial reporting system

Sequana's financial reporting system is underpinned by internal control procedures related to the preparation and processing of financial and accounting information.

Accounting policies

The Group's accounting procedures are drawn up under the supervision of Sequana's Chief Financial Officer and are regularly updated to incorporate changes in the applicable accounting standards and rules. This same process is adopted for the Group's risk management rules. Group-wide reporting instructions and guidelines have also been drawn up.

Sequana applies the IFRSs in force within the European Union and applicable when preparing the annual consolidated and interim financial statements of listed companies.

Financial and accounting information

The individual and consolidated financial statements are used to track and analyse the performance of each business. Historical and projected financial data are regularly reviewed at meetings organised with the finance and operational managers of the Group's main subsidiaries.

Any sensitive or problematic issues are examined in depth at these meetings, mainly for the purpose of ensuring the reliability of the financial data reported by the subsidiaries.

Budgets, forecasts and reporting

Although the Group's subsidiaries manage their operations autonomously, control procedures have been set up to oversee their budgeting and financial processes. Meetings are held between Sequana and its subsidiaries on an annual basis for budgets, six-monthly for forecasts and monthly for reporting processes.

The budgeting processes as well as the reviews of the three-year business plans and financial forecasts serve as a framework for tracking monthly and annual results. A shorter-term framework is used when medium-term forecasting becomes difficult due to a lack of visibility into the Group's markets. In all cases, variances are analysed at Group level and must be explained by the subsidiaries; corrective measures are taken where necessary.

As part of the Group's monthly consolidation process, Sequana's Accounting department, as well as the financial control departments of the main subsidiaries, check that transactions have been correctly recorded in the financial statements. The monthly reporting system also enables Sequana to keep abreast of the financial and economic developments in each business area and the operations conducted by each subsidiary.

Financing and treasury management

The general strategies for treasury management and bank relations are coordinated at Group level. The subsidiaries report on their cash positions twice monthly.

The Group's Finance department negotiates financing facilities and handles liquidity and cash flow management and market transactions in line with each subsidiary's individual capacities. Capital expenditure commitments are finalised once the corresponding budgets have been approved.

Participants in the financial reporting system

Sequana's Finance department ensures that the information provided in the individual and consolidated financial statements is true and fair and complies with the Group's rules and procedures. As the department in charge of publishing the financial statements, it also verifies, where appropriate, that the financial statements comply with the standards applicable to listed companies at the end of each reporting period.

The work performed by the Finance department covers (i) routine transactions such as sales, purchases, expenses, capital employed and treasury management, (ii) estimation processes, including the valuation of assets for the purpose of impairment testing, and (iii) handling of one-off operations such as financial transactions or changes in Group structure.

The Finance department plays an active role in the Group's asset valuation process and provides the executive management team with all the necessary information to enable it to estimate balance sheet asset values and to assess whether any impairment losses should be recorded.

For subsidiaries that are major contributors to the Group's earnings, regular meetings are organised and each month an analysis of the accounts is prepared and presented to management (list of individual accounts, cash flow statements, analysis of budget versus actual figures and management indicators). In its annual audit plan, the Internal Audit department includes assignments directly or indirectly linked to financial reporting in order to check that suitable controls are in place and are effective. The internal auditors systematically monitor the implementation of any corrective measures recommended upon completion of their engagements.

The objective of the systems put in place is to provide assurance to the Chairman and Chief Executive Officer of Sequana and the Audit Committee that the procedures applied within the Group to ensure the reliability of financial information are appropriate. Sequana intends to pursue its work on internal control and to continually enhance the quality and reliability of the financial information provided to its shareholders.

The above report on administrative structures and internal control procedures testifies to the Group's commitment in this area. In order to achieve all of the stated objectives, Sequana has deployed general internal control procedures that are based to a large extent on the Reference Framework for internal control and recommendations issued by the AMF.

Statutory Auditors' report, prepared in accordance with Article L. 225-235 of the French Commercial Code, on the report prepared by the Chairman of the Board of Directors of Sequana

For the year ended 31 December 2015

This is a free translation into English of the Statutory Auditors' report issued in French 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.

Sequana
8 rue de Seine
92100 Boulogne-Billancourt
France

To the Shareholders,

In our capacity as Statutory Auditors of Sequana and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended 31 December 2015.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing other information required by Article L. 225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report sets out the other information required by Article L. 225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control and risk management procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board of Directors' report, prepared in accordance with Article L. 225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by Article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine, 30 March 2016
The Statutory Auditors

PricewaterhouseCoopers Audit
Stéphane Basset

Constantin Associés
Member of Deloitte Touche Tohmatsu Ltd
Jean-Paul Séguret

Chapter 4
FINANCIAL POSITION – RESULTS

Overview of the Group's financial position at 31 December 2015

Consolidated results

Reported sales for 2015 were €3,300 million, compared with €3,369 million for 2014.

Recurring operating income was virtually stable year on year at €73 million (2014: €72 million).

The Group posted an operating loss of €3 million in 2015, compared with operating income of €191 million recorded one year previously. This included "Other operating income and expenses, net" for a negative amount of €76 million, mainly comprising:

- €43 million in restructuring costs (2014: €112 million);
- net additions to provisions for asset impairment losses of €32 million, of which €28 million was recorded by Arjowiggins and €4 million by Antalis (2014: net additions of €8 million for Antalis and €9 million for Arjowiggins);

The Group reported a net financial loss of €41 million which was a 27% improvement on the €56 million loss recorded in 2014.

Sequana's effective tax rate in 2015 was -52.3%, compared to 7.4% in 2014. This rate mainly reflects the impacts of the following:

- €34 million in unrecognised deferred tax assets in respect of tax loss carryforwards and certain deductible temporary differences in 2015 (2014: €47 million);
- tax savings of €28 million on unrecognised prior-year tax losses; and
- €31 million in impairment recognised on goodwill and deemed to be non-deductible for tax purposes (2014: €3 million).

The net loss from discontinued operations was €8 million in 2014 and related solely to Arjowiggins' Coated US business.

Net loss attributable to owners was €67 million, compared to net income of €117 million in 2014.

Consolidated assets totalled €1,928 million at 31 December 2015, versus €2,117 million one year earlier.

Non-current assets totalled €711 million at 31 December 2015, compared to €892 million at 31 December 2014.

Shareholders' equity was €468 million at 31 December 2015, compared to €588 million at 31 December 2014.

Gross debt, i.e., current and non-current borrowings and debt, represented €441 million at 31 December 2015 versus €499 million at 31 December 2014. The decrease in gross debt should be understood in conjunction with the agreements allowing the Group to extensively restructure its credit facilities.

Net debt, i.e., gross debt less cash and cash equivalents totalling €206 million at end-2015 (€188 million at end-2014, including €5 million in marketable securities) is also down sharply for the reasons explained above, at €235 million at 31 December 2015, compared to €311 million one year earlier.

Parent company results

The Group's parent company generated net income of €102 million in 2015 compared with net income of €375 million in 2014.

Net non-recurring income for 2015 was €105 million, primarily comprising reversals of provisions for impairment on investments for €326 million and new provisions for impairment losses recognised on investments totalling €225 million.

Total assets amounted to €1,362 million at 31 December 2015 versus €1,250 million one year earlier.

Trade payables (net of €1.2 million in provisions taken) can be broken down as follows by maturity:

- due within 30 days: €0.9 million.
- due within 60 days: €0.3 million.

The increase in equity to €1,301 million at 31 December 2015, from €1,068 million one year earlier essentially reflects a capital increase of €132 million and the income reported for 2015.

There have been no material changes in the Group's financial or commercial position since 31 December 2015, except for those mentioned in Note 32 to the consolidated financial statements and in Note 17 to the parent company financial statements concerning the refinancing of the Group.

The latest financial information verified by the Statutory Auditors relates to the financial year ended 31 December 2015.

Consolidated financial statements for the year ended 31 December 2015

Consolidated statement of financial position

Assets

(€ millions)	Notes	31/12/2015	31/12/2014
Non-current assets			
Goodwill	5a	301	378
Other intangible assets	5b	55	63
Property, plant and equipment	6	166	232
Investments in associates	7	–	2
Non-current financial assets	8	10	7
Deferred tax assets	19	10	6
Other non-current assets	10	169	204
Total non-current assets		**711**	**892**
Current assets			
Inventories	9	337	355
Trade receivables	10	481	468
Other receivables	10	139	114
Current financial assets	8	7	11
Cash and cash equivalents	11	206	183
Total current assets		**1,170**	**1,131**
Assets held for sale	3	47	94
TOTAL ASSETS		**1,928**	**2,117**

Equity and liabilities

(€ millions)	Notes	31/12/2015	31/12/2014
Equity			
Share capital	12	65	51
Additional paid-in capital		163	135
Cumulative translation adjustment	14	(64)	(72)
Bonds redeemable in shares		–	132
Retained earnings and other consolidated reserves		304	342
Shareholders' equity		**468**	**588**
Non-controlling interests		–	–
TOTAL EQUITY		**468**	**588**
Non-current liabilities			
Provisions	15, 16	124	163
Long-term debt	17	249	257
Deferred tax liabilities	19	2	13
Other non-current liabilities	20	13	18
Total non-current liabilities		**388**	**451**
Current liabilities			
Provisions	15, 16	63	63
Short-term debt	17	192	242
Trade payables	20	559	527
Other payables	20	236	231
Total current liabilities		**1 050**	**1,063**
Liabilities related to assets held for sale	3	22	15
TOTAL EQUITY AND LIABILITIES		**1 928**	**2,117**

The notes are an integral part of the financial statements.

Consolidated income statement

(€ millions)	*Notes*	**2015**	**2014**
Sales	*28*	3,300	3,369
Purchases consumed and change in inventories		(2,273)	(2,324)
Personnel expenses	*21*	(517)	(518)
External expenses		(368)	(388)
Taxes other than income taxes		(13)	(13)
Depreciation and amortisation		(47)	(50)
Net (additions to) reversals of provisions		(6)	(2)
Other recurring income (expense) from operations		(3)	(2)
Recurring operating income		**73**	**72**
Other operating income		109	279
Other operating expenses		(185)	(160)
Other operating income and expenses, net	*23*	**(76)**	**119**
Operating income (loss)		**(3)**	**191**
Cost of net debt		(20)	(39)
Other financial income and expenses, net		(21)	(17)
Net financial income (loss)	*24*	**(41)**	**(56)**
Income tax benefit (expense)	*26*	(23)	(10)
Share of earnings of associates		–	–
Net income (loss) from continuing operations		**(67)**	**125**
Net income (loss) from discontinued operations	*3*	–	(8)
NET INCOME (LOSS)		**(67)**	**117**
Attributable to:			
- Sequana shareholders		**(67)**	**117**

Earnings per share			
- Weighted average number of shares outstanding		58,088,069	41,851,882
- Diluted number of shares		58,088,069	67,579,672
Basic earnings (loss) per share (in €)	*13*		
- Earnings (loss) per share from continuing operations		(1.16)	2.97
- Earnings (loss) per share from discontinued operations		–	(0.19)
- Consolidated earnings (loss) per share		(1.16)	2.78
Diluted earnings (loss) per share (in €)	*13*		
- Diluted earnings (loss) per share from continuing operations		(1.16)	1.84
- Diluted earnings (loss) per share from discontinued operations		–	(0.12)
- Consolidated diluted earnings (loss) per share		(1.16)	1.72

The notes are an integral part of the financial statements.

Consolidated statement of comprehensive income

(€ millions)	Notes	2015	2014
Net income (loss)		**(67)**	**117**
Items that may be recycled to profit or loss		**8**	**20**
Translation adjustments	*14*	8	20
Items that may not be recycled to profit or loss		**(65)**	**24**
Actuarial gains and losses related to pension and other post-employment benefit obligations	*16*	(80)	36
Tax impact of gains and losses related to pension and other post-employment benefit obligations	*19*	15	(12)
Total other comprehensive income (loss)		**(57)**	**44**
TOTAL COMPREHENSIVE INCOME (LOSS)		**(124)**	**161**
Of which:			
- Attributable to Sequana shareholders		(124)	161
- Attributable to non-controlling interests		–	–

Consolidated statement of changes in equity

(€ millions)	Numbers of shares issued	Share capital	Additional paid-in capital	Cumulative translation adjustment	Bonds redeemable in shares	Retained earnings and other consolidated reserves	Shareholders' equity	Non-controlling interests	Total equity
Equity at 1 January 2014	**25,011,221**	**225**	**95**	**(92)**	**–**	**93**	**321**	**–**	**321**
Net income	–	–	–	–	90	27	117	–	117
Capital increase(1)	26,049,083	26	40	–	–	(2)	64	–	64
Reduction in share capital(1)	–	(200)	–	–	–	200	–	–	–
Issue of bonds redeemable in shares(1)	–	–	–	–	42	–	42	–	42
Other comprehensive income	–	–	–	20	–	24	44	–	44
Equity at 31 December 2014	**51,060,304**	**51**	**135**	**(72)**	**132**	**342**	**588**	**–**	**588**
Net loss	–	–	–	–	–	(67)	(67)	–	(67)
Capital increase(1)	14,123,047	14	28	–	(132)	90	–	–	–
Other comprehensive income (loss)	–	–	–	8	–	(65)	(57)	–	(57)
Changes in scope of consolidation(2)	–	–	–	–	–	4	4	–	4
Equity at 31 December 2015	**65,183,351**	**65**	**163**	**(64)**	**–**	**304**	**468**	**–**	**468**

(1) Detailed disclosures of corporate actions and movements in share capital are provided in Notes 12 to 13.

(2) This amount comprises the cumulative amount of translation adjustments recognised in Other comprehensive income for Arjo Wiggins Ltda and recycled to income on the disposal date (see Note 1).

The notes are an integral part of the financial statements.

Consolidated statement of cash flows

(€ millions)	*Notes*	**2015**	**2014**
Cash flows from operating activities			
Operating income (loss)		(3)	191
Elimination of non-cash and non-operating income and expenses:			
Depreciation, amortisation and provisions (except on current assets), net	*27*	119	117
Disposal gains and losses	*27*	(87)	(3)
Other non-cash operating income and expenses	*27*	(5)	(268)
Income taxes paid		(12)	(6)
Change in operating working capital	*27*	2	(80)
Net interest paid		(32)	(40)
Change in loans and guarantee deposits		(1)	2
Net cash flows from (used in) operating activities – continuing operations		(19)	(87)
Net cash flows from (used in) operating activities – discontinued operations	*3*	–	(15)
Net cash used in operating activities (i)		**(19)**	**(102)**
Cash flows from investing activities			
Expenditure on acquisitions of property, plant and equipment and intangible assets		(50)	(43)
Proceeds from disposals of property, plant and equipment and intangible assets		11	7
Proceeds from disposals of financial assets		–	3
Impact of changes in scope of consolidation	*27*	33	(2)
Net cash flows used in investing activities – continuing operations		(6)	(35)
Net cash flows used in investing activities – discontinued operations	*3*	–	(2)
Net cash used in investing activities (ii)		**(6)**	**(37)**
Cash flows from financing activities			
Capital increase (decrease) in cash	*12*	–	64
Net change in borrowings and debt		54	(3)
Change in marketable securities with maturities greater than three months		(4)	(4)
Net cash flows from financing activities – continuing operations		50	57
Net cash flows from financing activities – discontinued operations	*3*	–	20
Net cash generated from financing activities (iii)		**50**	**77**
Effects of fluctuations in foreign exchange rates (iv)		1	3
YEAR-ON-YEAR INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (i+ii+iii+iv)		**26**	**10**
Net cash and cash equivalents at start of year		178	237
Net cash and cash equivalents at end of year		204	178
YEAR-ON-YEAR INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**26**	**(59)**
Breakdown of net cash and cash equivalents at end of year			
Cash and cash equivalents		206	183
Short-term bank borrowings and overdrafts		(2)	(5)
Net cash and cash equivalents at end of year		**204**	**178**

The notes are an integral part of the financial statements.

Notes to the consolidated financial statements

Note 1 - Significant events of the year

1) Closure of Charavines and Wizernes mills and finalisation of Arjowiggins' transformation plan

As no buyers could be found to continue industrial production at the Wizernes and Charavines mills, paper production was stopped at both sites in June 2015 and employment protection plans (PSE) were deployed beginning in the summer for the workers concerned.

As previously announced, the Group finalised the transfer of production from Charavines to Stoneywood, and from Wizernes to Bessé-sur-Braye in the second half of the year. However, the industrial problems encountered during these operations generated unexpected additional costs of approximately €20 million in Other operating income and expenses for the period.

The Group continued actively searching for alternative solutions in liaison with the representatives of French government agencies, leading to the signature of an exclusive agreement in November 2015 with a potential buyer for the Charavines site.

2) Operations to strengthen the Group's financing structure

A/ Arjowiggins

Sale of Brazil-based Arjo Wiggins Ltda

In late May 2015, Arjowiggins completed the sale of this subsidiary to the Italian Fedrigoni Group for an enterprise value of €83 million. The transaction includes an earn-out of up to €5 million, payable in 2016 subject to certain performance criteria relating to full-year 2015 but not booked in the period.

This sale generated a net loss on disposal of €21 million, mainly due to taxes and transaction costs that could not be recognised when this activity was classified under assets and liabilities held for sale at 31 December 2014.

Arjo Wiggins Ltda reported sales of €70 million in 2014 and contributed €32 million to the Group's consolidated sales for 2015 prior to its disposal.

Transaction with Impala group

(i) Disposals in the Security division

In late June 2015, Sequana sold 85% of Arjowiggins Solutions, Arjo Systems and their subsidiaries to Impala Group.

After purchasing Arjowiggins' €125 million syndicated credit facility in full, Impala offered to acquire these two subsidiaries in exchange for waiving the resulting receivable in an amount of €110 million and payment of the balance in cash.

This transaction enabled Arjowiggins to settle its outstanding bank debt in full upon disposal of these assets.

All of these combined transactions generated net income of €16 million for the period after inclusion of the debt waiver and impairment testing of the Security division required by the disposal. Following impairment testing, all remaining goodwill allocated to the Security division was written off in an amount of €82 million.

All income and expenses recognised in relation to the transaction have no tax impact for the Group.

Arjowiggins Solutions and Arjo Systems develop and market product traceability solutions and proof-of-identity documentation. Along with their subsidiaries, they reported sales of around €54 million in 2014.

(ii) Impala group becomes a Sequana shareholder

At the time it acquired Arjowiggins' outstanding bank debt, Impala group also acquired all of the ORNANE bonds issued in July 2014 as part of the restructuring of Arjowiggins' syndicated credit facility. At a meeting in April 2015, Sequana's Board of Directors submitted a proposal to shareholders and the holders of all of the ORA et ORNANE bonds issued in July 2014 to prepone the maturity dates of these bonds and to fix conditions for redeeming them in new shares with a lower dilutive impact.

This proposal was approved and the instruments were duly redeemed in late June 2015, resulting in the issue of 14 million new shares representing nearly 22% of the Company's post-redemption share capital, of which 20% is held by the new holder of the ORNANE bonds, and 2% by holders of the ORA bonds. Consequently, following completion of this operation, Impala owns a 20% stake in Sequana.

This capital increase had no impact on Sequana's consolidated equity.

New financing arrangements for Arjowiggins

The extinction of Arjowiggins' syndicated credit facility in the first half of the year enabled it to set up new financing in the fourth quarter in the form of sale & leaseback arrangements based on certain industrial assets at four of the Group's main sites. This new source of financing represented a cash injection of €54 million (€53 million at 31 December following the first lease payment).

Given the terms of these sale & leaseback arrangements, the Group has recognised finance lease obligations against the amounts received and the assets concerned continue to be recognised on the Group's books.

However, the amount of financing received on the assets of one of Arjowiggins Graphic's production sites was almost €15 million less than the carrying amount of the assets in question. In accordance with standard accounting practice, this shortfall will be expensed in the income statement over the sale & leaseback term (i.e., five years).

Sale of Arjowiggins' Healthcare business

Again, for the purpose of strengthening its financial structure, in the second half of 2015, Arjowiggins began the process of divesting the French-based Arjowiggins Healthcare business along with its subsidiaries. This business produces and distributes paper and substrates for medical use.

The assets and liabilities of this entity have been reclassified as held for sale at 31 December 2015 in accordance with IFRS 5 (see Note 3).

In early April 2016, Arjowiggins entered into exclusive negotiations with a potential buyer for this business (see Note 32, "Subsequent Events").

The proceeds generated from these various operations, together with additional financing currently being negotiated, will help Arjowiggins to finance its transformation plan, particularly the closure of the Wizernes and Charavines mills.

B/ Antalis

Deployment of Antalis' factoring programme

During March 2015, several Antalis subsidiaries set up factoring programmes in accordance with undertakings given by the Group when it renegotiated Antalis' credit facility in the first half of 2014. These programmes raised a total of €200 million and all of this amount was used to repay a portion of the sums due under the agreement in accordance with the renegotiated terms.

Once this sum had been paid, the authorised borrowing limit under Antalis' credit facility was reduced from €515 million to €315 million (€310 million at 31 December 2015).

Under the conditions for assigning the receivables, the lenders have a potential right of recourse. Accordingly, the assets covered by these arrangements may not be derecognised under international accounting standards and have been kept on the consolidated statement of financial position at 31 December 2015. This arrangement therefore has no material impact on the Group's consolidated net debt.

Most of the factoring programmes have maturities equal to or greater than the payment milestones under Antalis' credit facility' which were extended through 31 December 2018 under the agreements renegotiated in 2014. Despite the secure, long-term nature of the lenders' commitment, the corresponding debt appears in current liabilities in accordance with international accounting standards.

3) Acquisitions by Antalis in the packaging sector

In the wake of the announcement in early April of the bankruptcy of the PaperlinX group, Antalis acquired three UK-based and two Scandinavian entities in line with its own strategy of expanding its footprint in the packaging and visual communication sectors.

All of these transactions were finalised in the second quarter of 2015 for a combined enterprise value of almost €20 million. One of these transactions resulted in the recognition of negative goodwill of €5 million in income for the period.

During the summer, Antalis acquired an Estonian packaging product distributor for an enterprise value of €5 million.

The acquirees represent annual sales of approximately €130 million and they added €77 million to consolidated sales for 2015.

4) Impairment losses

Based on impairment testing at year-end and a worsening outlook in certain businesses, the Group recognised a non-recurring impairment expense of €32 million for the period. Most of these write-offs (€24 million) were taken on the property, plant and equipment of the Arjowiggins Security division as well as on a Chinese factory owned by the Creative Papers division.

This impairment expense was in addition to all of the remaining goodwill allocated to the Security division which was written off in an amount of €82 million as part of the sales to Impala group that took place in June 2015 (see previously).

5) Partial transfer of UK pension benefit obligation

In November 2015, Arjowiggins completed an operation to transfer part of its obligations under a UK pension plan to an insurance company. The plan in question covers most of its former UK employees and is the largest defined benefit pension plan still in force in the Group.

This operation significantly reduces the Group's exposure to the risks inherent in defined benefit plans and resulted in a €54 million reduction in the value of plan assets. A matching entry for these actuarial losses was booked in Other comprehensive income for an after-tax amount of €44 million.

Note 2 - Summary of significant accounting policies

A - General information

Sequana, the Group holding company, is a French *société anonyme* whose registered office is 8, rue de Seine, 92100 Boulogne-Billancourt. It is listed on Euronext Paris.

The main activities of the Sequana Group are:

- manufacture of technical and creative paper through Arjowiggins, which is wholly owned;
- distribution of paper and packaging products through Antalis, which is wholly owned.

The Group has a footprint throughout the world. A description of its subsidiaries' businesses is provided in Chapter 1 of this Registration Document.

The Group's consolidated financial statements have been prepared using the same basis as at 31 December 2014, in accordance with the IFRSs (International Financial Reporting Standards) adopted by the European Union before 31 December 2015 (with the exception of the new standards and interpretations listed below which did not have a significant impact) and published by the IASB (International Accounting Standards Board).

These standards can be viewed on the European Commission's website at:
http://ec.europa.eu/finance/accounting/ias/index_en.htm.

The consolidated financial statements are presented in euros and rounded to the nearest million unless otherwise specified. They were approved by the Board of Directors on 26 February 2016.*-

A1 - Standards and interpretations effective from 1 January 2015

Mandatory application

- IFRIC 21 – Levies. Based on the additional guidelines provided by IFRIC 21 on the criteria to be used when accounting for levies that fall within the scope of IAS 37, the Group immediately recognised certain taxes for their full amounts based on the obligating event in national taxation legislation that triggers the payment of the levy. Because the impact on equity at the start of the period was non-material, the financial statements at 31 December 2014 have not been restated retrospectively under IAS 8.

A2 - Standards and interpretations not yet adopted by the European Union

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

The Group is currently analysing the expected impacts of first-time adoption of these new standards.

B - Consolidation, recognition and measurement methods

B1 - Consolidation principles

The full consolidation method is used to consolidate entities controlled directly or indirectly by Sequana. Control is deemed to exist when the Group has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to direct its relevant activities and affect the amount of the investor's returns.

The existence and effect of potential voting rights that are immediately exercisable or convertible are included when calculating the control exercised by the Group.

The Group does not consolidate any joint ventures held under contractual arrangements.

Sequana exercises significant influence over entities known as associates. Significant influence is defined as the power to participate in – without actually controlling or jointly controlling – the financial and operating policy decisions of the associate. It is presumed to be exercised when the Group holds at least 20% of the associate's voting rights. Associates are consolidated using the equity method, which consists of accounting for the Group's share in the investee in the consolidated statement of financial position as of the date of the Group's investment in the associate. The Group's share in the net income or loss of an associate is recognised in the consolidated income statement. If an operation is recognised directly in Other comprehensive income, the Group recognises its share of the investment in Other comprehensive income.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The results of companies acquired during the year are included in the consolidated income statement for the period subsequent to the date on which control is transferred to the Group.

Investments in entities deemed non-material or investments in entities over which the Group does not exercise significant influence are classified either as “financial assets at fair value through profit or loss” or as “available-for-sale financial assets” and are carried at fair value.

B2 - Reporting date

The Sequana Group has a 31 December year-end. The consolidated financial statements include the financial statements of subsidiaries at 31 December, restated to comply with Group accounting policies.

B3 - Estimates and valuations

The preparation of financial statements frequently requires Group management to make certain estimates, evaluations and assumptions that they deem to be both realistic and reasonable.

In order to limit uncertainty, these valuations and estimates are reviewed and analysed regularly based on actual data and experience, as well as on other factors deemed relevant in the light of current economic circumstances. The effects of these reviews are recognised immediately.

In recent years the highly volatile economic and financial environment has made forecasting for the various businesses especially difficult and actual results may differ from the estimates and related assumptions used.

Estimates and assumptions that may have a material impact on the assets and liabilities reported in the consolidated financial statements include:

a) Impairment tests on goodwill

Goodwill is tested for impairment at least once a year or if there is an indication that it may be impaired, in accordance with the method described in Note 2B6. The recoverable amount of Cash Generating Units (corresponding to value in use or fair value) is estimated by discounting future cash flows to present value (see Notes 4 and 5).

An impairment loss is recognised if a CGU's estimated recoverable amount is lower than its carrying amount.

b) Impairment tests on property, plant and equipment and intangible assets

If there is an indication that an impairment loss should be recognised or reversed, the Group tests the item of property, plant and equipment or the intangible asset for impairment in accordance with the method described in Notes 2B7 and 2B8. An impairment loss is recognised if an asset’s estimated recoverable amount is lower than its carrying amount. If the recoverable amount is greater than the carrying amount, it is reversed (see Notes 4 and 6).

c) Provisions for pension and other employee benefit obligations

The present value of the Group’s pension and other employee benefit obligations depends on the actuarial assumptions at the end of each reporting period – including the rate used to discount the obligations to present value – and any changes in these assumptions will impact their carrying amount.

At the end of each reporting period, the Group determines the rate used to discount employee benefit obligations and the other related assumptions, particularly market conditions, in accordance with the procedures described in Notes 2B16 and 16.

d) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group must use its judgement when determining the methods and assumptions used at the end of each reporting period based on market conditions (Note 2B13).

e) Other provisions

These mainly comprise provisions for legal and environmental contingencies as well as restructuring provisions, and they are recalculated at the end of each reporting period based on the Group’s assumptions (see Notes 2B17 and 15).

f) Recognition of deferred tax assets

Deferred tax assets relating to tax losses are recognised in accordance with prior-period results and the prospects of recovering these losses based on the Group's budgets and medium-term business plans (3-5 years) (see Notes 2B11 and 19). Similarly, deferred taxes arising from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

B4 - Inter-company transactions and balances

Inter-company transactions and balances and gains on transactions between Group companies are eliminated in full on consolidation. Losses resulting from inter-company transactions are only eliminated when there is no indication of impairment.

Gains on transactions between the Group and its associates are eliminated based on the Group’s interest in the associate and are recognised as a deduction from the investment. Losses are eliminated in the same way only when there is no indication of impairment of the assets concerned.

B5 - Foreign currency translation

Functional currency and presentation currency
The consolidated financial statements are presented in euros, which is the parent company, Sequana's functional and presentation currency.

Translation of transactions denominated in foreign currency
For each Group company, transactions denominated in a currency other than its functional currency are translated using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currency are translated into euros at the closing exchange rate. The corresponding foreign exchange gains and losses are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or hedges of net investments in a foreign operation.

Foreign exchange gains and losses on loans or borrowings with a foreign subsidiary which are, in substance, a part of the Group's net investment in that subsidiary are recognized directly in equity until the investment is sold, when they are recycled to the income statement.

Translation of the financial statements of foreign entities
The results and financial positions of all Group companies that have a functional currency different from the presentation currency are translated into euros as follows:

- assets and liabilities for each period presented are translated at the closing rate at the end of each reporting period (except for equity which is stated at historical values);
- income and expenses and items presented in the statement of cash flows are translated at average exchange rates, unless a specific exchange rate is applicable;
- all resulting exchange differences are recognised as a separate component in shareholders' equity.

When a foreign operation is sold, translation adjustments initially recognised in equity are recycled to the income statement as part of the disposal gain or loss.

B6 - Goodwill

The purchase method of accounting is used for all business combinations carried out by the Group.

Goodwill corresponds to the difference between:

- the cost of the business combination at the acquisition date plus the amount of any non-controlling interests in the acquiree measured at either (i) fair value (using the full goodwill method); or (ii) the share of non-controlling interests in the fair value of the identifiable net assets acquired (partial goodwill method); and
- the net amount of the assets and liabilities acquired at fair value on the acquisition date.

The Group has a preference for the partial goodwill method but may use the full goodwill method if this is more appropriate for a given acquisition.

Initial accounting for a business combination and measurement of the fair values of assets acquired and liabilities assumed must be completed within 12 months of the acquisition date and any subsequent changes are recognised as retroactive adjustments to the provisional amount of goodwill recorded. After the initial 12-month period, any adjustments to goodwill are recognised directly in profit or loss.

Acquisition costs are expensed directly and no longer included in the cost of the business combination.

Contingent consideration or earn-out payments are measured at their fair value at the acquisition date. They are recognised in equity if payment results in the delivery of a fixed number of equity instruments to the acquiree. Otherwise they are recognised in liabilities. Any adjustments after the 12 months following the acquisition are recognised as a receivable or payable with a matching entry in profit or loss.

Goodwill is recognised in assets as part of the carrying amount of the related entity. Negative goodwill is recognised directly in profit or loss.

After initial recognition, goodwill is not amortised but is tested for impairment and carried at cost less any accumulated impairment losses. Impairment testing is performed at least once a year at the reporting date, or more often if events or changes in circumstances indicate that a risk of impairment exists. For the purpose of these tests, goodwill is allocated to cash-generating units (CGUs) or groups of CGUs likely to benefit from the synergies developed within the scope of the business combination and representing the lowest operational level at which the Group monitors the rate of return on investments.

A goodwill impairment loss is recognised when the carrying amount of the CGU (or group of CGUs) to which it is allocated exceeds its recoverable amount. The recoverable amount corresponds to the higher of fair value less costs to sell and value in use (estimated by discounting future cash flows to present value). Any goodwill impairment loss included in the carrying amount of an associate is recognised in profit or loss based on the Group's share in its earnings.

B7 - Other intangible assets

Other intangible assets acquired separately are initially measured at cost. Intangible assets acquired as part of a business combination are initially measured at their fair value at the acquisition date and amortised over their useful life.

Other intangible assets mainly comprise software, which is either acquired or developed in-house. The related costs are only capitalised when they are identifiable as assets and reliably measurable, and when it is probable that future economic benefits will flow to the Group from their use.

Research and development costs incurred by the Group are capitalised once they meet the capitalisation criteria set out in IAS 38. They are amortised over the useful life of each project for their value net of any research tax credits obtained by the Group in relation to the costs.

The Group's other intangible assets have finite useful lives and are amortised from the time that they are ready for use. Amortisation is calculated using the straight-line method based on the following estimated useful lives:

- software 3 to 8 years
- patents up to 5 years
- customer relationships 7 to 11 years

Depreciation methods and useful lives are reviewed at least once a year at year-end and useful lives may be extended if appropriate.

Intangible assets with indefinite useful lives are tested for impairment at least once a year at the reporting date, however, they may be estimated several times a year if there is an indication of unfavourable developments in certain indicators. An impairment loss is recognised when the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses on intangible assets other than goodwill may be reversed.

B8 - Property, plant and equipment

Property, plant and equipment are stated at (historical) cost, less any accumulated depreciation and impairment losses. Cost includes the acquisition cost and all costs directly attributable to the asset's acquisition or development, transfer to the location of use and preparation in order to enable it to operate in the manner intended by management.

Components of property, plant and equipment with different useful lives are recognised separately.

Expenditure related to the replacement or renewal of a component of an item of property, plant and equipment is recognised as a separate asset and the replaced asset is derecognised. Other subsequent expenditure relating to an item of property, plant and equipment is not recognised in assets unless it is probable that the future economic benefits associated with the expenditure will flow to the entity and the cost can be measured reliably. All other subsequent expenditure is expensed as incurred.

Regular maintenance costs relating to items of property, plant and equipment (cost of labour, consumables and small spare parts) are also expensed as incurred.

Bridging interest charges or construction period interest charges on assets that take a substantial period of time to get ready for their intended use ("qualifying assets") are capitalised. However, borrowing costs are generally expensed as incurred as the nature of the Group's business is such that it acquires or manufactures very few "qualifying assets".

With the exception of land, property, plant and equipment are depreciated from the time that the assets are ready for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

- buildings 10 to 40 years
- industrial machinery and equipment 5 to 20 years
- other property, plant and equipment 3 to 25 years

Depreciation methods, residual values and useful lives are reviewed at least at the end of each reporting year and more often if there is an indication of impairment.

An impairment loss is recognised if an asset's estimated recoverable amount is lower than its carrying amount. Impairment losses on property, plant and equipment may be subsequently reversed where appropriate.

Government grants used to partially or wholly finance the cost of an item of property, plant and equipment are recognised as a liability under "deferred income" and recycled to the income statement on a systematic basis over the useful life of the corresponding asset.

B9 - Non-derivative financial assets

Initial recognition

Purchases and sales of financial assets are recognised on the trade date corresponding to the date on which Sequana commits to purchasing or selling the assets.

Financial assets are derecognised when the contractual rights to receive the cash flows from the assets have expired or have been transferred, and the Group has transferred substantially all risks and rewards of ownership to another party without retaining control over the asset.

Financial assets are initially recognised in the statement of financial position at fair value plus transaction costs directly attributable to the purchase or issue of the asset (except for financial assets at fair value through profit or loss, whose transaction costs are recognised in profit or loss).

A financial asset is classified as "current" when the cash flows expected to be derived from the instrument are due within 12 months after the end of the reporting period.

Subsequent measurement

At initial recognition, the Sequana Group classifies financial assets into one of the four categories provided for in IAS 39 – Financial Instruments: Recognition and Measurement, depending on the purpose for which they were acquired. The assets are subsequently measured at amortised cost or fair value depending on their classification.

Amortised cost is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the amount payable at maturity.

The fair value of instruments quoted in an active market corresponds to their quoted market price. The fair value of instruments that are not quoted in an active market is determined using valuation techniques including recent arm's length market transactions, reference to a transaction that is substantially the same, or discounted cash flows and option pricing models, using data inputs based on observable market transactions wherever possible. If it is impossible to reliably estimate the fair value of an equity instrument it is stated at historical cost.

The categories of financial assets used by the Group are as follows:

- held-to-maturity investments: non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the intention and ability to hold until maturity. They are measured at amortised cost and any impairment losses are recognised through profit. For the Group, held-to-maturity investments comprise security deposits, seller loans and certain financial loans;
- loans and receivables: non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include short-term loans and trade receivables and are measured at amortised cost using the effective interest method. If they are impaired, an impairment loss is recognised through profit;
- financial assets at fair value through profit or loss: financial assets that are acquired or originated principally for the purpose of selling in the short term. They are marked to market and valuation gains and losses are recognised in profit or loss. This category includes cash and cash equivalents and certain non-consolidated investments;
- available-for-sale financial assets: non-derivative financial assets that are not classified in any of the other categories. They are marked to market and valuation gains and losses are recognised in equity. They include other non-consolidated investments and marketable securities. When available-for-sale financial assets are sold or impaired, cumulative changes in fair value previously recognised in equity are transferred to the income statement. The Group did not have any assets belonging within this category on its books at 31 December 2015.

A provision for impairment is recognised through the income statement if there is an objective indication of impairment, or if there is a risk that the Group will not be able to collect the contractual amounts due (principal plus interest) at the contractual payment dates. The amount of this provision is equal to the difference between the asset carrying amount and the value of estimated recoverable future cash flows, discounted using the initial effective interest rate.

Derecognition of receivables

The Group derecognises receivables when the contractual rights to the cash flows have been transferred, as well as the majority of risks and rewards of ownership of these receivables. Factored receivables continue to be carried and factoring proceeds are recorded against a matching liability with the factor. Any commissions billed on these transfers are recognised in "Other financial income and expenses" (see Note 24). For the risk transfer analysis (see Note 18c), dilution risk is ignored in the event it has been defined and limited (and in particular, correctly distinguished from late payment risk).

B10 - Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the "Weighted Average Cost" (WAC) method or the "First in-First out" (FIFO) method. Similar-type inventories are measured using the same method.

Inventories of finished goods and work-in-progress are measured on the basis of their cost, which, in addition to design, raw materials and direct labour costs, also includes a share of overheads other than administrative overheads. Borrowing costs are not included.

The net realisable value of inventories is based on their estimated market value under normal business conditions less costs to sell and includes any provisions for obsolescence. If net realisable value is less than carrying amount, an impairment loss provision is recognised for the difference.

B11 - Current and deferred taxes

Current tax is the estimated amount of income tax due on the taxable profit or loss for the period and includes prior-period adjustments.

Deferred tax assets and liabilities are determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred taxes are calculated for all deductible or taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The following items do not give rise to deferred taxation:

- recognition of goodwill;
- temporary differences on investments in subsidiaries when these will not reverse in the foreseeable future.

Deferred tax assets and liabilities are only offset if they relate to the same tax consolidation group.

B12 - Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits, certain highly liquid marketable securities, readily convertible into known amounts of cash, and subject to an insignificant risk of changes in value with maturities of three months or less, and bank overdrafts. In the statement of financial position, bank overdrafts appear under "Short-term debt" in current liabilities.

Short-term investments are marked to market at the end of each reporting period.

B13 - Derivative financial instruments and hedging

The Group uses derivative instruments (interest rate swaps and collars, forward contracts and options on foreign currencies and raw materials) to hedge its exposure to risks from fluctuations in interest rates, exchange rates and raw materials prices arising as a result of its operating and financial activities. Derivatives are initially recognised at fair value and are subsequently remeasured at fair value at the end of each reporting period. Changes in fair value are recorded in profit or loss under either financial income or expenses, or current operating income and expenses, depending on the type of instrument, except for the following instruments that qualify for hedge accounting under IFRS:

- cash flow hedges: changes in the fair value of the effective portion of a derivative that is designated and qualifies as a cash flow hedge are recognised directly in equity. Amounts accumulated in equity are recycled to the income statement during the period in which the hedged item affects profit (for example, when a planned sale actually takes place) or when the Group no longer expects the hedged forecast transaction to occur. The gain or loss relating to the ineffective portion of the hedge is recognised in the income statement in financial income or expenses. When the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the cumulative fair value adjustments on the hedging instrument that were previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability concerned;
- fair value hedges: changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss under the same caption as any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk;
- hedges of net investments in foreign operations: any fair value gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. When the foreign operation is divested, gains and losses accumulated in equity are transferred to the income statement under the same caption as the disposal gain or loss.

B14 - Assets held for sale and liabilities related to assets held for sale

When the Group expects to recover the cost of an asset through its sale rather than through use, and when a sale is deemed highly probable, the asset is classified as held for sale and is measured at the lower of its carrying amount and fair value less costs to sell. Assets classified as held for sale are not depreciated but an impairment loss is recognised if their carrying amount is higher than fair value less costs to sell. The impairment loss is reversed if there is a subsequent increase in fair value.

If the sale involves not one identifiable asset but involves a Group of related assets and liabilities which the Group intends to dispose of in a single transaction, this disposal group is classified as being held for sale on a separate line in the statement of financial position – no offsetting is allowed between assets held for sale and the related liabilities – and is measured at the lower of its carrying amount and fair value less costs to sell.

Assets and liabilities reclassified as held for sale or as discontinued operations are presented on two separate lines of the statement of financial position in accordance with IFRS 5.

B15 – Discontinued operations

A discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale and:

- which represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Gains or losses on the disposal of a business that meets the definition of a discontinued operation are presented separately in the income statement. The amount recorded comprises the total of:

- the post-tax profit or loss of discontinued operations prior to the date of sale;
- the net-of-tax disposal gain or loss and related disposal costs; and
- any impairment losses arising on fair value measurement less costs to sell.

B16 - Provisions for pension and other employee benefit obligations

Sequana and its subsidiaries provide their employees with different types of supplementary employee benefit plans. The specific characteristics of these plans vary depending on the laws, regulations and practices applicable in each of the countries where the Group's employees work.

The plans that have been set up are either defined contribution plans or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate organisation which frees the employer from all future legal or constructive obligations in the event that plan assets are not sufficient to cover the amounts due to the employees. Therefore, apart from the expense relating to the contributions paid to such organisations, no other related liability is carried in the Group's books.

Defined benefit plans are all post-employment benefit plans other than defined contribution plans. The Group has an obligation to set aside provisions for the future benefits due to its active employees and to pay the benefits of its retired employees. The actuarial risk and investment risk relating to these plans are borne in substance by the Group.

Pension and other post-employment benefit obligations are measured in accordance with the projected unit credit method. The amount of the related provision is calculated on an individual basis using assumptions in terms of life expectancy, employee turnover, increases in salaries, increases in annuities, increases in medical costs and discounting of future sums payable. The specific assumptions for each plan take account of the local economic and demographic circumstances.

According to Revised IAS 19, the rate used to discount employee benefit obligations should be determined by reference to market yields on corporate bonds issued in the monetary zone in question, with maturities similar to the corresponding obligations, and rated “high quality” by the established rating agencies.

Sequana uses the Markit iBoxx indices for the euro and sterling zones and the Citigroup indices for the dollar zone. These indices are calculated daily for quite a comprehensive range of bond maturities and ratings, and each bond in the index basket complies with specific rating, maturity and liquidity criteria.

All bonds in the basket are equally price-weighted in returns. Markit and Citigroup update all of the bonds in the index baskets every month based on any changes to residual maturities or to credit ratings.

Defined benefit plans are sometimes funded by external plan assets. The expected rate of return on the plan assets is calculated using the same discount rate as that used to measure pension benefit obligations and any difference between expected and actual returns is recognised in Other comprehensive income.

The amount recognised in respect of defined benefit pensions and other long-term benefits is the present value of the projected benefit obligation at the end of the reporting period less the fair value of plan assets. If the result of this calculation is a net commitment, this is recognised as a liability. If the calculated amount is a surplus, the amount of the recognised asset is capped in line with the guidance provided under IFRIC 14 in respect of the limits on defined benefit assets.

Actuarial gains and losses arising on pension benefit obligations, defined as changes related to experience adjustments and actuarial assumptions, are recognised directly in Other comprehensive income. Actuarial gains and losses arising on other long-term benefits are recognised immediately in profit or loss.

Past service costs within the meaning of Revised IAS 19 are also taken to the income statement:

- gains on changes to pension plans, as a result of a reduction in beneficiary rights or conversions to a defined contribution plan (settlements), are recognised in recurring operating income,
- gains resulting from restructuring measures which lead to staff reductions and therefore a reversal of provisions relating to pension benefit obligations for the employees concerned (curtailments), are recognised in other operating income and expenses.

Defined benefit plans can give rise to the recognition of provisions and mainly concern:

a) pension benefit obligations:

- pension annuity plans,
- lump-sum payments on retirement,
- other pension obligations and supplementary pensions.

b) other long-term benefits:

- long-service awards,
- early retirement plans.

c) other employee benefits:

- healthcare plans,
- employee incentive and/or profit-sharing plans.

B17 - Other provisions

A provision is recognised when the Group has a present obligation (legal or constructive) arising from a past event, whose amount can be estimated reliably, and whose settlement is expected to result in an outflow of resources embodying economic benefits for the Group.

These mainly comprise provisions for environmental and legal contingencies as well as restructuring provisions.

Provisions are discounted where the effect of the time value of money is material. Discounting is calculated based on risk-free rates net of inflation for each geographic area concerned.

Provisions for environmental and legal contingencies

The Group generally assesses its environmental and legal contingencies on a case-by-case basis, in accordance with the applicable legal requirements. Provisions are recognised on the basis of the best available information at the end of the reporting period, provided that such information enables a probable loss to be determined, and that a reliable estimate can be made of the amount of the obligation.

Restructuring provisions

A restructuring provision is recognised when the Group has approved a detailed formal plan for the restructuring and has either started to implement the plan or has publicly announced its main features.

B18 - Debt

Interest-bearing debt is recognised at cost, which corresponds to the fair value of the amount received less directly attributable transaction costs. Debt is subsequently recognised at amortised cost. The difference between the cash received (less directly attributable transaction costs) and the redemption value is taken to profit based on the effective interest rate over the duration of the borrowings.

Debt is classified as a current liability unless the entity has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

When a loan is recognised initially, any directly attributable transaction costs are deducted from the fair value if the borrowings are recognised at amortised cost and then factored into the effective interest rate.

Net debt is an important indicator for the Group. It is the sum of short- and long-term debt, less cash and cash equivalents, other marketable securities and certain investments accounted for as cash and cash equivalents. A breakdown is provided in Note 18, “Financial instruments”.

The bonds issued by the Group to settle loans and liabilities are recognised either as debt or as reserves, depending on whether or not they may be qualified as equity instruments based on the criteria set out in IAS 32. This classification mainly depends on whether the issuer has an obligation to redeem the instrument in cash.

B19 - Stock options and share awards

The Group may grant options to purchase Sequana shares or grant share awards to certain of its employees (“Equity-settled plans”).

At the grant date, the fair value of the options and share awards is calculated in accordance with the binomial method. This fair value is then recognised as an expense over the vesting period of the options. This method enables the following elements to be taken into account: the plans’ characteristics (exercise price and period), market data at the grant date (risk-free rate, share price, volatility, expected dividend) and assumptions regarding the behaviour of beneficiaries.

The fair value of the options and share awards is recognised on a straight-line basis over the vesting period. This amount is recognised in the income statement under “Personnel expenses” with a corresponding adjustment to equity. Upon exercise of the options or the vesting of share grants, the price paid by the beneficiaries to exercise the options, or the amount paid by Sequana for the shares awarded, is recognised in cash with a corresponding adjustment to equity.

At the end of each reporting period the Group assesses the number of options that are expected to vest or to be exercised and recognises the impact of its estimates in profit or loss, with a corresponding adjustment to equity.

All of the Group's stock option and share award plans had expired at 31 December 2015.

The related social security charges are an integral part of these share awards and are recognised immediately in profit or loss in the reporting period in which the plans are set up.

B20 - Treasury shares

Treasury shares are used within the scope of the liquidity agreement set up to improve both the liquidity of the Sequana share and the regularity of its quotations on Euronext Paris (see Note 12). They are recognised at cost and as a deduction from equity until they are sold.

Proceeds on the sale of treasury shares are debited to equity – and to cash when consideration is received – and no amount is recognised in profit or loss for the period.

B21 - Trade and other payables

Trade and other payables are initially recognised at fair value which in most cases corresponds to their nominal amount.

B22 - Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable for sales of goods and services in the ordinary course of the Group's activities, net of sales tax, and less any trade or volume discount granted, goods returned and intragroup sales.

Sales include sales of goods and services in the ordinary course of the Group's main activities. For sales of manufactured goods and goods purchased for resale, revenue is recognised in "sales" when the risk and rewards inherent to ownership of the goods have been transferred to the purchaser. For sales of services, revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period, measured on the basis of work completed.

In France, research tax credits are sometimes granted for research and development expenditure incurred during the reporting period and they are recognised as a deduction from said expenditure and not as a deduction from income tax expense, except for the portion that may be capitalised in line with accounting policies.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividends are recognised in the income statement when the shareholder's right to receive a dividend has been established.

B23 - Other operating income and expenses, net

This caption includes material items that must be disclosed separately from other items of profit and loss so as not to distort the presentation of the Group's results. Examples include:

- gains or losses on disposals of property, plant and equipment and intangible assets (when these are not recognised in "discontinued operations");
- impairment of assets carried on the books of fully consolidated subsidiaries (including goodwill);
- restructuring expenses;
- environmental costs related to closed sites or discontinued operations;
- additions to (reversals of) provisions for litigation; and
- other items of a non-recurring nature.

B24 - Operating income and recurring operating income

Pursuant to Recommendation 2013-03 of the ANC (France's national accounting standards body) of 7 November 2013 (http://www.anc.gouv.fr/cms/accueil/normes-francaises/recommandations.html, in French only), the Group defines the two indicators that it discloses in its consolidated income statement as follows:

"Operating income" corresponds to all income and expenses that are not related to financing activities, associates, discontinued operations and income taxes.

"Recurring operating income" is equal to "Operating income" less "Other operating income and expenses, net" (see the definition in Note B23).

The Group also uses the following indicator (EBITDA) to calculate certain ratios:

Earnings before interest, taxes, depreciation and amortisation (or EBITDA) is equal to "Recurring operating income", excluding net changes in depreciation, amortisation and provisions related to operating activities. A reconciliation is provided in Chapter 1 – Presentation of Sequana – Key figures.

B25 - Net financial income (loss)

Net financial income (loss) includes the following two items:

cost of net debt, which includes:

- income from the investment of cash and cash equivalents and net gains made on their sale,
- interest on debt calculated using the effective interest method, the financial expense arising on discounting non-current liabilities and the costs of early repayment of borrowings or of cancellation of credit facilities,
- foreign exchange gains and losses,
- changes in the fair value of hedging derivatives related to components of net debt.

and other financial income and expenses, which include:

- gains or losses on disposals of non-consolidated investments,
- dividends,
- changes in the fair value of derivatives related to financial assets,
- bank charges and other financial fees and commissions.

B26 - Income tax

Income tax expense corresponds to current taxes for all consolidated subsidiaries, adjusted for deferred taxes. Income taxes are recognised either in profit or loss or in Other comprehensive income.

B27 - Earnings per share

Basic undiluted earnings per share are calculated by dividing net income attributable to owners by the average number of shares outstanding during the year, excluding treasury shares (calculated on a monthly average basis).

Diluted earnings per share are calculated by adjusting the average number of shares outstanding to take into account (i) the conversion of all dilutive instruments (bonds redeemable in shares and stock options); and (ii) the value of all goods or services to be received in respect of each stock option. The dilutive potential of share awards is determined using the treasury stock method.

Share award plans subject to performance criteria are included in the average number of shares outstanding during the year based on the actual number of shares awarded, provided that the specified performance conditions have been met prior to the reporting date. They are also factored into diluted earnings per share once they have a dilutive impact.

B28 - Leases

Non-current assets held under finance leases that transfer a significant portion of the risks and rewards of ownership to the Group are recognised in the statement of financial position under property, plant and equipment. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Property, plant and equipment acquired under finance leases is depreciated on a straight-line basis over the shorter of the useful life of the asset (based on the same useful lives as for property, plant and equipment owned by the Group) or the lease term. The corresponding lease obligation, net of interest, is recognised as a debt in liabilities.

This accounting treatment applied to assets and liabilities related to finance leases leads to the recognition of corresponding deferred taxes.

Payments made under operating leases are recognised in expenses as incurred.

B29 - Segment reporting

Pursuant to IFRS 8, the operating segments reported correspond to the reporting basis used in the internal reports that are regularly reviewed by the Group’s operating decision makers (the Chief Executive Officer assisted by members of the Executive Committee).

Segment assets are the operating assets used by a segment in the context of its operating activities. They include attributable goodwill, property, plant and equipment and intangible assets as well as all current assets attributable to the segment. They do not include current or deferred tax assets, assets held for sale, other investments, or non-current receivables and other financial assets, which are identified as “unallocated assets”.

Segment liabilities result from a segment’s activities and are directly attributable to the segment or can reasonably be allocated to the segment. They include current and non-current liabilities other than debt, loss and contingency provisions, liabilities related to assets held for sale, and current and deferred tax liabilities, which are identified as “unallocated liabilities”.

B30 - Statement of cash flows

The statement of cash flows is presented using the indirect method.

Note 3 - Changes in scope of consolidation

Acquisitions

2015

As disclosed in Note 1, in the second quarter of 2015, Antalis acquired three UK-based and two Scandinavian entities specialised in the distribution of packaging products and visual communication that formerly belonged to one of its main competitors PaperlinX. In the third quarter of the year, the Group also acquired an Estonian company in the same sector.

The assets acquired by Antalis essentially comprise the working capital requirements of these new subsidiaries, representing annual sales in the order of €130 million. These new acquisitions added €77 million to full-year 2015 sales, calculated from their respective acquisition dates.

Based on the conditions of the transactions, negative goodwill of €5 million was recorded in Other operating income during the period for the Scandinavian entities and goodwill of €7 million in total was recorded for the other acquirees. Allocation of the purchase price to assets and liabilities will be finalised within 12 months of the acquisition date, in accordance with IFRS 3R.

Acquisitions during the period may be summarised by geographic area as follows:

(€ millions)	United Kingdom	Denmark /Sweden	Estonia
Acquisition date	May 2015	June 2015	July 2015
Percentage holding	100%	100%	100%
Accounting year-end	31 December	31 December	31 December
Purchase price of equity investment (i)	**9**	**10**	**5**
Consideration	Cash	Cash	Cash
Fixed assets	3	1	–
Working capital requirements	2	14	1
Net debt	–	(1)	1
Other assets (liabilities), net	–	1	–
Net assets acquired (ii)	**5**	**15**	**2**
Calculation of net goodwill (i-ii)	**4**	**(5)**	**3**

2014

The Group did not carry out any major acquisitions in 2014.

Disposals

2015

- Sale of Arjo Wiggins Ltda and transaction with Impala Group

The conditions and background to the operations finalised on 19 May and 29 June 2015 are disclosed in Note 1. Their impact on the consolidated income statement is disclosed in Other operating income and expenses (see breakdown in Note 23), with the exception of the related income tax expense which is analysed under the corresponding heading (see Note 26).

2014

Sale of Arjowiggins' Coated US division was completed on 19 December 2014. This transaction did not have a material impact on consolidated earnings for 2014.

The division had been reclassified as a discontinued operation since 31 December 2013 and its contribution to 2014 earnings is set out in the following table.

Operations discontinued or sold

An analysis of net income from operations discontinued or sold is set out below:

(€ millions)	2015	2014
Operations sold – Coated US division		
Sales	–	239
Current operating expenses	–	(245)
Non-current operating expenses	–	(3)
Gains on disposal	–	1
Net financial income	–	–
Pre-tax loss	**–**	**(8)**
Income tax benefit (expense)	–	–
Loss after tax	**–**	**(8)**
NET LOSS FROM DISCONTINUED OPERATIONS	**–**	**(8)**

Because the Arjowiggins' Healthcare subsidiaries put up for sale in the fourth quarter of 2015 (see Note 1) are not considered discontinued operations within the meaning of IFRS 5, their contribution to consolidated earnings and cash flow has been maintained in the different consolidated income statement and cash flow headings. This is also the case for the other Arjowiggins subsidiaries sold in 2015, notably Arjo Wiggins Ltda which had been reclassified as held for sale since 31 December 2014.

The consolidated statement of cash flows includes the net cash flow impact of discontinued operations, analysed as follows by type of cash flow:

(€ millions)	2015	2014
Operations sold – Coated US division		
Operating activities	–	(15)
Investing activities	–	(2)
Financing activities	–	20
TOTAL NET CASH FLOWS	**–**	**3**

Assets held for sale and liabilities related to assets held for sale

These items break down as follows:

(€ millions)	31/12/2015	31/12/2014
Assets held for sale		
Goodwill	–	54
Property, plant and equipment	26	17
Other non-current assets	1	3
Inventories	11	8
Trade receivables	5	7
Other current assets	4	5
TOTAL ASSETS HELD FOR SALE	**47**	**94**
Liabilities related to assets held for sale		
Provisions	2	3
Borrowings and debt	4	–
Deferred tax liabilities	3	–
Trade payables	6	3
Other current liabilities	6	9
TOTAL LIABILITIES RELATED TO ASSETS HELD FOR SALE	**22**	**15**

At 31 December 2015, assets held for sale together with the related liabilities mainly concerned Arjowiggins Healthcare and its subsidiaries which were put up for sale in the second half of 2015 (see Note 1).

At 31 December 2014, assets held for sale together with the related liabilities mainly concerned Arjo Wiggins Ltda which was sold during the year (see Note 1). The assets presented in the table above include this entity's share in the goodwill allocated to the Arjowiggins Security division for an amount of €54 million.

Note 4 - Measurement of impairment losses

Goodwill and intangible assets with indefinite useful lives are tested for impairment on an annual basis, or more frequently if there is an indication that they may be impaired. Property, plant and equipment and other intangible assets with finite useful lives are only tested for impairment if there is an indication that an impairment loss should be recognised or reversed.

For impairment testing purposes, assets are allocated to cash-generating units (CGUs), defined as the smallest group of identifiable assets that generates cash inflows that are largely independent of the cash inflows of other groups of assets. Goodwill is tested at the level of the CGUs likely to benefit from the synergies developed within the scope of the business combination resulting from the acquisition.

The impairment test compares the carrying amount of the CGU or group of CGU's (including any allocated goodwill) to their recoverable amount, which is the observable market price on an organised market. If no observable market data is available, the recoverable value is deemed to be the value in use which is determined based on estimates and assumptions. In light of the current highly volatile economic and financial environment, actual future results may differ significantly from forecasts.

Key assumptions used in impairment testing of goodwill:

- cash flow projections taken from the four-year business plan which reflect expected changes in volumes, selling prices, direct costs and investments over the period, calculated using historical financial data and assumptions concerning market growth and earnings as well as trends forecast for the period in question in the long-term business plan. In certain cases, business plan forecasts have been revised downwards to reflect uncertainty over the market outlook related to the tough current economic climate;
- a terminal value calculated by extrapolating the most recent cash flows included in the business plan using a steady long-term growth rate for cash flows beyond the period covered by the plan that is considered appropriate for the market in which the CGU operates. The indefinite growth rates used to calculate the terminal values are determined conservatively in line with factors such as average inflation in the markets in which the CGU or group of CGU's generate their sales;
- forecast discounted cash flows calculated by reference to a rate based on the Sequana Group's weighted average cost of capital, in the absence of a specific discount rate for the asset being tested. These discount rates are post-tax rates and they vary depending on the country or geographic area in which the cash generating unit is located. They generally correspond to the risk-free rate plus a country-/sector-specific risk premium. Other risks are factored into the cash flow projections in the business plans. Discount rates for each monetary zone were determined based on yields on high quality corporate bonds rated BBB with a maturity of ten years.

Indefinite growth and discount rates used for impairment testing in the key geographic areas were as follows:

Key assumptions used in impairment calculations for Antalis		2015	2014
Long-term growth rate[(1)]		1.00%	1.00%
After-tax discount rate	Europe	5.50%	6.00%
	South Africa	12.00%	12.50%
	South America	9.00%	9.00%
	Poland	7.00%	7.50%
	Czech Republic	6.50%	7.50%

(1) When carrying out impairment testing at end-2015, the Group reset the long-term growth rates used for the Antalis CGUs based on the markets in which they do business; more mature markets were attributed a lower rate of growth than more dynamic markets within a range of 0% to 1.50%.

Key assumptions used in impairment calculations for Arjowiggins		2015	2014
Long-term growth rate		1.00%	1.00%
After-tax discount rate	Continental Europe	5.50%	6.00%
	United States	6.50%	6.50%
	United Kingdom	6.50%	6.50%
	China	9.00%	9.00%

Goodwill

At 31 December 2015, the goodwill arising from the AWA Ltd takeover carried out in 2000 was allocated to the CGUs as indicated below:

(€ millions)	31/12/2015	31/12/2014
Arjowiggins Security	–	82
Antalis group	155	155
TOTAL	**155**	**237**

In 2015, all remaining goodwill allocated to the Arjowiggins Security division was written off in an amount of €82 million (see Notes 1 and 3).

In 2014, no impairment losses were recognised based on impairment testing of the CGUs to which goodwill had been allocated. The estimated share of Brazil-based Arjo Wiggins Ltda in the goodwill allocated to the Arjowiggins Security division was reclassified in assets held for sale at 31 December 2014 for an amount of €54 million.

Other goodwill (see Note 5)

In 2015, no impairment losses were recognised based on impairment testing of other goodwill, all of which is now allocated to Antalis group CGUs.

In 2014, the Antalis group recognised an impairment expense of €8 million, mainly on goodwill carried in the books of Central European (€5 million) and South African entities (€3 million).

Property, plant and equipment and other intangible assets

Arjowiggins

The estimated recoverable amount of certain businesses in the Security division proved to be lower than their carrying amount based on impairment tests performed at 31 December 2015 and these assets were written down by an amount of €24 million. Similarly, the residual value of the assets of the Chinese factory in Quzhou (tracing paper, Creative Papers division) were written down in full, representing an expense of €8 million.

The non-current assets of certain businesses in the Creative Papers division had already been written down by €6 million based on impairment tests performed at 31 December 2014. The plan to either sell or close the Charavines and Wizernes mills resulted in the recognition of an additional impairment expense of €3 million.

Antalis

Based on impairment testing of certain CGUs at end-December 2015, there were indications that items of property, plant and equipment and other intangible assets carried on the books of Antalis were impaired and impairment losses of nearly €4 million were booked for the period. No impairment losses were recognised based on impairment tests carried out in 2014.

Testing sensitivity to key assumptions

Measurement of Group assets allocated to CGUs or a group of CGU's is subject to changes in the key assumptions used to calculate their value in use.

These include:

Sensitivity to a 1% increase in the after-tax discount rate

At 31 December 2015, a 1% increase in the after-tax discount rate would generate additional impairment expense of €23 million, mainly on the value of goodwill allocated to the Antalis South America and Poland CGUs and to property, plant and equipment carried on the books of the Arjowiggins Security division.

Sensitivity to a 1% decline in the long-term growth rate

At 31 December 2015, a 1% decline in the long-term growth rate would generate additional impairment expense of €15 million on the same assets as those mentioned previously.

Sensitivity to a 1% increase in the after-tax discount rate and a 1% decline in the long-term growth rate

At 31 December 2015, the combined impact of a 1% increase in the after-tax discount rate coupled with a 1% decline in the long-term growth rate would generate additional impairment expense of €36 million, mainly on the same assets as those mentioned previously.

Sensitivity to a 5% decline in operating cash flow

At 31 December 2015, a 5% decline in operating cash flow in the Group's main cash-generating units over the period of the business plan would generate additional impairment expense of €2 million on the value of goodwill allocated to the Antalis South America CGU.

Break even analysis

The following table analyses percentage changes in each of the key variables in isolation and presents the increases/decreases necessary for the estimated recoverable amount of the Group's main cash-generating units (CGUs) or groups of CGUs to be equal to their carrying amount if and when the estimated recoverable amount is greater than the carrying amount. Changes in each variable are only shown if they are realistic from an economic perspective:

Breakeven for key assumptions	Test margin (in € millions)	Increase in discount rate needed for recoverable amount to be equal to carrying amount (points)	Decrease in long-term growth rate needed for recoverable amount to be equal to carrying amount (points)	Decline in operating cash flow needed for recoverable amount to be equal to carrying amount (%)
Antalis – Poland	1	0.2 points	–	(4.0%)
Antalis – South America	2	0.2 points	–	(2.0%)
Arjowiggins – Security	1	0.3 points	-0.3 points	(5.5%)
Arjowiggins – Graphic	46	2.9 points	–	(51.5%)
Arjowiggins – Creative Papers	61	6.6 points	–	(56.9%)

Note 5 - Goodwill and other intangible assets

Goodwill

(€ millions)	2015	2014
Balance at 1 January		
Gross amount	980	1,034
Accumulated amortisation and impairment	(602)	(596)
CARRYING AMOUNT	**378**	**438**
First-time consolidated subsidiaries(1)	7	–
Translation adjustments	(1)	2
Impairment losses (2)	(82)	(8)
Other movements (3)	–	(54)
Balance at 31 December		
Gross amount	981	980
Accumulated amortisation and impairment	(680)	(602)
CARRYING AMOUNT	**301**	**378**

(1) See Note 3.

(2) See Note 4.

(3) In 2014, this amount related to goodwill allocated to Arjo Wiggins Ltda reclassified to assets held for sale (see Notes 1 and 4).

Impairment losses are shown in the income statement under "Other operating income and expenses, net".
Goodwill can be analysed as follows by business segment as of 31 December:

(€ millions)	31/12/2015	31/12/2014
Arjowiggins - Security	–	82
Sub-total – Arjowiggins	**–**	**82**
Antalis - Group goodwill	155	155
Antalis - France	12	12
Antalis - United Kingdom	30	25
Antalis - Switzerland	8	8
Antalis - Central and Eastern Europe	12	12
Antalis - Baltic countries and Russia	11	9
Antalis - Nordic countries	14	13
Antalis - South America	32	34
Antalis - Industrial packaging	27	26
Antalis - Other subsidiaries	–	2
Sub-total – Antalis	**301**	**296**
CARRYING AMOUNT	**301**	**378**

Other intangible assets

(€ millions)	Brands licences & patents	Software	Other	Total
At 1 January 2014				
Gross amount	16	181	25	222
Accumulated amortisation and impairment	(4)	(133)	(16)	(153)
CARRYING AMOUNT	**12**	**48**	**9**	**69**
Increases(1)	–	7	4	11
Amortisation(2)	(2)	(13)	(2)	(17)
Reclassifications and other movements	(1)	3	(2)	–
At 31 December 2014				
Gross amount	16	193	26	235
Accumulated amortisation and impairment	(7)	(148)	(17)	(172)
CARRYING AMOUNT	**9**	**45**	**9**	**63**
Increases(1)	–	6	4	10
Amortisation(2)	(2)	(13)	(1)	(16)
Changes in scope of consolidation	–	–	(2)	(2)
Reclassifications and other movements	–	1	(1)	–
At 31 December 2015				
Gross amount	16	200	24	240
Accumulated amortisation and impairment	(9)	(161)	(15)	(185)
CARRYING AMOUNT	**7**	**39**	**9**	**55**

(1) This item corresponds to acquisitions and internally-generated non-current assets in the respective amounts of €3 million and €7 million in 2015 (2014: €4 million and €7 million, respectively).

(2) The €16 million in amortisation recorded in 2015 is included in the "Depreciation and amortisation" caption in the income statement (2014: €17 million).

Capitalised research and development expenses are non-material on a Group-wide basis.

Note 6 - Property, plant and equipment

(€ millions)	Land	Buildings	Machinery & equipment	Other	Total
At 1 January 2014					
Gross amount	13	226	949	111	1,299
Accumulated depreciation and impairment	(2)	(153)	(804)	(87)	(1,046)
CARRYING AMOUNT	**11**	**73**	**145**	**24**	**253**
Capital expenditure	–	2	13	16	31
Disposals	–	(1)	(1)	–	(2)
Depreciation(1)	–	(7)	(21)	(6)	(34)
Impairment losses(1)	–	(1)	(7)	(1)	(9)
Reclassified to assets held for sale(2)	–	(4)	(9)	–	(13)
Other reclassifications(3)	4	(2)	11	(13)	–
Translation adjustments	1	1	4	–	6
At 31 December 2014					
Gross amount	18	215	929	103	1,265
Accumulated depreciation and impairment	(2)	(154)	(794)	(83)	(1,033)
CARRYING AMOUNT	**16**	**61**	**135**	**20**	**232**
Capital expenditure	–	3	19	18	40
Disposals	(3)	(3)	–	(5)	(11)
Impact of sale & leaseback operations(4)	–	–	(15)	–	(15)
Depreciation(1)	–	(7)	(20)	(4)	(31)
Impairment losses (1)	–	(12)	(22)	(2)	(36)
Reversals of impairment losses(1)	–	–	4	–	4
Reclassified to assets held for sale(2)	–	(5)	(18)	–	(23)
Other reclassifications(3)	(5)	9	12	(16)	–
Changes in scope of consolidation	–	–	–	1	1
Translation adjustments	1	1	3	–	5
At 31 December 2015					
Gross amount	12	198	672	97	979
Accumulated depreciation and impairment	(3)	(151)	(574)	(85)	(813)
CARRYING AMOUNT	**9**	**47**	**98**	**12**	**166**

(1) Depreciation expense for the reporting period is included in the "Depreciation and amortisation" caption in the income statement. Impairment losses and reversals are included in "Other operating income and expenses, net" and analysed in Note 4 – Measurement of impairment losses.

(2) See Note 3 for the groups of assets concerned for the two periods.

(3) "Other reclassifications" essentially comprise assets in progress at the beginning of the period that were subsequently placed in service during the year.

(4) See Note 1.

The amount of expenditure recognised end-2015 in relation to property, plant and equipment in progress was €15 million (2014: €8 million).

No items of property, plant and equipment were pledged as collateral in either 2015 or 2014.

The Group's capital expenditure projects did not generate any capitalised borrowing costs in 2015 or 2014.

Movements in property, plant and equipment held under finance leases were as follows:

(€ millions)	Buildings	Machinery & equipment	Other	Total
At 1 January 2014				
Gross amount	11	20	16	47
Accumulated depreciation and impairment	(3)	(12)	(6)	(21)
CARRYING AMOUNT	**8**	**8**	**10**	**26**
Leases that have expired	(6)	–	–	(6)
Depreciation and amortisation	(1)	(1)	(1)	(3)
At 31 December 2014				
Gross amount	3	20	16	39
Accumulated depreciation and impairment	(2)	(13)	(7)	(22)
CARRYING AMOUNT	**1**	**7**	**9**	**17**
Sale & leaseback operations(1)	–	54	–	54
Leases that have expired	–	–	(5)	(5)
Depreciation and amortisation	–	(2)	–	(2)
At 31 December 2015				
Gross amount	3	74	8	85
Accumulated depreciation and impairment	(2)	(15)	(4)	(21)
CARRYING AMOUNT	**1**	**59**	**4**	**64**

(1) See Note 1.

The characteristics of these leases were as follows at 31 December 2015:

(€ millions)	Buildings	Machinery & equipment	Other	Total
Disclosures concerning the Group's lease liabilities				
Nominal amount of liability at inception of the leases	3	74	8	85
At year-end:				
Residual amount of fixed lease payments	1	54	2	57
Residual amount of conditional lease payments	–	–	–	–
TOTAL RESIDUAL LEASE LIABILITIES	**1**	**54**	**2**	**57**
Maturities of residual lease liabilities at year-end				
Less than 1 year	1	9	1	11
2 to 5 years	–	36	1	37
More than 5 years	–	9	–	9
TOTAL RESIDUAL LEASE LIABILITIES AT YEAR-END	**1**	**54**	**2**	**57**
Present value of lease liabilities	1	51	2	54

Note 7 - Investments in associates

Movements during the year

(€ millions)	31/12/2015	31/12/2014
Opening balance	**2**	**3**
Changes in scope of consolidation	(2)	–
Other movements	–	(1)
CLOSING BALANCE	**–**	**2**

Analysis by investment

(€ millions)	31/12/2015	31/12/2014
Opening balance		
Arjowiggins subsidiaries	–	1
Antalis subsidiaries	–	1
TOTAL	**–**	**2**

Note 8 - Financial assets

Analysis of financial assets carried in the statement of financial position

(€ millions)	31/12/2015	31/12/2014
Non-current financial assets	10	7
Current financial assets	7	11
TOTAL FINANCIAL ASSETS	**17**	**18**
Gross amount	19	20
Provision for impairment in value	(2)	(2)

Movements in gross amount during the year

(€ millions)	31/12/2015	31/12/2014
OPENING BALANCE	**20**	**25**
Increases	8	5
Decreases and disposals	(6)	(8)
Reclassified to assets held for sale	(1)	(2)
Other reclassifications	(2)	–
CLOSING BALANCE	**19**	**20**

Maturity of non-current financial assets

(€ millions)	31/12/2015	31/12/2014
1 to 5 years	2	3
More than 5 years	8	4
CLOSING BALANCE	**10**	**7**

Analysis by type of financial asset at closing

	Non-current financial assets		Current financial assets	
(€ millions)	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Held-to-maturity investments	**2**	**3**	**6**	**5**
Other deposits and guarantees	2	3	6	5
Financial assets recognised at fair value	**7**	**3**	**–**	**5**
Non-consolidated investments[1]	7	3	–	–
Marketable securities with maturities greater than three months	–	–	–	5
Loans and receivables issued by the Group	**1**	**1**	**1**	**1**
Loans and other financial receivables	1	1	1	1
CLOSING BALANCE	**10**	**7**	**7**	**11**

(1) At 31 December 2015, this mainly comprised the 15% residual holding in the two entities sold to Impala group in the first half of the year (see Note 1).

Note 9 - Inventories

(€ millions)	31/12/2015	31/12/2014
Raw materials and other supplies	56	53
Work in-progress	18	22
Semi-finished and finished goods	48	62
Goods held for resale	215	218
CARRYING AMOUNT	**337**	**355**
Gross amount	365	383
Provision for impairment in value	(28)	(28)

The Group recognised the following amounts in the income statement in relation to inventories:		
Changes in inventories recognised in "Recurring operating income"	**(14)**	**(19)**
Under "Net additions to (reversals of) provisions":		
- Additions to provisions for impairment in value of inventories	(6)	(7)
- Reversals of provisions for impairment in value of inventories	7	5
Under "Other operating income and expenses, net":		
- Additions to provisions for impairment in value of inventories	(5)	(3)
- Reversals of provisions for impairment in value of inventories	4	3

Note 10 - Other assets

Breakdown by type

(€ millions)	31/12/2015	31/12/2014
OTHER NON-CURRENT ASSETS	**169**	**204**
Defined benefit pension plans with a net surplus	134	184
Other assets related to employee benefits	7	7
Valuation variance written off over the sale & leaseback term(1)	12	–
Tax credits and current tax receivables	16	13
TRADE RECEIVABLES	**481**	**468**
Gross amount	506	496
Provision for impairment in value	(25)	(28)
OTHER RECEIVABLES	**139**	**114**
Tax credits and current tax receivables	9	4
Indirect tax receivables	25	24
Receivables on disposals of non-current assets	1	–
Advances to suppliers	3	4
Derivative instruments	1	–
Other current receivables(2)	100	82

(1) As indicated in Note 1, this difference is being written off over five years as part of a financing arrangement involving one of the sites operated by the Arjowiggins Graphic division.

(2) Most of this caption relates to accrued trade discounts receivable from Antalis' paper suppliers.

Movements in provisions for impairment

	31/12/2015		31/12/2014	
(€ millions)	Trade receivables	Other receivables	Trade receivables	Other receivables
Opening balance	**(28)**	**–**	**(31)**	**–**
Net (additions to)/reversals of impairment provisions	1	–	2	–
Translation adjustments	–	–	–	–
Changes in scope of consolidation	2	–	–	–
Reclassifications	–	–	1	–
CLOSING BALANCE	**(25)**	**–**	**(28)**	**–**
Of which, current	(25)	–	(28)	–

Maturity of other assets (net)

(€ millions)	Total	Less than 1 year	1 to 5 years	More than 5 years
At 31 December 2015				
Other non-current assets	169	–	27	142
Trade receivables	481	481	–	–
Other receivables	139	139	–	–
At 31 December 2014				
Other non-current assets	204	–	12	192
Trade receivables	468	468	–	–
Other receivables	114	114	–	–

Note 11 - Cash and cash equivalents

(€ millions)	31/12/2015	31/12/2014
Cash on hand	178	183
Cash equivalents	28	–
CLOSING BALANCE	**206**	**183**

Cash and cash equivalents at 31 December 2015 and at 31 December 2014 only include debit bank balances or highly-liquid, risk-free marketable securities.

Note 12 - Share capital and corporate actions

Share capital

2015

At 31 December 2014, Sequana’s share capital amounted to €51,060,304, divided into 51,060,304 shares, each with a par value of €1.

The Annual General Meeting of 23 June 2015 voted (see Note 1) to amend the terms of the bonds redeemable, at Sequana's discretion, in cash or new and/or existing shares (ORNANE) and the bonds redeemable in Sequana shares (ORA) issued on 30 July 2014. The conditions of this issue and the accounting impacts are reported in Note 14.

Early redemption of ORA and ORNANE bonds on 29 June 2015 resulted in the creation of two batches of 13,036,670 and 1,086,377 new shares, each with a par value of €1, corresponding to a €14,123,047 increase in the Company's share capital.

This transaction was accounted for by deducting the nominal value of these instruments from the reserves account, with the balance representing the issue premium.

Therefore, redemption of these bonds impacted neither consolidated equity nor consolidated debt.

Since 29 June 2015, Sequana's share capital stands at €65,183,351, divided into 65,183,351 shares, each with a par value of €1.

2014

The various changes to the Company’s share capital in 2014 are described below.

On 30 April 2014, 29,583 shares were created and awarded to certain beneficiaries of the share award plan approved in February 2010 which stipulated that shares had to be awarded out of new shares issued by Sequana. The Company’s share capital was therefore increased from €225,100,989 to €225,367,236, comprising 25,040,804 shares, each with a par value of €9.

The Annual General Meeting of 25 June 2014 decided to reduce the Company’s share capital by an amount of €200,326,432, i.e., from €225,367,236 to €25,040,804, by reducing the par value of the Company's shares from €9 to €1 by means of a matching adjustment to accumulated losses.

Moreover, at its 25 June 2014 meeting held subsequent to the Annual General Meeting, the Board of Directors – using the authorisation granted to it by the Annual General Meeting – decided to carry out a capital increase with pre-emptive subscription rights for the Company's shareholders for a nominal amount of €25 million comprising 25 million shares with a par value of €1 each, issued at €2.55 per share (i.e., with a premium of €1.55 per share), corresponding to one new share for each existing share. The subscription period ran from 1 July to 15 July 2014 inclusive. The Board decided that in the event of oversubscription of the rights issue, in order to satisfy applications for shares that could not otherwise be met, the amount of the issue could be increased by the number of oversubscribed shares, up to a maximum of 15% of the initial issue, i.e., by a maximum of 3,756,120 additional new shares.

On 23 July 2014, as the Company had received subscription applications for 26,019,500 new shares, the Chairman and Chief Executive Officer used this over-allotment option approved at the Board of Directors Meeting of 25 June 2014 in order to satisfy applications for shares that could not otherwise be met, and increased the number of shares issued by the number of oversubscribed shares.

Therefore, on 29 July 2014, Sequana's share capital was increased to €51,060,304 by the creation of 26,019,500 new shares with a par value of €1.

Share award plans

No share award plans were implemented in any Group entities in 2015 and the most recent plan in operation within the Group, i.e., the 2010 plan, expired in 2014.

The expense calculated for this plan in 2014 in accordance with IFRS 2 was not material.

Treasury shares

Share buyback programmes have been authorised every year by Shareholders' Meetings since 2003. The purposes and terms and conditions of these programmes were set out in the resolutions of these meetings.

On 21 June 2006, a liquidity agreement was set up covering an initial maximum amount of €4 million, and increased to €8 million on 21 January 2008. The purpose of this liquidity agreement is to improve both the liquidity of the Sequana share and the regularity of its quotations on Euronext Paris. On 28 April 2012, the Group amended the liquidity agreement negotiated with Oddo Corporate Finance and reduced the maximum amount to €6 million.

At 31 December 2015, the 143,664 Sequana shares held by the Company under the liquidity agreement – representing €0.6 million – were recognised as a deduction from equity (176,692 shares at 31 December 2014, representing €0.5 million). Net gains of €0.3 million in 2015 and net losses of €0.2 million in 2014 on trading in treasury shares were recognised in retained earnings.

Note 13 - Earnings per share

The reconciliation between basic earnings per share and diluted earnings per share is as follows:

2015	Net loss (€ millions)	Weighted average number of shares during the year	Loss per share (in €)
Net loss attributable to owners	**(67)**	**58,088,069**	**(1.16)**
Impact of bonds redeemable in shares(1)	–	–	–
Net loss attributable to owners – diluted	**(67)**	**58,088,069**	**(1.16)**

2014	Net income (€ millions)	Weighted average number of shares during the year	Earnings per share (in €)
Net earnings attributable to owners	**117**	**41,851,882**	**2.78**
Impact of bonds redeemable in shares(1)	–	25,727,790	–
Net earnings attributable to owners – diluted	117	67,579,672	1.72

(1) In 2014 this related to the dilution effect from the maximum number of shares that could be created upon maturity of the ORA and ORNANE bonds issued in July 2014 (see Note 12). Early redemption of these instruments in June 2015 crystallised the dilutive impact (see Note 1).

The average diluted and undiluted number of shares outstanding is calculated as follows:

	2015	2014
Number of shares at 31 December	65,183,391	51,060,304
Weighted impact of the changes over the period(1)	(6,964,810)	(14,970,123)
Weighted impact of treasury shares over the period	(130,512)	(118,329)
Application of coefficient linked to the conditions of the 2014 capital increase(2)	–	5,880,030
Weighted average number of shares - undiluted	**58,088,069**	**41,851,882**
Impact of bonds redeemable in shares(3)	–	25,727,790
Weighted average number of shares - diluted	**58,088,069**	**67,579,672**

(1) The capital increases of 2014 and 2015 have been treated as follows in the calculation of the average number of shares:

- *the shares issued on 30 April 2014 by deduction from a reserves account with no impact on cash. These shares were included in the entire period from 1 January 2014 to 31 December 2014;*
- *the shares issued as part of the share capital increase of 29 July 2014 were weighted on a time-proportion basis in the calculation of 2014 data;*
- *the shares issued on 29 June 2015 upon redemption of the ORA and ORNANE bonds were also weighted on a time-proportion basis in the calculation of the average number of basic shares in 2015.*

(2) In accordance with IAS 33, the diluted and undiluted number of shares outstanding up to 29 July 2014 was restated to reflect the impact of a share issue price that was less than the market price at the date of the share capital increase, i.e., 1 July 2014, with pre-emptive subscription rights maintained for existing shareholders.

(3) See the previous table. In view of the loss in 2015, the average number of diluted shares in 2015 does not take into account the potential dilution resulting from the impact pro rata temporis of bonds redeemable in shares, prior to their early redemption.

Note 14 - Other reserves

Cumulative translation adjustment

Translation adjustments recognised in Other comprehensive income can be analysed as follows:

(€ millions)	US dollar	Pound sterling	Other currencies[1]	Total
At 1 January 2014	**(3)**	**(76)**	**(13)**	**(92)**
Movements during the year	(2)	19	3	20
At 31 December 2014	**(5)**	**(57)**	**(10)**	**(72)**
Movements during the year	–	19	(11)	8
At 31 December 2015	**(5)**	**(38)**	**(21)**	**(64)**

(1) In 2015, these corresponded to different non-material amounts.

Bonds redeemable in shares

In July 2014, the Group converted part of its bank debt into bonds redeemable in Sequana shares for a total nominal amount of €132 million:

- €125 million due under Arjowiggins' credit agreement was converted into bonds redeemable in cash and/or new or existing shares (ORNANE), giving access upon maturity (December 2020) to 30% of Sequana's share capital on a diluted basis;
- €7 million due under the Sequana parent company credit agreement was converted into bonds redeemable in shares (ORA), giving access upon maturity (December 2018) to 2.5% of Sequana's share capital on a diluted basis.

Based on a detailed analysis of the bonds issued, and notably the absence of a contractual obligation for the issuer to redeem the bonds in cash and the fixed redemption ratio, the ORA and ORNANE bonds have been classified as equity instruments under IAS 32.

When they were issued, these bonds were recognised at their fair value, estimated at that time at €42 million, in consolidated reserves. The difference between their carrying amount and nominal value, i.e., €90 million, had been recognised as income in 2014 in accordance with IFRIC 19.

As indicated in Notes 1 and 12, these instruments were redeemed in new Sequana shares in June 2015. The dilutive impact of this redemption was lower than that initially attached to the instruments and resulted in the full reversal of the specific reserves account where their total nominal value of €132 million was recognised.

Note 15 - Provisions

Analysis by type of provision

	Current portion		Non-current portion	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Restructuring costs	45	36	12	46
Litigation and environmental contingencies	6	3	2	3
Pensions and other post-employment benefits	2	3	99	98
Other provisions	10	21	11	16
CLOSING BALANCE	**63**	**63**	**124**	**163**

Expected maturity of non-current provisions

	31/12/2015		31/12/2014	
	1 to 5 years	More than 5 years	1 to 5 years	More than 5 years
Restructuring costs	12	–	46	–
Litigation and environmental contingencies	1	1	2	1
Pensions and other post-employment benefits	3	96	5	93
Other provisions	7	4	12	4
CLOSING BALANCE	**23**	**101**	**65**	**98**

Movements in provisions in 2015

(€ millions)	Opening balance	Additions	Reversals (utilised provisions)	Reversals (surplus provisions)	Changes in scope of consolidation	Other	Closing balance
Restructuring costs	82	4	(29)	(1)	–	1	57
Litigation and environmental contingencies	6	4	(1)	–	–	(1)	8
Pensions and other post-employment benefits[(1)]	101	9	(12)	–	(1)	4	101
Other provisions	37	4	(19)	(1)	–	–	21
TOTAL	**226**	**21**	**(61)**	**(2)**	**(1)**	**4**	**187**
Impact on income statement captions							
Additions to and reversals of provisions (recurring operating income)	-	12	–	–	-	-	-
Other operating income and expenses, net	-	9	–	(2)	-	-	-

(1) Provisions for post-employment benefits are analysed in detail in Note 16.

Movements in provisions in 2014

(€ millions)	Opening balance	Additions	Reversals (utilised provisions)	Reversals (surplus provisions)	Changes in scope of consolidation	Other[(1)]	Closing balance
Restructuring costs	33	74	(25)	–	–	–	82
Litigation and environmental contingencies	7	3	(1)	(1)	–	(2)	6
Pensions and other post-employment benefits[(2)]	105	11	(13)	(9)	(22)	29	101
Other provisions	28	19	(9)	–	–	(1)	37
TOTAL	**173**	**107**	**(48)**	**(10)**	**(22)**	**26**	**226**
Impact on income statement captions							
Additions to and reversals of provisions (recurring operating income)	-	12	–	(2)	-	-	-
Other operating income and expenses, net	-	95	–	(8)	-	-	-

(1) This column comprises a positive amount of €33 million corresponding to actuarial gains and losses recognised in Other comprehensive income; and a negative €3 million corresponding to reclassification of provisions relating to Arjo Wiggins Ltda in liabilities related to assets held for sale.

(2) Provisions for post-employment benefits are analysed in detail in Note 16. Changes in scope of consolidation for the period reflected the derecognition of provisions for pension and healthcare benefits carried on the books of the US subsidiary of Arjowiggins sold at the end of the period.

Restructuring costs

Arjowiggins' industrial restructuring plan

Since 2014, Arjowiggins group has been implementing a comprehensive restructuring of its Graphic and Creative Papers divisions that involved stopping production at the two French mills located in Wizernes and Charavines in June 2015 (see Note 1).

Because closure of the sites was considered the most likely outcome in both cases, a provision for all of the estimated related costs was recognised at 31 December 2014.

The related provision of approximately €65 million mainly covered severance pay and accompanying measures for the employees of the Wizernes and Charavines mills together with unavoidable expenditure related to the closure of the two sites (commercial contract terminations, site dismantling costs, etc.).

The measures deployed during the year used up nearly €15 million of the total provision and the Group plans to spend approximately €50 million more on the restructuring plan, mostly in 2016.

Claims and litigation

Anti-trust practices on the Spanish envelope market

In late 2012 and early 2013, the Spanish Competition Authority handed down two decisions in which it found that Spanish envelope manufacturers had engaged in horizontal cartel arrangements on both the domestic and export envelope markets. Antalis Envelopes Manufacturing SL was issued with two fines – for reduced amounts due to the group's cooperation with the authorities – of €0.5 million and €4.7 million (it is jointly responsible with Antalis International for paying the second of these amounts).

Both of these fines have been paid by the group. The other envelope manufacturers, who received bigger fines, have appealed the ruling and the group has joined these appeal proceedings in order to protect its rights.

Litigation with BAT Industries Plc

Sequana is involved in legal proceedings concerning the legality of dividends distributed to it in 2008 and 2009 from its former subsidiary, Windward Prospects Ltd (formerly Arjo Wiggins Appleton Ltd), which was sold on 18 May 2009 to a third party. BAT Industries Plc claims to be a creditor of Windward Prospects Ltd and is seeking an order requiring Sequana to pay it €578 million, corresponding to the sums received. This litigation is the subject of proceedings before the London High Court of Justice initiated by BAT Industries Plc and its subsidiary BTI 2014 LLC, which has acquired the rights of Windward Prospects Ltd.

In substance, the claimants contend that these distributions sought to put the assets of Windward Prospects Ltd out of the reach of its creditors and prejudice their interests, and that the decisions to make said distributions were taken illegally by the Board of Directors of the company in view of the company's distributable reserves at the time. The claimants further claim that these reserves were incorrectly calculated in view of the provisions that should have been set aside by the company to cover decontamination costs relating to the Fox River and other sites in the US.

Sequana considers the arguments of BAT Industries Plc have no merits and contends particularly that the contested distributions were made on the basis of valid decisions taken by the Board of Directors of Windward Prospects Ltd in accordance with applicable legal rules and accounting practice and supported by independent legal advisors. In particular, Sequana considers that the directors of Windward Prospects Ltd carried out all of the necessary reviews and received assurances from their advisors to ensure that the company had sufficient assets to meet its commitments and contingent liabilities. This position is being contested by BAT Industries Plc and BTI 2014 LLC.

Following written opening submissions by legal counsel of both parties, the case got under way at the London High Court of Justice on 23 February 2016. As of the date on which this registration document was filed, cross-examination of witnesses of fact and certain of the experts called as witnesses has been completed. Proceedings should last until the end of April 2016 and the Court's decision could be handed down as early as late June 2016. As with any such dispute, the outcome of this case remains subject to a high degree of legal uncertainty. However, Sequana considers that is has an arguable defence that it intends to deploy in both oral and written pleadings. Consequently, the Group has not set aside any provision for this litigation in its consolidated financial statements.

It should also be recalled that when Windward Prospects Ltd was sold in May 2009, Sequana expressly excluded from the vendor's warranties any risks related to the pollution of Fox River or of any other site subsequently found to be polluted.

Other provisions

In 2014, in the course of executing certain contracts between the Arjowiggins Security division and government agencies, Arjowiggins was notified of an obligation to compensate one of its customers, mainly due to specific contractual provisions. The related contingent liability was set aside in a provision totalling €12 million under Other provisions and the corresponding expense for the period was booked in Other operating income and expenses. This provision was expensed in full in 2015.

Aside from this amount, "Other provisions" includes the following at 31 December 2015:

- a provision of €5 million for accrued rent due on miscellaneous premises and warehouses, partially or completely vacant (2014: €6 million). These liabilities are reduced based on the assumption that future income will be generated by subletting these premises, when this is probable. These judgements are subject to uncertainty, particularly as regards changes in rental market conditions;
- a portion of the net site closure costs referred to above (€3 million);
- estimated future site remediation costs in the UK for approximately €5 million (amount stable year on year).

The balance corresponds to different non-material amounts.

Note 16 - Employee benefits

Obligations under defined benefit plans

The Group's pension benefit obligations cover the payment of pensions, supplementary pensions and lump-sum payments on retirement.

The Group’s main pension benefit obligations concern the United Kingdom, France and Switzerland. These countries represent 96% of the Group’s total employee benefit obligations.

In the United Kingdom, the principal defined benefit obligations arise under four pension plans:

- the Arjo UK Group Pension Scheme, which covers certain employees of Antalis in the UK (depending on their location). It was closed to new entrants in 2005, and was replaced by a defined contribution plan. The scheme ceased to accrue benefits from 30 June 2014;
- the Wiggins Teape Pension Scheme (WTPS), which now only covers former employees of the UK subsidiaries of Antalis and Arjowiggins (early retirees or retirees);
- the Antalis Pension Scheme (APS), which covers current employees of the UK subsidiaries of Antalis and Arjowiggins;
- the James McNaughton and Modo Merchants pension plans, which cover former employees (early retirees or retirees) of the subsidiaries of what was the James McNaughton group, which was acquired by Antalis in 2007.

In France, the two main defined benefit plans are:

- the RCR supplementary defined benefit plan for certain managers of Arjowiggins. This plan has been closed to new entrants since 1981; and
- lump-sum retirement payment plans.

In Switzerland, the main plan is the Pensionskasse, a defined benefit plan covering Antalis’ Swiss-based employees.

The pension plans for Sequana Group’s UK subsidiaries presented here are defined benefit plans. More specifically, the Wiggins Teape Pension Scheme (WTPS) is managed by a Board of three trustees. Every two years, the trustees recalculate the plan funding deficit based on the advice of an actuary. They may unilaterally request additional contributions from participating companies for the purpose of eliminating a shortfall compared to the future benefit obligations, calculated by specific methods.

The trustees of the UK pension schemes may also require the participating companies to provide guarantees, when they consider this appropriate, and the Group has thus provided joint and several guarantees (see Note 30).

In accordance with IFRS, provisions have been recorded to cover the full amount of the Group’s obligations relating to the UK pension fund, determined using the actuarial assumptions described in this note. For the purposes of the financial statements, the outstanding balance of the additional contribution requested by the trustee is included in the annual calculation of the pension provision.

The four-year information required under IAS 19 has not been provided in these tables for 2012 and 2011 but is contained in the 2012 Registration Document which is incorporated by reference into this report.

Key developments in 2015

As reported in Note 1, in November 2015, the Group finalised a buy-in agreement with a specialist insurer for its residual commitment under the Wiggins Teape Pension Scheme (WTPS) in the UK: in return for an up-front premium of GBP 394 million, deducted from the value of the plan assets (bulk annuity policy), WTPS has transferred the related obligations, valued at GBP 420 million, based on a method approved by the Scheme's Trustees. This operation has no cash impact and significantly reduces the Group's exposure to the risks inherent in defined benefit plans together with future amounts payable to fund pension benefits.

It should be noted that for many years, WTPS' plan assets largely exceeded the amount of the benefit obligation as measured under IAS 19, and the difference had been recognised as a net asset on Sequana's books. The buy-in operation reduced the surplus recognised under IAS by reducing the value of plan assets by €54 million – without any impact on the benefit obligation – with a matching entry in Other comprehensive income for an after-tax amount of €44 million.

- The APS scheme in the UK ceased to accrue benefits from 31 December 2015, however this change did not have a material impact on income for the year.
- The "Graphiek Papier" pension plan in the Netherlands was reclassified as a defined contribution plan in 2015. Because it was fully funded, this reclassification resulted in derecognition of benefit obligations and plan assets totalling €21 million, i.e., the release of a zero provision.
- In France, lump-sum retirement entitlements under the collective bargaining agreement applicable to the Paper industry were revised, generating a non-material loss for the period.

Change in the projected benefit obligation

(€ millions)	2015	2014
Projected benefit obligation at start of year	**1,359**	**1,293**
Service cost	7	6
Interest cost	45	55
Employee contributions	2	1
Curtailments/changes to plan	-	(9)
Changes in scope of consolidation and transfers	(21)	(121)
Actuarial gains (losses) generated by changes in demographic assumptions	(10)	(40)
Actuarial gains (losses) generated by changes in financial assumptions	(32)	161
Actuarial gains (losses) based on historical experience	(19)	(1)
Benefits paid	(88)	(62)
Translation adjustments	79	76
Projected benefit obligation at end of year	**1,322**	**1,359**
Breakdown by geographical area		
United Kingdom	1,086	1,106
Other European Union countries	114	148
Other countries	122	105
Funding of benefit obligations		
Plans partially or fully-funded by invested plan assets	1,287	1,320
Unfunded plans	35	39

Change in plan assets

(€ millions)	2015	2014
Fair value of plan assets at start of year	**1,486**	**1,297**
Return on plan assets	53	56
Employer contributions	22	27
Employee contributions	2	1
Changes in scope of consolidation and transfers	(21)	(94)
Benefits paid	(88)	(62)
Administrative expenses and taxes	(3)	(3)
Actuarial gains and (losses)(1)	(139)	179
Translation adjustments	92	85
Fair value of plan assets at end of year	**1,404**	**1,486**
Actual return on plan assets(1)	(2.15)%	18.45%
Composition of plan assets (by type of investment)		
Equities	26.87%	18.67%
Bonds	31.94%	61.41%
Insurance policies(1)	34.82%	4.09%
Other types of investment	6.37%	15.83%

(1) As reported in Note 1 and under Key developments during the period in this note, the Group finalised a buy-in agreement in 2015, resulting in a €54 million reduction in the value of plan assets, included in actuarial losses for the period. The average return on plan assets calculated for 2015 excludes the impact of these losses. The value of plan assets transferred to the insurer in consideration for the transfer of benefit obligations continues to be disclosed in the Group's plan assets (under Insurance policies).

Net amount recognised

(€ millions)	2015	2014
Financial surplus or deficit(1)	82	127
Unrecognised past service cost	n/a	n/a
Ceiling on amount of plan assets	(51)	(43)
Net amount recognised	**31**	**84**
Breakdown by geographical area		
United Kingdom	104	152
Other European Union countries	(53)	(62)
Other countries	(20)	(6)

(1) Financial surplus/(deficit) is defined as the difference between the projected benefit obligation and the fair value of plan assets.

Reconciliation of the net amount recognised with the consolidated statement of financial position

(€ millions)	2015	2014
Provisions for pension and other employee benefit obligations (see Note 15)	(101)	(101)
Defined benefit pension plans with a net surplus (see Note 10)	134	184
Impact of reclassification of liabilities related to assets held for sale (see Note 3)	(2)	–
Amounts for subsidiaries not subject to Revised IAS 19	–	1
NET AMOUNT RECOGNISED	**31**	**84**

Analysis of amounts recognised in the statement of comprehensive income

(€ millions)	2015	2014
Amounts recognised in the statement of comprehensive income - start of period	**102**	**138**
Actuarial (gains) and losses arising during the year[1]	77	(59)
Increase / (decrease) from impact of ceiling on the amount of plan assets	3	23
Amounts recognised in the statement of comprehensive income - end of period	**182**	**102**

(1) The €77 million in net actuarial losses for 2015 consists of €62 million in actuarial gains on the projected benefit obligation and €139 million in actuarial losses on plan assets. In 2014, there were net actuarial gains of €59 million, comprising actuarial losses on the projected benefit obligation of €120 million and €179 million in actuarial gains on plan assets.

Analysis of net expense

(€ millions)	2015	2014
Service cost	7	6
Interest cost	45	55
Return on plan assets	(53)	(56)
Interest on capped plan assets	2	1
Impact of settlements and plan changes	–	(9)
Amortisation of plan changes	n/a	n/a
Impact of settlements and curtailments	–	–
Administrative expenses and taxes	3	3
TOTAL NET (BENEFIT) EXPENSE	**4**	**–**

Average assumptions used

(€ millions)	2015	2014
To determine the benefit obligation at 31 December		
Discount rate including inflation	3.44%	3.23%
Expected rate of increase in salaries	2.62%	2.74%
Expected rate of return on plan assets	n/a	n/a
Rate of increase in pension benefits	2.59%	2.57%
Rate of inflation of medical costs	8.25%	8.25%
To determine the expense for the year		
Discount rate including inflation	3.23%	4.21%
Expected rate of increase in salaries	2.74%	3.15%
Expected rate of return on plan assets	n/a	n/a
Rate of increase in pension benefits	2.57%	2.97%
Rate of inflation of medical costs	8.25%	6.90%

Breakdown of average assumptions used by geographical area

2015	United Kingdom	Other EU countries	North America	Other countries
Discount rate including inflation	3.88%	2.00%	n/a	0.91%
Expected rate of increase in salaries	3.19%	2.60%	n/a	1.04%
Rate of increase in pension benefits	2.88%	2.00%	n/a	

2014	United Kingdom	Other EU countries	North America	Other countries
Discount rate including inflation	3.64%	1.60%	4.00%	1.15%
Expected rate of increase in salaries	3.09%	2.78%		1.58%
Rate of increase in pension benefits	2.83%	2.00%	2.00%	

Sensitivity of assumptions

On all employee benefit obligations

(€ millions)	Benchmark discount rate - 0.50%	Benchmark discount rate	Benchmark discount rate +0.50%
Fair value of benefit obligation at 31 December 2015	1,437	**1,322**	1,218
Service cost for 2016	6	**6**	5

On UK employee benefit obligations

(€ millions)	Benchmark discount rate -0.50%	Benchmark discount rate	Benchmark discount Rate 0.50%
Fair value of benefit obligation at 31 December 2015	1,013	**1,086**	1,162
Service cost for 2016	–	**–**	–

A 1% increase/decrease in medical costs would not have a material impact on the Group’s benefit obligations at 31 December 2015 or on the service cost for 2016.

Estimated contributions for 2016

The amount of contributions payable by the Group in respect of pension benefit obligations for 2016 is estimated at €28 million, of which €25 million relates to the UK.

Impact of the application of IFRIC 14

In accordance with IFRIC 14, as of 31 December 2015:

- The Group booked an additional provision for an onerous obligation on the McNaughton Papers and Modo Merchants defined benefit pension plans in the UK for which no surplus will accrue to the employer. Based on the present value of the projected funding requirements for the two pension plan deficits, €38 million was booked for McNaughton Papers and €10 million for Modo Merchants, with a matching entry in Other comprehensive income.
- Changes to the Irish Staff Pension Plan in 2013 mean that a plan surplus may no longer be recognised and a €2 million-limit was therefore placed on plan assets at end-2015, again with a matching entry in Other comprehensive income.

Discount rates

Discount rates for each monetary zone were determined based on yields at 31 December 2015 on high quality corporate bonds rated AA or above, with maturities that correspond to the average maturities of the Group’s obligations in each zone.

Note 17 - Debt

17a - Breakdown of debt by maturity

(€ millions)	Less than 1 year	1 to 5 years	More than 5 years	Total
Short-term bank borrowings and overdrafts	2	–	–	2
Other bank borrowings(1)	3	194	–	197
Finance lease obligations	11	37	9	57
Factoring liabilities(1)	170	–	–	170
Other	6	9	–	15
AT 31 DECEMBER 2015	**192**	**240**	**9**	**441**
Short-term bank borrowings and overdrafts	5	–	–	5
Other bank borrowings	229	197	44	470
Finance lease obligations	6	7	3	16
Other	2	6	–	8
AT 31 DECEMBER 2014	**242**	**210**	**47**	**499**

(1) Most of the factoring programmes finalised in the first half of 2015 (see Note 1) have maturities equal to or greater than the payment milestones under Antalis' credit facility, whose maturity has been extended through 31 December 2018. Despite the long-term nature of the lenders' commitment, the factored liabilities corresponding to the sale of receivables are recorded under current liabilities in accordance with the accounting policies applicable to this type of financing.

17b - Breakdown of debt by interest rate

(€ millions)	Below 3%	Between 3% and 4%	Between 4% and 5%	Between 5% and 7.5%	Over 7.5%	Total
Short-term bank borrowings and overdrafts	2	–	–	–	–	2
Other bank borrowings	–	–	195	2	–	197
Finance lease obligations	–	6	2	22	27	57
Factoring liabilities	170	–	–	–	–	170
Other	15	–	–	–	–	15
AT 31 DECEMBER 2015	**187**	**6**	**197**	**24**	**27**	**441**
Short-term bank borrowings and overdrafts	5	–	–	–	–	5
Other bank borrowings	120	–	348	2	–	470
Finance lease obligations	1	2	8	5	–	16
Other	8	–	–	–	–	8
AT 31 DECEMBER 2014	**134**	**2**	**356**	**7**	**–**	**499**

17c - Analysis of debt by main currencies

(€ millions)	EUR	GBP	USD	Other	Total
Short-term bank borrowings and overdrafts	–	–	–	2	2
Other bank borrowings	194	–	1	2	197
Finance lease obligations	29	27	–	1	57
Factoring liabilities	70	70	–	30	170
Other	15	–	–	–	15
AT 31 DECEMBER 2015	**308**	**97**	**1**	**35**	**441**
Short-term bank borrowings and overdrafts	4	–	1	–	5
Other bank borrowings	467	–	1	2	470
Finance lease obligations	15	–	–	1	16
Other	8	–	–	–	8
AT 31 DECEMBER 2014	**494**	**–**	**2**	**3**	**499**

Change in contractual terms of use applicable to credit and liquidity lines

As indicated in Note 1, the Group's main financing lines were restructured as follows in first-half 2015:

- extinction of all outstanding amounts on Arjowiggins' syndicated credit facility (including the repayment in cash of €15 million) as part of the transaction with Impala Group. This facility had been reduced to €125 million in 2014 under the amend and extend agreement in the Group's financial restructuring programme;
- reduction in the authorised borrowing limit for Antalis' syndicated credit facility to €310 million following the payment of €200 million out of the proceeds of the factoring programme set up in the first quarter of 2015 and the contractual repayment of €5 million on 31 December 2015;
- extinction of Sequana's bank debt following early repayment of all outstanding amounts, i.e., €6 million, in March 2015.

Deployment of the new factoring programmes has enabled Antalis to comply with the final condition of the 2014 refinancing agreements. This also provides Antalis with two distinct sources of secure funding over the next few years as the maturities of most of the factoring agreements have been aligned with the 31 December 2018 credit facility payment milestone. However, both the factoring agreements and the credit facilities still require Antalis to comply with a certain number of conditions and covenants, especially ratios that are tested on a regular basis.

Under the terms of the main factoring agreement, the two key ratios and the testing schedule have been aligned with those applicable to the credit facility.

Test date	Leverage ratio(1)	Interest coverage ratio(2)
▪ at 31 March 2015	≤ 5.60	≥ 2.05
▪ at 30 June 2015	≤ 4.10	≥ 2.15
▪ at 30 September 2015	≤ 5.40	≥ 2.00
▪ at 31 December 2015	≤ 3.60	≥ 2.10
▪ at 31 March 2016	≤ 4.85	≥ 2.10
▪ at 30 June 2016	≤ 3.60	≥ 2.15
▪ at 30 September 2016	≤ 4.90	≥ 2.25
▪ at 31 December 2016	≤ 3.35	≥ 2.30
▪ at 31 March 2017	≤ 4.30	≥ 2.30
▪ at 30 June 2017	≤ 3.30	≥ 2.35
▪ at 30 September 2017	≤ 4.55	≥ 2.35
▪ at 31 December 2017	≤ 3.20	≥ 2.35
▪ at 31 March 2018	≤ 3.95	≥ 2.40
▪ at 30 June 2018	≤ 3.05	≥ 2.40
▪ at 30 September 2018	≤ 4.10	≥ 2.45

(1) Consolidated net debt/EBITDA.

(2) Consolidated recurring operating income/net interest expense.

Based on tests carried out in 2015, the Group complied with all of the covenants applicable to the different contracts, especially those introduced by the factoring programmes.

Moreover, it should be noted that the syndicated credit facility has been restructured as follows:

- Tranches A, B and C will be repayable in the form of bullet payments (i.e., in amounts of €60 million, €120 million and €130 million, respectively).
- The terms and conditions for drawing down Tranche C (including the swing line) remain unchanged,
- The number of financial covenants has been reduced to two. The revised ratios and testing schedules are shown in the previous table,
- Authorised expenditure on acquisitions in 2014 and 2015 has been increased and no conditions are attached,
- Acquisitions will be authorised for the 2016-2018 period based on the leverage ratio,
- All pre-existing pledges and sureties have been lifted and replaced by a guarantee that takes account of the terms and conditions of the factoring programme.

Accounting impacts of the operations carried out during the year

- Extinction of Arjowiggins' syndicated credit facility

In accordance with the conditions of the operation with Impala Group described in Note 1, the extinction of this line of credit took the form of a debt write-off of €110 million in principal, in exchange for the sale of 85% of the share capital of Arjowiggins Solutions and Arjo Systems, and repayment of the balance in cash.

The Group recognised income of €110 million in 2015 for the debt write-off.

All of this amount appears in Other operating income and expenses and is included in the net gain on disposal insofar as it is an integral part of the sale of the stake in these two subsidiaries to Impala Group.

Extinction of the credit facility also triggered accelerated depreciation of refinancing costs capitalised when the facility was set up for inclusion in the amortised cost of the debt over its initial maturity (2020). This depreciation expense amounted to €4 million for the period and was recognised in Other financial income and expenses.

- Deployment of factoring programme

The €2 million in expenses incurred for finalising the factoring programmes and getting them up and running were treated as follows in the consolidated accounts:

- ✓ all costs directly attributable to structuring the contracts were capitalised and included in the amortised cost of debt on a straight-line basis over the contractual term of the financing arrangement,
- ✓ all costs not directly attributable to structuring the contracts, especially current expenditure on the remuneration of agents, were expensed in the period.

- Sale & leaseback arrangements

As indicated in Note 1, the extinction of Arjowiggins' syndicated credit facility in the first half of the year made it possible for the Group to organise alternative forms of financing, notably sale & leaseback arrangements finalised in the fourth quarter and based on certain industrial assets. This new source of financing represented a total cash injection of €54 million.

Given the terms of these sale & leaseback arrangements, the Group has recognised finance lease obligations against the amounts received in accordance with IAS 17 and the assets concerned continue to be recognised on the Group's books. Following the first lease payment, the outstanding amount of this financial liability was €53 million.

All costs directly attributable to structuring the contracts were capitalised and included in the amortised cost of debt on a straight-line basis over the contractual term of the financing arrangement.

Both these operations and the proposed sale of the Healthcare business referred to in Note 1 are intended to strengthen Arjowiggins' financing structure and help it fund its business transformation programme, particularly the closure of the Charavines and Wizernes mills. Other financing operations currently being set up should provide the Group with additional financing of around €15 million by the end of June 2016.

Note 18 - Financial instruments

18a - Breakdown of statement of financial position captions by IAS 39 financial instrument category

(€ millions)	Note	31/12/2015		Valuation by category of instrument(1)					
		Carrying amount	Fair value	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables carried at amortised cost	Held-to maturity investments	Financial liabilities carried at amortised cost	Derivative instruments
Non-current financial assets	8	10	10	7	–	1	2	–	–
Other non-current assets	10	169	169	–	–	169	–	–	–
Trade receivables	10	481	481	–	–	481	–	–	–
Other receivables	10	139	139	–	–	139	–	–	–
Current financial assets	8	7	7	–	–	1	6	–	–
Cash and cash equivalents	11	206	206	206	–	–	–	–	–
Long-term debt	17	249	249	–	–	–	–	249	–
Other non-current liabilities	20	13	13	–	–	–	–	13	–
Short-term debt	17	192	192	–	–	–	–	192	–
Trade payables	20	559	559	–	–	–	–	559	–
Other payables	20	236	236	–	–	–	–	236	–

(€ millions)	Note	31/12/2014		Valuation by category of instrument(1)					
		Carrying amount	Fair value	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables carried at amortised cost	Held-to maturity investments	Financial liabilities carried at amortised cost	Derivative instruments
Non-current financial assets	8	7	7	1	–	3	3	–	–
Other non-current assets	10	204	204	–	–	204	–	–	–
Trade receivables	10	468	468	–	–	468	–	–	–
Other receivables	10	114	114	–	–	114	–	–	–
Current financial assets	8	11	11	–	–	11	–	–	–
Cash and cash equivalents	11	183	183	183	–	–	–	–	–
Long-term debt	17	257	257	–	–	–	–	257	–
Other non-current liabilities	20	18	18	–	–	–	–	18	–
Short-term debt	17	242	242	–	–	–	–	242	–
Trade payables	20	527	527	–	–	–	–	527	–
Other payables	20	231	231	–	–	–	–	230	1

(1) Instruments are broken down depending on the different valuation techniques used, such as the levels used in IFRS 7:

- *Level 1 (direct reference to market prices): only applicable to cash and cash equivalents at fair value through profit or loss and available-for-sale financial assets (this category was not used in 2014 or 2015);*
- *Level 2 (valuation technique based on observable data): applicable to all of the Group's other financial assets and liabilities, which may or may not be derivatives, and which must be measured at fair value; it consists of all derivative instruments used by the Group and assets and liabilities at fair value through profit or loss excluding cash.*

Methods and assumptions used to measure financial instruments

The best indicator of the fair value of a contract is the price that would be agreed upon by a buyer and a seller acting under arm's length conditions. This is generally the transaction price at the trade date. The contract is subsequently measured using observable market data that provide the most reliable indicator of fair value.

The fair value of derivative instruments is determined as follows:

- interest rate swaps are measured by discounting contractual cash flows to present value;
- options are measured using option pricing models such as the Black & Scholes method that use quoted prices from an active market and/or prices supplied by outside financial institutions;
- forward currency contracts are measured by discounting the differential future cash flows to present value;
- commodity derivatives are valued as follows:
  - futures traded on an organised market are marked to market;
  - swaps and forward contracts traded over the counter: future cash flows are discounted to present value;
  - options are measured using mathematical option pricing models.

The fair value of debt is measured using the amortised cost method.

Trade receivables and payables are measured at their carrying amount. Discounting "Trade payables" and "Trade receivables" balances to present value does not materially impact their fair value due to the very short payment and settlement terms applied.

The information used for the financial instruments recorded in fair value in assets/liabilities is provided by external counterparties.

18b – Treasury management - Financial instruments

Analysis of debt

Consolidated debt – which represented a gross amount of €441 million at 31 December 2015 (31 December 2014: €499 million) – is financed on an individual basis within the Group's holding companies and subsidiaries. Consolidated net debt totalled €235 million at end-2015 (end-2014: €311 million) and is carried in the following statement of financial position captions:

(€ millions)	2015	2014
Debt	441	499
Cash and cash equivalents	(206)	(183)
Marketable securities with maturities greater than three months	–	(5)
NET DEBT	**235**	**311**

Analysis by business segment:

(€ millions)	2015	2014
Antalis	232	250
Arjowiggins	1	67
Holding company	2	(6)
NET DEBT	**235**	**311**

Analyses by maturity and by currency are provided in Note 17.

Details of current financing arrangements for each entity are provided in the following section and in Note 17.

Arjowiggins

Arjowiggins' gross debt amounted to €61 million at the end of 2015 (2014: €136 million). Most of this total comprises lease liabilities relating to sale & leaseback operations set up at the end of the year after repayable credit lines renegotiated in 2014 were paid down in full (see Notes 1 and 17).

In addition to this renegotiated confirmed credit facility, Arjowiggins pool of banks has granted it unconfirmed overdraft facilities of up to €20 million. These facilities had not been availed of at 31 December 2015.

In 2015, Arjowiggins also received financing through its deconsolidating factoring programmes (see below).

Antalis

Antalis' gross debt amounted to €370 million at the end of the year (2014: €350 million), comprising €200 million drawn down under the syndicated credit facility and the balance in advances received under the factoring programme set up in 2015 (see Notes 1 and 17).

Sequana
Sequana's gross debt was €10 million at 31 December 2015 (2014: €13 million) and consists exclusively of a short- and medium-term arrangement for pre-funding tax receivables negotiated with the French tax authorities.

Factoring – Arjowiggins

At the end of 2008, Arjowiggins set up a number of factoring programmes with two dedicated factoring subsidiaries of top-ranking banks. These programmes now concern nine subsidiaries.

Approach used to justify derecognition of factored receivables
Under the terms of the existing agreements, the subsidiaries transfer:

- their rights to collect the contractual cash flows due on the receivables (the buyer replaces the entity in its rights and obligations under statutory terms);
- substantially all of the risks and rewards relating to the factored receivables, in accordance with the eligibility conditions of the agreement concerned.

The group has chosen to analyse the receivables separately from the credit insurance.

The elements transferred to the factoring companies include:

- Credit risk:
  - 95% of the bad debt risk on each of the receivables transferred (excluding taxes) is transferred to the credit insurer. The transferor (seller) therefore only retains 5% of this risk;
  - the factoring companies bear the costs of any amounts in excess of the maximum liability (30 times the annual premium) stipulated in the credit insurance agreements;
  - when the debtors settle with the subsidiaries via promissory notes or accepted bills of exchange, the buyers waive their right of recourse (provided for in the French Commercial Code) vis-à-vis the seller;
  - the factoring companies have undertaken not to sell these notes, thereby preventing the chain of liability from being reactivated.
- Late payment and the associated carrying costs: under the terms of the agreement, the sale price for each generation of receivables is considered as definite at the time of the sale; the seller does not therefore bear these risks.
- Foreign currency risk: under the factoring agreements, receivables denominated in EUR, GBP and USD may be factored. All operations (sale, financing, insurance, reserve account) are transacted in the receivable's original currency. The foreign currency risk (GBP and USD) is not retained by the sellers beyond the unsecured 5% portion of receivables.
- Dilution risk: while the amount held in the reserve account may be debited with any receivables presenting a dilution risk, this must be done according to the strict guidelines set out in the agreements. The dilution risk is considered stable and not material in the long term given the nature of the business and the high number of customers associated with the factored receivables. The risk that the insurer fails to pay any indemnities when due is borne by the factoring company, unless the insurer states that its failure to pay is due to an exceptional event, offsetting or expiry under the policy taken out by the seller.
- VAT liability on bad debts: the factoring company can only debit VAT on bad debts from the current accounts with Arjowiggins' subsidiaries when the seller itself is able to recover VAT from the tax authorities. Accordingly, the seller does not incur VAT liability risk.

2015
Factoring transactions in 2015 involved:

- the sale of receivables representing total sales of around €472 million (for all factored receivables);
- a total expense of €1.8 million due to factoring companies (€0.6 million in fees and commission and €1.2 million in interest).

At 31 December 2015, outstanding factored receivables represented €69 million, which helped to reduce the Group's net debt, and the balance on the reserve account was €3 million. The amount raised in 2014 was €65 million.

Note 18c – Risk management - interest rate risk, foreign exchange risk, equity price risk, commodity price risk, credit risk and liquidity risk

Fair value of financial instruments

In order to hedge against fluctuations in interest rates, exchange rates and commodity prices, the Sequana Group uses derivatives. Some of these qualify for hedge accounting as cash flow hedges. The Group had only contracted currency hedges for non-material amounts as of 31 December 2015.

Risk management

Interest rate risk
The Group manages the finances of each subsidiary, along with the related interest rate risk, on a centralised basis tailored to each individual entity.

The Group is exposed to interest rate risk on its debt as its primary sources of financing are at floating rates of one, two or three months in the currency concerned (Euribor for the euro and Libor for the US dollar and pound sterling). Where appropriate, derivatives are used to manage this exposure (mainly swaps and collars) however there were no such contracts in force at 31 December 2015 or 31 December 2014.

Fixed versus floating rate debt
Consolidated debt (as defined by the Group) can be broken down between fixed and floating rate debt as follows:

(€ millions)	**2015**	**2014**
Floating rate debt	365	364
Fixed rate debt	78	135
DEBT	**441**	**499**

Interest rate sensitivity analysis
The interest rate sensitivity analysis included all floating rate flows from any non-derivative and derivative instruments and it was assumed that the amounts of debt and financial instruments at 31 December 2015 and at 31 December 2014 are constant over the year. For the purposes of the analysis, all other variables, particularly exchange rates, are deemed to remain constant.

At end-2015 and end-2014, a 0.5% increase in interest rates at the end of the reporting period would have decreased equity and profit or loss (pre-tax impact) by €2 million. A corresponding decrease would not have had any material impact.

Foreign exchange risk
The Group's foreign exchange risk arises on (i) inter-company financing transactions between the Antalis and Arjowiggins groups and their subsidiaries, and (ii) commercial transactions carried out by subsidiaries in foreign currencies. It hedges this risk through the use of currency options and forward currency contracts.

Antalis' exposure to foreign exchange risk concerns subsidiaries outside of the eurozone whose trade receivables and payables may not be denominated in their domestic currencies, especially subsidiaries in Asia, South Africa and certain Central European countries which set up their own currency hedges.

The Antalis holding company is only exposed to foreign exchange risk on the management fees it bills to its subsidiaries which it hedges by selling currency forward. The principal exposures hedged for the holding company are positions in the following combinations of currencies: EUR/GBP, EUR/USD, EUR/CZK, EUR/PLN, EUR/ZAR, USD/ZAR. Antalis does not use hedge accounting to measure its positions and all changes in fair value are recognised in profit or loss.

Arjowiggins' exposure to foreign exchange risk mainly arises on the paper pulp purchases (usually billed in US dollars) and exports of the European subsidiaries. The main currency combinations concerned are EUR/USD and EUR/GBP for subsidiaries in the eurozone, and GBP/USD for the UK subsidiaries. The Arjowiggins holding company sets up hedges on behalf of the subsidiaries when they place orders.

Arjowiggins sometimes sells forward a portion of the forecast sales of the operational subsidiaries and it uses hedge accounting to measure these instruments.

Currency hedges contracted by Arjowiggins and the amounts recycled from equity to profit or loss in relation to such hedges were non-material for the Group as a whole at 31 December 2015.

Foreign currency sensitivity analysis
Foreign currency sensitivity analyses at 31 December 2015 focused on fluctuations in EUR/GBP, EUR/USD, and GBP/USD rates, as these are the currency combinations to which the Group has most currency risk exposure. The Group's exposure to fluctuations in other currency combinations was deemed too dispersed to be broken down.

For the purposes of the analyses, all other variables, particularly interest rates, are deemed to remain constant.

Exposure to fluctuations in the EUR/GBP exchange rate at 31 December 2015

(€ millions)				10% increase in GBP against the euro			10% decrease in GBP against the euro		
Type of asset/liability	Nominal amount	Currency of financial instrument	Functional currency of entity concerned	Impact on fair value	Impact on profit or loss	Impact on equity	Impact on fair value	Impact on profit or loss	Impact on equity
Financial receivables	85	GBP	EUR	8	8	–	(8)	(8)	–
Trade receivables	–	GBP	EUR	–	–	–	–	–	–
Debt	206	GBP	EUR	(21)	(21)	–	21	21	–
Trade payables	(13)	GBP	EUR	1	1	–	(1)	(1)	–
Derivatives	–	GBP	EUR	–	–	–	–	–	–
TOTAL				**(12)**	**(12)**	**–**	**12**	**12**	**–**

Exposure to fluctuations in the EUR/GBP exchange rate at 31 December 2014

(€ millions)				10% increase in GBP against the euro			10% decrease in GBP against the euro		
Type of asset/liability	Nominal amount	Currency of financial instrument	Functional currency of entity concerned	Impact on fair value	Impact on profit or loss	Impact on equity	Impact on fair value	Impact on profit or loss	Impact on equity
Financial receivables	92	GBP	EUR	9	9	–	(9)	(9)	–
Trade receivables	(6)	GBP	EUR	(1)	(1)	–	1	1	–
Debt	104	GBP	EUR	(10)	(10)	–	10	10	–
Trade payables	(14)	GBP	EUR	1	1	–	(1)	(1)	–
Derivatives	5	GBP	EUR	(1)	(1)	–	1	1	–
TOTAL				**(2)**	**(2)**	**–**	**2**	**2**	**–**

Exposure to fluctuations in the EUR/USD exchange rate at 31 December 2015

(€ millions)				10% increase in USD against the euro			10% decrease in USD against the euro		
Type of asset/liability	Nominal amount	Currency of financial instrument	Functional currency of entity concerned	Impact on fair value	Impact on profit or loss	Impact on equity	Impact on fair value	Impact on profit or loss	Impact on equity
Financial receivables	53	USD	EUR	5	5	–	(5)	(5)	–
Trade receivables	8	USD	EUR	1	1	–	(1)	(1)	–
Debt	13	USD	EUR	(1)	(1)	–	1	1	–
Trade payables	40	USD	EUR	(4)	(4)	–	4	4	–
Derivatives	–	USD	EUR	–	–	–	–	–	–
TOTAL				**1**	**1**	**–**	**(1)**	**(1)**	**–**

Exposure to fluctuations in the EUR/USD exchange rate at 31 December 2014

(€ millions)				10% increase in USD against the euro			10% decrease in USD against the euro		
Type of asset/liability	Nominal amount	Currency of financial instrument	Functional currency of entity concerned	Impact on fair value	Impact on profit or loss	Impact on equity	Impact on fair value	Impact on profit or loss	Impact on equity
Financial receivables	11	USD	EUR	1	1	–	(1)	(1)	–
Trade receivables	9	USD	EUR	1	1	–	(1)	(1)	–
Debt	9	USD	EUR	(1)	(1)	–	1	1	–
Trade payables	1	USD	EUR	–	–	–	–	–	–
Derivatives	56	USD	EUR	3	3	–	(3)	(3)	–
TOTAL				**4**	**4**	**–**	**(4)**	**(4)**	**–**

Exposure to fluctuations in the GBP/USD exchange rate at 31 December 2015

(€ millions)				10% increase in USD against the GBP			10% decrease in USD against the GBP		
Type of asset/liability	Nominal amount	Currency of financial instrument	Functional currency of entity concerned	Impact on fair value	Impact on profit or loss	Impact on equity	Impact on fair value	Impact on profit or loss	Impact on equity
Financial receivables	4	USD	GBP	–	–	–	–	–	–
Trade receivables	6	USD	GBP	1	1	–	(1)	(1)	–
Debt	1	USD	GBP	–	–	–	–	–	–
Trade payables	3	USD	GBP	–	–	–	–	–	–
Derivatives	–	USD	GBP	–	–	–	–	–	–
TOTAL				**1**	**1**	**–**	**(1)**	**(1)**	**–**

Exposure to fluctuations in the GBP/USD exchange rate at 31 December 2014

(€ millions)				10% increase in USD against the GBP			10% decrease in USD against the GBP		
Type of asset/liability	Nominal amount	Currency of financial instrument	Functional currency of entity concerned	Impact on fair value	Impact on profit or loss	Impact on equity	Impact on fair value	Impact on profit or loss	Impact on equity
Financial receivables	–	USD	GBP	–	–	–	–	–	–
Trade receivables	5	USD	GBP	–	–	–	–	–	–
Debt	–	USD	GBP	–	–	–	–	–	–
Trade payables	1	USD	GBP	–	–	–	–	–	–
Derivatives	–	USD	GBP	–	–	–	–	–	–
TOTAL				**–**	**–**	**–**	**–**	**–**	**–**

Equity price risk

The Sequana Group has extremely limited exposure to equity risk.

Commodity and energy price risks

Arjowiggins' activities expose it to risks arising from fluctuations in the prices of paper pulp and energy which can occur extremely rapidly, and it sets up hedges in agreement with Sequana, based on forecast prices.

It did not contract any hedges against fluctuations in the prices of paper pulp in either 2014 or 2013.

Credit risk

Credit risk represents the risk that a customer or creditor will breach a contractual obligation and cause the Group to incur a financial loss. This risk primarily arises in relation to marketable securities and trade receivables.

Counterparty risks on investments and derivatives

The Group's financial investments are either used solely to invest excess cash drawn down under bank credit facilities or to put up collateral for its subsidiaries. These investments primarily correspond to demand or term deposits for currencies bearing interest (USD, GBP), money market investments with the Group's banking partners for non-interest bearing currencies (especially the euro) and very limited investments in units in money market funds. The financial institutions that manage the investments have a long-term rating of at least A+ issued by Standard & Poor's or a government guarantee, and the Group uses the same counterparties for its derivative instruments.

However it did not hold any such instruments at 31 December 2014.

The Group's policy is only to grant financial guarantees to wholly-owned subsidiaries.

Customer credit risk

In 2006, Arjowiggins negotiated a framework credit risk insurance policy with a credit risk insurer and the main European subsidiaries entered into bilateral agreements with the same insurer. Some of these agreements have been amended, notably to reflect factoring programmes set up since then.

In 2012, Antalis also negotiated a framework credit risk insurance policy with a credit risk insurance provider and the French, UK and German subsidiaries entered into bilateral agreements with the same insurer. Antalis' other subsidiaries negotiate local credit risk insurance policies.

Customer credit risk is assessed at the level of each sub-group based on the size of each sub-group's portfolio of trade receivables. The data in the following table is presented before the elimination of intercompany transactions (mainly from Arjowiggins' books) and there is no material impairment of receivables or customer risk within the Group.

The Group's policy is to classify receivables as past due when payment is still outstanding 30 days after the invoice settlement date. Provisions for past due receivables are recorded on a case-by-case basis taking into account past experience with the customer concerned and the amount outstanding.

Statistical provisions may also be recorded for all receivables based on their age.

At 31 December 2015, the Sequana Group's trade receivables represented a net value of €481 million (2014: €468 million). This corresponds to a gross amount of €506 million, less a €25 million provision for impairment in value (in 2014, these amounts were €496 million and €28 million, respectively), representing a provision rate of 4.9% of the consolidated gross trade receivables portfolio (5.6% in 2014).

Consequently, the cost of bad debts as a proportion of the trade receivables portfolio taken as a whole was down slightly on 2014.

			Past due				
(€ millions)	Balance at 31/12/2015	Not yet due	0-30 days	31-60 days	61-90 days	> 90 days	Disputed receivables
Trade receivables	**506**	**424**	**48**	**9**	**3**	**4**	**18**
Provisions for impairment of trade receivables	(25)	–	–	(1)	(2)	(4)	(18)
Trade receivables, net	**481**	**424**	**48**	**8**	**1**	**–**	**–**
Net receivables as a % of gross receivables	95.1%	100.0%	100.0%	82.0%	25.0%	10.0%	0.0%
Net receivables as a % of total receivables portfolio	0.0%	88.1%	10.0%	1.7%	0.2%	0.0%	0.0%

At 31 December 2015, 11.9% of total outstanding net receivables were past due and not covered by a provision for impairment, compared with 15.4% at end-2014.

Liquidity risk

Maturities of cash flows relating to financial liabilities

The following table analyses the maturities of the future cash outflows for financial liabilities from the last drawdown dates, with principal and interest payments given separately.

At 31 December 2015, given the financing conditions described in Notes 17 and 18b, the maturities of future cash outflows break down as follows:

(€ millions)	Type of financial liability					
Annual cash flow	Bank borrowings	Short-term borrowings	Factoring liabilities	Finance lease obligations	Other	Total
Cash flows due within one year						
Interest for the period	(10)	–	(4)	(4)	–	(18)
Principal	(3)	(2)	(170)	(10)	(6)	(191)
Cash flows due between one and two years						
Interest for the period	(10)	–	–	(4)	–	(14)
Principal	–	–	–	(10)	(4)	(14)
Cash flows due between two and three years						
Interest for the period	(10)	–	–	(3)	–	(13)
Principal	(194)	–	–	(11)	(5)	(210)
Cash flows due between three and four years						
Interest for the period	–	–	–	(2)	–	(2)
Principal	–	–	–	(8)	–	(8)
Cash flows due between four and five years						
Interest for the period	–	–	–	(1)	–	(1)
Principal	–	–	–	(8)	–	(8)
Cash flows due in more than five years						
Interest for the period	–	–	–	(1)	–	(1)
Principal	–	–	–	(10)	–	(10)
Total						
Accumulated interest	(30)	–	(4)	(15)	–	(49)
Principal	(197)	(2)	(170)	(57)	(15)	(441)

At 31 December 2014, given the financing conditions at the time, the maturities of future cash outflows broke down as follows:

(€ millions)	Type of financial liability					
Annual cash flow	**Bank borrowings**	**Short-term borrowings**	**Factoring liabilities**	**Finance lease obligations**	**Other**	**Total**
Cash flows due within one year						
Interest for the period	(13)	–	–	(1)	–	(14)
Principal	(229)	(5)	–	(6)	(2)	(242)
Cash flows due between one and two years						
Interest for the period	(15)	–	–	(1)	–	(16)
Principal	(12)	–	–	(2)	(1)	(15)
Cash flows due between two and three years						
Interest for the period	(16)	–	–	–	–	(16)
Principal	(15)	–	–	(2)	(3)	(20)
Cash flows due between three and four years						
Interest for the period	(14)	–	–	–	–	(14)
Principal	(150)	–	–	(2)	(2)	(154)
Cash flows due between four and five years						
Interest for the period	(1)	–	–	–	–	(1)
Principal	(20)	–	–	(1)	–	(21)
Cash flows due in more than five years						
Interest for the period	–	–	–	(1)	–	(1)
Principal	(44)	–	–	(3)	–	(47)
Total						
Accumulated interest	(59)	–	–	(3)	–	(62)
Principal	(470)	(5)	–	(16)	(8)	(499)

Note 19 - Deferred taxes

19a - Breakdown by period of reversal

(€ millions)	Less than 1 year(1)	More than 1 year	Total
Position at 31 December 2015			
Deferred tax assets	3	7	10
Deferred tax liabilities	(2)	–	(2)
NET POSITION AT YEAR-END	**1**	**7**	**8**
Position at 31 December 2014			
Deferred tax assets	2	4	6
Deferred tax liabilities	(3)	(10)	(13)
NET POSITION AT YEAR-END	**(1)**	**(6)**	**(7)**

(1) Offsetting entries between deferred tax assets and liabilities are allocated first to deferred taxes that reverse in less than one year.

19b - Deferred tax assets – movements during the year

(€ millions)	Provision for employee benefits	Loss carryforwards	Other items and offsets(1)	Total
At 1 January 2014	**13**	**6**	**(9)**	**10**
(Expense) income for the year	–	(3)	4	1
Other comprehensive income (loss)	2	–	–	2
Translation adjustments	–	–	1	1
Other movements, net	–	–	(8)	(8)
AT 31 DECEMBER 2014	**15**	**3**	**(12)**	**6**
(Expense) income for the year	–	2	(7)	(5)
Other comprehensive income (loss)	2	–	–	2
Translation adjustments	–	–	3	3
Other movements, net	–	–	1	1
Translation adjustments	–	–	3	3
AT 31 DECEMBER 2015	**17**	**5**	**(12)**	**10**

(1) Offsets between deferred tax assets and liabilities are recorded at tax group level.

19c - Deferred tax liabilities – movements during the year

(€ millions)	Provision for employee benefits	Property, plant and equipment	Tax depreciation and provisions	Other items and offsets[(1)]	Total
At 1 January 2014	**(18)**	**(7)**	**(21)**	**39**	**(7)**
(Expense) income for the year	–	(5)	2	6	3
Other comprehensive income (loss)	(14)	–	–	–	(14)
Translation adjustments	(2)	–	–	–	(2)
Other movements, net	–	3	–	4	7
AT 31 DECEMBER 2014	**(34)**	**(9)**	**(19)**	**49**	**(13)**
(Expense) income for the year	(1)	(4)	10	(2)	3
Other comprehensive income (loss)	13	–	–	–	13
Translation adjustments	(2)	–	–	–	(2)
Other movements, net	(2)	–	–	(1)	(3)
AT 31 DECEMBER 2015	**(26)**	**(13)**	**(9)**	**46**	**(2)**

(1) Offsets between deferred tax assets and liabilities are recorded at tax group level.

19d - Current and deferred taxes on gains and losses recognised in other comprehensive income

(€ millions)	Actuarial gains and losses	Fair value of financial instruments	Total
At 31 December 2015	15	–	15
At 31 December 2014	(12)	–	(12)

19e - Analysis of current tax losses and tax credits for which no deferred tax assets have been recognised

Group tax loss carryforwards excluding specific regimes applicable to asset disposals may be broken down by country as follows:

	Expiry (in base tax amounts)					
(€ millions)	Less than 1 year	Between 1 and 4 years	More than 4 years	Unlimited	Total taxable base	Estimated potential savings
Current tax losses (by originating country)						
At 31 December 2015						
France	–	–	–	247	247	94
Germany	–	–	–	44	44	13
United States(1)	–	–	123	–	123	48
United Kingdom	–	–	–	86	86	17
The Netherlands	6	24	50	–	80	20
Czech Republic	1	5	–	–	6	1
Spain	–	–	–	28	28	7
Poland	1	13	4	–	18	3
Belgium	–	–	–	32	32	11
Denmark	–	–	–	28	28	7
Turkey	1	2	1	–	4	1
Brazil	–	–	–	7	7	2
Other countries	1	8	8	35	52	11
TOTAL AT 31 DECEMBER 2015	**10**	**52**	**186**	**507**	**755**	**235**
At 31 December 2014						
France	–	–	–	258	258	98
Germany	–	–	–	43	43	13
United States	–	–	23	–	23	9
United Kingdom	–	–	–	66	66	14
The Netherlands	8	19	61	–	88	22
Czech Republic	–	4	2	–	6	1
Spain	–	1	29	–	30	7
Poland	–	10	3	–	13	3
Belgium	–	–	–	32	32	11
Denmark	–	–	–	26	26	7
Turkey	2	1	–	–	3	1
Brazil	–	–	–	5	5	2
Other countries	–	6	3	41	50	11
TOTAL AT 31 DECEMBER 2014	**10**	**41**	**121**	**471**	**643**	**198**

(1) In 2015, the Group received confirmation of its right to use the tax losses of its US subsidiary sold in 2014. In accordance with the principle of prudence, it had derecognised these losses in the accounts at 31 December 2014.

Note 20 - Other liabilities

(€ millions)	31/12/2015	31/12/2014
OTHER NON-CURRENT LIABILITIES	**13**	**18**
Employee-related liabilities	–	2
Other liabilities(1)	13	16
TRADE PAYABLES	**559**	**527**
OTHER PAYABLES	**236**	**231**
Current tax payables	4	5
Indirect tax payables	50	42
Employee-related liabilities	80	83
Payables arising on acquisition of assets	4	4
Customer advances	11	17
Derivative instruments	1	1
Other payables(2)	86	79

(1) At end-December 2015 and 2014, these were chiefly related to the non-current portion of deferred revenue recognised with respect to the disposal of Arjowiggins' Casting Paper business at the end of 2013,

(2) Especially amounts owed for trade discounts granted to Antalis customers as part of its distribution business.

Maturity of other liabilities

(€ millions)	Total	Less than 1 year	1 to 5 years	More than 5 years
At 31 December 2015				
Other non-current liabilities	13	–	13	–
Trade payables	559	559	–	–
Other payables	236	236	–	–
At 31 December 2014				
Other non-current liabilities	18	–	18	–
Trade payables	527	527	–	–
Other payables	231	231	–	–

Note 21 - Personnel expenses

(€ millions)	2015	2014
Personnel expenses		
Wages and salaries	(376)	(373)
Employee and employer social security contributions	(104)	(108)
Costs of temporary staff	(23)	(19)
Other pension costs and employee benefit obligations	(4)	(4)
Other components of remuneration	(10)	(14)
TOTAL	**(517)**	**(518)**
(Additions to) reversals of provisions included in operating income		
Provisions for pension and other employee benefit obligations	(4)	(3)
TOTAL	**(521)**	**(521)**

Note 22 - Remuneration paid to corporate officers

(€ millions)	2015	2014
Remuneration and other short-term benefits		
Corporate officers	(2.24)	(1.35)
of which, members of senior management	1.84	(0.94)
Termination benefits	–	–
Post-employment benefits	–	–
Other long-term benefits	–	–
Share-based payments	–	–

The remuneration set out above includes amounts received by Board members who are permanent representatives of other corporate entities.

Note 23 - Other operating income and expenses

(€ millions)	2015	2014
Other operating income		
Transaction with Impala group[1]	99	–
Gains on disposal of property, plant and equipment and intangible assets	5	3
Reversal of provisions for post-employment benefits	–	7
Reversal of provisions for litigation	–	1
Negative goodwill[1]	5	–
Debt write-offs obtained[2]	–	178
Impact of the issue of bonds redeemable in shares[2]	–	90
Sub-total	109	279
Other operating expenses		
Disposal of Arjo Wiggins Ltda[1]	(15)	–
Transaction with Impala group[1]	(82)	–
Impairment losses on goodwill in the Antalis group[3]	–	(8)
Impairment losses on intangible assets and property, plant and equipment[3]	(32)	(9)
Losses on disposal of property, plant and equipment and intangible assets	(2)	–
Net restructuring expenses	(43)	(112)
Provisions for litigation	(3)	(2)
Other items, net	(8)	(29)
Sub-total	(185)	(160)
TOTAL	**(76)**	**119**

(1) See Notes 1 and 3 for a description of acquisitions and disposals of subsidiaries over the period. In the specific case of Arjo Wiggins Ltda, proceeds on disposal include the cumulative amount of translation adjustments recognised in Other comprehensive income and recycled to income on the disposal date (i.e., an expense of €4 million).

(2) For information, the Group radically restructured its debt profile in 2014 – particularly that of Arjowiggins – resulting in a debt waiver of almost €180 million and conversion of part of the outstanding credit facilities of Arjowiggins and Sequana into equity instruments (see Note 12).

(3) See Notes 1 and 4 for a breakdown of impairment losses recognised.

Note 24 - Net financial income (loss)

(€ millions)	2015	2014
Interest on current accounts	1	1
Foreign exchange gains	56	23
Sub-total – financial income (i)	57	24
Foreign exchange losses	(55)	(27)
Interest expense on financial liabilities	(20)	(34)
Other financial expenses	(2)	(2)
Sub-total – financial expense (ii)	(77)	(63)
Cost of gross debt (i) + (ii)	**(20)**	**(39)**
Interest income on other financial assets	–	4
Other banking charges and financial commissions[1]	(19)	(20)
Net (additions to)/reversals of financial provisions	(2)	(1)
Other financial income and expenses, net	**(21)**	**(17)**
NET FINANCIAL LOSS	**(41)**	**(56)**

(1) Comprising transaction fees included in the amortised cost of debt, which represent an expense of €2 million (2014: €2 million). This caption also includes a negative €4 million recycled to the income statement in respect of liabilities settled in 2015 (a negative €7 million was recycled to the income statement in respect of liabilities settled in 2014).

Note 25 - Foreign exchange gains and losses

Foreign exchange gains and losses recognised in the income statement can be analysed as follows:

(€ millions)	2015	2014
Sales and other operating income	3	2
Purchases consumed and other operating expenses	(5)	(3)
Cost of net debt	1	(4)
FOREIGN EXCHANGE GAINS (LOSSES)	**(1)**	**(5)**

The exchange rates of the main currencies used by the Group are as follows:

(€ millions)	2015	2014
Closing rate		
Pound sterling	0.7340	0.7789
Brazilian real	4.3117	3.2207
US dollar	1.0887	1.2141
Average rate		
Pound sterling	0.7259	0.8063
Brazilian real	3.6940	3.1221
US dollar	1.1095	1.3286

Note 26 - Income tax

(€ millions)	2015	2014
Current taxes	(21)	(14)
Deferred taxes	(2)	4
INCOME TAX BENEFIT (EXPENSE)	**(23)**	**(10)**

(€ millions)	2015	2014
Operating income (loss)	(3)	191
Net financial income (loss)	(41)	(56)
Pre-tax income (loss) from continuing operations	**(44)**	**135**
Standard tax rate in France	38.0%	38.0%
Effective tax rate for the Group	(52.3)%	7.4%
Theoretical tax expense (i)	17	(51)
Actual tax expense (ii)	(23)	(10)
DIFFERENCE (ii-i)	**(40)**	**41**
This difference can be analysed as follows:		
Difference between the standard rate in France and the rates applicable in other tax jurisdictions	4	1
Permanent differences related to impairment losses recognised on goodwill	(31)	(3)
Impact of non-taxation of asset disposals	–	1
Other permanent differences(1)	(7)	34
Recognition/(non-recognition) of deferred tax assets(2)	(34)	(47)
Tax saving on unrecognised prior-year tax losses(3)	28	58
Other movements(4)	–	(3)
DIFFERENCE	**(40)**	**41**

(1) In 2014, the Group recognised income of €90 million on the conversion of part of its bank debt into equity instruments (see Note 14). This item impacted neither current nor future tax results and it generated tax savings of €34 million.

(2) Tax losses for the period and deductible temporary differences that could not be recognised as deferred tax assets represented a negative tax impact of €30 million for Arjowiggins (2014: negative €29 million), a negative impact of €1 million for Antalis (2014: negative €15 million), and a negative impact of €3 million for the holding companies (2014: negative €3 million).

(3) In 2014, the income of €178 million recognised in respect of debt write-offs obtained by the Group was partially offset by losses for the period and particularly the use of tax loss carryforwards not limited by the circumstances in which the write-offs were granted. This caption includes the resulting tax saving for a negative amount of €52 million as well as the debt write-offs obtained in 2015 as part of the transaction with Impala group.

(4) In 2015, as in 2014, this caption includes a negative amount of €3 million corresponding to the levy based on companies' "value added" (CVAE) (see Note 2B26) and a positive €2 million for tax credits to aid competitiveness and promote employment and research (CICE/CIR) in accordance with the IFRS classification applied to these French taxes and tax credits.

Tax dispute between Boccafin and the French tax authorities

In a decision handed down on 31 December 2015, the Administrative Court of Appeal of Versailles upheld the decision of the Montreuil Administrative Court of 16 May 2013 granting Boccafin a release from the additional income tax that it had been ordered to pay. The tax authorities have appealed this decision, however this does not affect the Group's assessment of this dispute and, consequently, no provision has been set aside in the financial statements.

Note 27 - Analysis of consolidated cash flows from continuing operations

(€ millions)	**2015**	**2014**
Depreciation, amortisation and provisions		
Impairment losses on goodwill	82	8
Depreciation and amortisation of property, plant and equipment and intangible assets, net	79	60
Net additions to (reversals of) other provisions	(42)	49
NET ADDITIONS TO DEPRECIATION, AMORTISATION AND PROVISIONS	**119**	**117**
Disposal (gains) and losses		
Net impact of disposal of businesses[(1)]	(84)	–
Net impact of disposals of property, plant and equipment and intangible assets	(3)	(3)
DISPOSAL (GAINS) AND LOSSES	**(87)**	**(3)**
Other non-cash operating income and expenses		
Negative goodwill[(1)]	(5)	–
Debt write-offs obtained[(2)]	–	(178)
Impact of the issue of bonds redeemable in shares[(2)]	–	(90)
OTHER OPERATING INCOME AND EXPENSES RECORDED	**(5)**	**(268)**
Change in operating working capital		
Inventories	17	23
Trade receivables	7	35
Trade payables	(34)	(97)
Other receivables	(33)	(22)
Other payables	45	(19)
CHANGE IN OPERATING WORKING CAPITAL	**2**	**(80)**
Net impact of changes in scope of consolidation[(1)]		
Antalis acquisitions	(24)	–
Transaction with Impala group	(10)	–
Disposal of Arjo Wiggins Ltda	67	–
Acquisition of Xerox	–	(8)
Sale of Arjowiggins' Casting paper business	–	6
NET IMPACT OF CHANGES IN SCOPE OF CONSOLIDATION	**33**	**(2)**

(1) See Notes 1, 3 and 23.

(2) See Notes 12 and 23.

Note 28 - Segment information

The activities of the Sequana Group are:

- manufacture of technical and creative paper through Arjowiggins, which is wholly owned;
- distribution of paper and packaging products through Antalis, which is wholly owned.

28a - Business segment analysis of the 2015 income statement

(€ millions)	Arjowiggins	Antalis	Holding companies and eliminations	Total
Sales				
External sales	682	2,618	–	3,300
Inter-segment sales	223	7	(230)	–
TOTAL SALES	**905**	**2,625**	**(230)**	**3,300**
RECURRING OPERATING INCOME (LOSS)	**18**	**68**	**(13)**	**73**
OPERATING INCOME (LOSS)	**(42)**	**51**	**(12)**	**(3)**
Net financial income (loss)	–	–	–	(41)
Income tax benefit (expense)	–	–	–	(23)
Share of earnings of associates	–	–	–	–
Net income (loss) from discontinued operations	–	–	–	–
NET INCOME (LOSS)	**–**	**–**	**–**	**(67)**
Attributable to owners	–	–	–	(67)
Non-controlling interests	–	–	–	–

28b - Business segment analysis of the 2014 income statement

(€ millions)	Arjowiggins	Antalis	Holding companies and eliminations	Total
Sales				
External sales	791	2,578	–	3,369
Inter-segment sales	229	7	(236)	–
TOTAL SALES	**1,020**	**2,585**	**(236)**	**3,369**
RECURRING OPERATING INCOME (LOSS)	**28**	**55**	**(11)**	**72**
OPERATING INCOME (LOSS)	**100**	**8**	**83**	**191**
Net financial income (loss)	–	–	–	(56)
Income tax benefit (expense)	–	–	–	(10)
Share of earnings of associates	–	–	–	–
Net income (loss) from discontinued operations	(8)	–	–	(8)
NET INCOME (LOSS)	**–**	**–**	**–**	**117**
Attributable to owners	–	–	–	117
Non-controlling interests	–	–	–	–

28c - Other disclosures by business segment at 31 December 2015

(€ millions)	Arjowiggins	Antalis	Holding companies and eliminations	Total
Assets				
Segment assets[1]	398	1,172	23	1,593
Investments in associates	–	–	–	–
Assets held for sale	46	1	–	47
Unallocated assets	–	–	–	288
TOTAL ASSETS				**1,928**
Equity and liabilities				
Segment liabilities[1]	237	544	22	803
Liabilities related to assets held for sale	22	–	–	22
Unallocated liabilities	–	–	–	635
TOTAL EQUITY AND LIABILITIES				**1,460**
Cash flow from continuing operations				
Expenditure on acquisitions of property, plant and equipment and intangible assets	32	18	–	50
Depreciation and amortisation for the period	24	23	–	47
Additions to provisions for impairment losses	114	4	–	118
Reversals of provisions for impairment losses	(4)	–	–	(4)
Other additions to (reversals of) provisions	(21)	(21)	–	(42)
DEPRECIATION, AMORTISATION AND PROVISIONS, NET	**113**	**6**	**–**	**119**
Other non-cash items (excluding depreciation and amortisation)	(87)	(5)	–	(92)
Cumulative cash flows from (used in) operating activities	48	(49)	(18)	(19)
Cumulative cash flows from (used in) investing activities	(31)	25	–	(6)
Cumulative cash flows from (used in) financing activities	8	48	(6)	50

(1) See definition of segment assets and liabilities in Note 2B29 "Segment reporting".

28d - Other disclosures by business segment at 31 December 2014

(€ millions)	Arjowiggins	Antalis	Holding companies and eliminations	Total
Assets				
Segment assets[1]	563	1,141	12	1,716
Investments in associates	1	1	–	2
Assets held for sale	93	1	–	94
Unallocated assets	–	–	–	305
TOTAL ASSETS				**2,117**
Equity and liabilities				
Segment liabilities[1]	274	484	12	770
Liabilities related to assets held for sale	15	–	–	15
Unallocated liabilities	–	–	–	744
TOTAL EQUITY AND LIABILITIES				**1,529**
Cash flow from continuing operations				
Expenditure on acquisitions of property, plant and equipment and intangible assets	28	15	–	43
Depreciation and amortisation for the period	27	23	–	50
Additions to provisions for impairment losses	9	8	–	17
Reversals of provisions for impairment losses	–	–	–	–
Other additions to (reversals of) provisions	65	(15)	(1)	49
DEPRECIATION, AMORTISATION PROVISIONS, NET	**101**	**16**	**(1)**	**116**
Other non-cash items (excluding depreciation and amortisation)	(268)	(3)	–	(271)
Cumulative cash flows from (used in) operating activities	(63)	(32)	(7)	(102)
Cumulative cash flows from (used in) investing activities	(20)	(20)	3	(37)
Cumulative cash flows from (used in) financing activities	48	19	10	77

(1) See definition of segment assets and liabilities in Note 2B29 "Segment reporting".

28e - Geographical segment disclosures at 31 December 2015[1]

(€ millions)	Sales	Segment assets	Acquisitions of PPE & intangible assets
European Union			
France	416	339	24
United Kingdom	760	547	14
Italy	61	5	–
Other European Union countries	1,283	483	6
Total European Union	**2,520**	**1,374**	**44**
Other European countries	229	75	2
United States	61	19	1
Rest of the world	490	125	3
TOTAL	**3,300**	**1,593**	**50**

(1) Sales are presented based on the geographical location of the target market and segment assets and acquisitions of property, plant and equipment and intangible assets are presented based on the geographical location of the assets.

28f - Geographical segment disclosures at 31 December 2014[1]

(€ millions)	Sales	Segment assets	Acquisitions of PPE & intangible assets
European Union			
France	428	434	22
United Kingdom	729	585	8
Italy	48	9	–
Other European Union countries	1,314	471	7
Total European Union	**2,519**	**1,499**	**37**
Other European countries	258	76	1
United States	53	26	1
Rest of the world	539	122	4
TOTAL	**3,369**	**1,723**	**43**

(1) Sales are presented based on the geographical location of the target market and segment assets and acquisitions of property, plant and equipment and intangible assets are presented based on the geographical location of the assets.

Note 29 - Related-party transactions

Transactions with non-consolidated investees and associates are not material. However, when such transactions occur, they are generally based on arm's length terms.

At 31 December 2015, the Group had not entered into any transactions with its principal shareholders (Bpifrance Participations (formerly FSI), Impala, DLMD) or with any of its subsidiaries or senior executives.

There were no transactions with related parties during the financial years ended on 31 December 2014 and 31 December 2015.

Note 30 - Off-balance sheet commitments

(€ millions)	31/12/2015	31/12/2014
UNUSED CREDIT FACILITIES	**116**	**179**
COMMITMENTS GIVEN	**652**	**1,005**
Guarantee of UK pension benefit obligations(1)	354	334
Joint guarantees and other first call guarantees given(2)	268	636
Commitments to purchase property, plant and equipment and intangible assets	3	6
Forward purchases of goods for resale and commodities	27	29
COMMITMENTS RECEIVED	**27**	**30**
Guarantees	–	1
Forward sales of goods for resale and commodities	27	29

(1) Mainly concerns a counter-guarantee given by Sequana of the guarantees provided by Arjowiggins and Antalis in relation to the pension benefit funding obligations for past and present employees of their UK subsidiaries that are members of the Wiggins Teape Pension Scheme (WTPS) and the Antalis Pension Scheme (APS). The amount of the guarantee is capped at the lower of 113% of the fund's buy-out deficit as estimated at 31 December each year, or GBP 164 million (€223 million at 31 December 2015) for WTPS and GBP 36 million (€49 million at 31 December 2015) for APS. The buy-out-deficit represents the theoretical amount of the deficit value to be used in the event of the transfer of all of the funds' obligations to an insurance company. No additional guarantees above these amounts may be given to these pension funds without the approval of the Board of Directors of Sequana. Based on the pension fund regulations, the contribution requirements for employer entities, the guarantees given to the trustees by the participating entities and the counter-guarantees given by Sequana, the overall amount of the guarantees currently given by the Group remains capped at GBP 200 million (€272 million).
It also includes guarantees given by Antalis International and its UK subsidiaries concerning the pension benefit obligations for past and present employee vis-à-vis Antalis Pension Scheme (APS) in addition to the guarantee described previously, as well as guarantees for Arjo UK Group Pension Scheme, James McNaughton Paper Group Limited Pension and Insurance Scheme and Modo Merchants Pension Scheme totalling €82 million at 31 December 2015 and €77 million at 31 December 2014.

(2) In addition to guarantees given by Antalis on the sale of warehouses and pledges of receivables put up as collateral for Antalis' credit facility until it set up factoring programmes (see Notes 17 and 18), these mainly included the following commitments:
- *a joint and several guarantee given to the Exeltium consortium to cover the obligations of Arjowiggins Papiers Couchés in relation to the electricity procurement requirements of the Arjowiggins Graphic division for a maximum amount of €80 million up to 31 December 2025;*
- *a guarantee covering the obligations of Arjowiggins Sourcing Ltd to a supplier within the scope of a procurement contract for an amount of €9 million and covering the period up to 31 December 2016;*
- *a guarantee covering the obligations of Arjo Wiggins Insurance Ltd within the scope of optional reinsurance of Group insurance agreements for an amount of €3 million up to 30 June 2016.*

Maturities of off-balance sheet commitments at 31 December 2015

(€ millions)	Total	Less than 1 year	1 to 5 years	More than 5 years
Unused credit facilities	116	6	110	–
Commitments given	652	90	73	489
Commitments received	27	27	–	–

Maturities of off-balance sheet commitments at 31 December 2014

(€ millions)	Total	Less than 1 year	1 to 5 years	More than 5 years
Unused credit facilities	179	–	179	–
Commitments given	1,005	451	29	525
Commitments received	30	1	29	–

Operating leases: future minimum payments (principal)

(€ millions)	Total	Less than 1 year	1 to 5 years	More than 5 years
At 31 December 2015	164	48	97	18
At 31 December 2014	186	50	103	33

These operating leases mainly concern storage depots.

At 31 December 2015, future minimum payments under operating leases broke down as €97 million at fixed rates and €67 million at floating rates, compared with €105 million and €81 million, respectively, at year-end 2014.

Total lease payments recorded in the 2015 income statement amounted to €67 million (2014: €69 million), including €38 million for leased warehouses (2014: €39 million), €13 million for other property leasing arrangements (2014: €15 million), and €16 million for rental costs (2014: €16 million).

Sellers' warranties concerning consolidated entities

Description	Signature date	Amount (in millions of currency units)	Amount (in € millions)	Expiry
Disposal of Arjo Wiggins Appleton Ltd[(1)]	18/05/2009			
Pension benefit obligations		GBP 6	8	Indefinite
Tax risks		USD 45	41	31/12/2015
Disposal of Arjowiggins Arches SAS and Arjo Wiggins Deutschland Gmbh[(2)]				
Guarantees given to Munksjö France	26/02/2011	–	40	25/02/2018
Guarantees given to Munksjö Germany	26/02/2011	–	1	25/02/2021
Disposal of Papeteries Canson to Hamelin group				
Sellers' warranties	30/06/2011	–	2	29/06/2016

(1) Guarantees given to the buyer of Arjo Wiggins Appleton Limited (AWA Ltd):
When it sold AWA Ltd, Sequana specifically excluded any seller warranties in respect of the Fox River environmental dispute in the US, or any risks arising out of the agreement to sell Appleton Papers Inc. on 5 July 2001 and the undertakings concerning the Low Fox River environmental dispute dating from 9 November 2001. The guarantees that were given relate only to the entities' normal business, tax risks and pension benefit obligations to approximately ten former employees undertaken by AWA Ltd prior to the sale. As indicated in the table, apart from the pension benefit obligations, all of these guarantees are for capped amounts and periods of limited duration. Sequana has recognised provisions for the pension benefit obligations in its consolidated financial statements since 2009.

(2) Counter-guarantee of Arjowiggins' commitments given by Sequana in favour of Munksjö: the tax and environmental guarantees expire in seven years and the competition guarantees in five years. All other guarantees have already expired.

Collateral posted in respect of financing agreements

- In accordance with the obligations under its syndicated credit facility, Antalis International obtained a release of pledges granted on trade receivables by certain of its subsidiaries to enable the subsidiaries in question to set up factoring arrangements involving these receivables. These new factoring agreements made it possible to reduce the amounts owed to the lender banks under the secured facility agreements. Moreover, to secure its existing borrowing commitments, Antalis International granted a pledge on the shares of certain subsidiaries and the lender banks also continue to hold a number of existing pledges, notably on the trade receivables of subsidiaries that are not a party to these agreements.
- The factoring programme and sale & lease back arrangements finalised, respectively, with certain Antalis International and Arjowiggins subsidiaries in 2015 were secured by collateral typically put up for such agreements pursuant to the applicable laws.

Sureties released in 2015

In 2015, all of the outstanding amounts due under Arjowiggins' syndicated credit facility and Sequana's bilateral credit agreement were repaid (see Notes 1 and 17).

In light of these voluntary early repayments, Sequana obtained the release of the following sureties which it had provided as collateral to guarantee both its own and Arjowiggins' obligations:

- pledge by Sequana of Antalis International shares, pursuant to the terms of a securities pledge agreement dated 30 April 2012 along with the corresponding pledge statement;
- pledge of receivables held by Sequana on Antalis International in connection with inter-company loans and current accounts, pursuant to the terms of a receivables pledge agreement dated 30 April 2012;
- pledge of receivables held by Sequana on Arjowiggins in connection with inter-company loans and current accounts, pursuant to the terms of a receivables pledge agreement dated 30 April 2012.

Other operating contingent liabilities

To the best of the Company's knowledge, no Group company has omitted to report any material commitment.

Note 31 - Headcount

Number of employees	2015	2014
Breakdown by business		
Arjowiggins	3,537	3,977
Antalis	5,694	5,585
Other companies	52	53
TOTAL	**9,283**	**9,615**
Breakdown by geographical area		
France	2,745	2,971
United Kingdom	1,831	1,657
Italy	34	47
Other European Union countries	2,675	2,653
Other European countries	410	430
United States	88	83
Rest of the world	1,500	1,774
TOTAL	**9,283**	**9,615**
Breakdown by category		
Managers	99	103
Production employees	3,356	3,485
Distribution employees	2,812	2,807
Other employees	3,016	3,220
TOTAL	**9,283**	**9,615**

Note 32 - Subsequent events

State of progress regarding the sale of Arjowiggins Healthcare

Alongside the Arjowiggins Healthcare executive management team, the Group has entered into exclusive negotiations with the investment fund Meeschaert Private Equity regarding the planned sale of the Arjowiggins Healthcare business, initiated in the second half of 2015 (see Note 1). Information/consultation procedures are currently being conducted with the relevant personnel works councils.

This agreement should culminate in the effective sale of the business by the end of June 2016, without any material impact on the Group's results.

The proceeds from the sale, together with additional financing currently being negotiated, will strengthen the Group’s cash position in the face of costs relating to the closure of the Wizernes and Charavines mills.

Arjowiggins Healthcare reported sales of approximately €77 million in 2015.

Note 33 - Statutory Auditors' fees

The fees charged by the Company's Statutory Auditors and by the members of their networks over the past two financial periods are summarised in the following table:

	PricewaterhouseCoopers Audit				Constantin Associés			
	Amount		%		Amount		%	
(€ millions, net of taxes)	2015	2014	2015	2014	2015	2014	2015	2014
Audit								
Statutory audit engagement, audit and certification of the individual company and consolidated financial statements								
Issuer	*0.3*	*0.4*	*10%*	*13%*	*0.3*	*0.3*	*25%*	*21%*
Fully-consolidated subsidiaries	*2.3*	*2.5*	*74%*	*81%*	*0.8*	*0.9*	*67%*	*64%*
Other reviews and services related to the statutory audit engagement								
Issuer	–	–	*0%*	*0%*	–	–	*0%*	*0%*
Fully-consolidated subsidiaries	–	–	*0%*	*0%*	–	–	*0%*	-
Sub-total	**2.6**	**2.9**	**84%**	**94%**	**1.1**	**1.2**	**92%**	**86%**
Other services provided by the audit firm networks to fully-consolidated subsidiaries								
Legal, tax and labour law	0.5	0.2	16%	6%	–	–	0%	-
Other	–	–	0%	-	0.1	0.2	8%	14%
Sub-total	**0.5**	**0.2**	**16%**	**6%**	**–**	**0.2**	**0%**	**14%**
TOTAL	**3.1**	**3.1**	**100%**	**100%**	**1.2**	**1.4**	**100%**	**100%**

Note 34 - Scope of consolidation

	Country	% ownership interest	% control
ARJOWIGGINS			
ARJOWIGGINS SAS	France	100	100
AGENA N.V.	Belgium	100	100
APPLETON COATED PAPERS HOLDINGS INC.	United States	100	100
ARJOBEX AMERICA	United States	100	100
ARJOBEX LIMITED	United Kingdom	100	100
ARJOBEX SAS	France	100	100
ARJOWIGGINS CHARTHAM LIMITED	United Kingdom	100	100
ARJOWIGGINS CZECH REPUBLIC KONCERNOVY PODNIK SRO	Czech Republic	100	100
ARJOWIGGINS HKK 1 LTD	Hong Kong	100	100
ARJOWIGGINS HKK 3 LTD	Hong Kong	100	100
ARJOWIGGINS IVYBRIDGE LIMITED	United Kingdom	100	100
ARJOWIGGINS LE BOURRAY SAS	France	100	100
ARJOWIGGINS HEALTHCARE SAS	France	100	100
ARJOWIGGINS HEALTHCARE PACKAGING TRADING	China	100	100
ARJOWIGGINS PAPER TRADING (SHANGHAI) COMPANY LTD	China	100	100
ARJOWIGGINS PAPIERS COUCHES SAS	France	100	100
ARJOWIGGINS (QUZHOU) SPECIALITY PAPERS CO. LTD	China	100	100
ARJOWIGGINS RIVES SAS	France	100	100
ARJOWIGGINS SECURITY BV	The Netherlands	100	100
ARJOWIGGINS SECURITY SAS	France	100	100
ARJOWIGGINS SERVICES LIMITED	United Kingdom	100	100
ARJOWIGGINS SOURCING LTD	United Kingdom	100	100
ARJOWIGGINS HEALTHCARE SRO	Czech Republic	100	100
ARJO WIGGINS CARBONLESS PAPERS EUROPE LIMITED	United Kingdom	100	100
ARJO WIGGINS ERMSTAL GMBH & CO. KG	Germany	100	100
ARJO WIGGINS ESPAÑA SA	Spain	99.96	99.97
ARJO WIGGINS FEINPAPIER GMBH	Germany	99.99	100
ARJO WIGGINS FINE PAPERS HOLDINGS LIMITED	United Kingdom	100	100
ARJO WIGGINS FINE PAPERS LIMITED	United Kingdom	100	100
ARJO WIGGINS GERMANY HOLDINGS LIMITED	United Kingdom	100	100
ARJO WIGGINS ITALIA SRL	Italy	100	100
ARJO WIGGINS LIMITED	United Kingdom	100	100
ARJO WIGGINS MEDICAL, INC	United States	100	100
ARJO WIGGINS UK HOLDINGS LIMITED	United Kingdom	100	100
ARJO WIGGINS USA, INC	United States	100	100
ARJOWIGGINS MIDDLE EAST FZE	United Arab Emirates	100	100
DALUM PAPIR AS	Denmark	100	100
GREENFIELD SAS	France	100	100
GUARRO CASAS SA	Spain	99.93	99.93
PERFORMANCE PAPERS LIMITED	United Kingdom	100	100
PRIPLAK SAS	France	100	100
THE WIGGINS TEAPE GROUP LIMITED	United Kingdom	100	100
TORDERA SA	Panama	99.93	100

	Country	% ownership interest	% control
ANTALIS			
ANTALIS ABITEK LTDA	Chile	100	100
ANTALIS INTERNATIONAL SAS	France	100	100
ANTALIS AB	Sweden	100	100
ANTALIS AG	Switzerland	100	100
ANTALIS AS	Estonia	100	100
ANTALIS A/S	Denmark	100	100
ANTALIS A/S	Norway	100	100
ANTALIS, AS	Slovakia	100	100
ANTALIS ASIA PACIFIC PTE LTD	Singapore	100	100
ANTALIS AUSTRIA GMBH	Austria	100	100
ANTALIS BOLIVIA SRL	Bolivia	100	100
ANTALIS BOTSWANA (PTY) LIMITED	Botswana	100	100
ANTALIS BV	The Netherlands	100	100
ANTALIS BULGARIA EOOD	Bulgaria	100	100
ANTALIS CADORIT AB	Sweden	100	100
ANTALIS CC&CO A/S	Denmark	100	100
ANTALIS CHILE LTDA	Chile	100	100
ANTALIS D.O.O. LJUBLJANA	Slovenia	100	100
ANTALIS DO BRAZIL PRODUTOS PARA A INDUSTRIA GRAFICA LTDA	Brazil	100	100
ANTALIS GMBH	Germany	100	100
ANTALIS GROUP HOLDINGS LIMITED	United Kingdom	100	100
ANTALIS GROUP (PRIVATE UNLIMITED COMPANY)	United Kingdom	100	100
ANTALIS HOLDINGS LIMITED	United Kingdom	100	100
ANTALIS HUNGARY KFT	Hungary	100	100
ANTALIS IBERIA SA	Spain	100	100
ANTALIS IRELAND LIMITED	Ireland	100	100
ANTALIS JAPAN CO LTD	Japan	100	100
ANTALIS LIMITED	United Kingdom	100	100
ANTALIS NV/SA	Belgium	100	100
ANTALIS OVERSEAS HOLDINGS LIMITED	United Kingdom	100	100
ANTALIS OY	Finland	100	100
ANTALIS PACKAGING ITALIA SRL	Italy	100	100
ANTALIS PERU SA	Peru	100	100
ANTALIS POLAND SPOLKA ZOO	Poland	100	100
ANTALIS PORTUGAL SA	Portugal	100	100
ANTALIS SA	Romania	100	100
ANTALIS - FRANCE	France	100	100
ANTALIS SOUTH AFRICA PTY LTD	South Africa	100	100
ANTALIS SRO	Czech Republic	100	100
ANTALIS VERPACKUNGEN GMBH	Germany	100	100
ANTALIS VERPACKUNGEN GMBH	Austria	100	100
ANTALIS 2000 A/S	Denmark	100	100
ANTALIS (HONG KONG) LIMITED	Hong Kong	100	100

	Country	% ownership interest	% control
ANTALIS (MALAYSIA) SDN BHD	Malaysia	100	100
ANTALIS (PROPRIETARY) LTD	South Africa	100	100
ANTALIS (SHANGHAI) TRADING CO. LIMITED	China	100	100
ANTALIS (SINGAPORE) PTE LTD	Singapore	100	100
ANTALIS (THAILAND) LIMITED	Thailand	90	90
ARJOWIGGINS CREATIVE PAPERS SAS	France	100	100
ARJO WIGGINS FINE PAPERS PTY LTD	Australia	100	100
AS ANTALIS	Latvia	100	100
BRANOPAC CZ SRO	Czech Republic	100	100
DONINGTON PACKAGING SUPPLIES LIMITED	United Kingdom	100	100
ESPACOL LTDA	Colombia	100	100
GMS DISTRIBUIDORA GRAFICA SA	Chile	100	100
GST GRAPHIC SERVICE TEAM LTDA	Brazil	99.88	99.88
INTERPAPEL SA	Mexico	100	100
INVERSIONES ANTALIS HOLDINGS LIMITADA	Chile	100	100
JAMES MCNAUGHTON GROUP LIMITED	United Kingdom	100	100
ANTALIS MACRON GMBH	Germany	100	100
MAP MERCHANT GROUP LIMITED	United Kingdom	100	100
MAP MERCHANT HOLDINGS BV	The Netherlands	100	100
MAP MERCHANT HOLDINGS GMBH	Germany	100	100
MAP MERCHANT SWEDEN AB	Sweden	100	100
MCNAUGHTON GRAPHICAL PAPER LIMITED	United Kingdom	100	100
MCNAUGHTON PAPER IRELAND LIMITED	Ireland	100	100
MCNAUGHTON PAPER N I LIMITED	United Kingdom	100	100
OOO MAP MERCHANT RUSSIA	Russia	100	100
OÜ HANSAPAKEND	Estonia	100	100
OY MAP MERCHANT AB	Finland	100	100
PARKSIDE PACKAGING LIMITED	United Kingdom	100	100
SIMGE ANTALIS	Turkey	100	100
UAB ANTALIS	Lithuania	100	100
ZAO MAP UKRAINE	Ukraine	100	100
1st CLASS PACKAGING LIMITED	United Kingdom	100	100
HOLDING COMPANIES AND OTHER ACTIVITIES			
SEQUANA SA	France	-	-
AP GESTION ET FINANCEMENT SAS	France	100	100
ARJO WIGGINS APPLETON HOLDINGS	United Kingdom	100	100
ARJO WIGGINS APPLETON INSURANCE LIMITED	Guernsey	100	100
ARJO WIGGINS EUROPE HOLDINGS	United Kingdom	100	100
ARJO WIGGINS NORTH AMERICA INVESTMENTS	United Kingdom	100	100
ARJO WIGGINS US HOLDINGS	United Kingdom	100	100
AWA FINANCE	United Kingdom	100	100
BOCCAFIN SAS	France	100	100
SEQUANA CAPITAL UK LIMITED	United Kingdom	100	100
SEQUANA RESSOURCES & SERVICES SAS	France	100	100

Statutory Auditors' report on the consolidated financial statements

For the year ended 31 December 2015

Sequana
8 rue de Seine
92100 Boulogne-Billancourt - France

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not.
This information is presented below the opinion on the consolidated financial statements and 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 consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. 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 compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2015, on:

- the audit of the accompanying consolidated financial statements of Sequana;
- the justification of our assessments;
- the specific verification required by law.

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

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to:

- Notes 1, 17 and 32 to the consolidated financial statements presenting the operations to be finalised to strengthen Arjowiggins' financing structure and help fund its transformation plan. These additional resources will come from the sale of Arjowiggins' Healthcare business, and the implementation of new financing arrangements.
- Note 15 to the consolidated financial statements relating to the Company's litigation with BAT Industries Plc, for which a ruling is expected in the second half of 2016.

II - 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:

As part of our assessment of the accounting rules and principles applied by the Company, and based on the information provided to date, we have verified that Notes 1, 17 and 32 to the consolidated financial statements contain the appropriate disclosures on the Group's financial position and its ability to continue as a going concern and provide a description of the various completed and ongoing actions that should enable the Group to bolster the resources needed to fund its transformation plan, including the closure of the Wizernes and Charavines mills.

The Company has reviewed the recoverable amounts of its goodwill and property, plant and equipment in accordance with the methods described in Notes 2.B6, 2.B8 and 4 to the consolidated financial statements. As part of our assessment of the estimates made by the Company, we have assessed the methods used to implement the impairment tests and cash flow forecasts as well as the related assumptions and ensured that the notes to the consolidated financial statements provide appropriate disclosures.

Notes 2.B3, 2.B16 and 2.B17 describe other judgements and significant estimates used by management concerning pension and other employee benefit obligations measured by external actuaries, and provisions for contingencies. Our work consisted of examining the data and assessing the assumptions used, reviewing, on a test basis, the calculations performed by the Company, and verifying that the information disclosed in Notes 15 and 16 to the consolidated financial statements is appropriate, based on information available to date.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine, 30 March 2016
The Statutory Auditors

PricewaterhouseCoopers Audit
Stéphane Basset

Constantin Associés
Member of Deloitte Touche Tohmatsu Ltd
Jean-Paul Séguret

Parent company financial statements for the year ended 31 December 2015

The parent company financial statements for the year ended 31 December 2013 and the related Statutory Auditors' report are incorporated by reference into this report.

Statement of financial position

Assets

(€ millions)	Notes	31/12/2015	31/12/2014
Property, plant and equipment and intangible assets		2	2
Investments(1)	3	1,325	1,222
Total fixed assets		1,327	1,224
Operating receivables(2)		2	2
Other receivables(2)		25	9
Cash and cash equivalents		8	14
Total current assets		35	25
Accrual accounts		-	1
TOTAL ASSETS		**1,362**	**1,250**
(1) Short-term portion of net investments		-	-
(2) Of which, due in less than one year		12	11

Equity and liabilities

(€ millions)	Notes	31/12/2015	31/12/2014
Share capital		65	51
Additional paid-in capital		253	135
Legal reserve		24	24
Other reserves		482	483
Retained earnings		375	-
Net income for the year		102	375
Total equity	4	1,301	1,068
Other equity		-	132
Provisions		8	8
Debt(3)	5	36	28
Operating payables		7	6
Tax and social security liabilities		5	8
Other payables		4	-
Total liabilities(4)		52	42
TOTAL EQUITY AND LIABILITIES		**1,362**	**1,250**
(3) Of which, short-term bank borrowings and overdrafts		-	-
(4) Of which, due in less than one year		43	32

Income statement

(€ millions)	*Notes*	**2015**	**2014**
Services rendered		5	3
Other operating income		-	3
Total operating income		**5**	**6**
Purchases consumed		(9)	(15)
Taxes other than income taxes		(1)	(1)
Personnel expenses		(8)	(7)
Other operating expenses		(1)	(1)
Total operating expenses		**(20)**	**(24)**
Operating loss	*6*	**(15)**	**(18)**
Financial income		9	19
Financial expenses		(1)	(1)
Net financial income	*7*	**8**	**18**
Loss before non-recurring items and tax		**(7)**	**-**
Non-recurring income		342	378
Non-recurring expenses		(237)	(3)
Net non-recurring income	*8*	**105**	**375**
Income before tax		**98**	**375**
Income tax benefit	*9*	4	-
NET INCOME		**102**	**375**

Notes to the parent company financial statements

Note 1 - Significant events of the year

Valuation of investments in subsidiaries and associates

The following information concerning the value in use of the Company's subsidiaries at 31 December 2015 – as defined in Note 2 "Basis of presentation" – is based on valuations performed by the Company.

a) Operating subsidiaries

The value in use of Arjowiggins shares was less than the carrying amount of the investment, resulting in the recognition of a provision for impairment losses of €224 million.

The value in use of Antalis International shares was greater than the carrying amount of the investment, resulting in the reversal of the provision for impairment losses in an amount of €326 million.

b) Non-operating subsidiaries

The Company's equity in the net assets of Arjo Wiggins Appleton Insurance Ltd was less than the carrying amount of the investment, resulting in the recognition of a provision for impairment losses of €1 million.

Impala group becomes a Sequana shareholder

After purchasing Arjowiggins' €125 million syndicated credit facility in full, Impala group also acquired all of the ORNANE bonds issued in 2014 as part of the restructuring of Arjowiggins' syndicated credit facility. At a meeting in April 2015, Sequana's Board of Directors submitted a proposal to shareholders and the holders of all of the ORA and ORNANE bonds issued in July 2014 to prepone the maturity dates of these bonds and to fix conditions for redeeming them in new shares with a lower dilutive impact.

This proposal was approved and the instruments were duly redeemed in late June 2015, resulting in the issue of 14 million new shares representing nearly 22% of the Company's post-redemption share capital, of which 20% is held by the new holder of the ORNANE bonds, and 2% by holders of the ORA bonds. Consequently, following completion of this operation, Impala owns a 20% stake in Sequana.

This capital increase had no impact on Sequana's parent company equity.

Repayment of amounts due under the parent company credit facility

At the end of March 2015, Sequana repaid the full amount of its €6 million bank loan taken out in 2014 as part of the restructuring of its debt.

Tax dispute between Boccafin and the French tax authorities

In a decision handed down on 31 December 2015, the Administrative Court of Appeal of Versailles upheld the decision of the Montreuil Administrative Court of 16 May 2013 granting Boccafin a release from the additional income tax that it had been ordered to pay. The tax authorities have appealed this decision, however this does not affect the Group's assessment of this dispute and, consequently, no provision has been set aside in the financial statements.

Note 2 - Basis of preparation

The parent company financial statements are prepared in accordance with French generally accepted accounting principles based on the General Chart of Accounts.

The basic method used to value items recorded in the accounting books is the historical cost method.

In 2015, Sequana entered into a pre-funding arrangement with a credit institution for the Group's tax credits for the 2012 to 2014 period. Advances granted but not yet reimbursed by the tax authorities to the credit institution at the reporting date are shown in debt.

The usual accounting conventions have been applied in compliance with the principle of prudence and:

- the going concern principle,
- the consistency principle, and
- the accrual basis principle.

Accounting policies

a) Property, plant and equipment

Property, plant and equipment are stated at cost.

They are depreciated by the straight-line method over their estimated useful lives.

b) Investments in subsidiaries and associates

Investments in subsidiaries and associates are stated at the lower of cost and value in use.

Valuation of operating subsidiaries and associates

Value in use is the sole basis used for determining the fair value of investments and it is calculated by discounting future cash flows to present value.

Value in use is then calculated as enterprise value less the corresponding net debt. Any impairment losses are recognised through profit or loss.

Previously recognised impairment losses are reversed in the income statement when the value in use of the investments exceeds their carrying amount.

Valuation of non-operating holding companies

The value in use of holding companies is assessed based on the Company's equity in their revalued net assets, or on consolidated value in the case of sub-groups.

c) Treasury shares

A liquidity agreement has been set up with Oddo Corporate Finance to improve the liquidity of the Sequana share and the regularity of its quotations without distorting the workings of the market. Treasury shares acquired within the scope of the liquidity agreement are recognised at cost within investments and a provision for impairment is booked if their carrying amount is less than the average share price during the last month prior to the reporting date. Any profit or loss on the disposal of treasury shares is recognised in non-recurring income or expense.

d) Pension benefit obligations

The projected benefit obligation payable to current and former employees is calculated based on assumptions regarding increases in salaries, retirement age and mortality rates and then discounted to present value. Provisions for these obligations are recognised in liabilities with matching entries in profit or loss.

e) Stock options

Stock options are recognised as a capital increase when the options are exercised in an amount corresponding to the exercise price paid by the option holders. Any difference between the exercise price of the shares concerned and their par value is recognised as an issue premium.

f) Tax regime

In accordance with Articles 223-A *et seq.* of the French General Tax Code (*Code général des impôts*), the Company has elected to file a consolidated tax return and can freely determine the scope of its tax group which can be modified each year.

In 2015, the tax group comprised 20 companies that are over 95%-owned by Sequana, either directly or indirectly.

Each member of the tax group calculates and accounts for its taxable income (loss) as though it were taxed on a stand-alone basis.

List of subsidiaries in the tax group in 2015

Sequana Ressources & Services – Avre1 (formerly Arjowiggins Security Solutions) – Arjowiggins SAS - Arjobex - Arjowiggins Rives - Arjowiggins Healthcare - Arjowiggins Security - Arjowiggins Papiers Couchés - Arjowiggins Le Bourray - Priplak - Antalis International - Antalis France - AP Gestion et Financement - Boccafin - Arjowiggins Creative Papers - Greenfield – Avre2 – Avre3 – Avre5 – Avre6.

Under tax consolidation arrangements set up for Antalis International and Arjowiggins SAS, each consolidated sub-group is able to pay the amount of tax that it would have paid had it elected to set up its own tax group. This enables the Group to record a lesser amount of consolidated tax savings on Sequana books, amounting to €4 million.

g) Bonds redeemable in shares

These bonds are recorded in other equity since the terms and conditions attached to the bonds cannot require the issuer to redeem them in cash.

Note 3 - Investments

(€ millions)	31/12/2014	Increase	Decrease	31/12/2015
Investments in subsidiaries and associates (see Note 16)	2,715	1	-	2,716
Other	2	-	-	2
GROSS AMOUNT	**2,717**	**1**	**-**	**2,718**
Provisions	(1,495)	(225)	326	(1,394)
CARRYING AMOUNT	**1,222**	**(224)**	**326**	**1,325**

"Other" concerns treasury shares held within the scope of the liquidity agreement with Oddo Corporate Finance for an amount of €0.6 million, mutual funds (OPCVM) for €0.6 million, and security deposits given for an amount of €0.8 million. At 31 December 2015, the Company held 143,664 treasury shares with a historical value of €0.6 million. Since the average price of these treasury shares at end-December 2015 was greater than their historical cost, no provision was recognised for impairment losses.

Movements in investments in 2015

(€ millions)	
Carrying amount at 31 December 2014	**1,222**
Investments in subsidiaries and associates	
Equity interests acquired:	-
Arjo Wiggins Appleton Insurance Ltd	1
Movements in provisions for impairment in value of shares:	
• Arjowiggins	(224)
• Antalis International	326
Arjo Wiggins Appleton Insurance Ltd	(1)
Carrying amount at 31 December 2015	**1,325**

Note 4 - Statement of changes in equity

(€ millions)	Numbers of shares	Share capital	Additional paid-in capital	Reserves: Legal reserves	Reserves: Tax-regulated reserves	Reserves: Other reserves	Retained earnings	Net income (loss) for the year	Total
Equity at 31 December 2013 before allocation of net loss	**25,011,221**	**225**	**95**	**24**	**5**	**1,425**	**(107)**	**(1,040)**	**627**
Allocation of net loss	-	-	-	-	-	(947)	(93)	1,040	-
Share award plans	29,583	-	-	-	-	-	-	-	-
Reduction in share capital	-	(200)	-	-	-	-	200	-	-
Capital increase	26,019,500	26	40	-	-	-	-	-	66
Net income for 2014	-	-	-	-	-	-	-	375	375
Equity at 31 December 2014 before allocation of net income	**51,060,304**	**51**	**135**	**24**	**5**	**478**	**-**	**375**	**1,068**
Allocation of net income	-	-	-	-	-	-	375	(375)	-
Capital increase	14,123,047	14	118	-	-	-	-	-	132
Net income for 2015	-	-	-	-	-	-	-	102	102
Equity at 31 December 2015 before allocation of net income	65,183,351	65	253	24	5	478	375	102	1,301
Allocation of net income	-	-	-	-	-	-	102	(102)	-
Equity at 31 December 2015 after allocation of net income	**65,183,351**	**65**	**253**	**24**	**5**	**478**	**477**	**-**	**1,301**

The various changes to the Company's share capital in 2015 are described below.

On 29 June 2015, the Board of Directors decided to increase the Company's share capital by an amount of €14,123,047 by creating 14,123,047 new Sequana shares with a par value of €1 each.

This capital increase was recorded in "Other equity" in an amount of €14,123,047. On 30 July 2014, €132 million had been booked to this account to record the issue of 125,000 ORNANE bonds and 7,000 ORA bonds related to the conversion of part of the outstanding credit facilities of Arjowiggins and Sequana, respectively. The difference between the amount recorded in "Other equity" on 30 July 2014, i.e., €132 million, and the nominal amount of the capital increase, i.e., €14,123,047, was transferred to "Additional paid-in capital" in an amount of €117,876,953. As of that date, Sequana's share capital stands at €65,183,351, divided into 65,183,351 shares, each with a par value of €1.

Note 5 - Debt (see Note 14)

Debt at 31 December 2015

(€ millions)	Total	Due in one year or less	Due in more than one year
Advances relating to a pre-funding arrangement for tax credits	10	1	9
Tax consolidation current accounts	7	7	-
Cash current accounts	17	17	-
Loan from Arjowiggins Appleton Insurance Ltd	1	1	-
TOTAL	**36**	**27**	**9**

Debt at 31 December 2014

(€ millions)	Total	Due in one year or less	Due in more than one year
Bank borrowings	5	2	3
Advances relating to a pre-funding arrangement for tax credits	8	1	7
Cash current accounts	13	13	-
Loan from Arjo Wiggins Appleton Insurance Ltd	2	2	-
TOTAL	**28**	**18**	**10**

Note 6 - Operating loss

This item is mainly composed of the overhead costs of the Sequana holding company net of amounts rebilled to the subsidiaries.

Note 7 - Net financial income

(€ millions)	2015	2014
Financial income		
- Interim and annual dividends from subsidiaries	8	15
- Other financial income	1	4
TOTAL	**9**	**19**

(€ millions)	2015	2014
Financial expenses		
- Interest on borrowings (see Note 5)	1	1
- Other financial expenses	-	-
TOTAL	**1**	**1**

Note 8 - Net non-recurring income

(€ millions)	2015
Additions to provisions for impairment of investments:	
- Arjowiggins	(224)
- Arjo Wiggins Appleton Insurance Ltd	(1)
Addition to provisions for litigation	(1)
Reversals of provisions for impairment of investments:	
- Antalis International	326
Insurance payout (net of costs)	3
Other non-recurring income	1
TOTAL	**105**

(€ millions)	**2014**
Additions to provisions for impairment of investments:	
- Arjo Wiggins Appleton Insurance Ltd	(1)
Other non-recurring expenses	(2)
Reversals of provisions for impairment of investments:	
- Arjowiggins - Antalis International	317 51
Debt write-offs obtained	8
Reversal of provisions for litigation	1
Other non-recurring income	1
TOTAL	**375**

Note 9 - Income tax

(€ millions)	**2015**	**2014**
Income (loss) before tax	98	375
Group tax benefit	4	-
TOTAL	**102**	**375**

Under tax consolidation arrangements set up for Antalis and Arjowiggins, each consolidated sub-group incurs the amount of tax for which it would have been liable had it elected to set up its own tax group. This reduces the Group tax benefit recognised by Sequana.

The aforementioned tax consolidation regime resulted in a net tax saving of €4 million for the year (it had no impact in 2014).

At 31 December 2015, the tax loss carryforwards available to the tax group amounted to €247 million.

Note 10 - Statement of changes in net debt

(€ millions)	**2015**	**2014**
Net income	102	375
Elimination of additions to (reversals of) depreciation, amortisation and provisions	(101)	(367)
Gross operating cash flow	**1**	**8**
Change in operating working capital requirements	(14)	-
Net cash generated from (used in) operating activities	**(13)**	**8**
Acquisition of equity interests	(1)	(64)
Net cash generated from (used in) investing activities	**(1)**	**(64)**
Conversion into ORA bonds	-	7
Capital increase	-	66
Net cash generated from (used in) financing activities	**-**	**73**
INCREASE (DECREASE) IN NET DEBT	**(14)**	**17**
Net debt at start of year	(14)	(31)
Net debt at end of year	(28)	(14)
INCREASE (DECREASE) IN NET DEBT	**(14)**	**17**

Breakdown of net debt at end of year		
Cash and cash equivalents	8	14
Debt	(36)	(28)
Net debt at end of year	**(28)**	**(14)**

Note 11 - Remuneration of corporate officers

Total remuneration paid to corporate officers in 2015 amounted to €2.24 million (2014: €1.35 million), including €0.44 million for members of the Board of Directors (2014: €0.45 million) and €1.8 million for Company executives (2014: €0.90 million).

Note 12 - Related companies

(€ millions)	**2015**	**2014**
Assets and liabilities		
Operating and other receivables	2	2
Debt	18	15
Operating payables	1	-
Net financial income (expense)		
Income from investments in subsidiaries and associates	8	15

Note 13 - Off-balance sheet commitments

(€ millions)	**31/12/2015**	**31/12/2014**
Commitments given		
Reinsurance commitments	3	3
Joint and several guarantee[(1)]	93	115
UK pension benefit obligations[(2)]	272	257
TOTAL	**368**	**375**

(1) Joint and several guarantee given to Exeltium SAS for €80 million to cover the obligations of Arjowiggins Papiers Couchés in relation to the electricity procurement requirements of the Arjowiggins Graphic division up to 31 December 2025; guarantee granted to Itochu Fibre Ltd for USD 4 million covering the obligations of Arjowiggins Sourcing Ltd within the scope of a procurement contract covering the period through to 31 December 2016; guarantee granted to Sodra Cell INTL AB for €9 million covering the obligations of Arjowiggins Sourcing Ltd within the scope of a procurement contract through to 31 December 2016; and guarantee granted to Lease Plan France for €0.2 million covering the obligations of Sequana Group subsidiaries to vehicle leasing companies through to 20 November 2020.

(2) Concerns a counter-guarantee given by Sequana of the guarantees provided by Arjowiggins and Antalis in relation to the pension benefit funding obligations for past and present employees of their UK subsidiaries that are members of the Wiggins Teape Pension Scheme (WTPS) and the Antalis Pension Scheme (APS). The amount of the guarantee is capped at the lower of 113% of the fund's buy-out deficit as estimated at 31 December each year, or GBP 164 million for WTPS (€223 million at 31 December 2015) and GBP 36 million for APS (€49 million at 31 December 2015). The buy-out-deficit represents the theoretical amount of the deficit value to be used in the event of the transfer of all of the funds' obligations to an insurance company. No additional guarantees above these amounts may be given to these pension funds without the approval of the Board of Directors of Sequana. Based on the pension fund regulations, the contribution requirements for employer entities, the guarantees given to the trustees by the participating entities and the counter-guarantees given by Sequana, the overall amount of the guarantees currently given by the Group remains capped at GBP 200 million (€272 million).

Sellers' warranties

Description	Signature date	Amount (in millions of	Amount (in € millions)	Expiry
Sale of Arjo Wiggins Appleton Ltd[(1)]				
Tax risks	15/05/2009	USD 45	41	31/12/2015
Pension benefit obligations	15/05/2009	GBP 6	8	Indefinite
Sale of Arjowiggins Arches SAS and Arjowiggins Deutschland GmbH[(2)]				
Guarantees of Arjowiggins' obligations:	26/02/2011			
- given to Munksjö France			40	25/02/2018
- given to Munksjö Germany			1	25/02/2021

(1) Guarantees given to the buyer of Arjo Wiggins Appleton Limited (AWA Ltd)
When it sold AWA Ltd, Sequana specifically excluded any seller warranties in respect of the Fox River environmental dispute in the US, or any risks arising out of the agreement to sell Appleton Papers Inc. on 5 July 2001 and the undertakings concerning the Low Fox River environmental dispute dating from 9 November 2001. The guarantees that were given relate only to the entity's normal business, tax risks and pension benefit obligations to approximately ten former employees undertaken by AWA Ltd prior to the sale. As indicated in the table, apart from the pension benefit obligations, all of these guarantees are for capped amounts and periods of limited duration. Since 2009, Sequana has recognised provisions for the pension benefit obligations in its financial statements.

(2) Counter-guarantee given to Munksjö in connection with the sale of Arjowiggins Arches and Arjowiggins Deutschland
Counter-guarantee of Arjowiggins' commitments given by Sequana in favour of Munksjö: the tax and environmental guarantees expire in seven years and the competition guarantees in five years. The other guarantees which were given to the Munksjö group when Arjowiggins' decor division was sold have expired.

Sureties released in 2015

As indicated in Note 1, Sequana repaid (early and of its own volition) all amounts due in respect of the credit facilities, amended and extended most recently on 26 June 2014 as part of the Group refinancing agreements.

On 29 June 2015, Arjowiggins repaid (early and of its own volition) all amounts due in respect of its syndicated credit facility.

In light of these voluntary early repayments, Sequana obtained the release of the following sureties which it had provided as collateral to guarantee both its own and Arjowiggins' obligations:

- pledge by Sequana of Antalis International shares pursuant to the terms of a securities pledge agreement dated 30 April 2012 along with the corresponding pledge statement.
- pledge of receivables held by Sequana on Antalis International in connection with inter-company loans and current accounts, pursuant to the terms of a receivables pledge agreement dated 30 April 2012.

Sequana also obtained release of the following surety which it had provided as collateral to guarantee Arjowiggins' obligations:

- pledge of receivables held by Sequana on Arjowiggins in connection with inter-company loans and current accounts, pursuant to the terms of a receivables pledge agreement dated 30 April 2012.

Note 14 - Treasury management – Financial instruments

Debt

At 31 December 2015, net debt recorded in the parent company financial statements stood at €28 million, compared with €14 million at end-2014. Movements in net debt during the year are analysed in the statement of cash flows (see Note 10 "Statement of cash flows").

Liquidity and maturity of debt

Sequana's gross debt was €10 million at 31 December 2015 (2014: €13 million) and consists of a short- and medium-term arrangement for pre-funding tax receivables negotiated with the French tax authorities and covering 2014 and 2015.

Risk management (interest rates, foreign exchange)

Option sales for purposes other than hedging are prohibited. Group policy is to not carry out transactions in financial markets for speculative purposes. Derivatives are put in place when the Group is exposed – or almost certain to be exposed – to a particular risk.

Interest rate risk

Although it is exposed to interest rate risk on its external debt, given the general pattern of falling interest rates that began in 2008, Sequana has decided not to set up any interest rate hedges. This policy will be reviewed in the light of economic developments.

Foreign exchange risk

On 24 April 2015, Sequana contracted a one-year loan for an amount of GBP 1 million with its subsidiary, Arjo Wiggins Appleton Insurance Ltd, to fund cash pooling arrangements with its subsidiaries.

Note 15 - Provisions

Provisions essentially relate to pensions and other employee benefit obligations.

Litigation with BAT Industries Plc

Sequana is involved in legal proceedings concerning the legality of dividends distributed to it in 2008 and 2009 from its former subsidiary, Windward Prospects Ltd (formerly Arjo Wiggins Appleton Ltd), which was sold on 18 May 2009 to a third party. BAT Industries Plc claims to be a creditor of Windward Prospects Ltd and is seeking an order requiring Sequana to pay it €578 million, corresponding to the sums received. This litigation is the subject of proceedings before the London High Court of Justice initiated by BAT Industries Plc and its subsidiary BTI 2014 LLC, which has acquired the rights of Windward Prospects Ltd.

In substance, the claimants contend that these distributions sought to put the assets of Windward Prospects Ltd out of the reach of its creditors and prejudice their interests, and that the decisions to make said distributions were taken illegally by the Board of Directors of the company in view of the company's distributable reserves at the time. The claimants further claim that these reserves were incorrectly calculated in view of the provisions that should have been set aside by the company to cover decontamination costs relating to the Fox River and other sites in the US.

Sequana considers the arguments of BAT Industries Plc have no merits and contends particularly that the contested distributions were made on the basis of valid decisions taken by the Board of Directors of Windward Prospects Ltd in accordance with applicable legal rules and accounting practice and supported by independent legal advisors. In particular, Sequana considers that the directors of Windward Prospects Ltd carried out all of the necessary reviews and received assurances from their advisors to ensure that the company had sufficient assets to meet its commitments and contingent liabilities. This position is being contested by BAT Industries Plc and BTI 2014 LLC.

Following written opening submissions by legal counsel of both parties, the case got under way at the London High Court of Justice on 23 February 2016. As of the date on which this registration document was filed, cross-examination of witnesses of fact and certain of the experts called as witnesses has been completed. Proceedings should last until the end of April 2016 and the Court's decision could be handed down as early as late June 2016. As with any such dispute, the outcome of this case remains subject to a high degree of legal uncertainty. However, Sequana considers that is has an arguable defence that it intends to deploy in both oral and written pleadings. Consequently, the Group has not set aside any provision for this litigation in its consolidated financial statements.

It should also be recalled that when Windward Prospects Ltd was sold in May 2009, Sequana expressly excluded from the vendor's warranties any risks related to the pollution of Fox River or of any other site subsequently found to be polluted.

Note 16 - List of subsidiaries and associates at 31 December 2015

(€ millions)	Share capital	Equity other than capital before allocation of net income (loss)	% ownership	Carrying amount of investment Gross	Carrying amount of investment Net	Outstanding loans and advances granted by the Company	Guarantees given by the Company	2015 net sales	2015 net income (loss)	Dividends received by the Company during the year	Comments
A) Detailed disclosures for investments with a carrying amount in excess of 1% of the Company's share capital:											
1 - Subsidiaries (more than 50%-owned by the Company)											
Sequana Ressources & Services 8 rue de Seine – 92100 Boulogne-Billancourt, France	5	2	100.00	10	7	-	-	7	-	-	-
Boccafin 8 rue de Seine 92100 Boulogne-Billancourt, France	7	2	100.00	12	9	-	-	-	-	-	-
AP Gestion et Financement 8 rue de Seine 92100 Boulogne-Billancourt, France	-	1	100.00	1	1	-	-	-	-	-	-
Arjowiggins 32 avenue Pierre Grenier 92100 Boulogne-Billancourt, France	26	227	100.00	1,450	282	-	-	9	149	-	-
Antalis International 8 rue de Seine 92100 Boulogne-Billancourt, France	639	63	100.00	1,242	1,023	-	-	67	21	8	-
Arjo Wiggins Appleton Insurance Ltd Maison Trinity – Trinity Square GY1 4AT St Peter Port, Guernsey	GBP 2 million	GBP 2 million	100.00	2	1	-	-	-	-	-	-
2 - Associates (10%- to 50%-owned by the Company)											
3 - Other investments (less than 10%-owned by the Company)											
B) Aggregate data concerning other subsidiaries and associates:											
1 - Subsidiaries not included in section A:											
a) French companies				-	-						
b) Foreign companies											
2 - Associates not included in section A:											
a) French companies				-	-						
b) Foreign companies				-	-						
TOTAL				**2,717**	**1,323**						

Note 17 - Subsequent events

Since 31 December 2015, there have been no significant events having an impact on the financial or commercial position of the Company.

Securities portfolio at 31 December 2015

(€ millions)		% owned	Net
French companies			
1,014,250 shares	Sequana Ressources & Services	100.00	7
704,406 shares	Boccafin	100.00	9
5,000 shares	AP Gestion et Financement	100.00	1
26,362,388 shares	Arjowiggins	100.00	282
71,000,000 shares	Antalis International	100.00	1,023
Foreign companies			
2,000,000 shares	Arjo Wiggins Appleton Insurance Ltd - UK	100.00	1
TOTAL			**1,323**

Five-year financial summary

	2015	2014	2013	2012	2011
I – Capital at year-end					
Share capital (€ millions)	65	51	225	225	74
Number of ordinary shares outstanding	65,183,351	51,060,304	25,011,221	25,009,372	49,545,002
II – Results of operations (in € millions)					
Sales(1)	14	25	21	14	33
Income (loss) before tax and non-cash expenses (depreciation, amortisation and provisions)	(3)	8	(1)	(15)	6
Income tax benefit (expense)	4	-	6	3	2
Income (loss) after tax and non-cash expenses (depreciation, amortisation and provisions)	102	375	(1,040)	(29)	(331)
Dividends distributed	-	-	-	-	-
III – Per share data (in €)					
Income (loss) after tax but before non-cash expenses (depreciation, amortisation and provisions)	0.02	0.15	0.21	(0.44)	0.15
Income (loss) after tax and non-cash expenses (depreciation, amortisation and provisions)	1.56	7.33	(41.59)	(1.14)	(6.67)
Net dividend per share	-	-	-	-	-
IV – Employee data					
Average number of employees during the year	14	16	17	18	20
Total payroll (in € millions)	6	5	6	5	4
Total employee benefits (in € millions)	2	2	2	3	2

(1) Sales correspond to operating income, income from the securities portfolio and other financial income.

Statutory Auditors’ report on the financial statements

For the year ended 31 December 2015

Sequana
8 rue de Seine
92100 Boulogne-Billancourt - France

This is a free translation into English of the Statutory Auditors’ report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors’ report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and 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 should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2015, on:

- the audit of the accompanying financial statements of Sequana;
- the justification of our assessments;
- the specific verification required by law.

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

I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion, we draw your attention to:

- Notes 1 and 14 to the financial statements describing the financial restructuring of the Company and the Group, which continued in 2015.
- Note 15 to the financial statements relating to the Company's litigation with BAT Industries Plc, for which a ruling is expected in the second half of 2016.

II - 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:

As part of our assessment of the accounting rules and principles applied by the Company, and based on the information provided to date, we have verified that the notes to the financial statements contain the appropriate disclosures on the Company’s financial position and its ability to continue as a going concern and provide a description of the Group's refinancing in Notes 1, 13 and 14.

The Company estimates the value in use of its investments in accordance with the method described in Note 2.b to the financial statements. As part of our assessment of the estimates applied by the Company, we assessed the appropriateness of this method and ensured that it was correctly applied and that Notes 1 and 3 to the financial statements provide appropriate disclosures. Our work also consisted of assessing the data and assumptions used by the Company and reviewing the calculations performed.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verifications and information

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the Board of Directors with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L.225-102-1 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we inform you that the required information concerning the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine, 30 March 2016
The Statutory Auditors

PricewaterhouseCoopers Audit
Stéphane Basset

Constantin Associés
Member of Deloitte Touche Tohmatsu Ltd
Jean-Paul Séguret

Statutory Auditors' special report on related-party agreements and commitments

Annual General Meeting for the approval of the financial statements for the year ended 31 December 2015

Sequana
8 rue de Seine
92517 Boulogne-Billancourt Cedex - France

This is a free translation into English of the Statutory Auditors' report on related-party agreements and commitments issued in French 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 Sequana, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of the agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R.225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable it is also our responsibility to provide shareholders with the information required by Article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements and commitments to be submitted for approval by the Annual General Meeting

We were not informed of any agreement or commitment authorised during the year to be submitted for approval at the Annual General Meeting pursuant to the provisions of Article L.225-38 of the French Commercial Code.

Agreements and commitments already approved by the Annual General Meeting

Agreements and commitments approved in previous years and remaining in force during the year

In accordance with Article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments, approved by the Annual General Meeting in previous years, remained in force during the year ended 31 December 2015.

Conciliation agreement dated 5 June 2014 and approved on 27 June 2014

The conciliation agreement regarding Sequana's debt, signed on 5 June 2014 and approved on 27 June 2014, between Sequana, Arjowiggins, their respective lending banks and Sequana's main shareholders (Bpifrance Participations, Exor SA and several Allianz group companies), which was authorised by Sequana's Board of Directors on 9 April 2014 continued to produce effects with Sequana's lending banks, Natixis and BNP Paribas, up to 27 March 2015 and 31 March 2015, respectively, the dates on which Sequana paid ahead of maturity the amounts due under the credit agreements binding it to the two banks.

Bpifrance Participations and Exor SA each held over 10% of Sequana's capital, and Allianz France, Allianz Vie and Allianz IARD also collectively held more than 10% of Sequana's share capital (the "Main Shareholders"). Sequana owns 100% of Arjowiggins and Antalis International. Pascal Lebard is a director of Sequana, Arjowiggins and Antalis International.

Agreements and commitments approved during the year

We were informed that the following agreements and commitments, already approved by the Annual General Meeting on 23 June 2015, based on the Statutory Auditors' additional special report of 12 May 2015, were implemented during the year.

Commitment given on 28 April 2015 to Pascal Lebard

On 28 April 2015, the Board of Directors undertook to pay Pascal Lebard an indemnity equal to 1.5 times his annual reference salary in the event of the termination of his duties as Sequana's Chairman and Chief Executive Officer. This termination benefit would be subject to a performance condition related to the performance conditions used to determine his variable compensation for the two years preceding the termination of his duties.

The annual reference salary will be equal to his last annual fixed salary plus the last variable compensation target as decided by the Board, it being specified that the variable compensation target will be multiplied by the average percentage of annual salaries effectively paid during the two years preceding the termination of his duties in relation to the variable compensation target used to calculate his variable remuneration. The termination benefit will not be payable if Mr Lebard (i) leaves the Company at his own initiative, (ii) is terminated on the grounds of serious or gross negligence, (iii) is no longer an executive corporate officer at the date of his departure, or (iv) is entitled to claim his retirement pension within a short period following his departure.

Neuilly-sur-Seine, 30 March 2016
The Statutory Auditors

PricewaterhouseCoopers Audit
Stéphane Basset

Constantin Associés
Member of Deloitte Touche Tohmatsu Ltd
Jean-Paul Séguret

Proposed allocation of net income

The Company ended 2015 with net income of €101,674,958.54.

The Board of Directors recommends allocating the net income for the year (€101,674,958.54) to retained earnings, which will therefore total €476,273,575.54.

No dividends will therefore be paid to shareholders in respect of 2015.

No dividends were paid over the last three financial years.

Chapter 5
GENERAL INFORMATION ABOUT THE COMPANY

Information about the Company

Corporate name and registered office

Sequana
8 rue de Seine, 92100 Boulogne-Billancourt – France
Tel: +33 1 58 04 22 00

Legal form and governing law

Sequana is a French joint stock company (*société anonyme*) governed by French commercial law, in particular the French Commercial Code (*Code de commerce*).

Date of incorporation and term

The Company was incorporated on 29 October 1991 for a term expiring on 31 December 2050, unless extended or dissolved before such time.

Corporate purpose (Article 2 of the Articles of Association)

The Company's corporate purpose is as follows:

- investing, in any form whatsoever, in any type of industrial, commercial, property or financial enterprise;
- acquiring, in any form whatsoever, shares, bonds, receivables, commercial paper, or other securities or property rights;
- managing the above interests, securities or property rights;
- carrying out financial operations of any nature, including granting loans to other companies within the Group and any other treasury transactions such as guarantees or collateral;
- advising any person or company on financial and investing issues, and providing or receiving assistance and consulting services on technical or administrative issues;
- and more generally, carrying out any commercial, industrial, financial, personal and/or real property transactions directly or indirectly related to the above-mentioned purposes or any similar or related purposes.

Registration particulars

Sequana is registered with the Nanterre Trade and Companies Registry under number 383 491 446.

Consultation of corporate documents

In accordance with the law, the Company's corporate documents and historical financial information – including the Articles of Association – can be consulted at Sequana's registered office located at 8 rue de Seine – 92100 Boulogne-Billancourt, France. Further information on the Sequana Group may be obtained free of charge by writing to:

Sequana, Secrétariat général, 8 rue de Seine, 92517 Boulogne-Billancourt Cedex – France.

See also the Company's website, www.sequana.com.

Financial year

The Company's financial year covers a twelve-month period from 1 January to 31 December.

Dividends (Articles 12 and 22 of the Articles of Association)

Each share entitles its holder to a proportion of the Company's profits and net assets equal to the proportion of capital represented by the share.

At least 5% of profit for the year, less any losses brought forward from prior years, is transferred to the legal reserve until such time as the legal reserve represents one-tenth of the share capital. Further annual transfers are made on the same basis if the legal reserve falls below one-tenth of the share capital.

Distributable income is composed of profit for the year less any prior year losses and amounts appropriated to reserves in compliance with the law or the Articles of Association, plus any retained earnings.

Shareholders in a General Meeting may decide to appropriate all or part of this amount to any discretionary reserves or to retained earnings.

The balance is then distributed among shareholders pro rata to their shareholding.

The Company's shareholders may decide to pay a dividend out of distributable reserves, stipulating the reserve accounts from which the dividend is to be deducted.

The methods of payment for dividends are determined by shareholders in a General Meeting or by the Board of Directors in the absence of a decision by the shareholders.

The General Meeting may offer shareholders the option of receiving all or part of the dividend in the form of cash, new shares in the Company or other assets. The Board of Directors may also offer this option in relation to an interim dividend in compliance with the law.

General Meetings

Notice of meetings (Article 20 of the Articles of Association)

General Meetings are called by the Board of Directors or, where necessary, by the Statutory Auditors or any duly authorised person. Only matters on the agenda may be discussed at these meetings.

Irrespective of the number of shares held and in accordance with the applicable law and regulations, all shareholders have the right to participate in General Meetings, either in person, by proxy, or by casting a postal vote, subject to presentation of proof of identity and registration of their shares.

In accordance with the applicable law and regulations, shareholders may send their proxy/postal voting forms for Ordinary or Extraordinary General Meetings either in paper format or, if authorised by the Board of Directors in the notice of meeting, in electronic form.

The Company's Articles of Association state that postal and proxy votes will only be taken into account if received by the Company at least three days before the General Meeting. However, the Articles of Association also provide that this timeframe may be shortened if so decided by the Board of Directors. Accordingly, for the Annual General Meeting to be held on 12 May 2016, the timeframe for receiving proxy and postal votes will be set by the Board of Directors when the notice of meeting is issued. Electronic voting forms may be received by the Company until 3.00 p.m. CET on the day preceding the meeting.

Once shareholders have cast a postal or electronic vote, appointed a proxy or requested an admission card or share ownership certificate for the purpose of attending a General Meeting, they may not participate in the meeting in any other way. Such shareholders may still sell or otherwise transfer all or some of their shares, but where the sale or transfer takes place prior to midnight CET on the second business day preceding the meeting, the Company will cancel or amend the related proxy, postal or electronic vote, admittance card or share ownership certificate accordingly.

Voting rights (Article 21 of the Articles of Association)

Each Sequana share carries one voting right and double voting rights are granted to each share that has been registered in the name of the same holder for at least two years.

Double voting rights cease automatically with respect to any shares converted into bearer form or transferred, except as expressly provided by law. Any bonus shares allocated to holders of registered shares carrying double voting rights will also carry double voting rights.

The introduction of double voting rights was approved at the Annual General Meeting of 26 June 2012 with a view to improving the stability of the Company's ownership structure and providing a more significant role in the Company for long-term shareholders. Consequently, since 26 June 2014, the number of voting rights has not been the same as the number of shares making up the Company's capital.

Shareholder identification

The Company's shares – which may be held in either registered or bearer form – are recorded in shareholders' accounts in accordance with the applicable laws and regulations.

The Company may ask to receive information, from any authorised body or intermediary, on the identity of its shareholders or holders of other securities conferring voting rights in the Company, either immediately or in the future, the number of securities they hold, and any restrictions on said securities, in accordance with and subject to the penalties provided by the legislation in force.

In compliance with the applicable laws and regulations, any intermediary registered on behalf of a shareholder in accordance with Article L. 228-1 of the French Commercial Code is required to disclose the identity of the person or entity in the name of whom it is acting, upon simple request by the Company or its representative, which may be made at any time.

Disclosure thresholds

In addition to the regulatory requirements concerning the statutory disclosure thresholds in force (5%, 10%, 15%, 20%, 25%, 33.3%, 50%, 66.6%, 90% and 95%), any individual or legal entity that raises its interest in the Company, held directly or indirectly, through one or more of the legal entities that it controls within the meaning of Article L. 233-3 of the French Commercial Code, to 0.5% of the share capital, is required to disclose to the Company by registered letter, with return receipt requested, the total number of shares owned. Said disclosure formalities must be carried out within five trading days of the date the threshold is crossed and must be respected each time a shareholder's interest is raised to above or reduced to below any 0.5% threshold, even if the thresholds crossed are higher or lower than those provided for by law. An intermediary registered as holding shares on behalf of a shareholder in accordance with the applicable laws and regulations is required, without prejudice to the obligations of the shareholder concerned, to make the above-mentioned disclosures with respect to all of the shares registered in the intermediary's account. In the case of fund management companies, said disclosure formalities must be carried out for all of the Company's shares held by the funds that they manage.

If a shareholder fails to comply with the above disclosure rules, the shares not disclosed pursuant to the law or the provisions described above will be stripped of voting rights for a period of two years as from the date on which the omission is remedied. This sanction will only apply upon request by one or more shareholders owning at least 5% of the Company's capital, duly recorded in the minutes of a General Meeting.

Information about the Company's capital

Changes in share capital in 2015 and over the last five years

Changes in share capital since 1 January 2015

At 31 December 2014, Sequana's share capital amounted to €51,060,304, divided into 51,060,304 shares, each with a par value of €1.

The Annual General Meeting of 23 June 2015 voted to amend the terms of the bonds redeemable, at Sequana's discretion, in cash or new and/or existing shares (ORNANE) and the bonds redeemable in Sequana shares (ORA) issued on 30 July 2014. The ORNANE and ORA maturity dates were preponed to 29 June 2015 and each bond was redeemed in new Sequana shares.

Redemption of the ORA and ORNANE bonds on 29 June 2015 resulted in the creation of two batches of 13,036,670 and 1,086,377 new shares, i.e., a total of 14,123,047 new Sequana shares, each with a par value of €1, corresponding to a €14,123,047 increase in the Company's share capital. Consequently, Sequana's share capital increased from €51,060,304 to €65,183,351, divided into 65,183,351 shares, each with a par value of €1.

At its meeting of 26 February 2016, the Board of Directors noted that, apart from the shares referred to in the previous paragraph, no new shares were created for any purpose between 1 January and 31 December 2015 and that consequently, the Company's share capital had not changed since 29 June 2015. Therefore at 31 December 2015, Sequana's share capital amounted to €65,183,351, divided into 65,183,351 shares, each with a par value of €1.

There were no significant changes in the Company's share capital between 31 December 2015 and the date on which this registration document was filed.

Any changes in the share capital attached to shares are subject to the applicable laws and regulations as the Company's Articles of Association do not contain any specific provisions in this respect. Changes in the voting rights attached to the shares, excluding those subject to applicable laws and regulations, are described below.

Changes in share capital over the last five years

	Date share capital was recorded by the Board (or date of the transaction)	Increase or decrease (in €)	Number of shares created or cancelled	Number of shares making up the share capital	Par value of shares (in €)	Total share capital (in €)
Position at 31 December 2010	09/03/2011			49,545,002	1.50	**74,317,503**
Position at 31 December 2011	18/01/2012			49,545,002	1.50	**74,317,503**
Share award plan	30/04/2012	710,613	473,742	50,018,744	1.50	75,028,116
Capital increase	09/07/2012	150,056,232	100,037,488	150,056,232	1.50	225,084,348
Reverse stock split	15/11/2012			25,009,372	9.00	225,084,348
Position at 31 December 2012	22/01/2013			25,009,372	9.00	**225,084,348**
Share award plan	30/04/2013	16,641	1,849	25,011,221	9.00	225,100,989
Position at 31 December 2013	09/01/2014			25,011,221	9.00	**225,100,989**
Share award plan	30/04/2014	266,247	29,583	25,040,804	9.00	225,367,236
Capital reduction	25/06/2014	(200,326,432)	-	25,040,804	1.00	25,040,804
Capital increase	29/07/2014	26,019,500	26,019,500	51,060,304	1.00	51,060,304
Position at 31 December 2014	09/04/2015			51,060,304	1.00	**51,060,304**
Capital increase	29/06/2015	14,123,047	14,123,047	65,183,351	1.00	65,183,351
Position at 31 December 2015	26/02/2016			65,183,351	1.00	**65,183,351**

Ownership structure and voting rights

Ownership structure

In early 2015, Exor SA sold its remaining shares in Sequana. During the second quarter of the year, Allianz group began selling approximately 10% of Sequana's share capital until its holding fell below the statutory threshold of 0.5% on 12 June 2015 (see page 182). The shareholders agreement signed on 4 June 2012, not constituting an agreement to act in concert, was terminated early on 1 June 2015 (see page 181). On 29 June 2015, after the capital increase that followed the early redemption of ORNANE bonds in new Sequana shares, Impala group became Sequana's largest shareholder with a 20% stake, followed by Bpifrance Participations which now owns 15.42% of Sequana's capital.

On 17 September and 12 October 2015, BNP Paribas Arbitrage exercised all of its call options on shares held by DLMD which now no longer holds any Sequana shares.

The Company's free float rose from 55.83% at 31 December 2014 to 64.16% at 31 December 2015.

The tables below show the breakdown of the Company's ownership structure and voting rights over the past three years.

	31/12/2015					
	Numbers of shares	% capital	Theoretical number of voting rights	% of theoretical votingrights	Number of voting rights exercisable at General Meetings	% of voting rights exercisable at General Meetings
Impala Group	13,036,670	20.00	13,036,670	19.86	13,036,670	19.90
Bpifrance Participations	10,049,832	15.42	10,049,832	15.31	10,049,832	15.34
Pascal Lebard	128,720	0.20	193,081	0.29	193,081	0.29
Free float	**41,824,465**	**64.16**	**42,233,289**	**64.32**	**42,233,289**	**64.47**
Treasury shares	143,664	0.22	143,664	0.22	0	-
TOTAL	**65,183,351**	**100.00**	**65,656,536**	**100.00**	**65,512,872**	**100.00**

The percentage of capital held by Impala Group through Impala Security Solutions BV stood at 19.99999%, rounded to 20%.

	31 December 2014					
	Number of shares	% capital	Theoretical number of voting rights	% of theoretical voting rights	Number of voting rights exercisable at General Meetings	% of voting rights exercisable at General Meetings
Bpifrance Participations	10,049,832	19.68	10,049,832	19.05	10,049,832	19.12
Exor SA	5,537,687	10.85	5,537,687	10.50	5,537,687	10.53
Allianz group	5,109,762	10.01	5,546,029	10.51	5,546,029	10.55
DLMD	1,547,750	3.03	2,321,625	4.40	2,321,625	4.42
Pascal Lebard	128,720	0.25	193,081	0.37	193,081	0.37
Total covered by the shareholder agreement of 4 June 2012 *(not constituting an agreement to act in concert)*	**22,373,751**	**43.82**	**23,648,254**	**44.83**	**23,648,254**	**44.99**
Free float	**28,509,861**	**55.83**	**28,921,024**	**54.84**	**28,921,024**	**55.01**
Treasury shares	176,692	0.35	176,692	0.33	0	-
TOTAL	**51,060,304**	**100.00**	**52,745,970**	**100.00**	**52,569,278**	**100.00**

DLMD is a family-run company controlled and managed by Pascal Lebard. At 31 December 2014, BNP Paris Arbitrage held a call option over the Sequana shares owned by DLMD (see page 180).

See page 181 for further information on the shareholder agreement of 4 June 2012.

	31 December 2013					
	Number of shares	% capital	Theoretical number of voting rights	% of theoretical Voting rights	Number of voting rights exercisable at General Meetings	% of voting rights Exercisable at General Meetings
Bpifrance Participations	5,024,916	20.09	30,149,496	20.09	30,149,496	20.17
Exor SA	4,348,000	17.38	26,088,000	17.38	26,088,000	17.45
DLMD	3,338,718	13.35	20,032,308	13.35	20,032,308	13.40
Allianz group	2,555,006	10.22	15,330,036	10.22	15,330,036	10.26
Pascal Lebard	64,361	0.26	386,166	0.26	386,166	0.26
Total covered by the shareholder agreement of 4 June 2012 *(not constituting an agreement to act in concert)*	**15,331,001**	**61.30**	**91,986,006**	**61.30**	**91,986,006**	**61.54**
Free float	**9,579,372**	**38.30**	**57,476,232**	**38.30**	**57,476,232**	**38.46**
Treasury shares	100,848	0.40	605,088	0.40	0	-
TOTAL	**25,011,221**	**100.00**	**150,067,326**	**100.00**	**149,462,238**	**100.00**

DLMD is a family-run company controlled and managed by Pascal Lebard. In 2013, BNP Paribas Arbitrage and The Royal Bank of Scotland held call options over the Sequana shares owned by DLMD (see page 180).

See page 181 for further information on the shareholder agreement of 4 June 2012.

To the Company's knowledge, no shareholder other than those mentioned previously owns directly or indirectly, alone or in concert, more than 5% of the Company's capital or voting rights.

In 2015, the Company performed two surveys of shareholders holding Sequana shares in registered or bearer form – one on 7 May 2015 and the second on 4 September 2015. Nearly 14,500 shareholders were identified in the 4 September 2015 survey, representing 99.7% of shareholders.

The two surveys showed that (i) the proportion of the Company's free float had increased (from 52% at end-September 2014 to 62% at the beginning of September 2015), and (ii) within the free float, the proportion of shares held by individual investors has fallen after the increase registered in 2014 (from 56% in September 2014 to 44% in September and May 2015) and the proportion of shares held by non-resident individual investors has doubled. Conversely, the proportion held by institutional investors continues to climb: from 22% in September 2014 to 29% in May 2015 and 40% in September 2015. The geographic location of investors within the free float was as follows in September 2015: 68% were based in France, followed by investors from other Continental European countries who accounted for 14% of the total, the UK (10%) and North America (8%).

As far as the Company is aware, 3,007 shareholders held Sequana shares in registered form at 31 December 2015 (source: BNP Paribas Securities Services), representing approximately 9% of the Company's capital (compared with 3,291 shareholders representing 21% of the capital at 31 December 2014). Out of the total number of registered shares, 99% were held by French tax residents.

At 31 December 2015, less than 0.10% of the Company's share capital was held by employees of Sequana in their own name and shares held by employees and former employees of the Group through units in mutual funds invested in Sequana shares represented 0.47% of the Company's capital.

No Sequana shares are held by any of its subsidiaries.

Reverse stock split (2012-2014)

On 15 November 2012, a reverse stock split was carried out on the Company's shares: six pre-reverse split shares (ISIN FR0000063364) in exchange for one post-reverse split share (ISIN FR0011352590). When the consolidation period expired on 14 November 2014, 99.90% of the old shares had been tendered to the reverse stock split and exchanged for new shares.

Pursuant to Article L. 228-6 of the French Commercial Code and the decision of the Board of Directors of 25 October 2012, the shares not claimed by their eligible beneficiaries were sold on the market on 17 November 2014. The net proceeds from the sale – based on a unit price of €0.41835 for each share not tendered to the reverse stock split (ISIN code FR0000063364) – have been placed in an escrow account with BNP Paribas Securities Services and may be claimed by the beneficiaries during a ten-year period. Once this ten-year period has expired, the sums accruing to beneficiaries having neither claimed nor exchanged their old shares for new shares prior to 15 November 2014, or claimed the above-mentioned cash amount between 15 November 2014 and 15 November 2024, will be placed with Caisse des Dépôts and may be claimed by the beneficiaries during a 20-year period in accordance with the 30-year statute of limitations, after which the funds will be paid over to the French State.

Voting rights – Number and particulars

As described in "Information about the Company – Voting rights", all shares in the Company carry one voting right, except for registered shares carrying double voting rights. Since 26 June 2014, each share registered in the name of the same holder for at least two years has carried double voting rights.

No shareholders hold any special voting rights.

At 31 December 2015, the 65,183,351 shares making up the Company's capital carried 65,656,536 theoretical voting rights exercisable at general shareholders' meetings. Only treasury shares do not carry any voting rights, in accordance with Article L. 225-210 of the French Commercial Code (which accounts for differences between the theoretical number of voting rights and the number of voting rights exercisable at general shareholders' meetings). A breakdown of the Company's voting rights over the past three years is shown in the ownership structure table on page 179.

During the reverse stock split consolidation period described previously, i.e. between 15 November 2012 and 14 November 2014, each post-reverse split share carried six voting rights and each pre-reverse split share carried one voting right. At that date (i.e., prior to the completion of the reverse stock split), each share making up the Company's capital (other than treasury shares which do not carry voting rights) carried either (i) one or six voting rights (depending on whether they were pre- or post-reverse stock split shares) or (ii) two or twelve voting rights if they carried double voting rights.

Shareholder agreements

Agreements concerning call options and pledges of securities

On 30 July 2010, DLMD granted, in separate transactions, each of its two banks – The Royal Bank of Scotland (RBS) and BNP Paribas Arbitrage (BNPPA) – four-year call options on all of the Sequana shares it owned. The exercise price of these options was fully paid up in advance by setting it off against the entire debt owed by DLMD to RBS and BNPPA (AMF disclosure nos. 210C0756 and 210C0757).

On 7 June 2012, DLMD subsequently granted RBS and BNPPA, again in separate transactions, call options on the new shares to be subscribed by DLMD at the time of the capital increase carried out by Sequana in July 2012. All or some of these options were exercisable until 30 July 2014 and the exercise price was prepaid by the banks for the purposes of this subscription (AMF disclosure nos. 212C0760 and 212C0761).

For each of the above call options, a pledge was put in place, comprising a securities account covering all of the shares under option.

On 24 July 2014, addenda were signed to the option agreements extending the expiry date of each option from the initial date of 30 July 2014 to 31 January 2015 for RBS (AMF disclosure no. 214C1560) and to 31 January 2016 for BNPPA (AMF disclosure no. 214C1580).

RBS exercised all of its options in August 2014 and sold the Sequana shares it received.

BNPPA exercised all of its options on 17 September and 12 October 2015 (AMF disclosure nos. 215C1344 and 215C1490) and received 1,547,750 Sequana shares which it proceeded to sell in October and November 2015 (see "Changes in holdings" on page 182).

Shareholder agreement in force

On 4 June 2012, a five-year agreement was signed between FSI (now Bpifrance Participations), Exor SA, DLMD, Pascal Lebard, Allianz Vie, Allianz Iard and Allianz France (the Allianz group) as well as BNP Paribas Arbitrage and The Royal Bank of Scotland (for the reasons set out above) (AMF disclosure no. 212C0775).

This agreement, which did not constitute an agreement to act in concert as regards Sequana and was concluded initially for a period of five years, was originally intended to help the Company carry out the capital increase of 2012 and to give Bpifrance Participations a right of first refusal in the event of the sale of blocks of Sequana shares by other shareholders representing at least 5% of the Company's capital, or enabling any third party to hold directly, indirectly or in concert, at least 5% of the Company's capital, after an initial lock-up period (which expired on 30 October 2013).

The shareholder agreement also provided that if, following authorised transfers, the stake in the Company held by a party to the agreement fell below the minimum holding threshold specified at the time the agreement was signed, then the agreement would be terminated in advance for the party concerned but would remain in force for the other parties until its scheduled expiry date. On 16 February 2015, following several sales of Sequana shares on the market, Exor SA's stake in the Company fell below its agreed minimum holding threshold and consequently the shareholder agreement was terminated at that date with respect to Exor SA (AMF disclosure no. 215C0243).

Because most of the rights and obligations stipulated in the shareholder agreement had either expired or were of very limited relevance due to Sequana's financial restructuring program, the agreement – which continued to bind Bpifrance Participations, DLMD, Allianz Vie, Allianz IARD, Allianz France, BNP Paribas Arbitrage and Pascal Lebard – was terminated early on 1 June 2015 (AMF disclosure no. 215C0887).

The 4 June 2012 shareholder agreement did not constitute an agreement to act in concert since each shareholder effectively acted on its own behalf. As a result, since 2012, Sequana has not been considered to be a controlled company.

Furthermore, although certain shareholders are represented on Sequana's Board of Directors, they do not receive any additional benefits or significant information compared with other shareholders, except as received in their capacity as directors.

Changes in holdings – Disclosures and statements of intent

Changes in holdings in 2015

During 2015, Sequana received the following notifications disclosing changes in holdings:

Exor

Date	Increase/ decrease in holding	Legal threshold crossed	% capital held	% voting rights held	
16 January 2015	Decrease	10% of the voting rights	10.33%	9.99%	*AMF disclosure no. 215C0091*
5 February 2015	Decrease	10% of the capital	9.11%	8.81%	*AMF disclosure no. 215C0178*
5 February 2015	Decrease	5% of the capital and voting rights	4.97%	4.81%	*AMF disclosure no. 215C0262*

On 10 April 2015, Exor SA's share in the Company's capital fell below the statutory thresholds of between 4.5% and 2%; on 15 and 16 April it fell below the statutory thresholds of between 1.5% and 1%; and on 20 April it fell below the statutory threshold of 0.5% of the Company's capital. On 29 April 2015, Exor SA declared that it no longer held any Sequana shares.

Allianz

Date	Increase/ decrease in holding	Legal threshold crossed	% capital held	% voting rights held	
20 April 2015	Decrease	10% of the capital	9.88%	10.39%	*AMF disclosure no. 215C0505*
27 April 2015	Decrease	10% of the voting rights	9.40%	9.93%	*AMF disclosure no. 215C0564*
12 June 2015	Decrease	5% of the capital and voting rights	0.11%	0.11%	*AMF disclosure no. 215C0836*

(Declarations filed by Allianz SE (a company incorporated under German Law) concerning the share ownership thresholds crossed by the entities controlled by it, i.e., Allianz IARD, Allianz Vie, Allianz France, Arcalis and Allianz Life Luxembourg)

On 17 July 2015, Allianz SE declared that Allianz Vie and Allianz IARD no longer held any Sequana shares since 15 June 2015.

Impala

Date	Increase/ decrease in holding	Legal threshold crossed	% capital held	% voting rights held	
29 June 2015	Increase	5%, 10% and 15% of the capital and voting rights	19.99%	19.62%	*AMF disclosure no. 215C0982*

In its disclosure related to crossing this threshold, Impala Security Solutions BV (a company incorporated under Dutch Law), also filed a statement of intent in accordance with Article L. 233-7 VII of the French Commercial Code and Article 223-17 of the AMF's General Regulations, stating that:

- its acquisition of a stake in Sequana was a result of the issue by Sequana of 125,000 bonds redeemable in cash or new and/or existing shares (ORNANE) held by Impala after the acquisition of Arjowiggins' outstanding syndicated credit facility;
- it did not intend acting in concert with a third party *vis-à-vis* Sequana; was not party to any agreement or financial instrument covered by section 4° and 4°*bis* of Article L. 233-9 of the French Commercial Code; was not a party to any reverse transactions involving Sequana shares or voting rights; and
- during the next six months:
  - it did not intend to purchase any of the Company's shares or to take over control of the Company within the meaning of Article L. 233-3 of the French Commercial Code or to exceed thresholds in terms of capital or voting rights that would oblige it to launch a takeover bid;
  - it intended to remain one of Sequana's strategic shareholders;
  - it wished to support the Sequana Group's growth in strategic markets – especially distribution – and that once it had acquired an 85% stake in two Sequana sub-subsidiaries (Arjowiggins Solutions and Arjo Systems), it intended to develop a partnership with Sequana for the purpose of unlocking all possible synergies;
  - it did not intend to modify Sequana's strategy nor to carry out any of the transactions referred to in Article 223-17, 16° of the AMF's General Regulations; and
  - it intended to request the appointment of Jacques Veyrat, Chairman of Impala Group, to the Board of Directors of Sequana, prior to the Annual General Meeting convened to approve the financial statements for the year ending 31 December 2015.

During 2015, Sequana also received the following notifications that thresholds provided for in the Articles of Association had been crossed:

	Date of notification	Increase/ Decrease in holding	Threshold crossed (% capital)	% capital held
BPI-Groupe Caisse des Dépôts	20 July 2015	Decrease(1)	from 19.5% to 15.5%	**15.42%**
DLMD	23 September 2015	Decrease	2.00% and 1.50%	
	13 October 2015	Decrease	1.00% and 0.50%	
BNP Paribas Arbitrage	24 September 2015	Increase	1.00%	
	8 October 2015	Decrease	1.00%	
	12 October 2015	Increase	1.50%	
	23 October 2015	Decrease	1.50%	
	2 November 2015	Decrease	1.00%	
	6 November 2015	Decrease	0.50%	
Dimensional Fund Advisors LP	30 January 2015	Increase	1.50%	
	5 March 2015	Increase	2.00%	
	27 July 2015	Decrease	2.00%	
	30 July 2015	Increase	2.00%	
	13 October 2015	Increase	2.50%	**2.51%**
DNCA Finance	16 June 2015	Increase	4.50%	
	16 July 2015	Decrease(1)	4.50%	
	6 August 2015	Increase	4.00%	**4.28%**
Ledbury Capital Partners LLP	15 April 2015	Increase	0.50%	
	12 May 2015	Increase	1.00%	
	10 June 2015	Increase	1.50%	
	14 July 2015	Increase	2.00%	
	31 July 2015	Decrease	2.00%	
	21 August 2015	Increase	2.00%	
	8 September 2015	Increase	2.50%	
	7 October 2015	Decrease	2.50%	
	22 October 2015	Increase	2.50%	
	23 October 2015	Increase	3.00%	
	18 November 2015	Increase	3.50%	
	14 December 2015	Increase	4.00%	**4.14%**
Norges Bank Inv. Management	29 June 2015	Decrease	1.00%	
	7 July 2015	Decrease	0.50%	**0.49%**
Sycomore Asset Management	10 April 2015	Increase	1.00%	
	15 April 2015	Increase	1.50%	
	29 April 2015	Increase	3.00%	
	22 May 2015	Increase	3.50%	
	29 June 2015	Decrease(1)	3.50%	
	2 November 2015	Decrease	2.50%	**2.10%**
Talence Gestion	16 October 2015	Increase	2.00%	**2.27%**

(1) Passive changes in holdings resulting from the capital increase carried out on 29 June 2015.

Changes in holdings in early 2016

In early 2016 up to the date on which the French version of this registration document was filed, Sequana also received the following notifications disclosing changes in holdings up to the date on which the French version of this registration document was filed:

	Date of notification	Increase/ Decrease in holding	Threshold crossed (% capital)	% capital held
Sycomore Asset Management	22 January 2016.	Decrease	2.00%	**1.91%**
Tocqueville Finance	21 January 2016.	Decrease	0.50%	**0.46%**
Ledbury Capital Partners LLP	19 February 2016	Increase	4.50%	**4.81%**
La Financière Tiépolo	3 March 2016	Increase	0.50%	**0.60%**
Talence Gestion	6 April 2016	Decrease	1.50%	**1.44%**

Dealings in the Company's shares by Sequana executives, related parties and members of their family
(Article L. 621-18-2 of the French Monetary and Financial Code)

The following information is presented in accordance with Article 223-26 of the AMF's General Regulations providing for the disclosure of declarations made by executives, related parties and members of their family regarding dealings in the Company's shares:

- DLMD – a company managed and controlled by Pascal Lebard – disclosed that on 17 September 2015 BNP Paribas Arbitrage SNC exercised its call option granted on 773,875 shares by DLMD on 7 June 2012 (as amended on 24 July 2014) in its capacity as seller under the FBF framework agreement (AMF disclosure nos. 212C0760 and 214C1580).
- DLMD further disclosed that on 12 October 2015 BNP Paribas Arbitrage SNC exercised its call option granted on 773,875 shares by DLMD on 30 July 2010 (as amended on 7 June 2012 and 24 July 2014) in its capacity as seller under the FBF framework agreement (AMF disclosure nos. 210C0757, 212C0760 and 214C1580).

Information likely to have an impact in the event of a public offering

In the event of a public offering for the Company's shares, both the offerer and the Company must comply with relevant legislation and the guidelines published by the AMF.

Sequana's Articles of Association do not contain any specific rules likely to have an impact in the event of a public offering, apart from the Company's entitlement to trade in its own shares under certain conditions, including when a public offering is in progress. The authorisation previously granted to the Board of Directors to trade in the Company's shares in such circumstances was renewed by the Annual General Meeting of 23 June 2015 (11th resolution) and the Annual General Meeting of 12 May 2016 will be called upon to renew this authorisation.

Certain Group finance agreements include an early repayment clause that can be triggered in the event of a change in control of the Company.

Share buyback programmes

In the 10th resolution of the Combined General Meeting of 25 June 2014, the shareholders granted an 18-month authorisation to the Board of Directors and, by delegation, any other duly authorised person, to buy back Sequana shares representing a maximum of 10% of the Company's capital. In the 11th resolution of the Combined General Meeting of 23 June 2014, the aforementioned authorisation was terminated in respect of the unused portion, and replaced by a new 18-month authorisation granted to the Board of Directors and, by delegation, any other duly authorised person, to buy back Sequana shares representing a maximum of 10% of the Company's capital.

Sequana has a liquidity agreement in place for the purpose of optimising the liquidity of its shares and the regularity of its quotations on Euronext Paris. This contract complies with the code of ethics published by the French financial markets association (AMAFI), and has been managed by Oddo Corporate Finance (changed its name to Oddo & Cie on 1 March 2016) since March 2009. At 31 December 2015, the amount allocated to the liquidity agreement by Sequana totalled €6 million.

All share buyback transactions in 2015 were carried out within the scope of the liquidity agreement.

Between 1 January and 31 December 2015, 2,454,827 Sequana shares were purchased at an average gross volume-weighted price of €3.76. In the same period, 2,487,855 Sequana shares were sold at an average gross volume-weighted price of €3.80.

The total amount of trading fees in 2015 was €35,000.

At 31 December 2015, Sequana held 143,664 treasury shares, representing 0.22% of the Company's capital and a market value of €584,712. All of these shares were acquired in connection with the liquidity agreement.

Financial authorisations in force

To date, the Company has the following authorisations and delegations of authority:

	Date of authorisation or delegation of authority	Maximum nominal amount authorised(1)	Expiry date of authorisation
AUTHORISATIONS TO ISSUE SHARES AND/OR OTHER			
Delegation of authority granted to the Board of Directors to issue shares and/or securities carrying immediate or deferred rights to shares and/or to debt securities, with pre-emptive subscription rights for existing shareholders	**EGM of 23/06/2015** 14th Resolution	Shares: €100 million Debt securities: €600 million	**22/08/2017**
Delegation of authority granted to the Board of Directors to issue shares and/or securities carrying immediate or deferred rights to shares, without pre-emptive subscription rights for existing shareholders but with the possibility of granting a priority subscription period	**EGM of 23/06/2015** 15th Resolution	Shares: €80 million Debt securities: €600 million	**22/08/2017**
Authorisation granted to the Board of Directors to increase the number of securities issued in the event of a capital increase with or without pre-emptive subscription rights for existing shareholders pursuant to the two aforementioned authorisations	**EGM of 23/06/2015** 16th Resolution	15% of the issue	**22/08/2017**
Delegation of authority granted to the Board of Directors to issue shares and/or securities carrying immediate or deferred rights to shares, without pre-emptive subscription rights, as a result of the issuance by a related company of securities carrying rights to shares of the company	**EGM of 23/06/2015** 17th Resolution	Shares: €80 million Debt securities: €600 million	**22/08/2017**
Delegation of authority granted to the Board of Directors to issue shares and/or securities carrying immediate or deferred rights to shares as payment for shares tendered to a public exchange offer or similar operation	**EGM of 23/06/2015** 19th Resolution	Shares: €100 million Debt securities: €600 million	**22/08/2017**
Authorisation granted to the Board of Directors to set the share issue price in the event of a capital increase (without pre-emptive subscription rights) pursuant to the two aforementioned authorisations	**EGM of 23/06/2015** 18th Resolution	10% of capital	**22/08/2017**
Delegation of authority granted to the Board of Directors to issue shares and/or securities carrying immediate or deferred rights to shares as consideration for contributions in kind granted to the Company	**EGM of 23/06/2015** 20th Resolution	10% of capital	**22/08/2017**
Delegation of authority granted to the Board to increase the Company's capital by capitalising premiums, reserves, profit or other eligible items	**EGM of 23/06/2015** 22nd Resolution	Total amounts available for capitalisation	**22/08/2017**
EMPLOYEE-RELATED AUTHORISATIONS			
Issue of shares and/or securities carrying rights to shares, reserved for employees who are members of an employee savings plan	**EGM of 23/06/2015** 25th Resolution	2% of capital(2)	**22/08/2017**
Issue of shares and/or securities carrying rights to shares, reserved for employees of foreign subsidiaries of the Sequana Group	**EGM of 23/06/2015** 26th Resolution	2% of capital(3)	**22/12/2016**
Authorisation to grant stock options	**EGM of 27/06/2013** 25th Resolution	6% of capital(4)	**26/08/2016**
Authorisation to award free shares	**EGM of 23/06/2015** 27th Resolution	6% of capital(5)	**22/08/2017**
AUTHORISATION TO IMPLEMENT A SHARE BUYBACK PROGRAMME	**OGM of 23/06/2015** 11th Resolution	10% of capital	**22/12/2016**(6)
AUTHORISATION TO REDUCE THE COMPANY'S CAPITAL	**EGM of 23/06/2015** 12th Resolution	10% of capital	**22/12/2016**(6)

(1) The Annual General Meeting of 23 June 2015 capped the aggregate maximum amount of any capital increases to be carried out in accordance with these authorisations – excluding shares issued to members of an employee savings plan and employees of foreign subsidiaries – at €100 million, and set an aggregate ceiling of €600 million for the issue of debt securities. The ceiling on capital increases does not apply to the authorisation granted to the Board of Directors to increase the Company's capital by capitalising premiums, reserves, profit or other eligible items.

(2) The total number of shares and securities issued to employees of foreign subsidiaries is included in this ceiling.

(3) The total number of shares and securities issued to employees who are members of an employee savings plan is included in this ceiling.

(4) The total number of share awards is included in this ceiling.

(5) The total number of stock subscription or purchase options granted by the Board is included in this ceiling.

(6) Authorisation expiring on the date of the Annual General Meeting called to approve the financial statements for the year ended 31 December 2015.

In 2015, the following authorisations were used:

- The authorisation granted to the Board of Directors by the Annual General Meeting of 25 June 2014 to trade in the Company's shares on the market for a maximum purchase price of €20 per share was used from 1 January 2015 to 22 June 2015 in connection with the liquidity agreement managed by Oddo ("Share buyback programmes" page 183).
- The authorisation granted to the Board of Directors by the Annual General Meeting of 23 June 2015 to trade in the Company's shares on the market for a maximum purchase price of €20 per share was used from 23 June 2015 to 31 December 2015 in connection with the same liquidity agreement managed by Oddo.

Potential share capital

Bonds redeemable in Sequana shares

As part of the Group's financial and industrial restructuring, and in particular the restructuring of Arjowiggins' and Sequana's debt, on 30 July 2014, the Company carried out issues of bonds redeemable in Sequana shares (ORA) and bonds redeemable, at Sequana's discretion, in cash or new and/or existing shares (ORNANE). The main features of these issues – as described in the prospectus approved by the AMF on 27 June 2014 under number 14-335 – were as follows:

- 7,000 ORA bonds (ISIN code FR 12007268) with a nominal value of €1,000 each, redeemable at maturity for 248.12 Sequana shares per bond for the principal amount and 34.60 shares by way of interest. These bonds were offered solely to Sequana's creditors, which subscribed for them by offsetting a portion of the amounts owed to them by Sequana. Provided they were not redeemed in advance of term they would be redeemable in new shares on their maturity date of 31 December 2018.
- 125,000 ORNANE bonds (ISIN code FR12007276) with a nominal value of €1,000 each. At maturity, if these bonds were redeemed in shares their holders would receive 157.17 Sequana shares per bond for the principal amount and 32.82 shares by way of interest. These bonds were offered solely to Arjowiggins' creditors, which subscribed for them by offsetting a portion of the amounts owed to them by Arjowiggins. Provided they were not redeemed in advance of term they would be redeemable in new shares on their maturity date of 31 December 2020.

On 23 June 2015, the Annual General Meeting decided to amend the conditions for redeeming the bonds. The ORNANE and ORA maturity dates were preponed to 29 June 2015 and each bond was redeemed in new Sequana shares. Their cumulative redemption ratios (i.e., redemption and interest payment ratios) were reset at 155.20 shares (instead of 282.72) for the ORA bonds and 104.29 shares (instead of 189.99) for the ORNANE bonds.

Consequently, the redemption of the ORA and ORNANE bonds on 29 June 2015 resulted in the creation of two batches of 13,036,670 and 1,086,377 new shares respectively, i.e., a total of 14,123,047 new, freely-tradable Sequana shares, each with a par value of €1.

At 31 December 2015, and at the date this registration document was filed, there were no remaining outstanding ORA and ORNANE bonds.

Share award plans

On 9 February 2010, the Board of Directors used the authorisation granted to it at the Annual General Meeting of 11 May 2007 to set up a share award plan for 169 beneficiaries with the aim of incentivising key Group executives and managerial-grade staff and giving them a stake in Sequana's future performance and value creation. In approving this plan, the Board of Directors' meeting of 9 February 2010 used the authorisation granted to it by the Annual General Meeting of 11 May 2007.

All of the shares granted under the plan were subject to vesting conditions based on (i) grantees continuing to form part of the Group at the vesting date, and (ii) performance criteria related to the Group's three-year business plan for each grantee's area of operations. Provided that the specified performance conditions were met, the shares vested between 30 April 2012 and 30 April 2015, depending on the grantees' tax residency.

On 30 April 2012, 473,742 shares (with a par value of €1.50 each) were issued and allocated to 73 French tax-resident employees of companies in France. These shares had vested under the share award plan based on the achievement of certain performance conditions as at 31 December 2011.

On 30 April 2013, 1,849 shares (with a par value of €9 each, corresponding to 7,200 shares with a par value of €1.50 each before adjustments) were issued and allocated to three French grantees. These shares had vested under the share award plan based on the achievement of certain performance conditions as at 31 December 2012.

On 30 April 2014, 29,583 shares were issued and allocated to 69 non-French tax-resident employees of companies outside France. These shares had vested on 30 April 2012 under the share award plan based on the achievement of certain performance conditions as at 31 December 2011.

As none of the performance conditions applicable to non-French employees had been met at 31 December 2012 no new shares were issued and allocated under the plan in 2015.

The share award plan has now therefore expired and no further Sequana shares will be issued or allocated to any grantees.

No other share award plans have been set up since 2010.

Stock options

The Company has not granted any stock options since 2006 and there have been no outstanding Sequana stock options since 2013.

Chapter 6
CORPORATE SOCIAL RESPONSIBILITY

In 2015 the Group's first Corporate Social Responsibility action plan (2012-2015) drew to a close. This three-year plan, based on ISO 26000, was initiated to ensure the compliance and consistency of CSR actions across all Group businesses and entities. It enabled Sequana to prioritise areas for action that relate to the major challenges facing the Group and guarantee that the main impacts related to its businesses were taken into account within a consistent, internationally recognised framework.

ISO 26000 was developed through global consensus and published by ISO/TMB, a working group on corporate social responsibility set up by the International Organisation for Standardisation (ISO). ISO 26000 provides guidance on the principles underpinning corporate social responsibility and provides and defines key terms. It also covers stakeholder dialogue and the key issues and areas where action can be taken. ISO 26000 also provides guidance on how businesses and organisations can operate in a socially responsible way. The standard is intended for use by all types of company and organisation. Although some sections of ISO 26000 are more relevant to some companies than others, all core subjects must nevertheless be considered.

ISO 26000 is based on seven core subjects and 37 underlying issues. The seven core subjects are:

- Organisational governance
- Human rights
- Labour practices
- The environment
- Fair operating practices
- Consumer issues
- Community involvement and development

A number of fundamental principles underpin the correct integration of these priority areas into the company's business model. These include accountability, transparency, ethical behaviour, respect for stakeholder interests, respect for the rule of law, compliance with international standards and respect for human rights.

Drawing on the principles and underlying directives of ISO 26000, in 2012 the Group defined its CSR strategy for the 2012-2015 period, which included eight initiatives covering four major areas for action. These four pillars (organisational governance, management of natural resources, human resources, product offering) and the related initiatives provide the Group with a guarantee that the main risks and opportunities related to its production and distribution businesses will be taken into account. The eight underlying initiatives, described below, symbolise the Group's commitments in each of these different areas:

- Organisational governance: define a Group-wide CSR policy encompassing all businesses and subsidiaries. The policy should set out commitments and objectives in each field and be based around a dedicated network of CSR correspondents and a transparent and reliable reporting system.
- Business ethics: introduce a Code of Conduct and clear internal policies to guarantee compliance with laws and regulations on corruption and competition.
- Management and use of natural resources - product traceability: improve product traceability in order to reduce supply chain risks; increase responsibly-sourced raw materials as a proportion of total raw materials used by the Group; and optimise waste management to develop a circular economy.
- Energy management: review energy consumption processes in order to improve energy efficiency and help develop renewable energy sources.
- Water stewardship: manage water better in order to reduce water abstraction and improve the quality of water released back into the natural environment.
- Working conditions: maintain a safe working environment to ensure the health and safety of employees at work.
- Human resource development: step up the skills and knowledge development policy and increase diversity across the Group.
- Encourage customers to purchase eco-friendly products: report responsibly on the environmental performance of Group products in order to advise and encourage customers to use products and services meeting higher environmental standards.

By focusing on these issues and implementing the associated action plans, Sequana can ensure that its CSR policy gives due consideration to the impact of its activities – particularly its paper business – and that CSR concerns are fully embedded in its governance, strategy and actions.

The action plans apply to the entire Group, comprising the 16 mills operated by Arjowiggins and Antalis' 107 distribution centres.

To help readers, this chapter presents the Group's commitments, initiatives and achievements based on the structure of ISO 26000 and its seven core subjects. Readers are also invited to refer to the concordance table on page 209 at the end of this chapter which links the initiatives undertaken by Sequana to ISO 26000 and the regulatory disclosures required by the Grenelle II Act in France.

In the first quarter of 2016, this strategy and the action plans for the initial 2012-2015 period were assessed by an independent third party. The results of this critical review, which drew on the opinions of the main internal stakeholders and was based on ISO 26000 principles, will be used as a basis for the 2016-2020 action plan.

The 2012-2015 period marked the first phase of a Group-wide strategy common to all Group entities. The main lessons learnt from the critical review of this period will be communicated internally in the second half of 2016.

The core challenges of this Group-wide kick-off phase common to all Group entities and businesses concerned the implementation of a consistent reference framework, the roll-out of appropriate governance and performance indicators, and the definition and launch of action plans relating to the Group's main CSR challenges. The strategy was deployed across all of the Group's entities in the first quarter of 2013. The wide variety of entities – whether in terms of business (production, conversion, distribution) or location – required a sufficiently flexible overall framework that could be adapted in accordance with the entities' diverse characteristics. The fact that all entities adopted the plan was positive, allowing them to move in the same direction and share the same CSR values. The reference framework, i.e., eight initiatives grouped together under four main pillars, allowed the various entities and businesses to structure their actions in this domain. The implementation of a network of correspondents also enhanced the consistency of the strategy and enabled best practices to be shared between the different businesses and countries. A specific action plan was drawn up for each initiative and included quantified targets and performance indicators. Due to changes in the scope of the production businesses, quantified targets could not be set for two of the eight initiatives for the 2012-2015 period.

Organisational governance

Decision-making structure and process

The Group's internal decision-making system aims to guarantee the principles of transparency and accountability when taking decisions and devising strategies and the related action plans. Governance processes are continually being strengthened. Sequana thus strives to use financial and natural resources and its human capital as effectively as possible and in a way that best reflects its commitment to social responsibility. It also aims to achieve a fair balance between the degree of power, responsibility and expertise of its decision-makers. It strives to keep track of the implementation of these decisions in order to ensure that they are applied in a responsible and sustainable manner and to guarantee accountability for the positive or negative outcomes they may have.

The CSR function is represented on the Group's three main executive committees (Sequana, Arjowiggins and Antalis), either systematically or on an ad hoc basis, ensuring it a voice on the Group's highest decision-making body. In addition to the creation of a Group CSR department, a network of CSR correspondents was formally appointed and effective in 2012. The CSR central function is in close and regular contact with the network to ensure that it communicates effectively, has properly understood the issues at stake and implemented the related action plans. For Arjowiggins, the network comprises one correspondent for each division as well as for the Healthcare business. At Antalis, a new network structure was implemented in 2015, providing more formal descriptions of the specific roles and tasks of employees with respect to each CSR-related topic. Overall responsibility for CSR-related topics lies with the regional chief executive. A dedicated CSR contact has also been appointed in each region, whose role and tasks are clarified and included in the job descriptions and annual assessments. Where possible this role is occupied by a member of the regional executive committee. A specific person is now assigned to marketing/communication, human resources, safety, environmental matters, sourcing and business ethics, and his/her roles and tasks identified This new structure has been implemented in each of Antalis' seven regional entities, the Packaging business and the headquarters.

Under the responsibility of the Group Head of CSR, the CSR correspondents operate by means of face-to-face meetings or video conferences, depending on the subject concerned. Entities may also put in place CSR initiatives or organisations at a local level. Antalis launched an online community forum on its WeConnect platform in third-quarter 2015. Roll-out is expected to be stepped up in 2016.

Disclosure to and communication with the various governance bodies and the Group's shareholders continued in 2015. Whether through dedicated presentations during the Annual General Meeting or the Audit Committee, or in Sequana's letter to shareholders, the shareholders can now monitor the Group's business and progress in terms of CSR.

Promotion of diversity

Sequana is an international group and its operations span five continents. It is chiefly present in Europe, which accounts for 83% of its employees, although 1% of its staff are based in North America, 7.6% in South America, 4.6% in Asia-Pacific and 3.8% in Africa-Middle East. This international dimension means that the Group is not inclined to differentiate its policies along the lines of national or ethnic criteria but constantly seeks to capitalise on the mutually enriching interplay between various cultures. The executive committees of Antalis and Arjowiggins boast a total of seven different nationalities. All of the nationalities present in the Group are represented on the various operating committees and at the regular management meetings, proof of Sequana's multi-cultural and international profile.

Due to the industrial and logistic nature of the Group's businesses, ensuring a diverse workforce is not always easy, particularly as regards the employment of staff with disabilities. Obtaining statistics for staff with disabilities is made more complex by different local laws and regulations, which may prevent such data being collected or may be based on a different definition of disability.

Disabled staff make up 0.9% of employees at Antalis and 2.3% at Arjowiggins. This percentage was 1.4% for the Group in 2015.

Dialogue and relations with stakeholders

As a global paper group, Sequana's responsibility towards its different stakeholders (listed below) is important and is based on the principles of transparency, accountability, cooperation and responsible communication. Constructive dialogue is an integral part of forging a well-balanced group in terms of economic, social, environmental and responsibility issues, and a means of guaranteeing Sequana's existence over the long term.

Stakeholder mapping

The Group has to deal on an occasional or regular basis with many different economic, social and environmental players from the private, institutional or not-for-profit sectors. Stakeholders whose needs and expectations need to be considered include:

- Customers: focused mainly on the business-to-business (B2B) sector, the Group's customers are mainly major paper manufacturers, printers, service companies, paper distributors and government bodies. Their expectations in terms of corporate social responsibility issues vary widely from one country and business to the next: some require guarantees from the Group that it respects core CSR values and principles while others look to Sequana for guidance and inspiration in these fields.
- Shareholders/investors: Sequana's main responsibility towards its shareholders in terms of CSR is a duty of transparency and disclosure regarding its actions and obligations. Shareholders and investors should be provided with all of the information they need to ensure that they are dealing with a responsible corporate citizen.
- Suppliers: Sequana works with a large number of suppliers in both its distribution and production businesses. The expectations of these suppliers should be met through a process of constructive, ethical dialogue, and assurance should be sought that they also respect and continually enforce the Group's CSR values. Clearly stating its principles and values in any dealings it may have with suppliers both upstream and downstream of its production and distribution activities is a crucial part of its responsibility. Potentially high-risk suppliers should be helped to engineer positive changes in their businesses.
- Employees: dialogue, safety and the well-being of all of the Group's employees is a challenging priority in a highly decentralised organisation.
- Local communities: the Group's mills and warehouses strive to maintain constructive and transparent relations with the local communities in the various rural and urban areas in which they are located. Integrating the sites into the fabric of local industry and community helps forge links between employees and society at large.
- NGOs (non-governmental organisations): the Group uses natural resources from both renewable (wood fibre, cotton, water) and non-renewable sources (energy). Building constructive, transparent dialogue with NGOs on the responsible use of these resources and giving due consideration to all aspects of CSR in strategic decisions is essential. Through this process, Sequana acknowledges the impacts that its businesses have on the environment while endeavouring to constantly improve performance and lighten its environmental footprint.
- Government bodies: the Group's mills and warehouses must comply with strict local, national and international regulatory requirements. Ongoing dialogue with government bodies is necessary to ensure compliance with these regulations. The Group is regularly in contact with regulatory or supervisory bodies at national and European level, either on its own initiative or through the professional organisations to which it belongs.

Membership of CSR-related organisations

- **United Nations Global Compact**

Sequana signed up to the United Nations Global Compact in September 2012, underscoring its own commitment, along with that of Arjowiggins and Antalis, to the ten fundamental principles in the areas of human rights, labour, the environment and anti-corruption.

The ten principles set out in the UN Global Compact require businesses to:

- Support and respect the protection of internationally proclaimed human rights.
- Make sure that they are not complicit in human rights abuses.
- Uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Uphold the elimination of all forms of forced and compulsory labour.
- Uphold the effective abolition of child labour.
- Uphold the elimination of discrimination in respect of employment and occupation.
- Support a precautionary approach to environmental challenges.
- Undertake initiatives to promote greater environmental responsibility.
- Encourage the development and diffusion of environmentally friendly technologies.
- Work against corruption in all its forms, including extortion and bribery.

Every year, Sequana also publishes a "Communication On Progress" for each of these ten principles (see inset above). Its last such report covering the period 2014-2015 was published in September 2015 under the "GC Advanced" level, reflecting the Group's determination to go beyond minimum reporting requirements. The report details all progress made by the Group and its entities on the ten principles of the Global Compact and also includes a letter of commitment from the Chairman and Chief Executive Officer.

In connection with this report and to help stakeholders determine progress with respect to these principles, a concordance table is provided at the end of this chapter linking each Group CSR initiative to Global Compact Principles. The quantitative information provided for each of the different principles is systematically benchmarked against the information for the previous year to identify the progress made.

- **EpE (*Entreprises Pour l'Environnement*)**

The French association Entreprises pour l'Environnement (EpE) was set up in 1992 and includes around forty major French and international companies from all sectors that want to integrate environmental considerations more closely into their long-term planning and day-to-day management. Sequana has been a member of this association since 2011, and through its membership can relay its best practices, develop its existing projects and identify areas where it needs to better consider the environmental impacts of its strategy. EpE working groups address various key issues for businesses, including climate change (mobility in sustainable cities, adaptation, circular economy, waste, energy efficiency), environmental health (micro-pollutants, water footprint) and biodiversity. The Head of the Sequana CSR department was appointed in 2014 and will also serve as President of the Biodiversity Commission for the next two years. These meetings are held two or three times a month on average and allow the Environment or CSR correspondents at each of the companies represented to share best practices, including with external participants who are experts in their particular field. Sequana was strongly involved in the UN conference on climate change (COP21) in Paris in December 2015. Through its membership of EpE it took part in numerous events and conferences on the challenges companies face with respect to climate change, as well as the actions they take to minimise their impact.

- **GREDD (*Groupe de Recherche et d'Échange sur le Développement Durable*)**

GREDD is a forum for debate and information sharing, notably with the main Sustainable Development stakeholders (NGOs, public authorities, consultants, etc.). It is a reference information source on the CSR profession and function and acts as a watchdog in all Sustainable Development areas. It is made up of around twenty CSR or sustainable development managers from companies and professional organisations. Sequana has been a member of this group since 2014.

- **FSC (Forest Stewardship Council)**

This independent, non-governmental, not-for-profit organisation was established to promote the responsible management of the world's forests. By preferring FSC-certified pulp and paper, Sequana promotes solutions that encourage responsible management of natural resources. The Arjowiggins Graphic division is represented on the Board of Directors of FSC in France. On behalf of all its legal entities, the Group has been a member of FSC International since December 2014 and forms part of its Economic Chamber, where it takes a governance role.

Dialogue and partnerships with stakeholders

Since 2009, Arjowiggins Graphic has partnered WWF France, an international NGO committed to the protection of nature and the environment. The aim of this partnership is to consolidate the division's environmental approach, reduce its environmental and especially carbon footprint, and raise awareness among customers about responsible paper usage, including recycled paper. In 2015, Sequana undertook several actions in conjunction with WWF. In September, Paris city council held a round table within the scope of a convention on the circular economy at which Arjowiggins Graphic spoke of its initiatives. A workshop presenting the results of the public sector PAP50 – a ranking of paper policies adopted by France's main local authorities – was held in October at the WWF France headquarters, in the presence of public and private sector representatives, with the aim of stepping up education and discussions on "green paper" policies. An Arjowiggins representative took part in a conference at Paris' Grand-Palais within the scope of the Solutions COP21 exhibition, alongside the Chair of WWF-France Isabelle Autissier and politician and environmentalist Corine Lepage. Lastly, Arjowiggins included data from the eco-calculator in the WWF's newsletter, the principal means by which the NGO communicates with its stakeholders.

The World Climate Summit (COP21) was a major event for Argowiggins Graphic. In partnership with La Poste it set up a circular economy model for paper recycling at Le Bourget, the site of conference negotiations. A ream of 100% recycled paper was used by negotiators and delivered personally to the French President, showcasing the model.

Arjowiggins Graphic was also present at the Grand-Palais for the aforementioned Solutions COP21 exhibition. The programme for this key event was printed on Cyclus Offset paper in order to showcase the savings made on natural resources. Some 300,000 copies of the programme were distributed. Banners illustrating the contribution of recycled paper and the circular economy were exhibited in the press and partner areas and educational workshops on recycled paper were held each day at the La Poste stand.

Arjowiggins Graphic is also working with Ecofolio, an environmental body responsible for the paper industry, to promote the role of recycled paper in the circular economy. In particular it helps them create specific tools for members and regularly participates in round table meetings on recycled paper.

Antalis also played a particularly active role in the COP21, supplying paper to several partners at the Le Bourget site, in particular the Ministry for Foreign Affairs, but also other organisations such as CAPCOP21, a climate change initiative driven by companies, NGOs and public authorities.

In 2015, 22 Group entities (representing 59% of its employees) were involved in an official dialogue with external regional and economic organisations (statistics taken from a self-assessment questionnaire completed by 55 legal entities as part of an internal audit, representing 97% of Sequana's employees).

Subcontractors and suppliers

The Group is well aware of its direct and indirect responsibility with respect to its supply chain and as such endeavours to consolidate links with its suppliers and ensure that the fundamental principles are correctly applied by both suppliers and subcontractors (see the ten principles set out in the UN Global Compact). It continually strengthens its dialogue with suppliers to better identify the risks and opportunities associated with its value chain. A new version of the online platform for suppliers was set up in December 2015, to mitigate the risks for the Group resulting from inadequate supplier information and oversight. This new version of the tool, Antrak, enables Antalis to centralise all CSR-related information and documentation, particularly as regards compliance with applicable regulations. The main regulatory information collected concerns the compliance of mills manufacturing products delivered to Antalis with applicable regulations (ISO 14001, 18001, 50001 certifications), overall respect of the company's fundamental principles (human rights, labour law, environment, CSR commitment) and product compliance (certification, labels, traceability, compliance with regulations on hazardous products). In 2015, the online platform collected data on 214 Antalis suppliers, representing almost 80% of the Group's purchase volume.

On 1 January 2015, an additional new procedure was instigated for all new suppliers and incorporated in the Antrak platform.

Since its launch, 40,000 items of compliance-related information and 4,000 compliance documents have been collected on the platform, regarding 1,350 products and 510 plants.

Arjowiggins sends a comprehensive questionnaire to its paper pulp suppliers every year, as well as a specific questionnaire to its suppliers of cotton-based raw materials (linters and combers). These questionnaires enable Arjowiggins to map potential risks and put mitigation measures in place if required.

Human rights

Principles of legality, ethics and transparency

Sequana employs a small number of staff in developing countries. In accordance with the Group's Code of Conduct – which is based on respect for individuals – Sequana complies with International Labour Organisation (ILO) standards in all of the countries where the Group operates, particularly relating to child labour, occupational health and safety, employee representation and fundamental principles and rights at work. These principles apply both to Sequana's relations with its own employees and to subcontracting arrangements. They are taken up and relayed to employees in the Group's Code of Conduct and reinforced through Sequana's membership of the UN Global Compact.

Within the scope of this commitment, the Group is also working to improve the way these issues are dealt with by its suppliers, by including specific requests and evidence of commitments in the dedicated questionnaires. This is especially the case for suppliers of cotton-based products (linters and combers), which are sourced in countries that do not always provide solid guarantees in this regard. Partner companies are also requested to provide formal and public evidence of their commitment to high risk issues such as working conditions, child labour and respect for the basic rights of workers, and Human Rights.

Labour practices

Breakdown of employees

6.1 – Average headcount by company

	2015	Year-on-year change	2014	2013
Arjowiggins	3,537	(440)	3,977	4,673
Antalis	5,694	109	5,585	5,881
Sequana and Sequana Ressources & Services (SRS)	52	(1)	53	54
TOTAL	**9,283**	**(332)**	**9,615**	**10,608**

There was no significant change in headcount structure between 31 December 2015 and the date on which the French version of this registration document was filed.

6.2 – Average headcount by business and geographic area

Geographic area	Arjowiggins **2015**	Arjowiggins 2014	Antalis **2015**	Antalis 2014	Sequana/ SRS **2015**	Sequana/SRS 2014	**Total 2015**	Total 2014
Europe	3,082	3,280	4,561	4,425	52	53	7,695	7,758
o/w France	2,097	2,304	596	614	52	53	2,745	2,971
North America	88	83	-	-	-	-	88	83
South America	166	402	547	532	-	-	713	934
Africa-Middle East	2	3	353	377	-	-	355	380
Asia-Pacific	199	209	233	251	-	-	432	460
TOTAL	**3,537**	**3,977**	**5,694**	**5,585**	**52**	**53**	**9,283**	**9,615**

Breakdown by gender, age group and length of service

In 2011, Sequana implemented a consolidated reporting system for all of its legal entities in respect of certain indicators that had previously only been monitored at local level. This centralised system provides the Group with a better overview of indicators such as gender distribution, the number of female management-level employees, absenteeism, training figures, the percentage of employees with disabilities and the breakdown of employees by length of service. This more consistent form of monitoring enables the Group to implement corrective measures and define policy on certain specific subjects.

The industrial nature and logistical organisation of the paper production and distribution businesses has traditionally meant that they employ more men than women. With women making up 14.6% of the workforce in 2015 versus 14.8% in 2014, Arjowiggins has seen its gender balance become progressively more skewed in the last few years. In Antalis' distribution business, women accounted for 34.8% of the workforce on average versus 36.5% in 2014, also down. Overall, women made up 27% of Sequana's workforce in 2015, compared with 27.6% in 2014. When working conditions permit and appropriate candidates exist, Sequana strives to promote diversity in the form of gender equality within its subsidiaries. Regarding managerial-grade positions, 13.4% of women working in the Group occupy such positions compared to 13.3% of men. The percentage of women managers, although not equal to that of men, is representative of the overall percentage of women in the Group (27.2% and 27% respectively).

Other 2015 indicators:

- Number of women on each of the three executive committees
  - ✓ Arjowiggins: 2 out of 8
  - ✓ Antalis: 1 out of 18
  - ✓ Sequana: 0 out of 5
- Number of women on the Board of Directors: 3 out of a total of 9 directors

6.3. - Breakdown by gender

	Arjowiggins 2015	2014	Antalis 2015	2014	Sequana/SRS 2015	2014	**Total 2015**	Total 2014
% men	85.4%	85.2%	65.2%	63.5%	51.9%	58.5%	73.0%	72.4%
% women	14.6%	14.8%	34.8%	36.5%	48.1%	41.5%	27.0%	27.6%

6.4 – Breakdown by age group

	Arjowiggins 2015	2014	Antalis 2015	2014	Sequana/SRS 2015	2014	**Total 2015**	Total 2014
Under 30 years old	14%	16%	12%	13%	12%	10%	13%	14%
30-40 years old	17%	20%	26%	27%	29%	25%	23%	24%
40-50 years old	32%	32%	33%	33%	35%	36%	32%	33%
50-60 years old	33%	29%	24%	23%	21%	21%	28%	25%
Over 60 years old	4%	3%	5%	4%	3%	8%	4%	4%

6.5 – Breakdown by length of service

	Arjowiggins 2015	2014	Antalis 2015	2014	Sequana/SRS 2015	2014	**Total 2015**	Total 2014
Less than 1 year	10%	10%	11%	10%	0%	4%	11%	10%
1-5 years	14%	17%	25%	26%	35%	30%	21%	22%
5-10 years	15%	15%	21%	22%	34%	30%	19%	19%
10-20 years	20%	21%	27%	26%	19%	22%	24%	24%
Over 20 years	41%	37%	16%	16%	12%	16%	25%	25%

Internal communication

A major internal communication event of 2015 was the launch and deployment of the WeConnect intranet platform to all of the countries in which Antalis has operations in Europe, Latin America and Asia.

WeConnect hosts and promotes existing HR functionalities (talent management, yearly salary reviews, annual evaluations and online and classroom-based training), and has above all facilitated the creation of a veritable social network within the company, through which Antalis employees can communicate and cooperate to share experience and best practices. WeConnect, which is available to all employees, is more than just a communication tool and acts as a powerful driver of individual and group performance.

The overhaul of Antalis' in-house magazine KeyNotes was yet another example of the Group's determination to improve internal communication and help Antalis to develop. This overhaul addressed two key objectives, namely to make KeyNotes a genuine interactive tool and to pare down its design in line with the new visual identity given to internal communication.

In March 2015, the internal communication team held its yearly Management Meeting in Reims, bringing together 150 managers from around the world to discuss the priority issue of "Business Development".

2015 also saw the MyView questionnaire extended to all countries in which Antalis has operations. This questionnaire was launched in 2014 to provide better insight into employees' view of their working environment. The new phase should enhance the development of a real Group-wide corporate culture and contribute to improving the professional satisfaction of Antalis staff.

Efforts undertaken to support the roll-out of the Deliver the New Antalis (DNA) programme continued in 2015, in particular through the publication of KeyNotes articles highlighting initiatives taken in respect of each of the seven major pillars of the strategic project.

Within Arjowiggins, internal communication is organised at divisional level in order to foster greater cohesion and to rally support for common objectives. The Graphic and Creative Papers divisions' communications chiefly focused on the implementation of the operational restructuring plan launched in April 2014. There was strong emphasis on the process of finding a buyer for the Wizernes and Charavines mills and the transfer of their production to other Group sites. Arjowiggins Security reported principally on the structural changes to its scope that took place in the first half of 2015. Following the creation of subsidiaries for the Identity/access control and Revenue Protection businesses in 2014, Arjo Systems and Arjowiggins Solutions were sold to Impala group at the end of June. The banknotes business was refocused on Europe following the sale of the Brazilian company Arjo Wiggins Ltda to the Fedrigoni group. The division held information meetings to communicate more effectively on these changes.

Finally, safety continued to be a priority communication topic in all divisions.

Working conditions

Compensation policy and social protection

The Group's employees – in production or distribution or at the headquarters – are paid a fixed salary which, for most managerial-level staff, is supplemented by a variable salary generally based on the performance of the Group and/or the businesses to which the employee belongs, as well as on whether agreed annual or half-yearly individual performance targets have been met.

The variable compensation policy for key executives has been harmonised across the Group. It determines a portion of the variable compensation payable to these executives based on whether or not quarterly objectives have been met, thereby encouraging executives to work actively towards these goals.

The Group's employees are also eligible for statutory healthcare, welfare and disability benefits. Certain senior executives or high-performing managers may be awarded fringe benefits (usually a company car) on top of their salary, depending on their position within the Group.

Senior Executives may also qualify for a medium-term remuneration plan on the basis of long-term rights to Sequana shares. However, no such plan is currently in progress.

In 2015, the statutory round of collective bargaining took place as planned at the beginning of the year. For non-managerial-level employees in the production business, the collective bargaining process led to a rise in salary in line with inflation in each of the countries concerned. Pay rises were extremely limited for managerial-level employees and for the most part were granted to correct specific discrepancies or reflect the acceptance of additional responsibilities.

Organisation of working time

In every country in which it operates, the Group and its subsidiaries strictly comply with the working time stipulated in local laws and regulations as well as local regulations concerning the recovery of hours worked and annual leave.

Succession plans for managers

Antalis holds yearly performance reviews for all its employees, which help it to ensure that its strategic plan is in line with its actions, and to identify training needs and career aspirations. A review of key talents allows Antalis to analyse the development and promotion potential of management teams and key managers, thus developing its capacity to respond to existing and future Group needs.

At Arjowiggins, each division is responsible for skills management and succession plans.

Coordination assistance is provided by Sequana as and when necessary in order to optimise organisations in a tough economic climate. In 2015 and early 2016, an independent, specialised firm carried out a study to assess the succession plan for the Group's main executives and identify any areas where existing structures may need strengthening. The resulting plan was reviewed by the Board of Directors' Strategy Committee and Nominations and Compensation Committee.

Employee savings

The French companies of the Sequana Group have a collective reward scheme, in the form of either an incentive scheme or a statutory profit-sharing arrangement. The calculation criteria for the profit-sharing arrangement are defined in light of the specific characteristics and economic and financial performances of each company and can therefore vary from one company to the next. Most of the companies also operate company or group savings plans, some of which offer a mutual fund investing in Sequana shares with top-up cash payments from the company concerned. Sequana's various French companies also operate collective retirement savings plan ("PERCO"), as well as working time savings accounts ("CET").

Company savings plans are not or rarely implemented in other countries although companies in some of them have adopted a similar collective reward scheme, chiefly Antalis in the UK and Belgium.

At overall Group level, in 2010 Sequana set up share award plans for high-performing Group employees considered to play an instrumental role in the Group's development. These awards, which were granted to 169 employees in over 20 countries, were subject to continuing employment within the Group and performance criteria under which the Sequana shares would only vest if these conditions were met. This gave beneficiaries a direct stake in the Group's future earnings and the performance of the businesses for which they work. This share award plan expired in 2014.

Social dialogue

Sequana has an open and direct social dialogue policy, keeping employee representative bodies informed of the businesses' successes and difficulties. It does this transparently, ensuring that their rights are rigorously respected.

Apart from ongoing dialogue relating to day-to-day business, statutory collective bargaining and information sharing, social dialogue in recent years has been shaped by restructuring and disposals in an economically turbulent environment.

The announcement of the Group's financial and operational restructuring on 10 April 2014, led to extensive social dialogue in 2014 and the first half of 2015. All of the operational restructuring measures were completed by June 2015.

As no potential buyer had been found, the closure of the Charavines (Isères) and Wizernes (Pas-de-Calais) mills were negotiated with employee representatives. These negotiations took the form of numerous meetings with union representatives, works councils and the Occupational Health and Safety committees of the companies concerned, with a view to implementing an employment protection plan ("PSE"). These announcements were understandably a great cause of concern for employees, making the quality of information provided and the transparency in assessing the situation particularly important, along with a degree of flexibility as to timing and terms. Because of this, the Group agreed to extend the collective bargaining negotiations well beyond the legally recommended time limit, whilst still remaining within the deadline provided for in its strategic plan.

The restructuring was carried out within the scope of the June 2013 law on employment protection that regulates such discussions, requiring all parties involved in the dialogue to adapt to the new provisions of the law. A collective bargaining agreement was signed in October with the union representative of the Charavines mill. This agreement was validated by the DIRECCTE (regional directorate for business and employment) of the Isère region following the opinion issued by the Works Council. In the case of Wizernes, a significant amount of time was needed to set up the dialogue and negotiations regarding the job protection plan (*Plan de Sauvegarde de l'Emploi*) only began in October 2014. A unilateral document was presented to the DIRECCTE which gave its approval in April 2015.

Within the framework of the "Florange" Law, the Group had begun preparing its search for a buyer of the sites concerned ahead of the date of the announcement (10 April 2014). This work was carried out with the assistance of Ernst & Young and in close collaboration with ministerial departments. The search for a buyer thus took place at a global level, over 12 months. Employee representatives were regularly informed of the steps taken and the progress of talks with potential buyers and their legal advisers.

The disposal of Arjo Wiggins Ltda, Arjo Systems and Arjowiggins Solutions (Arjowiggins Security) also gave rise to intensive dialogue with the Central Works Councils, with very tight deadlines. The dialogue was open and constructive at all times.

At Antalis, the restructuring and redundancy plans put in place in many entities made it a difficult year for a large number of employees who lost their job. Teams responsible for labour negotiations worked intensively with employee representative bodies and particularly the European Works Council, to ensure that the procedures were fair and just.

These redundancy plans were particularly difficult to implement in Germany, France and the UK, where the integration of Xerox's office paper distribution business, acquired in 2014, and the search for the necessary synergies resulted in comprehensive restructuring measures, which continued throughout 2015.

The Group wishes to maintain good relations with employee representative bodies, which have had to accept some tough decisions and at the same time support the change and much-needed transformation of the business. These relations were nonetheless fraught during the negotiation of the Charavines and Wizernes closures. Certain unions intended challenging the Group's positions before the courts. However, the validity of the Group's positions and practices was confirmed when favourable decisions were systematically reached by all the courts in question.

Generally speaking, Sequana continues to organise social dialogue within the Group at the most relevant level, i.e., at the level capable of addressing the relevant matter effectively in accordance with national laws and regulations. Social dialogue is therefore primarily initiated at local level in view of the fact that economic and human dimensions can be better assessed at that level. All Group companies must have an employee representative body or initiate talks, which provide an opportunity for exchange.

Sequana considers that implementing and maintaining healthy working conditions for its employees is among its most important responsibilities. Each entity exercises these responsibilities within the local legal and social framework. Sequana ensures that each entity complies strictly with local regulations but also promotes its own values, providing equal opportunities for employees, ensuring fair treatment and zero discrimination and encouraging social dialogue. In a morose economic environment, ensuring healthy social dialogue is crucial, particularly in the context of redundancy procedures. Sequana rigorously verifies that all employees affected by such procedures are given the assistance provided for by law.

In 2015, 41 entities (representing 92% of the Group's employees) had a specific information procedure for employees and employee representatives and 29 entities (representing 75% of the Group's employees) had set up a specific bargaining procedure with their employee representatives (statistics taken from the self-assessment questionnaire completed as part of an internal audit by 55 legal entities (representing 97.5% of the Group's employees)). Every year, the Group negotiates a number of collective bargaining agreements with employee representative bodies on an individual entity level. Amendments to these agreements are also negotiated. In 2015, the Group's French entities signed 12 collective bargaining agreements with social partners (2 by Antalis and 10 by Arjowiggins). Besides the statutory annual bargaining round, these agreements concerned diversity, standby duty, incentive arrangements, profit sharing, arduous work and the organisation of the production teams' working practices. At the Group level, 435 agreements were signed with employee representatives in the Group's different legal entities.

The Self-Assessment Questionnaire does not currently deal with subjects on international agreements, each entity being responsible for negotiating with the employee representative bodies.

Employee protection – Health and safety

As Sequana's activities involve risks that can cause personal injury or illness, the Group places great emphasis on the health, mental well-being and physical safety of the men and women working to develop its businesses. It has appointed a team in charge of personal safety and product security which audits, supports and coordinates the practices and action plans implemented in each of its businesses.

This team is managed by a health and safety officer who reports to the Chairman and Chief Executive of Sequana. Sequana aims to make safety and security issues a force for cohesion within the Group and a driver of ongoing improvement in all business processes. Progress meetings with employee representatives are held several times a year within the scope of Antalis and Arjowiggins European Works Council meetings and the Arjowiggins France Group Works Council. Information on the severity of work-related accidents is also monitored within different business lines of the Group, even if they are not included in this document. The same applies to occupational illnesses at Arjowiggins. The results of this monitoring are used as decision support tools.

6.6 – Employee safety

	Antalis			Arjowiggins		
Employee safety	**2015**	2014	2013	**2015**	2014	2013
Lost-time accidents	**58**	61	70	**66**	51	65
Incident rate	**10.2**	10.8	12.2	**18.7**	11.5	13.7

Incident rate = number of lost-time accidents/number of full-time employees and temporary personnel x 1,000.

Data calculated based on a scope of 107 distribution centres for Antalis and 18 mills and converting facilities and 1 R&D centre for Arjowiggins.*

**: the number of mills includes the Wizernes and Charavines mills, until such time as their respective businesses are sold.*

In 2015, 52 entities (representing 98.5% of the Group's employees) had a specific procedure dealing with occupational health and safety issues, while 22 entities (representing 65.7% of the Group's employees) had signed agreements on health and safety with social partners, and 48 entities (95.7% of the Group's employees) had put in place a specific training plan.

In all, 5,020 people attended occupational health and safety training in 2015 (statistics taken from the self-assessment questionnaire completed as part of an internal audit by 55 legal entities (97.5% of the Group's employees)).

Health and safety topics covered in formal agreements with trade unions

In its French entities, as part of its efforts to prevent risks and improve health and safety conditions at work, Sequana maintains a regular dialogue with trade unions and Occupational Health and Safety Committee representatives.

Arjowiggins

As the paper business gives rise to specific risks that can cause serious personal injury, analysing and managing the risks to which its employees may be exposed is critical for Arjowiggins. Each line of management is responsible for managing safety and security risks and there is a specific organisation within each division and site. This organisation requires regular involvement by the Occupational Health and Safety Committees.

The existing safety management system in each division carries out a monthly coordination meeting and dialogue bringing together the division's health and safety coordinator, business managers and site health and safety managers, and in many cases also the division's head of operations. Investments also continued and focused primarily on arduous working conditions.

The main health and safety initiatives implemented in 2015 followed on from those rolled out over previous years:

Chemical products: the review carried out late 2015 led to a three-year project focusing on two main areas:

- Compliance with REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) and CLP (Classification, Labelling and Packaging of substances and mixtures) regulations;
- The definition of a set of standards promoting the best available practices, in particular as regards the management of CMR substances (carcinogenic, mutagenic and/or toxic to reproduction).

For each of these two areas an audit and gap analysis tool is now available. Each of these topics has been broken down into equivalent units and will be dealt with gradually over the next three years. In 2016, each site will use this to assess the degree to which it complies with the regulations and standards identified, and to present and implement an improvement plan for the first round of units.

- Project to improve machine safety extended to all equipment;
- Working conditions: all sites continued to improve their working conditions with a view to reducing the risk of occupational illnesses, in particular those caused by manual handling techniques and difficult working positions.
- A major communication campaign to encourage the wearing of PPE (personal protective equipment) was organised throughout the year. This campaign, which was devised by representatives from each division, took its inspiration from the practices of top-level athletes and high-risk professions other than the paper business. It included an in-house competition open to all industrial-site employees.
- In all, 75% of industrial sites in operation (i.e., 12 out of 16) are certified to OHSAS 18001.

In late 2015, a specific improvement programme was undertaken at the few sites that contributed to the increase in the number of accidents within the Group, after ten years of continuous improvement.

Antalis

Antalis employees are exposed to various risks, chiefly those inherent in commercial, storage, transport and road travel activities. Several converting facilities are nevertheless exposed to risks similar to those arising in the production business. Safety and security rules form an integral part of the organisation of working practices at Antalis and the company ensures that these rules are strictly respected at all of its sites. Antalis is working to develop a consistent safety management framework for each of its businesses across major distribution centres that complies with the internationally recognised standard OHSAS 18001.

Various initiatives were launched to enhance the existing safety management system in 2015:

- Widespread deployment of the new health and safety policy featuring its ten golden rules, each of which is based on a mutual commitment between Antalis and its employees.
- Second assessment of the Health and Safety index taken from the in-house "Cultural Index" survey now available for all regions.
- Organisation of safety seminars in various countries to relay best practices regarding risk assessment, incident analysis, and the promotion of safe behaviour.
- "Team corners" and "Safety talks": Implementation of pilot projects in more than ten sites to encourage operational reporting on safety as part of performance management.
- Twelve sites now certified to OHSAS 18001.

Human resources development and vocational training

The Group pursues an active training policy so that employees can boost their skills and perform their duties in the best possible conditions and in order to ensure that the capacities of each employee are best aligned with the needs of the company. These training initiatives are also run in the departments responsible for the Group's corporate functions (Sequana and Sequana Ressources & Services).

At Arjowiggins, despite extremely tough economic conditions that require strict control over operating costs, the company pressed ahead with its training efforts – focusing chiefly on the safety and security of people and property. The measures put in place take into account skills assessments, the needs of the company and expectations discussed during mid-career meetings and the findings resulting from analyses of arduous work. As in previous years, some 50 work-study and vocational training contracts were signed at all levels in France in 2015 (Master's, BTS technical diploma, engineering degree, technology university diploma, professional baccalaureate).

In 2015, Antalis continued to develop key skills through various programmes including the Antalis Leadership Programme, the Sales Academy and the Project Management Programme. The launch of WeConnect, the new Antalis intranet, cemented and enhanced communication and cooperation between employees, but also facilitated access to online training tools. Training for senior executives and developing key skills remains a major priority for Antalis with a view to consolidating the Group's competitiveness.

In 2015, 43 entities representing 87.7% of Group employees had set up a training programme (statistics taken from the self-assessment questionnaire completed as part of an internal audit of 55 legal entities, representing 97.5% of employees).

6.7 – Employee training

	Antalis	Arjowiggins	Sequana/SRS	TOTAL
Number of training days per employee in 2015	**1.70**(1)	**2.0**(2)	**0.20**	**1.80**(3)
Number of training days per employee in 2014	1.22	3.52	0.58	2.10

(1) Calculated on the basis of entities representing 80.1% of Antalis employees.

(2) Calculated on the basis of entities representing 74% of Arjowiggins employees.

(3) Calculated on the basis of entities representing 80% of Group employees.

6.8 – Hires and dismissals(1)

	Antalis	Arjowiggins	Sequana/SRS	TOTAL
Number of employees hired in 2015	**624**	**238**	**6**	**868**
Number of employees hired in 2014	432	165	0	597
Number of departures in 2015				
Voluntary departures and contract terminations	413	143	3	559
Lay-offs and dismissals	187	93	1	281
Number of departures in 2014				
Voluntary departures and contract terminations	305	185	3	493
Lay-offs and dismissals	551	151	1	703

(1) Data calculated based on all Group entities.

6.9 – Diversity[(1)]

	Antalis	Arjowiggins	Sequana/SRS	TOTAL
Percentage of women in management in 2015	**29.5%**	**23.5%**	**19.0%**	**27.2%**
Percentage of women in management in 2014[(1)]	32.2%	29.0%	22.0%	30.6%

(1) 2014 data recalculated on an identical basis.

	Antalis	Arjowiggins	Sequana/SRS	TOTAL
Percentage of employees with disabilities in 2015	**0.9%**	**2.3%**	**0%**	**1.4%**
Percentage of employees with disabilities in 2014	1.2%	2.3%	0%	1.6%

(1) Data calculated based on all Group entities.

Environment

In 2015, environmental projects followed on from the 2012-2015 plan, focusing on the significant impacts of the Group's businesses and its responsibility towards the environment. As a global player in the paper sector through its paper production and distribution, visual communication and packaging businesses, the Group is especially dependent on services provided by nature, in particular the availability of wood, water and energy resources. Its responsibilities in this regard, namely to guarantee the correct use of these natural resources through responsible management, are important for Sequana's long-term economic sustainability. The environmental side of Sequana's CSR strategy focuses on three key areas, namely ensuring (i) the sustainable management of wood resources, (ii) the optimal use of the energy needed to manufacture paper, and (iii) that the Group is exemplary in what it releases back into the natural environment (air and water).

Overall environmental policy

Incorporating environmental responsibility into its business model is a key priority for the Group. This cannot be achieved without (i) strategic impetus on the part of the executive committee, (ii) the full involvement of operating teams and (iii) economic incentives (risk reduction, financial gain, image enhancement, competitive advantage, etc.).

Generally speaking, in 2015 the Group strove to consolidate its actions with respect to the three major environmental priorities, i.e., the traceability of raw materials, energy consumption and water stewardship.

The Group's main responsibilities in these areas include reducing the volume of materials used at source (virgin fibres, energy, water), choosing responsibly sourced supplies (recycled fibres, renewable energy, closed-loop water treatment), and ensuring that any effluent or waste resulting from these materials is managed appropriately (recycling, air and water emissions).

However, the Group aims to distinguish the degree of importance of each of these issues in accordance with the area of production or distribution in question. While these three areas are critical for Arjowiggins's business, which is heavily dependent on natural resources, only supply traceability is a major challenge for Antalis given that direct energy consumption in its 104 largest warehouses/distribution centres represents only 5.4% of the Group's overall energy consumption.

For Arjowiggins, changes in the scope of consolidation of the mills in various divisions, connected to industrial restructuring, meant it was impossible to set overall, quantified targets in this area, in particular as regards improving energy efficiency and the share of renewable energy in the Group's overall energy mix. Objectives have however been set in some divisions, such as Arjowiggins Graphic.

In 2015, the Group also continued to strengthen its information compilation process. These efforts are part of its drive to continue enhancing its diagnostic capabilities and indicators. The Group's different reporting systems are improved each year to take on board external auditors' remarks as well as feedback from the teams on the ground within the various entities. Accordingly, after incorporating Human Resources reporting into the 2013-2014 financial reporting tools, it is now the turn of the mills to implement environmental information compilation initiatives, using the same channels for the 2015 data.

The consolidation of the network of CSR correspondents – which is necessary to improve dissemination of CSR information and ensure cross-company exchanges and, as a result, to guarantee more successful action – is being fine-tuned over the years, notably at Antalis. This organisation, i.e., the fact of having overall CSR correspondents (focal points) in each region in addition to correspondents for specific topics (environment, traceability, responsible communication), was reviewed. The responsibilities attached to each role are now included in job descriptions and yearly reviews, and dedicated targets are set.

Environmental training and information was not specifically monitored at the Group level However, raising employee awareness about the environment is a daily priority, and specific training initiatives, particularly concerning ISO certifications, have been put in place as part of the roll-out of the Group's policies.

Pollution prevention

Implementing all of the measures necessary to prevent, anticipate and manage all pollution risks related to the Group's activities is at the top of Sequana's environmental priorities. The main pollution risks concern air and water emissions as well as recycling, waste disposal, and odour and noise pollution (see chapter 3, page 78).

Since 2013, Sequana has supplemented its risk prevention initiatives in each area through an insurance policy. This policy covers Arjowiggins' 16 largest mills and Antalis' 107 distribution centres. It concerns design, production, storage and distribution activities in the paper and traceability solutions sectors, the transport of ethanol on behalf of customers, and certain ancillary and related businesses. However, work to remove or confine friable or non-friable asbestos, site dismantling and certain decontamination operations are not included. The insurance policy covers the period from 9 July 2013 to 9 July 2016. The aim is to protect the Group against claims for environmental damage and for any site decontamination costs and damage prevention costs it may incur. The policy also insures the Group against business interruption caused by environmental damage or pollution (under certain contractual conditions). The insurance provides a maximum €10 million coverage per claim throughout the insured period. However, insurance cover for environmental risks is not intended as a replacement for measures taken to prevent and manage such risks. Specific initiatives in various fields (water, air, waste, recycling) are in progress, aimed at achieving full compliance with current and future applicable regulations.

Sound water stewardship is essential to prevent pollution, particularly at Arjowiggins' mills. Although the volume of water drawn from the natural environment was 15.5 million cubic metres in 2015, the Group's mills returned some 13.8 million cubic metres (i.e., over 89%) back to the environment after use in the paper manufacturing process. A critical responsibility for each mill is therefore to ensure that the water released back into the natural environment is of the highest possible quality. There are waste water treatment facilities at each of Arjowiggins' mills. These facilities collect the waste water and purify it in successive stages (settlement, physical-chemical treatment and possibly biological filtration) so it can be released back into nature without polluting the environment. To date, eight of Arjowiggins' ten largest mills are equipped with dual physical-chemical and biological treatment facilities.

Strict regulatory standards governing the quality of waste water exist in all countries in which the Group operates. To ensure compliance with these standards, each mill performs a twice-daily check to measure all key water quality indicators (suspended solids, chemical oxygen demand, bio-chemical oxygen demand, nitrogen, phosphorus, nitrogen oxide, sulphur oxide). Combined with frequent inspections by local authorities, these measures allow the Group to fully address its environmental responsibilities. The Statutory Auditors carry out specific verifications of these measures and of the related tools and procedures (see the limited assurance report, page 211) based on a representative sample of the mills (Greenfield for Arjowiggins Graphic and Crèvecœur for Arjowiggins Security in 2015).

In terms of air pollution, emissions of different gases (greenhouse gas in particular) related to energy consumption are also strictly monitored by the Group to ensure that it is fully compliant with the applicable regulations in this area. All mills operated by the Graphic division have obtained ISO 50001 certification since 2014. ISO 50001 certifies that an energy management system exists and includes the associated emissions. The Group has decided that all of its mills will begin to prepare for ISO 50001 certification in 2015.

The Group will introduce a new specific reporting process in 2016 in order to reinforce its obligation of due care and improve the prevention of environmental incidents and "near-incidents". This process will be deployed at all of its mills. Incidents and "near-incidents" regarding land use, emissions to water and air, noise and odour pollution, and breaches of regulatory thresholds will be flagged up, and details of these incidents will be pooled. Each incident will be reported in detail, the cause of the incident analysed and a remedial corrective action plan drawn up. This initiative is similar to the "safety at work" drive, and will allow the mills to better share their experience of preventing pollution and managing incidents.

Sustainable use of resources

The nature of the businesses and the products made and distributed by the Group mean that its natural resources policy is focused first and foremost on wood fibres (see the table in 6.11). Now that supply is a globalised, highly diversified process, the Group must ensure that its system of traceability is watertight in order to guarantee complete transparency as to the origin of the fibres used. The risks associated with raw materials from unsustainable sources (i.e., direct or indirect products of deforestation) are small but real.

As part of its CSR strategy, Sequana had committed to sourcing all of its supplies from sustainable (i.e., legal and traceable) sources by 2015. It can achieve this by acting in several areas, such as reinforcing internal policies, putting in place supplier questionnaires, developing tools for managing the associated risks, and eliminating certain high-risk suppliers. Arjowiggins achieved its target for the purchase of paper pulp thanks to the implementation by the sourcing team of a risk assessment procedure for the responsible use of the resource, which covers all purchases. This procedure involved purchasing from only a small number of paper pulp suppliers, and applying the policy of purchasing mainly FSC or PEFC certified raw materials. Antalis' supplier base is much larger and more widespread (it has several thousand suppliers) and, as a distributor of finished goods it holds a much more downstream position in the supply chain. As such, the Group could not be absolutely certain that the objective was achieved.

However, work either already carried out or currently under way with suppliers means that Antalis is clearly doing its utmost to reduce unsustainable sourcing risks.

Responsible sourcing

Since 2013, the Group has implemented its new responsible sourcing policy for paper and pulp products. This policy applies to all Group entities sourcing products containing wood fibres and seeks to reassert fundamental values in terms of responsible sourcing. The policy bans all illegally harvested timber, timber from protected areas or from areas with a high conservation value, as well as timber that has been harvested in violation of the traditional or civil rights of local populations. These principles also reiterate the Group's determination to prefer supplies from sustainably managed forests certified by the Forest Stewardship Council or having Pan-European Forest Certification, as well as supplies containing no genetically modified organisms (GMOs). They also illustrate and confirm the Group's preferred use of recycled paper to reduce the pressure on natural resources.

Different channels are used to ensure that the values and principles of this policy are applied by the Group's suppliers, depending on the entity. At Arjowiggins, the purchasing teams ensure commitment to the policy through annual traceability questionnaires. At Antalis, procedures are carried out on an ad-hoc basis.

Antrak: an online platform dedicated to suppliers

Since 2013, Antalis has used a platform for compiling, analysing and centralising all of its suppliers' CSR-related information, particularly as regards the various regulations in force in the countries in which the Group is present. By late 2015, this platform had compiled data from 180 suppliers, representing almost 80% of the Group's purchases, and had centralised more than 40,000 items of information, including 4,000 compliance documents. Apart from the key strategic suppliers, all suppliers located outside the European Union or that source their raw materials in regions that could be affected by deforestation or labour law issues were invited to answer a series of dedicated questionnaires. Most of the information compiled concerned compliance with the main international regulations concerning CSR issues (labour law, worker safety, business ethics, etc.), as well as compliance with all regulations relating to products delivered to Antalis and its mills. This procedure concerns the suppliers' parent companies as well the entities doing direct business with Antalis. The information is compiled for three reasons: (i) to guarantee the full regulatory compliance of Antalis' supply chain, (ii) to prevent potential environmental or social risks arising from purchases, and (iii) to provide Antalis customers with guarantees on the accountability of the supply chain and in particular the traceability of its products. Specific care is taken with respect to the traceability of the raw material derived from wood fibre and used in paper-based products. This specific care responds to the Group's dual responsibility to guarantee the total absence of fibres derived from illegally harvested timber (according to EU Timber Regulation No. 995/2010/EC and No. 607/2012/EC) and to provide proof of a responsible sourcing chain as regards the species of trees used and the country of harvest. All information regarding the certification of products and the manufacturing plants is also compiled.

The Antrak platform also includes a due diligence tool. Based on the IUCN (International Union for Conservation of Nature) red list of threatened tree species and the Ducroire country risk ratings, this tool allows the risk related to a specific supplier or product to be objectively assessed. If a risk is identified, an ad-hoc committee made up of the purchasing, CSR and legal departments meets to decide on the appropriate mitigation measures (requesting additional information, corrective measures in supply sources or delisting). In January 2015, another procedure was added for new suppliers. This procedure is applied before a new supplier is listed, and in advance even of any commercial negotiation. A short pre-listing questionnaire allows Antalis to make sure that the supplier is committed to complying with the Group's values and principles. The supplier demonstrates this by signing a Code of Conduct and the Group's Sourcing Policy, and by supplying tangible, public proof of its commitment to comply with international and local regulations in terms of labour law and respect for the environment. In 2015, eight of the seventy-two potential new suppliers who filled out this pre-listing questionnaire did not provide the guarantees required for responsible business behaviour and were therefore not listed by the Group.

In January 2016, a second version of the platform was deployed, bringing improvements to both the content (re-targeting and re-specification of some of the questions, the addition of new regulations) and the form (shorter and easier to understand). Antalis wishes to continue adding new suppliers to the Antrak database and step up the use of data collected, in order to support the accountability and exemplary nature of the Group's supply chain.

A similar responsible sourcing policy was launched for cotton-based products in November 2014. In Arjowiggins' Security and Creative Papers divisions, cotton linters and combers are used to manufacture specific products such as banknotes and fine paper. The potential risks associated with cotton harvesting and processing chiefly concern human rights and labour law issues. To better manage these risks, a specific approach has been adopted in these areas. In 2015, specific questionnaires were sent to suppliers of these products and mainly covered respect for human rights (forced labour, child labour) and compliance with the principle international agreements in this regard, such as the ILO and the Universal Declaration of Human Rights. As was the case with suppliers of raw material derived from wood fibre, this procedure enabled the Group to obtain a formal, signed agreement from these suppliers of their compliance with the Group's Code of Conduct and Responsible Cotton Sourcing Policy.

In early 2016, these questionnaires will be consolidated in order to map risks and to take the necessary measures to mitigate potentially risky supply sources.

EU Timber Regulation

In March 2013, the European Commission's Timber Regulation came into force in the European Union, laying down the obligations of private-sector operators who put timber and timber products on the market. The new regulation bans illegally harvested timber and products derived from such timber from the European market. In order to comply with this new regulation, and at the same time enhance its value chain, the Group set up two separate due diligence systems for each of its businesses. For the paper manufacturing business (Arjowiggins) concerned by this regulation as regards its purchases of pulp, a specific questionnaire collecting information on the origin of the pulp used was sent to all non-European suppliers (see above). Compliance and traceability certificates are managed centrally by Arjowiggins Sourcing, so as to be able to respond to any audits performed by the regulatory authorities.

For the distribution business (Antalis), compliance with this regulation is ensured by the Antrak platform, which gives official auditors from any European country a very accurate overview of the due diligence system in place with respect to regulatory obligations. Since January 2016, Antalis has been going above and beyond its regulatory obligations in terms of due diligence by applying this procedure to all products, as opposed to only the imported products that it markets on the European market.

Water supply in accordance with local requirements

While the main challenge with water consumption is the quality of the waste water released into the environment, the Group also has to continually monitor the quantity of water used in its manufacturing processes (particularly drying). In summer, local authorities may restrict the authorised volume of water drawn due to water stress. In close cooperation with these authorities (French Regional Directorate for Environment, Urban Planning and Housing – DREAL), the mills must in such cases scale back their paper production. Identifying where water consumption can be reduced in the manufacturing process is therefore critical and a working group has been set up to look specifically at this issue, involving all production divisions. However, the reduction of water quantities used to manufacture pulp and paper automatically increases the concentration of products to be treated by the waste water treatment facilities. A proper balance between these factors therefore needs to be sought.

6.11 – Raw material consumption

	Total 2015 (kilotonnes)	Total 2014 (kilotonnes)
Total fibrous materials (pulp, waste paper, cotton)	527.3	588.6
Total binders (latex, starch, polyvinyl acetate)	42.4	49.6
Dyes/pigments/optical brighteners	3.6	4.4
Organic loads	177.6	240.0
Banknote security features	1.4	1.7
Other chemical products(1)	27.8	27.0

(1) PP (polypropylene), H^2O^2 (hydrogen peroxide), AKD (alkyl ketene dimer), NaOH (sodium hydroxide), TiO^2 (titanium dioxide), PAC (polyaluminium chloride).

Climate change mitigation and adaptation

Increasing its use of renewable sources of energy and improving its own energy performance are the two linchpins of the Group's energy policy. With its project to generate heat from biomass (wood chips) up and running at its Palalda mill in France, the Group has shown clear proof of its determination to reduce its dependence on fossil fuels and lighten its environmental footprint. Arjowiggins Graphic has been chosen to pilot the energy efficiency project and the main improvements are currently being rolled out. This division's mills (excluding Arjowiggins Healthcare) obtained ISO 50001 certification in early 2014. ISO 50001 is a specification for an energy management system that helps entities build their energy policy based on concrete goals, put in place measures to optimise energy consumption, track energy cost savings made and plan improvements. One of the main commitments of mills certified to ISO 50001 is to guarantee compliance with all energy requirements.

World Climate Conference – COP21 Paris

The 21st United Nations Framework Convention on Climate Change (COP21/CMP11) took place in France from 30 November to 11 December 2015. Crucial issues were at stake, including the adoption of a first universal and legally binding agreement on climate change by the 194 member states, with the aim of keeping global warming below 2°C. This global conference succeeded in reaching the first universal climate agreement, which although still needs to be ratified and put into practice, represents a vital first step in safeguarding the planet against climate change and raises hopes that this will be achieved.

Companies contribute directly or indirectly to climate change, notably through CO_2 emissions. Accordingly, they become de facto stakeholders and key players in the implementation of solutions. This was the first time that the private sector was involved in the convention talks (although not the actual negotiations), with a view to bringing about solutions.

In this context, Antalis and Arjowiggins were official partners of the COP21.

This partnership with the Ministry for Foreign Affairs as part of the COP21 came as an extension to the solutions that they already bring to this global problem, namely greater recourse to renewable energy, significant efforts with respect to energy efficiency at the production sites, sourcing supplies exclusively from sustainably managed forests, fostering innovative circular economy solutions for the collection and recycling of waste paper and, in particular, promoting the use of recycled paper. By undertaking to provide all the paper needed for the event (reams of A4 paper for Arjowiggins and all the paper for the other printed documents for Antalis) Antalis and Arjowiggins ensured that only recycled paper was used during the event.

The two Group entities were thus able, in their own way, to promote the existence of less harmful solutions for the environment, namely the sensible use of recycled paper, which uses a less carbon intensive manufacturing process, with less water and raw materials.

Energy consumption

The production business accounts for the bulk of the Group's energy consumption. Antalis' 107 distribution centres only represent 25.5 MWh, or 5.4% of the Group's overall energy consumption. In view of Antalis' reduced impact in this area, each country is responsible for deciding the measures to be put in place to scale back its energy use based on the local resources available. However, Antalis is aware of its responsibility regarding its indirect GHG emissions, which are mainly linked to goods in transit to downstream markets. As almost all transport is now outsourced, most of these emissions are indirect. In 2016, the Group wants to team up with its dedicated service providers to put specific procedures in place and better measure the environmental impact of freight. Mitigation measures would then be implemented.

Protection of biodiversity

Since the Earth Summit in Rio in 1992, it is widely acknowledged that the "biodiversity footprint" from human activity is measured by five types of pressure: damage to habitats and ecological continuity, ecosystem pollution, unsustainable use of natural resources, invasive species, and climate change.

In this context, Sequana's potential impact on biodiversity is twofold, namely (i) a direct impact in terms of the quality of water returned to the natural environment after its use in production, and (ii) an indirect impact by alleviating pressure on natural resources, whether in respect of the source of fibres used or energy resources (gas, electricity, etc.).

Regarding the first point, all of the Group's main paper mills draw the water they need in the manufacturing process (cooling, drying, etc.) from nearby rivers and streams and groundwater. The Group must take into consideration the ecosystems existing in these natural environments.

By strictly respecting regulatory effluent thresholds (suspended solids, chemical oxygen demand, biochemical oxygen demand, nitrogen, phosphorus, nitrogen oxide), the mills ensure that the quality of water discharged downstream into rivers is at least equivalent to the quality of the water upstream. These various processes are ensured thanks to dual water treatment systems (physical-chemical and biological). Each mill measures water quality twice daily and these measurements are also regularly verified by the local authorities. All of these regulatory or voluntary measures ensure that production activities have a minimal impact on river fauna and flora and on the associated ecosystems.

The temperature of the water returned to the natural environment could have an impact on the fauna and flora within that environment. An innovative experiment is currently being conducted in this respect at Arjowiggins Security's Crèvecœur mill in the French Seine-et-Marne region. A closed-loop system has been installed which reintroduces water discharged by the treatment plant upstream. This water can be reused, particularly in cleaning processes, which helps reduce the impact when the water is released back into the natural environment.

The Group's sourcing policy also seeks to protect biodiversity. By chiefly purchasing pulp (Arjowiggins) and paper (Antalis) certified by the Forest Stewardship Council (FSC®) or the Pan European Forest Certification (PEFC) council, the Group also reduces its impact on the natural environment. FSC® and PEFC certification provide tangible guarantees along the entire value chain that forests were managed responsibly at the outset. This responsible management includes environmental, social and governance criteria. Protecting diversity and ecosystems is therefore one of the fundamental requirements of these certifications. Recycled paper, the Group's other major focus in terms of sourcing, allows it to go even further to alleviate pressure on natural environments. The tissue used can be recycled up to seven times, making it an ideal secondary raw material for the paper industry. Arjowiggins Graphic is currently the leader on this market segment, with the main consumers looking to it for guidance and inspiration. In its role as distributor, this segment is also a priority for Antalis for the coming years.

6.12 – Key environmental performance data

		Graphic		Creative Papers		Healthcare		Security		Total	
Indicator	**Unit**	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Water consumption Water use/Net sellable production	*m3/tonne of paper*	12.9	12.7	66.0	55.2	42.7	48.5	75.9	109.6	24.1	23.9
Water released back into the natural environment Released/Net sellable production	*m3/tonne of paper*	12.1	11.4	59.4	55.0	29.2	31.5	73.8	103.8	21.6	22.2
Suspended Solids (SS) SS effluent/Net sellable production	*kg/tonne of paper*	0.21	0.17	1.07	0.76	0.22	0.20	0.61	0.60	0.34	0.27
Chemical Oxygen Demand (COD) COD/Net sellable production	*kg/tonne of paper*	1.52	1.34	5.97	4.44	3.49	3.87	3.43	7.40	2.30	2.14
5-day Biochemical Oxygen Demand (BOD 5) BOD 5/Net sellable production	*kg/tonne of paper*	0.11	0.10	1.03	0.89	0.77	0.92	0.20	2.21	0.28	4.12
Nitrogen (N: Nitrogen) N/Net sellable production	*kg/tonne of paper*	0.07	0.04	0.08	0.05	0.11	-	0.25	0.04	0.08	0.05
Phosphorous (P: Phosphorous) P/Net sellable production	*kg/tonne of paper*	0.005	0.004	0.050	0.036	0.003	-	0.071	-	0.013	0.010
Nitrogen oxide (NOx: Nitrogen oxide) NOx/Net sellable production	*kg/tonne of paper*	0.29	0.02	0.09	1.55	-	-	-	-	0.23	0.38
CO_2 (scopes 1)(1) CO_2 emissions/Net sellable production	*kg/tonne of paper*	255	231	1,082	1,031	13	16	641	434	363	328
CO_2 (scopes 1 & 2)(1) CO_2 emissions/Net sellable production	*kg/tonne of paper*	420	407	1,342	1,258	131	140	1,668	1,191	568	533
Gas consumption (Energy) Gas consumption/Net sellable production PCI	*KWh/tonne of paper*	1,243	1,125	5.276	5,025	61	76	3,126	2,114	1,767	1,600
Steam purchased externally (Energy) Steam purchased/ Net sellable production	*KWh/tonne of paper*	452	517	139	117	2,155	2,255	-	-	503	524
Electricity consumption (Energy)(2) Electricity consumption/Net sellable production	*KWh/tonne of paper*	715	671	322	394	974	1,058	3,789	3,464	791	779
Energy consumption Energy consumption/Net sellable production	*KWh/tonne of paper*	2,412	2,314	5,740	5,538	3,192	3,390	6,917	5,579	3,064	2,903
Sludge: Total quantity Production of sludge (dry)/Net sellable production	*Kg/tonne of paper*	0.18	0.14	0.004	0.05	0.03	0.02	0.02	0.06	0.14	0.13
OIW (Ordinary Industrial Waste)(3) Volume of OIW	*T*	14,279	18,038	113	359	3,132	3,206	366	331	17,890	19,882
SIW (Special Industrial Waste) Volume of SIW	*T*	155	384	180	183	28	64	51	24	414	508

NB: These data, which are given per tonne of sellable paper, correspond to average values for the whole of the Group's production business. They are in line with those disclosed by high-performing paper manufacturing groups that produce comparable paper ranges. Significant differences exist between different mills due to the type of products manufactured.

(1) *These data were collected from 18 Group mills operational in 2015, with the exception of the Salto mill, which was sold in May 2015, and for which data were not available subsequent to the disposal. Data concerning the Charavines and Wizernes mills were included with the data for each of their respective divisions. Emission factors taken from the ADEME (French Environment and Energy Management Agency) database for 2015.*

(2) *Total energy consumption includes electricity, gas, steam and biomass but also (not included in the table) consumption of fuel and coal.*

(3) *Ordinary Industrial Waste mainly comprises papers that cannot be reintroduced into the manufacturing process at source.*

Site certification

Antalis has set up a multi site system of FSC® and PEFC certification to guarantee its customers traceability (chain of custody) at every stage of the production and distribution process, regardless of the country concerned. These multi-site certifications are audited each year by an independent third party.

This system has enabled Antalis to standardise the information to be audited for transparency purposes. The audits guarantee that these certifications will be renewed and cover aspects relating both to the supply chain (labelling, separate product storage, delivery) and information systems (product listing, product categories), as well as marketing and sales issues (use of logos, training, etc.).

By applying identical standards, every country in which Antalis is based must meet the same strict environmental requirements.

Arjowiggins did not attain its goal of achieving energy management certification (ISO 50001) for its eight main mills by the end of 2015. Six of the eight mills have obtained the certification however, thereby building on the ongoing improvements to energy performance in general, and energy efficiency in particular.

Certification of Arjowiggins Graphic and Antalis sites (%)(1)

	ISO 9001	ISO 14001	ISO 50001	OHSAS 18001
Arjowiggins	15/16	14/16	5/16 (1 in progress)	12/16 (2 in progress)
(%)	*94%*	*88%*	*37%*	*75%*
Antalis	27/92	16/92	-	11/92
(%)	*29%*	*17%*		*12%*

(1) Data calculated based on a scope of 92 of Antalis' biggest distribution centres and 16 Arjowiggins mills.

Fair operating practices

Ethics and good business practices are an integral part of Sequana's core values. However, it is essential that the Group reaffirms and improves procedures each year in order to ensure that it acts in strict compliance with the laws in force in the countries in which it operates and that the values it upholds are respected.

Sequana is responsible for ensuring that rules of business conduct – particularly regarding corruption and unfair competition – are respected, implemented and monitored in more than 45 countries around the globe in which it is present via its different entities. Sequana also makes sure that relations between its different entities and public bodies, other companies, suppliers, subcontractors, customers and competitors are managed in a fair and responsible manner, to prevent the possibility of corruption or illegal practice.

The Group introduced a new Group Code of Good Conduct in 2013 to reinforce its procedures. The code covers all compliance-related topics: commercial relations, anti-trust rules, confidentiality and insider trading, as well as safety, conflicts of interest, respect and dignity in the workplace and environmental principles. It also includes a comprehensive list of forbidden or authorised practices specific to the Group's businesses. The Code of Good Conduct was made available during the year to all employees with access to the Group's computer systems and particularly those employees with the most exposure to these issues. In 2015, 929 employees were identified, of which 96% have signed and pledged to uphold the code to date.

The Code of Conduct is disseminated each year through a series of questions included in the Self-Assessment Questionnaire developed by the internal audit department. In 2015, out of 55 entities covering 97.5% of Group employees, 52 entities (98.5% of the employees) deployed the code at their level and 40 entities (74.3% of the employees) have procedures ensuring the Code of Conduct is signed by target populations. Finally, 44 entities (79.6% of the employees) have implemented a procedure whereby all new arrivals must sign the code. It should also be noted that in addition to the Code of Conduct, 26 entities (61.3% of the employees) have a local Code of Conduct in the form of internal rules.

Consumer issues

The responsibility of Sequana and its subsidiaries Arjowiggins and Antalis towards consumers chiefly concerns health and safety and responsible consumption, along with education and awareness initiatives. Sequana is responsible both towards its B2B clients and to its end customers for its products.

Although the Group's manufacturing processes have an environmental impact which is taken into account when defining the Group's overall strategy, the nature of the products sold presents minimal danger for the health and safety of customers. However, the REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals) introduced by the European Union in 2007 requires industrial and commercial companies to prove that their products or manufacturing processes are free of any harmful chemical substances. Arjowiggins has set up a standardised procedure for all of its mills guaranteeing compliance with REACH and providing assurance that the regulation is respected upstream of the supply chain. This procedure is designed to standardise and expand the information required from suppliers. It provides each mill with a rigorous method of verification, offering clients the strictest guarantees that no hazardous chemical substances as defined by REACH have been used in the manufacturing process.

In 2015, the Group stepped up its initiatives aimed at sharing information and raising consumers' awareness of eco-friendly products. After having developed its own definition of eco-friendly paper products for all entities in 2013, the divisions devised specific communication initiatives during the year. The definition is simple and transparent for stakeholders, and takes into account the two biggest environmental impacts of paper throughout its lifecycle: the use of raw materials and the manufacturing process. To make this definition as neutral as possible, all of the requirements associated with these impacts correspond to internationally recognised and respected standards which are considered to provide strong guarantees of environmental performance. For paper to be classified as eco-friendly in terms of the raw materials used, it therefore has to be certified at least FSC® or PEFC and at best be 100% recycled using post-consumer recycled fibres In terms of the manufacturing process, the mill must to be certified to at least ISO 14001 (environmental management system) and at best carry the European Ecolabel® in order to classify as eco-friendly. Both of these criteria must be met for the paper to be classified as eco-friendly according to the Group's definition.

By providing this official definition, the Group was able to take stock of products for Antalis and in each Arjowiggins division. The definition is a particularly relevant indicator in view of the Group's position as a leading supplier of eco-friendly products.

The percentage of eco-friendly products in each Arjowiggins division and for Antalis in revenue terms are:

6.14 – Percentage of eco-friendly products

	Antalis(1)	Arjowiggins Graphic	Arjowiggins Creative papers
Five stars	4%		
Four stars	36%		
Three stars	36%		
Total percentage of eco-friendly products (3, 4 and 5 stars)	**76%**	**95%**	**97%**
Two stars	1%		
One star	14%		
No stars	8%		

(1) Percentage based on stock volumes.

For the Arjowiggins Healthcare and Arjowiggins Security divisions, the small proportion of wood fibres in finished products means that an initial definition specifically based on paper products is not really relevant.

In 2015, Antalis focused on its specific marketing strategy for its range of eco-friendly products and services with the aim of carving out a leading position for itself in this market segment. This strategy, known as the Green Connection, includes the Green Star System, a new system for classifying all paper products sold. This system gives each type of paper a rating from one to five stars depending on its eco credentials. Products are considered eco-friendly when they have three or more stars. This marketing strategy takes up the specific definition devised by the Group. It allows sales teams to better showcase the eco-friendly product offer and enables customers to choose between products more easily using a simple and reliable ratings system. To strengthen its role as trailblazer among its customers, Antalis has also developed other customer-focused tools, including a white paper providing concrete advice on how companies can integrate paper into their sustainable development strategy and the advantages of a properly managed paper sourcing policy. This is accompanied by a brochure providing a comprehensive description of the Green Star System® and the five-star paper rating. To counter common misconceptions about paper's negative environmental impact compared to information and communication technologies, Antalis has also produced a video entitled "Did you know?", which shows the benefits of using paper. The Green Star System ® is now applied to numerous products including the Xerox ranges. It was also applied to all communication media used at the COP21 (see page 202) and supplied by Antalis and Arjowiggins Graphique in the scope of their partnership with the Ministry for Foreign Affairs, which organised the event.

Community involvement and development

The Group's social commitment is based on Sequana's partnerships and community-based initiatives fuelled by all of the Group's entities. These projects are principally centred on culture, outreach and education.

Partnering the world of art and design

For many years Sequana has been providing various cultural institutions with premium paper. The Group is firmly committed to making art as accessible as possible and, in this regard has been working with the Louvre since 2003 and the Centre Pompidou Metz since 2015, enabling the publication of almost one hundred catalogues. The Group also partners the FIAC international contemporary art fair, which uses graphic and creative papers for all of its catalogues (FIAC, Officielle and Hors Les Murs), guides and programmes.

Antalis is extremely active in the Asia Pacific region, and in 2015 launched the "10-20-30" project to showcase the work of 20 young artists from Singapore, Malaysia, Thailand and Hong Kong. Antalis has used this project to create a regional platform for the work of the selected artists, thus strengthening its ties with the local artistic community.

Arjowiggins Graphic fosters the creativity of graphic designers working with recycled paper, encouraging them to imagine new solutions for the future and commit to sustainable development based around the idea of "Re-use, Recycle, Re-create". Since the event's launch in 2014, Arjowiggins Graphic partnered the Paris graphic arts festival (Fête du graphisme), an unmissable date in the graphic design world calendar. To echo the sentiment of COP21, the Paris city council commissioned 39 graphic artists from around the world to create posters on the theme of "Célébrer la Ville" (Celebrate the Town). These posters, which were printed on Arjowiggins Graphic paper, were displayed on street furniture in Paris and Brussels and exhibited at a client event organised by the Group to mark the opening of the FIAC.

Community involvement

Sequana is aware of the need to anchor the Group in its local environment, and encourages and supports citizen-based initiatives by its employees. The ReciproCité project has been running since 2013, and enables employees at the Group's Boulogne Billancourt headquarters to get personally involved in outreach initiatives such as providing academic support, assisting the elderly, or working with young people from underprivileged backgrounds. In 2015, over 250 hours of outreach actions were performed by more than 20 employees. Arjowiggins Graphic also supported the charity race "La Parisienne", sponsoring 15 runners from the head office and providing them with a t-shirt designed using the Group's transfer papers.

Children and health

Childhood is one of the cornerstones of Antalis' community involvement. The Group donates paper to numerous schools in Finland, Norway and Latvia, orphanages in Russia and children's charities in South Africa.

For a number of years Antalis has been providing Spanish organisation "Ayuda en Acción" with the paper needed for its Christmas catalogue, which is used to drum up funds for its projects. In 2015, the money raised financed the provision of school supplies, extra-curricular activities and educational support, among other things.

Antalis also invests in integration projects for young people who have dropped out of school. In Norway, it works in liaison with a specialised school once a week, helping to motivate children with concentration problems through practical tasks such as packaging and mailing. The LIFT project in Switzerland helps young people have a smoother transition to the workplace and create links with the business world, by offering them the chance to work in the company for a few hours each week.

Arjowiggins Graphic has been using its Cyclus brand to support the SOS Villages d'Enfants association for African children since 2012. Funds collected in 2015 helped finance the schooling of elementary school children from four SOS Villages d'Enfants villages in Madagascar and provide them with the material needed for their schooling.

In the healthcare arena, Arjowiggins Graphic provides the paper to produce the catalogue for a charity auction organised every two years since 2005. The funds go to a charity in Monaco working to combat myopathy and financing research into Duchenne myopathy, a degenerative neuromuscular disease. For the tenth year, Antalis in the UK ran the "Wear it Pink" campaign for the fight against breast cancer. It also supported the Text Santa fund-raising appeal for families in difficulty, a particular goal of which is to fund the care needed by cancer sufferers. As happens every year, Antalis employees in the Czech Republic had a dedicated voluntary work day, which involved a community outreach programme for the integration of disabled children.

CSR reporting methodology

Selection of indicators
Pursuant to the provisions and guiding principles of the French Grenelle II Act, Sequana has tried to report on CSR matters as transparently as possible. However, in accordance with the "comply or explain" rule provided for in the Act, Sequana acknowledges that certain minimal information has not been disclosed. The main reasons for non-disclosure may be that (i) no reliable indicators exist for the issues concerned; (ii) as a paper group, certain matters do not concern Sequana and are not therefore considered; and (iii) certain information is deemed confidential (see the Grenelle II concordance table).

CSR reporting scope
The CSR information provided belongs to different categories which each have their own reporting and consolidation procedures. This is due to the nature of the information compiled, the scope applied and the maturity of the entities included. For 2015, the main modifications were due to changes in scope following the disposal or closure of the Salto, Wizernes and Charavines mills.

Reporting on labour practices includes all of the Group's legal entities, and therefore covers all Group employees.

However, discrepancies may arise between some reported data due to differences in how employees are accounted for.

Health and safety reporting only includes purely production and logistics activities, i.e., all Arjowiggins mills and Antalis distribution centres. Health and safety reporting excludes offices and local or central headquarters.

Environmental reporting is different for the production and for the distribution business. Detailed reporting on mills (see table 6.12, Key environmental performance data) covers issues relating to the use of natural resources and management of waste. More summary reporting on energy consumption and transport covers warehouses used in the distribution business. In both cases, reporting excludes offices and local headquarters. Waste tonnages are included in table 6.12 for manufacturing mills (SIW and OIB) but are not the subject of specific reporting for Antalis' distribution centres, which represent only a small amount of OIB.

Reporting on raw material consumption covers all Arjowiggins mills.

Land use is not covered because the Group's direct activities have no particular impact on land.

Absenteeism: The application, within the Group's entities, of methodological criteria for calculating the absenteeism rate was deemed to be insufficiently standardised to give an accurate picture of this indicator. As a result, Sequana decided not to publish the information this year. Calculation methods will be standardised for 2016 to improve this information.

Sources and tools used
Data on labour practices is included within the internal financial reporting software (Magnitude). HR reporting packages are completed by the Group's legal entities at 30 June and 31 December each year. The management accountant of these entities is responsible for relaying the request to the competent member of staff and verifying that all information has been supplied.

Health and safety data are compiled using an Excel spreadsheet sent each year to all sites by the Group Head of Security.

Environmental data concerning mills are compiled using a package integrated in the Magnitude reporting software, which is completed every year by the network of QHE (Quality, Health, Environment) officers in the Group's 16 mills. For the distribution centres, an Excel questionnaire is sent on 15 December to the centre managers. Only centres that are not managed by service providers are included in the reporting scope.

Raw material purchases are made by a central pooling structure (Arjowiggins Sourcing Limited).

Method used to consolidate and validate indicators
A procedural guide to reporting on labour practices setting out definitions of social indicators is available in the internal financial reporting software. Information on labour practices is compiled by the Group's management accounting department and sent to the Head of CSR responsible for analysing the data along with the HR department.

The Excel health and safety questionnaire featuring a data input guide is completed by local QHE officers at each site. This information is then pooled and consolidated by the Group Head of Security before being sent to the HR and CSR departments to be analysed and incorporated into the management report.

The environmental questionnaire includes explanatory comments for each indicator. The Head of the CSR department uses the questionnaire to consolidate information at Group level for publication in the management report.

Purchases of raw materials are pooled and reported monthly to the Arjowiggins Executive Committee. These data are only consolidated once a year for publication in the management report. For confidentiality reasons affecting certain data, published information is aggregated by type of raw material.

Grenelle II concordance table

Grenelle II – Article 225 of Act No. 2010-778 of 12 July 2010 – Decree of 24 April 2012	Registration document (page)	ISO 26000	UN Global Compact	Reporting scope
INFORMATION ON LABOUR PRACTICES				
Employment				
1) Total employees and breakdown of employees by gender, age group and geographic region	193			
Total employees	193			
Breakdown of employees by gender	194			
Breakdown of employees by age group	194			
Breakdown of employees by length of service	194			
Breakdown of employees by geographic region	193	6.4.4		Entire Group
2) Hires and dismissals	198			
3) Compensation and trends	195			
Organisation of work				
4) Organisation of working time	195			
5) Absenteeism	-	6.4.4		
Labour relations				
6) Organisation of social dialogue, particularly employee information and consultation procedures and negotiations	195	6.4.3. & 6.4.5	≠ 3	Entire Group
7) Collective bargaining	197			
Health and safety				
8) Occupational health and safety	196			Distribution centres and mills (excluding headquarters)
9) Health and safety topics covered in formal agreements with trade unions	197			
10) Occupational accidents, particularly frequency and severity, and occupational illness	197	6.4.6	≠ 4-5	Distribution centres and mills (excluding
Training				
11) Policies implemented regarding training	198	6.4.7		Representativeness of statistics in indicator tables (%)
12) Total number of training hours (days)	198			
Equal treatment				
13) Measures promoting gender equality	189			
14) Measures promoting the employment and integration of people with disabilities	199			Representativeness of statistics in indicator tables (%)
15) Policy against discrimination	189			
Promotion of and compliance with ILO conventions			**≠ 1 to 6**	
16) Compliance with the freedom of association and right to collective bargaining	192		≠ 3	
17) Elimination of discrimination in respect of employment and occupation	192		≠ 6	Entire Group
18) Elimination of forced and compulsory labour	190		≠ 4-5	
19) Effective abolition of child labour	190			
ENVIRONMENTAL INFORMATION				
Overall environmental policy				
20) Organisation of the Company to take into account environmental concerns. If applicable, environmental assessment and certification approach used	199			
21) Employee training and information on environmental protection	200	6.5.1 & 6.5.2	≠ 7-8-9	Distribution centres and mills (excluding headquarters)

	Registration document (page)	ISO 26000	UN Global Compact	Reporting scope
22) Resources used in environmental and pollution risk prevention	200			
23) Provisions and guarantees in respect of environmental risks (excluding risk of harm)	200			
Pollution and waste management				
24) Measures taken to prevent, reduce and offset air, water and land effluents seriously impacting the environment	200			Mills
25) Measures taken to prevent, recycle and eliminate waste	200		≠ 7-8-9	Distribution centres and mills (excluding headquarters)
26) Noise pollution and other types of specific business-related pollution	200			Distribution centres and mills (excluding headquarters)
Sustainable use of resources				
27) Water abstraction *Water supply in accordance with local requirements*	202-204			Mills
28) Raw material consumption *Measures taken to make more efficient use of raw materials*	201-202	6.5.4	≠ 7-8-9	Raw materials used to manufacture products at Group mills
29) Energy consumption *Measures taken to improve energy efficiency and use of renewable energy sources*	204			
30) Land use	-			
Climate change				
31) Greenhouse gas emissions	204	6.5.5	≠ 7-8-9	Mills
32) Adapting to the consequences of climate change	202			
Protection of biodiversity				
33) Measures taken to protect and increase biodiversity	203	6.5.6	≠ 7-8-9	
INFORMATION ON COMMUNITY INVOLVEMENT AND DEVELOPMENT				
Regional, economic and social impact of the Company's business				
34) Employment and regional development	206	6.8.5		Entire Group
35) Local and neighbouring communities	206	6.8		
Relations with stakeholders				
36) Stakeholder dialogue	190	5.3.3		Group
37) Patronage and sponsorship	206	6.8.9		
Subcontractors and suppliers				
38) Consideration of social and environmental issues in the purchasing policy	192-201			
39) Subcontracting and consideration of CSR issues in relations with suppliers and subcontractors	192-201	6.6	≠ 1 - 2	
Fair operating practices				
40) Action taken to prevent any kinds of corruption	205	6.6.3	≠ 10	
41) Measures taken to promote consumer health and safety	205	6.7.4		
Other action taken to promote human rights		**6.3**	**≠ 1 - 2**	
42) Other action taken to promote human rights	190			

Report by an independent third-party body on the consolidated information on labour, environmental and social practices presented in the management report

For the year ended 31 December 2015

This is a free translation into English of the report by the independent third-party body issued in French 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 an independent third-party body accredited by Cofrac under No. 3-1048[(1)] and member of the Deloitte network, one of Sequana's Statutory Auditors, we present below our report on the consolidated information on labour, environmental and social practices for the year ended 31 December 2015 ("CSR Information"), as presented in the management report, in accordance with the provisions of Article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the Company

It is the responsibility of the Board of Directors to prepare a management report which includes the CSR Information provided for by Article R.225-105-1 of the French Commercial Code, compiled in accordance with the guidelines used by the Company ("the Guidelines") and made available on request from the Company's headquarters and in respect of which certain methodological information is set out with the CSR Information in the management report.

Independence and quality control

Our independence is defined by regulatory texts, the French code of ethics for our profession, and the provisions of Article L. 822-11 of the French Commercial Code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the codes of ethics, professional standards and applicable legal and regulatory texts.

Responsibility of the independent third-party body

On the basis of our work, it is our responsibility to:

- certify that the required CSR Information is presented in the management report or, in the event that any CSR Information is not presented, that an explanation is provided in accordance with the third paragraph of Article R.225-105 of the French Commercial Code ("Statement regarding the completeness of CSR Information");
- express a limited assurance conclusion on the fact that the CSR Information, taken as a whole, is, in all material respects, fairly presented in accordance with the applicable Guidelines ("Conclusion on the fairness of CSR Information").

Our work was performed by a team of four people over a three-week period between January and March 2016. We were assisted in our work by our specialists in corporate social responsibility.

We performed our work in accordance with the professional standards applicable in France and with the Decree of 13 May 2013 determining the conditions in which independent third-party bodies shall conduct their engagement, and with ISAE 3000[(2)] for the conclusion on the fairness of CSR Information.

I. Statement regarding the completeness of CSR Information

Nature and scope of our work

Based on our meetings with the managers of the departments concerned, we gained an understanding of the main sustainable development guidance in light of the social and environmental impacts related to the Company's businesses and of its social commitments and, where applicable, any related initiatives or programmes.

We compared the CSR Information presented in the management report with the list provided for by Article R.225-105-1 of the French Commercial Code.

In the event that any consolidated CSR Information was not presented, we verified that the explanations provided complied with the provisions of paragraph 3 of Article R.225-105 of the French Commercial Code.

We verified that the CSR Information covered the scope of consolidation, i.e., the Company, its subsidiaries as defined by Article L. 233-1 and the companies it controls as defined by Article L. 233-3 of the French Commercial Code within the limits described in the note on methodology featured in the "Corporate social responsibility" section of the management report.

Conclusion

Based on this work and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report, with the exception of absenteeism figures for the reasons given in the management report.

(1) Defined on the Cofrac website at www.cofrac.fr.

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

II. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted around six interviews with a dozen people responsible for preparing the CSR Information in the departments charged with collecting the information and, where appropriate, the people responsible for the internal control and risk management procedures, in order to:

- assess the appropriateness of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices when appropriate;
- verify the implementation of collection, compilation, processing and control procedures aimed at ensuring the completeness and consistency of the CSR Information, and acquire an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests based on the nature and significance of the CSR Information given the Company's specific characteristics, the social and environmental challenges relating to its businesses, its sustainable development policies and best industry practices.

For the CSR Information we deemed to be most significant[3]:

- \- at the level of the consolidating entity, we consulted the source documentation, organised meetings to corroborate the qualitative information (organisation, policies, measures and initiatives), and applied analytical procedures to the quantitative information in order to verify, using sampling techniques, the calculation and consolidation of the information and its consistency with the other information featured in the management report;
- at the level of a representative sample of entities we selected[4] based on their business, their contribution to the consolidated indicators, and their location and risk profile, we conducted meetings to verify that the procedures were correctly applied and to identify any undisclosed data and we performed tests of details, using sampling techniques, in order to verify the calculations made and reconcile the information with the supporting documents. The sample selected represented on average 17% of the workforce, and between 10% and 84% of quantitative environmental information tested.

We also assessed the consistency of other consolidated CSR information in light of our knowledge of the Company.

Lastly, where appropriate, we assessed the relevance of any explanations given as to why certain or all information was not presented.

We consider that the sampling techniques and sample sizes used are adequate to form the basis for our limited assurance conclusion. A higher level of assurance would have involved more detailed verification procedures. Due to the use of sampling techniques as well as other limits inherent in any information and internal control system, the risk of failing to identify any material irregularities in CSR Information cannot be ruled out completely.

Conclusion

Based on our work, no material irregularities came to light that are likely to call into question the fact that the CSR Information, taken as a whole, is presented in accordance with the Guidelines.

Neuilly-sur-Seine, 30 March 2016

The independent third-party body
Deloitte & Associés

Jean-Paul Séguret
Partner

Julien Rivals
Partner, Sustainability Services

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(3) ***Quantitative labour-related information:*** *breakdown of employees by business, geographic area, gender and age group, number of hires, redundancies and dismissals, number of lost-time accidents, incident rate, number of training hours per employee, number of OHSAS 18001 certified sites.*

Qualitative labour-related information: *information related to social dialogue.*

Quantitative environmental information: *water use, suspended solids (SS) analysis, chemical oxygen demand analysis, special industrial waste, raw materials consumption, energy consumption, carbon emissions analysis (scopes 1 and 2).*

Qualitative environmental information: *general environmental policy, pollution prevention, water supply based on local constraints, the sustainable use of resources, ISO 50001 certification.*

Qualitative social information: *information relating to the establishment of the Green Star System.*

(4) ***Labour-related information:*** *Greenfield SAS, Arjowiggins Security France and Antalis Ltd.*

Environmental information: *French sites Greenfield, Crèvecoeur and Palalda (energy use only)*

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Chapter 7
PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Person responsible for the registration document

Pascal Lebard

Chairman and Chief Executive Officer

Statement by the person responsible for the registration document and the annual financial report

After taking all reasonable measures for this purpose, I hereby attest that, to the best of my knowledge, the information provided in this registration document fairly reflects the current situation and that no material omissions have been made.

I further declare that, to the best of my knowledge, the financial statements for 2015 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings in the consolidation taken as a whole, and that the management report presented in this registration document includes a fair review of the operations, profit or loss and financial position of the Company and the undertakings in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

I obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have read the entire registration document and verified the information in respect of the financial position and the financial statements contained therein.

The consolidated and parent company financial statements for the year ended 31 December 2015 were reviewed by the Statutory Auditors and their reports are presented on pages 158 and 172, respectively. The Statutory Auditors' reports each contain two observations. The first draws attention to Notes 1 and 14 to the parent company financial statements, and Notes 1, 17 and 32 to the consolidated financial statements presenting the various different operations that need to be completed to strengthen Arjowiggins' financing structure and complete its transformation plan. These additional resources will be generated from the sale of Arjowiggins' healthcare business and from new financing arrangements. The second observation draws attention to Note 15 to the parent company and the consolidated financial statements describing the legal dispute with BAT Industries Plc where a decision is expected to be handed down in the second-half of 2016.

The Statutory Auditors' reports on the consolidated and parent company financial statements for the year ended 31 December 2014, set out respectively on pages 177 and 193 of the 2014 registration document filed with the AMF on 30 April 2015 under No. D.15-0462, contained an observation drawing attention to Notes 1, 17 and 32 to the consolidated financial statements and Notes 1, 15 and 17 to the parent company financial statements presenting the Group's financial restructuring, which was finalised in July 2014, and developments with respect to the related commitments, in particular the implementation of the €200 million Antalis factoring programme in March 2015 and the sale of Arjo Wiggins Ltda, which was scheduled to take place by the end of June 2015.

The Statutory Auditors' reports on the consolidated and parent company financial statements for the year ended 31 December 2013, set out respectively on pages 187 and 205 of the 2013 registration document filed with the AMF on 30 April 2014 under No. D.14-0459, contained an observation which set out the terms and conditions of the refinancing agreements for Arjowiggins, Antalis and Sequana. In relation to these refinancing arrangements, an agreement in principle was signed by these companies, three of Sequana's main shareholders and the Group's lending banks on 10 April 2014.

Boulogne-Billancourt, 15 April 2016

Pascal Lebard,
Chairman and Chief Executive Officer

Auditors

Statutory Auditors

PricewaterhouseCoopers Audit
63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France
represented by Stéphane Basset

Constantin Associés
(Member of Deloitte Touche Tohmatsu Limited)
185, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, France
represented by Jean-Paul Séguret

Deputy Statutory Auditors

Yves Nicolas
63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France

François-Xavier Ameye
185, avenue Charles de Gaulle, 92200
Neuilly-sur-Seine, France

PricewaterhouseCoopers Audit and Constantin Associés (member of Deloitte Touche Tohmatsu Limited) are registered as Statutory Auditors with the Versailles *Compagnie régionale des commissaires aux comptes* and fall under the authority of the *Haut Conseil du commissariat aux comptes*.

Information relating to the Statutory Auditors and their terms of office is provided on page 72.

The original French version of this registration document was filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on 15 April 2016 under No. D.16-0349

in accordance with Article 212-13 of the AMF's General Regulation.

It may not be used in support of a financial transaction unless it is accompanied by an information memorandum approved by the AMF.

This registration document was prepared by the issuer and is legally binding for its signatories.

Copies of this registration document may be obtained from the Company's registered office:

8, rue de Seine – 92100 Boulogne-Billancourt – France

or may be downloaded from the website of the issuer (www.sequana.com) or the AMF (www.amf-france.org).

Tables of concordance

In accordance with Article 28 of European Commission Regulation No. 809/2004 dated 29 April 2004, the following information has been incorporated by reference into this registration document:

- the consolidated financial statements for the year ended 31 December 2014 and the related Statutory Auditors' report, set out on pages 102 to 177 of the registration document filed with the AMF on 30 April 2015 under No. D.15-0462;
- the consolidated financial statements for the year ended 31 December 2013 and the related Statutory Auditors' report, set out on pages 106 to 187 of the registration document filed with the AMF on 30 April 2014 under No. D.14-0459;
- the review of the financial position and results for the year ended 31 December 2014, set out on page 100 of the registration document filed with the AMF on 30 April 2015 under No. D.15-0462.

The chapters of registration documents D.15-0462 and D.14-0459 which are not mentioned above are either not pertinent for investors or are covered in another section of the 2015 registration document.

Annual financial report

Information required under Article L.451-1-2 of the French monetary and financial code (*Code monétaire et financier*) and Article 222-3 of the AMF's General Regulation	Pages
Parent company financial statements for the year ended 31 December 2015	159 to 171
Consolidated financial statements for the year ended 31 December 2015	95 to 157
Board of Directors' management report for 2015	7 to 41-44 to 72-94-171-176 to 208
Statement by the person responsible for the annual financial report for 2015	214
Statutory Auditors' report on the parent company financial statements for the year ended 31 December 2015	172
Statutory Auditors' report on the consolidated financial statements for the year ended 31 December 2015	158

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