



2019 Half-year financial report



Half-year Financial Report January 1 - June 30, 2019

(Article L 451-1-2 III of the French Monetary and Financial Code
Article 222-4 et seq. of the AMF - French Financial Markets Authority - General Regulation)

SergeFerrari Group
Limited liability company with a capital of €4,919,703.60
Headquarters: ZI de La Tour du Pin – 38110 Saint Jean de Soudain, France
382 870 277 Vienne Commercial Register

This financial report relates to the six months ended June 30, 2019 and was prepared in accordance with the provisions of Article L. 451-1-2 III of the French Monetary and Financial Code and Articles 222-4 et seq. of the French Financial Markets Authority (“AMF”) General Regulation.

It was disclosed and made available in line with the provisions of Article 221-3 of the AMF General Regulation and may be viewed at www.sergeferraribourse.com

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STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

I hereby certify that, to the best of my knowledge, the condensed consolidated financial statements for the six months ended June 30, 2019 have been prepared in accordance with applicable accounting principles and present a fair view of the assets and liabilities, financial position and earnings of the Company and all of the companies included in the consolidation scope. I also certify that the half-year activity report presents a fair view of the main events occurring during the first six months of the year, the impact thereof on the financial statements and the main related party transactions, as well as a description of the main risks and main uncertainties for the remaining six months of the year.

Saint Jean de Soudain
September 11, 2019

Sébastien Ferrari
Chairman and CEO

HALF-YEAR ACTIVITY REPORTRevenues

Revenue breakdown by geographical region

(€'000)	Q2 2019	Q2 2018	Ch. at current exchange rates	Ch. at constant exchange rates	H1 2019	H1 2018	Ch. at current exchange rates	Ch. at constant exchange rates
Europe	42,327	41,202	2.7%	2.9%	78,489	77,445	1.3%	1.5%
Americas	5,814	5,051	15.1%	8.8%	9,370	8,498	10.3%	4.1%
Asia-Africa-Pacific	7,021	6,651	5.6%	4.1%	13,507	10,702	26.2%	24.9%
Total revenues	55,162	52,904	4.3%	3.6%	101,366	96,645	4.9%	4.4%

For the first half of 2019, the Group reported organic revenue growth of 4.4%, broadly in line with its annual target of 4.5%, at constant exchange rates.

First half currency movements impacted revenues by +0.5% versus a 2.1% reduction in 2018.

No change in consolidation scope was reported for first half 2019. Price and product mix effects contributed 2.9% to first half sales growth during the first half.

At constant exchange rates, all three regions posted positive growth during the first half. The Asia-Africa-Pacific region performed particularly well, due to a strong demand for architectural and infrastructure projects. Europe continued to record moderate growth for the first half despite the strong performances achieved last year, notably in the Germany region where major projects were implemented in 2018. The Americas region, after a weak first quarter, managed to catch up and posted first half growth of 10.3% at current exchange rates and 4.1% at constant exchange rates.

Earnings

First half 2019 operating income (EBIT) amounted to €6,547,000, up from €4,817,000 in first half 2018.

Net debt and cash and cash equivalents

At June 30, 2019, net debt excluding the impact of IFRS 16 amounted to €4,327,000 compared to net cash and cash equivalents of €658,000 as of December 31, 2018.

The change in net cash and cash equivalents was primarily due to:

- An increase in working capital resulting from the seasonality of the Group's composite material business;
- Capital expenditure in relation to the Group's industrial equipment upgrading, in accordance with its long-standing policy;
- Payment of the 2018 dividend on June 6, 2019.

Outlook

SergeFerrari Group's priorities for 2019 are to achieve organic revenue growth in the range of 4.5% and step up commercial and operational efficiency. Both these targets are confirmed.

First half business growth coupled with tightened cost control and more rigorous selection of development projects allow the Group to confidently confirm its target to significantly improve its operating margin in 2019.

Besides the improvement in operating income, 2019 net income Group share benefits from the absence of non-recurring expenses related to the closure of the Vinyloop unit, which amounted to €2.04 million in 2018.

To sum up, the Group has a strong financial position and will continue to review acquisition opportunities specifically intended to strengthen its commercial, product and technological bases.

Description of main risks and uncertainties

The Company's market risks

There has been no change in the Company's market risks as described in the Registration Document registered on March 19, 2019.

Operational risks

There have been no changes to the Company's risks in relation to operations, commercialization, production facilities, working capital management, the seasonal nature of the business, inventory impairment, IT systems, legal affairs, finances, insurance and risk management, exchange rates, the Company's structure or court and arbitration proceedings, as described in the Registration Document.

Related party transactions

Principal transactions with related parties are described in Note 32 to the half-year condensed consolidated financial statements.

There have been no changes to the related party transactions described in the last annual report that could have had a material impact on the issuer's financial position or earnings for the first half of the current fiscal year.

First half 2019 condensed consolidated financial statements

The Group consolidated financial statements for the six months ended June 30, 2019 were approved by the Board of Directors on September 11, 2019.

CONSOLIDATED INCOME STATEMENT

€'000	Note	H1 2019	H1 2018
Revenues	23	101,366	96,648
Purchases		(40,406)	(40,715)
Change in inventories		2,521	4,953
External expenses *	24	(19,463)	(22,779)
Personnel expenses	25	(28,049)	(27,509)
Miscellaneous taxes	31	(1,396)	(1,417)
Depreciation, amortization and impairment *	26	(6,994)	(3,546)
Net provisions for impairment	27	(1,240)	(929)
Other recurring income and expenses	28	208	111
EBIT		6,547	4,817
Operating income		6,547	4,817
Income from cash and cash equivalents	29	62	70
Gross cost of debt	29	(574)	(290)
Net cost of debt		(512)	(220)
Other financial income and expenses	29	93	(301)
Income before tax		6,128	4,297
Income tax	30	(1,940)	(1,338)
Income after tax		4,187	2,959
Share of earnings of equity affiliates		-	(575)
Income/(loss) from operations held for sale or discontinued operations			(1,468)
Total net income		4,187	915
Group share		4,122	903
Non-controlling interests		65	12
		-	-
Earnings per share (€)		0.29	0.07
Diluted earnings per share (€)		0.29	0.07

* The first half 2019 financial statements include first-time application of IFRS 16 (simplified retrospective approach) without restatement of the comparative period.

STATEMENT OF COMPREHENSIVE INCOME

€'000	H1 2019	H1 2018
Total consolidated net income	4,187	915
Other comprehensive income		
Actuarial gains/(losses) on pension liabilities	(560)	238
Income tax	122	(36)
Subtotal - comprehensive income/(loss) not transferable to earnings	(438)	201
Currency translation differences	168	106
Subtotal - comprehensive income/(loss) transferable to earnings	168	106
Total other comprehensive income/(loss) after tax	(270)	307
Total comprehensive income	3,917	1,222
Group share	3,851	1,203
Non-controlling interests	67	19

CONSOLIDATED BALANCE SHEET

Assets - €'000	Note	June 30, 2019	Dec 31, 2018
Goodwill	7	10,139	9,886
Intangible assets *	8	14,407	13,648
Property, plant and equipment *	9	51,126	24,882
Other financial assets	10	1,855	1,855
Deferred tax assets	11	3,436	3,131
Total non-current assets		80,963	53,401
Inventories and WIP	12	51,859	49,842
Trade receivables	13	46,954	37,068
Tax receivables	14	2,667	3,306
Other current assets	15	8,313	5,290
Cash and cash equivalents	16	22,551	25,113
Total current assets		132,344	120,619
Total assets		213,307	174,020

Liabilities and equity - €'000	Note	June 30, 2019	Dec 31, 2018
Capital stock	17	4,920	4,920
Additional paid-in capital	17	43,868	43,868
Consolidated reserves and other reserves	17	41,680	42,536
Net income for the period	17	4,122	(123)
Total equity, Group share		94,590	91,201
Non-controlling interests		386	319
Total minority interests		386	319
Total equity		94,975	91,520
Borrowings and debt *	18	38,145	15,660
Provisions for pensions and similar commitments	19	6,658	5,903
Deferred tax liabilities	11	586	73
Other non-current liabilities	20	9,080	9,157
Total non-current liabilities		54,469	30,794
Borrowings and bank overdrafts (due in less than 1 yr) *	18	16,425	8,795
Current provisions	21	924	821
Trade payables		28,314	26,065
Tax payables	14	446	53
Other current liabilities	22	17,759	15,972
Total current liabilities		63,868	51,706
Total liabilities		118,337	82,500
Total liabilities and equity		213,307	174 020

* The first half 2019 financial statements include first-time application of IFRS 16 (simplified retrospective approach) without restatement of the comparative period.

CONSOLIDATED STATEMENT OF CASH FLOWS

€'000	H1 2019	H1 2018
Total consolidated net income	4,187	915
Consolidated net income from continuing activities	4,187	915
Elimination of earnings of equity associates	-	575
Elim. of non-cash impacts of operations held for sale or discontinued operations	-	1,468
Depreciation, amortization and impairment (Note 26) *	6,994	3,546
Provisions (Note 27)	1,240	929
Pension provisions	131	193
Share-based remuneration	-	(4)
Other non-cash income and expenses	(72)	204
Free cash flow after net cost of debt	12,481	7,827
Net cost of debt (Note 29)	512	220
Free cash flow before net cost of debt	12,993	8,046
Change in operating working capital	(10,884)	(17,689)
<i>of which Change in trade receivables</i>	(10,389)	(11,587)
<i>of which Change in inventories</i>	(2,668)	(4,925)
<i>of which Change in trade payables</i>	2,249	998
<i>of which Change in other receivables</i>	(2,317)	(2,019)
<i>of which Change in other payables</i>	2,241	(156)
Net cash flow from operating activities	2,109	(9,643)
Acquisition of PP&E and intangible assets (Notes 8 and 9)	(3,763)	(2,704)
Change in financial assets	-	141
Earnout payments indexed to performance of acquired companies	(322)	
Capital increase of equity affiliates	-	(2,448)
Loss on disposal of PP&E and intangible assets (Notes 8 and 9)	264	52
Dividends received	50	3
Net cash flow from investing activities	(3,771)	(4,956)
New borrowings (Note 18)	1,182	1,729
Acquisition borrowing costs (Note 18)	39	39
Borrowings repaid (Note 18) *	(3,176)	(460)
Net interest paid (Note 29)	(512)	(220)
Dividends paid	(592)	(949)
Factoring (Note 18)	1,557	2,403
Other cash flow from financing activities	442	(159)
Purchase of treasury shares	141	(3,996)
Net cash flow from financing activities	(919)	(1,613)
Impact of changes in foreign exchange rates	19.9	(25)
Change in cash and cash equivalents	(2,561)	(16,237)
Opening cash and cash equivalents (Note 16)	25,113	35,805
Bank overdrafts at start of period (Note 18)	0	-
Net cash at start of period	25,113	35,805
Closing cash and cash equivalents (Note 16)	22,551	19,852
Bank overdrafts at end of period (Note 16)	0	(285)
Net cash at end of period	22,551	19,567
Change in cash and cash equivalents	(2,562)	(16,238)

* Amounts including impact of IFRS 16 as explained in Note 1

CHANGE IN CONSOLIDATED EQUITY

€'000	Capital stock	Capital reserves	Consolidated net income and reserves	Treasury shares	Payment in shares	Other comprehensive income	Comprehensive income, Group share	Non-controlling interests	Total
Equity at Dec 31, 2017	4,920	41,724	48,743	(1,422)	95	(1,505)	92,551	(296)	92,255
Net income for the period			903				903	12	915
Other comprehensive income						300	300	7	307
Total comprehensive income for the period	-	-	903	-	-	300	1,203	19	1,222
Treasury shares				(3,551)			(3,551)		(3,551)
Payments in shares					(45)		(45)		(45)
Parent company dividends			(949)				(949)		(949)
Other items			(27)				(27)	(18)	(45)
Total transactions with shareholders	-	-	(976)	(3,551)	(45)	-	(4,572)	(18)	(4,589)
Equity at June 30, 2018	4,920	41,724	48,670	(4,973)	50	(1,205)	89,183	(295)	88,888

€'000	Capital stock	Capital reserves	Consolidated net income and reserves	Treasury shares	Payment in shares	Other comprehensive income	Comprehensive income, Group share	Non-controlling interests	Total
Equity at Dec 31, 2018	4,920	41,724	48,300	(4,852)	0	1,112	91,201	319	91,520
Net income for the period			4,122				4,122	66	4,187
Other comprehensive income			(271)				(271)	1	(270)
Total comprehensive income for the period	0	0	3,851	0	0	0	3,851	67	3,917
Treasury shares			141				141		141
Payments in shares							0		0
Parent company dividends			(592)				(592)		(592)
Other items			(11)				(11)		(11)
Total transactions with shareholders	0	0	(462)	0	0	0	(462)	0	(462)
Equity at June 30, 2019	4,920	41,724	51,689	(4,852)	0	1,112	94,590	386	94,975

NOTES TO THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The notes form an integral part of the condensed consolidated financial statements for the six months ended June 30, 2019.

SergeFerrari Group SA is a limited liability company under French law, registered on June 10, 1992, whose main subsidiary Serge Ferrari SAS was founded in 1973 with an activity related to the design, manufacture and distribution of flexible composite materials. The Company's headquarters are located at Zone Industrielle de la Tour du Pin, 38110 Saint Jean de Soudain (France). SergeFerrari Group SA and its subsidiaries employed 818 people at June 30, 2019 compared to 827 at June 30, 2018.

NOTE 1 – First half 2019 highlights

The Group has applied IFRS 16 "Leases" with effect from January 1, 2019.

Where a lease agreement gives rise to fixed payments, the standard requires recognition of a liability corresponding to discounted future lease payments and a right-of-use asset which is depreciated or amortized over the lease term.

The Group has applied the simplified retrospective approach, which provides for recognition of a liability, as of the transition date, equal to the present value of remaining lease payments, and a matching right-of-use asset presented under non-current asset gross values.

IFRS 16 provides for a number of simplification measures during the transition: the Group has elected those which allow (i) exclusion of leases with a remaining term of less than 12 months and leases of low-value assets, (ii) no change in the treatment of leases classified as finance leases under IAS 17 and (iii) non-capitalization of costs directly related to the execution of the agreements. Discount rates are determined solely using the incremental borrowing rate. The discount rate applied to the lease liability is determined in accordance with the geographical location of the legal entity that is party to the lease agreement. The Group has installed a special software application to collect contractual data and perform the calculations required by the standard.

The impact of first-time application of IFRS 16 on the opening balance sheet may be summarized as follows:

<i>(€'000)</i>	Impact of IFRS 16		
	Dec 31, 2018	transition	Jan 1, 2019
Intangible assets	29,165	20	29,185
Property, plant and equipment	176,711	7,964	184,675
Other current assets		(72)	(72)
Non-current borrowings	15,660	4,912	20,572
Current borrowings	8,795	3,000	11,795

The impact of the application of IFRS 16 on the consolidated income statement may be summarized as follows:

<u>(€'000)</u>	<u>H1 2019</u>
Interest on lease liabilities	(271)
Depreciation and amortization	(2,901)
Canceled rental costs	2,984
Impact on income before tax	(188)

Serge Ferrari AB (Sweden), a subsidiary registered in late 2018, has begun to market flexible composite materials following its acquisition of the flexible composite materials distribution business of a long-standing Serge Ferrari distributor in Sweden. The acquisition was recognized in accordance with IFRS 3R. The price paid for acquiring the business and the related property, plant and equipment was SEK 3,783,000. The acquisition agreement provides for earnout payments indexed to the future performance of the business. These have been recognized under current and non-current liabilities (see Notes 20 and 22). Provisional first-time consolidation goodwill of SEK 3,252,000 has been recognized and allocated to the Flexible Composite Materials CGU.

NOTE 2 – Post balance sheet events

None

NOTE 3 – Valuation and consolidation principles

The consolidated half-year financial statements are presented in thousands of euros unless otherwise stated.

The consolidated financial statements have been prepared pursuant to:

- IFRS (International Financial Reporting Standards) as adopted by the European Union. IFRS can be viewed on the following website: http://ec.europa.eu/finance/company-reporting/index_en.htm
- IFRS as published by the IASB and adopted by the EU.

The consolidated financial statements were prepared in accordance with the general principles of IFRS: fair presentation, going concern, accrual basis of accounting, consistency of presentation and materiality.

The consolidated half-year financial statements have been prepared pursuant to IAS 34 “Interim Financial Reporting”. In accordance with IAS 34, the notes to the consolidated half-year financial statements are presented in condensed form. Only material transactions and adjustments to comply with specific interim financial reporting principles have been disclosed in the notes. The half-year financial statements should be read in conjunction with the Group financial statements for the year ended December 31, 2018, which form part of the Registration Document registered with the French Financial Markets Authority (AMF) on March 19, 2019 and can be consulted (in French) on the Group website <http://www.sergeferraribourse.com/informations-financieres/documents-financiers.html>

SergeFerrari Group SA is the consolidating company.

In accordance with IFRS 10 (consolidated financial statements), companies in which the Group directly or indirectly holds the majority of voting rights at the General Meeting, on the Board of Directors or on an equivalent governing body, giving it the power to direct those companies' operational and financial policies, are generally deemed to be controlled and are fully consolidated.

Equity interests in companies over which the Group exercises significant control (associates) are measured using the equity method. With the exception of Vinyloop, in which the Group sold its equity interest on July 16, 2018, SergeFerrari Group does not exercise significant or joint control of any other company.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated.

The financial statements of consolidated companies were all closed as of December 31, with the exception of Serge Ferrari India Private Ltd, whose fiscal year ends on March 31. For Group consolidation purposes, interim statements are prepared in accordance with the reporting period.

The consolidation scope is presented in Note 4.

Changes in accounting principles

The Group refers to the guidelines available for consultation on the EFRAG (European Financial Reporting and Advisory Group) website at:

http://www.efrag.org/Front/c1_306_Endorsement_Status_Report_EN.aspx

New standards, amendments and interpretations of mandatory application from 2018 have not had a material impact on the Company's financial statements or their presentation.

The Group has applied the following standards, amendments and interpretations since January 1, 2019:

- IFRS annual improvements, 2015-2017 cycle,
- Amendments to IAS 19 "Employee benefits" regarding plan amendment, curtailment or settlement,
- Amendments to IAS 28 "Long-term interests",
- Amendments to IFRS 9 "Prepayment features with negative compensation",
- IFRIC 23 "Uncertainty over income tax treatments",
- IFRS 16 "Leases".

Apart from IFRS 16, new standards, amendments and interpretations of mandatory application from 2019 do not have a material impact on the Company's financial statements or their presentation.

Principal accounting standards, amendments and interpretations published by the IASB and not mandatory within the European Union as of January 1, 2019:

None

Principal accounting standards, amendments and interpretations published but not yet adopted by the European Union:

- Amendments to IFRS 3 "Business combinations",
- Amendments to IAS 1 and IAS 8: changes in the definition of "material".

The foregoing standards, interpretations and amendments are not expected to have a material impact on the Group financial statements upon first-time application.

Significant estimates

Principles applying to estimates and judgments are described under Note 2.5 to the financial statements for the year ended December 31, 2018. In some cases, such principles have been adapted to comply with the specific features of interim reporting.

Specific interim reporting accounting principles

- **Income tax**

The tax charge is computed separately for each company. The Group has not identified any material differences that would modify the effective tax rate calculated on a full-year basis compared with the effective rate calculated on June 30, 2019.

- **CICE**

In 2018, the French CICE tax credit for employment and competitiveness was recognized as a deduction from personnel expenses. As from 2019, the CICE is replaced by a system of reductions in social security charges, which have been recognized in the same way.

- **Post retirement benefits**

Pursuant to IAS 34, provisions for pensions and similar commitments have not been calculated on a detailed basis as required for annual financial statements. Changes to net pension liabilities as of June 30, 2019 have been estimated as follows:

- Interest expense and the cost of services provided have been estimated based on the budget;
- Discount rates have been updated on the basis of information available as of June 30, 2019; the Group has taken into account the impact of interest rate fluctuations on the valuation of the liability as of June 30, 2019, on the basis of sensitivity tests performed during the preparation of the 2018 full-year financial statements;
- The other actuarial assumptions (e.g. salary rises, staff turnover, etc.) are updated when the full-year financial statements are prepared. No changes that could have a material impact on the valuation of these assumptions were identified as of June 30, 2019;
- No adjustments were made to the fair value of plan assets (long-term investments) as of June 30, 2019. No changes that could have a material impact on the fair value of plan assets were identified as of June 30, 2019.

The statement of changes in the total net pension liability is given under Note 19.

- **Impairment tests**

Procedures for performing impairment tests are described in Note 2.11 “Asset impairment” to the 2018 financial statements, as presented in the 2018 Registration Document.

Impairment tests are only performed for half-year financial statements in respect of material assets where there is an indication of loss of value in the current or prior year. No evidence of impairment was identified during the preparation of the financial statements for the period ending June 30, 2019.

NOTE 4 – Consolidation scope

Companies	Activity	Headquarters	Percentage control			2019 consolidation method
			2019	2018	2017	
Serge Ferrari Group	Holding	La Tour-du-Pin (France)	100%	100%	100%	Parent company
Serge Ferrari SAS	Production and distribution	La Tour-du-Pin (France)	100%	100%	100%	Full consolidation
Serge Ferrari North America	Distribution	Pompano Beach (USA)	100%	100%	100%	Full consolidation
Serge Ferrari Asia Pacific	Distribution	Hong Kong (HK)	100%	100%	100%	Full consolidation
Serge Ferrari Japan	Distribution	Kamakura (Japan)	83%	83%	83%	Full consolidation
Ferrari Latino America	None	Santiago (Chile)	100%	100%	100%	Full consolidation
Serge Ferrari Brasil	Distribution	Sao Paulo (Brazil)	100%	100%	100%	Full consolidation
Ci2M SAS	Equipment manufacture	La Tour-du-Pin (France)	100%	100%	100%	Full consolidation
Serge Ferrari AG	Production and distribution	Eglisau (Switzerland)	100%	100%	100%	Full consolidation
Serge Ferrari Tersuisse (formerly Ferfil Multifils)	Production	Emmenbrücke (Switzerland)	100%	100%	100%	Full consolidation
Texyloop SAS	Recycling	La Tour-du-Pin (France)	100%	100%	100%	Full consolidation
Vinyloop	Recycling	Ferrara (Italy)	-	40%	40%	Not consolidated as of June 30, 2019
Serge Ferrari India Limited	Distribution	Delhi (India)	100%	100%	100%	Full consolidation
Serge Ferrari Shanghai	Distribution	Shanghai (China)	100%	100%	100%	Full consolidation
Serge Ferrari GmbH	Distribution	Berlin (Germany)	100%	100%	100%	Full consolidation
Serge Ferrari AB	Distribution	Veddige (Sweden)	100%	100%	-	Full consolidation
Serge Ferrari Tekstil	Distribution	Istanbul (Turkey)	100%	100%	100%	Full consolidation
Ferramat Tekstil	Distribution	Istanbul (Turkey)	100%	100%	100%	Full consolidation
Plastitex	Production and distribution	Carmignano di Brenta (Italy)	100%	100%	100%	Full consolidation
Istratextum	Production and distribution	Novigrad (Croatia)	100%	100%	100%	Full consolidation
Giofex Group Srl	Holding	Milan (Italy)	51%	51%	51%	Full consolidation
Giofex France	Distribution	Issoudun (France)	51%	51%	51%	Full consolidation
Giofex UK	Distribution	Dartford (United Kingdom)	51%	51%	51%	Full consolidation
Giofex GmbH	Distribution	Chemnitz (Germany)	51%	51%	51%	Full consolidation
Giofex Slovakia	Distribution	Bratislava (Slovakia)	51%	51%	51%	Full consolidation
Giofex SP ZOO	Distribution	Warsaw (Poland)	51%	51%	51%	Full consolidation
Giofex Bulgaria	Distribution	Plovdiv (Bulgaria)	51%	51%	51%	Full consolidation

SIBAC (18% owned) and MTB Group (5% owned) are excluded from the consolidation scope due to the absence of significant influence over these entities.

The Group holds a 35% stake in VR Développement and does not take part in strategic decision-making regarding the company's operations. The company is therefore not included in the first half 2019 consolidated financial statements.

NOTE 5 – Conversion of foreign currency financial statements

Foreign currency exchange rates applied are as follows:

		June 30, 2019 (six months)	
		Closing rate	Average rate
<hr/>			
Currency			
BGN	Bulgarian lev	1.96	1.96
BRL	Brazilian real	4.35	4.34
CHF	Swiss franc	1.11	1.13
CLP	Chilean peso	773.78	762.80
CNY	Chinese yuan	7.85	7.67
EUR	Euro	1.00	1.00
GBP	Pound sterling	0.90	0.87
HRK	Croatian kuna	7.40	7.42
INR	Indian rupee	78.52	79.12
JPY	Japanese yen	122.60	124.29
PLN	Polish zloty	4.25	4.29
ROL	Romanian leu	4.73	4.74
SEK	Swedish krona	10.56	10.52
TRY	New Turkish lira	6.57	6.35
USD	US dollar	1.14	1.13

		June 30, 2018 (six months)	
		Closing rate	Average rate
<hr/>			
Currency			
BGN	Bulgarian lev	1.96	1.96
BRL	Brazilian real	4.49	4.14
CHF	Swiss franc	1.16	1.17
CLP	Chilean peso	758.82	740.10
CNY	Chinese yuan	7.72	7.71
EUR	Euro	1.00	1.00
GBP	Pound sterling	0.89	0.88
HRK	Croatian kuna	7.39	7.42
INR	Indian rupee	79.81	79.51
JPY	Japanese yen	129.04	131.61
PLN	Polish zloty	4.37	4.22
ROL	Romanian leu	4.66	4.66
TRY	New Turkish lira	5.34	4.96
USD	US dollar	1.17	1.21

NOTE 6 – Revenue breakdown and seasonal effects

In the past, the Group has generated over 50% of its annual revenues in the first half, mainly due to the Architecture business, which has higher sales in the first half than in the second half. Group first half 2019 results should not be taken as an indication of second half results, given that fixed costs in the second half are often a higher proportion of earnings on sales.

NOTE 7 – Goodwill

Goodwill - €'000	June 30, 2019	Dec 31, 2018
Flexible composite materials	10,139	9,886

The valuation tests conducted on the cash generating unit (CGU) as of December 31, 2018, based on discounted cash flows (DCF), did not show evidence of a need to write down this asset. As of June 30, 2019, the Group identified no evidence of impairment calling for an early valuation test.

The acquisition of a Sweden-based flexible composite materials distribution business by Serge Ferrari AB led to recognition of provisional first-time consolidation goodwill amounting to SEK 3,252,000 or €308,000 as of June 30, 2019.

Other changes impacting goodwill of the flexible composite materials CGU result from fluctuations in currencies in which goodwill was recognized during the purchase price allocation procedure.

NOTE 8 – Intangible assets

€'000	Dec 31, 2018	Acq.	Disposals	First-time application of IFRS 16	Increases	Changes in exchange rates	Reclassification	June 30, 2019
Research & development costs	12,939	1,076	(139)			48	-	13,925
Concessions, patents & similar rights	485	8	-			-	-	493
Intangible assets in progress	265	67	-			2	(201)	133
Trademark, customers	2,936	-	-			6	-	2,942
Right-of-use asset Software		1,119		20				1,138
Other intangible assets	12,540	675	0			34	(388)	12,861
Total intangible assets	29,165	2,945	(139)	20		90	(589)	31,491
R&D costs amortization/impairment	(5,809)	-	-		(603)	(23)	11	(6,423)
Concessions, patents & similar rights amortization/impairment	(175)	-	-		(35)	-	-	(210)
Customers amortization/impairment	(277)	-	-		(135)	(1)	-	(413)
Amort. of right-of-use asset - Software					(147)			(147)
Other intangible assets amortization/impairment	(9,257)	-	-		(593)	(31)	(11)	(9,892)
Total intangible assets amortization/impairment	(15,518)	-	-	-	(1,512)	(54)	-	(17,085)
Total net book value	13,648	2,945	(139)	20	(1,512)	35	(589)	14,407

Research and development expenses capitalized during the period (€1,184,000) are stated after deduction of the €108,000 research tax credit for the period. Research tax credit on non-capitalized expenses amounted to €261,000 and is recognized under operating grants as presented in Note 28 "Other recurring income and expenses".

The €589,000 reclassification consists of:

- a €69,000 transfer from intangible assets to property, plant and equipment;
- deductions of €322,000 and €198,000 relating to the acquisition of Ferrateks and SUNTEAM assets respectively. As part of the business purchase price allocation, as prescribed by IFRS 3R, the Group has assigned the acquisition of Ferrateks intangible assets to goodwill recognized on first-time consolidation.

NOTE 9 – Property, plant and equipment

€'000	Dec 31, 2018	Acq.	Disposals	Increases	First-time application of IFRS 16	Changes in exchange rates	Reclassification	June 30, 2019
Land	1,814	-	-			27	-	1,841
Buildings	40,450	111	-			288	277	41,127
Plant and equipment	123,877	667	-			939	1,101	126,583
Other PP&E	8,062	185	(2)			68	112	8,426
Right-of-use asset Building		21,013	-		4,944	21		25,978
Right-of-use asset Production facilities		171	(12)		1,334	1		1,495
Right-of-use asset Other items		221	(34)		1,686	(31)		1,841
PP&E in progress	2,508	1,188	-			11	(1,427)	2,280
Total property, plant and equipment	176,711	23,557	(48)	0	7,964	1,324	62	209,571
Building depreciation/impairment	(32,427)	-	-	(726)		(218)	-	(33,371)
Plant and equipment depreciation/impairment	(111,612)	-	-	(1,806)		(887)	(8)	(114,313)
Depr./imp. of right-of-use asset - Building				(2,068)	-	3		(2,064)
Depr./imp. of right-of-use asset - Production facilities			12	(211)				(198)
Depr./imp. of right-of-use asset - Other			20	(475)		(1)		(456)
Other PP&E depreciation/impairment	(7,791)	-	-	(195)		(67)	14	(8,039)
Total PP&E depreciation/impairment	(151,830)	0	33	(5,480)	0	(1,170)	5	(158,441)
Total net book value	24,882	23,557	(16)	(5,480)	7,964	156	69	51,126

NOTE 10 – Other financial assets

€'000	June 30, 2019	Dec 31, 2018
Other non-current financial assets	657	657
Other loans and receivables	1,198	1,198
Total other financial assets before impairment	1,855	1,855

NOTE 11 – Deferred tax assets and liabilities

Deferred taxes are shown on the balance sheet separately from current tax assets and liabilities and are classified as non-current items.

€'000	June 30, 2019	Dec 31, 2018
Deferred tax assets related to employee benefits	1,014	839
Tax losses carried forward	1,094	1,655
Elimination of intercompany gains and losses	666	496
Research tax credit	479	606
Change in fair value of interest rate and currency hedges	(27)	(9)
Other temporarily non-deductible items	(319)	(451)
Non tax-allowable provisions	(11)	(21)
Debt issuance costs	(46)	(58)
Total net deferred tax	2,850	3,058

NOTE 12 – Inventories

€'000	June 30, 2019			Dec 31, 2018		
	Gross	Provisions	Net	Gross	Provisions	Net
Raw materials, supplies and other	11,983	(1,182)	10,801	12,402	(1,044)	11,358
Work in progress	354	-	354	356	-	356
Finished goods and components	46,278	(5,574)	40,704	43,190	(5,062)	38,129
Total inventories	58,615	(6,756)	51,859	55,947	(6,106)	49,842

NOTE 13 – Trade receivables

€'000	June 30, 2019	Dec 31, 2018
Trade receivables and payments on account	35,128	27,768
Receivables sold to the factoring company	14,172	11,144
Trade receivables	49,301	38,912
Imp. Trade receivables	(2,347)	(1,844)
Net trade receivables	46,954	37,068

The Company analyses its trade receivables on a case by case basis and recognizes impairment on an individual basis taking into account the customer's situation and late payments.

NOTE 14 – Tax receivables and payables

€'000	June 30, 2019	Dec 31, 2018
Tax receivables	2,667	3,306
Tax payables	446	53

NOTE 15 – Other current assets

€'000	June 30, 2019	Dec 31, 2018
Current accounts - assets	352	290
Tax receivables excl. income tax	3,313	2,933
Staff and related receivables	394	295
Supplier receivable balances	304	213
Other receivables	711	307
Prepaid expenses	2,665	755
Loans receivable, guarantees and other receivables	62	55
Advances and payments on account to suppliers	128	99
Receivables against suppliers (rebates, discounts, refunds and other credits)	384	343
Total other current assets	8,313	5,290

All other current assets have maturities of less than a year.

Tax receivables excluding corporate income tax mainly include customs duties and VAT receivables.

The change in current accounts is presented in “Other cash flows from financing activities” in the cash flow statement.

The change in prepaid expenses is due to the timing of service invoicing.

NOTE 16 – Cash and cash equivalents

€'000	June 30, 2019	Dec 31, 2018
Marketable securities	195	196
Cash and cash equivalents	22,356	24,917
Total cash and cash equivalents	22,551	25,113

As of June 30, 2019, term deposits amounted to €8 million.

NOTE 17 – Capital stock

The capital stock of SergeFerrari Group as of June 30, 2019 comprised 12,299,259 shares with a par value of €0.40 each.

In accordance with economic conditions and changing requirements, the Group may opt to make changes to its capital stock, for example by issuing new shares or by purchasing and canceling existing shares.

As of June 30, 2019, the Group held 462,697 treasury shares. These shares are eliminated via an offsetting entry under equity; the value of treasury shares held and deducted from equity as of June 30, 2019 was €4,758,000. Gains or losses made under the liquidity contract are removed from the income statement and posted to shareholders' equity. These impacts are recorded under the “Treasury shares” column in the statement of changes in shareholders' equity.

All outstanding bonus share plans were settled in 2018 and no new plans have been set up since December 31, 2018.

NOTE 18 – Borrowings and debt

Presentation of net debt

June 30, 2019	Current	Non-current	Total	Due in less than 1 yr	Due in 1 to 5 yrs	Due in > 5 yrs
Bank loans	1,914	15,847	17,760	1,914	15,847	-
Lease financial liabilities	5,310	22,383	27,692	5,310	13,903	8,479
Acquisition costs	(78)	(84)	(162)	(78)	(84)	-
Factoring	9,279	0	9,279	9,279	-	-
Total borrowings and debt	16,425	38,145	54,570	16,425	29,666	8,479
Cash and cash equivalents	(22,551)	0	(22,551)	(22,551)	0	
Net (cash)/debt	(6,126)	38,145	32,019	(6,126)	29,666	8,479

Dec 31, 2018 - €'000	Current	Non-current	Total	Due in less than 1 yr	Due in 1 to 5 yrs	Due in more than 5 yrs
Bank loans	1,151	15,783	16,933	1151	15,783	-
Acquisition costs	(78)	(123)	(200)	(78)	(123)	-
Bank overdrafts	-	-	-	-	-	-
Factoring	7,722	-	7,722	7,722	-	-
Total borrowings and debt	8,795	15,660	24,455	8,795	15,660	-
Cash and cash equivalents	(25,113)	-	(25,113)	(25,113)	0	-
Net (cash)/debt	(16,318)	15,660	(658)	(16,318)	15,660	-

NOTE 19 – Provisions for pensions and similar commitments

The change in the discount rate on post-employment benefits for French companies (1.8% at December 31, 2018 and 0.95% at June 30, 2019) resulted in a €215,000 increase in the value of the liability.

Regarding the pension liabilities of the Group's Swiss companies, a 0.4% discount rate (based on the yield of Swiss blue-chip corporate bonds in the industrial sector) was applied at June 30, 2019. This discount rate was 1% at December 31, 2018. The impact on these liabilities is a €346,000 increase.

Given that pension plan assets mainly consist of real estate investments, as of June 30, 2019 no changes were made to their fair value (apart from the discounting effect) at December 31, 2018.

	Switzerland				Total
	Retirement compensation - France	Pension plan	Long service awards	Retirement compensation - Italy	
Dec 31, 2017	1,266	5,492	424	1,070	8,254
Cost of past services	279	1,042	24	-	1,345
Interest expense	15	40	(3)	-	52
Actuarial gains/(losses)	(537)	(2,401)	-	-	(2,938)
Benefits paid	(22)	(852)	(44)	(70)	(988)
Exchange differences	-	157	21	-	178
Dec 31, 2018	1,002	3,477	422	1,000	5,903
Cost of past services	129	479	2	72	683
Interest expense	9	18	-	-	27
Actuarial gains/(losses)	215	346	-	-	560
Benefits paid	(29)	(418)	-	(132)	(579)
Exchange differences	-	59	6	-	65
June 30, 2019	1,326	3,960	431	940	6,658

NOTE 20 - Other non-current liabilities

€'000	June 30, 2019	Dec 31, 2018
Commitment to buy back shares from minority shareholders	8,689	8,689
Liabilities on future performance of companies acquired (earnout)	332	420
Other	59	48
Total other non-current liabilities	9,080	9,157

NOTE 21 – Provisions

€'000	Dec 31, 2018	Increases	Reversals		June 30, 2019
			Used	Not used	
Current provisions	821	326	(223)		924
Provisions for guarantees	751	256	(223)		784
Disputes	70	70			140

NOTE 22 – Other current liabilities

€'000	June 30, 2019	Dec 31, 2018
Current accounts - liabilities	598	15
Tax and social security payables	12,879	10,730
Customers - Advances and down payments received	203	923
Customers - Credits, rebates, discounts & refunds	843	1,236
Other payables	1,602	1,302
Liabilities on future performance of companies acquired (earnout)	1,635	1,767
Total other current liabilities	17,759	15,972

NOTE 23 - Information on revenues

First half 2019 revenues came to €101.3 million, up 4.9% over first half 2018.

NOTE 24 – External expenses

€'000	H1 2019	H1 2018
Bank charges	(221)	(237)
Maintenance and repairs	(1,810)	(1,892)
Leasing and rental costs	(737)	(3,677)
Transport	(4,101)	(3,900)
Fees and advertising expenses	(6,310)	(6,945)
Other external expenses	(6,285)	(6,128)
Total external expenses	(19,463)	(22,779)

The reduction in leasing and rental costs is due to first-time application of IFRS 16. Amounts retained under this line item pertain to leases excluded from application of IFRS 16 (see “First half 2019 highlights”).

NOTE 25 - Personnel expenses and executive remuneration

€'000	H1 2019	H1 2018
Staff pay	(21,190)	(20,482)
Social security charges	(5,479)	(5,408)
Pension commitments	(683)	(663)
Other personnel expenses	(697)	(956)
Total personnel expenses	(28,049)	(27,509)

In accordance with the ANC information notice of February 28, 2013, the proceeds from the Tax Credit for Competitiveness and Employment (CICE) were recognized as a reduction in personnel expenses in respect of fiscal 2018.

	H1 2019	H1 2018
TOTAL	818	827
Commercial	233	224
Production / Logistics	463	487
Support Functions - R&D	122	116

Senior management remuneration:

€'000	H1 2019	H1 2018
Ferrari Participations (for services provided)	581	492
Corporate office	89	85
Benefits in kind	4	5
Total senior management remuneration	674	582

Ferrari Participations (for services provided)

The amounts shown comprise remuneration paid in respect of corporate officer operational positions.

The total invoiced amount under the management fees agreement, which amounted to €1,903,000 in H1 2019 and €1,925,000 in H1 2018, is presented in the table in Note 32 "Related party transactions" and is recognized under other external expenses.

Corporate office

All remuneration received by Group corporate officers in respect of Group corporate office positions.

Benefits in kind

Benefits in kind relating to the provision of company vehicles.

Share-based remuneration

All shares under corporate officer bonus share plans were vested to beneficiaries as of December 31, 2018. No new bonus share plans had been set up by the time these financial statements were prepared.

NOTE 26 - Depreciation, amortization and impairment

€'000	H1 2019	H1 2018
Intangible assets *	(1,513)	(841)
Property, plant and equipment *	(5,481)	(2,704)
Total depreciation, amortization and impairment	(6,994)	(3,546)

* including depreciation charges of €147,000 for intangible assets and €2,754,000 for property, plant and equipment related to first-time application of IFRS 16.

NOTE 27 - Provision expenses

€'000	H1 2019	H1 2018
Operating provisions	(326)	(125)
Receivables provisions	(653)	(142)
Provisions for inventories - WIP and finished goods	(4,590)	(4,721)
WIP and finished goods reversals	3,955	3,906
Reversals of receivables provisions	152	90
Reversals of operating provisions	222	62
Net provisions for impairment	(1,240)	(929)

NOTE 28 - Other recurring income and expenses

€'000	H1 2019	H1 2018
Operating grants	261	-
Gains/(losses) on disposal of assets	(2)	(43)
Other	(52)	154
Other recurring income and expenses	208	111

Operating grants for 2019 comprise a portion of research tax credit (€261,000) corresponding to R&D projects not capitalized by the Group at this stage of the current fiscal year.

NOTE 29 – Financial income and expenses

	H1 2019	H1 2018
Net cost of debt	(512)	(220)
Income from cash and cash equivalents	62	70
Interest expense	(303)	(290)
Interest on lease liabilities	(271)	
Other financial income and expenses	93	(301)
Net currency gains/(losses)	50	(221)
- USD	(10)	11
- CHF	41	(42)
- TRY	3	(227)
- Other	16	37
Change in value of derivative financial instruments	60	75
- USD and CHF exchange rate	60	65
- Interest rate	-	10
Financial expenses on employee benefits	(27)	(27)
Dividends from non-consolidated entities	50	3
Other	(39)	(130)
Net financial expense	(419)	(520)

NOTE 30 – Tax charge

€'000	H1 2019	H1 2018
Deferred tax	(726)	383
Current tax	(1,213)	(1,721)
Total income tax	(1,940)	(1,338)

The notional tax expense is calculated using the French corporate tax rate of 32.02% for fiscal 2019 and 34.43% for fiscal 2018. This charge is reconciled with the recognized tax expense as follows:

€'000	H1 2019	H1 2018
Net income	4,187	915
Offset:		
=> Share of earnings of equity affiliates	-	(575)
=> Income/(loss) from operations held for sale or discontinued operations	-	(1,468)
=> Tax charge	1,940	1,338
Income before tax	6,127	4,297
French statutory tax rate	32.02%	34.43%
Notional tax charge	1,962	1,479
Reconciliation		
=> Tax credits	(152)	(164)
=> Tax rate differences - France/other countries	(101)	(35)
=> Permanent differences	135	54
=> Other	96	4
Actual tax charge	1,940	1,338
Effective tax rate	31.7%	31.1%

CVAE business value added tax has been recognized in “Miscellaneous taxes” under operating income.

The Group has no material tax assets that are not recognized in the financial statements.

NOTE 31 – Miscellaneous taxes

€'000	H1 2019	H1 2018
Other miscellaneous taxes	(1,171)	(1,091)
Miscellaneous payroll taxes	(226)	(326)
Total miscellaneous taxes	(1,396)	(1,417)

Miscellaneous payroll taxes include the ongoing training contribution, the 1% housing contribution, apprentice tax and disability tax levied in France. All other miscellaneous taxes are included under “Other miscellaneous taxes”.

The Company recorded CVAE business value added tax amounting to €447,000 for H1 2019 and €442,000 for H1 2018.

NOTE 32 – Related party transactions

€'000	H1 2019			H1 2018		
	Ferrari Participations	Real estate companies	Vinyloop	Ferrari Participations	Real estate companies	Vinyloop
Operating payables	1,674	2,001	-	2,374	2,067	-
Operating receivables	529	67	-	2,149	1,849	-
Current accounts	588	-	-	0	-	-
Purchases of goods and services	1,903	1,676	-	1,925	1,675	-
Sales of goods and services	75	67	-	71	52	-
Interest income	-	-	-	0	-	3

Income recognized corresponds to services rendered under the services agreement whereby Serge Ferrari SAS provides administrative services (assistance in accounting, human resources management and IT services) to other Group entities and companies related to the Group.

Expenses correspond to:

- Ferrari Participations: re-invoicing under the agreement described in Note 25 “Executive remuneration”.
- Real estate companies: rent paid to real estate companies directly or indirectly controlled by the same Ferrari family group, for industrial sites in France.

These agreements were entered into on arm’s length terms.

The liabilities presented under operating payables exclude the impact of current and non-current liabilities recognized upon first-time application of IFRS 16.

NOTE 33 – Off-balance sheet commitments

Following first-time application of IFRS 16, off-balance sheet commitments on leases are henceforth stated on the consolidated balance sheet under current and non-current borrowings (see “First half 2019 highlights” and Note 18 “Borrowings and debt”).

Apart from lease commitments, there was no material change in off-balance sheet commitments during first half 2019 compared to those presented in the 2018 Registration Document.

Asset items	Off-balance sheet commitments disclosed in the notes to the 2018 consolidated financial statements	Impact of legal agreements amended as of 1/1/2019 and not presented upon first-time application of IFRS 16, net of agreements not identified under off-balance sheet commitments	Other (including discounting impact)	Borrowings under first-time application of IFRS 16
- Real estate rent charges	7,085	(1,963)	(204)	4,918
- Vehicle rent charges	1,237	643	(240)	1,641
- Equipment rent charges	1,393	112	(168)	1,337
Other	-	17	0	17
	9,715	(1,191)	(612)	7,912

STATUTORY AUDITORS' REPORT ON THE FIRST HALF 2019 FINANCIAL REPORT

To the Shareholders of SergeFerrari Group SA,

Pursuant to our engagement by your shareholders' General Meeting and in application of Article L. 451-1-2 III of the French Monetary and Financial Code, we have:

- performed a limited review of the SergeFerrari Group condensed consolidated financial statements covering the period from January 1 to June 30, 2019, as attached hereto;
- verified the information given in the half-year activity report.

The half-year condensed consolidated financial statements have been prepared under the responsibility of the Board of Directors. Our responsibility is to express our opinion on these financial statements on the basis of our limited review.

I - Opinion on the financial statements

We have conducted our limited review in accordance with professional standards applicable in France.

A limited review consists primarily of making inquiries of management responsible for accounting and financial matters and applying analytical procedures. The work is of limited scope compared to the work required for an audit performed in accordance with auditing standards applicable in France. Accordingly, the assurance under a limited review that the financial statements, taken as a whole, are free from material misstatement, is moderate and less than that provided by an audit.

On the basis of our limited review, we did not identify any material misstatements that may suggest that the interim financial information in the half-year condensed consolidated financial statements does not comply with IAS 34 - Interim Financial Reporting, as adopted by the European Union.

Without prejudice to the conclusion stated above, we draw your attention to Note 1 "First half 2019 highlights" and Note 3 "Valuation and consolidation principles" to the half-year condensed consolidated financial statements explaining the impact of the changes in accounting policies arising from first-time application of IFRS 16 "Leases" as from January 1, 2019.

II – Specific testing

We have also verified the information provided in the half-year activity report commenting on the half-year condensed consolidated financial statements on which we performed our limited review.

We have no comments on the report's fairness and its consistency with the half-year condensed consolidated financial statements.

Lyon and Villeurbanne, September 11, 2019

The Statutory Auditors

GRANT THORNTON

Frédéric Jentellet

MAZARS

Pierre Beluze

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