JACQUET METAL SERVICE

2018

Annual report

including the financial report

A European leader
in the distribution
of specialty steels

— Euronext Paris
Compartment B

Annual report 2018

2018 annual results

- Sales €1,865 million (+7% vs. 2017)
- EBITDA[1] €112 million (+5% vs. 2017)
- Net income (Group share) €62 million (+33% vs. 2017)

On March 13, 2019 the Board of Directors, chaired by Éric Jacquet, approved the consolidated financial statements for the period ended December 31, 2018, which have been audited by the Statutory Auditors.

€m	Q4 2018	Q4 2017	2018	2017
Sales	**427.4**	**417.9**	**1,865.0**	**1,741.1**
Gross margin	104.2	107.8	461.0	443.0
% of sales	*24.4%*	*25.8%*	*24.7%*	*25.4%*
EBITDA[1]	**17.7**	**23.6**	**111.8**	**106.4**
% of sales	*4.1%*	*5.7%*	*6.0%*	*6.1%*
Adjusted operating income[1]	**16.4**	**17.5**	**95.3**	**84.2**
% of sales	*3.8%*	*4.2%*	*5.1%*	*4.8%*
Operating income	16.2	14.8	98.6	80.8
Net income (Group share)	**9.2**	**9.1**	**61.6**	**46.2**

[1] Adjusted for non-recurring items. The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them.

2018 headlines

The Group performed well in 2018: sales reached a record high of €1.9 billion, up 7%, while EBITDA amounted to €112 million (6% of sales). Market conditions were satisfactory overall in 2018, although the second half saw a slowdown particularly in sales of long products.

While paying attention to preserve its financial sustainability and control of operating expenses, the Group, which generated operating cash flow of €25 million in 2018, pursued a sustained capital expenditure policy aimed at strengthening its market positioning.

Furthermore, the Group sold off a number of non-strategic assets during the year, generating total proceeds of €15 million. Discontinued operations generated annual sales of €50 million.

In 2019, with initial market conditions in line with trends seen towards the end of 2018, the Group plans to continue developing each of its brands while seeking opportunities for growth.

2018 sales and earnings

Sales amounted to €1,865 million, +7.1% compared to 2017 (Q4: +2.3%), including the following effects:

- Volumes: +0.1% (Q4: -4.5%) with varying trends for each brand. While JACQUET, Abraservice and STAPPERT volumes increased +2.5% overall in 2018 (Q4: -2.5%), IMS group volumes were down -2.2% compared to 2017 (Q4: -6.9%).

- Price: +7.4% (Q4: +7.3%). Q4 2018 prices were down -1.6% compared to Q3 2018, leading to a decrease in profit margins.

- Change in consolidation: -0.3% (Q4: -0.5%).

2018 gross margin amounted to €461 million or 24.7% of sales (Q4: 24.4%), compared to €443 million or 25.4% of sales in 2017 (Q4: 25.8%).

Operating expenses have been controlled, +1.9% compared to 2017, mainly due to the increase in sales and earnings, as well as the stregthening of certain central functions. Operating expenses amounted to €366 million compared to €359 million in 2017.

In this context, adjusted operating income increased by 13% to amount to €95.3 million (5.1% of sales), compared to €84.2 million (4.8% of sales) in 2017. EBITDA rose 5% to €111.8 million or 6% of sales.

After accounting for €4 million in capital gains on sales of assets, net income (Group share) came to €61.6 million (3.3% of sales), compared to €46.2 million in 2017 (2.7% of sales).

Financial position

In 2018, the Group generated operating cash flow of +€25 million.

As of December 31, 2018, operating working capital represented 24% of sales and amounted to €447 million (including inventories of €493 million), versus €383 million (including inventories of €418 million) at December 31, 2017. The increase in inventories is mainly due to the increase in sales.

As a result, as of December 31, 2018, Group net debt stood at €215 million compared to shareholders' equity of €377 million, resulting in a net debt to equity ratio of 56.9% (55.2% as of December 31, 2017).

2018 earnings by division

	JACQUET ABRASERVICE Stainless steel and wear resistant steel quarto plates		Stainless steel long products		Engineering steels	
€m	Q4 2018	2018	Q4 2018	2018	Q4 2018	2018
Sales	**97.9**	**409.5**	**107.0**	**486.5**	**222.1**	**967.2**
Change vs 2017	**6.6%**	**8.2%**	**1.9%**	**6.5%**	**1.2%**	**7.4%**
Price effect	7.7%	5.6%	5.6%	4.2%	8.2%	9.6%
Volume effect	-1.1%	2.6%	-3.7%	2.3%	-6.9%	-2.2%
EBITDA [1,2]	**6.8**	**34.3**	**4.0**	**25.6**	**3.3**	**43.3**
% of sales	*7.0%*	*8.4%*	*3.8%*	*5.3%*	*1.5%*	*4.5%*
Adjusted operating income [2]	**4.5**	**26.2**	**4.0**	**23.7**	**3.9**	**38.7**
% of sales	*4.6%*	*6.4%*	*3.7%*	*4.9%*	*1.8%*	*4.0%*

[1] Non-division operations contributed €3.6 million to Q4 2018 EBITDA and €8.6 million to 2018 full-year EBITDA.
[2] Adjusted for non-recurring items. The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them.

JACQUET - Abraservice specializes in the distribution of stainless steel and wear-resistant quarto plates. JACQUET and Abraservice have separate sales networks. The division generates 72% of its business in Europe and 20% in North America.

Sales amounted to €409.5 million, +8.2% from €378.4 million in 2017 (Q4: +6.6%):

- volumes sold increased by +2.6% (Q4: -1.1%),
- prices rose +5.6% (Q4: +7.7%). In Q4 2018, the price effect compared to Q3 2018 was -1.4%.

Gross margin amounted to €133.8 million or 32.7% of sales (Q4: 33%) compared to €115.1 million in 2017 (30.4% of sales, Q4: 30.8%).

EBITDA amounted to €34.3 million representing 8.4% of sales (Q4: 7%) compared to €22.6 million in 2017 (6% of sales, Q4: 5.3%).

STAPPERT specializes in the distribution of stainless steel long products in Europe. The division generates 42% of its sales in Germany, the largest European market.

Sales amounted to €486.5 million, +6.5% from €456.6 million in 2017 (Q4: +1.9%):

- volumes sold increased by +2.3 % (Q4: -3.7 %),
- prices rose +4.2% (Q4: +5.6%). In Q4 2018, the price effect compared to Q3 2018 was -2.6%.

Gross margin amounted to €103.8 million or 21.3% of sales (Q4: 21.1%) compared to €103.7 million in 2017 (22.7% of sales, Q4: 23.2%).

EBITDA amounted to €25.6 million representing 5.3% of sales (Q4: 3.8%) compared to €28.2 million in 2017 (6.2% of sales, Q4: 5.7%).

IMS group specializes in the distribution of engineering steels, mostly in the form of long products. The division generates 48% of its sales in Germany, the largest European market.

Sales amounted to €967.2 million, +7.4% from €900.6 million in 2017 (Q4: +1.2%):

- volumes sold were down -2.2% (Q4: -6.9%),
- prices rose +9.6% (Q4: +8.2%). In Q4 2018, the price effect compared to Q3 2018 was -1.1%.

Gross margin amounted to €221.3 million or 22.9% of sales (Q4: 21.9%) compared to €217.5 million in 2017 (24.1% of sales, Q4: 24.1%).

EBITDA amounted to €43.3 million representing 4.5% of sales (Q4: 1.5%) compared to €44.2 million in 2017 (4.9% of sales, Q4: 4.1%).

Key financial information

Income statement

€m	Q4 2018	Q4 2017	2018	2017
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Net income (Group share)	**9.2**	**9.1**	**61.6**	**46.2**

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Cash flow

€m	2018	2017
Operating cash flow before change in working capital	91.3	89.2
Change in working capital	(66.6)	(9.3)
Cash flow from operating activities	**24.7**	**79.9**
Capital expenditure	(24.2)	(31.9)
Asset disposals	15.4	1.0
Dividends paid to shareholders of Jacquet Metal Service SA	(16.6)	(11.8)
Interest paid	(11.0)	(10.0)
Other movements	(19.8)	(5.0)
Change in net debt	**(31.4)**	**22.1**
Net debt brought forward	**183.1**	**205.3**
Net debt carried forward	**214.5**	**183.1**

Balance sheet

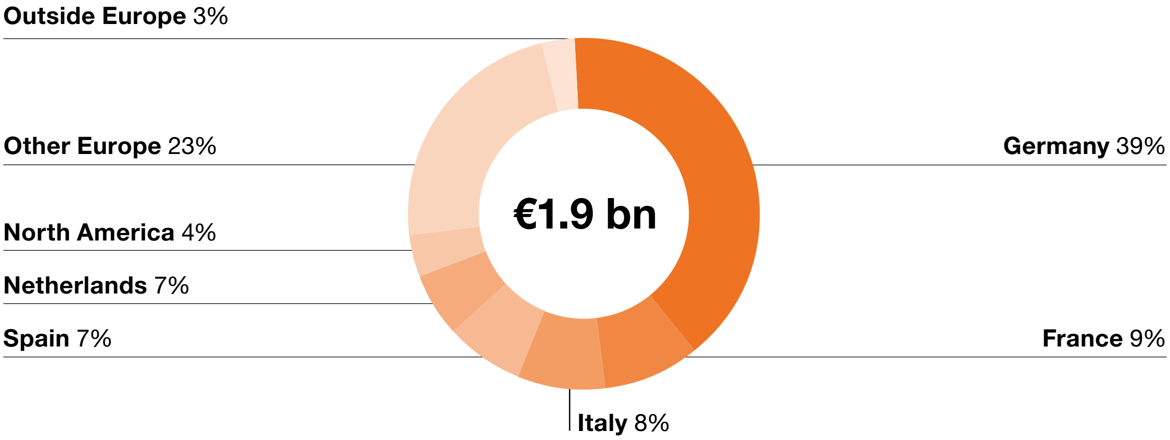
€m	31.12.18	31.12.17
Goodwill	68.3	68.3
Net non-current assets	155.9	156.2
Net inventory	493.0	418.0
Net trade receivables	182.4	189.3
Other assets	100.2	94.0
Cash & cash equivalents	119.4	102.1
Total assets	**1,119.0**	**1,027.9**
Shareholders' equity	376.8	331.8
Provisions (including provisions for employee benefit obligations)	96.2	106.5
Trade payables	228.3	224.0
Total borrowings	337.8	289.6
Other liabilities	80.0	76.0
Total equity and liabilities	**1,119.0**	**1,027.9**

Overview of the Group

1 A leading distributor of specialty steels

Jacquet Metal Service is a European leader in the distribution of specialty steels and is also active in Asia and North America.

Breakdown of sales



A global player

- Countries of operation 25
- Distribution centers 111
- Employees 3 291

2 History of the Group

Jacquet Metals

1962 > **Foundation of Établissements JACQUET,** a company specializing in custom metal cutting, by Michel Jacquet in Lyon.

1993 > Éric Jacquet becomes the majority shareholder (51%) in JACQUET SA, the Group's parent company.

1994 > Éric Jacquet founds JACQUET Industries, which controls 100% of the Group.

1997 > **JACQUET Industries is listed on the Paris Stock Exchange second market on October 23.**

1991-2006 > The Group expands into Europe (Netherlands, Poland, UK, Italy and Finland).

2006 > JACQUET Industries becomes JACQUET Metals.

2006-2010 > JACQUET establishes its first operations in Asia (Shanghai, China) and the United States (Philadelphia, Houston, Chicago and Los Angeles).

2008-2009 > **Éric Jacquet and JACQUET Metals acquire a 33.19% stake in IMS.**

IMS

1977 > **Foundation of "International Metal Service",** which includes Creusot-Loire steel manufacturer's "commercial companies".

1983 > Usinor acquires full control of IMS.

1987 > **IMS listed on the Paris Stock Exchange second market, June 11.**

1996-2002 > IMS group expands into Europe (Poland, Italy, Spain, France).

2004 > Arcelor sells its interest and the Chequers Capital Fund acquires control of IMS.

2005 > Acquisitions in Central Europe (Hungary, Czech Republic and Slovakia).

2006 > Acquisition of Hoselmann (Germany); Chequers Capital sells its interest: market placement of the IMS shares.

2007 > Acquisition of the Cotubel Group.

2008 > Sale of the Astralloy subsidiary in the United States.

03.02.2010 > JACQUET Metals launches a public exchange offer (PEO) for IMS.

30.06.2010 > The absorption of JACQUET Metals by IMS on the basis of the issuance of 20 IMS shares for 7 existing JACQUET Metals shares is approved by the General Meetings of JACQUET Metals and IMS.

20.07.2010 > **Merger between JACQUET Metals and IMS.**

2011-2012 > IMS International Metal Service becomes **Jacquet Metal Service.** Disposal of IMS France's aluminum and non-ferrous metals businesses and of Euralliage (France), Produr (France), Venturi srl (Italy) and Brescia Acciai (Italy).

2013 > Acquisition of Finkenholl (Germany) by IMS group.

2014 > Acquisition of Rolark (Canada) by JACQUET.

2015-2017 > Acquisition and integration of Schmolz+Bickenbach Distribution (Germany, Netherlands, Belgium and Austria) by IMS group.

2018 > Sale of the companies IMS TecPro (Germany) and Calibracier (France).

3 Governance

3.1 Directors & officers

3.1.1 Board of Directors

On June 30, 2010 Jacquet Metal Service SA adopted a governance model based on a Board of Directors.

The General Meeting of June 29, 2018 appointed the following individuals as directors for a two-year term of office expiring at the end of the General Meeting called to approve the financial statements for the financial year ended December 31, 2019:

Éric Jacquet > 60, a French national who has been Chairman and Chief Executive Officer of Jacquet Metal Service SA since July 20, 2010. He was previously Chairman and Chief Executive Officer of Jacquet Metals SA (formerly JACQUET Industries SA) from its foundation in 1994. Éric Jacquet was also Vice-Chairman of the Supervisory Board and a member of the Strategy Committee of IMS International Metal Service SA from June 16, 2009 to February 3, 2010.
Éric Jacquet has spent his entire career in the Jacquet Metal Service Group, where he has held positions including Sales Manager (1980-1985) and Marketing and Export Development Manager (1986-1993).
Éric Jacquet is also a member of the Lyon Commercial Court Association of Judges and Former Judges.
He was first appointed to the Board of Directors on
> *June 30, 2010*

Françoise Papapietro > (who is considered as an independent director), a French national, 54, spent most of her career in investment banking (Paribas and Barclays), where she gained expertise in financial transactions (mergers & acquisitions, equity capital transactions, and tax engineering). She has also served as Head of Institutional and Financial Communications for Infogrames, Chief Executive Officer of Henri Germain and Chief Executive Officer of Loze Partners & Vostok.
Françoise Papapietro is a graduate of EM Lyon business school and speaks four languages. She is currently the representative of Christie's auction house for the Rhône-Alpes region.
She was first appointed to the Board of Directors on
> *June 29, 2012*

Gwendoline Arnaud > (who is considered as an independent director), a French national, 46, has been a lawyer since 1998. In 2003 she set up her own firm specializing in family and business law.
Gwendoline Arnaud holds a Master's Degree in Private Law and a Certificate of Legal Proficiency (CAPA).
She was first appointed to the Board of Directors on
> *June 26, 2014*

Jean Jacquet > (who is considered as an independent director), a French national, 86, held the positions of Chairman of Faïence et Cristal de France until 2012, Chairman and Chief Executive Officer of SOMERGIE (the Metz urban public-private waste management company) until 2011, and Chairman and Chief Executive Officer of TCRM (Metz area public transport system) until 2010.
Jean Jacquet represented JSA as a member of the Supervisory Board and a member of the Appointment and Compensation Committee of IMS International Metal Service from June 16, 2009 to February 3, 2010.
Jean Jacquet began his career at the Renault Group, where he worked until 1984. He was then Chairman and Chief Executive Officer of Unimetal-Ascometal from 1984 to 1988 and Chairman of the Special Steel Dealers' Union (UNAS) from 1988 to 1999. He has also served as Chairman of the Supervisory Board of Winwise, Director of the Metz National Engineering School, Chairman of the Inter-Ministerial Development Mission for the development of the Longwy European Hub, Chairman of the Board of Directors of the Metz Power Plant, Deputy Vice-Chairman of the French National Association of Electricity Concessions and Vice-Chairman of the Metz Urban District (now the Metz Metropolitan Urban District Grouping). We would remind you that Jean Jacquet is not related to Éric Jacquet.
Jean Jacquet holds a law degree and is a graduate of the Paris Institute of Political Studies.
He was first appointed to the Board of Directors on
> *June 30, 2010*

Henri-Jacques Nougein > (who is considered as an independent director), a French national, 71, is an arbitration expert, mediator, amicable liquidation expert and insurance broker (specializing in corporate risk and liability).
He is also the Honorary President of the Lyon Commercial Court, former Chairman of the Inter-Professional Mediation and Arbitration Center and Joint Manager of the European Arbitration and Mediation Network. He is the founder and Joint Manager of the Franco-Argentinian Mediation and Arbitration Center, the Franco-Chinese Mediation Center (in partnership with the Shanghai government authorities) and the Franco-Indian Mediation and Arbitration Center (in partnership with the Indian Federation of Chambers of Commerce and Industry). Henri-Jacques Nougein is also a lecturer at Lyon III University (Economic Procedural Law) and is the author of a number of legal and technical research publications.
He holds a degree in Private Law and a higher doctorate in law (1976) and is a graduate of the Lyon Legal Studies Institute and the French Advanced School of Private Law.
He was first appointed to the Board of Directors on
> *June 30, 2010*

Jacques Leconte > (who is considered to be an independent director), a French national, 74, was the Director of the Crédit Agricole Sud Rhône-Alpes Business Center. He was primarily in charge of the financing activities for large companies, cooperatives and institutional investors for the Rhône-Alpes regional districts at the Crédit Agricole Regional Development Agency.
He has been a director of Jacquet Metals since 2009 and is also a member of the Strategy Committee of Thermcross SA. Jacques Leconte studied geography at university and is a graduate of the Lyon Institute of Political Studies.
He was first appointed to the Board of Directors on
> *June 30, 2010*

Wolfgang Hartmann > a German national, 64, spent most of his career at Stappert Deutschland (formerly STAPPERT Spezial Stahl), a company specializing in the distribution of stainless steel long products.
He joined STAPPERT Spezial Stahl's procurement department in 1977 and became a member of the Management Committee in 2004, CEO in 2005 and STAPPERT Group COO from 2010 to 2015.
He was first appointed to the Board of Directors on
> *May 5, 2015*

JSA > a limited liability company governed by Belgian law, controlled by Éric Jacquet and represented by his son, Ernest Jacquet. Ernest Jacquet, a French national, 21, is currently studying for a Bachelor's Degree in Business Administration at the Lyon European Business School (INSEEC).
Ernest Jacquet is Éric Jacquet's son.
It was first appointed to the Board of Directors on
> *June 30, 2010*

Séverine Besson-Thura > (who is considered as an independent director), a French national, 44, is Vice-Chairman and Chief Marketing Officer at the Salveo Group. She has spent most of her career in management in an industrial and international environment. She has held positions as a marketing consultant, International Sales and Marketing Director then Chairman and CEO of a small business in the industrial sector.
Séverine Besson-Thura holds a Master's Degree in Sales and Marketing and an Executive MBA from EM Lyon business school.
She was first appointed to the Board of Directors on
> *June 30, 2016*

Alice Wengorz > (who is considered as an independent director), a German national, 52, is a corporate management consultant at her own firm. She specializes in corporate strategy, organization and processes, and human resources. She has also worked in this profession at Deloitte & Touche GmbH and Arthur Andersen & Co. GmbH. Alice Wengorz is also an Honorary Judge at the Frankfurt District Court, with responsibility for criminal matters. She holds a Degree in Economics.
She was first appointed to the Board of Directors on
> *June 30, 2016*

To the knowledge of Jacquet Metal Service SA, no member of the Board of Directors has been the subject of an official public sanction, sentenced for fraud during the past five years, involved in any receivership, sanctioned by any statutory or regulatory authorities, including designated professional bodies, or the subject of any measure preventing them from directing, managing, administering or controlling a company during the past five years.

To the knowledge of Jacquet Metal Service SA, there is no potential conflict of interest between the private interests of the members of the Board of Directors and their duties to Jacquet Metal Service SA.

There are no arrangements or agreements with the main shareholders, or with customers or suppliers, pursuant to which a member of the Board of Directors might have been appointed as a director of Jacquet Metal Service SA.

The General Meeting on June 29, 2018 duly noted the expiry of the following directors' terms of office:

Xavier Gailly > (who is considered to be an independent director), a Belgian national, 71, spent almost his entire career at Fabrique de Fer de Charleroi, which subsequently became Industeel Belgium, a subsidiary of the Arcelor Mittal Group.
He held a number of positions in a wide variety of fields (maintenance, investment, purchasing, production, human resources, etc.), before becoming the company's Chief Industrial Officer, Executive Director and finally Chief Executive Officer. He was then appointed as Sales Director for Industeel, Arcelor Mittal's specialty flat steels division. Xavier has been a director or the Chairman of several Arcelor Mittal subsidiaries in Belgium and abroad. He has also served as Director of the Mons Polytechnic Faculty, Director of IGRETEC (inter-district association for the management and execution of technical and economic research, which includes 68 towns and cities in the province of Hainaut in Belgium), Vice-Chairman of the Belgian Steel Industry Consortium and Chairman of its French-speaking division.
Xavier Gailly is the Chairman of GAMI, a member of the Outlook Committee for the city of Charleroi and a member of the Regional Advisory Committee for CERA (a cooperative financial grouping comprising 415,000 members).
He is a civil electrical engineer and a graduate of the Mons Polytechnic Faculty (Belgium).
He was first appointed to the Board of Directors on
> *June 30, 2010*

Stéphanie Navalon > (who is considered as an independent director), a French national, 48, is the Head of Media Relations and Communications at the JOA Group (the third largest casino and entertainment operator in France). She has 25 years' experience in strategic and operating communications for brands and the retail sector. Stéphanie has held various positions in the communications field at agencies (CL Communication, Peillon et associés) and companies (Heytens).
She was first appointed to the Board of Directors on
> *June 30, 2016*

3.1.2 The Chief Executive Officer and the Deputy Chief Executive Officer

At its meeting on June 29, 2018, the Board of Directors reappointed Éric Jacquet as Chief Executive Officer and Philippe Goczol as Deputy Chief Executive Officer. Both individuals were appointed for the first time on July 20, 2010:

- Information regarding Éric Jacquet is provided in **§ 3.1.1**;
- Philippe Goczol, a Belgian national, 52, is the Deputy Chief Executive Officer of Jacquet Metal Service. He holds several mandates as a legal representative within the Jacquet Metal Service Group.

Philippe Goczol was a member of IMS International Metal Service's Supervisory Board from June 16, 2009 to February 3, 2010, the date on which he resigned.

He was Chief Development Officer for JACQUET Metals from 2001 to 2004 and Chief Executive Officer from 2004 to 2008. Before joining JACQUET Metals, he was CEO and a member of the Executive Board of Anysteel (2000-2001), and held positions as Sales Director (1999-2000), Proxy (1992-2000), and Commercial Engineer (1988-1992) at Industeel (formerly CLI-Fafer and Fafer). Philippe Goczol is a commercial engineer and holds a degree from Mons University (Belgium).

A list of the offices and positions held by the corporate officers, as well as information on the number of shares they hold in Jacquet Metal Service, is provided in **§ 8.1** of the corporate governance report.

The compensation paid to the corporate officers is set out in **§ 8.5** of the same report.

3.2 Senior management

Éric Jacquet	Chairman & Chief Executive Officer
Philippe Goczol	Deputy Chief Executive Officer
Thierry Philippe	Chief Financial Officer
David Farias	Chief Executive Officer, JACQUET – Abraservice
Marc Steffen	Chief Executive Officer, STAPPERT
Patrick Guien	Chief Organization and Process Officer
Cédric Chaillol	Brand Communications and Corporate Identity Manager

3.3 Board committees

Appointment and Compensation Committee

On June 29, 2018, the Board of Directors appointed the following persons as members for the duration of their term of office as directors:

- **Henri-Jacques Nougein**, Chairman
- **Alice Wengorz**
- **Gwendoline Arnaud**

Until June 28, 2018, the following persons were appointed as members for the duration of their term of office as directors:

- **Henri-Jacques Nougein,** Chairman
- **Gwendoline Arnaud**
- **Xavier Gailly**

Audit and Risk Committee

On June 29, 2018, the Board of Directors appointed the following persons as members for the duration of their term of office as directors:

- **Jean Jacquet**, Chairman
- **Jacques Leconte**
- **Wolfgang Hartmann**

Until June 28, 2018, the following persons were appointed as members for the duration of their term of office as directors:

- **Jean Jacquet**, Chairman
- **Françoise Papapietro**
- **Jacques Leconte**
- **Wolfgang Hartmann**

4 Information on the Group’s business

The market

The global steel market amounted to around 1.8 billion tons in 2018, of which specialty steels accounted for 5%.

As the specialty steels market covers a large number of product niches, geopolitical situations and types of distribution role, the Group has relatively little quantified information of an official nature.

The business

Jacquet Metal Service is a European leader in the distribution of specialty steels.

Its main business is the purchase, storage, and delivery of various categories of products to a primarily local customer base consisting of small and medium-sized industrial companies.

Jacquet Metal Service provides the following value-added between the producer and the end-customer:

- A wide range of products stored and delivered within short timeframes (order books rarely exceed a few weeks);
- Security of supply and product traceability;
- Managing requirements on a just-in-time basis (customized inventory, defined supply strategies);
- Competitive sale prices;
- Managing price fluctuations on the customer’s behalf;
- Cutting and finishing services.

In addition to selling its standard product range, the Group also offers a range of customized initial processing operations designed to meet end-user specifications. These services, which are performed at the Group's warehouses, vary according to the products sold but usually involve light cutting, straightening and bending, folding or drilling operations. They provide a major commercial advantage, which enables the Group to increase customer loyalty by positioning itself as a single contact point, thereby avoiding the use of a sub-contractor.

The Group buys large quantities of steel from specialty steel producers
> **20 suppliers account for 45% of Group purchases**
with lead times ranging from 1 to 12 months, and sells them to a fragmented customer base
> **60,000 active customers, average invoice less than €3,000.**

The value chain

Suppliers

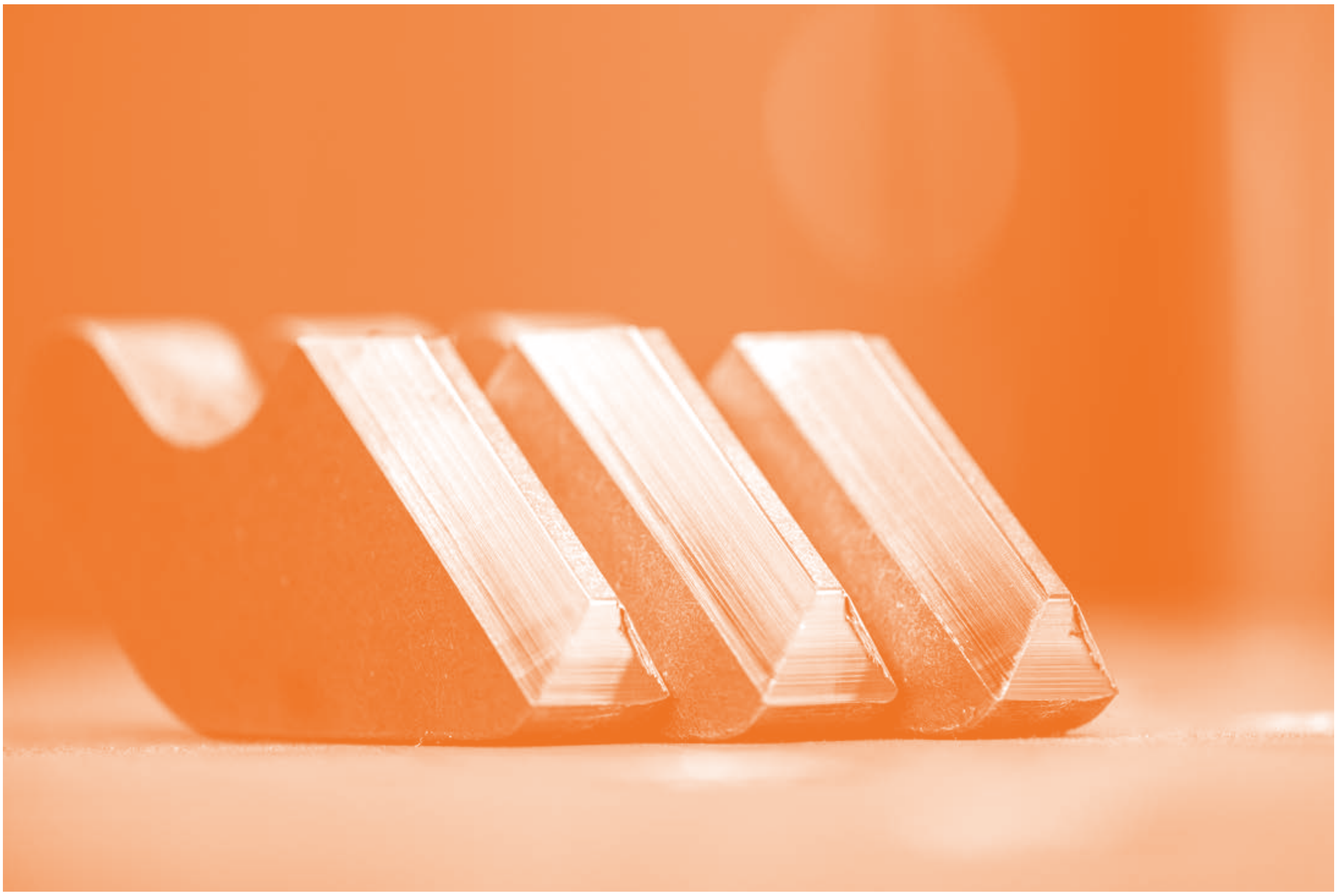
- 20 suppliers: 45% of purchases
- Delivery time: 1 to 12 months

Jacquet Metal Service

- Purchase prices
- Storage of specialty steels
- Managing price fluctuations
- Finishing services

Customers

- 60,000 customers
- Average invoice: < €3,000
- Delivery time: ± 1 week



Purchases

Purchase terms and conditions are negotiated between the main producers' management teams and the Jacquet Metal Service SA managers, working together with the divisional CEO / COOs.

By aggregating the volumes for each division, Jacquet Metal Service provides producers with greater visibility on their business volumes and on the organization of their production schedule. The Group benefits from optimal purchasing terms and conditions in return. The "framework terms and conditions" obtained in this way are passed on to the subsidiaries involved, which place their orders with the producers directly.

The Group is not dependent on a specific supplier and only uses sub-contractors on an occasional basis. A given supplier is only in a position to provide a limited number of stock items. In the case of so-called specialty products distributed on niche markets, the number of suppliers is also limited.

For certain niche products, the Group purchases its supplies primarily from producers with which it has a close relationship (VDM for nickel alloys, Arcelor Mittal Industeel for the CREUSABRO® range, etc.). The Group also has exclusive agreements for some products and in certain countries.

Customers

Specialty steels are used for specific applications by a wide variety of industries. Larger end-users such as automotive manufacturers are supplied directly by producers.

Conversely, Jacquet Metal Service's core target market consists of a local network of small businesses operating in a wide variety of industrial sectors.

The Group supplies over 60,000 active customers operating in around 100 countries, while its commercial relationships are based on a large quantity of small orders (less than €3,000 on average). Accordingly, the Group is not dependent on any specific customer. Customers place their orders directly with the Group companies, with no call for tender process. Every customer order is invoiced once the products have been dispatched. A significant portion of the sales are insured by various credit insurance companies.

The commercial relationships are recurring and involve a large quantity of small orders, which account for most of the Group's sales. The order book represents around one month's sales.

Brand management

Jacquet Metal Service markets its products through a portfolio of four brands organized into three divisions, each of which targets specific customers and markets.

Each division is run by a Chief Executive or Chief Operating Officer, who is in charge of developing the division in accordance with the strategic options and goals defined by the Group.

Central functions, the negotiation of purchasing terms, financial and legal affairs, information technology, credit insurance and communications are managed by Jacquet Metal Service SA, in close collaboration with the specialists from each division.

Stainless steel and wear-resistant Quarto plates

JACQUET

ABRASERVICE

Stainless steel long products

STAPPERT

Engineering steels

ims GROUP

JACQUET > Stainless steel quarto plates

The stainless steel market

Stainless steels are characterized by their strong resistance to corrosion and their stability when treated with fluids or gas. The main consumers of stainless steels are industries operating in the following sectors:

- Chemicals;
- Food processing;
- Gas treatment and storage;
- Water treatment;
- Environment and decontamination;
- Energy sector (hydraulic, nuclear and thermal power plants, etc.).

Stainless steel consumption rose 2.4% in Europe, 3.9% in America and 5.7% in Asia compared to 2017.

The stainless steel sector is characterized by regular adaptation of alloys to the increasingly stringent requirements of the various industrial sectors. JACQUET currently stocks several dozen varieties of stainless steel, in addition to nickel alloy varieties, whose corrosion resistance is even higher than that of stainless steel.

The stainless steel quarto plates market

The annual global stainless steel quarto plate market represents just over 1.43 million tons, i.e. around 3.4% of the global stainless steel market. As such, it is a classic niche market. This market is usually equally divided between projects (direct supply from the producer to the end-customer) and distribution. JACQUET is the leading global distributor of stainless steel quarto plates.

The competition

The JACQUET brand makes most of its sales in the cut plate market, where it faces two types of competitor:

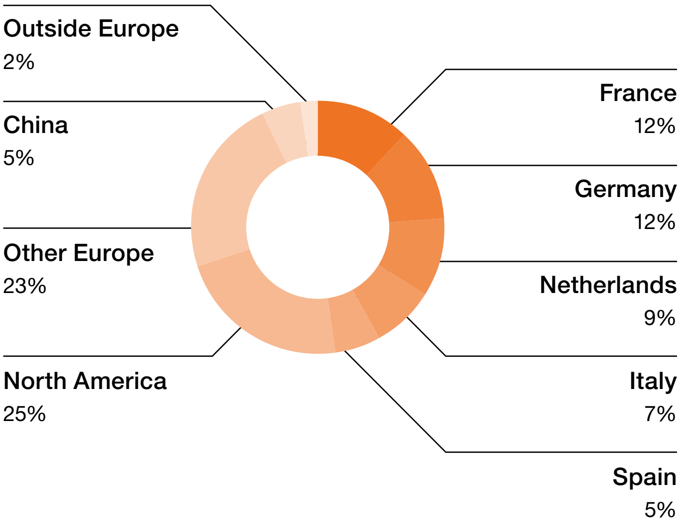
- In-house departments of large European steel groups (e.g. Outokumpu), which operate in several countries;
- Family type businesses operating in a single country.

In the trade segment (sale of unprocessed plates), JACQUET implements an opportunistic policy depending on market conditions. Given that product availability, and therefore inventory, is a key factor in this business, there are few competitors in the trading segment. They also fall into two categories:

- Stainless steel producers with their own in-house distribution network (Acerinox, Outokumpu, Daekyung);
- Companies independent from producers, such as Nichelcrom (Italy) and HW Inox (Germany).

Geographical breakdown of sales

The JACQUET brand operates in Europe, North America and China.



Abraservice > Wear-resistant quarto plates

The market

The annual European wear-resistant steels market is usually estimated at around 350,000 tons, 70% of which is supplied via distribution channels, while the remainder is sold directly to end-users by producers. The European market for high-elasticity steels is usually estimated at around 500,000 tons, 30% of which is supplied via distribution channels. Abraservice is one of the European market leaders for the distribution of wear-resistant plates.

Wear-resistant quarto plates are intended for industrial sectors that face issues relating to wear, shock resistance, friction, temperature or tension that require the use of particularly hard materials:

- Mines and quarries;
- Metal industry;
- Cement plants;
- Yellow goods;
- Green goods;
- Energy;
- Recycling.

The wear-resistant quarto plates distributed by Abraservice meet particularly stringent quality and durability requirements. In addition to its offer, Abraservice also distributes plates with a high elasticity threshold designed for the heavy machinery, telescopic crane and civil engineering sectors. Both categories of products share the same manufacturing methods ("hardened and tempered steels") and the same shaping processes (pre-manufacturing operations performed by Abraservice, including cutting, drilling, folding and rolling).

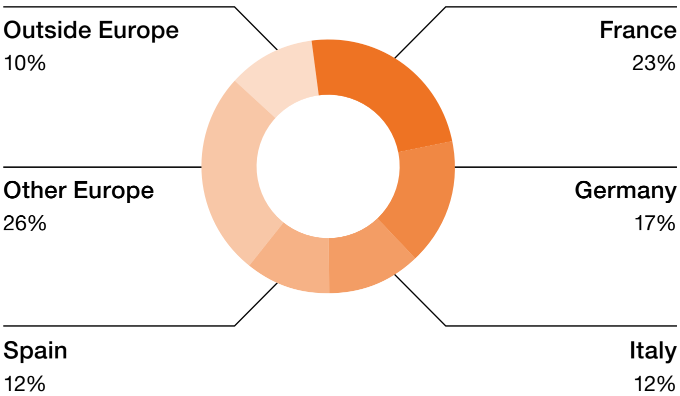
The competition

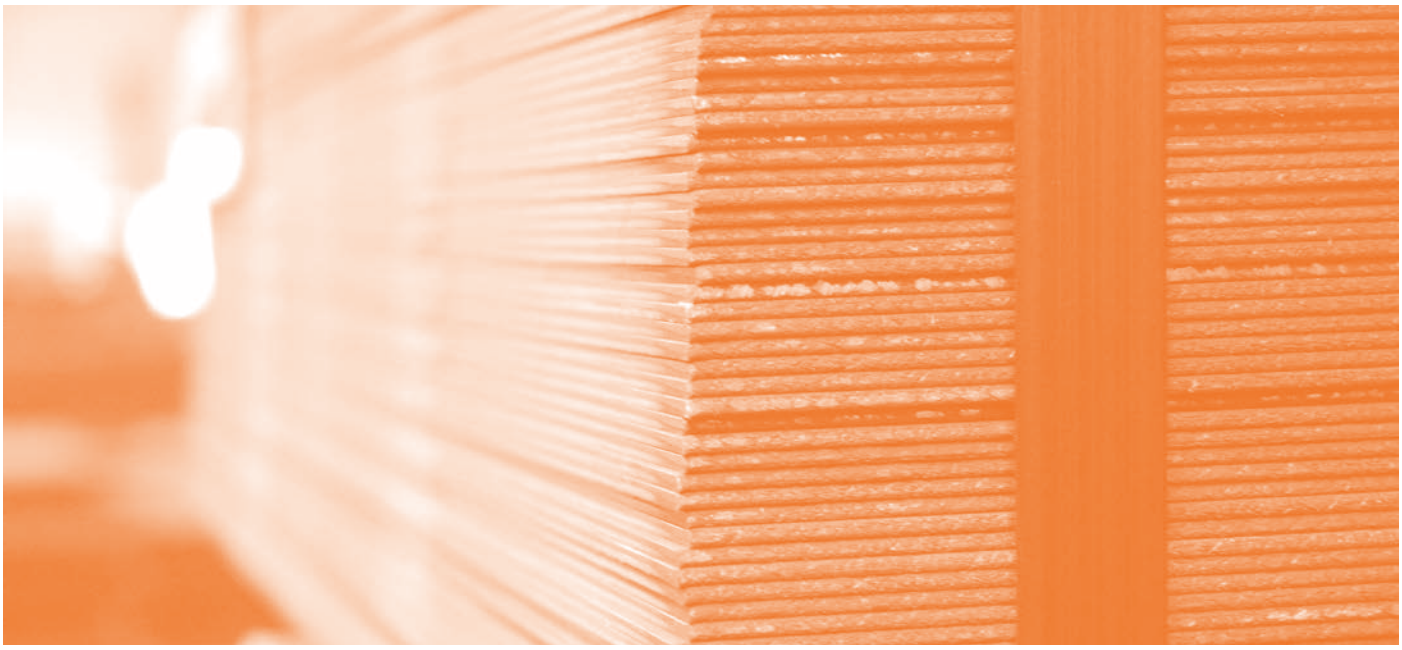
Wear-resistant products are often brand steels that are developed and distributed by steel producers. Abraservice's main competitor in Europe is the Swedish steel producer SSAB, which only markets its own products.

There are a few independent competitors, whose size may be significant at regional or national level. They often distribute entry-level products from remote or second-tier producers.

Geographical breakdown of sales

The Abraservice brand operates primarily in Europe.





STAPPERT > Stainless steel long products

The stainless steel market

Stainless steels are characterized by their strong resistance to corrosion and their stability when treated with fluids or gas. The main consumers of stainless steels are industries operating in the following sectors:

- Chemicals;
- Food processing;
- Gas treatment and storage;
- Water treatment;
- Environment and decontamination;
- Energy sector
  (hydraulic, nuclear and thermal power plants, etc.).

Stainless steel consumption rose 2.4% in Europe, 3.9% in America and 5.7% in Asia compared to 2017.

The stainless steel sector is characterized by regular adaptation of alloys to the increasingly stringent requirements of the various industrial sectors. STAPPERT currently stocks several dozen varieties of stainless steel, in addition to nickel alloy varieties, whose corrosion resistance is even higher than that of stainless steel.

The stainless steel long products market

The annual global long stainless steel product market amounts to around 6.2 million tons. The global stainless steel rod market represents around 3 million tons, while the European market represents around 800,000 tons. Distribution accounts for around 50% of the stainless steel long product market in Europe. STAPPERT is one of the leading European operators on the distribution market.

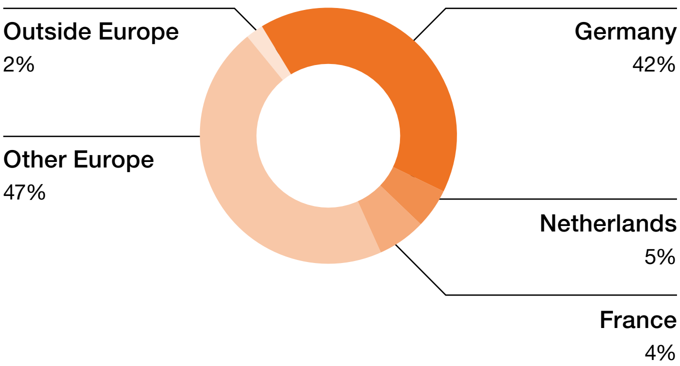
The competition

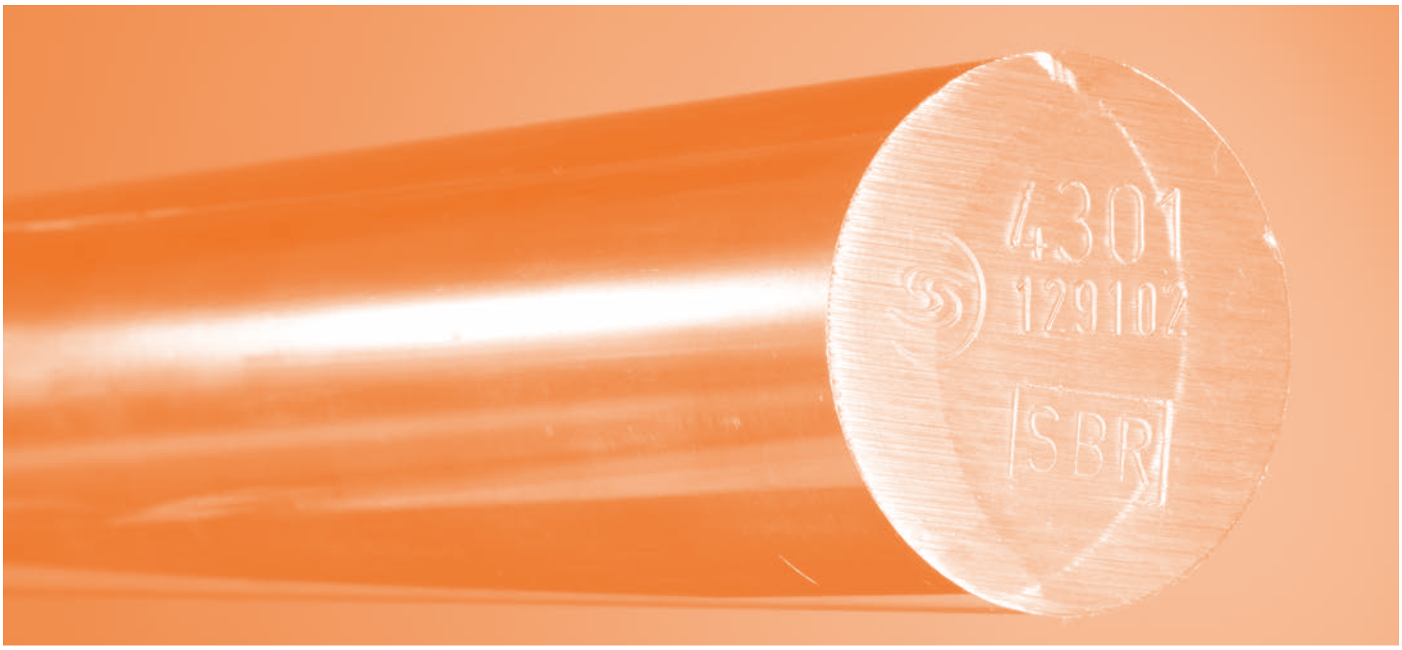
STAPPERT's competition breaks down between the following types of operator:

- Operators established at European level, including stainless steel long product manufacturers who distribute their products via their own distribution network (Cogne, Valbruna, etc.) or distributors who are independent from the producers (Amari, Damstahl, ThyssenKrupp Materials);
- Independent distributors, whose size may be significant at a regional or national level, but who do not operate on a European scale.

Geographical breakdown of sales

STAPPERT operates mainly in Europe. It generates 42% of its sales in Germany, the largest European market.





IMS group > Engineering steels

The market

These steels are used to manufacture parts that are subject to stringent engineering specifications. Engineering steels are distributed by the IMS group brand, primarily in the form of seamless rods and tubes, and are produced in accordance with specific standards and specifications that guarantee their suitability for processing by the customer (forging, machining, folding, welding, heat treatment), so as to achieve specific engineering features following their treatment.

They are used in many industrial sectors, including:

- General engineering;
- Yellow goods;
- Green goods;
- Transportation (engines, automotive drives, heavy goods vehicles and the railway sector);
- Lifting machinery;
- Oil and gas;
- Energy (wind turbines, etc.);
- Machining plants.

The engineering steels market includes many forms and categories of products. The annual European engineering steel alloy market is estimated at around 9.5 million tons, including 4.5 million tons of rods. The two largest geographical markets are Germany and Italy, which together account for 60% of the market, followed by France and Spain, which account for 20% of the European market. The distribution sector's share of the engineering steel rod market is estimated at 50%. IMS group is a leading European distributor of engineering steels.

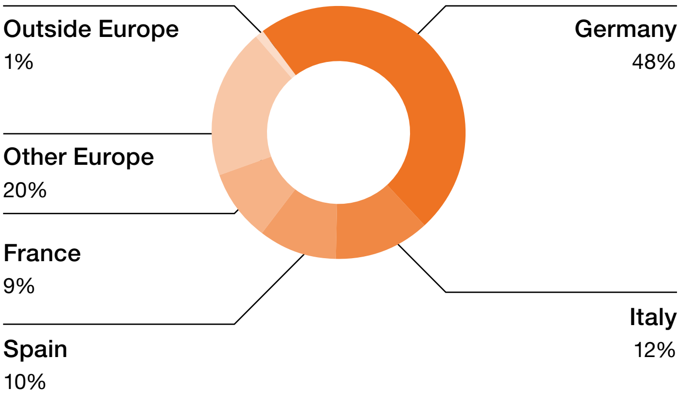
The competition

The engineering steel distribution market includes a small number of major international operators at European level (Thyssen-Krupp Materials, etc.).
The rest of the market is divided between a large number of independent distributors, whose size may be significant at regional or national level, but who do not operate on a European scale.

Competition in the engineering steel distribution segment rarely stems from the producers themselves. A large number of those producers do not hold any inventory. The different varieties are often not produced on an ongoing basis and are sold through the order book as soon as they leave the plant. This means that the producers only target major end-users directly.

Geographical breakdown of sales

The IMS group brand operates throughout Europe. It generates 48% of its sales in Germany, the largest European market.



5 Other information

5.1 IT systems

Companies belonging to the JACQUET-Abraservice division and most companies in the Stappert division use "Jac", an Integrated Management Program (IMP) developed in-house. This program includes a business application and a tax-localized accounting solution. These centralized tools are among the keys to an effective and responsive management control process. The migration of the STAPPERT brand to this IT system is currently nearing completion while the IMS group migration started in 2018.

The dedicated IT tool provides optimal solutions aimed at simplifying the sales process. It is also an essential tool for implementing purchasing systems based on pooled negotiations. The user interface benefits from the user-friendliness of a full web mode. Every user can access all their brand's inventories in real time. "Intra-group" sales are processed automatically. Marketing documents are published in the local language and comply with national presentation specifications.

The business application has been developed using state-of-the-art technologies (full web mode on a LAOP Linux-Apache platform, Oracle databases, PHP), while all Group websites are connected to the central website via an MPLS and VPN IPsec network. The chosen solution's high degree of scalability ensures that in-house developments are supported, regardless of the number of users or volumes handled.

The Stratix IMP used by most of the IMS group companies (excluding the entities of the former S+B Distribution perimeter), will be fully replaced by Jac IMP in 2019 .

The entities of the former S+B Distribution perimeter primarily use the SAP IMP and a number of peripheral systems. The migration to Jac IMP will begin in 2019.

5.2 Brand development

The Group is developing the use of its brands primarily via a business model that is unusual in the metals distribution sector. Joint ventures (JVs) are set up with a local partner, who is usually the manager of the JV. This partner invests and receives an equity interest in the JV ranging from 10% to 49%; in the event of losses, the partner commits to recapitalizing the JV at least up to the amount initially invested. The JV has an exclusive right to exploit the brand and can therefore market the full range of brand products in a specified area.

The Group provides local partners with a set of resources, including terms and conditions of purchase, a product/market information system tailored to their business, staff training and access to an information network. Every effort is made to enable the local partner to focus on their main goal, i.e. generating profitable sales. Local managers manage their inventories in accordance with their own marketing policy.

The compensation paid to the manager is largely based on the JV's results. The Group invoices the JV for services performed, primarily management and IT services. Where applicable, managers also receive dividends in proportion to the shares they hold.

5.3 Capital expenditure policy

This information is provided in **§ 1.3 Consolidated financial position and cash flow** in the Management Report – Information on the Group.

5.4 Risk factors

This information is provided in **§ 1.4 Risk factors** in the Management Report – Information on the Group.

6 Main Group's companies

Jacquet Metal Service SA FR

JACQUET – Abraservice division

- **JACQUET Holding** SARL FR
  - **JACQUET Metallservice** GmbH AT
  - **JACQUET Benelux** SA BE
  - **Rolark Toronto** Inc. CA
    - **Rolark Edmonton** Inc. CA
  - **JACQUET Montréal** Inc. CA
  - **JACQUET Osiro** AG CH
  - **JACQUET Chengdu** Co. Ltd. CN
  - **JACQUET Shanghai** Co. Ltd. CN
  - **JACQUET** Sro CZ
  - **JACQUET Deutschland** GmbH DE
  - **Quarto Deutschland** GmbH DE
  - **JMS Danmark** ApS DK
  - **JACQUET Ibérica** SA ES
  - **JACQUET Finland** OY FI
  - **Détail Inox** SAS FR
  - **France Inox** SAS FR
  - **OSS** SARL FR
  - **Quarto International** SAS FR
  - **JACQUET Lyon** SAS FR
  - **JACQUET Paris** SAS FR
  - **JACQUET International** SAS FR
  - **JACQUET Italtaglio** Srl IT
  - **JACQUET Centro Servizi** Srl IT
  - **JACQUET Nova** Srl IT
  - **Intra Metals** BV NL
  - **JACQUET Nederland** BV NL
    - **JACFRIESLAND** BV NL
  - **JACQUET Polska** Sp. z o.o. PL
  - **JACQUET Portugal** LDA PT
  - **JACQUET Sverige** AB SE
  - **JMS Metals Asia** Pte. Ltd. SG
  - **JMS Adriatic** d.o.o. SI
  - **Quarto Jesenice** d.o.o. SI
  - **Intra Alloys** FZE UAE
  - **Jacquet UK** Ltd UK
  - **JACQUET Mid Atlantic** Inc. US
  - **JACQUET Houston** Inc. US
  - **JACQUET Midwest** Inc. US
  - **JACQUET West** Inc. US
- **Abraservice Holding** SAS FR
  - **Abraservice Belgium** SA BE
    - **Abraservice Nederland** BV NL
  - **Abraservice CZ** Sro CZ
  - **Abraservice Deutschland** GmbH DE
  - **Abraservice Ibérica** INT, SAU ES
  - **Abraservice France** SAS FR
  - **Abraservice Lyon** SAS FR
  - **Abraservice Italia** SpA IT
  - **Abraservice Polska** Sp. z o.o. PL
  - **Abraservice Portugal** LDA PT
  - **Abraservice Özel çelik** Ltd Şi. TR
  - **Abraservice UK** Ltd UK

STAPPERT division

- **STAPPERT Deutschland** GmbH DE
  - **STAPPERT Fleischmann** GmbH AT
  - **STAPPERT Intramet** SA BE
  - **STAPPERT Ceská Republika** Spol Sro - CZ
  - **STAPPERT France** SAS FR
  - **STAPPERT Magyarország** Kft HU
  - **STAPPERT Noxon** BV NL
  - **STAPPERT Polska** Sp. z o.o. PL
  - **STAPPERT Sverige** AB SE
  - **STAPPERT Slovensko** AS SK
  - **STAPPERT UK** Ltd UK

IMS group division

- **IMS group Holding** SAS FR
  - **IMS Austria** GmbH AT
  - **IMS Deutschland** GmbH DE
  - **IMS Trade** GmbH DE
  - **Günther + Schramm** GmbH DE
  - **Dr. Wilhelm Mertens** GmbH DE
  - **Finkenholl Stahl Service Center** GmbH DE
  - **Hoselmann Stahl** GmbH DE
  - **IMS Bayern** GmbH DE
  - **IMS Rhein-Main** GmbH DE
  - **IMS Trossingen** GmbH DE
  - **IMS Aceros** INT, SAU ES
    - **IMS Portugal** SA PT
  - **IMS France** SAS FR
  - **IMS** SpA IT
  - **IMS Nederland** BV NL
    - **IMS Belgium** SA BE
  - **IMS Özel çelik** Ltd Şi. TR

7 Stock market information

General features of shares and market capitalization

source: Jacquet Metal Service

- **Main indices** : CAC® All Shares, CAC® All-Tradable, CAC® Basic Materials, CAC® Mid & Small, CAC® PME, CAC® Small, Next 150
- **Market** : Euronext Paris - Compartment B
- **Listed on** : Euronext Paris
- **Code or ticker** : JCQ
- **ISIN code** : FR0000033904
- **Reuters** : JCQ.PA
- **Bloomberg** : JCQ : FP

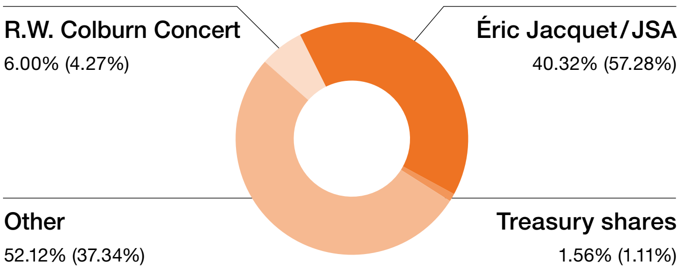
		2018	2017	2016	2015	2014
Number of shares at end of period	number of shares	24,028,438	24,028,438	24,028,438	24,028,438	24,028,438
Market capitalization at end of period	**€k**	**372,921**	**660,782**	**476,003**	**343,607**	**373,642**
High	€	32.90	29.61	20.63	20.24	17.80
Low	€	13.56	19.45	10.02	11.32	12.31
Price at end of period	**€**	**15.52**	**27.50**	**19.81**	**14.30**	**15.55**
Average daily trading volume	number of shares	27,351	24,330	23,718	28,679	23,203
Average daily traded capital	€	634,980	596,557	353,251	465,096	352,370

As of December 31, 2018, the Jacquet Metal Service ("JCQ") share price was €15.52, down from the December 31, 2017 closing price. The share price was €16.68 on March 12, 2019.

Jacquet Metal Service shares are followed by Société Générale SGCIB, Oddo Securities and Portzamparc of BNP Paribas group.

Shareholder structure at December 31, 2018

% share capital (% voting rights)



Éric Jacquet and JSA (which is controlled by Éric Jacquet) held 40.32% of the share capital and 57.28% of the voting rights in the Company at December 31, 2018.

The Group did not sell or buy any treasury stock (outside the scope of the liquidity agreement) during 2018.

8 Financial communication schedule

- **Q1 2019 results** : May 14, 2019
- **General Meeting** : June 28, 2019
- **H1 2019 results** : September 18, 2019
- **Q3 2019 results** : November 13, 2019
- **2019 full-year results** : March 2020

Investors and shareholders may obtain complete financial information from the Company's website at:
www.jacquetmetalservice.com

Investor relations

- **Jacquet Metal Service** > Thierry Philippe > Chief Financial Officer > comfi@jacquetmetals.com
- **NewCap** > Emmanuel Huynh > **T** +33 1 44 71 94 94 > jacquetmetalservice@newcap.eu

1 Management report – Information on the Group

1.1 Group sales and earning

The results as of December 31, 2018 are compared to the full-year results for 2017, which may be consulted in the 2017 Registration Document filed with the *Autorité des Marchés Financiers* (French market regulator or AMF) on April 4, 2018 (filing no. D.18-0266).

€k	Q4 2018	Q4 2017	2018	2017
Sales	**427,361**	**417,932**	**1,865,029**	**1,741,149**
Gross margin	104,218	107,798	461,008	443,039
% of sales	24.4%	25.8%	24.7%	25.4%
Operating expenses	(87,005)	(84,143)	(350,565)	(338,267)
Net depreciation and amortization	(5,011)	(5,197)	(20,122)	(21,416)
Net provisions	4,206	(3,735)	4,472	(2,671)
Gains/(losses) on disposals of non-current assets	(258)	91	3,827	158
Operating income	**16,150**	**14,814**	**98,620**	**80,843**
Net financial expense	(2,729)	(2,410)	(11,373)	(11,391)
Income before tax	13,421	12,404	87,247	69,452
Corporate income tax	(3,346)	(2,823)	(22,266)	(20,527)
Consolidated net income	**10,075**	**9,581**	**64,981**	**48,925**
Net income (Group share)	**9,201**	**9,109**	**61,627**	**46,235**
Earnings per share in circulation (€)	**0.38**	**0.38**	**2.56**	**1.92**
Operating income	**16,150**	**14,814**	**98,620**	**80,843**
Non-recurring items and gains/losses on disposals	258	2,733	(3,327)	3,369
Adjusted operating income	**16,408**	**17,547**	**95,293**	**84,212**
% of sales	3.8%	4.2%	5.1%	4.8%
Net depreciation and amortization	5,011	5,197	20,122	21,416
Net provisions	(4,206)	3,735	(4,472)	2,671
Non-recurring items	482	(2,860)	840	(1,888)
EBITDA	**17,695**	**23,619**	**111,783**	**106,411**
% of sales	4.1%	5.7%	6.0%	6.1%

2018 Headlines

The Group performed well in 2018: sales reached a record high of €1.9 billion, up 7%, while EBITDA amounted to €112 million (6% of sales). Market conditions were satisfactory overall in 2018, although the second half saw a slowdown particularly in sales of long products.

While paying attention to preserve its financial sustainability and control of operating expenses, the Group, which generated operating cash flow of €25 million in 2018, pursued a sustained capital expenditure policy aimed at strengthening its market positioning.

Furthermore, the Group sold off a number of non-strategic assets during the year, generating total proceeds of €15 million. Discontinued operations generated annual sales of €50 million.

In 2019, with initial market conditions in line with trends seen towards the end of 2018, the Group plans to continue developing each of its brands while seeking opportunities for growth.

Sales

Sales amounted to €1,865 million, +7.1% compared to 2017 (Q4: +2.3%), including the following effects:

> Volumes: +0.1% (Q4: -4.5%) with varying trends for each brand. While JACQUET, Abraservice and STAPPERT volumes increased 2.5% overall (Q4: -2.5%) in 2018, IMS group volumes fell 2.2% compared to 2017 (Q4: -6.9%).

> Price: +7.4% (Q4: +7.3%). Q4 2018 prices fell 1.6% compared to Q3 2018, with a corresponding fall in profit margins.

> Change in consolidation: -0.3% (Q4: -0.5%).

€m	Q4 2018	Q4 2017	2018	2017
Sales	**427.4**	**417.9**	**1,865.0**	**1,741.1**
Change vs 2017	**2.3%**		**7.1%**	
Price effect	7.3%		7.4%	
Volume effect	-4.5%		+0.1%	
Change in consolidation	-0.5%		-0.3%	

The various effects are calculated as follows:

> Volume effect = (Vn - Vn-1) × Pn-1, where V = volumes and P = average sale price converted into euros at the average exchange rate;
> Price effect = (Pn - Pn-1) × Vn;
> The exchange rate effect is included in the price effect. There was no significant impact in 2018;
> Change in consolidation (current year acquisitions and disposals):
> Acquisitions: change in consolidation corresponds to the contribution (volumes and sales) of the acquired entity since the acquisition date;
> Disposals: change in consolidation corresponds to the contribution (volumes and sales) made by the sold entity in the year preceding disposal from the date falling one year before the disposal date until the end of the previous year;
> Change in consolidation (previous year acquisitions and disposals):
> Acquisitions: the impact of the change in consolidation scope corresponds to the contribution (volumes and sales) of the acquired entity in the current year from January, 1st until the anniversary of the acquisition;
> Disposals: the impact of the change in consolidation scope corresponds to the contribution (volumes and sales) of the sold entity from January, 1st the previous year until the date of disposal.

Gross margin

2018 gross margin amounted to €461 million or 24.7% of sales (Q4: 24.4%), compared to €443 million or 25.4% of sales in 2017 (Q4: 25.8%).

€m	Q4 2018	Q4 2017	2018	2017
Sales	**427.4**	**417.9**	**1,865.0**	**1,741.1**
Cost of goods sold	**(323.1)**	**(310.1)**	**(1,404.0)**	**(1,298.1)**
Incl. purchases consumed	(325.8)	(305.2)	(1,396.0)	(1,289.7)
Incl. inventory impairment	2.7	(4.9)	(8.0)	(8.4)
Gross margin	**104.2**	**107.8**	**461.0**	**443.0**
Gross margin rate	24.4%	25.8%	24.7%	25.4%

Operating income

Operating expenses amounted to €366 million (19.6% of sales) compared to €359 million in 2017 (20.6% of sales). It is mainly due to the increase in sales and earnings, as well as the strengthening of a number of central functions. This €6.9 million increase was primarily due to:

- An increase in variable and fixed charges (€7 million and €3.1 million respectively)
- A favorable change in consolidation of €3.2 million.

EBITDA increased 5% and amounted to €111.8 million, or 6% of sales, compared to €106.4 million (6.1% of sales) in 2017. EBITDA is restated by an amount of €1.3 million mainly consisting of non-recurring expenses for which provisions were reversed during the period.

Adjusted operating income came to €95.3 million (5.1% of sales) compared to €84.2 million (4.8% of sales) in 2017, or a +13% growth.

Net financial income

2018 net financial expense amounted to €11.4 million (stable compared to 2017):

- Net cost of debt in 2018 was €8.2 million compared to €6.7 million in 2017. The average gross cost of debt in 2018 was 2.4%, compared to 2.6% in 2017;
- Other financial items (primarily bank charges and currency gains or losses) amounted to a €3.2 million expense compared to a €4.7 million expense in 2017.

€m	Q4 2018	Q4 2017	2018	2017
Net cost of debt	**(2.8)**	**(1.6)**	**(8.2)**	**(6.7)**
Other financial items	0.1	(0.9)	(3.2)	(4.7)
Net financial expense	**(2.7)**	**(2.4)**	**(11.4)**	**(11.4)**

Net income

Net income (Group share) amounted to €61.6 million (3.3% of sales) compared to €46.2 million (2.7% of sales) in 2017.

€m	Q4 2018	Q4 2017	2018	2017
Income before tax	**13.4**	**12.4**	**87.2**	**69.5**
Corporate income tax	(3.3)	(2.8)	(22.3)	(20.5)
Income tax rate	24.9%	22.8%	25.5%	29.6%
Consolidated net income	**10.1**	**9.6**	**65.0**	**48.9**
Minority interests	(0.9)	(0.5)	(3.4)	(2.7)
Net income (Group share)	**9.2**	**9.1**	**61.6**	**46.2**
% of sales	*2.2%*	*2.2%*	*3.3%*	*2.7%*

1.2 Sales and earnings by division

	JACQUET – Abraservice Stainless steel and wear-resistant quarto plates		STAPPERT Stainless steel long products		IMS group Engineering steels	
€m	Q4 2018	2018	Q4 2018	2018	Q4 2018	2018
Sales	**97.9**	**409.5**	**107.0**	**486.5**	**222.1**	**967.2**
Change vs 2017	**6.6%**	**8.2%**	**1.9%**	**6.5%**	**1.2%**	**7.4%**
Price effect	7.7%	5.6%	5.6%	4.2%	8.2%	9.6%
Volume effect	-1.1%	2.6%	-3.7%	2.3%	-6.9%	-2.2%
EBITDA [1,2]	**6.8**	**34.3**	**4.0**	**25.6**	**3.3**	**43.3**
% of sales	*7.0%*	*8.4%*	*3.8%*	*5.3%*	*1.5%*	*4.5%*
Adjusted operating income [2]	**4.5**	**26.2**	**4.0**	**23.7**	**3.9**	**38.7**
% of sales	*4.6%*	*6.4%*	*3.7%*	*4.9%*	*1.8%*	*4.0%*

[1] Non-division operations contributed €3.6 million to Q4 2018 EBITDA and €8.6 million to 2018 EBITDA.
[2] Adjusted for non-recurring items. The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them.

JACQUET - Abraservice > Stainless steel and wear-resistant quarto plates

The division specializes in the distribution of stainless steel and wear-resistant quarto plates. JACQUET and Abraservice have separate sales networks. The division generates 72% of its business in Europe, 20% in North America and 4% in China.

Sales amounted to €409.5 million, +8.2% from €378.4 million in 2017 (Q4: +6.6%):

- volumes sold increased by +2.6% (Q4: -1.1%),
- prices rose +5.6% (Q4: +7.7%). In Q4 2018, the price effect compared to Q3 2018 was -1.4%.

Gross margin amounted to €133.8 million or 32.7% of sales (Q4: 33%) compared to €115.1 million in 2017 (30.4% of sales, Q4: 30.8%).

EBITDA amounted to €34.3 million representing 8.4% of sales (Q4: 7.0%) compared to €22.6 million in 2017 (6% of sales, Q4: 5.3%).

€m	Q4 2018	Q4 2017	2018	2017
Sales	**97.9**	**91.8**	**409.5**	**378.4**
Change vs 2017	**6.6%**		**8.2%**	
Price effect	7.7%		5.6%	
Volume effect	-1.1%		2.6%	
Gross margin	**32.3**	**28.3**	**133.8**	**115.1**
% of sales	*33.0%*	*30.8%*	*32.7%*	*30.4%*
EBITDA	**6.8**	**4.9**	**34.3**	**22.6**
% of sales	*7.0%*	*5.3%*	*8.4%*	*6.0%*
Adjusted operating income	**4.5**	**2.9**	**26.2**	**13.7**
% of sales	*4.6%*	*3.1%*	*6.4%*	*3.6%*

STAPPERT > Stainless steel long products

The division specializes in the distribution of stainless steel long products in Europe. The division generates 42% of its sales in Germany, the largest European market.

Sales amounted to €486.5 million, +6.5% from €456.6 million in 2017 (Q4: +1.9%):

- volumes sold increased by +2.3% (Q4: -3.7 %),
- prices rose +4.2% (Q4: +5.6%). In Q4 2018, the price effect compared to Q3 2018 was -2.6%.

Gross margin amounted to €103.8 million or 21.3% of sales (Q4: 21.1%) compared to €103.7 million in 2017 (22.7% of sales, Q4: 23.2%).

EBITDA amounted to €25.6 million representing 5.3% of sales (Q4: 3.8%) compared to €28.2 million in 2017 (6.2% of sales, Q4: 5.7%).

€m	Q4 2018	Q4 2017	2018	2017
Sales	**107.0**	**105.0**	**486.5**	**456.6**
Change vs 2017	**1.9%**		**6.5%**	
Price effect	5.6%		4.2%	
Volume effect	-3.7%		2.3%	
Gross margin	**22.6**	**24.4**	**103.8**	**103.7**
% of sales	*21.1%*	*23.2%*	*21.3%*	*22.7%*
EBITDA	**4.0**	**6.0**	**25.6**	**28.2**
% of sales	*3.8%*	*5.7%*	*5.3%*	*6.2%*
Adjusted operating income	**4.0**	**4.9**	**23.7**	**25.6**
% of sales	*3.7%*	*4.7%*	*4.9%*	*5.6%*

IMS group > Engineering steels

The division specializes in the distribution of engineering steels, mostly in the form of long products. The division generates 48% of its sales in Germany, the largest European market.

Sales amounted to €967.2 million, +7.4% from €900.6 million in 2017 (Q4: +1.2%):

- volumes sold were down -2.2% (Q4: -6.9%),
- prices rose +9.6% (Q4: +8.2%). In Q4 2018, the price effect compared to Q3 2018 was -1.1%.

Gross margin amounted to €221.3 million or 22.9% of sales (Q4: 21.9%) compared to €217.5 million in 2017 (24.1% of sales, Q4: 24.1%).

EBITDA amounted to €43.3 million representing 4.5% of sales (Q4: 1.5%) compared to €44.2 million in 2017 (4.9% of sales, Q4: 4.1%).

€m	Q4 2018	Q4 2017	2018	2017
Sales	**222.1**	**219.4**	**967.2**	**900.6**
Change vs 2017	**1.2%**		**7.4%**	
Price effect	8.2%		9.6%	
Volume effect	-6.9%		-2.2%	
Gross margin	**48.7**	**52.8**	**221.3**	**217.5**
% of sales	*21.9%*	*24.1%*	*22.9%*	*24.1%*
EBITDA	**3.3**	**8.9**	**43.3**	**44.2**
% of sales	*1.5%*	*4.1%*	*4.5%*	*4.9%*
Adjusted operating income	**3.9**	**6.8**	**38.7**	**36.3**
% of sales	*1.8%*	*3.1%*	*4.0%*	*4.0%*

1.3 Consolidated financial position

Summary balance sheet

€m	31.12.18	31.12.17
Goodwill	68.3	68.3
Net non-current assets	155.9	156.2
Net inventory	493.0	418.0
Net trade receivables	182.4	189.3
Other assets	100.2	94.0
Cash & cash equivalents	119.4	102.1
Total assets	**1,119.0**	**1,027.9**
Shareholders' equity	376.8	331.8
Provisions (including provisions for employee benefit obligations)	96.2	106.5
Trade payables	228.3	224.0
Total borrowings	337.8	289.6
Other liabilities	80.0	76.0
Total equity and liabilities	**1,119.0**	**1,027.9**

Working capital

As of December 31, 2018, operating working capital represented 24% of sales and amounted to €447 million (including inventories of €493 million), versus €383 million (including inventories of €418 million) at December 31, 2017. The increase in inventories is mainly due to the increase in sales.

€k	31.12.18	31.12.17	Variations
Net inventory	492,972	418,012	
Days sales inventory [1]	*153*	*141*	
Net trade receivables	182,358	189,296	
Days sales outstanding	50	49	
Trade payables	(228,254)	(224,047)	
Days payable outstanding	63	56	
Net operating working capital	**447,076**	**383,261**	**63,815**
% of sales [1]	*24.0%*	*22.0%*	
Other receivables or payables excluding taxes and financial items	(20,783)	(28,219)	
Working capital excl. taxes and financial items	**426,293**	**355,042**	
Consolidation and other changes		4,610	
Working capital before taxes and financial items and adjusted for other changes	**426,293**	**359,652**	**66,641**
% of sales [1]	22.9%	20.7%	

[1] Rolling 12 months

Group inventories amounted to €493 million at December 31, 2018, compared to €418 million at December 31, 2017. Inventory levels represented 153 days of sales at December 31, 2018, compared to 141 days at December 31, 2017.

Trade receivables amounted to €182 million at December 31, 2018 with an average customer payment term that was broadly unchanged compared to December 31, 2017 (around 50 days' sales, excluding the impact of receivables assigned without recourse).

The Group had assigned non-recourse trade receivables amounting to €48 million at December 31, 2018 compared to €43.7 million at December 31, 2017.

Trade payables amounted to €228 million at December 31, 2018, with an average supplier payment term of 63 days, compared to 56 days at December 31, 2017.

Provisions for contingencies and charges and employee benefit obligations

Provisions for contingencies and charges and employee benefit obligations amounted to €96.2 million at December 31, 2018 compared to €106.5 million at December 31, 2017. These provisions consist of:

- Provisions for employee benefit obligations (€57.3 million at December 31, 2018 compared to €64.5 million at December 31, 2017) mainly related to pension obligations. This change is primarily due to the updating of actuarial assumptions.

> Current and non-current provisions (€38.9 million at December 31, 2018 compared to €42 million at December 31, 2017), primarily related to disputes with employees, reorganization costs and disputes with customers and suppliers.

Net debt

As of December 31, 2018, Group net debt stood at €214.5 million, compared to shareholders' equity of €376.8 million, resulting in a net debt to equity ratio of 56.9% (55.2% as of December 31, 2017).

€k	31.12.18	31.12.17
Total borrowings	337,790	289,588
Cash. cash equivalents and other	123,258	106,464
Net debt	**214,532**	**183,124**
Debt to equity ratio	*56.9%*	*55.2%*

Borrowings by maturity:

€m	Used at 31.12.18	<1 year	1 - 5 years	> 5 years	Used at 31.12.17
Jacquet Metal Service SA	**199.4**	**23.4**	**175.3**	**0.8**	**160.6**
Syndicated revolving loan	—	—	—	—	—
Schuldscheindarlehen (private placement of debt instruments under German law)	150.0	—	150.0	—	88.0
Lines of credit	49.4	23.4	25.3	0.8	72.6
Subsidiaries	**138.4**	**110.6**	**17.9**	**9.9**	**129.0**
Lines of credit	75.6	75.6	—	—	58.1
Factoring	5.1	5.1	—	—	4.9
Asset financing (term/revolving loans and leasing)	57.7	29.7	18.1	9.9	66.0
Total	**337.8**	**133.6**	**193.5**	**10.7**	**289.6**

Borrowings by rate:

€m	31.12.18	31.12.17
Fixed rate	46.2	57.5
Floating rate	291.6	232.1
Total borrowings	**337.8**	**289.6**

Floating rate debt are hedged by swaps covering €75 million expiring between 2021 and 2023 with fixed rates from 0.335% to 0.445%.

Borrowings

The Group had €662 million in lines of credit at December 31, 2018 51% of which had been used

€m	Authorized at 31.12.18	Used at 31.12.18	% used
Jacquet Metal Service SA	**431.8**	**199.4**	**46%**
Syndicated revolving loan	125.0	—	—
Schuldscheindarlehen (private placement of debt instruments under German law)	150.0	150.0	100%
Lines of credit	156.8	49.4	32%
Subsidiaries	**230.1**	**138.4**	**60%**
Lines of credit	139.2	75.6	54%
Factoring	33.2	5.1	15%
Asset financing (term/revolving loans and leasing)	57.7	57.7	100%
Total	**661.9**	**337.8**	**51%**

In addition to the financing shown in the above table, the Group also had €78.2 million in non-recourse receivable assignment facilities, €48 million of which had been used at December 31, 2018.

Financing covenants mainly apply to the syndicated revolving loan and the German private placement (Schuldscheindarlehen or SSD) contracted by Jacquet Metal Service SA. These covenants mainly correspond to commitments that must be complied with at Group level.

All financing covenants were in compliance with at December 31, 2018.

The main terms of the syndicated revolving loan are as follows:

- Date of signature : June 2017
- Maturity : July 16, 2020
- Amount: €125 million (unused)
- Guarantee: None
- Change of control clause: JSA must hold at least 40% of Jacquet Metal Service SA's share capital and voting rights.
- Main covenants:

The Company must meet one of the following criteria:
  - Debt to equity ratio less than 1 **or**
  - Leverage less than 2.

The main terms of the Schuldscheindarlehen are as follows:

- Date of signature: February 2018
- Maturity: April 30, 2023
- Amount: €150 million (fully used)
- Amortization: *in fine*
- Guarantee: None
- Change of control clause: JSA must hold at least 37% of Jacquet Metal Service SA's share capital and voting rights.
- Main covenants:
  - Debt to equity ratio less than 1.

Cash flow

€m	2018	2017
Operating cash flow before change in working capital	91.3	89.2
Change in working capital	(66.6)	(9.3)
Cash flow from operating activities	**24.7**	**79.9**
Capital expenditure	(24.2)	(31.9)
Asset disposals	15.4	1.0
Dividends paid to shareholders of Jacquet Metal Service SA	(16.6)	(11.8)
Interest paid	(11.0)	(10.0)
Other movements	(19.8)	(5.0)
Change in net debt	**(31.4)**	**22.1**
Net debt brought forward	**183.1**	**205.3**
Net debt carried forward	**214.5**	**183.1**

2018 Group operating cash flow before change in working capital amounted to €91.3 million and was used to finance the increase in working capital (€+66.6 million, including a €+75 million increase in inventories). The increase in inventories is mainly due to the increase in sales. As a result, the Group generated an operating cash flow of +€25 million.

Full-year capital expenditure amounted to €24.2 million, mainly relating to new finishing capacity.

Furthermore, the Group sold off a number of non-strategic assets during the year, generating total proceeds of €15 million. Discontinued operations generated annual sales of €50 million.

As of December 31, 2018, Group net debt stood at €214.5 million, compared to shareholders' equity of €376.8 million, resulting in a net debt to equity ratio of 56.9% (55.2% as of December 31, 2017).

Development

Brand development consists mainly in opening new service centers in order to cover new geographical regions. The average investment for a warehouse is around €3 million of which inventory accounts for around two-thirds. Given the nature of its business, i.e. the distribution of specialty steels. capital expenditure primarily involves buildings and finishing capacity (cutting and folding machines. etc.).

This development model requires relatively little capital outlay and is implemented at a rate adapted to the economic conditions encountered. It is also low-risk, since inventory and machinery can be rapidly reassigned to other brand warehouses if a particular service center has a low return on investment.

Given the nature of its business, Jacquet Metal Service Group is not required to invest in research and development.

Events subsequent to the financial year closing

None.

1.4 Risk factors

The Company has reviewed the risks that could have a material adverse effect on its business activities, financial position and results or on its ability to meet its targets.

Group senior management usually meets the divisional Chief Operating Officers once a quarter.

The primary purpose of these meetings is to review results, monitor targets and identify growth opportunities and risks.

This survey is supplemented by a half-yearly report on the risks identified by the managers of the subsidiaries.

The main risk areas identified relate to:

- The economic environment: change in third parties' attitudes, changes in prices and commodity prices, market trends;
- Operations: strategy and target monitoring, choice and successful integration of acquisitions, business continuity in the event of a crisis, effectiveness of control processes;
- Human resources: employee motivation and loyalty, Group or subsidiaries' reliance on specific senior executives and key personnel;
- Support functions: IT system performance and adaptation, financial performance measurement tools.
- Risks related to staff, social and environmental factors.

Risks other than those identified below may exist; they have not been identified to date, or their crystallization is not considered liable to have a material adverse effect on the Group.

1.4.1 Risks relating to the Group's operations

1.4.1.1 IT system risk

Companies belonging to the JACQUET-Abraservice division and most companies in the STAPPERT division use "Jac", an Integrated Management Program (IMP) developed in-house. This program includes a business application and a localized accounting solution. These centralized tools are among the keys to an effective and responsive management control process. The migration of the STAPPERT brand to this IT system is currently nearing completion while the IMS group migration project has been launched.

Jacquet Metal Service protects its IT architecture against risks of outage or major incidents by using several IT rooms. Every item of equipment is installed in two separate inter-connected rooms which enables ongoing real-time data duplication in both locations. The IT rooms are hosted in data centers that provide a high level of service and access security as well as broadband Internet access.

1.4.1.2 Risks of supplier dependence

The very nature of Jacquet Metal Service's business allows the Company to avoid being dependent on any given supply contract. This strategy is reflected in a diversified procurement policy and a stringent supplier selection process specifically aimed at avoiding dependence on one or more suppliers.

1.4.1.3 Distributor risk

Jacquet Metal Service primarily distributes its products via intermediaries and second-tier distributors which makes it difficult to monitor the final destination of the products delivered.

1.4.2 Market risk

1.4.2.1 Country risk

The Group generates over 90% of its sales in Europe and primarily operates in countries that are members of the European Union or are considered to be politically stable. The country risk is therefore considered to be low.

1.4.2.2 Purchase price elasticity risk

The Jacquet Metal Service Group's main business is the purchase, storage and delivery of various categories of products to a primarily local customer base consisting of small and medium-sized industrial companies.

Purchase prices for stainless steels (JACQUET and STAPPERT) may generally be broken down into two separate components:

- the base price, which is the outcome of negotiations at the time when the order is placed with each producer;
- a more variable portion which depends on the trend in commodity prices. This includes, for example, the scrap surcharge for engineering steels or the alloy surcharge for stainless steels. The alloy surcharge is usually determined at the time of delivery, in accordance with a calculation formula specific to each producer, which factors in the cost of nickel, chromium, titanium, molybdenum and scrap metal, the euro-US dollar exchange rate, etc.

Furthermore, delivery lead times are a major factor when determining the price. In fact, lead times are usually not adhered to and generally range from 1 to 12 months. Given the fluctuations in commodity prices that affect the value chain, purchase prices may therefore be subject to adjustment clauses depending on compliance with delivery lead times. Some agreements may also provide for the final price to be adjusted depending on the actual rather than theoretical delivery date, while the base price may be revised ex post facto by the producer, etc.

Lastly, annual price reductions may be provided for in accordance with volumes purchased and the producer's overall performance.

The Group's gross margin ratio as a percentage of sales varies in accordance with the following factors:

- changes in the business mix (relative contributions of brands to sales, in view of differences between individual brand margin rates);
- price levels (absolute value);
- impact of price changes on inventory drawdown.

Accordingly, Group policy and industry practice tend to pass on any purchase price increases directly to customers, with immediate effect if possible. Conversely, if prices decrease, the Group's competitive positioning requires it to pass on these price decreases within variable timeframes. The option of whether to pass on price increases and decreases is reflected in an inventory price effect and a gross margin effect.

Changes in base steel prices and the prices of certain metals used in alloys (nickel, molybdenum, chromium, etc.) also impact the gross margin as a percentage of sales.

1.4.2.3 Risk of changes in metal prices

The Group does not use any financial instruments to hedge fluctuations in the price of the raw materials used as components in the steels that it markets. In the case of some of the metals used (especially molybdenum and chromium), this is due to the lack of a market allowing such a hedging process. In the case of nickel, the lack of hedging is a management decision, as the Group currently considers that such a policy would not necessarily be effective and could even be financially counter-productive, as the related costs may be higher than the profits likely to result.

The advisability of such a hedging policy is subject to periodic reviews. To date, the policy has been to remain exposed to fluctuations in metal prices.

The Group is unable to provide relevant and reliable quantified information regarding the elasticity and sensitivity of prices and margins, due to the large number of factors taken into account when setting raw material purchase and sale prices.

1.4.2.4 Currency risk

The subsidiaries mainly purchase raw materials in euros, given the Group's geographical locations. The Group's exposure to currency risk primarily concerns purchases made by European subsidiaries from producers based outside the euro zone and euro purchases made by subsidiaries based outside the zone. Other cash flows are denominated in the functional currency of each subsidiary.

Jacquet Metal Service SA is exposed to currency risk when it grants cash advances in local currencies to subsidiaries outside the euro zone.

An assessement of these risks is set out in **§ 3.4.16.3** of the notes to the 2018 consolidated financial statements.

1.4.2.5 Interest rate risk

Cash investments primarily consist of term deposits where the interest rate risk is limited.

Exposure to interest rate risk primarily relates to floating rate debt which is partly covered by hedging instruments.

An assessement of these risks is set out in **§ 3.4.16.3** of the notes to the 2018 consolidated financial statements.

1.4.2.6 Liquidity risk

Some loans are subject to compliance with covenants.

The Group has carried out a specific review of its liquidity risk and considers that it is able to meet its future liabilities as they fall due.

An assessement of these risks is set out in **§ 3.4.16.3** of the notes to the 2018 consolidated financial statements.

1.4.2.7 Credit and counterparty risk

The Group's exposure to credit and counterparty risk primarily relates to uninsured trade receivables.

The Group is not in a position of commercial dependence on its customers.

Moreover, the Group is not dependent on a specific supplier and only uses sub-contractors on an occasional basis.

An assessement of these risks is set out in **§ 3.4.16.3** of the notes to the 2018 consolidated financial statements.

1.4.2.8 Equity risk

Jacquet Metal Service SA does not hold a share portfolio, except for its treasury shares.

The number of treasury shares amounted to 373,886 at December 31, 2018, which represented 1.56% of the share capital and a net value of €5.2 million based on the share price at December 31, 2018.

A 10% fall in the Jacquet Metal Service share price would result in a €0.5 million decrease in Jacquet Metal Service SA's net financial income. However, any change in Jacquet Metal Service's share price would have no impact on consolidated net income and shareholders' equity, as the treasury shares are eliminated from consolidated shareholders' equity and any potential impact on net income was eliminated at December 31, 2018.

1.4.3 Legal risk

There are no pending or imminent government, judicial or arbitration proceedings, including any proceedings of which the Company is aware, likely to have a material impact on the Company's and/or Group's financial position or profitability. Neither have any such proceedings had such an impact over the past 12 months.

1.4.4 Patents

The Company does not depend on patents to carry out its business activities.

1.4.5 Sub-contracting

There is no dependence on sub-contractors.

1.4.6 Insurance and risk coverage

In the case of operational risks, each subsidiary has a risk coverage tailored to its operations through insurance policies taken out locally or by the Group and covering all potential risks, such as:

- comprehensive property damage and consequential operating losses;
- directors and officers liability;
- General third-party liability: the Group has taken out a master policy with CHUBB, which covers the Company and its subsidiaries' liability for damage caused to third parties up to €25 million per claim for all types of damage combined, subject to any specific limits per risk type provided for by the policy.

The Company considers that its insurance cover complies with French and European professional third-party liability insurance standards and is sufficiently broad to cover the standard risks inherent in its operations.

However, it cannot guarantee that these policies will cover all the claims that the Group may face.

No material potential risk whose consequences were not already included in the 2018 financial statements had been identified at December 31, 2018.

1.4.7 Non-financial risks

1.4.7.1 Supply risks

1.4.7.1.1 Risks relating to climate change

The Group is conscious of limiting the impact of its business activity on the environment, particularly with regard to greenhouse gas (GHG) emissions, pollution and the circular economy.

The purchasing of metals accounts for 97% of the Group's GHG emissions.

The Group therefore plans to introduce periodic assessment of its main suppliers in order to measure their exposure to environmental risk and assess the integration of CSR criteria within their organization.

This assessment will mainly consist of ensuring that suppliers adhere to the Group Supplier Charter and obtaining copies of their CSR reports.

The aim is to measure the carbon footprint of the products purchased from the main suppliers, as this criteria must be integrated into the Group's procurement policy.

1.4.7.1.2 Risks relating to social commitments

The Group's exposure to these risks primarily concerns:

- the quality of supplies (product traceability, ISO standards, etc.) which guarantee product reputation for the end-customer;
- maintaining diversity in the procurement policy in order to avoid a situation of supplier dependence.

The nature of the Group's business activities entails that it only purchases products that fulfill strict predefined standards. Each supplier must ensure the one-to-one correspondence between the product certificate and the material delivered.

Transactions with third parties such as customers and suppliers are approved by a manager of appropriate seniority and are formalized via contracts or orders complying with applicable legislation covering fair trade practices. The negotiation of purchase term and conditions with the main producers is conducted by Jacquet Metal Service SA management, working together with the Chief Operating Officers of each division.

Accordingly, the Group controls its supply chain and does not depend on any single supply contract. This strategy is reflected in a diversified procurement policy aimed at avoiding dependence on one or more suppliers. Accordingly, the Group's 20 main suppliers account for less than 50% of Group purchases.

Most of the Group supplies are currently traceable. The aim is to maintain this high standard.

1.4.7.1.3 Risks relating to human rights and corruption

The Group ensures that human rights are respected (in accordance with local legislation) in all countries of operation.
It also sees that its main suppliers have the same high standards.
The Group has established a supply chain map based primarily on business volumes and geographical location. Suppliers can thus be ranked by risk level.
Specific procedures have been defined and will be rolled out in the case of high-risk suppliers. Suppliers must comply with the Group's "supplier" charter, which sets out Group values in terms of the environment, preventing corruption and respecting human rights.

In addition, the Group has taken the following measures to combat corruption:

- an Anti-Corruption Policy that defines the behavior to be adopted by each company with all of its partners, customers, suppliers or service providers. The Group's suppliers must be selected on the basis of objective criteria, for example such as quality, reliability, price, performance or service;
- and an internal whistle-blowing procedure at each company that enables situations or behaviors that contravene the Anti-Corruption Policy to be reported.

The Group's aim is to have the charter and Anti-Corruption Policy signed by all of its major suppliers.

1.4.7.2 Risks relating to the circular economy

1.4.7.2.1 Risks relating to material efficiency

The Group carries out initial "customized" processing operations for its customers as part of its business activities. These services usually involve light finishing operations such as cutting, straightening and bending, folding or drilling operations.

The Group seeks to improve its performance by optimizing material use, accordingly minimizing the production of discarded material and waste.

The Group monitors the efficiency of material use with regard to discarded materials generated by its finishing operations. The waste metal resulting from cutting operations amounts to around 22,000 tons per year, which is a low discard rate for the Group's industrial sector. This discard rate is computed at each entity level. The Group's long-term aim is to keep this rate as low as possible.

1.4.7.2.2 Risks relating to waste recycling

The activity in which the Group operates is based on a circular economy involving the sale of steel derived from recycled products. Waste metal is systematically recovered and recycled by specialist firms, then re-injected into the steel production cycle.

In addition, the cutting machines generate limited quantities of oils and waste water, which the subsidiaries take steps to prevent, recycle and eliminate under the responsibility of the subsidiary manager.

This procedure allows waste to be recycled and reduces the risks of direct impact on the environment.

The Group wishes to maintain a high level of recycling for waste generated by its operations.

1.4.7.3 Risks relating to health and safety at work

Group operations include the handling of steel products weighing several tons and finishing operations. The Group strives to maintain its employees in good health and ensure safety at work. Accordingly, it applies a training and prevention policy aimed at reducing the number and severity of industrial accidents.

Measures to improve safety have been taken by each subsidiary manager, including:

- periodic dissemination of safety rules and instructions;
- agreements signed with external organizations responsible for regulatory auditing of machinery and equipment;
- identifying, monitoring, and assessing industrial accidents that have occurred;
- improvement of plant workstations.

Industrial accidents are monitored locally under the responsibility of the subsidiary Manager.

The frequency of workplace accidents, and the workplace accident gravity ratio for 2017 and 2018 are set out below:

	2018	2017
Industrial accident frequency [1]	28.25	23.93
Severity ratio [2]	0.49	0.40

[1] Industrial accident frequency rate = (no. of accidents with stoppage/hours worked) × 1,000,000.
[2] Industrial accident severity rate = (nb of days lost by temporary incapacity/hours worked) × 1,000

1.4.7.4 Risk relating to human resources management

The Group places particular importance on the quality of management and industrial relations, which underpins the stability of the workforce and organization in general.

Group policy is implemented at company level in order to make allowance for local regulations. Accordingly, human resources are managed by the subsidiary managers in accordance with the subsidiaries' requirements and specific local conditions. The subsidiary managers are responsible for ensuring compliance with applicable legislation in their respective countries, in particular with regard to:

- working hours organization, training and industrial relations;
- health and safety at work;
- respect for human rights and children's rights.

There is no system for centralizing agreements signed with employee representative organizations, as these agreements depend on local regulations and the organizational structure of each subsidiary.
However, Group management is notified in advance of all major locally negotiated agreements. In each company, industrial relations are governed by the applicable statutory provisions in force in that country.

The Group is not aware of any material breach of its staff obligations.

The Group has identified the short-term absenteeism rate (less than three days) as a risk indicator. A Group-wide procedure to monitor the number of absences will be set up.

This indicator will be periodically analyzed in order to implement any required corrective measures.

2 Management report - Information on the parent company Jacquet Metal Service SA

Jacquet Metal Service SA, hereinafter the "Company", holds the equity interests in the Group subsidiaries on a direct or indirect basis. Its main roles are as follows:

- Determining the Group's strategy and development;
- Developing and maintaining the information systems;
- Controlling, coordinating and negotiating purchasing terms with the main producers;
- Financial control, financing management, financial reporting and investor relations;
- Corporate communications.

The Jacquet Metal Service SA financial statements for the year ended December 31, 2018 were prepared in accordance with French statutory requirements and in accordance with the same accounting principles and policies as those applied in the preparation of the previous year's financial statements.

2.1 2018 financial position and earnings

2.1.1 Income statement

€k	2018	2017
Sales	29,004	25,850
Operating income	2,133	2,447
Net financial income	15,669	9,547
Net non-recurring income/(expense)	(830)	173
Net income	**18,122**	**12,092**

Jacquet Metal Service SA posted sales of €29 million for 2018. Sales correspond to services invoiced to the subsidiaries, which mainly consist of management and IT services. The change in sales was partly related to the Group's operations and development.

2018 operating income amounted to €2.1 million.

Meanwhile, net financial income amounted to €15.7 million, including €14.3 million of dividends received from the subsidiaries.

In this context, the Company's net income amounted to €18.1 million compared to €12.1 million in 2017.

2.1.2 Balance sheet

€k	31.12.18	31.12.17
Financial assets	252,609	250,858
Intangible assets and PP&E	4,252	2,587
Cash and cash equivalents	64,941	43,954
Other assets	150,632	133,750
Total assets	**472,433**	**431,149**
Shareholders' equity	212,443	210,910
Debt	229,556	191,990
Other liabilities	30,435	28,249
Total equity and liabilities	**472,433**	**431,149**

Financial assets

Financial assets amounted to €252.6 million at December 31, 2018, and broke down as follows:

€k	31.12.18	31.12.17
Equity investments	157,782	157,782
Loans and advances to subsidiaries	88,897	87,740
Other financial assets	5,930	5,336
Total net financial assets	**252,609**	**250,858**

Other financial investments primarily consist of treasury shares (€5.2 million). Jacquet Metal Service SA did not purchase or dispose of any treasury shares during 2018, excluding transactions relating to the liquidity agreement. The year-on-year change corresponds to transactions relating to the liquidity agreement.

Cash and cash equivalents

Net cash and cash equivalents at December 31, 2018 amounted to €58 million, part of which is invested in interest-bearing accounts.

Other assets

Other assets, which amounted to €150.6 million at the end of 2018, primarily consist of receivables payable by the subsidiaries (including cash pooling accounts).

Debt

Debt amounted to €230 million at December 31, 2018, including:
- €192 million in loans and other borrowings contracted with credit institutions, including €150 million relating to the Schuldscheindarlehen;
- subsidiaries' liabilities amounting to €30.1 million (including cash pooling accounts).

Other liabilities

Other liabilities amounted to €30.4 million at the end of 2018, mainly comprising operating liabilities (€24.5 million) and provisions for employee benefit obligations valued by external actuaries (€3.9 million).

Trade receivables and payables payment schedule

€k	**Article D. 441 I.-1: Past due invoices received and unpaid at year-end**						**Article D. 441 I.-2: Past due invoices issued and unpaid at year-end**					
A Late-payment tranches	0 days (indication)	1 > 30 days	31 > 60 days	61 > 90 days	≥ 91 days	Total ≥1 day	0 days (indication)	1 > 30 days	31 > 60 days	61 > 90 days	≥ 91 days	Total ≥1 day
Number of invoices concerned	359					227	217					450
Total amount of the invoices concerned (including tax)	6,620	192	11	(4)	16	214	10,218	547	40	252	195	1,034
As a percentage of the total amount of purchases during the financial year (including tax)	22%	1%	0%	0%	0%	1%						
As a percentage of sales during the financial year (including tax)							28%	2%	0%	1%	1%	3%

B Invoices not included in A relating to disputed or unrecognized receivables and payables		
Number of invoices excluded	**–**	**24**
Total amount (including tax) of excluded invoices	**–**	**520**

2.2 Share capital

The share capital at December 31, 2018 was unchanged from the previous financial year. It consists of 24,028,438 shares, with a total value of €36,631,126.16.

2.3 List of branch offices

The Company has two other establishments in addition to its registered office at 7 rue Michel Jacquet, Saint Priest (69800), located at:

- 44 quai Charles de Gaulle - Cité Internationale, Lyon (69006);
- 21 rue Auber, Paris (75009).

2.4 Progress and outlook

The Company will continue to drive Group strategy and manage its direct and indirect equity investments in its various subsidiaries. The Group's progress and outlook are set out in the **Management Report – Information on the Group.**

2.5 Share buyback program and treasury stock

disclosures pursuant to Article L. 225-211, para 2 of the French Commercial Code

In its 24th resolution, the June 29, 2018 General Meeting authorized the Board to buy back the Company's shares in order to:

- boost the liquidity of transactions and the regular listing of the Company's shares, or avoid any share price discrepancies not justified by market trends, as part of a liquidity agreement entered into with an investment service provider acting on a fully independent basis, under the conditions and in accordance with the procedures determined by the regulations and recognized market practices, in compliance with a code of conduct recognized by the French market regulator (*Autorité des Marchés Financiers* or AMF);
- grant shares to officers or employees of the Company and/or companies in its Group under the terms and conditions established by the applicable statutory and regulatory provisions, in relation to (i) sharing the benefits of the Company's expansion, (ii) the stock option system provided for by Articles L.225-179 et seq. of the French Commercial Code, (iii) the bonus share system provided for by Articles L.225-197-1 et seq. of the French Commercial Code, and (iv) a company savings plan, as well as to execute all hedging transactions related to these operations, under the conditions established by market regulators and at such times as the Board of Directors or the person acting as its representative so decides;
- deliver shares upon the exercise of rights attached to transferable securities granting immediate or subsequent entitlement to the award of shares in the Company, via redemption, conversion, exchange, presentation of a warrant or any other means, as well as to perform any hedging transactions relating to the issuance of such securities, under the conditions provided for by the market regulatory authorities and at such times as the Board of Directors or the person acting on its authority so decides;
- retain shares and allocate them subsequently in payment or exchange in connection with potential acquisitions, mergers, demergers or contributions;
- cancel all or some of the shares by means of a capital reduction (primarily with a view to optimizing cash management, return on equity or earnings per share);
- and in view of any other practice that may be recognized by the law or by the AMF in the future, or for any other purpose that would enable the Company to benefit from the assumption of irrevocable legitimacy as provided for by Regulation No. 596 / 2014 issued by the European Parliament and Council on April 16, 2014.

The terms and conditions of the share buyback program are as follows:

- the maximum price at which the Company may buy back its own shares is set at €70 per share, on the understanding that, in the event of transactions affecting the share capital, in particular by capitalization of reserves, the allocation of bonus shares, stock splits or reverse stock splits, this price will be adjusted accordingly;
- the maximum number of shares that may be bought back is set at 10% of the total number of shares that make up the share capital (this percentage shall apply at all times to the share capital as adjusted in accordance with the transactions affecting it following the General Meeting of June 29, 2018), in a maximum amount of €168,199,010, subject to statutory restrictions. The number of shares purchased by the Company during the term of the share buyback program may not exceed 10% of the shares that make up the Company's share capital (this percentage shall apply at all times to the share capital as adjusted in accordance with transactions affecting it following the General Meeting of June 29, 2018), on the understanding that (i) in the case of shares purchased under a liquidity agreement, the number of shares taken into consideration for the calculation of the aforementioned cap of 10% of the share capital shall be equal to the number of shares purchased less the number of shares resold during the term of this authorization, and (ii) the number of shares purchased for subsequent tender as part of a merger, demerger or contribution may not exceed 5% of the Company's share capital at the time of purchase;
- the term of this authorization was set at eighteen months as from June 29, 2018.

Accordingly, the Group held 373,886 treasury shares representing 1.56% of the share capital with a net book value of €5.2 million at December 31, 2018:

- at December 31, 2018, 300,886 treasury shares were allocated for the purpose of being exchanged or used as payment as part of potential acquisitions provided for by the share buyback program authorized by the General Meeting of June 30, 2017 and were recognized under "Financial assets" at a net book value of €4.1 million;
- 73,000 shares are held as treasury shares as part of the liquidity agreement, and were recognized under "Financial assets" at a net book value of €1.1 million.

The Company did not grant any stock options during the year.

2.6 Bonus share awards

disclosures pursuant to Article L. 225-197-4 of the French Commercial Code

The 34th resolution of the June 29, 2018 General Meeting authorized the Board of Directors to award existing or future bonus shares to the beneficiaries that it shall determine among the salaried employees and executive corporate officers of the Company or related entities, within the meaning of Article L. 225-197-2 of the French Commercial Code, subject to a cap of 3% of the Company's share capital as of the date of the Board's decision to award the bonus shares, on the understanding that the cap on the shares awarded to the Company's executive corporate officers is equal to 1% of the Company's share capital.

The term of this authorization was set at thirty-eight months as from June 29, 2018.

The Board of Directors did not exercise this authorization during the year ended December 31, 2018.

2.7 Liquidity agreement

In 2008, Jacquet Metal Service SA entrusted the implementation of a liquidity agreement compliant with the AMAFI Code of Conduct to Oddo Corporate Finance. Oddo Corporate Finance was initially granted an amount of €2.6 million for the effective implementation of this agreement.

The liquidity agreement consisted of 73,000 shares in Jacquet Metal Service SA, with a market value of €1.1 million, and €0.4 million in cash at December 31, 2018.

In accordance with the decision from AMF n° 2018-01 dated July 2, 2018, Jacquet Metal Service and Oddo BHF SCA signed in 2019 a new liquidity agreement with retroactive effect at January 2, 2019, which revised the ressources allocated to this liquidity account, namely €366,294.65 and 41,800 shares at March 29, 2019.

2.8 Identity of shareholders exceeding statutory thresholds

In accordance with Article L. 225-123 of the French Commercial Code, double voting rights are granted to shares held in registered form for over two years. The number of shares with double voting rights at December 31, 2018 was 9,752,435.

The voting right percentages are calculated in accordance with the provisions of Article 223-11 of the AMF General Regulation (concerning all shares with voting rights, including treasury shares stripped of voting rights).

The breakdown of the share capital and voting rights over the past three financial years was as follows:

	31.12.18			31.12.17			31.12.16		
	No. of shares	% of share capital	% of voting rights	No. of shares	% of share capital	% of voting rights	No. of shares	% of share capital	% of voting rights
JSA / Éric Jacquet	9,688,471	40.32%	57.28%	9,688,471	40.32%	57.20%	9,688,471	40.32%	54.01%
Free float	13,966,081	58.12%	41.61%	14,020,687	58.35%	41.86%	14,020,081	58.35%	44.97%
Treasury shares	373,886	1.56%	1.11%	319,280	1.33%	0.94%	319,886	1.33%	1.02%
Total	**24,028,438**	**100.00%**	**100.00%**	**24,028,438**	**100.00%**	**100.00%**	**24,028,438**	**100.00%**	**100.00%**

Jacquet Metal Service SA is not aware of any other shareholders who hold over 5% of its share capital or voting rights apart from those listed below:

	31.12.18			31.12.17		
	No. of shares	% of share capital	% of voting rights	No. of shares	% of share capital	% of voting rights
JSA / Éric Jacquet	9 688 471	40,32%	57,28%	9 688 471	40,32%	57,20%
R.W. Colburn Concert[1]	1 440 966	6,00%	4,27%	1 440 966	6,00%	4,26%
Total	**11 129 437**	**46,32%**	**61,55%**	**11 129 437**	**46,32%**	**61,46%**

[1] Information dated March 12, 2014. The Company has not received any additional information since that date.

Éric Jacquet and JSA (which is controlled by Éric Jacquet) held 40.32% of the share capital and 57.28% of the voting rights in Jacquet Metal Service SA at December 31, 2018.

In accordance with Article L. 233-3 II of the French Commercial Code, Éric Jacquet and JSA are considered to have effective control over Jacquet Metal Service SA insofar as they hold over 40% of the voting rights, while no other shareholder holds a larger interest either directly or indirectly.

Given the measures adopted within the governance structures, the Company considers that there is no risk of abusive control, namely:

- the Board of Directors is consulted to give its prior consent to material investments and divestments;
- the Company is also represented by a Deputy Chief Executive Officer;

During the year ended:

- the Board of Directors has 10 members, of whom 7 are considered to be independent. All Appointment and Compensation Committee members and two-thirds of the Audit and Risk Committee members are considered independent;
- the operations of the Board of Directors are governed by internal regulations that set down rules concerning disclosure in the event of a conflict of interest involving a director.

As of March 12, 2019, the Company was not aware of any other threshold crossings occurring since the 2018 balance sheet date.

2.9 Dividends paid in respect of the last three financial years

€	2017	2016	2015
Net dividend per share	0.7	0.5	0.4
Distributed earnings eligible for the 40% allowance (reduction provided for in Article 158-3 of the French General Tax Code)	0.7	0.5	0.4

2.10 Share transactions by corporate officers

In accordance with Article L. 621-18-2 of the French Monetary and Financial Code and Article 223-23 of the AMF General Regulation, transactions involving the Company's financial instruments performed by each member of the Board of Directors and any "related parties" must be disclosed where the total amount of the transactions performed by each director exceeds €20,000 per calendar year.

The Company was not informed of any other transaction referred to in Article L. 621-18-2 of the French Monetary and Financial Code during the period.

2.11 Transactions performed in relation to stock options reserved for the Company's employees

None.

2.12 Intercompany loans

In addition to its main business activity, the Company did not grant any loans maturing within less than two years to micro-companies, SMEs or mid-tier companies with which it maintains business ties justifying such loans.

2.13 Staff information

Jacquet Metal Service SA's staff consisted of 12 people at December 31, 2018.

2.14 Governance

The Board of Directors' operating procedures are described in the internal regulations adopted by the Board on July 20, 2010 and amended by the Board on January 22, 2014, June 30, 2016, March 7, 2018 and March 13, 2019.

In 2018, the Board of Directors had 12 members until the June 29, 2018 General Meeting and thereafter 10 members:

- **Éric Jacquet**
- **Jean Jacquet**
- **Françoise Papapietro**
- **Gwendoline Arnaud**
- **Wolfgang Hartmann**
- **Jacques Leconte**
- **Henri-Jacques Nougein**
- **Séverine Besson Thura**
- **Alice Wengorz**
- **JSA SA**
- **Xavier Gailly** until June, 29 2018
- **Stéphanie Navalon** until June, 29 2018

At its meetings on March 7, 2018 and March 13, 2019, the Board of Directors approved the list of directors considered as independent as follows:

- **Jean Jacquet** not related to Éric Jacquet
- **Françoise Papapietro**
- **Gwendoline Arnaud**
- **Jacques Leconte**
- **Henri-Jacques Nougein**
- **Séverine Besson Thura**
- **Alice Wengorz**
- **Xavier Gailly** director until June 29, 2018
- **Stéphanie Navalon** director until June 29, 2018

The Board of Directors made the following appointments at its meetings on June 29, 2018:

- As Chairman of the Board of Directors and Chief Executive Officer: **Éric Jacquet**, for the term of his office as director;
- As Vice-Chairman: **Jean Jacquet** , for the term of his office as director;
- As Deputy Chief Executive Officer: **Philippe Goczol**, for the period during which Éric Jacquet will perform his duties as Chief Executive Officer.

Appointment and Compensation Committee

The Appointment and Compensation Committee has been made up of the following members since June 29, 2018:

- **Henri-Jacques Nougein**, Chairman
- **Alice Wengorz**
- **Gwendoline Arnaud**

Until June 28, 2018, the Appointment and Compensation Committee members were:

- **Henri-Jacques Nougein**, Chairman
- **Gwendoline Arnaud**
- **Xavier Gailly**

Audit and Risk Committee

The Audit and Risk Committee has been made up of the following members since June 29, 2018:

- **Jean Jacquet**, Chairman
- **Jacques Leconte**
- **Wolfgang Hartmann**

Until June 28, 2018, the Audit and Risk Committee members were:

- **Jean Jacquet**, Chairman
- **Françoise Papapietro**
- **Jacques Leconte**
- **Wolfgang Hartmann**

2.15 Appropriation of 2018 earnings

The General Meeting's decision was not known at the time that this document was prepared.

2.16 Non-deductible expenses referred to in Articles 39-4 and 223 of the French General Tax Code

The amount of the expenses referred to in Articles 39-4 and 223 of the French General Tax Code was €3,989 for the 2018 financial year, and the corresponding tax was €1,117.

2.17 Material events occurring between the balance sheet date and the date when the report was prepared

None.

2.18 Research and development activities

None.

2.19 Table showing key figures over the past five years

€k	2018	2017	2016	2015	2014
Share capital at year-end					
Share capital	36,631	36,631	36,631	36,631	36,631
Number of ordinary shares outstanding	24,028,438	24,028,438	24,028,438	24,028,438	24,028,438
Operations and results for the year					
Sales before tax	29,004	25,850	24,779	22,450	18,290
Profit before tax and calculated charges (depreciation, amortization and provisions)	17,855	13,620	13,835	18,228	11,443
Income tax	(1,149)	74	1056	311	(52)
Employee profit-sharing	—	—	—	—	—
Profit after tax and calculated charges (depreciation, amortization and provisions)	18,122	12,092	11,700	15,066	10,541
Earnings distributed (year of payment)	16,584	11,847	9,461	18,231	13,977
Earnings per share (€)					
Profit after tax and before calculated charges (depreciation, amortization and provisions)	0.79	0.56	0.53	0.75	0.48
Profit after tax and calculated charges (depreciation, amortization, and provisions)	0.75	0.50	0.49	0.63	0.44
Dividend per share in circulation (year of payment)	0.69	0.49	0.39	0.76	0.58
Staff					
Average headcount during the year	12	13	15	16	14
Total payroll for the year	3,597	2,455	1,105	3,204	2,061
Total employee benefits paid during the year (social security, corporate welfare, etc.)	2,045	1,196	1,344	1,572	1,159

2.20 Information on subsidiaries and shareholdings

Information on subsidiaries and shareholdings is provided in **§ 5.5.2** in the notes to the 2018 Jacquet Metal Service SA parent company financial statements ("Financial assets").

2.21 Internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The following information regarding the internal control procedures implemented by the Company is also based on the AMF guide to the implementation of an internal control reference framework by small and mid caps, published on January 9, 2008.

It covers all Group subsidiaries included in the Group consolidation scope.

2.21.1 Definition and objectives of internal control

Internal control is a system that aims to ensure:

- compliance with applicable laws and regulations;
- implementation of instructions and guidelines issued by senior management;
- the proper functioning of the Company's internal procedures, in particular those that contribute to safeguarding its assets; and
- the reliability of financial and accounting information.

In addition, internal control broadly contributes to the Group's control over its activities, the efficiency of its operations and the efficient use of its resources.

By contributing to the prevention and control of risks that could prevent the Company from achieving its defined objectives, the internal control system plays a key role in the management and execution of its various operations. Nevertheless, internal control cannot provide an absolute guarantee that the Company's objectives will be achieved.

Currently applicable internal controls are designed to optimize Jacquet Metal Service's control over its subsidiaries in a decentralized framework for responsibilities and operations. The key control objectives are as follows:

- Ensure that management actions are in line with the strategic guidelines approved by senior management, comply with the Group's internal rules and are in line with annual targets;
- Verify that the accounting, financial and management information communicated to the Board of Directors and the Company's shareholders gives a fair and accurate picture of the Group's operations and position;
- Ensure control of risks liable to have a material impact on the Group's assets and liabilities or the achievement of its objectives.

However, as with all control systems, it cannot provide an absolute guarantee that these risks have been completely eliminated.

2.21.2 Control environment

ISO procedure manuals

ISO certification for the main subsidiaries requires an annual external review by an independent assessor to verify that procedures are being applied correctly. This review is the basis of a formal report including recommendations. The report is circulated directly to the managers of the relevant subsidiaries.

Group general regulations

The current regulations define and limit the duties and obligations of Group managers, particularly with regard to:

- commitments related to raw material purchases, overheads or financing;
- the execution of sales contracts (credit insurance, long-term contracts, specific customer or consignment inventories, etc.);
- staff changes;
- investments and divestments.

2.21.3 Contributors to internal control

Internal control is everyone's concern, from senior executives through to each individual staff member.

Board of Directors

Senior management is required to report to the Board of Directors and the Audit and Risk Committee on the essential features of the internal control system, its Group-wide implementation and the measures adopted in order to improve the system.

As required, the Board of Directors may exercise its general powers in order to implement checks and verifications it considers necessary or to adopt any other initiative it considers appropriate in this respect.

The Board of Directors determines the Company's business strategy and sees to its implementation. It addresses all matters concerning the efficient running of the Company and settles issues, through its deliberations, over which it has authority.

Audit and Risk Committee

The Audit and Risk Committee is responsible for reviewing the parent company and consolidated financial statements and the related reports prior to their review by the Board of Directors, and for verifying that these financial statements are consistent with other information of which it is aware.

It is also responsible for monitoring the efficiency of the internal control and risk management systems. The statutory auditors attend the meetings of the Audit and Risk Committee and keep themselves informed of the assignments carried out by the internal audit department.

Group Finance Department

The Chief Financial Officer is responsible for the core competences of (i) finance and treasury, (ii) consolidation and financial control, (iii) legal matters and insurance, (iv) audit and internal control, (v) taxation, (vi) investor relations and (vii) mergers & acquisitions. These responsibilities are exercised or delegated as follows:

Finance Department

Consisting of a central department and individual departments in the main countries, the Finance Department’s principal remit is to:

- monitor the performance of the subsidiaries, the divisions and the Group;
- monitor the achievement of targets set by senior management;
- define, implement and ensure the reliability of reporting and procedures;
- verify that the accounting, financial and management information gives a fair and accurate picture of the operations and position of the subsidiaries, the brands and the Group;
- ensure that tax rules are properly adhered to;
- optimize and secure the management of cash and borrowings within the Group. It also ensures that the commitments made by the Company and its subsidiaries correspond to the requirements of the financing arrangements.

Internal Audit Department

This department is responsible for supervising and organizing the internal control system, assists in defining and circulating the internal control guidelines and monitors the application of the principles established by the Group. It exercises cross-level control over all Group operations and flows. Its work may involve assignments such as the financial audit (review of the financial statements, review of systems and regulations established in order to verify the reliability of financial reporting), the operational audit (review of the main business cycles, analysis of the current organizational arrangements to ensure that they allow risks to be controlled and set targets achieved) or ad hoc tasks such as support for operations, diagnostic or organizational studies.

Legal Department

The Legal Department works together with the Group's lawyers. Its assignments include overseeing legal operations performed in relation to normal business or growth transactions, monitoring regulatory obligations in terms of corporate law, stock exchange law and corporate governance, verifying compliance of regulated financial communications and any other documents intended for market authorities, overseeing the legal monitoring of Group companies in France and abroad, drafting and monitoring contracts and agreements of all kinds, monitoring litigation, disputes and arbitration proceedings, assisting with the negotiation of insurance policies, monitoring and managing insurance claims, and implementing and overseeing procedures for monitoring the compliance and proper governance of the subsidiaries in France and abroad and their legal secretary function.

2.21.4 Summary of internal control procedures

Information and reporting

Procedures specific to the preparation of financial and accounting information include:

- preparation of the quarterly financial statements for consolidation and publication;
- monthly monitoring of results;
- monthly cash flow forecasts.

Identification and assessment of risks

Group senior management usually meets the divisional CEO/COOs once a quarter. The primary purpose of these meetings is to review results, monitor targets and identify growth opportunities and risks.

This survey is supplemented by a half-yearly report regarding the risks identified by the subsidiaries.

Internal control management

An internal audit plan is prepared each year and submitted to the Audit and Risk Committee. The aim is to improve internal control by organizing ad hoc reviews of the procedures implemented by the subsidiaries and assessing each subsidiary's internal control system.

2.21.5 Internal control procedures regarding the preparation and processing of accounting and financial information

Reporting planning, management and processes

The procedures for preparing budgets and monitoring performance are as follows:

- On the basis of the strategic guidelines approved by Group senior management, the divisional CEO/COOs and the subsidiary general managers draw up an annual budget to be discussed and approved by Group senior management;
- Once a quarter, Group senior management holds a meeting with the divisional CEO/COOs in order to review operating results, strategic guidelines and objectives.

Accounts closing procedures

The Group produces a monthly consolidated statement of specific KPIs and prepares consolidated financial statements on a quarterly basis.

The Finance Department organizes and plans all accounting operations so as to ensure reliable and consistent consolidation of data. This procedure covers all of the Group's consolidated subsidiaries.

Accounting principles are reviewed on a quarterly basis in light of recent changes in regulations.

The means employed to guarantee the consistency and reliability of the data used for the purposes of internal management and external communication include the use of a single reporting and consolidation software tool that incorporates, on a monthly basis, the management and accounting information required for consolidation and operational management. This single consolidation application is used to prepare monthly reports and external financial communications at each phase of consolidation (budget, forecasts, reporting). Using a single system ensures that accounting and financial information is reliable, available and relevant with regard to the specific data used for internal management and external communication purposes.

The subsidiaries' data is communicated via a standard format that is mandatory for all Group subsidiaries. The reported data is in local currency and complies with IAS/IFRS principles based on a standard "Group Policies" chart of accounts. The subsidiaries are responsible for ensuring that this information complies with Group instructions (chart of accounts, instructions for closing) and that the detailed instructions sent by the Group Finance Department are followed (reporting timetable and data reliability). The adjustments required between individual and consolidated financial statements are specified and recorded by each subsidiary and reviewed by the Group's financial controllers.

The reporting formats also include detailed analyses allowing results to be compared according to the same parameters, for example by isolating non-recurring transactions such as changes in the consolidation scope.

Each subsidiary manages its specific local characteristics, carries out accounting checks and ensures compliance with local regulations concerning the storage of information and data used in preparing accounting and financial records.

Control activities

The Finance Department verifies the consistency of information reported by the subsidiaries before consolidating the results and recording consolidation entries and adjustments. The subsidiaries' recorded transactions are also controlled automatically by the consolidation and reporting software.

Identification and listing of adjustments is carried out by the local finance departments together with Group controllers. These items are also reviewed by the statutory auditors within the scope of their audits.

Moreover, the Group Finance Department may be required to carry out specific checks concerning sensitive accounting issues which could have a material impact on the presentation of the financial statements. These issues are also reviewed by the statutory auditors within the scope of their audits.

As part of their control work, controllers in charge of the subsidiaries have access to all information. Their main contacts are the managers and financial directors of the relevant subsidiaries.

Accounting and financial reporting

Every year, a timetable is drawn up showing all Group deadlines for financial and accounting reporting to the stock market and the Company's regulatory bodies. The timetable is circulated internally to those staff working specifically on financial reporting.

In addition, the Finance Department staff follow a formal accounting and financial timetable drawn up to ensure that the set deadlines are met.

Control procedures for accounting and financial information are based on:

- monthly checks of all accounting and financial information by financial controllers and treasury departments;
- a review of the financial statements by the Internal Audit Department.

3 2018 Consolidated financial position and earnings

Consolidated statement of comprehensive income

€k	Notes	2018	2017
Sales	**3.3.1**	**1,865,029**	**1,741,149**
Cost of goods sold	3.3.2	(1,404,021)	(1,298,110)
Gross margin	**3.3.1, 3.3.2**	**461,008**	**443,039**
Operating expenses		(168,960)	(162,819)
Personnel expenses	3.3.3	(181,630)	(175,311)
Taxes and levies	3.3.6	(3,672)	(3,638)
Other net income		3,697	3,501
Net depreciation and amortization		(20,122)	(21,416)
Net provisions		4,472	(2,671)
Gains / (losses) on disposals of non-current assets	3.3.4	3,827	158
Operating income	**3.3.1**	**98,620**	**80,843**
% of sales		*5.3%*	*4.6%*
Net cost of debt		(8,193)	(6,673)
Other financial income		62	63
Other financial expenses		(3,242)	(4,781)
Net financial income / (expense)	**3.3.5**	**(11,373)**	**(11,391)**
Income before tax		**87,247**	**69,452**
Corporate income tax	3.3.6	(22,266)	(20,527)
Net income from continued current operations		**64,981**	**48,925**
Net income from discontinued operations		—	—
Total consolidated net income		**64,981**	**48,925**
% of sales		*3.5%*	*2.8%*
Minority interests		(3,354)	(2,690)
Net income (Group share)		**61,627**	**46,235**
% of sales		*3.3%*	*2.7%*
Items that may be reclassified to profit or loss			
Translation differences		(2,788)	(1,003)
Other		(24)	(344)
Items not reclassified to profit or loss			
Actuarial gains / (losses)		2,028	1,649
Total comprehensive net income (Group share)		**60,843**	**46,537**
Minority interests		3,408	2,601
Total comprehensive net income		**64,251**	**49,138**

Statement of financial position at December 31

€k	Notes	31.12.18 Gross	31.12.18 Dep./amort./prov.	31.12.18 Net	31.12.17 Net
Assets					
Goodwill	3.4.1	68,251	—	68,251	68,345
Intangible assets	3.4.2	28,668	(23,552)	5,116	4,208
Property, plant and equipment	3.4	448,009	(297,255)	150,754	151,946
Other financial assets	3.4.3.4, 3.4.16	15,876	(1,354)	14,522	14,947
Deferred tax	3.4.13	45,788	—	45,788	52,127
Non-current assets		**606,592**	**(322,161)**	**284,431**	**291,573**
Inventory and work-in-progress	3.4.5	576,325	(83,353)	492,972	418,012
Trade receivables	3.4.6, 3.4.16	189,616	(7,258)	182,358	189,296
Tax assets receivable	3.4.7	4,216	—	4,216	2,927
Other assets	3.4.8, 3.4.16	35,536	(35)	35,501	23,885
Derivatives	3.4.16	146	—	146	27
Cash and cash equivalents	3.4.9, 3.4.16	119,420	—	119,420	102,145
Current assets		**925,259**	**(90,646)**	**834,613**	**736,292**
Assets held for sale		—	—	—	—
Total assets		**1,531,851**	**(412,807)**	**1,119,044**	**1,027,865**

€k	Notes	31.12.18 Net	31.12.17 Net
Equity and liabilities			
Share capital		36,631	36,631
Consolidated reserves		325,086	282,277
Shareholders' equity (Group share)		**361,717**	**318,908**
Minority interests		15,042	12,941
Shareholders' equity	**3.4.10**	**376,759**	**331,849**
Deferred tax	3.4.13	6,391	5,718
Non-current provisions	3.4.11	5,578	6,209
Provisions for employee benefit obligations	3.4.12	57,316	64,517
Other non-current liabilities	3.4.16	4,617	4,481
Long-term borrowings	3.4.13.4, 3.4.16	204,220	173,435
Non-current liabilities		**278,122**	**254,360**
Short-term borrowings	3.4.13.4, 3.4.16	133,570	116,153
Trade payables	3.4.15, 3.4.16	228,254	224,047
Current tax liabilities	3.4.15	12,060	12,980
Current provisions	3.4.11	33,345	35,774
Derivatives	3.4.16	650	598
Other liabilities	3.4.15, 3.4.16	56,284	52,104
Total current liabilities		**464,163**	**441,656**
Liabilities held for sale		**—**	**—**
Total equity and liabilities		**1,119,044**	**1,027,865**

Cash flow statement

€k	Notes	2018	2017
Cash and cash equivalents at beginning of period	**3. 4.9**	**102,145**	**72,951**
Operating activities			
Net income		64,981	48,925
Depreciation, amortization and provisions		15,030	18,094
Capital gains on asset disposals	3.3.4	(3,827)	(141)
Change in deferred taxes	3.4.13	4,877	4,134
Other non-cash income and expenses		48	–
Operating cash flow after tax and cost of borrowings		**81,109**	**71,012**
Cost of borrowings	3.3.5	11,070	9,849
Current income tax	3.3.6	17,393	16,400
Taxes paid		(18,280)	(8,057)
Operating cash flow before change in working capital		**91,292**	**89,204**
Change in inventory and work-in-progress		(82,240)	(43,284)
Change in trade receivables		3,862	(19,268)
Change in trade payables		8,999	48,655
Other changes		2,738	4,573
Total change in working capital		**(66,641)**	**(9,324)**
Cash flow from operating activities	**3.7**	**24,651**	**79,880**
Investing activities			
Acquisitions of non-current assets	3.4.2, 3.4.3	(24,154)	(31,857)
Disposal of assets	3.4.2, 3.4.3, 3.7	15,435	963
Acquisitions of subsidiaries	3.7	(416)	(248)
Changes in consolidation and other		(14,284)	866
Cash flow from investing activities	**3.7**	**(23,419)**	**(30,276)**
Financing activities			
Dividends paid to parent company shareholders		(16,584)	(11,847)
Dividends paid to minority shareholders of consolidated companies		(2,116)	(1,786)
New borrowings	3.4.14	160,069	45,423
Change in borrowings	3.4.14	(112,715)	(41,957)
Interest paid		(11,001)	(9,970)
Other changes		(1,234)	126
Cash flow from financing activities	**3.7**	**16,419**	**(20,011)**
Change in cash and cash equivalents		**17,651**	**29,593**
Translation differences		(376)	(399)
Net cash at end of period	**3.4.9**	**119,420**	**102,145**

Changes in working capital are shown at net book value.

Change in consolidated shareholders' equity

€k	Notes	Number of shares	Share capital	Reserves	Translation differences (Group share)	Shareholders' equity (Group share)	Minority interests	Shareholders Equity
At 01.01.17	**3.4.10**	**24,028,438**	**36,631**	**248,234**	**1,381**	**286,246**	**10,276**	**296,522**
Net income		—	—	46,235	—	46,235	2,690	48,925
Translation differences	3.4.10.3	—	—	—	(1,003)	(1,003)	(83)	(1,086)
Actuarial gains / (losses)		—	—	1,649	—	1,649	(5)	1,644
Other		—	—	(344)	—	(344)	(1)	(345)
Total comprehensive net income		**—**	**—**	**47,540**	**(1,003)**	**46,537**	**2,601**	**49,138**
Change in consolidation		—	—	(2,038)	—	(2,038)	1,846	(192)
Dividend payments		—	—	(11,847)	—	(11,847)	(1,786)	(13,633)
Other	3.4.10.2	—	—	10	—	10	4	14
At 31.12.17	**3.4.10**	**24,028,438**	**36,631**	**281,899**	**378**	**318,908**	**12,941**	**331,849**
Net income		—	—	61,627	—	61,627	3,354	64,981
Translation differences	3.4.10.3	—	—	—	(2,788)	(2,788)	55	(2,733)
Actuarial gains / (losses)		—	—	2,028	—	2,028	(1)	2,027
Other		—	—	(24)	—	(24)	—	(24)
Total comprehensive net income		**—**	**—**	**63,631**	**(2,788)**	**60,843**	**3,408**	**64,251**
Change in consolidation		—	—	(411)	—	(411)	805	394
Dividend payments		—	—	(16,584)	—	(16,584)	(2,116)	(18,700)
Other	3.4.10.2	—	—	(1,039)	—	(1,039)	4	(1,035)
At 31.12.18	**3.4.10**	**24,028,438**	**36,631**	**327,496**	**(2,410)**	**361,717**	**15,042**	**376,759**

Notes to the consolidated financial statements

The Jacquet Metal Service Group's consolidated financial statements for the year ended December 31, 2018 were approved by the Board of Directors on March 13, 2019 and will be submitted for approval by the Ordinary General Meeting to be held no later than June 30, 2019.

All figures are reported in thousands or millions of euros unless otherwise stated. Some totals may display differences in rounding.

3.1 Consolidation principles and methods

Pursuant to European Regulation 1606/2002 of July 19, 2002 on international financial reporting standards, the Jacquet Metal Service Group's consolidated financial statements published in respect of the 2018 financial year and the comparative 2017 financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) in force as of December 31, 2018, as approved by the European Union.

The standards and interpretations applied are those published in the Official Journal of the European Union (OJEU) before December 31, 2018 for compulsory application as from this date.

These guidelines cover all of the standards approved by the International Accounting Standards Board (IASB) and adopted by the EU, i.e. IFRS, International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). These accounting standards can be consulted on the European Commission website at:
https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/

New standards or amendments adopted by the European Union for compulsory application as from January 1, 2018 have been applied in the consolidated financial statements for the year ended December 31, 2018. They comprise the following standards:

- IFRS 9 - Financial Instruments;
- IFRS 15 - Revenue from Contracts with Customers;
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration;
- Amendment to IFRS 2 - Share-based Payment;
- Amendments to IAS 28 - Interaction between fair value measurement and the equity method;
- Amendments to IAS 40 - Transfers of Investment Property.

The Group has chosen not to apply in advance standards and interpretations adopted by the European Union before the balance sheet date but applicable after December 31, 2018, including:

- IFRS 16 - Leases (applicable as of January 1, 2019);
- IFRIC 23 - Uncertainty over Income Tax Treatments.

In accordance with an analysis of the various sources of Group revenue, and given the nature of its business activities, the impact of the application of IFRS 15 on the recognition of revenue as from January 1, 2018 are not material.

Likewise, the application of IFRS 9 did not have a material impact.

IFRS 16, which supersedes IAS 17 and related interpretations as from January 1, 2019, eliminates the distinction between operating leases and finance leases; it requires recognition of a lease asset (the right to use the leased item) and a lease liability representing discounted future lease payments, for almost all leases. The lease expense is replaced by a depreciation charge on the right-of-use asset and an interest charge related to the lease liability.

The Group is currently holding to around 500 lease agreements representing an annual lease expense of around €20 million in respect of 2018.

The adoption of IFRS 16 will mainly impact the recognition of real estate leases relating to warehouses.

During 2018, the Group collected and processed the data required for the application of IFRS 16. The Group has acquired a software application to be deployed during the first half of 2019 in order to monitor leases in an integrated manner.

As of January 1, 2019, the Group has chosen to apply the modified retrospective transition approach by recognizing the cumulative impact of first-time application of the standard as of the date of initial application.

As of this date, the Group has chosen to apply both capitalization exemptions provided for by the standard, in respect of the following leases:

- Short-term asset leases,
- Leases of low-value assets.

The lease expenses for short-term leases and low-value assets will be recognized under operating expenses. The estimated impact on the January 1, 2019 opening balance sheet will lead to recognition of:

- An asset (the right to use the leased item) amounting to €65-85 million, and
- A lease liability amounting to €65-85 million.

The actual impact of applying the standard from January 1, 2019 could change, particularly in light of new accounting principles liable to be modified until the Group presents its first IFRS 16-compliant financial statements.

As of December 31, 2018, the Group presented an off-balance sheet commitment of €90 million corresponding to expected payments under real estate and movable property operating leases (**§ 3.5.2**). The difference between the off-balance sheet commitment and the estimated lease liability under IFRS 16 is mainly due to:

- differences in the assessment of the reasonably certain useful life of the assets, leading to an increase or decrease in the duration of the Group's commitments,
- the impact of discounting future lease payments contrary to IAS 17 principles,
- the exclusion of short-term and low-value asset leases.

Use of estimates

The preparation of IFRS-compliant consolidated financial statements requires management to take into account assumptions and estimates that have an impact on the assets and liabilities shown in the statement of financial position and mentioned in the notes to the financial statements, as well as on the income and expenses recorded in the consolidated statement of comprehensive income. The estimates may be revised if the circumstances under which they were based change, or in accordance with new information obtained. Actual results may differ from these estimates.

In accordance with IAS 10, management's estimates are based on the information available at the balance sheet date, taking post balance sheet events into account.

The main estimates at December 31, 2018 concerned the following items:

> Assessment of the recoverability of deferred tax assets, which is based on five-year projections and takes into account the local legislation in effect at the balance sheet date;
> The value of goodwill is tested for impairment at least once a year for the annual financial statements, and whenever an indication of loss of value arises;
> Inventory valuation: the method followed to determine the net realizable value of inventory is based on the best estimate, as of the date of preparation of the financial statements, of the future sale price in the normal course of business less any estimated selling costs;
> Impairment of receivables, which is reviewed on a case-by-case basis in light of the specific situation of particular customers;
> Employee benefit liabilities, which are measured based on actuarial assumptions;
> Current and non-current provisions, which are estimated to reflect the best estimate of the risks as of the balance sheet date.

3.1.1 Consolidation scope

Main operating companies consolidated at December 31, 2018

	Country	% Interest	% Control
Jacquet Metal Service SA	**France**	**100.00%**	**100.00%**
JACQUET Holding SARL	**France**	**100.00%**	**100.00%**
JACQUET Deutschland GmbH	Germany	90.00%	90.00%
Quarto Deutschland GmbH	Germany	100.00%	100.00%
JACQUET Metallservice GmbH	Austria	100.00%	100.00%
JACQUET Benelux SA	Belgium	99.96%	100.00%
Rolark Toronto Inc.	Canada	96.88%	96.88%
Rolark Edmonton Inc.	Canada	96.88%	100.00%
JACQUET Montréal Inc.	Canada	100.00%	100.00%
JACQUET Shanghai Co. Ltd.	China	100.00%	100.00%
JACQUET Chengdu Co. Ltd.	China	100.00%	100.00%
JMS Danmark ApS	Denmark	100.00%	100.00%
Intra Alloys FZE	UAE	42.84%	100.00%
JACQUET Iberica SA	Spain	70.00%	70.00%
JACQUET Houston Inc.	USA	100.00%	100.00%
JACQUET Midwest Inc.	USA	95.00%	95.00%
JACQUET West Inc.	USA	100.00%	100.00%
JACQUET Midatlantic Inc.	USA	100.00%	100.00%
JACQUET Finland OY	Finland	78.95%	78.95%
Détail Inox SAS	France	100.00%	100.00%
France Inox SAS	France	100.00%	100.00%
JACQUET International SAS	France	99.99%	99.99%
JACQUET Lyon SASU	France	100.00%	100.00%
OSS SARL	France	99.96%	99.96%
JACQUET Paris SAS	France	100.00%	100.00%
Quarto International SAS	France	100.00%	100.00%
JACQUET Nova SRL	Italy	85.00%	85.00%
JACQUET Italtaglio SRL	Italy	85.00%	85.00%
JACQUET Centro Servizi SRL	Italy	95.50%	100.00%
JACQUET Nederland BV	Netherland	50.40%	50.40%
JACFRIESLAND BV	Netherland	40.32%	80.00%
Intra Metals BV	Netherland	50.40%	50.40%
JACQUET Polska Sp z.o.o.	Poland	95.00%	95.00%
JACQUET Portugal LDA	Portugal	51.00%	51.00%
JACQUET S.R.O.	Czech Republic	80.00%	80.00%
JACQUET UK Ltd.	UK	76.00%	76.00%
JMS Metals Asia Pte. Ltd.	Singapore	100.00%	100.00%
Quarto Jesenice d.o.o.	Slovenia	100.00%	100.00%
JMS Adriatic d.o.o.	Slovenia	51.00%	51.00%
JACQUET Sverige AB	Sweden	100.00%	100.00%
JACQUET Osiro AG	Swiss	50.98%	51.00%

Abraservice Holding SAS	**France**	**100.00%**	**100.00%**
Abraservice Deutschland GmbH	Germany	100.00%	100.00%
Abraservice Belgium SA	Belgium	100.00%	100.00%
Abraservice Iberica INT SL	Spain	100.00%	100.00%
Abraservice Lyon SAS	France	100.00%	100.00%
Abraservice France SAS	France	100.00%	100.00%
Abraservice Italia SpA	Italy	62.95%	62.95%
Abraservice Nederland BV	Netherland	100.00%	100.00%
Abraservice Polska Sp z.o.o.	Poland	100.00%	100.00%
Abraservice Portugal LDA	Portugal	51.00%	51.00%
Abraservice Czech S.R.O.	Czech Republic	100.00%	100.00%
Abraservice UK Ltd.	UK	76.00%	76.00%
Abraservice Özel Celik Ltd Si	Turkey	99.99%	99.99%
STAPPERT Deutschland GmbH	**Germany**	**100.00%**	**100.00%**
STAPPERT Fleischmann GmbH	Austria	100.00%	100.00%
STAPPERT Intramet SA	Belgium	100.00%	100.00%
STAPPERT France SAS	France	100.00%	100.00%
STAPPERT Magyarorszag Kft	Hungary	100.00%	100.00%
STAPPERT Noxon BV	Netherland	100.00%	100.00%
STAPPERT Polska Sp z.o.o.	Poland	100.00%	100.00%
STAPPERT Ceska Republika Spol S.R.O.	Czech Republic	100.00%	100.00%
STAPPERT UK Ltd.	UK	75.78%	75.78%
STAPPERT Slovensko AS	Slovakia	100.00%	100.00%
STAPPERT Sverige AB	Sweden	100.00%	100.00%
IMS group Holding SAS	**France**	**100.00%**	**100.00%**
Höselmann Stahl GmbH	Germany	100.00%	100.00%
Finkenholl Stahl Service Center GmbH	Germany	100.00%	100.00%
Günther + Schramm GmbH	Germany	100.00%	100.00%
Dr. Wilhelm Mertens GmbH	Germany	100.00%	100.00%
IMS Bayern GmbH	Germany	100.00%	100.00%
IMS Deutschland GmbH	Germany	100.00%	100.00%
IMS Trade GmbH	Germany	100.00%	100.00%
IMS Rhein-Main GmbH	Germany	100.00%	100.00%
IMS Trossingen GmbH	Germany	100.00%	100.00%
IMS Austria GmbH	Austria	100.00%	100.00%
IMS Belgium SA	Belgium	100.00%	100.00%
IMS Aceros INT SAU	Spain	100.00%	100.00%
IMS France SAS	France	100.00%	100.00%
IMS SpA	Italy	100.00%	100.00%
IMS Nederland BV	Netherland	100.00%	100.00%
IMS Portugal SA	Portugal	100.00%	100.00%
IMS Özel Celik Ltd Si	Turkey	99.99%	99.99%

3.1.2 Main changes in consolidation scope

A company named IMS Trossingen was created in 2018.

Furthermore, the Group sold off a number of non-strategic assets during the year, including the companies Calibracier and IMS Tecpro, generating total proceeds of €15 million. Discontinued operations generated full-year sales of €50 million.

3.1.3 Consolidation method

All companies that are fully controlled via the direct or indirect ownership of voting rights are fully consolidated. All transactions between consolidated companies are eliminated, in the same way as for internal Group income (dividends, capital gains, inventory margins, etc.).

The restatements required to harmonize the consolidated companies' valuation methods have been performed. The impact of internal Group transactions on the statement of financial position and consolidated earnings has been eliminated.

3.1.4 Closing date

The balance sheet date for all consolidated subsidiaries is December 31.

3.1.5 Translation of foreign companies' financial statements

Foreign companies' financial statements, where the local currency is the functional currency, are translated into euros at the balance sheet date in accordance with the following principles:

- The items in the statement of financial position are translated at the exchange rate in effect at the balance sheet date;
- The items in the consolidated statement of comprehensive income are translated at the average rate for the year;
- The differences arising from these translation methods are recognized in shareholders' equity.

Euro exchange rates used for consolidation purposes

Countries		Currency	2018 average rate	2018 closing rate
UAE	Dirham	AED	4.3391	4.2076
Canada	Canadian dollar	CAD	1.5302	1.5605
Switzerland	Swiss Franc	CHF	1.1549	1.1269
China	Yuan	CNY	7.7983	7.8473
Czech republic	Czech Koruna	CZK	25.6432	25.7240
Denmark	Danish Krone	DKK	7.4532	7.4673
UK	Pound Sterling	GBP	0.8848	0.8945
Hungary	Forint	HUF	318.8245	320.9800
Poland	Zloty	PLN	4.2606	4.3014
Sweden	Swedish Krona	SEK	10.2567	10.2548
Singapore	Singapore Dollar	SGD	1.5929	1.5591
Turkey	Turkish Lira	TRY	5.6986	6.0280
USA	US Dollar	USD	1.1815	1.1450

3.2 Valuation methods

3.2.1 Sales

Sales consist of the value of the goods and services, excluding tax, sold by the consolidated companies during their normal course of business, after the elimination of intra-group sales.

Pursuant to IFRS 15, the Group reviewed its sales contracts and concluded that there was no need to alter the triggering event for recognizing revenue: control of the goods is transferred when they are made available to customers, usually on the delivery date.

Generally speaking, sales contracts only contain a single performance obligation.

The transaction price pertaining to this performance obligation reflects the payments receivable from the customer, with little impact from variables.

Therefore, the application of IFRS 15 has not resulted in any material adjustments.

3.2.2 Cost of goods sold

The cost of goods sold primarily corresponds to purchases consumed and the net impact of inventory impairment charges recognized for the financial year.

Rebates, reductions and any financial discounts obtained are deducted from purchases.

3.2.3 Personnel expenses

Personnel expenses include the cost relating to salaries and payroll expenses, and the French Employment and Competitiveness Tax Credit (CICE).

3.2.4 Net financial income / (expense)

Net financial income / (expense) consists of the following items:

> Interest income and expense on consolidated net debt, which consists of loans, cash and other financial liabilities (including finance lease liabilities);
> Banking services;
> Foreign exchange gains and losses;
> The valuation of derivatives, where hedge accounting is not applied.

Interest is recognized in the amount of the interest accrued, using the effective interest rate method.

3.2.5 Corporate income tax

The income tax charge includes current corporate income tax and deferred tax.

The tax charge payable is equal to the income tax payable to the tax authorities for the financial year, depending on the rules and tax rates in effect in each country.

In accordance with the provisions of IAS 12 - Income Taxes, deferred tax is valued using the balance sheet approach and the liability method for all temporary differences arising from the difference between the tax base and the accounting base for assets and liabilities, as well as for tax loss carryforwards. However, deferred tax arising from tax loss carryforwards is only recognized once its recoverability has been assessed.

The French corporate value-added charge (CVAE), which is based on the value-added resulting from the individual financial statements of the French subsidiaries, is classified under "income tax" in the consolidated statement of comprehensive income.

3.2.6 Earnings per share

Basic earnings per share is calculated by dividing net income (Group share) for the period by the weighted average number of shares outstanding during the period, excluding treasury shares. The average weighted number of shares outstanding corresponds to the number of ordinary shares outstanding at the beginning of the period, adjusted for the number of ordinary shares bought back or issued during the period.

Diluted earnings per share is calculated by dividing net income (Group share) by the weighted average number of ordinary shares outstanding, plus any potentially dilutive ordinary shares (stock options, warrants, etc.), restated for treasury shares.

3.2.7 Operating segments

Pursuant to IFRS 8 – Operating Segments, the information provided is based on the internal reporting process used by management in order to assess the performance of each operating segment.

In accordance with the Group's operational organizational structure, performance is assessed at the subsidiary level for each division:

- JACQUET - Abraservice: stainless steel and wear-resistant quarto plates;
- STAPPERT: stainless steel long products;
- IMS group: engineering steels.

The sector-based benchmark indicators reviewed by the main decision-makers are: sales, gross margin, adjusted operating income, operating working capital and the operating working capital to sales ratio.

3.2.8 Goodwill - Business combinations

Business combinations that took place prior to January 1, 2010 have been recognized in accordance with the acquisition method, as set out in IFRS 3. The Group has applied IFRS 3 revised since January 1, 2010.

IFRS 3 entails measuring the assets and liabilities of the companies acquired by the Group at fair value. Only identifiable liabilities that meet the criteria for recognizing a liability in the acquired entity are recognized at the time of the combination. The difference between the purchase cost of the securities and the acquired portion of the fair value of the assets and liabilities identified at the acquisition date is recognized under goodwill. Where the goodwill is negative (badwill), it is immediately recognized through profit or loss. The determination of fair values and goodwill is finalized within a maximum period of one year as from the acquisition date. Any changes that occur after that date are recorded through profit or loss.

In accordance with IAS 27, any acquisition or disposal of an interest that does not alter control and is performed after the business combination must be directly recognized in shareholders' equity.

Goodwill arising on the acquisition of foreign companies outside the euro zone is treated in the same way as the assets and liabilities of the foreign business activity, and is therefore translated at the closing exchange rate, in accordance with IAS 21.

In accordance with the provisions of IAS 36 - Impairment of Assets, the value of goodwill is tested for impairment at least once a year, at the balance sheet date, and whenever an indication of impairment arises. This test is performed at the level of the cash-generating units (CGUs) to which the goodwill has been allocated.

In the event of material adverse factors, the Group re-assesses the recoverable value of the assets and may be required to impair some of those assets.

The recoverable value of the CGU is the higher of fair value and value-in-use.

The CGU's value-in-use is determined on the basis of discounted future operating cash flow forecasts, drawn from the 5-year business plans, and of a terminal value estimated by capitalizing cash flows to infinity.

Where the recoverable value of the CGU is lower than its net book value, an impairment charge is recorded under operating income.

The discount rate used is assessed on an individual basis at the level of each CGU, and is determined on the basis of the average weighted cost of capital determined for the Group, to which a company size premium is applied for the smaller subsidiaries.

The discounted future cash flow method used to assess the recoverable value of goodwill is by nature uncertain. Its structure implies that the values obtained are sensitive to changes in the assumptions and parameters selected, such as:

- changes in the economic environment and market conditions;
- changes in sale prices and gross margins;
- fluctuations in raw material prices and foreign exchange rates;
- the choice of discount rate and perpetual growth rate at the end of the forecast period.

Depending on the assumptions used to draw up the business plans and the interest rate parameters applied, the method results in a level of uncertainty that may affect the value of goodwill.

Goodwill impairment charges are definitively applied to the gross value of the goodwill.

3.2.9 Intangible assets

Intangible assets primarily include amortizable items such as software.

The useful life of intangible assets is assessed as finite or indefinite for each asset. Where an intangible asset has a finite useful life, it is amortized over that period.

The amortization periods and methods for intangible assets with a finite useful life are reviewed at least at every balance sheet date, and whenever there is evidence of impairment.

3.2.10 Property, plant and equipment

Gross value

In accordance with IAS 16 - Property, Plant and Equipment, assets are broken down if their components have different useful lives, or if they provide benefits to the company at different rates that require the use of separate depreciation rates and methods.

Property, plant and equipment are recorded on the balance sheet at their historic cost, which consists of:

- the purchase price, including customs duties and other non-recoverable levies;
- any directly related expenses incurred to put the asset in working order for the purpose of its planned use;
- any trade rebates and discounts deducted when calculating the purchase cost;
- plus any valuation differences arising from first-time consolidation differences.

Impairment

The depreciation methods and periods (which correspond to the useful life) applied by the Group are as follows:

- Buildings and their fixtures and fittings are depreciated on a straight-line basis over their estimated useful life, which ranges between 5 and 30 years;
- Industrial equipment is depreciated on a straight-line basis over its estimated useful life, which ranges between 5 and 15 years;
- Other categories of property, plant and equipment, such as vehicles and computer hardware, are depreciated on a straight-line basis based on their estimated useful lives, which usually range between 3 and 10 years.

The Group uses its assets for as long as possible, and sales of property, plant and equipment take place only very occasionally. This means that the Group uses its assets over their useful life, without taking their residual value into account.

Property, plant and equipment are tested for impairment where events or changes indicate that their book value may no longer be recoverable. If there is any evidence of this kind, or if their book value exceeds their estimated recoverable value, the assets are written down to their recoverable value, which is determined on the basis of their market value or their value based on discounted future cash flows, if higher.

3.2.11 Leases

Finance leases

Where an agreement is classified as a finance lease within the meaning of IAS 17, the asset is recorded as a fixed asset, in an amount equal to the fair value of the leased asset or at the value of the discounted minimum lease payments, if lower, and offset against "financial liabilities". The amount of the liability is gradually reduced by the portion of the financial amortization included in the lease payments.

Assets covered by finance leases are depreciated over the shorter of the lease term and the useful life of the asset. Where transfer of ownership at the end of the agreement is reasonably certain, the useful life is used.

Operating leases

Lease payments under operating leases are expensed on a straight-line basis throughout the term of the agreement.

3.2.12 Financial instruments

3.2.12.1 Financial assets

- Financial assets recorded at amortized cost: this heading includes non-current financial assets, such as loans, deposits and guarantees, and current assets (trade receivables and other assets excluding prepaid expenses);
- Financial assets designated at "fair value through comprehensive income": this heading includes cash and cash equivalents, as well as financial derivatives;
- Non-consolidated securities and long-term investments: pursuant to IFRS 9, these asset classes are measured at fair value as of the balance sheet date. Changes in fair value are henceforth recognized to profit or loss or to items of OCI not reclassified to profit or loss.

The application of new IFRS 9 does not require any adjustments, as the Group does not hold material non-consolidated securities or long-term investments.

3.2.12.2 Financial liabilities

- Financial liabilities recorded at amortized cost: this heading includes current and non-current borrowings (bank loans and finance leases, other financing and bank overdrafts) and other current and non-current liabilities (trade payables and other liabilities excluding deferred income);
- In accordance with IFRS 9 – Financial Instruments, borrowings and bank overdrafts are recognized at their amortized cost, calculated on the basis of the effective interest rate. The portion maturing in less than one year is classified under "short-term borrowings", while the portion maturing in over one year is classified under “long-term borrowings";
- Financial liabilities designated at "fair value through comprehensive income": this heading includes financial derivatives.

3.2.12.3 Derivatives

Derivatives primarily include interest rate and currency hedging instruments.

Derivatives are valued at their fair value at the balance sheet date. Where the Group can prove the effectiveness of the hedges, the changes in fair value are recorded under other comprehensive income; where the Group does not use hedge accounting, changes in fair value are recognized in profit or loss.

3.2.13 Inventory and work-in-progress

Gross value

Inventory is valued at the weighted average cost.

Net realizable value

Where applicable, inventory is subject to impairment in order to reduce it to its net realizable value. The net realizable value corresponds to the estimated sale price during the normal course of business less any costs necessary for completing the sale. This means that the impairment charge is calculated on the basis of an estimated net realizable value, which is discounted in accordance with the estimated resale date.

3.2.14 Trade receivables

Trade receivables are valued at their nominal value. Given the short payment timeframes, their fair value is identical to their nominal value.

Discounted notes not yet due, securitized receivables or receivables assigned under the Dailly Act are added back to trade receivables. Receivables assigned on a non-recourse basis in accordance with IFRS 9 - Financial Instruments are removed from the accounts.

Pursuant to IFRS 9, losses expected on trade receivables as of their origin are estimated and give rise to impairment charges. As the Group has taken out credit insurance, credit risk only arises from uninsured trade receivables. Amounts of impairment have remained stable and the application of the new standard has not required any material adjustments.

Irrecoverable receivables are removed from the balance sheet and recognized as losses.

3.2.15 Cash and cash equivalents

This item may consist of cash held at banks, cash on hand, accounts and term deposits and equity investments, which are usually money-market investment funds or Negotiable Certificates of Deposit that are immediately convertible and subject to a non-material risk of change in value. Investment securities are measured at fair value and unrealized gains and losses are recognized under net financial items. These investments are held with a view to their short-term sale.

3.2.16 Assets and liabilities held for sale

Assets or groups of assets held for sale, as defined by IFRS 5, are shown on a separate line under assets. The liabilities attached to groups of assets held for sale are shown on a separate line under liabilities. Assets are no longer depreciated or amortized once they fulfill the conditions for classifying them as assets held for sale, i.e. as soon as they are available for immediate disposal and their disposal is likely.

Their book value is compared to their fair value, net of disposal costs, at each year-end, and an impairment charge is recognized, where applicable.

Where a group of assets disposed of, held for sale or discontinued is a component of the entity, the related income and expenses are shown on a separate line in the consolidated statement of comprehensive income (net income from discontinued operations).

3.2.17 Shareholders' equity, treasury shares and bonus share plans

Share-based payments

In accordance with IFRS 2 – Share-Based Payments, bonus shares awarded to Group employees are measured at the fair value of the benefit granted on the award date.

Changes in their value following the award date have no impact on this valuation. The expense calculated in this way is recognized under personnel expenses and offset in shareholders' equity over the vesting period for the rights on a straight-line basis.

Treasury shares

The treasury shares held by the Group are charged against shareholders' equity at their purchase cost. Any gains or losses relating to the purchase, sale, issuance or cancellation of these shares are recognized directly in shareholders' equity, with no impact on income.

3.2.18 Current and non-current provisions

In accordance with IAS 37, provisions are recognized where:

- there is a legal or constructive obligation arising from past events;
- it is likely that an outflow of resources will be required to extinguish the obligation; and
- the amount of the obligation can be reliably estimated.

Depending on their expiry date, provisions are considered as "current" (expiring in less than one year) or "non- current" (expiring in more than one year).

Contingent assets are mentioned in the notes to the financial statements where their realization is likely and their amount is material. Contingent liabilities are mentioned in the notes to the financial statements where their amount is material

3.2.19 Provisions for employee benefit obligations

In addition to the pension benefits required by the applicable local legislation of the countries where the companies are located, some Group employees receive retirement benefits (or termination allowances) and supplemental pensions. There are also long-term service awards. The Group offers these benefits in some countries through defined-contribution or defined-benefit schemes.

In the case of defined-contribution schemes, the Group has no other obligation than to pay the premiums, while the related expense is recognized directly in income for the financial year.

In the case of defined-benefit schemes, pension obligations are valued in accordance with IAS 19, using the actuarial projected unit credit method.

The Group applies IAS 19 revised and recognizes the change in actuarial differences under items of other comprehensive income.

The provision is assessed by actuaries who are independent of the Group.

3.2.20 Deferred tax

Deferred tax is recognized according to the balance sheet liability method for any temporary differences that exist between the tax base for assets and liabilities and their net book value at the balance sheet date. Deferred tax assets are only recorded under assets if the Group expects to make sufficient taxable profits to absorb them, based on a business plan drawn up in accordance with the most likely scenarios. The methodology is based on five-year business plans, and takes the legislation in effect at the balance sheet date into account. The book value of deferred tax assets is reviewed at least once a year during the annual closing process.

Tax assets and liabilities are valued on the basis of the tax rates adopted or substantially adopted at the balance sheet date. Under the liability method, the impact of potential changes in tax rates on deferred tax recorded in prior periods is recorded in income during the financial year when these tax rate changes have become certain.

3.2.21 Deferred tax liabilities

All tax liabilities are recorded in accordance with IAS 12.

3.2.22 Receivables and payables denominated in foreign currencies

Transactions denominated in foreign currencies are recognized at their equivalent value in euros at the transaction date. At the balance sheet date, financial assets and monetary liabilities denominated in foreign currencies are converted into euros at the closing exchange rate. The resulting foreign exchange gains and losses are recognized under "foreign exchange gains and losses" and are shown under other financial income and expense in the consolidated statement of comprehensive income.

Foreign exchange differences relating to monetary items that are part of the Group's net investment in a foreign subsidiary are treated in the same manner as an investment in the subsidiary's share capital, i.e. they are recognized in shareholders' equity in accordance with IAS 21 – Effects of Changes in Foreign Exchange Rates. When the net investment is sold, these exchange rate differences are reclassified from shareholders' equity to profit or loss.

3.3 Notes to the consolidated statement of comprehensive income

3.3.1 Operating segments

The Group is organized on the basis of three divisions:

- JACQUET – Abraservice
- STAPPERT
- IMS group.

The key indicators per operating segment at December 31, 2018 were as follows:

€m	Sales	Gross margin	Adjusted operating income[2]	Operating working capital	Operating working capital as a % of sales
JACQUET - Abraservice	409.5	133.8	26.2	118.1	28.8%
STAPPERT	486.5	103.8	23.7	92.6	19.0%
IMS Group	967.2	221.3	38.7	227.9	23.6%
Other[1]	18.5	2.1	6.7	8.4	n.a
Inter-brand eliminations	(16.7)	—	—	—	n.a
Total	**1,865.0**	**461.0**	**95.3**	**447.1**	**24.0%**

[1] Non-brand activities (including Jacquet Metal Service SA)
[2] Adjusted for non-recurring items. The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them.
n.a: not applicable.

The key indicators per operating segment at December 31, 2017 were as follows:

€m	Sales	Gross margin	Adjusted operating income[2]	Operating working capital	Operating working capital as a % of sales
JACQUET - Abraservice	378.4	115.1	13.7	107.9	28.5%
STAPPERT	456.6	103.7	25.6	79.5	17.4%
IMS Group	900.6	217.5	36.3	191.8	21.3%
Other[1]	22.8	6.7	8.5	4.0	n.a
Inter-brand eliminations	(17.3)	—	—	—	n.a
Total	**1,741.1**	**443.0**	**84.2**	**383.3**	**22.0%**

[1] Non-brand activities (including Jacquet Metal Service SA)
[2] Adjusted for non-recurring items. The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them.
n.a: not applicable.

The breakdown of sales by geographical region was as follows:

	2018		2017	
€m	**Sales**	**in %**	**Sales**	**in %**
Germany	732.1	39%	671.7	39%
France	172.2	9%	164.9	9%
Italy	152.7	8%	137.7	8%
Spain	126.4	7%	113.3	7%
Netherlands	123.6	7%	118.4	7%
North-America	83.2	4%	68.9	4%
Other Europe	423.1	23%	415.2	24%
Outside Europe	51.7	3%	50.9	3%
Total	**1,865.0**	**100%**	**1,741.1**	**100%**

3.3.2 Cost of goods sold

€m	2018	2017
Sales	**1,865.0**	**1,741.1**
Cost of goods sold	**(1,404.0)**	**(1,298.1)**
Incl. purchases consumed	(1,396.0)	(1,289.7)
Incl. inventory impairment	(8.0)	(8.4)
Gross margin	**461.0**	**443.0**
Gross margin rate	*24.7%*	*25.4%*

The 2018 gross margin was €461 million or 24.7% of sales, compared to 25.4% in 2017.

3.3.3 Payroll expenses and headcount

€m	2018	2017
Salaries	(144.9)	(140.6)
Payroll taxes	(34.7)	(33.8)
Other personnel expenses	(2.0)	(0.9)
Personnel expenses	**(181.6)**	**(175.3)**
Payroll tax rate	*24.0%*	*24.1%*

Headcount

Group headcount at December 31, 2018 amounted to 3,291 full-time equivalent (FTE) employees, compared to 3,329 at December 31, 2017.

	2018	2017
FTE at year-end	**3,291**	**3,329**
Average headcount	**3,313**	**3,372**
France	543	545
Other countries	2,770	2,827

Compensation paid to corporate officers

The Company has two executive corporate officers, to whom the compensation and direct and indirect benefits of all kinds paid in 2018 amounted to €1,368,000, compared to €927,000 in 2017.

Attendance fees, which are the only compensation paid to Jacquet Metal Service SA non-executive directors, amounted to €117,000 in 2018 compared to €92,000 in 2017.

3.3.4 Gains / (losses) on disposals of non-current assets

In 2018, gains on disposals of non-strategic assets amounted to €3.8 million.

3.3.5 Net financial expense

€m	2018	2017
Interest on long-term borrowings	(3.5)	(3.4)
Interest on finance leases	(0.5)	(0.6)
Interest on short-term borrowings	(4.8)	(3.7)
Interest income	0.6	1.1
Net cost of debt	**(8.2)**	**(6.7)**
Other financial income	0.1	0.1
Other financial expenses	(3.2)	(4.8)
Other financial income and expense	**(3.2)**	**(4.7)**
Net financial expense	**(11.4)**	**(11.4)**

2018 net financial expense amounted to €11.4 million:

- Net cost of debt was €8.2 million in 2018, up from 2017 in line with the increase in debt. The average gross cost of debt in 2018 was 2.4%, compared to 2.6% in 2017.
- Other financial items (primarily bank charges and currency gains or losses) amounted to a €3.2 million expense compared to a €4.7 million expense in 2017.

An assessment of the interest rate and currency risk management process is set out in **§ 3.4.16.3.2** & **3.4.16.3.3.**

3.3.6 Corporate income tax

€m	2018	2017
Current tax	(17.4)	(16.4)
Deferred tax	(4.9)	(4.1)
Total taxes	**(22.3)**	**(20.5)**

The reconciliation between theoretical income tax, as calculated by applying the tax rate in effect in France (33.33% in 2018) on pre-tax income, and the actual tax charge is as follows:

€m	2018 Base	Corresponding tax income / (expense)	Rate
Net consolidated income before tax	**87,2**		
Calculated using the theoretical tax rate in France		**(29.1)**	**33.33%**
Impact of permanent differences[1]		0.2	-0.3%
Impact of the non-recognition of loss carryforwards		(1.3)	1.5%
Impact of the use of prior unrecognized loss carryforwards		2.3	-2.6%
Recognition of previous tax loss carryforwards		—	0.0%
Other		1.7	-2.0%
Total impact of tax base corrections		**3.0**	**-3.4%**
Additional tax arising from rate differences between France and other countries2		4.8	-5.5%
Other[3]		(0.9)	1.1%
Actual income tax expense		**(22.3)**	**25.5%**

[1] The permanent differences arise from non-tax deductible expenses.
[2] This line also includes an adjustment to tax rates in France (25% by 2022).
[3] The "Other" line primarily corresponds to the impact of the reclassification of the French CVAE business value-added charge as income tax (see § 3.2.5) and to the reimbursement of dividend tax

A breakdown of the tax loss carryforwards in the statement of financial position at December 31, 2018 is set out in **§ 3.4.13.**

3.3.7 Earnings per share

	2018	2017
Net income (Group share) (€000)	**61,627**	**46,235**
Total number of shares	24,028,438	24,028,438
Treasury shares	373,886	319,280
Total number of shares excluding treasury shares	23,654,552	23,709,158
Basic earnings per share (€)	**2.61**	**1.95**
Bonus shares[1]	–	–
Total diluted number of shares, excluding treasury shares	23,654,552	23,709,158
Diluted earnings per share (€)	**2.61**	**1.95**

[1] Average number of shares during the period

3.4 Notes to the statement of financial position

3.4.1 Goodwill – Business combinations

€m	31.12.17	Increase	Decrease	Translation differences	Changes in the scope of consolidation	31.12.18
JACQUET/Abraservice/Quarto CGU	12.0	–	–	(0.1)	–	11.9
Stappert CGU	40.4	–	–	–	–	40.4
IMS group CGU	15.9	–	–	–	–	15.9
Net goodwill	**68.3**	**–**	**–**	**(0.1)**	**–**	**68.3**

The change in the "goodwill" item observed over the 2018 financial year results exclusively from translation differences.

The Group analyzed the results of the various cash-generating units (CGUs) at December 31, 2018 in order to identify any evidence of potential impairment. The main assumptions used to determine asset value-in-use based on the discounted future cash flow method are set out below for information purposes:

- Projection period: 5 years;
- A perpetual growth rate of 2.0% was used to extrapolate the cash flow forecasts beyond the projection period. This rate is based on perpetual growth rates ranging between 0.8% (for companies operating in markets considered as mature and/or where the Group has traditionally operated) and 5.9% (for companies operating in developing markets and/or markets where the Group's growth targets exceed expected market growth);
- A discount rate of between 8.0% and 8.2%, depending on the division, is applied to the cash flow forecasts.

Sensitivity tests have been performed by varying:

- the perpetual growth rate by ±0.5pp and the discount rate by ±1pp;
- the gross margin, as expressed in euros, by ±1%.

These tests did not result in the identification of any impairment to be recognized.

3.4.2 Intangible assets

	31.12.17	Increase	Decrease	Reclassi-fication	Translation differences	Changes in the scope of consolidation	31.12.18
Software	22.0	0.5	(0.0)	0.2	(0.0)	1.4	24.0
In progress[1]	3.6	–	–	–	–	–	3.6
Other	1.1	0.0	(0.0)	–	0.0	–	1.1
Gross value	**26.6**	**0.5**	**(0.0)**	**0.2**	**(0.0)**	**1.4**	**28.7**
Software	(20.6)	(0.7)	0.0	(0.1)	0.0	0.0	(21.4)
In progress[1]	(0.8)	(0.3)	–	–	–	–	(1.1)
Other	(1.0)	(0.0)	0.0	–	0.0	–	(1.0)
Amortization	**(22.4)**	**(1.1)**	**0.0**	**(0.1)**	**0.0**	**0.0**	**(23.6)**
Software	1.4	(0.2)	0.0	0.1	(0.0)	1.4	2.6
In progress[1]	2.8	(0.3)	–	–	–	–	2.5
Other	0.0	(0.0)	–	–	0.0	–	0.0
Net value	**4.2**	**(0.6)**	**0.0**	**0.1**	**0.0**	**1.4**	**5.1**

[1] Development costs of the new Group ERP (JAC3).

3.4.3 Property, plant and equipment

€m	31.12.17	Increase	Decrease	Reclassi-fication	Translation differences	Changes in consolidation scope	31.12.18
Land	24.4	1.9	(0.1)	0.0	(0.0)	–	26.2
Leased land	3.7	–	–	–	–	–	3.7
Buildings	136.0	2.7	(0.6)	1.1	(0.2)	(0.7)	138.4
Leased buildings	10.4	–	–	–	–	–	10.4
Equipment, tools & technical installations	185.1	8.5	(0.7)	6.3	(0.1)	(7.8)	191.3
Leased equipment, tools & technical installations	26.0	0.5	–	(4.7)	(0.0)	(3.7)	18.0
Transport equipment	11.9	1.1	(1.1)	0.1	0.0	(0.1)	11.9
Leased transport equipment	0.9	0.3	–	(0.2)	(0.0)	(0.0)	0.9
Computer equipment	7.2	1.1	(0.1)	(0.2)	(0.0)	(0.0)	8.0
Leased computer equipment	–	–	–	–	–	–	–
Other property, plant and equipment	31.4	2.6	(0.6)	(0.0)	(0.0)	(1.0)	32.4
Other leased PP&E	0.2	–	–	(0.1)	(0.0)	–	0.1
Property, plant and equipment in progress	4.7	3.9	(0.2)	(1.8)	0.0	(1.0)	5.7
Advance payments	1.4	1.0	–	(1.4)	(0.0)	–	1.0
Total gross value	**443.4**	**23.7**	**(3.3)**	**(0.9)**	**(0.4)**	**(14.4)**	**448.0**
Buildings	(76.7)	(5.0)	0.6	(0.2)	0.1	0.3	(81.0)
Leased buildings	(5.1)	(0.4)	–	–	–	–	(5.5)
Equipment, tools & technical installations	(149.2)	(8.0)	0.7	(4.3)	0.1	5.4	(155.5)
Leased equipment, tools & technical installations	(14.4)	(2.0)	–	4.7	0.0	2.8	(8.9)
Transport equipment	(9.0)	(1.1)	1.0	(0.1)	(0.0)	0.1	(9.1)
Leased transport equipment	(0.3)	(0.2)	–	0.1	0.0	–	(0.3)
Computer equipment	(6.3)	(0.6)	0.1	0.2	0.0	0.0	(6.6)
Leased computer equipment	–	–	–	–	–	–	–
Other property, plant and equipment	(25.3)	(1.7)	0.5	0.2	0.0	0.7	(25.4)
Other leased PP&E	(0.2)	–	–	0.1	0.0	–	(0.0)
Total depreciation	**(286.4)**	**(19.1)**	**2.9**	**0.8**	**0.2**	**9.4**	**(292.2)**
Land	(2.3)	(0.0)	–	–	0.0	–	(2.3)
Buildings	(0.6)	–	–	–	–	–	(0.6)
Equipment, tools & technical installations	(2.1)	–	–	0.0	–	–	(2.1)
Other property, plant and equipment	(0.1)	–	–	–	–	–	(0.1)
Total provisions	**(5.0)**	**(0.0)**	**–**	**0.0**	**0.0**	**–**	**(5.0)**
Net book value	**151.9**	**4.6**	**(0.5)**	**(0.1)**	**(0.2)**	**(5.1)**	**150.8**

Capital expenditure amounted to €23.7 million in 2018, mainly involving the purchase or upgrading of finishing capacity.

Changes in consolidation scope arose from the disposal of assets, mainly the companies Calibracier and IMS TecPro.

3.4.4 Other financial assets

This item primarily corresponds to deposits, guarantees and receivables maturing in more than one year.

3.4.5 Inventory and work-in-progress

€m	31.12.18	31.12.17
Gross value	576.3	493.8
Impairment	(83.4)	(75.8)
Net value	**493.0**	**418.0**

Inventory primarily consists of finished goods inventories (whole and cut plates, long products, etc.).

Inventory was adjusted to its estimated net realizable value at December 31, 2018 via an impairment provision amounting to 14.5% of its gross value, compared to 15.4% in the previous year.

3.4.6 Trade receivables

€m	31.12.18	31.12.17
Trade receivables	159.1	166.5
Bills for collection	18.5	20.7
Bills receivable	1.2	0.1
Notes receivable discounted	1.4	–
Doubtful receivables	9.3	10.2
Accrued income / credit notes	0.2	0.2
Gross value	**189.6**	**197.7**
Impairment of receivables	(7.3)	(8.4)
Impairment	**(7.3)**	**(8.4)**
Net book value	**182.4**	**189.3**

All receivables have a maturity of less than one year.

The net value of the receivables does not include receivables assigned on a non-recourse basis, which amounted to €48 million in 2018, compared to €43.7 million in 2017.

An assessment of the credit and counterparty risk management process is set out in **§ 3.4.16.3.1**.

Changes in the impairment of trade receivables broke down as follows:

€m	2018	2017
As of January 1	**(8.4)**	**(9.3)**
Changes in consolidation scope	–	–
Net charges	1.0	0.8
Other	0.1	0.0
As of December 31	**(7.3)**	**(8.4)**

3.4.7 Current tax assets

Current tax assets amounted to €4.2 million at December 31, 2018. The balance of the item corresponds to amounts that are non-material on an individual basis.

3.4.8 Other assets

€m	31.12.18	31.12.17
Advances and down payments on orders	4.6	8.6
Tax receivables	11.1	5.1
Other assets	16.3	6.3
Prepaid expenses	3.5	3.9
Gross value	**35.5**	**23.9**

"Tax receivables" correspond to receivables other than corporate income tax (primarily VAT). Other assets mainly include the proceeds from the sale of a company received in early 2019. All receivables have a maturity of less than one year.

3.4.9 Cash and cash equivalents

€m	31.12.18	31.12.17
Cash	119.1	70.5
Cash equivalents	0.3	31.6
Gross value	**119.4**	**102.1**

"Cash equivalents" primarily consist of term deposits. An assessment of the interest rate risk management process for balance sheet assets is set out in **§ 3.4.16.3.2**.

3.4.10 Shareholders' equity

The statement of changes in shareholders' equity is set out in the section on "Changes in consolidated shareholders' equity".

3.4.10.1 Share capital

The share capital at December 31, 2018 was unchanged from the previous financial year. It consists of 24,028,438 shares, with a total value of €36,631,126.16. The changes in the number of authorized shares outstanding over the last two financial years were as follows:

	31.12.18	31.12.17
Number of shares outstanding at financial year-end	**24,028,438**	**24,028,438**
Of which number of shares with double voting rights	9,752,435	9,798,491
Of which number of treasury shares	373,886	319,280

3.4.10.2 Other changes recorded in shareholders' equity

"Other changes" affecting consolidated reserves at December 31, 2018 were non-material and corresponded to changes in treasury shares recognized as a deduction from shareholders' equity at their purchase cost. The Company did not sell any treasury shares outside the liquidity agreement in 2018.

"Changes in consolidation scope" affecting consolidated reserves at December 31, 2018 amounted to €0.4 million and primarily corresponded to minority interests in acquired companies.

3.4.10.3 Translation differences recorded in shareholders' equity

The change in translation differences recorded in shareholders' equity amounted to a €2.7 million reduction at December 31, 2018. The net impact on shareholders' equity of translation differences relating to long-term cash advances granted to subsidiaries in accordance with IAS 21 was €0.4 million. These differences primarily corresponded to advances granted to the US subsidiaries.

3.4.10.4 Share buyback program and bonus share awards

In its 24th resolution, the General Meeting of June 29, 2018 authorized the Board of Directors to enable the Company to buy back or transfer its own shares. The Board of Directors did not exercise this authorization during the year ended December 31, 2018.

Accordingly, the number of treasury shares at December 31, 2018 was 373,886 shares.

3.4.10.5 Minority interests

The Group is developing the use of its brands via a business model that is unusual in the metals distribution sector. Joint ventures (JVs) are set up with a local partner, who is usually the manager of the JV. This partner invests and receives an equity interest in the JV that ranges from 10 to 49%; in the event of losses, the partner commits to recapitalizing the JV at least up to the amount initially invested. The JV has an exclusive right to exploit the brand and can therefore market the full range of brand products in a specified area.

Jacquet Metal Service has a large number of subsidiaries, all majority-owned, located in 25 countries. The percentages of interest and control held by Jacquet Metal Service in each subsidiary and their country of location are listed in **§ 3.1.1** – "Consolidation scope" in the notes to the consolidated financial statements.

Shareholder agreements have been signed between Jacquet Metal Service and the minority shareholders.

These agreements in no way affect the terms and conditions governing the sale or purchase of Jacquet Metal Service shares.

They are designed solely to arbitrate between the parties' interests in the event of conflict or a planned divestment.

Where applicable, some of these agreements provide for put and call options over minority interests in favor of both parties. Generally speaking, minority interests are valued using a base approximately equal to the subsidiary's shareholders' equity.

3.4.11 Current and non-current provisions

€m	31.12.17	Changes in consolidation scope	Addition	Reversals unused	Reversals used[1]	Autres	31.12.18
Non-current provisions	6.2	(0.1)	0.9	—	(1.4)	—	5.6
Current provisions	35.8	(0.9)	3.8	(0.2)	(5.5)	0.3	33.3
Total	**42.0**	**(1.0)**	**4.7**	**(0.2)**	**(6.9)**	**0.3**	**38.9**

[1] including €1.6 million in reversals of provisions used, classified under personnel expenses in the consolidated statement of comprehensive income.

Current and non-current provisions correspond to disputes with employees, reorganization costs and disputes with customers and suppliers.

3.4.12 Provisions for employee benefit obligations

The pension obligations primarily relate to France, Germany, the Netherlands and Italy. The main assumptions used are as follows:

Assumptions used		France	Germany	Italy	Netherlands
Discount rate					
2018	Umbrella pension scheme	1.75%			
	Other schemes	1.75%	1.75-2% [2]	1.75%	1.95%
2017	Umbrella pension scheme	1.50%			
	Other schemes	1.50%	1.50%	1.50%	1.50%
Inflation rate					
2018		2.00%	n.a.	2.00%	1.80%
2017		2.00%	n.a.	2.00%	1.80%
Average wage inflation rate					
2018		From 0.39% to 4.69% depending on SPC [1], pay schemes and age	n.a.	n.a.	2.30%
2017		From 0.39% to 4.69% depending on SPC [1], pay schemes and age	n.a.	n.a.	2.30%
Length in years					
2018	Umbrella pension scheme	12			
	Other schemes	12	23	6	27
	Long service awards	8	13		
2017	Umbrella pension scheme	15			
	Other schemes	12 years for retirement bonuses. 8 years for long-service awards		6	31

1 SPC: socio-professional categories

As in the previous financial years, the discount rate used was calculated on the basis of top tier AA-rated private corporate bonds (iBoxx € Corporate AA 10+).

The provision is assessed by actuaries who are independent of the Group.

€m	France	Germany	Italy	Netherland	Other	31.12.18 Total	31.12.17 Total
Reconciliation with the restated opening financial position							
1 Opening actuarial liability (DBO)	(24.7)	(39.7)	(1.3)	(17.7)	(2.2)	**(85.6)**	**(88.6)**
2 Opening fair value of insurance fund assets	0.3	5.8	—	14.7	0.2	**21.1**	**20.4**
3 **Opening financial position (1) + (2)**	**(24.4)**	**(33.9)**	**(1.3)**	**(3.0)**	**(1.9)**	**(64.5)**	**(68.1)**
Expense for the year							
1 Cost of services rendered	0.4	0.4	0.1	0.9	0.2	**2.1**	**1.8**
2 Interest expense	0.3	0.6	0.0	0.4	0.0	**1.3**	**1.2**
3 Expected yield from insurance funds	0.0	(0.1)	—	(0.3)	0.0	**(0.4)**	**(0.4)**
4 Administrative expenses	—	—	—	0.1	—	**0.1**	**0.1**
5 Amortization of actuarial (gains) and losses	(0.0)	(0.1)	—	(0.0)	(0.1)	**(0.2)**	**0.1**
6 **Expense for the financial year = total of (1) to (5)**	**0.7**	**0.8**	**0.1**	**1.1**	**0.2**	**2.9**	**2.7**
Change in actuarial liability (DBO)							
1 Opening actuarial liability (DBO)	(24.7)	(39.7)	(1.3)	(17.7)	(2.2)	**(85.6)**	**(88.6)**
2 Cost of services rendered	(0.4)	(0.4)	(0.1)	(0.9)	(0.2)	**(2.1)**	**(1.8)**
3 Interest expense	(0.3)	(0.6)	(0.0)	(0.4)	(0.0)	**(1.3)**	**(1.2)**
4 Employee contributions	—	0.0	—	(0.2)	—	**(0.2)**	**(0.3)**
5 Employer contributions	1.0	1.9	0.2	0.1	0.1	**3.3**	**0.4**
6 Profits / (losses) generated during the financial year	1.8	0.8	(0.0)	(0.1)	0.1	**2.7**	**2.0**
7 Other	0.0	(0.1)	—	—	—	**(0.1)**	**0.2**
8 Change in consolidation	1.5	0.3	—	—	—	**1.8**	**—**
9 **Closing actuarial liability (DBO) = total of (1) to (8)**	**(21.2)**	**(37.8)**	**(1.2)**	**(19.3)**	**(2.2)**	**(81.6)**	**(85.6)**

€m		France	Germany	Italy	Netherland	Other	31.12.18 Total	31.12.17 Total
Insurance fund asset forecast								
1	Opening fair value of insurance fund assets	0.3	5.8	–	14.7	0.2	**21.1**	**20.4**
2	Expected return on assets	0.0	0.1	–	0.3	0.0	**0.4**	**0.4**
3	Employer contributions	1.7	0.4	–	0.6	0.0	**2.7**	**0.9**
4	Employee contributions	–	0.0	–	0.2	–	**0.3**	**0.3**
5	Benefits paid out by the fund	(0.1)	(0.3)	–	(0.1)	–	**(0.4)**	**(1.2)**
6	Management fees	–	–	–	(0.1)	–	**(0.1)**	**(0.1)**
7	Profits / (losses) generated during the financial year	0.0	0.1	–	0.3	(0.0)	**0.4**	**0.2**
8	Change in consolidation	–	(0.1)	–	–	–	**(0.1)**	**0.0**
9	**Closing fair value of insurance fund = total of (1) to (8)**	**2.0**	**6.0**	**–**	**16.0**	**0.3**	**24.3**	**21.1**
Reconciliation with closing financial position								
1	Closing actuarial liability (DBO)	(21.2)	(37.8)	(1.2)	(19.3)	(2.2)	**(81.6)**	**(85.6)**
2	Closing fair value of insurance fund assets	2.0	6.0	–	16.0	0.3	**24.3**	**21.1**
3	**Financial position (1) + (2)**	**(19.1)**	**(31.8)**	**(1.2)**	**(3.2)**	**(1.9)**	**(57.3)**	**(64.5)**
Closing (provision) / advance payment								
1	Opening (provision) / advance payment	(24.4)	(33.9)	(1.3)	(3.0)	(1.9)	**(64.5)**	**(68.1)**
2	Expense for the year	(0.7)	(0.8)	(0.1)	(1.0)	(0.2)	**(2.9)**	**(2.7)**
3	Benefits / contributions paid by the employer	2.7	2.0	0.2	0.6	0.1	**5.6**	**3.8**
4	Actuarial gains / losses recognized in items of other comprehensive income	1.8	0.8	(0.0)	0.2	0.0	**2.9**	**2.3**
5	Other	0.0	(0.0)	–	–	0.0	**0.0**	**0.3**
6	Change in consolidation	1.5	0.1	–	–	(0.0)	**1.6**	**–**
7	**Closing (provision) / advance payment = total of (1) to (6)**	**(19.1)**	**(31.8)**	**(1.2)**	**(3.2)**	**(1.9)**	**(57.3)**	**(64.5)**
Reasons for actuarial gains and losses generated during the year								
1	Change in demographic assumptions	–	(0.9)	–	0.2	(0.0)	**(0.7)**	**–**
2	Change in financial assumptions	0.7	1.8	(0.0)	(0.3)	0.1	**2.2**	**2.1**
3	Experience adjustments	1.1	(0.1)	0.0	0.0	0.0	**1.0**	**(0.1)**
4	Actuarial gains / losses generated by hedge assets	0.0	0.1	–	0.3	(0.0)	**0.4**	**0.2**
5	**Total experience (gains) / losses over the financial year Closing balance = total of (1) to (4)**	**1.8**	**0.8**	**(0.0)**	**0.2**	**0.0**	**2.9**	**2.3**

Assets held for the purpose of covering employee benefit liabilities amounted to €24.3 million and are mainly located in France (special pension fund set up in 2018), the Netherlands and Germany. They are invested in the general funds of the insurance company, on which the Company has generally not imposed any investment strategy (allocation to equity, real estate, etc.).

Actuarial gains and losses primarily relate to changes in assumptions, and decreased the provision by €2.9 million.

These gains and losses were recognized under items of other comprehensive income. Their impact net of tax was a €2.0 million increase.

Sensitivity testing on the impact of changes in the discount rate on the valuation of the actuarial liability, with a deviation of ±0.25 pp for most of the companies concerned, yielded the following results:

€m	France	Germany	Italy	Netherland	Total tested	Group total
Actuarial liability at 31.12.18 calculated at a rate of 1.75% or 1.95%	**(21.2)**	**(35.5)**	**(0.7)**	**(19.1)**	**(76.5)**	**(81.6)**
Actuarial liability calculated at a rate of 1.75% or 1.95% +0.25pp	(20.5)	(34.5)	(0.7)	(17.9)	(73.5)	
Actuarial liability calculated at a rate of 1.75% or 1.95% -0.25pp	(21.8)	(36.7)	(0.7)	(20.5)	(79.7)	

Sensitivity testing on the impact of changes in the inflation rate on the valuation of the actuarial liability, with a deviation of ±0.25 pp for most of the companies concerned, yielded the following results:

€m	France	Germany	Italy	Netherland	Total tested	Group total
Actuarial liability at 31.12.18 calculated at an inflation rate of 1.8% or 2%	**(21.2)**	**(35.5)**	**(0.7)**	**(19.1)**	**(76.5)**	**(81.6)**
Actuarial liability at 31.12.18 calculated at an inflation rate of 1.8% or 2% + 0.5pp	(21.8)	(36.4)	(0.7)	(19.3)	(78.2)	
Actuarial liability at 31.12.18 calculated at an inflation rate of 1.8% or 2% - 0.5pp	(20.8)	(34.5)	(0.7)	(18.4)	(74.4)	

All pension schemes are relatively insensitive to the wage inflation rate.

The forecast benefit schedule over the next three years provides for an expense of €2.7 million in France, €0.3 million in the Netherlands and €5.2 million for Germany.

3.4.13 Deferred tax

The origin of deferred tax is as follows:

€m	31.12.18	31.12.17
Temporary differences	18.4	18.6
Tax losses carried forward	5.3	10.2
Other IFRS restatements [1]	22.1	23.3
Deferred tax assets	**45.8**	**52.1**
Temporary differences	0.8	0.7
Other IFRS restatements [1]	0.1	–
Deferred tax liabilities	(7.3)	(6.4)
Deferred tax liabilities	**(6.4)**	**(5.7)**

[1] These are primarily restatements relating to the rules for harmonizing the accounting process between the subsidiaries.

The change in deferred tax on tax loss carryforwards broke down as follows:

€m	31.12.18	31.12.17
As of January 1	**10.2**	**14.9**
Recognition	(4.6)	(4.5)
Utilization	0.0	0.1
Recognition of previous tax loss carryforwards	(0.1)	–
Translation differences	(0.3)	(0.3)
As of December 31	**5.4**	**10.2**

3.4.14 Borrowings

€m	31.12.18	<1 year	1 - 5 years	>5 years	31.12.17
Finance lease liabilities >1 year	12.3	–	7.0	5.3	15.7
Long-term borrowings >1 year	191.9	–	186.5	5.4	157.7
Long-term borrowings	**204.2**	**–**	**193.5**	**10.7**	**173.4**
			–	–	–
Finance lease liabilities <1 year	3.5	3.5	–	–	4.4
Portion of long-term borrowings due <1 year	41.5	41.5	–	–	35.3
Bank overdrafts. factoring. discounting	87.6	87.6	–	–	75.6
Accrued interest	0.9	0.9	–	–	0.8
Short-term borrowings	**133.6**	**133.6**	–	–	**116.2**
Liabilities held for sale	–	–	–	–	-
Total borrowings	**337.8**	**133.6**	**193.5**	**10.7**	**289.6**

Long-term borrowings include the private placement under German law (Schuldscheindarlehen) amounting to €150 million, which was arranged in February 2018 and matures on April 30, 2023.

An assessment of interest rate and liquidity risk is set out in § 3.4.16.3.2.

Short-term debt repayment schedule

€m	31.12.18
Due in <1 month	104.7
Due in 1-3 months	7.2
Due in 3-12 months	21.7
Total	**133.6**

Change in borrowings

€m	
At December 31, 2017	**289.6**
New borrowings (including finance leases)	160.8
Repayment of borrowings and finance leases	(125.7)
Change in bank overdrafts, discounts and credit facilities	12.6
Changes in consolidation scope	(0.1)
Translation differences and other items	0.5
At December 31, 2018	**337.8**

New borrowings amounted to €160 million and corresponded to new financing, arranged primarily at Jacquet Metal Service SA (mainly consisting of the private placement under German law - Schuldscheindarlehen or SSD) and new finance leases totaling €0.8 million.

Breakdown of net debt by interest rate type and currency

€m	31.12.18	31.12.17
Fixed rate borrowings	46.2	57.5
Floating rate borrowings	291.6	232.1
Total borrowings	**337.8**	**289.6**
EUR	288.5	238.9
CAD	5.6	7.8
CZK	5.2	5.0
CHF	1.7	1.5
TRY	0.0	0.0
CNY	0.7	0.9
GBP	1.8	7.2
SEK	2.0	2.0
HUF	0.4	0.6
USD	27.1	22.7
PLN	4.9	2.9
Liabilities held for sale	**–**	**–**
Long-term loans[1]	**3.8**	**4.3**
Cash and cash equivalents	**119.4**	**102.1**
Net debt	**214.5**	**183.1**

1 Included under "Other financial assets"

3.4.15 Trade payables and other liabilities

€m	31.12.18	31.12.17
Trade payables	**228.3**	**224.0**
Current tax liabilities	**12.1**	**13.0**
Tax liabilities	16.3	15.6
Payroll tax payable	26.7	25.0
Advances and down payments on orders	0.7	0.7
Fixed asset payables	0.7	0.7
Other payables	10.7	9.5
Deferred income	1.3	0.5
Other current liabilities	**56.3**	**52.1**
Other non-current liabilities	**4.6**	**4.5**

All trade payables and other liabilities have a maturity of less than one year. Average supplier payment terms are around 60 days.

3.4.16 Financial instruments

3.4.16.1 Financial assets

31.12.18				Breakdown by category of instruments				
€m	Statement of financial position total	Current	Non current	Fair value through income	Derivatives at fair value through income	Derivatives at fair value through items of OCI	Securities available for sale	Loans and receivables at amortized cost
Non-current financial assets	14.5	—	14.5	—	—	—	—	14.5
Trade receivables	182.4	182.4	—	—	—	—	—	182.4
Other assets	35.5	35.5	—	—	—	—	—	35.5
Derivatives	0.1	0.1	—	—	—	0.1	—	—
Cash and cash equivalents	119.4	119.4	—	119.4	—	—	—	—
Total financial assets	**351.9**	**337.4**	**14.5**	**119.4**	**—**	**0.1**	**—**	**232.4**

31.12.17				Breakdown by category of instruments				
€m	Statement of financial position total	Current	Non current	Fair value through income	Derivatives at fair value through income	Derivatives at fair value through items of OCI	Securities available for sale	Loans and receivables at amortized cost
Non-current financial assets	14.9	—	14.9	—	—	—	—	14.9
Trade receivables	189.3	189.3	—	—	—	—	—	189.3
Other assets	23.9	23.9	—	—	—	—	—	23.9
Derivatives	—	—	—	—	—	—	—	—
Cash and cash equivalents	102.1	102.1	—	102.1	—	—	—	—
Total financial assets	**330.2**	**315.3**	**14.9**	**102.1**	**—**	**—**	**—**	**228.1**

3.4.16.1.1 Loans and receivables at amortized cost

	2018			2017		
€m	Gross	Impairment	Net	Gross	Impairment	Net
Other non-current financial assets	15.9	(1.4)	14.5	16.4	(1.4)	14.9
Trade receivables	189.6	(7.3)	182.4	197.7	(8.4)	189.3
Other assets	35.5	—	35.5	23.9	—	23.9
Total	**241.0**	**(8.7)**	**232.4**	**238.0**	**(9.8)**	**228.1**

3.4.16.1.2 Financial assets at fair value through profit or loss or items of other comprehensive income

	2018		2017	
€m	Current	Non current	Current	Non current
Financial derivatives	0.1	—	—	—
Cash and cash equivalents	119.4	—	102.1	—
Total	**119.5**	**—**	**102.1**	**—**

Financial derivatives classified as assets at December 31, 2018 are shown in **§ 3.4.16.4**. The Group uses hedge accounting when the effectiveness of a hedge can be demonstrated. Where this is not the case, the Group recognizes all changes in the fair value of hedging instruments through profit or loss.

3.4.16.1.3 Fair value of financial assets

31.12.18

€m	Listed price	Observable data model	Non-observable data model	Fair value	Statement of financial position
Non-current financial assets	–	–	14.5	14.5	14.5
Trade receivables	–	182.4	–	182.4	182.4
Other assets	–	35.5	–	35.5	35.5
Derivatives	–	0.1	–	0.1	0.1
Cash and cash equivalents	119.4	–	–	119.4	119.4
Total financial assets	**119.4**	**218.0**	**14.5**	**351.9**	**351.9**

31.12.17

€m	Listed price	Observable data model	Non-observable data model	Fair value	Statement of financial position
Non-current financial assets	–	–	14.9	14.9	14.9
Trade receivables	–	189.3	–	189.3	189.3
Other assets	–	23.9	–	23.9	23.9
Derivatives	–	0.0	–	0.0	0.0
Cash and cash equivalents	102.1	–	–	102.1	102.1
Total financial assets	**102.1**	**213.2**	**14.9**	**330.3**	**330.3**

3.4.16.1.4 Statement of changes in impairment of financial assets

€m	31.12.17	Loss of value	Translation differences	Reclassifi-cations	Net charges	31.12.18
Impairment of non-current financial assets	1.4	–	–	–	(0.1)	1.4
Impairment of trade receivables	8.4	–	(0.1)	(0.0)	(1.0)	7.3
Total	**9.8**	**–**	(0.1)	**(0.0)**	**(1.1)**	**8.6**

€m	31.12.16	Loss of value	Translation differences	Reclassifi-cations	Net charges	31.12.17
Impairment of non-current financial assets	1.5	–	–	(0.1)	(0.1)	1.4
Impairment of trade receivables	9.3	–	–	–	(0.8)	8.4
Total	**10.8**	**–**	–	**(0.1)**	**(0.9)**	**9.8**

3.4.16.2 Financial liabilities

31.12.18				Breakdown by category of instruments			
€m	Statement of financial position total	Current	Non current	Fair value through income	Derivatives at fair value through income	Derivatives at fair value through items of OCI	Financial liabilities at amortized cost
Other non-current liabilities	4.6	–	4.6	–	–	–	4.6
Borrowings	337.8	133.6	204.2	–	–	–	337.8
Trade payables	228.3	228.3	–	–	–	–	228.3
Derivatives	0.6	0.6	–	–	–	0.6	–
Other liabilities	56.3	56.3	–	–	–	–	56.3
Total financial liabilities	**627.6**	**418.8**	**208.8**	**–**	**–**	**0.6**	**626.9**

31.12.17				Breakdown by category of instruments			
€m	Statement of financial position total	Current	Non current	Fair value through income	Derivatives at fair value through income	Derivatives at fair value through items of OCI	Financial liabilities at amortized cost
Other non-current liabilities	4.5	–	4.5	–	–	–	4.5
Borrowings	289.6	116.2	173.4	–	–	–	289.6
Trade payables	224.0	224.0	–	–	–	–	224.0
Derivatives	0.6	0.6	–	–	0.3	0.3	–
Other liabilities	52.1	52.1	–	–	–	–	52.1
Total financial liabilities	**570.8**	**392.9**	**177.9**	**–**	**0.3**	**0.3**	**570.2**

3.4.16.2.1 Borrowings

The components of borrowings are set out in **§ 3.4.14**.

An assessment of the liquidity risk management process is set out in **§ 3.4.16.3.2**.

3.4.16.2.2 Derivatives

	2018		2017	
€m	Current	Non current	Current	Non current
Derivatives	0.6	–	0.6	–
Total	**0.6**	**–**	**0.6**	**–**

Financial derivatives classified as liabilities at December 31, 2018 are shown in **§ 3.4.16.4**. The Group uses hedge accounting when the effectiveness of a hedge can be demonstrated. In this case, financial derivatives are recognized under items of other comprehensive income, which resulted in a non-material change at December 31, 2018. Where effectiveness is not demonstrated, the Group recognizes all changes in the fair value of hedging instruments through profit or loss.

An analysis of the Group interest rate and currency hedging policy and the terms of its hedging contracts are set out in **§ 3.4.16.3.2**, **3.4.16.3.3** and **3.4.16.4**.

3.4.16.2.3 Trade payables and other liabilities

The components of trade payables and other liabilities are set out in **§ 3.4.15**.

3.4.16.2.4 Fair value of financial liabilities

31.12.18

€m	Listed price	Observable data model	Non-observable data model	Fair value	Statement of financial position
Other non-current liabilities	—	4.6	—	4.6	4.6
Borrowings	337.8	—	—	337.8	337.8
Trade payables	—	228.3	—	228.3	228.3
Derivatives	—	0.6	—	0.6	0.6
Other liabilities	—	56.3	—	56.3	56.3
Total fair value of financial liabilities	**337.8**	**289.8**	**—**	**627.6**	**627.6**

31.12.17

€m	Listed price	Observable data model	Non-observable data model	Fair value	Statement of financial position
Other non-current liabilities	—	4.5	—	4.5	4.5
Borrowings	289.6	—	—	289.6	289.6
Trade payables	—	224.0	—	224.0	224.0
Derivatives	—	0.6	—	0.6	0.6
Other liabilities	—	52.1	—	52.1	52.1
Total fair value of financial liabilities	**290.2**	**280.6**	**—**	**570.8**	**570.8**

3.4.16.3 Management of risks relating to financial instruments

3.4.16.3.1 Credit and counterparty risk

91% of trade receivables were insured at December 31, 2018. The Group's exposure to credit and counterparty risk primarily relates to uninsured trade receivables. The Group is not in a position of commercial dependence on its customers. Moreover, the Group is not dependent on a specific supplier and only uses subcontractors on an occasional basis.

All receivables have a maturity of less than one year. The payment terms usually offered to customers range between 30 and 120 days, depending on the geographical region.

The gross value of customer payments in arrears at December 31, 2018 is set out below.

€m	31.12.18	31.12.17
Receivables not due and not impaired	**140.8**	**152.5**
Receivables overdue and impaired	**13.7**	**14.6**
< 30 days	2.8	2.9
30 to 60 days	1.4	1.7
60 to 90 days	0.6	0.5
90 to 120 days	1.0	0.9
> 120 days	8.0	8.7
Receivables overdue and not impaired	**35.1**	**30.6**
< 30 days	26.2	23.2
30 to 60 days	5.0	5.8
60 to 90 days	0.7	0.7
90 to 120 days	0.3	0.4
> 120 days	3.0	0.5
Total receivables	**189.6**	**197.7**

3.4.16.3.2 Interest rate and liquidity risk

3.4.16.3.2.1 Assessment of interest rate risk relating to balance sheet assets

Balance sheet assets' exposure to interest rate risk primarily relates to the Group's cash investments. These cash investments primarily consist of term deposits, where the risk is limited.

3.4.16.3.2.2 Assessment of interest rate risk relating to balance sheet liabilities

Balance sheet liabilities' exposure to interest rate risk primarily relates to the Group's floating rate debt.

€m	31.12.18	31.12.17
Floating rate bank overdrafts, factoring, discountings	82.4	72.5
Floating rates borrowings	209.1	158.8
Of which hedged floating rat borrowings	75.0	125.0
Unhedged balance	**216.5**	**106.3**

As of December 31, 2018, 36% of floating-rate borrowings were hedged via swaps covering an amount of €75 million, with maturities between 2021 and 2023. The average swap rate is 0.358%.

If these hedging agreements are taken into account, a change of ±1 pp in interest rates would have an impact of around €1.25 million on the Group’s interest expense.

3.4.16.3.2.3 Assessment of liquidity risk

Based on non-discounted contractual cash flows covering both the principal amounts and interest, the debt payment schedule is as follows:

31.12.18			Term		
€m	Borrowings	Contractual undertakings	<1 year	1-5 years	>5 years
Long-term finance lease liabilities >1 year and <1 year	15.8	15.8	3.5	7.0	5.3
Long-term borrowings >1 year and <1 year	233.4	243.6	42.8	194.7	6.1
Long-term borrowings including short-term portion	**249.3**	**259.4**	**46.3**	**201.7**	**11.4**
Bank overdrafts, factoring, discounting	87.6	87.6	87.6	–	–
Accrued interests	0.9	0.9	0.9	–	–
Short-term borrowings	**88.5**	**88.5**	**88.5**	**–**	**–**
Total borrowings	**337.8**	**348.0**	**134.8**	**201.7**	**11.4**

As long and short-term borrowings primarily consist of euro-denominated debt, no exchange rate assumptions have been used.

The "Bank overdrafts, factoring and discounts" line only includes the principal amount.

Long-term debt (long and short-term portion) amounted to €249 million at December 31, 2018 and consisted of €41 million in fixed rate debt and €209 million in floating rate debt.

The contractual undertaking therefore corresponds to the debt shown on the balance sheet at December 31, 2018 plus future interest payments. The future interest payments were calculated on the basis of an average rate of 2.4% for unhedged loans.

Some loans are subject to compliance with the covenants set out in **§ 3.5.4**.

The Group has carried out a specific review of its liquidity risk and considers that it is able to meet its future liabilities as they fall due. At December 31, 2018:

- Group cash and cash equivalents amounted to €119.4 million, including €65 million held by Jacquet Metal Service SA;
- Jacquet Metal Service SA had an unused revolving credit facility of €125 million, as well as other credit facilities;
- The subsidiaries had unused lines of credit amounting to €91.7 million.

The amount of the used and unused lines of credit is set out in **§ 3.5.3**.

3.4.16.3.3 Currency risk

3.4.16.3.3.1 Currency hedging policies

The subsidiaries mainly purchase raw materials in euros. The Group's exposure to currency risk mainly concerns the subsidiaries based in the UK, Sweden, Switzerland, Poland, USA, Canada, Turkey and China, in respect of purchases in euros, while other cash flows are denominated in the subsidiary's functional currency.

Jacquet Metal Service SA is exposed to currency risk when it grants cash advances in local currencies to subsidiaries based outside the euro zone.

The Finance Department assesses the currency positions every month, per currency and per subsidiary, and then arranges the hedges required. The most frequently used hedging instruments are forward currency purchases or sales.

3.4.16.3.3.2 Currency risk on foreign currency investments in the subsidiaries

The net balance sheet positions for foreign currency investments in the subsidiaries by currency of origin are as follows:

€m	AED	CAD	CHF	CNY	CZK	DKK	GBP	HUF	PLN	SEK	TRY	USD	Total
Assets excluding intangible assets and PP&E	0.3	9.9	2.4	5.3	15.7	0.1	7.1	13.5	22.3	11.9	7.7	25.8	122.0
Liabilities excluding shareholders' equity	0.2	8.7	2.8	1.2	11.4	0.3	4.9	6.2	12.9	7.6	4.7	45.2	106.1
Net position before hedging	**0.1**	**1.2**	**(0.4)**	**4.1**	**4.3**	**(0.2)**	**2.2**	**7.3**	**9.4**	**4.3**	**3.0**	**(19.4)**	**15.9**
Off-balance sheet position	–	–	–	–	–	–	–	–	–	–	–	–	–
Net position after hedging	**0.1**	**1.2**	**(0.4)**	**4.1**	**4.3**	**(0.2)**	**2.2**	**7.3**	**9.4**	**4.3**	**3.0**	**(19.4)**	**15.9**

3.4.16.3.4 Other risks

The other risks identified by the Group are country risk, price elasticity risk, the risk of fluctuations in metal prices and equity risk.

3.4.16.4 Derivatives

These instruments, which are recognized in net financial expense or in items of other comprehensive income, were valued on the basis of expectations for interest and foreign exchange rates:

€m	31.12.17	Changes in consolidation scope	Increase	Decrease	Fair value	31.12.18
Interest-rate derivatives	0.3	–	(0.0)	–	0.4	0.6
Currency derivatives	0.3	–	0.1	(0.1)	(0.3)	0.0
Total derivatives under liabilities	**0.6**	**–**	**0.2**	**(0.1)**	**0.1**	**0.6**
Interest-rate derivatives	0.0	–	0.0	(0.0)	–	0.0
Currency derivatives	0.0	–	–	(0.0)	0.1	0.1
Total derivatives under assets	**0.0**	**–**	**0.0**	(0.0)	**0.1**	0.1

An assessment of currency, interest rate and liquidity risk is set out in **§ 3.4.16.3.2** & **3.4.16.3.3.**

3.5 Off-balance sheet commitments

The Group Finance Department conducts a thorough review of off-balance sheet commitments. The commitments given and received, as set out below, are presented on the basis of the principal amount outstanding on the liabilities to which they are attached.

3.5.1 Summary of commitments given and received

Off-balance sheet commitments break down as follows:

			Maturity		
€m	**31.12.18**	**31.12.17**	**<1 year**	**1-5 years**	**>5 year**
Commitments received for financing transactions (guarantees)	**0.4**	**0.6**	**0.2**	**0.2**	**0.0**
Commitments given	**205.9**	**176.4**	**188.9**	**4.2**	**12.9**
Supplier guarantees	30.1	28.0	27.7	2.5	–
Guarantees given to banks	56.3	40.2	56.2	0.0	0.0
Documentary credit, letters of credit, SBLC	8.2	11.0	8.2	–	–
Comfort letters	53.8	54.4	53.8	–	–
Mortgages	14.2	10.7	5.7	1.7	6.8
Pledges	–	–	–	–	–
Security interests on working capital	33.5	22.2	32.7	–	0.8
Guarantees	9.8	9.8	4.6	–	5.2

The main mortgages granted are as follows:

€m	**Collateralized assets**	**Start date**	**Maturity**	**Total balance sheet item**[1]	**Coll. assets as% of balance sheet item**
Mortgages on lands or buildings					
Belgium	6.2	20.01.14	20.01.24	7.4	84%
Switzerland	1.3	01.06.11	30.03.21	5.0	26%
Czech Republic	1.1	01.09.14	01.07.22	5.3	34%
	0.7	01.09.14	01.05.19		
Poland	4.9	19.09.11	18.11.19	4.9	100%
Total collateralized equipment	**14.2**				

1 Total gross value of balance sheet item in the consolidated financial statements

3.5.2 Contractual obligations

		Payments due over the period		
€m	**Total**	**< 1 year**	**1-5 years**	**> 5 year**
2018				
Finance lease obligations[1]	13.7	3.9	7.5	2.3
Discounted value of finance lease obligations[2]	13.0	3.9	7.0	2.1
Operating lease agreements[3]	90.2	18.9	49.4	21.9
2017				
Finance lease obligations[1]	16.1	4.2	10.6	1.3
Discounted value of finance lease obligations[2]	14.9	4.1	9.7	1.1
Operating lease agreements[3]	87.9	18.8	46.1	23.0

1 Total future minimum payments under finance lease agreements.
There were no sub-leasing agreements relating to finance lease agreements as of December 31.
2 The commitment corresponds to the discounted value of future minimum payments under finance lease agreements.
3 The commitment corresponds to total minimum future payments under non-cancellable operating leases.

3.5.3 Lines of credit

Lines of credit break down as follows:

€m	2018 Amount granted	2018 Amount used	2018 Amount available	2017 Amount granted	2017 Amount used	2017 Amount available
Jacquet Metal Service SA	**431.8**	**199.4**	**232.4**	**365.9**	**160.6**	**205.3**
Revolving term loan	125.0	–	125.0	125.0	–	125.0
Schuldscheindarlehen (private placement of debt instruments under German law)	150.0	150.0	–	88.0	88.0	–
Lines of credit / facilities	156.8	49.4	107.4	152.9	72.6	80.3
Subsidiaries	**230.1**	**138.4**	**91.7**	**246.2**	**129.0**	**117.3**
Total	**661.9**	**337.8**	**324.1**	**612.1**	**289.6**	**322.5**

3.5.4 Bank covenants

Financing covenants mainly apply to the syndicated revolving loan and the German private placement (Schuldscheindarlehen or SSD) contracted by Jacquet Metal Service SA. These covenants mainly correspond to commitments that must be complied with at Group level.

The main terms of the syndicated revolving loan are as follows:

- Date of signature: June 2017
- Maturity: July 16, 2020
- Amount: €125 million (unused)
- Guarantee: None
- Change of control clause: JSA must hold at least 40% of Jacquet Metal Service SA's share capital and voting rights.
- Main covenants:
  The Company must meet one of the following criteria:
  - Debt to equity ratio less than 1 or
  - Leverage less than 2.

The main terms of the Schuldscheindarlehen are as follows:

- Date of signature: February 2018
- Maturity: April 30, 2023
- Amount: €150 million (fully used)
- Amortization: *in fine*
- Guarantee: None
- Change of control clause: JSA must hold at least 37% of Jacquet Metal Service SA's share capital and voting rights.
- Main covenant:
  - Debt to equity ratio less than 1.

All financing covenants were in compliance at December 31, 2018.

3.6 Information on related parties

Related parties have been defined as the corporate officers of Jacquet Metal Service SA, the parent company. The subsidiaries' senior managers were not considered as related parties inasmuch as their responsibility is limited to a fraction of the Group's sales or assets.

Assets owned directly or indirectly by related parties that are used as part of the Group's operations:

€k	Sites	2018 rent (excl VAT)	2017 rent (excl VAT)	Tenants
JERIC SARL	Saint Priest - France (69)	619	612	Jacquet Metal Service SA
	Villepinte - France (93)	200	198	Jacquet Metal Service SA
	Saint Priest - France (69)	61	60	JSP
SCI Cité 44	Lyon - France (69)	365	401	Jacquet Metal Service SA
	Lyon - France (69)	38	37	Metal Services
SCI de Migennes	Migennes - France (89)	213	210	Jacquet Metal Service SA
SCI Rogna Boue	Grésy sur Aix - France (73)	132	132	Détail Inox
JSA Holding Bochum	Bochum - Germany	511	502	Quarto Deutschland
JSA Holding Deutschland	Dusseldörf - Germany	345	339	Abraservice Deutschland

Related-party transactions are performed at arm's length market conditions.

3.7 Changes in the consolidated cash position

The statement of changes in the consolidated cash position is shown on a net basis, after offsetting translation differences and changes in the consolidation scope.

Timing differences between financial expenses recognized for the period and expenses paid are taken into account in the cash position statement, but remain non-material.

€m	31.12.17	Changes in consolidation scope	Change in working capital	Other	Translation differences	31.12.18
Inventory and work-in-progress	418.0	(6.5)	82.2	–	(0.8)	493.0
Trade receivables	189.3	(1.4)	(3.9)	0.0	(1.6)	182.4
Trade payables	(224.0)	3.7	(9.0)	–	1.0	(228.3)
Net operating working capital	**383.3**	**(4.2)**	**69.4**	**0.0**	**(1.4)**	**447.0**
Other assets	23.9	(0.2)	1.7	10.2	(0.0)	35.5
Other liabilities	(52.1)	(0.2)	(4.4)	0.3	0.1	(56.3)
Working capital before taxes and financial items	**355.1**	**(4.6)**	**66.6**	**10.5**	**(1.3)**	**426.2**

Further information on investing activities

Investments are set out in **§ 3.4.2** and **3.4.3** in the notes to the financial statements.

Asset disposals mainly include the proceeds from the sale of a company received in early 2019.

Further information on financing activities

A dividend of €0.70 per share was paid by Jacquet Metal Service SA in 2018, entailing a total payout of €16.6 million. A further €2.1 million was paid to minority shareholders in the subsidiaries.

Changes in borrowings may be summarized as follows:

			Non-cash flow				
€m	31.12.17	Cash flow	New leases	Translation differences	Changes in consolidation scope	Reclassi-fication	31.12.18
Finance lease liabilities > 1 year	15.7	–	0.8	(0.0)	(0.5)	(3.7)	12.3
Long-term borrowings > 1 year	157.7	160.1	–	0.4	0.5	(126.7)	191.9
Long-term borrowings	**173.4**	**160.1**	**0.8**	**0.4**	**0.0**	**(130.5)**	**204.2**
Finance lease liabilities < 1 year	4.4	(4.3)	–	(0.0)	(0.3)	3.7	3.5
Portion of long-term borrowings due < 1 year	35.3	(121.4)	–	0.6	0.1	126.9	41.5
Bank overdrafts, factoring, discounting	75.6	12.5	–	(0.4)	0.1	(0.1)	87.6
Short-term borrowings excluding accrued interest	**115.3**	**(113.2)**	**–**	**0.2**	**(0.1)**	**130.5**	**132.7**
Long-term loans [1]	**(4.3)**	**0.3**	**–**	**–**	**–**	**0.2**	**(3.8)**

[1] Included under "Other financial assets".

The "New borrowings" line in the cash flow statement (€160.1 million) corresponds to new borrowings recognized under long-term borrowings on the balance sheet.

"Change in borrowings" (€112.7 million reduction) corresponds to cash flows related to borrowings as shown on the balance sheet and long-term loans.

3.8 Statutory auditors' fees

Statutory auditors' fees amounted to €1,753,000 in 2018 and broke down as follows:

	EY		Grant Thornton		Other		Total	
€k	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Audit								
Independent audit, certification, review of parent company and consolidated financial statements								
Issuer	203	201	163	161	–	–	366	362
Fully consolidated subsidiaries	583	551	572	547	104	55	1,259	1,153
Services other than the certification of the financial statements								
Issuer	114	10	14	–	–	–	128	10
Fully consolidated subsidiaries	–	–	–	–	–	–	–	–
Sub-total	**900**	**762**	**749**	**708**	**104**	**55**	**1,753**	**1,525**
Other services provided by the networks to fully consolidated subsidiaries								
Legal, tax and corporate services	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Sub-total	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**900**	**762**	**749**	**708**	**104**	**55**	**1,753**	**1,525**

3.9 Post balance sheet events

None.

4 Statutory auditors' report on the consolidated financial statements

> **GRANT THORNTON**
French Menber of Grant Thornton International
Cité internationale – 44, quai Charles de Gaulle
CS 60095 – 69463 Lyon Cedex 06 - FRANCE

> **ERNST & YOUNG et Autres**
Tour Oxygène – 10-12, boulevard Marius Vivier Merle
69393 Lyon Cedex 03 – FRANCE

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Jacquet Metal Service
Year ended December 31, 2018

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Jacquet Metal Service for the year ended December 31, 2018.

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 as at December 31, 2018 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.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (Code de déontologie) for statutory auditors.

Emphasis of Matter

We draw attention to the following matter described in **§ 1** "Principle and methods of consolidation" to the consolidated financial statements relating to the changes in accounting method resulting from the application as of January 1, 2018 of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers".
Our opinion is not modified in respect of this matter.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.
These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Valuation of goodwill

Risk identified

As at 31 December 2018, the net value of the group's goodwill is €68m for a total balance sheet of €1.119m. The group performs impairment tests on its goodwill, according to the methods described in **§ 3.2.8** & **3.4.1** to the consolidated financial statements.

As stated in **§ 3.2.8** to the consolidated financial statements, impairment testing consists in determining the recoverable amount of a Cash Generating Unit, which is the higher of the value in use and the fair value. The value in use is determined based on projected discounted operating cash flows taken from five-year business plans, and a terminal value based on the capitalization of cash flows to infinity.

We considered the valuation of this goodwill to be a key audit matter given its materiality in the group's accounts and the use of assumptions and estimates required for the assessment of their recoverable amount.

Our response

Within the scope of our audit of the consolidated financial statements, our work notably consisted in:

- examining the methods of implementation of the impairment tests;
- corroborating, in particular through interviews with management, the main data and assumptions on which the estimates used are based, notably the cash flow forecasts, the long-term growth rates and the discount rates;
- analyzing the consistency of the forecasts with past performance and market prospects;
- assessing the sensitivity of the value to the valuation parameters, notably to the discount rate and to the various assumptions used.

In addition we assessed the appropriateness of the information disclosed in **§ 3.4.1** to the consolidated financial statements.

Valuation of inventories

Risk identified

Inventories and work-in-progress are recorded in the consolidated balance sheet as at 31 December 2018 for the net amount of €493m and represent one of the largest items in the consolidated balance sheet.

As stated in **§ 3.2.13** to the consolidated financial statements, inventories are valued at the lower of their weighted average cost price and net realizable value. At each year-end, management assesses the net realizable value of inventories, which corresponds to their estimated selling price in the ordinary course of business, less selling costs.

We considered the valuation of inventories to be a key audit matter given their materiality in the group's accounts and the use of estimates necessary for the assessment of their net realizable value.

Our response

Our work consisted in assessing the data and assumptions used by management to determine the net realizable value and identify the items that should be recorded at this value.

We performed the following tasks:

- we familiarized ourselves with the internal control procedures and the method implemented to estimate impairments and identify the items concerned;
- we tested the effectiveness of the key controls relating to these procedures;
- we assessed the consistency of the methods used to determine the net realizable value;
- we tested the correct application of the method, using sampling techniques on the most significant components.

Valuation of provisions for liabilities and charges

Risk identified

As at 31 December 2018, provisions for employee disputes, restructuring costs and customer and supplier disputes amount to €38.9m.

The estimation of the impacts of these liabilities or restructuring costs and the related provisions required considerable use of judgement by management, notably to assess the probability of an outflow of resources and estimate the amount of the obligation. We therefore considered these items to constitute a key audit matter.

Our response

We examined the procedures set up by the group to identify and list all the liabilities and charges.

Our work also consisted in:

- familiarizing ourselves with the analysis of the liabilities and charges performed by the group and its advisers, and examining the corresponding documentation;
- studying the main liabilities and charges identified;
- examining management' assumptions and the data used to evaluate the amount of the provisions.

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the board of directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement provided for by article L. 225-102-1 of the French Commercial Code (Code de commerce) is included in the Group's management report, it being specified that, in accordance with the provisions of article L. 823-10 of said Code, we have verified neither the fair presentation nor the consistency with the financial statements of the information contained in this statement.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Jacquet Metal Service by the annual general meeting held on June 26, 2014 for GRANT THORNTON and on June 30, 2011 for ERNST & YOUNG et Autres.

As at December 31, 2018, GRANT THORNTON and ERNST & YOUNG et Autres were in the 4th year and 7th year of total uninterrupted engagement respectively. Previously, ERNST & YOUNG Audit had been statutory auditor from 2005 to 2010.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

> Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
> Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
> Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
> Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
> Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
> Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Lyon, March 25, 2019

The Statutory Auditors French original signed by

> **GRANT THORNTON**
French Member of Grant Thornton International
—
Françoise Mechin

> **ERNST & YOUNG et Autres**
—
Nicolas Perlier

5 2018 annual financial statements Jacquet Metal Service SA

Income statement

€k	Notes	2018	2017
Services	5.4.1	29,004	25,850
Sales	**5.4.1**	**29,004**	**25,850**
Reversal of depreciation and provisions	5.4.3	1,258	227
Other income	5.4.2	2,993	2,880
Transfer of charges	—	3,095	3,180
Total operating income	**—**	**36,349**	**32,138**
Purchases and external expenses	5.4.4	(25,876)	(23,226)
Miscellaneous taxes	5.4.4	(699)	(672)
Wages and salaries	5.4.4	(3,597)	(2,455)
Payroll tax	5.4.4	(2,045)	(1,196)
Depreciation, amortization and provisions	5.4.4	(1,413)	(1,742)
Other charges	5.4.4	(586)	(399)
Total operating expenses	**—**	**(34,216)**	**(29,690)**
Operating income/(loss)	**—**	**2,133**	**2,447**
Income from equity investments	—	14,310	8,229
Other interest and related income	—	4,872	5,157
Provision reversals and transfer of financial expenses	—	210	203
Foreign exchange gains	—	1,670	840
Net gains on sale of short-term investment securities	—	—	314
Financial income	**5.4.5**	**21,062**	**14,744**
Depreciation, amortization and provisions	—	(447)	(210)
Interest and related expenses	—	(3,413)	(3,191)
Foreign exchange losses	—	(1,534)	(1,796)
Financial expenses	**5.4.5**	**(5,393)**	**(5,197)**
Net financial income	**—**	**15,669**	**9,547**
Income before tax	**—**	**17,802**	**11,994**
Non-recurring income from operating transactions	—	187	—
Non-recurring income from capital transactions	—	162	201
Provision reversals and expense transfers	—	8	68
Non-recurring income	**5.4.6**	**358**	**269**
Non-recurring expenses related to operating transactions	—	(100)	—
Non-recurring expenses related to capital transactions	—	(588)	(97)
Depreciation, amortization and provisions	—	(500)	—
Non-recurring expenses	**5.4.6**	**(1,188)**	**(97)**
Net non-recurring income/(expense)	**—**	**(830)**	**173**
Employee profit-sharing	—	—	—
Income tax	5.4.7, 5.4.8, 5.4.9	1,149	(74)
Net income	**—**	**18,122**	**12,092**

Balance sheet at December 31

Assets

€k	Notes	31.12.18 Gross	31.12.18 Dep./ amort./ prov.	31.12.18 Net	31.12.17 Net
Intangible assets	5.5.1	14,450	13,555	894	627
Property, plant and equipment	5.5.1	8,054	4,696	3,358	1,960
Financial assets	5.5.1, 5.5.2	265,115	12,506	252,609	250,858
Non-current assets	**–**	**287,619**	**30,758**	**256,861**	**253,445**
Advances and deposits paid	5.5.3	48	–	48	0
Operating receivables	5.5.3	14,779	434	14,344	9,175
Miscellaneous receivables	5.5.3	134,475	–	134,475	122,771
Cash and cash equivalents	5.5.4	64,941	–	64,941	43,954
Current assets	**–**	**214,243**	**434**	**213,809**	**175,899**
Accrued income and prepaid expenses	5.5.5	1,764	–	1,764	1,805
Assets	**–**	**503 625**	**31 192**	**472 433**	**431 149**

Equity and liabilities

	Notes	31.12.18	31.12.17
Shareholders' equity	**5.6.1, 5.6.3**	**212,443**	**210,910**
Provisions for contingencies and charges	**5.6.4**	**5,188**	**5,819**
Loans from credit institutions	5.6.5	192,002	147,664
Bank overdrafts and credit balances	5.5.4, 5.6.5	7,395	12,940
Other borrowings	5.6.5	30,158	31,385
Borrowings	**–**	**229,556**	**191,990**
Trade payables and related accounts	5.6.5	8,822	8,123
Tax and social security liabilities	5.6.5	3,359	2,453
Operating liabilities	**–**	**12,181**	**10,576**
Liabilities relating to non-current assets and related accounts	5.6.5	397	–
Corporate income tax payable	5.6.5	–	–
Other payables	5.6.5	11,966	11,581
Miscellaneous payables	**–**	**12,363**	**11,581**
Total liabilities	**–**	**254,099**	**214,147**
Accrued income and prepaid expenses	5.6.6	704	272
Equity and liabilities	**–**	**472,433**	**431,149**

The notes to the financial statements form an integral part of the financial statements.

Notes to the parent company financial statements

5.1 Headlines

None.

5.2 Accounting rules and policies

General principles applied

The Company's summary financial statements were prepared in accordance with the standards, principles and policies set out in ANC Regulation No. 2014-03 relating to the French General Accounting Charter, as amended by ANC Regulation 2016-07.

The basic method used to value items recorded in the accounts is the historical cost method.

The notes and tables provided in addition to the income statement and statement of financial position comprise the notes to the parent company financial statements and therefore form an integral part of those statements.

The financial year ended December 31, 2018 covered a period of 12 months.

Estimates

The preparation of financial statements requires management to take into account assumptions and estimates that have an impact on the amounts of the assets and liabilities shown in the statement of financial position, as well as on the amounts shown as income and expenses for the financial year. Management reviews its estimates and assessments on a regular basis. Actual results may differ significantly from these estimates.

The main estimates made by management when preparing the financial statements primarily involve:

- the impairment tests on equity investments;
- liabilities relating to employee benefit obligations;
- provisions for contingencies and charges.

Intangible assets and property, plant & equipment

Intangible assets and property, plant and equipment are valued at their historical purchase cost, which consists of:

- the purchase price, including customs duties and other non-recoverable levies;
- any directly related expenses incurred to put the asset in working order for the purpose of its planned use;
- any trade rebates and discounts deducted when calculating the purchase cost.

Depreciation is calculated according to the straight-line method, based on the likely useful life. The main depreciation methods and periods are as follows:

- **Software**
  Straight-line – 1 to 10 years
- **Fixtures and fittings**
  Straight-line – 3 to 10 years
- **Vehicles, office and IT equipment, furniture**
  Straight-line – 1 to 10 years

Furthermore, the Company has chosen to use an accelerated depreciation method where possible. This tax arrangement, which is reserved for certain categories of assets, enables a significant increase in the amount of tax deductions made during the initial years of the asset's use. From an accounting standpoint, the portion of the depreciation charges that exceeds the straight-line depreciation charge is recorded in an accelerated depreciation provision account in shareholders' equity under "regulated provisions".

Impairment testing on depreciable/amortizable assets

Where events or new circumstances indicate that the book value of specific property, plant and equipment or intangible assets is not likely to be recoverable, this value is compared to the estimated recoverable value based on the value-in-use. If the recoverable value of these assets is lower than their net book value, that value is written down to the recoverable value.

Financial assets

The gross value of equity investments corresponds to the historical purchase cost of the securities plus purchase expenses, i.e. all the costs that are directly attributable to the purchase of the securities except for borrowing costs.

At the financial closing date, the value of the securities is compared to their carrying amount, which corresponds to their value-in-use for the company. A provision for impairment is recognized, if necessary. Value-in-use is primarily determined on the basis of the share in the subsidiary's shareholders' equity and of the value determined on the basis of discounted future cash flows.

Future cash flows are determined on the basis of forecasts drawn up by management, based on an assessment of all the economic conditions that will apply during the assets' useful life. The methodology is based on five-year business plans.

Other financial assets

Other financial assets primarily correspond to unallocated treasury shares and guarantee deposits paid. A provision is recorded for these deposits if the debtor's financial position indicates that their repayment is highly unlikely.

Treasury shares are recognized at their purchase cost. An impairment charge is recorded when the fair value, as determined by the average stock market price during the last month before the balance sheet date, is lower than the book value. Disposals are valued at the weighted average unit cost.

Receivables and payables

Trade receivables are valued at their nominal value. Trade receivables may be impaired, where applicable. An impairment charge is recognized as soon as there is a risk of non-recovery. The book value of each receivable is assessed in accordance with this risk.

Marketable investment securities

Marketable investment securities are recognized at their purchase cost. A provision for impairment is recorded if their market value is lower than their book value.

Foreign currency transactions

Foreign currency transactions during the financial year are recorded at their equivalent value in euros at the transaction date. Foreign currency payables, receivables, and cash and cash equivalents outside the euro zone are translated on the balance sheet at the closing exchange rate. Differences arising from the adjustment of foreign currency payables and receivables outside the euro zone in accordance with the closing rate are shown under "translation differences".

A provision for contingencies is charged on the full amount of unrealized foreign exchange losses.

Provisions for employee benefit obligations

The Company records a provision for end-of-career benefits, employees' supplemental pensions and long-service awards. Provision charges and reversals are recognized in operating income.

The provision is assessed by independent actuaries.

Retirement benefit entitlements are defined by the collective bargaining agreement applicable to the French metal industry.

Employee benefit obligations are valued on an annual basis using specific Company and external trend indicators, as shown in the following table:

	2018	2017
Demographic assumptions		
Life expectancy table	INSEE TV/TD 2007-2009	INSEE TV/TD 2007-2009
Minimum age at beginning of career	22 for executives and 20 for non-executives	22 for executives and 20 for non-executives
Retirement age	62 years	62 years
Conditions of departure	Voluntary departure at the employee's initiative	Voluntary departure at the employee's initiative
Financial assumptions		
Discount rate		
"Umbrella" retirement packages	1.75%	1.50%
Other schemes	1.75%	1.50%
Inflation rate	2.00%	2.00%
Wage inflation rates	From 0.39% to 4.69% depending on SPC, pay schemes and age	From 0.39% to 4.69% depending on SPC, pay schemes and age

In accordance with French ministerial order no. 2015-839 of July 9, 2015 on "Safeguarding annuities paid under the pension schemes referred to in Article L. 137-11 of the Social Security Code", during the year the Company took out a life insurance policy with PREDICA (Crédit Agricole Group) and paid an amount of €450,000 representing 10% of its liability.

Other provisions for contingencies and charges

Provisions for contingencies and charges are assessed so as to reflect the best estimate of the risks at the balance sheet date.

Derivatives

The Company manages certain financial risks via the use of derivative hedging instruments. The Company primarily uses caps and swaps to manage interest-rate risk relating to its financing requirements. The nominal amounts of the financial derivatives are not recognized, in accordance with French accounting principles.

The impact of financial hedging instruments is assessed in a symmetrical manner through profit or loss compared to the cash flows of the underlying asset hedged.

5.3 Post balance sheet events

None.

5.4 Notes to the Income Statement

5.4.1 Sales

€k	2018		2017	
France	3,687	13%	3,330	13%
Other countries	25,316	87%	22,520	87%
Total	**29,004**	**100%**	**25,850**	**100%**

Sales correspond to services invoiced to the subsidiaries, which mainly comprise management and IT services. Changes in sales are partly linked to changes in business volumes and the Group's development.

5.4.2 Other income

€k	2018	2017
Other income	2,993	2,880
Transfer of charges	3,095	3,180
Total	**6,088**	**6,060**

These charges mainly comprise:

> rent on buildings leased by Jacquet Metal Service SA on behalf of some Group subsidiaries. The Company re-invoices these rents to the companies that use the buildings;
> charges incurred by the Company on behalf of subsidiaries and re-invoiced to those subsidiaries.

5.4.3 Operating income

Operating income amounted to €2.1 million compared to €2.4 million in 2017.

5.4.4 Net financial income

Net financial income amounted to €15.7 million compared to €9.6 million in 2017. This change is primarily explained by the increase in dividends received from the subsidiaries.

€k	2018	2017
Dividends received from subsidiaries	14,310	8,229
Investment income	4,517	4,660
Income from loans [1]	4,517	4,660
Provision reversals	210	203
Reversals of provisions for impairment of equity investments	—	—
Reversals of provisions for financial contingencies and charges	210	203
Reversals of provisions for impairment of treasury shares	—	—
Other	2,024	1,652
Other financial income	354	812
Foreign exchange gains	1,670	840
Financial income	**21,062**	**14,744**
Interest and related expenses	(3,413)	(3,191)
Foreign exchange losses	(1,534)	(1,796)
Additions to provisions for financial contingencies and charges	(447)	(210)
Additions to provisions for impairment of treasury shares	(206)	—
Additions to provisions for financial contingencies and charges	(240)	(210)
Financial expenses	**(5,393)**	**(5,197)**
Net financial income	**15,669**	**9,547**

[1] Loans to subsidiaries and cash pooling interest

5.4.5 Net non-recurring income / (expense)

€k	2018	2017
Disposals of non-current assets	7	4
Disposals of securities	–	–
Other non-recurring income	351	266
Non-recurring income	**358**	**269**
Net book value of assets sold	(5)	(27)
Net book value of securities sold	–	–
Other non-recurring expenses	(1,183)	(69)
Non-recurring expenses	**(1,188)**	**(97)**
Net non-recurring income / (expense)	**(830)**	**173**

Other non-recurring expenses mainly include a loss recorded under the liquidity agreement (ODDO).

5.4.6 Corporate income tax

The Company has opted for a corporate tax consolidation regime. This consolidation scope included all Group French companies eligible for the scheme at December 31, 2018. The tax consolidation regime was extended for a period of five years as from the 2015 financial year.

The Company is the only company liable to the French tax authorities for the corporate income tax payable by all the French companies. The main provisions set out below have been adopted for the accounting treatment of taxes that fall under this specific regime:

- Even though it is not required to pay tax to the French Treasury, every consolidated subsidiary nonetheless recognizes the tax that it would owe under the statutory tax regime as an expense, and pays the amount to Jacquet Metal Service SA;
- Any tax credits recorded at the level of the Group tax return, and resulting from deducting the losses of a loss-making subsidiary, represent a profit that belongs to the subsidiary to which the amount accrues;
- Any tax savings made by the Group that do not relate to losses (corrections and tax assets of loss-making companies) are retained by the parent company and recorded under income or expenses.

In the event that a consolidated subsidiary is deconsolidated from the tax group, the Company may be required to pay the subsidiary compensation for the loss of certain tax benefits conferred by its membership of the tax consolidation group, after taking into account the subsidiary's tax position, potential changes to that position and the nature of the event that triggered its deconsolidation.

Tax loss carryforwards remain accrued to the Company, which may compensate the subsidiary that is being deconsolidated, where applicable.

Breakdown of corporate income tax

€k				2018	2017
Type of income	**Income before tax**	**Corporate income tax before tax consolidation**	**Net gain / (loss) from tax consolidation**	**Income after tax**	**Income after tax**
Net income from ordinary activities	17,802	1,249	–	16,553	10,804
Net non-recurring income/(expense)	(830)	(270)	–	(560)	115
3% tax on distributions	–	(1,033)	–	1,033	(355)
Deduction of prior tax losses	–	(656)	–	656	791
Tax credits	–	(7)	–	7	757
Impact from subsidiaries' corporate income tax	–	(66)	(366)	432	(19)
Total	**16,972**	**(783)**	**(366)**	**18,122**	**12,092**

5.4.7 Deferred or unrealized tax position

€k	Base amount 2018	Amount of future tax receivable 2018	2017
Accruals of contingent tax liabilities			
Temporary differences taxable at the statutory rate	—	—	—
Accelerated depreciation	32	9	12
Deferred tax liability (future liability)	**32**	**9**	**12**
Contingent tax relief (asset)			
Temporary differences taxable at the statutory rate	4,464	1,461	1,514
Tax loss carryforwards [1]	4,553	1,491	2,173
Deferred tax assets (future receivable)	**9,017**	**2,952**	**3,686**
Net balance of future tax relief / (accruals)	**8,985**	**2,943**	**3,674**

[1] €2,049,000 was used in 2018

Relief and accruals of contingent tax have been calculated at tax rates of 28% for the tranche below €500,000 and 33.33% for the tranche above this amount. These deferred taxes were not recognized in the parent company financial statements.

5.4.8 Impact of accelerated tax assessments

€k	2018	2017
Net income for the year	18,122	12,092
Corporate income tax	(1,149)	74
Income before tax	16,972	12,167
Change in accelerated depreciation	(5)	(40)
Pre-tax profit excluding accelerated tax assessments	**16,967**	**12,127**

5.5 Notes to the Balance Sheet – Assets

5.5.1 Change in non-current assets

€k	31.12.17	Increase	Decrease	31.12.18
Gross value				
Intangible assets	**13,957**	**492**	**—**	**14,450**
Property, plant and equipment	**6,112**	**2,020**	**(78)**	**8,054**
Equity investments	170,082	—	—	170,082
Loans and advances to subsidiaries	87,740	14,751	(13,594)	88,897
Treasury shares	4,602	14,464	(13,650)	5,417
Loans and other financial assets	734	7	(21)	719
Financial assets	**263,158**	**29,222**	**(27,264)**	**265,115**
Total gross value	**283,227**	**31,734**	**(27,342)**	**287,619**

€k	31.12.17	Increase	Decrease	31.12.18
Depreciation and amortization				
Intangible assets	**13,330**	**228**	**(3)**	**13,555**
Property, plant and equipment	**4,152**	**548**	**(4)**	**4,696**
Equity investments	12,300	—	—	12,300
Loans and advances to subsidiaries	—	—	—	—
Treasury shares	—	206	—	206
Loans and other financial assets	—	—	—	—
Financial assets	**12,300**	**206**	**—**	**12,506**
Total depreciation, amortization and provisions	**29,783**	**982**	**(7)**	**30,758**
Net value of non-current assets	**253,444**	**30,751**	**(27,335)**	**256,861**

5.5.2 Financial assets

Equity investments

The gross value of equity investments was €170 million at December 31, 2018, and was stable compared to December 31, 2017.

Information on the main equity investments held directly is set out below:

€k	Country	Share capital	Shareholders' equity excluding share capital	Share of capital held (%)	NBV of securities	Loans & advances granted by the Company	NBV of shareholder loans to subsidiaries[1]	Guarantees & endorsements granted	Dividends paid to the company during the financial year	Sales excl. VAT for the last financial year	Profit or loss for the last financial year
JACQUET Holding SARL	France	14,337	21,648	100.00%	19,695	33,105	26,261	—	—	—	4,238
STAPPERT Deutschland	Germany	8,871	78,249	100.00%	6,517	—	—	—	14,079	268,868	16,228
Abraservice Holding SAS	France	1,819	17,386	100.00%	18,233	—	11,180	—	—	—	418
IMS group Holding SAS	France	10,854	74,395	100.00%	108,581	55,280	48,845	—	—	—	5,634

[1] debit (+) / credit (-) including cash pooling

The shareholders' equity and results shown in this table are statutory company data and do not include accounting restatements performed at Group level for the purpose of the consolidated financial statements.

Loans and advances to subsidiaries

Loans and advances to subsidiaries amounted to €88.9 million and corresponded to advances granted to direct or indirect subsidiaries of Jacquet Metal Service SA.

Treasury shares

The annual change corresponds to transactions relating to the liquidity agreement.

5.5.3 Receivables payment schedule

€k	Gross amount at 31.12.18	Net amount at 31.12.18	Maturity <1 year	1 - 5 years	>5 years
Non-current assets					
Loans and advances to subsidiaries	88,897	88,897	55,792	33,105	–
Loans	1	1	–	1	–
Other financial assets	719	719	0	268	451
Current assets					
Advances and deposits paid	48	48	48	–	–
Operating receivables	14,779	14,344	14,344	–	–
Miscellaneous receivables	134,475	134,475	85,623	48,845	6
Prepaid expenses	933	933	931	2	–
Total	**239,851**	**239,417**	**156,738**	**82,221**	**457**

Loans and advances to subsidiaries mainly include advances to subsidiaries. Miscellaneous receivables primarily include the cash pooling accounts, which amounted to €126 million, including €48.8 million with a maturity of over one year.

5.5.4 Cash and cash equivalents

Cash pooling agreements have been implemented between Jacquet Metal Service SA and certain subsidiaries. The (debit and credit) balancing process takes place in pivot accounts held by Jacquet Metal Service SA and enables Group cash management to be optimized accordingly.

Cash and cash equivalents broke down as follows at December 31, 2018:

€k	Gross value at 31.12.18	Net value at 31.12.18	Net value at 31.12.17
Investment securities	–	–	–
Cash	64,941	64,941	43,954
Cash and cash equivalents	**64,941**	**64,941**	**43,954**

5.5.5 Accrued income and prepaid expenses

€k	31.12.18	31.12.17
Prepaid expenses	933	1,013
Deferred charges	591	581
Unrealized foreign currency losses	240	210
Accrued income and prepaid expenses	**1,764**	**1,805**

5.6 Notes to the Balance Sheet – Liabilities

5.6.1 Information on shareholders’ equity

Share capital

The share capital at December 31, 2018 was unchanged from the previous financial year. It consists of 24,028,438 shares, with a total value of €36,631,126.16.

Detailed information on changes in the share capital is provided in **§ 5** of the "Other information" section of the Registration Document.

Change in shareholders' equity

€k	Number of shares outstanding	Share capital	Additional paid-in capital	Statutory reserve	Other reserves and retained earnings	Net income	Regulated provisions	Share-holders' equity
31.12.17	**24,028,438**	**36,631**	**58,142**	**3,663**	**100,345**	**12,092**	**37**	**210,910**
Appropriation of earnings	—	—	—	—	12,092	(12,092)	—	—
Distributions	—	—	—	—	(16,584)	—	—	(16,584)
Change in provisions	—	—	—	—	—	—	(5)	(5)
2018 net income	—	—	—	—	—	18,122	—	18,122
31.12.18	**24,028,438**	**36,631**	**58,142**	**3,663**	**95,853**	**18,122**	**32**	**212,443**

Other reserves and retained earnings

The "Other reserves and retained earnings" item includes €6.2 million in non-distributable reserves allocated in consideration for treasury shares and a €0.9 million deduction relating to the application of ANC Recommendation 2013-R02 on employee benefit obligations.

Regulated provisions

Regulated provisions are recorded in accordance with the legislation in effect and include accelerated depreciation. The movements over the period are set out in **§ 5.6.3**.

5.6.2 Transactions in the Company's securities

Liquidity agreement

In 2008, Jacquet Metal Service entrusted the implementation of a liquidity agreement compliant with the AMAFI Code of Conduct to Oddo Corporate Finance. The liquidity provider was initially granted an amount of €2.6 million for the effective implementation of this agreement.

At December 31, 2018, the liquidity agreement covered an amount of €382,000 in cash and 73,000 Jacquet Metal Service SA shares with a market value of €1.1 million.

Share buyback program

In its 24th resolution, the General Meeting of June 29, 2018 authorized the Board of Directors to enable the Company to buy back its own shares.

Accordingly, at December 31, 2018 the Group held 373,886 treasury shares representing 1.56% of the share capital with a net book value of €5.2 million:

- 300,886 treasury shares were recognized under "Financial assets" at a net book value of €4.1 million;
- 73,000 shares are held as treasury shares as part of the liquidity agreement, and were recognized under "Financial assets" at a net book value of €1.1 million.

	Number of shares				€k		
	31.12.17	Increase	Decrease/ Allocation	31.12.18	Purchase cost	Provision at 31.12.18	Net value at 31.12.18
Shares allocated to the share buyback program	300,886	—	—	300,886	4,126	—	4,126
Allocated shares	**300,886**	**—**	**—**	**300,886**	**4,126**	**—**	**4,126**
Non-allocated shares	—	—	—	—	—	—	—
Shares intended for the liquidity agreement	18,394	578,081	523,475	73,000	1,290	206	1,083
Non-allocated shares	**18,394**	**578,081**	**523,475**	**73,000**	**1,290**	**206**	**1,083**
Total	**319,280**	**578,081**	**523,475**	**373,886**	**5,416**	**206**	**5,209**

Authorized capital for securities granting access to the share capital

The Company has not granted any stock options.

5.6.3 Regulated provisions

€k	31.12.17	Addition	Reversal	31.12.18
Accelerated depreciation	5	—	(5)	—
Amortization of share acquisition expenses	32	—	—	32
Total	**37**	**—**	**(5)**	**32**

5.6.4 Provisions for contingencies and charges

€k	31.12.17	Dotations	Reprises de provisions utilisées	Reprises de provisions non utilisées	31.12.18
Provision for foreign exchange losses	210	240	210	—	240
Provisions for contingencies	**210**	**240**	**210**	**—**	**240**
Provisions for litigation	—	—	—	—	—
Provisions for pensions and similar commitments[1]	4,470	97	671	—	3,896
Other provisions for charges	1,139	300	387	—	1,052
Provisions for charges	**5,609**	**397**	**1,058**	**—**	**4,948**
Total	**5,819**	**637**	**1,268**	**—**	**5,188**
Of which operating provisions	—	97	1,058	—	—
Of which financial provisions	—	240	210	—	—
Of which non-recurring provisions	—	300	—	—	—

[1] At December 31, 2018, provisions for employee benefit obligations amounted to €3,896,000, including €3,684,000 relating to supplementary pensions, €201,000 relating to retirement benefits, and €10,000 relating to long-service awards.

5.6.5 Debt payment schedule

		Maturity		
€k	Amount at 31.12.18	< 1 year	1 - 5 years	> 5 years
Loans from credit institutions	192,002	15,967	175,285	750
Bank overdrafts	7,395	7,395	—	—
Other borrowings	30,158	29,785	—	373
Trade payables and related accounts	8,822	8,822	—	—
Tax and social security liabilities	3,359	3,350	10	—
Liabilities relating to non-current assets and related accounts	397	397	—	—
Other payables	11,966	11,966	—	—
Total	**254,099**	**77,681**	**175,295**	**1,123**

5.6.6 Accrued expenses and deferred income

€k	31.12.18	31.12.17
Deferred income	246	154
Unrealized foreign currency gains	458	119
Accrued expenses and deferred income	**704**	**272**

5.7 Other information

5.7.1 Year-end headcount

€k	31.12.18	31.12.17
Executive staff	12	12
Technical staff	–	–
Clerical staff	–	–
Total	**12**	**12**

5.7.2 Compensation paid to corporate officers

The Company has two executive corporate officers, to whom the compensation and direct and indirect benefits of all kinds paid in 2018 amounted to €1,368,000, compared to €927,000 in 2017.

Attendance fees, which are the only compensation paid to Jacquet Metal Service SA non-executive directors, amounted to €117,000 in 2018 compared to €92,000 in 2017.

Transactions between Jacquet Metal Service SA and its executive officers

€k	Sites	2018 rent (excl. VAT)	2017 rent (excl. VAT)
JERIC SARL	Saint Priest - France	620	612
	Villepinte - France	200	198
SCI Cité 44	Lyon - France	413	401
SCI de Migennes	Migennes - France	213	210

Loans and guarantees granted to executive officers

None.

5.7.3 Information regarding affiliates

Information regarding affiliates	
€k	**31.12.18**
Equity investments	170,082
Loans and advances to subsidiaries	88,897
Total non-current assets	**258,979**
Operating receivables	14,255
Miscellaneous receivables	130,824
Total receivables	**145,080**
Other loans and borrowings	30,070
Trade payables	5,018
Miscellaneous payables	421
Total liabilities	**35,509**
Net financial expense	**18,938**
Income from equity investments	14,310
Other interest and related income	4,695
Provision for share impairment	–
Interest and related expenses	(68)

5.7.4 Financial commitments

The commitments set out below are presented on the basis of the principal amount outstanding on the liabilities to which they are attached.

Financial commitments given and received in relation to financing transactions

€k	2018	2017
Pledges of SICAV mutual funds	0	0
Guarantees given to bank, sureties and comfort letters	104,290	92,305
Total commitments given	**104,290**	**92,305**

	2018			2017		
€k	Amount granted	Amount used	Amount available	Amount granted	Amount used	Amount available
Schuldscheindarlehen	150,000	150,000	–	88,000	88,000	–
Syndicated revolving loan	125,000	–	125,000	125,000	–	125,000
Other loans	156,010	48,617	107,393	152,145	71,880	80,265
Accrued interest	781	781	–	725	725	–
Total commitments received	**431,791**	**199,397**	**232,393**	**365,870**	**160,605**	**205,265**

Commitments given in relation to the subsidiaries' procurement process

€k	2018	2017
Stand-alone guarantees	27,477	25,505
Total commitments given	**27,477**	**25,505**
Maturing in less than 1 year	27,477	25,505
Maturing within 1 to 5 years	–	–
Maturing in over 5 years	–	–

Commitments entered into to hedge currency risk

The Company is primarily exposed to currency risk when it grants cash advances in local currencies to subsidiaries outside the euro zone.

Commitments received in relation to interest rate hedging transactions

In 2018, the Company entered into interest rate swaps covering a total amount of €10 million subject to the following terms: five-year term, 3-month EURIBOR floored at 0% against a fixed rate of 0.445%, expiring in 2023.

5.7.5 Bank covenants applicable to the main financing arrangements

The main terms of the syndicated revolving loan are as follows:

- Date of signature: June 2017
- Maturity: July 16, 2020
- Amount: €125 million (unused at December 31, 2018)
- Guarantee: None
- Change of control clause:
  JSA must hold at least 40% of Jacquet Metal Service SA's share capital and voting rights.
- Main covenants:
  The Company must meet one of the following criteria:
  - Debt to equity ratio less than 1, **or**
  - Leverage less than 2.

The main terms of the Schuldscheindarlehen are as follows:

- Date of signature: February 2018
- Maturity: April 30, 2023
- Amount: €150 million (fully used)
- Repayment: at maturity
- Guarantee: None
- Change of control clause:
  JSA must hold at least 37% of Jacquet Metal Service SA's share capital and voting rights.
- Main covenant:
  - Debt to equity ratio less than 1.

All financing covenants were in compliance at December 31, 2018.

6 Statutory Auditors' report on the financial statements

GRANT THORNTON
French Menber of Grant Thornton International
Cité internationale – 44, quai Charles de Gaulle
CS 60095 – 69463 Lyon Cedex 06 - FRANCE

ERNST & YOUNG et Autres
Tour Oxygène – 10-12, boulevard Marius Vivier Merle
69393 Lyon Cedex 03 – FRANCE

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English speaking users.
This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Jacquet Metal Service
Year ended December 31, 2018

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of JACQUET METAL SERVICE for the year ended December 31, 2018.

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 as at December 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of equity holdings

Risk identified

As 31 December 2018, the net value of equity holdings is 158 million euros and represents approximately 34% of the company's total balance sheet.

As stated in **§ 2** to the financial statements, impairment testing consists in comparing the value of the equity holdings to the value in use which is determined by reference to the subsidiary's share of shareholders' equity or on the basis of discounted future cash flows. The future cash flows are determined based on management's forecasts taking into account an assessment of the overall economic conditions expected to prevail over the useful life of the assets. The methodology relies on five-year business plans.

We considered the valuation of the equity holdings to be a key audit matter given their materiality in the company's accounts and the judgment required to assess their value in use.

Our response

Within the scope of our audit of the financial statements, our work notably consisted in:

- examining the methods of implementation of the impairment tests,
- corroborating, in particular through interviews with management, the main data and assumptions on which the estimates used are based,
- analyzing the consistency of the forecasts with past performance and market prospects.

In addition, we assessed the appropriateness of the information disclosed in **§ 5.2** in the notes to the financial statements.

Specific verifications

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

Information given in the management report and in the other documents provided to Shareholders with respect to the financial position and the financial statements

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 other documents provided to the Shareholders with respect to the financial position and the financial statements.

In accordance with French law, we report to you that the information relating to payment deadlines referred to in Article D. 441-4 of the French Commercial Code (Code de commerce) is fairly presented and consistent with the financial statements.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the directors 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 controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights been properly disclosed in the management report.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Jacquet Metal Service by the annual general meeting held on June 26, 2014 for GRANT THORNTON and on June 30, 2011 for ERNST & YOUNG et Autres.

As at December 31, 2018, GRANT THORNTON and ERNST & YOUNG et Autres were in the 5th year and 8th year of total uninterrupted engagement respectively. Previously, ERNST & YOUNG Audit had been statutory auditor from 2005 to 2010.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

> Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
> Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
> Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Lyon, March 25, 2019

The Statutory Auditors French original signed by

- **GRANT THORNTON**
  French Member of Grant Thornton International
  —
  Françoise Mechin

- **ERNST & YOUNG et Autres**
  —
  Nicolas Perlier

7 Statutory auditor's report on regulated agreements and commitments

> **GRANT THORNTON**
French Menber of Grant Thornton International
Cité internationale – 44, quai Charles de Gaulle
CS 60095 – 69463 Lyon Cedex 06 - FRANCE

> **ERNST & YOUNG et Autres**
Tour Oxygène – 10-12, boulevard Marius Vivier Merle
69393 Lyon Cedex 03 – FRANCE

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Jacquet Metal Service
Year ended December 31, 2018

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby submit our report on regulated related party agreements and commitments.

Our responsibility is to inform you, on the basis of the information provided to us, of the main terms and conditions of the agreements and commitments that have been indicated to us or that we may have identified while performing our role, and of the reasons provided as to why those agreements and commitments are in the Company's interest. We are not required to comment as to whether they are beneficial or appropriate, or to ascertain the existence of any other agreements or commitments. It is your responsibility, in accordance with Article R.225-31 of the French Commercial Code (Code de commerce), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, if applicable, to inform you in accordance with Article R.225-31 of the French Commercial Code of the implementation during the fiscal year of related party agreements and commitments already approved by the Shareholders' Meeting.

We performed those procedures which we considered necessary to comply with professional guidance issued by the French Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux comptes) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for the approval by the General Meeting of the Shareholders

Agreements and commitments authorized and concluded during the prior fiscal year

We inform you that we have not been advised of any agreement or commitment authorized and concluded during the past financial year to be submitted to the General Meeting of Shareholders for approval in accordance with Article L. 225-38 of the French commercial code (Code de commerce).

Agreements and commitments already approved by the General Meetings of Shareholders in prior years

A whose implementation continued during the year

In accordance with Article L. 225-30 of the French commercial code (Code de Commerce), we have been advised that the implementation of the following agreements and commitments which were approved by the General Meeting of Shareholders in prior fiscal years continued during the fiscal year in review.

Letter of comfort to BNP Paribas Fortis for a bank loan granted to JACQUET Deutschland

Person concerned

Mr. Éric Jacquet, Chief Executive Officer of the Company and manager of JACQUET Deutschland.

Nature, purpose, terms and conditions

On September 3, 2014, the Board of Directors authorized the Company to issue a letter of comfort amounting to €.1,500,000 in principal, plus interest, costs and related expenses, as security for the repayment of the bank loan contracted by your subsidiary JACQUET Deutschland with BNP Paribas Fortis.

Letter of comfort to Banque Européenne du Crédit Mutuel (BECM) for a bank loan granted to JACQUET Deutschland

Person concerned

Mr. Éric Jacquet, Chief Executive Officer of the Company and manager of JACQUET Deutschland.

Nature, purpose, terms and conditions

On May 3, 2016, the Board of Directors authorized the Company to issue a letter of comfort amounting to €.4,500,000 in principal, plus interest, costs and related expenses, as security for the repayment of two bank loans, respectively €.3,000,000 and €.1,500,000, contracted by your subsidiary JACQUET Deutschland with BECM.

Commercial lease with S.C.I. Cité 44, Jeric and the S.C.I. de Migennes

Person concerned

M. Éric Jacquet, Chief Executive Officer of the Company, manager then Chairman of Jeric, manager of S.C.I. Cité 44 and S.C.I. Migennes.

Nature, purpose, terms and conditions

Commercial lease:

Lessor	Tenants	Effective date	Premises	Rent expense (€)	Real estate tax charges (€)
Jeric	JMS SA	05.03.15	Real estate property with offices and industrial warehouses located 7 rue Michel Jacquet, Saint-Priest (69)	(607,475)	(42,942)
Jeric	JMS SA	05.03.15	Industrial property located in Villepintes (93)	(200,446)	(23,622)
SCI de Migennes	JMS SA	01.01.03	Industrial property located in Migennes (89)	(212,685)	(38,675)
Jeric (bail 8)	JMS SA	01.01.04	Apartment named "Flexovit" located rue du Mâconnais, Saint-Priest (69)	(6,026)	–
Jeric (bail 9)	JMS SA	01.01.04	Archive premises of 95 sqm located rue du Mâconnais, Saint-Piest (69)	(832)	–
Jeric (bail 11)	JMS SA	23.03.04	House named "Torres" located rue du Lyonnais, Saint-Priest (69)	(5,956)	–
SCI Cité 44	JMS SA	22.07.16	Office space	(413,477)	(32,433)
Total				**(1,446,897)**	**(137,672)**

B which were not implemented during the year

In addition, we have been advised of the continuation of the following agreements and commitments which were approved by the General Meeting of Shareholders in prior years continued during the year and that did not apply in 2018 fiscal year.

Non-compete commitment of Mr. Philippe Goczol

Person concerned

Mr. Philippe Goczol, Deputy Chief Executive Officer of your company.

Nature, purpose

On November 15, 2010 the Board of Directors authorized the signing of a non-compete agreement, modify by an amendment authorised on June 30, 2016 by the Board of Directors, with Philippe Goczol, Deputy Chief Executive Officer, for a period of no more than one year following the termination of his duties as Deputy Chief Executive Officer.

The Company will be entitled to waive the application of this non-compete agreement and, consequently, not to pay the financial compensation.

During the contractual non-compete period, the Company shall pay the Deputy Chief Executive Officer monthly financial compensation.

Terms and conditions

This agreement did not apply during 2018 fiscal year.

Indemnity for termination or non-renewal of Philippe Goczol's term of office

Person concerned

Mr. Philippe Goczol, Deputy Chief Executive Officer of your company.

Nature, purpose

On November 15, 2010 the Board of Directors decided to grant Philippe Goczol an indemnity for the termination or non-renewal of his duties as the Company's Deputy Chief Executive Officer and determined the conditions for the payment and amount of said indemnity.

Terms and conditions

This agreement did not apply during 2018 fiscal year.

Lyon, March 25, 2019

The Statutory Auditors French original signed by

> **GRANT THORNTON**
French Member of Grant Thornton International
—
Françoise Mechin

> **ERNST & YOUNG et Autres**
—
Nicolas Perlier

8 Corporate governance report

In accordance with the provisions of Article L. 225-37 of the French Commercial Code, this report prepared by the Board of Directors is intended to inform the shareholders of the conditions for preparing and organizing the work of the Company's Board of Directors, as well as the conditions for fulfilling the corporate officers' duties.

The report was prepared with the assistance of the Internal Audit Department, the Legal Department and the Appointment and Compensation Committee. It was approved by the Board of Directors on March 13, 2019.

8.1 1.1. List of offices and positions held by corporate officers during the financial year

	Nationality	Appointment/ renewal date	Term ends	Years present on Board	Number of shares held	Committee membership	**Other offices** excluding offices held at subsidiaries of the Company
Éric Jacquet > *60 y.o. - Man* > Director & Chairman of the board of directors > Chief Executive Officer	French	30.06.10 29.06.12 26.06.14 30.06.16 29.06.18 30.06.10 29.06.12 26.06.14 30.06.16 29.06.18	2020 General Meeting 2020 General Meeting	9	39,530		Managing Director of JSA Managing Partner of SCI du Canal Managing Partner of SCI Rogna Boue Managing Partner of SCI Quede Managing Partner of SCI de Migennes Managing Partner then Chairman of Jeric Managing Partner of SCI de la Rue de Bourgogne Managing Partner of Jacquet Bâtiments EURL Managing Partner of SCI des Brosses Managing Partner of SCI de Mantenay Managing Partner of SCI Cité 44 Managing Partner of SCI Le Petit Sauzaye Managing Partner of SCI Les Chenes - Saint Fortunat
Jean Jacquet > *86 y.o. - Man* > *Considered as an independent* > Vice-Chairman of the board of directors	French	30.06.10 29.06.12 26.06.14 30.06.16 29.06.18	2020 General Meeting	9	3,000	Chairman of the Audit and Risk Committee (reappointed 29.06.18)	—
Françoise Papapietro > *54 y.o. - Woman* > *Considered as an independent* > Director	French	29.06.12 26.06.14 30.06.16 29.06.18	2020 General Meeting	7	710	Member of the Audit and Risk Committee (not reappointed 29.06.18)	Chairwoman of Parthénon Conseil SAS
Gwendoline Arnaud > *46 y.o. - Woman* > *Considered as an independent* > Director	French	26.06.14 30.06.16 29.06.18	2020 General Meeting	5	0	Member of the Appointment and Compensation Committee (reappointed 29.06.18)	Managing Partner of Cabinet Gwendoline Arnaud et Associés SELARL Managing Partner of SCI PNRAS Managing Partner of SCI LSCG Managing Partner of SCM 2G
Wolfgang Hartmann > *64 y.o. - Man* > Director	German	05.05.15 30.06.16 29.06.18	2020 General Meeting	4	9,000	Member of the Audit and Risk Committee (reappointed 29.06.18)	—
Jacques Leconte > *74 y.o. - Man* > *Considered as an independent* > Director	French	30.06.10 29.06.12 26.06.14 30.06.16 29.06.18	2020 General Meeting	9	500	Member of the Audit and Risk Committee (reappointed 29.06.18)	Member of the Strategy Committee of Thermcross SA
Henri-Jacques Nougein > *71 y.o. - Man* > *Considered as an independent* > Director	French	30.06.10 29.06.12 26.06.14 30.06.16 29.06.18	2020 General Meeting	9	510	Chairman of the Appointment and Compensation Committee (reappointed 29.06.18)	Chairman of the Supervisory Board of SCPI "BUROBOUTIC" Vice-Chairman of the Supervisory Board of SCPI "FICOMMERCE" Managing Partner of Cabinet Nougein
JSA > Director > Company represented by Ernest Jacquet *21 y.o. - Man*	French	30.06.10 29.06.12 30.06.16 29.06.18	2020 General Meeting	9	9,648,941		—
Séverine Besson-Thura > *44 y.o. - Woman* > *Considered as an independent* > Director	French	30.06.16 29.06.18	2020 General Meeting	3	500		—
Alice Wengorz > *52 y.o. - Woman* > *Considered as an independent* > Director	German	30.06.16 29.06.18	2020 General Meeting	3	700	Member of the Appointment and Compensation Committee (appointed 29.06.18)	—
Xavier Gailly > *71 y.o. - Man* > *Considered as an independent* > Director until 29.06.2018	Belgian	30.06.10 29.06.12 26.06.14 30.06.16	29.06.2018	8	770	Member of the Appointment and Compensation Committee (not reappointed 29.06.18)	Chairman of GAMI
Stéphanie Navalon > *48 y.o. - Woman* > *Considered as an independent* > Director until 29.06.2018	French	30.06.16	29.06.2018	2	0		—
Philippe Goczol > *53 y.o. - Man* > Deputy Chief Executive Officer	Belgian	20.07.10 29.06.12 26.06.14 30.06.16 29.06.18	2020 General Meeting	n.a.	2,431		Joint Managing Partner of SCI des Acquits

8.2 Agreements entered into between a senior executive or a major shareholder and a subsidiary

None.

8.3 Current delegations of authority to increase the share capital granted by the General Meeting

The Jacquet Metal Service General Meeting on June 29, 2018 granted the following currently effective delegations of authority to the Board of Directors:

Delegation of authority	General Meeting	Expiry	Maximum authorized amount per transaction	Overall maximum authorized amount
1 > Delegation of authority to increase the Company's share capital by capitalization of premiums, reserves, earnings or other amounts. > *Resolutions n°25*	29.06.18	29.08.20	€8,000,000	€8,000,000
2 > Delegation of authority to increase the Company's share capital, via the issuance of shares, subject to preferential subscription rights, and / or securities granting access to the Company's share capital, and / or securities conferring the right to allotment of debt securities. > *Resolutions n°26 & 31*	29.06.18	29.08.20	> **Capital increase :** €8,000,000 > **Issuance of debt securities :** €180,000,000	> **Capital increase* :** €12,000,000 > **Issuance of debt securities :** €250,000,000
3 > Delegation of authority to increase the Company's share capital, via the issuance, by way of public offerings without preferential subscription rights, of shares and / or securities granting access to the Company's share capital, or via the issuance of securities conferring the right to allotment of debt securities. > *Resolutions n°27 & 31*	29.06.18	29.08.20	> **Capital increase :** €8,000,000 > **Issuance of debt securities :** €180,000,000	> **Capital increase* :** €12,000,000 > **Issuance of debt securities :** €250,000,000
4 > Delegation of authority to decide to increase the Company's share capital via the issuance, without a public offering and without preferential subscription rights, of shares and / or securities granting access to the Company's share capital. > *Resolutions n°28 & 31*	29.06.18	29.08.20	> **Capital increase :** €8,000,000 > **Issuance of debt securities :** €180,000,000	> **Capital increase* :** €12,000,000 > **Issuance of debt securities :** €250,000,000
5 > Authorization, in the event of an increase in the Company's share capital via the issuance of shares and/or securities granting access to the Company's share capital without preferential subscription rights, to set a price lower than the minimum issue price. > *Resolutions n°29 & 31*	29.06.18	29.08.20	10% of the share capital	> **Capital increase* :** €12,000,000 > **Issuance of debt securities :** €250,000,000
6 > Authorization to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights. > *Resolutions n°30 & 31*	29.06.18	29.08.20	15% of the initial issue	> **Capital increase* :** €12,000,000 > **Issuance of debt securities :** €250,000,000
7 > Delegation of authority to the Board of Directors to issue shares or securities granting access to the Company's share capital without preferential subscription rights, in consideration for contributions in kind involving equity securities or securities granting access to the share capital. > *Resolution n°32*	29.06.18	29.08.20	10% of the share capital	10% of the share capital
8 > Delegation of authority to the Board of Directors to issue shares and / or securities granting access to the Company's share capital in the event of a public exchange offer initiated by the Company. > *Resolution n°33*	29.06.18	29.08.20	> **Capital increase :** €8,000,000 > **Issuance of debt securities :** €180,000,000	> **Capital increase :** €8,000,000 > **Issuance of debt securities :** €180,000,000
9 > Delegation of authority to increase the Company's share capital via the issuance of shares or securities granting access to the capital reserved for members of saving plans, without preferential subscription rights. > *Resolution n°36*	29.06.18	29.08.20	1% of the number of shares comprising the share capital	1% of the number of shares comprising the share capital
10 > Authorization to award existing or future bonus shares of the Company to employees and executive corporate officers of the Company and its affiliates > *Resolution n°34*	29.06.18	29.08.21	> 3% of the share capital > 1% of the share capital for executive corporate officers	> 3% of the share capital > 1% of the share capital for executive corporate officers
11 > Authorization to grant stock options in Company shares to employees and / or corporate officers of the Company and its affiliates. > *Resolution n°35*	29.06.18	29.08.21	> 3% of the share capital > 1% of the share capital for executive corporate officers	> 3% of the share capital > 1% of the share capital for executive corporate officers

* joint caps for Resolutions 26 to 30

The Board of Directors has not made use of this authorization to date.

8.4 Elements liable to impact a takeover bid

To the Company's knowledge, there are no mechanisms designed to delay, defer or prevent a change of control.

8.5 Compensation paid to corporate officers

8.5.1 Compensation paid to executive corporate officers

8.5.1.1 Summary of compensation awarded

The executive corporate officers since July 20, 2010 are Éric Jacquet in the capacity of Chairman of the Board of Directors and Chief Executive Officer and Philippe Goczol in the capacity of Deputy Chief Executive Officer. The compensation amounts shown below are for the 2017 and 2018 financial years. Éric Jacquet and Philippe Goczol receive no compensation from any other company of the consolidated Group.

Éric Jacquet, Chairman of the Board of Directors and Chief Executive Officer

Gross amounts (€k)	2018	2017
Compensation payable for the financial year	1,214	1,044
Valuation of share options awarded during the year	–	–
Valuation of performance shares awarded during the year	–	–
Total	**1,214**	**1,044**

Of which:

€k	2018		2017	
Gross amounts	**Amounts payable**	**Amount paid**	**Amounts payable**	**Amount paid**
Fixed compensation	600	600	600	600
Variable compensation	592	226[1]	226	35
Exceptional compensation	–	200[1]	200	0
Attendance fees	12	12	12	12
Post-employment benefits	10	10	6	6
Benefits in kind	–	–	–	–
Total	**1,214**	**1,048**	**1,044**	**653**

[1] in accordance with the vote at the Company's General Meeting on June 29, 2018 (Resolution 19)

Philippe Goczol, Deputy Chief Executive Officer

Gross amounts (€k)	2018	2017
Compensation payable for the financial year	376	318
Valuation of share options awarded during the year	–	–
Valuation of performance shares awarded during the year	–	–
Total	**376**	**318**

Of which:

€k	2018		2017	
Gross amounts	**Amounts payable**	**Amount paid**	**Amounts payable**	**Amount paid**
Fixed compensation	202	202	200	200
Variable compensation	149	103[1]	103	56
Exceptional compensation	20	10[1]	10	13
Attendance fees	–	–	–	–
Post-employment benefits	5	5	5	5
Benefits in kind	–	–	–	–
Total	**376**	**320**	**318**	**274**

[1] in accordance with the vote at the Company's General Meeting on June 29, 2018 (Resolution 19)

The variable compensation paid to the executive corporate officers is based on the following criteria:

- **Quantitative criteria** depending on Group profitability; the calculation is based on the ratio of net income (Group share) to consolidated sales. There are no fixed targets;
- **Qualitative criteria** the variable compensation based on qualitative criteria is left to the discretion of the Appointment and Compensation Committee, which submits the level of annual senior manager compensation to the Board of Directors for approval, and may recommend the payment of an exceptional compensation amount, where applicable.

The variable compensation is paid annually, once the Group's results are known. Pursuant to Article L. 225-37-2 of the French Commercial Code, the payment of all variable and exceptional compensation is subject to the approval of the Ordinary General Meeting of Shareholders.

Contractual status of corporate officers

	Employment contract		Supplementary pension scheme		Indemnities or benefits [1]		Indemnities relating to a non-competition clause	
Executive corporate officers	**yes**	**no**	**yes**	**no**	**yes**	**no**	**yes**	**no**
Éric Jacquet, Chairman & Chief Executive Officer since 20.07.2010		X	X			X		X
Philippe Goczol, Deputy Chief Executive Officer since 20.07.2010		X		X	X		X	

[1] Compensation amounts or benefits payable or likely to be payable as the result of termination or a change in duties.

The Company pays contributions for retirement benefits and supplementary pension contributions based on a calculation method common to Company employees, senior managers and, where applicable, other corporate officers.

The Company pays a contribution for Philippe Goczol in the form of a GSC-type directors' unemployment insurance policy, which provides for payment of an indemnity during a period of no more than 18 months as from the month following the date when the event covered by the policy occurred.

8.5.1.2 Stock options (for new or existing shares) granted to each executive corporate officer during the financial year

None.

8.5.1.3 Stock options (for new or existing shares) exercised by executive corporate officers during the financial year

None.

8.5.1.4 Performance shares granted to each corporate officer

None.

8.5.1.5 Performance shares vested during the financial year for executive corporate officers

None.

8.5.1.6 Bonus shares

None.

8.5.1.7 Other information

The following facilities directly or indirectly owned by Éric Jacquet are rented by Jacquet Metal Service SA and used for the Group's operations:

€k	Sites	2018 rent (excl. VAT)	2017 rent (excl. VAT)
JERIC SARL	Saint Priest - France	620	612
	Villepinte - France	200	198
SCI Cité 44	Lyon - France	413	401
SCI de Migennes	Migennes - France	213	210

8.5.1.8 Indemnity for termination or non-renewal of Philippe Goczol's term of office

At its meeting on November 15, 2010, the Board of Directors decided to grant Philippe Goczol an indemnity for the termination or non-renewal of his duties as the Company's Deputy Chief Executive Officer. The conditions for the payment and amount of the indemnity were determined as follows:

Conditions for awarding the indemnity

Philippe Goczol will be awarded a severance payment in the following scenarios, provided that the Board of Directors notes the achievement of the performance criteria:

- Decision by the Board of Directors to terminate Philippe Goczol's duties as Deputy Chief Executive Officer;
- Decision by the Board of Directors not to renew Philippe Goczol's office as Deputy Chief Executive Officer, unless he is offered other salaried or non-salaried duties at the Company and/or any related companies within the meaning of Article L. 225-197-2 of the French Commercial Code, in exchange for an annual compensation amount equal to 50% of the total gross compensation actually received by Philippe Goczol over the 24-month period preceding the month of occurrence of an event triggering the award of the severance payment. "Compensation received" means the fixed and variable compensation (PBMG Group manager profit-share, attendance bonus and any other variable compensation that the Deputy Chief Executive Officer may receive during his term of office). Compensation in this sense does not include stock options or bonus share awards. The gross salary as shown on Philippe Goczol's pay slip will be used to calculate the compensation received over the last 24 months.

Lastly, the Board of Directors decided that no severance payment will be payable to the Deputy Chief Executive Officer if the termination or non-renewal of his term of office occurs after the date on which he claimed his right to retirement or has retired.

Calculation of the indemnity on the basis of performance criteria

The amount of the indemnity will be based on the change in the Company's theoretical enterprise value (TEV) between:

- 2010, the date when Philippe Goczol took office; and
- the average TEV for the benchmark period for the year of departure and the two previous years.

This indemnity will amount to 6 months' salary, if the TEV has increased by an average of 3% to 6% per year compared to 2010, and to 12 months' salary, if the average increase in the TEV is higher than 6% per year. No indemnity will be paid if the average increase in the TEV is less than 3% per year.

The following definitions will apply for the calculation of the indemnities referred to above:

- The benchmark salary used to calculate the indemnity corresponds to the gross average fixed and variable compensation (PBMG, attendance bonus and any other variable compensation that the Deputy Chief Executive Officer may receive during his term of office) payable for the last three financial years and available as of the departure date ("Salary"). Compensation in this sense does not include stock options or bonus share allocations;
- TEV will be assessed every year using the following formula: TEV = average market capitalization + average Group debt, where:
  - average market capitalization is equal to the number of shares (recorded at the end of the benchmark period for the year of departure) multiplied by the average of the average daily volume-weighted share price over the benchmark period;
  - average debt is calculated on the basis of the average net debt at the end of the last two benchmark periods;
- the benchmark period is determined on the basis of the departure date, as follows:
  - if departure occurs before the date of the Board of Directors' meeting called to review the half-year financial statements for the departure year (year N), and no later than September 1 of year N, the benchmark period for the departure year will correspond to the most recent full financial year (N-1). The two previous benchmark periods are therefore financial years N-2 and N-3;
  - if departure occurs after the date of the Board of Directors' meeting called to review the half-year financial statements for the departure year (year N), but before the date on which the Board of Directors reviews the full-year financial statements for the same year (which must be prior to March 1), the benchmark period for the departure year will correspond to the 12 months preceding the half-year closing date (N). The two previous benchmark periods will be determined in the same way for the 12 months preceding the closing dates for the two prior first half-years.

At its meetings on June 29, 2012, June 26, 2014, June 30, 2016 and June 29, 2018, the Board of Directors renewed its approval of this indemnity in accordance with payment terms and conditions identical to those approved at its meeting on November 15, 2010.

8.5.1.9 Non-compete clause

On November 15, 2010, on the recommendation of the Appointment and Compensation Committee, the Board of Directors approved a non-compete agreement with Philippe Goczol to apply after he leaves the Company. The Board of Directors renewed its approval during its June 29, 2012, June 26, 2014, June 30, 2016 and June 29, 2018 meetings.

Under this agreement, Mr. Goczol is prohibited, for a period of one year, from directly or indirectly competing with the Company's or Group companies' business activities in the Benelux countries, mainland France and adjacent countries, in any manner whatsoever, including by means of e-commerce.
During the contractual non-compete period, the Company will pay the Deputy Chief Executive Officer a special monthly financial consideration equal to his Monthly Compensation (hereinafter "MC") multiplied by 0.6.

MC equals the total gross compensation actually received by Philippe Goczol over the 12 months preceding the month in which his duties are terminated, divided by 12. "Compensation received" means the fixed and variable compensation (PBMG Group manager profit-share, attendance bonus and any other variable compensation that the Deputy Chief Executive Officer may receive during his term of office). Compensation in this sense does not include stock options or bonus share allocations. The gross salary as shown on Mr. Philippe Goczol's pay slip will be used to calculate the compensation received over the last 12 months.

The Company will have the option to waive the application of this non-compete clause, subject to the prior authorization of the Board of Directors, and therefore not to pay the financial consideration.

Lastly, on March 13, 2019 the Board of Directors decided to amend Philippe Goczol's non-compete agreement such that no financial consideration will be paid to him upon exercise of his retirement entitlements and, furthermore, that no indemnity shall be paid to him once he reaches the age of 65.

8.5.2 Compensation paid to non-executive directors (Board Directors)

€k	2018		2017	
Gross amounts	**Amounts payable**	**Amount paid**	**Amounts payable**	**Amount paid**
Jean Jacquet	20.3	18.6	18.6	19.0
Henri-Jacques Nougein	17.5	16.3	16.3	16.0
Xavier Gailly	9.0	14.5	14.5	14.2
Jacques Leconte	16.5	15.9	15.9	15.6
Françoise Papapietro	15.0	15.9	15.9	15.6
Gwendoline Arnaud	15.0	12.6	12.6	11.5
JSA	4.0	11.7	11.7	11.5
Wolfgang Hartmann	16.5	15.9	15.9	10.9
Alice Wengorz	12.0	11.7	11.7	5.8
Séverine Besson Thura	12.0	11.7	11.7	5.8
Stéphanie Navalon	4.0	11.7	11.7	3.8
Total	**153.8**	**156.5**	**156.5**	**129.7**

The Jacquet Metal Service SA Board members are not bound by employment contracts within the Group. The only compensation they receive for the performance of their duties consists of attendance fees, which are awarded on the basis of their actual attendance of Board and Board committee meetings

8.5.3 Presentation of the draft resolutions regarding the compensation policy for executive corporate officers submitted to the General Meeting for approval

8.5.3.1 Draft resolutions determining the principles and criteria for setting executive corporate officer compensation

The principles and criteria for calculating, allocating and awarding fixed, variable and exceptional components of the total compensation and benefits of all kind awarded to Éric Jacquet as Chief Executive Officer and Philippe Goczol as Deputy Chief Executive Officer are set out below.

On the basis of this report, it is proposed that the June 28, 2019 General Meeting approve the executive corporate officer compensation policy for 2019 via a number of resolutions. This remuneration policy regarding executive corporate officers for 2019 has not been modified with regard to the policy previously submitted to and approved by the General Meeting of the Company's shareholders held on June 29, 2018.

Given that Éric Jacquet receives compensation only in respect of his duties as Chief Executive Officer, no resolution will be submitted with regard to his duties as Chairman of the Board of Directors.

General principles

The Board of Directors is responsible for determining the compensation paid to executive corporate officers on the basis of the proposals made by the Appointment and Compensation Committee.

With regard to the corporate officer compensation policy, the Board of Directors and the Appointment and Compensation Committee apply the recommendations of the Company's Reference Code, i.e. the AFEP-MEDEF corporate governance code (completeness, balance between the components of compensation, comparability, consistency, and clarity of rules and measurements).

These principles apply to all components of the compensation awarded to the Chief Executive Officer and the Deputy Chief Executive Officer.

Fixed compensation awarded to the Chief Executive Officer and Deputy Chief Executive Officer

Fixed compensation is determined by the Board of Directors at the recommendation of the Appointment and Compensation Committee.

In accordance with the recommendations of the AFEP-MEDEF Code, fixed compensation awarded to executive corporate officers is only reviewed at relatively long time intervals.

For example:

- The fixed compensation paid to the Chief Executive Officer, which was set at €600,000 upon his reappointment in June 2016, was increased in March 2019 by 8.3% with effect from January 1, 2019 now amounts to €650,000.
- The fixed compensation paid to the Deputy Chief Executive Officer, which was set at €200,000 upon his reappointment in June 2016, was increased by 1.1% with effect from January 1, 2018 and by 1.4% with effect from January 1, 2019, and now amounts to €205,030.

Variable compensation awarded to the Chief Executive Officer and Deputy Chief Executive Officer

Variable compensation is set by the Board of Directors at the recommendation of the Appointment and Compensation Committee.

The variable compensation paid to the executive corporate officers is based on the following criteria:

- **Quantitative criteria** depending on Group profitability; the calculation is based on the ratio of net income (Group share) to consolidated sales. There is no fixed target.
- **Qualitative criteria** the variable compensation based on qualitative criteria is left to the discretion of the Appointment and Compensation Committee, which submits the level of annual senior manager compensation to the Board of Directors for approval, and may recommend the payment of an exceptional compensation amount, where applicable.

In accordance with the recommendations of the AFEP-MEDEF code, the gross annual variable portion of compensation based on quantitative criteria is capped at 150% of the annual fixed compensation for the Chief Executive Officer and 100% for the Deputy Chief Executive Officer.

The Appointment and Compensation Committee may propose to the Board of Directors that exceptional compensation be awarded to the Chief Executive Officer and/or the Deputy Chief Executive Officer, as justified by special circumstances.

Furthermore, pursuant to Article L. 225-37-2 of the French Commercial Code, as from 2018 the payment of all variable and exceptional compensation is subject to the approval of the Ordinary General Meeting of Shareholders. These criteria for awarding variable compensation are periodically reviewed by the Appointment and Compensation Committee, while avoiding excessively frequent revisions.

Long-term compensation paid to executive corporate officers

The June 29, 2018 General Meeting of Shareholders authorized the Board of Directors to (i) award existing or future bonus shares and (ii) grant stock options in Company shares to employees and / or corporate officers of the Company and related companies for a 38-month term.

At present, the Company has no outstanding bonus share or stock option plans in favor of executive corporate officers. The awarding of such bonus shares or Company stock options to executive corporate officers will be reviewed as and when the Company decides to set up such plans.

Compensation related to termination of office

There are no provisions for awarding compensation to the Chief Executive Officer by reason of the termination of his office. Only a non-compete indemnity and a termination indemnity in the event of termination of office or change of position are awarded to the Deputy Chief Executive Officer.

Non-compete indemnity payable to Philippe Goczol

On November 15, 2010, on the recommendation of the Appointment and Compensation Committee, the Board of Directors approved a non-compete agreement with Philippe Goczol to apply after he leaves the Company. The Board of Directors renewed its approval during its June 29, 2012, June 26, 2014, June 30, 2016 and June 29, 2018 meetings.

Under this agreement, Mr. Goczol is prohibited, for a period of one year, from directly or indirectly competing with the Company's or Group companies' business activities in the Benelux countries, mainland France and adjacent countries, in any manner whatsoever, including by means of e-commerce.

During the contractual non-compete period, the Company will pay the Deputy Chief Executive Officer a special monthly financial consideration equal to his Monthly Compensation (hereinafter "MC") multiplied by 0.6.

MC equals the total gross compensation actually received by Philippe Goczol over the 12 months preceding the month in which his duties are terminated, divided by 12. "Compensation received" means the fixed and variable compensation (PBMG Group manager profit-share, attendance bonus and any other variable compensation that the Deputy Chief Executive Officer may receive during his term of office).

Compensation in this sense does not include stock options or bonus share allocations. The gross salary as shown on Mr. Philippe Goczol's pay slip will be used to calculate the compensation received over the last 12 months.

The Company will have the option to waive the application of this non-compete clause, subject to the prior authorization of the Board of Directors, and therefore not to pay the financial consideration.

Lastly, on March 13, 2019 the Board of Directors decided to amend Philippe Goczol's non-compete agreement such that no financial consideration will be paid to him upon exercise of his retirement entitlements and, furthermore, that no indemnity shall be paid to him once he reaches the age of 65.

Indemnity for termination or non-renewal of Philippe Goczol's term of office

At its meeting on November 15, 2010, the Board of Directors decided to grant Philippe Goczol an indemnity for the termination or non-renewal of his duties as the Company's Deputy Chief Executive Officer. The conditions for the payment and amount of the indemnity were determined as follows:

Conditions for awarding the indemnity

Philippe Goczol will be awarded a severance payment in the following scenarios, provided that the Board of Directors notes the achievement of the performance criteria:

- Decision by the Board of Directors to terminate Philippe Goczol's duties as Deputy Chief Executive Officer;
- Decision by the Board of Directors not to renew Philippe Goczol's office as Deputy Chief Executive Officer, unless he is offered other salaried or non-salaried duties at the Company and/or any related companies within the meaning of Article L. 225-197-2 of the French Commercial Code, in exchange for an annual compensation amount equal to 50% of the total gross compensation actually received by Philippe Goczol over the 24-month period preceding the month of occurrence of an event triggering the award of the severance payment. "Compensation received" means the fixed and variable compensation (PBMG Group manager profit-share, attendance bonus and any other variable compensation that the Deputy Chief Executive Officer may receive during his term of office). Compensation in this sense does not include stock options or bonus share awards. The gross salary as shown on Philippe Goczol's pay slip will be used to calculate the compensation received over the last 24 months.

Lastly, the Board of Directors decided that no severance payment will be payable to the Deputy Chief Executive Officer if the termination or non-renewal of his term of office occurs after the date on which he claimed his right to retirement or has retired.

Calculation of the indemnity on the basis of performance criteria

The amount of the indemnity will be based on the change in the Company's theoretical enterprise value (TEV) between:

- 2010, the date when Philippe Goczol took office; and
- the average TEV for the benchmark period for the year of departure and the two previous years.

This indemnity will amount to 6 months' salary, if the TEV has increased by an average of 3% to 6% per year compared to 2010, and to 12 months' salary, if the average increase in the TEV is higher than 6% per year. No indemnity will be paid if the average increase in the TEV is less than 3% per year.

The following definitions will apply for the calculation of the indemnities referred to above:

- The benchmark salary used to calculate the indemnity corresponds to the gross average fixed and variable compensation (PBMG, attendance bonus and any other variable compensation that the Deputy Chief Executive Officer may receive during his term of office) payable for the last three financial years and available as of the departure date ("Salary"). Compensation in this sense does not include stock options or bonus share allocations;
- TEV will be assessed every year using the following formula: TEV = average market capitalization + average Group debt, where:
  - average market capitalization is equal to the number of shares (recorded at the end of the benchmark period for the year of departure) multiplied by the average of the average daily volume-weighted share price over the benchmark period;
  - average debt is calculated on the basis of the average net debt at the end of the last two benchmark periods;
- the benchmark period is determined on the basis of the departure date, as follows:
  - if departure occurs before the date of the Board of Directors' meeting called to review the half-year financial statements for the departure year (year N), and no later than September 1 of year N, the benchmark period for the departure year will correspond to the most recent full financial year (N-1). The two previous benchmark periods are therefore financial years N-2 and N-3;
  - if departure occurs after the date of the Board of Directors' meeting called to review the half-year financial statements for the departure year (year N), but before the date on which the Board of Directors reviews the full-year financial statements for the same year (which must be prior to March 1), the benchmark period for the departure year will correspond to the 12 months preceding the half-year closing date (N). The two previous benchmark periods will be determined in the same way for the 12 months preceding the closing dates for the two prior first half-years.

At its meetings on June 29, 2012, June 26, 2014, June 30, 2016 and June 29, 2018, the Board of Directors renewed its approval of this indemnity in accordance with payment terms and conditions identical to those approved at its meeting on November 15, 2010.

Retirement benefits

The Company pays contributions for retirement benefits and supplementary pension contributions based on a calculation method common to Company employees, senior managers and, where applicable, other corporate officers.

Unemployment insurance

The Company pays a contribution to Philippe Goczol in the form of a GSC-type directors' unemployment insurance policy, which provides for payment of an indemnity during a period of no more than 18 months as from the month following the date when the event covered by the policy occurred.

8.5.3.2 Draft resolutions relating to the compensation paid or awarded to the executive corporate officers in respect of the 2018 financial year

In accordance with Article L. 225-37-2 of the Commercial Code, the principles and criteria for determining, dividing and allocating the fixed and variable long-term and exceptional components comprising the total compensation and benefits of any kind awarded to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer for performing their duties for the 2018 financial year, which form the policy regarding their compensation, were submitted to the shareholders for approval and were approved by the Company's General Meeting on June 29, 2018, under the terms of the 21st and 22nd Resolutions respectively.

Pursuant to Article L. 225-100 of the French Commercial Code, the amounts resulting from the implementation of these principles and criteria will be submitted to the shareholders for approval at the General Meeting convened to approve the financial statements for 2018, namely:

Éric Jacquet, Chairman of the Board of Directors and Chief Executive Officer

Gross amounts awarded (€k)	2018
Compensation payable for the financial year	1,204

Of which:

Gross amounts (€k)	Amounts payable in respect of 2018	Amounts paid in 2018
Fixed compensation	600	600 in respect of 2018
Variable compensation	592 [1]	226 in respect of 2017
Exceptional compensation	—	200 in respect of 2017
Attendance fees	12	12 in respect of 2017
Total	**1,204**	**1,038**

1 Pursuant to Article L. 225-37-2 of the French Commercial Code, as from 2018 the payment of all variable and exceptional compensation is subject to the approval of the Ordinary General Meeting of Shareholders.

Philippe Goczol, Deputy Chief Executive Officer

Gross amounts awarded (€k)	2018
Compensation payable for the financial year	371

Of which:

Gross amounts (€k)	Amounts payable in respect of 2018	Amounts paid in 2018
Fixed compensation	202	202 in respect of 2018
Variable compensation	149 [1]	103 in respect of 2017
Exceptional compensation	20 [1]	10 in respect of 2017
Attendance fees	—	—
Total	**371**	**315**

1 Pursuant to Article L. 225-37-2 of the French Commercial Code, as from 2018 the payment of all variable and exceptional compensation is subject to the approval of the Ordinary General Meeting of Shareholders.

8.6 Conditions for preparing and organizing the work of the Board of Directors and corporate governance

The work of the Board of Directors is prepared and organized in accordance with the statutory and regulatory provisions applicable to French corporations ("sociétés anonymes") with a Board of Directors, the Company's bylaws, the Board’s internal regulations and the recommendations of the AFEP-MEDEF code.

8.6.1 Corporate governance – Application of the AFEP-MEDEF code

The Company follows the AFEP-MEDEF corporate governance code for listed companies, revised in June 2018 and available for consultation on the MEDEF website, hereinafter referred to as the "Reference Code". The Company declares that it applies the recommendations of the Reference Code, except with regard to the staggered renewal of directors’ appointments (Recommendation 13) in view of the short duration of Company directors’ terms of office (two years).

8.6.2 Limitation of the powers of the Chief Executive Officer

On June 29, 2018, the Board of Directors decided to implement an internal order measure, enforceable on third parties, whereby the Deputy Chief Executive Officer was deprived of all competence, control and responsibility with regard to finance, including financial management of equity investments, management of subsidiary dividends, financial investments, current accounts, the cash position and financial commitments made by subsidiaries, the Chief Executive Officer having sole authority over these matters.

8.6.3 Board of Directors

Independence criteria for Board members

In accordance with the provisions of its internal regulations, the Board of Directors ensures that at least half of its members are independent according to current corporate governance criteria. The independence of Board members is tested against the following criteria:

- Not being and not having been, over the past five years, an employee or corporate officer of the Company or of a Group company;
- Not being a corporate officer of a company in which the Company directly or indirectly holds office as a director or member of the Supervisory Board;
- Not being a corporate officer of a company in which an employee designated as such or a corporate officer of the Company (currently or during the past five years) holds office as a director or member of the Supervisory Board;
- Not being a major customer, supplier, corporate banker, investment banker or adviser of the Company or Group or one for whom the Company or Group accounts for a material part of its business;
- Not having close family ties with an executive corporate officer of the Company or of a Group company;
- Not having been a statutory auditor of the Company over the past five years;
- Not being a Supervisory Board member or director for more than twelve years, on the understanding that the status of independent director will be forfeited upon expiry of the twelve-year period;
- Not being the principal shareholder of the Company or, where applicable, of the parent company that controls the Company within the meaning of Article L. 233-3 of the French Commercial Code;
- In the case of a non-executive corporate officer, not receiving any variable compensation in cash, securities or any other form that is related to the performance of the Company or Group.

Even if a director complies with all of the foregoing criteria, the Board of Directors may nonetheless decide not to qualify them as independent in view of their particular situation. The independent member qualification is discussed each year by the Appointment and Compensation Committee and approved on a case-by-case basis each year by the Board of Directors, with reference to the foregoing criteria, prior to the publication of the annual report.

Criteria	**Éric Jacquet**	**Ernest Jacquet** *JSA permanent representative*	**Henri-Jacques Nougein**	**Jacques Leconte**	**Françoise Papapietro**	**Gwendoline Arnaud**	**Jean Jacquet**	**Wolfgang Hartmann**	**Séverine Besson-Thura**	**Alice Wengorz**
1 Employee/corporate officer during the last 5 years	×	V	V	V	V	V	V	×	V	V
2 Cross mandates	V	V	V	V	V	V	V	V	V	V
3 Significant business relationships	V	V	V	V	V	V	V	V	V	V
4 Family link	V	×	V	V	V	V	V	V	V	V
5 Auditor	V	V	V	V	V	V	V	V	V	V
6 Term of office exceeding 12 years	V	V	V	V	V	V	V	V	V	V
7 Non-Executive Officer Executive Officer Status	×	V	V	V	V	V	V	V	V	V
8 Status of the significant shareholder	×	V	V	V	V	V	V	V	V	V

Key, V meets independence criterion & × does not meet independence criterion.

Membership of the Board of Directors

The membership of the Board of Directors is outlined in **§ 3.1.1** of the Group overview.

The Board of Directors pays particular attention to balanced membership on the Board and its committees. As such, the Board seeks to maintain diversity of experience, background and age among its members and those of the committees.

As of December 31, 2018, the Board had 10 members, including 4 women, 6 men and 2 foreign nationals.

Accordingly, Board membership complies with Article L. 225-18-1 of the French Commercial Code, which stipulates that each gender must be represented by at least 40% of the members.

Organization of the Board of Directors as defined by internal regulations

The Board of Directors adopted its internal regulations on July 20, 2010, and successively updated them on January 22, 2014, June 30, 2016, March 7, 2018 and March 13, 2019, primarily in order to take the various revisions of the Reference Code into account. The Board of Directors' internal regulations include and detail the operational and organizational rules applicable to it pursuant to the law and the Company's bylaws, as well as the operational rules of the standing committees that have been set up.

The internal regulations set forth:

- the competences and powers of the Board of Directors;
- the duties and obligations of its members with regard to the principles of confidentiality applicable to inside information and the rules of independence and fairness;
- each member's duty to notify the Board of any actual or potential conflict of interests in which they may be directly or indirectly involved; in such a case, the relevant member shall refrain from participating in discussions and decisions on the issues concerned;
- the rules applying to transactions involving the Company's shares as set out in Article L. 621-18-2 of the French Monetary and Financial Code and Articles 222-14 and 222-15 of the General Regulation of the Autorité des marchés financiers (French market regulator or AMF).

The rules specify that the Board of Directors should meet at least once a quarter and provide for the option of participating in meetings by means of videoconference or telecommunications technology, except for meetings called to approve the annual financial statements or to vote on the dismissal of the Board Chairman or Vice-Chairman.

The internal regulations also lay down the operational rules for the Board's two committees, the Audit and Risk Committee and the Appointment and Compensation Committee.

The internal regulations also provide that, at least once a year, the Board of Directors shall be convened by its Chairman to review and assess the Board's work.

Tasks and proceedings of the Board of Directors

The Board of Directors determines the Group's business strategy and monitors its implementation. It addresses all matters concerning the efficient running of the Company and settles issues, through its deliberations, over which it has authority. In this context, the Board notably:

- deliberates on Group strategy and the operations ensuing from it and, more generally, on all material transactions, particularly those involving investments or divestments;
- appoints the Company's senior management and oversees its management;
- monitors the quality of information provided to the shareholders and the stock market, especially via the financial statements and annual report or when material transactions are concluded.

Conclusion of the following transactions requires the prior authorization of the Board of Directors:

- All acquisitions or divestments of equity interests or business undertakings for an enterprise value of more than €5 million per transaction;
- All material transactions falling outside the scope of the Company's published strategy;
- Endorsements, sureties and guarantees, subject to the conditions provided for by applicable legislation.

The Chairman or, where applicable, the Vice-Chairman organizes and directs the work of the Board of Directors and reports to the General Meeting on the Board's work. The Chairman oversees the operation of the Company's bodies, in particular that of the Board's committees. The Chairman ensures that Board members are able to perform their duties and that the Board spends sufficient time on issues impacting the Group's future.

Senior management of the Company is exercised by the Chairman of the Board of Directors, who thus holds the positions of both Chairman and Chief Executive Officer. The Chief Executive Officer exercises his powers without limitation.

Activity of the Board of Directors

In 2018, the Board of Directors of Jacquet Metal Service met six times. Every Director receives invitations to Board meetings together with the agenda and technical documentation for the issues discussed, generally one week before the meeting.

In particular the Board of Directors:

- reviewed the 2018 budget;
- authorized the Chairman to grant guarantees on behalf of the Company;
- allocated the attendance fees for 2017;
- carried out the annual review of its operations;
- reviewed and approved the annual, half-yearly and quarterly company and consolidated financial statements, depending on the case, and reviewed the forward-looking management documents;
- approved the corporate governance report;
- approved the reports and draft resolutions submitted by the Board of Directors to the June 29, 2018 General Meeting;
- amended the Company's internal regulations;

- appointed the members of the Audit and Risk Committee and Appointment and Compensation Committee;
- exercised the authority granted by the General Meeting to purchase or transfer the Company's shares;
- selected the manner in which senior management is exercised, appointed the executive corporate officers and set their powers and compensation;
- reviewed all minutes of proceedings of the Audit and Risk Committee and the Appointment and Compensation Committee;
- in relation to issues currently affecting the Group, noted the progress made on current projects as well as events and transactions of significant importance for the Company.

The meetings of the Board of Directors lasted for one and a half hours on average. The average attendance rate was 92.50%.

The statutory auditors were invited to all Board meetings.

Assessment of the work of the Board of Directors

In accordance with the recommendations of the Reference Code, the Board carries out an assessment of its own work every year and conducts a more in-depth review every three years.

Accordingly, once a year the Board assigns one item on its agenda to this assessment and holds a discussion on its work with a view to improving its efficiency, ensuring that important issues are adequately prepared and discussed by the Board and measuring each member's actual contribution to its work. The last three-year review was carried out during the March 15, 2017 Board meeting. The responses showed that most directors consider that the Company applies proper corporate governance rules. The Board of Directors concluded that the frequency and length of its meetings and the information provided in advance enabled it to duly perform its duties.

The last annual assessment was carried out during the March 13, 2019 Board meeting: this showed that most Board members are satisfied with the Board's operation.

8.6.4 Standing committees

Each standing committee comprises no more than four members. All members of the Appointment and Compensation Committee and three of the four members of the Audit and Risk Committee are deemed to be independent and competent in accordance with the Reference Code recommendations.

8.6.4.1 Audit and Risk Committee

The Audit and Risk Committee comprises three members:

- At the Board meeting on June 29, 2018, Jean Jacquet (Chairman), Jacques Leconte and Wolfgang Hartmann were appointed members of the committee for the duration of their term of office as directors, i.e. until the General Meeting called to approve the financial statements for the year ended December 31, 2019.

The Audit and Risk Committee's tasks are to:

- verify the appropriateness of the accounting methods applied in the preparation of the parent company and consolidated financial statements;
- investigate any problems encountered in the application of the accounting methods;
- before presentation to the Board of Directors, review the parent company and consolidated financial statements, budgets and forecasts and, to this end, review the annual, half-year and, where applicable, quarterly financial statements, the accounting principles and methods, the Company's audit and internal control principles and methods, and the analyses and reports concerning financial reporting, accounting policy and communications between the Chairman and CEO and the Company's statutory auditors;
- monitor the quality of, and compliance with, the internal control procedures and assess the information received from the Board of Directors, the Company's internal committees and the internal and external auditors;
- review and verify the rules and procedures applicable to conflicts of interest and to the identification and measurement of the main financial risks, verify the application of these rules and submit an annual assessment thereof to the Board of Directors;
- oversee the selection, appointment and reappointment of the statutory auditors, provide an opinion on the amount of professional fees requested by the auditors, verify their independence and impartiality in the case of statutory auditors belonging to a network that provides both auditing and advisory services and submit the results of this work to the Board of Directors;
- review the schedule for the statutory auditors' inspections, the results of their audits, their recommendations and follow-up thereof;
- determine the rules concerning the engagement of the statutory auditors on assignments other than those related to the audit of the financial statements and entrust additional audit assignments to external auditors;
- guarantee the independence of the statutory auditors and, in particular, ensure that their professional fees and additional services have no impact on such independence; and

- more generally, review, control and evaluate anything that might affect the truth and accuracy of the financial statements.

To fulfill its duties, the Audit and Risk Committee has access to all accounting and financial documentation. It conducts interviews with the persons responsible for preparing the financial statements, the internal audit manager and the statutory auditors in order to obtain assurance that the auditors have had access to all the information required for their work, in particular with regard to the consolidated subsidiaries, and that they have made sufficient progress by the time the financial statements are due for approval so as to be able to communicate all material observations.

The rules governing the organization, operation, assignments and characteristics of the Audit and Risk Committee are specified in the internal regulations of the Board of Directors.

The Audit and Risk Committee meets at three times per year, prior to Board meetings whose agenda includes the following points:

- review of the half-year and full-year Company and consolidated financial statements including related audit reports;
- budget review.

The committee also monitors potential risks incurred by the Group. It reports to the Board of Directors on its work.

Activity of the Audit and Risk Committee

The Audit and Risk Committee met three times in 2018, on January 22, March 6 and September 4, and had an attendance rate of 100%. On average, its meetings lasted two hours.

Its work primarily consisted of:

- reviewing the Group and Company annual and half-yearly financial statements and the forward-looking management documents;
- checking the proper application of the accounting principles;
- checking that the year-end procedure and review of the statutory auditors' conclusions following completion of their audits had been performed correctly;
- reviewing the budget;
- reviewing the Company Anti-Corruption Policy and whistle-blowing system.

The Audit and Risk Committee reviewed the work of the internal audit department, particularly with regard to the follow-up of the statutory auditors' recommendations, as well as the department's conclusions on specific audit assignments and the proposed approach to organizing internal control and identifying and monitoring risks.

Furthermore, the Audit and Risk Committee ascertained the progress made on the various provisions of the French "Sapin 2" Act.

It approved the Anti-Corruption Policy, as well as the whistle-blowing system provided for by the Act.

Assessment of the work of the Audit and Risk Committee

At their March 12, 2019 meeting, the members of the Audit and Risk Committee reviewed and assessed the work of the committee. This assessment was performed by committee members and primarily covered committee membership, frequency and length of meetings, the quality of the discussions, the work of the committee, communication of information to committee members, committee members' compensation and access to Group management.

The Audit and Risk Committee concluded that the frequency and length of its meetings and the information provided in advance to the committee and its members enabled it to duly perform its duties.

8.6.4.2 Appointment and Compensation Committee

The Appointment and Compensation Committee comprises three members:

- At the Board meeting on June 29, 2018, Henri-Jacques Nougein (Chairman), Alice Wengorz and Gwendoline Arnaud were appointed members of the committee for the duration of their term of office as directors, i.e. until the General Meeting called to approve the financial statements for the year ended December 31, 2019.

The Appointment and Compensation Committee's tasks are to:

- communicate to the Board of Directors all proposals regarding all compensation and benefits awarded to executive corporate officers, including all components thereof;
- issue an opinion on the hiring of new directors or CEO(s) and on the determination of and changes to their compensation package;
- prepare a succession plan for executive corporate officers in order to propose solutions, particularly in the event of unforeseen vacancies;
- contribute towards the preparation of the annual report with regard to information for the shareholders on the compensation paid to corporate officers; and
- notify the Board of Directors of any recommendations it may have concerning all Company staff compensation and profit-sharing systems, by any means, including employee savings plans, reserved issues of convertible securities and stock option allocations.

To this end, the Appointment and Compensation Committee sees that all requisite and useful information is communicated to it sufficiently in advance of the relevant committee meeting so that the members have sufficient time to review such information before the meeting. The committee conducts any interviews, with any persons, that may be necessary or useful with regard to the fulfillment of its duties.

Activity of the Appointment and Compensation Committee

The Appointment and Compensation Committee met twice in 2018, on March 7 and May 3, and had an attendance rate of 100%.

Its work primarily focused on reviewing:

- the salary policy applied to senior executives of Group companies and executive corporate officer compensation in light of the Group's size and the recommendations of the AFEP-MEDEF code;
- the amendments made to the AFEP-MEDEF corporate governance code in November 2016, including those regarding the powers of the Appointment and Compensation Committee and the independence of the directors, as well as "Say on Pay" and the French Macron Act;
- a succession plan for executive corporate officers;
- the membership of the Board of Directors and committees and the independence of directors;
- the information provided to the shareholders on the compensation received by corporate officers;
- the attendance fee budget allocated to directors.

The Appointment and Compensation Committee reported to the Board of Directors on its work.

Assessment of the work of the Appointment and Compensation Committee

During its March 13, 2019 meeting, the Committee assessed its operating procedures. This assessment was performed by committee members mainly based on a questionnaire given to all members primarily covering committee membership, frequency and length of meetings, the quality of the discussions, the work of the committee, communication of information to committee members, committee members' compensation and access to Group management.

The Appointment and Compensation Committee concluded that the frequency of its meetings, which varies from year to year depending on the number of issues to be discussed, the length of meetings and the information provided in advance to each committee member, enabled it to duly perform its duties.

8.6.5 Board member attendance

Gross amounts (€k)	Attendance of Board meetings	Attendance of Audit and Risk Committee meetings	Attendance of Appointment and Compensation Committee meetings
Éric Jacquet Chairman of the Board of Directors	100%	n.a.	n.a.
JSA Director	33.33%	n.a.	n.a.
Henri-Jacques Nougein Director, Chairman of the Appointment and Compensation Committee	100%	n.a.	100%
Xavier Gailly Director until June 29, 2018, Member of the Appointment and Compensation Committee	100%	n.a.	100%
Jacques Leconte Director, Member of the Audit and Risk Committee	100%	100%	n.a.
Françoise Papapietro Director, Member of the Audit and Risk Committee until June 29, 2018	100%	100%	n.a.
Gwendoline Arnaud Director, Member of the Appointment and Compensation Committee	100%	n.a.	100%
Jean Jacquet Director, Chairman of the Audit and Risk Committee	100%	100%	n.a.
Wolgang Hartmann Director, Member of the Audit and Risk Committee	100%	100%	n.a.
Séverine Besson-Thura Director	100%	n.a.	n.a.
Alice Wengorz Director	100%	n.a.	n.a.
Stéphanie Navalon Director until June 29, 2018	66.66%	n.a.	n.a.

8.6.6 Change in the membership of the Board of Directors and committees during the year ended December 31, 2018

Gross amounts (€k)	Departure	Appointment	Reappointment
Board of Directors	Xavier Gailly 29.06.18		Éric Jacquet 29.06.18
	Stéphanie Navalon 29.06.18		Jean Jacquet 29.06.18
			Françoise Papapietro 29.06.18
			Gwendoline Arnaud 29.06.18
			Wolfgang Harmann 29.06.18
			Jacques Leconte 29.06.18
			Henri-Jacques Nougein 29.06.18
			JSA 29.06.18
			Séverine Besson-Thura 29.06.18
			Alice Wengorz 29.06.18
Audit and Risk Committee	Françoise Papapietro 29.06.18		Jean Jacquet 29.06.18
			Wolfgang Hartmann 29.06.18
			Jacques Leconte 29.06.18
Appointment and Compensation Committee	Xavier Gailly 29.06.18	Alice Wengorz 29.06.18	Henri-Jacques Nougein 29.06.18
			Gwendoline Arnaud 29.06.18

8.7 Shareholders' participation in the General Meeting

The terms and conditions governing shareholder participation in General Meetings are set out in Articles 23 to 28 of the Company bylaws.

1 Statement by the person responsible for the Registration Document and annual financial report

I hereby certify, having taken all reasonable care that such is the case, that the information contained in this Registration Document, to the best of my knowledge, truly reflects the existing situation and contains no omissions which could impair its full meaning.

I hereby certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair picture of the assets and liabilities, financial position and earnings of the Company and all of the companies included in the consolidation scope, and that the Management Report presented on pages 20 to 43 gives a fair view of the course of business, performance and financial position of the Company and all of the companies included in the consolidation scope and includes an account of the main risks and uncertainties with which they are faced.

I have received from the statutory auditors an audit completion letter in which they state that they have verified the information relating to the financial position and financial statements provided in this document and that they have read the document in its entirety.

Saint-Priest, April 9, 2019

Éric Jacquet
Chairman & Chief Executive Officer

2 Persons responsible for the financial statements audit

Regular statutory auditors

> Ernst & Young et autres

Represented by: Nicolas Perlier
Tour Oxygène
10-12, boulevard Marius Vivier Merle
69393 Lyon Cedex 03

Date of reappointment: June 30, 2017

Term: 6 years. Term expires at the close of the General Meeting called to approve the financial statements for the year ended December 31, 2022

> Grant Thornton

Represented by: Françoise Mechin
Cité Internationale
44, quai Charles de Gaulle
69463 Lyon cedex 06

Date of first appointment: June 26, 2014

Term: 6 years. Term expires at the close of the General Meeting called to approve the financial statements for the year ended December 31, 2019

Alternate statutory auditors

> IGEC

Represented by: 3, rue de Léon Jost
75017 Paris

Date of first appointment: 26 juin 2014

Term: 6 years. Term expires at the close of the General Meeting called to approve the financial statements for the year ended December 31, 2019.

3 Person responsible for financial reporting and investor relations

> Thierry Philippe

Chief Financial Officer
T +33 4 72 23 23 50
comfi@jacquetmetals.com

4 Information about the issuer

Company name Article 3

The name of the Company is Jacquet Metal Service. No trade name has been filed.

Registered office Article 4

The Company's registered office is located at 7 rue Michel Jacquet, Saint-Priest (69800).

Date and term of incorporation Article 5

The Company was incorporated on September 23, 1977.

The term of the Company is 99 years except in the event of early dissolution or extension as decided by the Extraordinary General Meeting. The term of the Company is due to expire on December 31, 2075.

Registration

The Company is registered in the Lyon Trade and Companies Register under number 311 361 489. The Company's APE code is 7010Z.

Legal form and governing law

Jacquet Metal Service is a French corporation ("société anonyme") with a Board of Directors subject to all the legislation and regulations governing trading companies in France, in particular Articles L. 224-1 et seq. of the French Commercial Code.

Corporate purpose Article 2

The object of the Company is, in any country:

- The listing of products and / or services, for its own account or for the account of others;
- The acquisition, the disposal or the management of any goods and / or rights necessary or useful to its activities or its assets or that of other companies belonging to its group;
- The acquisition of shares or interests in any company, the administration, management or disposal of these shares and interests;
- The participation in operations in relation to the financing of companies in which the Company has a direct or indirect stake or interest, in particular the granting of any loans, advances, guaranties or sureties;
- The management, coordination, control and development of companies belonging to its group;
- All services related to the organization and the development of industrial activities as well as the assistance and support, notably in the administrative, financial, commercial, IT and/or technical fields, for the account of companies belonging to its group;
- The exercise and the assumption of any corporate offices in any company and/or legal entity.

And, in general, undertake all business, industrial, financial and movable or real property transactions that may be necessary or useful for carrying out and developing the Company's business.

Financial year Article 32

Each financial year begins on January 1 and ends on December 31.

General Meetings Articles 23 to 30

Notice Article 24

General Meetings of shareholders are convened and deliberate in accordance with the conditions provided for by law.

Meetings are held either at the registered office or at another location, as specified in the notice. If specified in the notice of the General Meeting, any shareholder may participate in this meeting by means of videoconference, electronic telecommunication or data transmission technology, subject to applicable statutory or regulatory conditions. Shareholders participating in meetings by such means shall be deemed present for the purpose of calculating quorum and majority.

Admission Article 26

All shareholders, subject to statutory and regulatory conditions, are entitled to attend General Meetings and take part in the discussions in person or by proxy, irrespective of the number of shares they hold.

All shareholders may procure representation subject to the conditions provided for by law.

All shareholders may vote remotely by means of a form drawn up and sent to the Company in accordance with statutory and regulatory conditions.

Location where documents and information concerning the Company may be consulted

The bylaws, financial statements, reports and minutes of General Meetings made available to shareholders and the general public pursuant to the legislation regarding trading companies may be consulted at the Company's registered office and, where applicable, on its website.

Service agreements providing for the award of benefits on expiry

Apart from the compensation and provisions set out in **§ 8.5** of the Corporate Governance Report, there are no service agreements between corporate officers and the issuer or any of the subsidiaries that provide for the award of benefits on expiry of the agreement.

Determination and appropriation of earnings Article 34

The income statement that presents the income and expenses for the financial year indicates, as a separate item, the profit for the year after deduction of depreciation, amortization and provisions.

A deduction of at least 5% is made from the profit for the year, less any retained losses brought forward, in order to establish the statutory reserve. This deduction shall no longer be mandatory when the amount of the reserve equals at least one tenth of the share capital.

Distributable profit equals the profit for the year plus retained earnings brought forward, less retained losses brought forward and amounts transferred to reserves, in application of the law and the Company's bylaws.

This profit is distributed to the shareholders in proportion to the number of shares held by each one. The General Meeting may decide to distribute amounts deducted from available reserves, provided that it expressly specifies the reserves from which such amounts are taken.

However, as a matter of priority, dividends are deducted from the profit for the year. Except in the case of a capital reduction, no distribution may be made to the shareholders where the amount of shareholders' equity is, or would be following such distribution, less than the amount of share capital plus reserves which the law or the Company's bylaws prohibit from being distributed. Distribution of the revaluation surplus is prohibited. All or part of the revaluation surplus may be incorporated into the share capital.

However, after deducting the amounts transferred to reserves, in accordance with the law, the General Meeting may then deduct any amounts it considers appropriate and allocate them to any optional, ordinary or extraordinary reserves or to retained earnings carried forward.

Payment of final and interim dividends Article 35

- The General Meeting may grant shareholders the option of receiving all or part of the dividend distributed either in the form of shares, subject to statutory conditions, or in cash.
- The terms and conditions regarding the payment of dividends in cash are defined by the General Meeting, or otherwise by the Board of Directors.

Cash dividends shall be paid out within a maximum period of nine months following the balance sheet date, unless this period is extended by court authorization.
Notwithstanding, if financial statements drawn up during the course of or at the end of a financial year and certified by a statutory auditor indicate that, after allocating the required amounts to depreciation, amortization and provisions and after deducting any retained losses brought forward and any amounts to be transferred to reserves in accordance with the law or the Company bylaws, and plus any retained earnings brought forward, the Company has made a profit since the end of the previous financial year, interim dividends may be distributed before the full-year financial statements have been approved. The amount of such interim dividends shall not exceed the amount of the profit as defined above.

No reimbursement of dividends may be required of the shareholders, unless the distribution was made in breach of statutory provisions and the Company is able to prove that the beneficiaries were aware or, given the circumstances, could not be unaware of the unlawfulness of the distribution at the time it was made. Any claim for reimbursement of dividends shall be barred by the statute of limitations three years after the payment of the dividends in question.

Dividends not claimed within five years of their payment date shall lapse.

Rights and obligations attached to shares Article 11

Each share carries entitlement, in proportion to the percentage of the share capital that it represents, to a share of the profits distributed and a share in the ownership of the corporate assets or liquidation surplus.

Each share carries entitlement to be represented and to vote in General Meetings, without restriction, subject to statutory and regulatory conditions.

Pursuant to Article L. 223-123 of the French Commercial Code, a double voting right, compared to the voting right conferred on other shares in light of the proportion of the share capital they represent, is assigned to all fully paid up shares held in registered form by the same shareholder and registered with the issuer or its representative for at least two years.

In the event of a capital increase by capitalization of reserves, profits or issue premiums, the double voting right may be conferred, as of issuance, on registered bonus shares allocated to a shareholder by virtue of their existing double voting shares.

If the Company undergoes a merger or demerger, this shall not affect double voting rights, which may be exercised within the beneficiary company if permitted by such company's bylaws.

Double voting rights shall automatically lapse in the event of conversion to bearer form or transfer of ownership. Nevertheless, the period defined above shall not be suspended and the acquired right shall be preserved in the event of a transfer resulting from a succession, the sharing out of matrimonial property or an inter vivos gift to a spouse or a relative close enough to inherit an estate. The same shall apply in the event of a transfer following the merger or demerger of a shareholder company. All shareholders are entitled to be informed of the Company's affairs and receive specific corporate documents at the time and under the conditions provided for by law and the Articles of Association.

Shareholders' liability for the Company's debts is limited to the par value of the shares they hold.

The right and obligations attached to a share shall be transferred upon transfer of ownership.

Ownership of a share automatically entails adherence to the Company's bylaws and the resolutions of the General Meeting.

The heirs, creditors, assigns, trustees or other representatives of a shareholder may under no circumstances cause the Company's assets and securities to be placed under seal, request the distribution or sale by auction thereof or interfere in any way whatsoever in the Company's administration; in order to exercise their rights, they shall rely on the Company's balance sheet and on the decisions of the General Meeting.

Whenever ownership of a specific number of shares is required in order to exercise a right, it is up to the shareholders who do not meet this requirement to arrange for the grouping of the required number of shares.

Share transfer and transmission Article 10

In addition to the mandatory disclosures required by the applicable statutory and regulatory provisions, all individuals or legal entities, acting alone or in concert, whose shareholding exceeds or falls below 1% of the share capital or voting rights, or any multiple of this percentage up to one third of the share capital, are required to notify the Company thereof, within five (5) trading days following the crossing of the shareholding threshold, by registered letter with acknowledgment of receipt sent to the Company's registered office, specifying the number of shares and voting rights held.

If a shareholder fails to disclose the crossing of a threshold under the aforementioned conditions, the shares exceeding the fraction that should have been disclosed shall be stripped of voting rights, subject to statutory conditions, for all shareholders' meetings until the expiry of a period of two (2) years following the rectification of the situation. Except in the case of the thresholds provided for by Article L. 233-7 of the French Commercial Code, shares will be stripped of their voting rights only following a request to that effect, recorded in the minutes of the General Meeting, on the part of one or more shareholders holding 2.5% of the Company's share capital or voting rights.

5 Information on the share capital

Share capital Article 6

Share capital amounts to €36,631,126.16 divided into 24,028,438 fully paid-up shares.

Form of shares Article 9

Fully paid-up Company shares may, at the shareholder's discretion, be in either registered or identifiable bearer form, pursuant to the applicable statutory and regulatory provisions, in particular Article L.228-2 of the French Commercial Code.

In order to identify bearer shareholders, the Company is entitled at any time whatsoever to request the following information from the central custodian of financial instruments: the name or Company name, nationality, year of birth or year of incorporation and address of the holders of shares granting (immediately or in the future) the right to vote at its shareholders' meetings, as well as the number of shares held by each of them and any restrictions that may exist.

Furthermore, the Company is entitled to request all the information provided for under Articles L. 228-2 et seq. of the French Commercial Code.

The conditions for using such information are governed by the provisions of the aforementioned Article L. 228-2 of the French Commercial Code.

Share trading – Stock exchange

All shares may be freely sold or transferred. The shares are listed on NYSE Euronext - Compartment B.

Breakdown of share capital and voting rights

A detailed presentation of the shareholder structure and the identity of shareholders exceeding the statutory thresholds is provided in **§ 2.8** of the Management Report – Information on the parent company.

Share buyback program

This information may be found in **§ 2.5** of the Management Report – Information on the parent company.

Convertible, exchangeable or equity-warrant bonds

None.

Securities not representing capital

None.

Shareholders' agreements and declared concert

To the Company's knowledge:

- There are no shareholders' agreements.
- In a letter dated March 12, 2014 sent to the Company, Mr. Richard W. Colburn and Metal Companies Multi Employer Pension Plan declared that they act in concert. The Company has received no further information since this date.

Liquidity agreement

This information may be found in **§ 2.7** of the Management Report – Information on the parent company.

6 Parent company / Subsidiary relations

Jacquet Metal Service SA and its subsidiaries maintain contractual relations in respect of the Group's organization and functioning.

Jacquet Metal Service SA mainly supplies services to its subsidiaries with a view to minimizing costs by providing them with economic advantages. Thus Jacquet Metal Service SA's sales consist primarily of management fees and fees for IT services invoiced directly or indirectly to all Group subsidiaries according to the same criteria.

The Jacquet Metal Service Group comprises a large number of subsidiaries, all majority-owned, located in 25 countries. The percentages of interest and control held by Jacquet Metal Service in each subsidiary and their country of location are listed in **§ 3.1.1** - "Consolidation scope" in the notes to the consolidated financial statements.

The results of these subsidiaries and important notes on their business activity are set out in **§ 1.2** of the Management Report – Information on the Group. The senior managers of Jacquet Metal Service SA, the parent company, are also directors and officers of the Group's main subsidiaries.

Shareholder agreements have been signed between Jacquet Metal Service and the minority shareholders.

These agreements in no way affect the terms and conditions governing the sale or purchase of Jacquet Metal Service shares.

They are designed solely to arbitrate between the parties' interests in the event of conflict or a planned divestment.

7 Independent verifier's report on consolidated non-financial statement presented in the management report

> **ERNST & YOUNG et Associés**
Tour First — TSA 14444
92037 Paris - la Défense cedex
449 142 348 R.C.S. Nanterre

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English speaking users.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Jacquet Metal Service
Year ended December 31, 2018

To the General Assembly,

In our quality as an independent verifier, accredited by the COFRAC under the number n° 3-1050 (scope of accreditation available on the website www.cofrac.fr), and as a member of the network of one of the statutory auditors of your entity Jacquet Metal Service (hereafter "entity"), we present our report on the consolidated non-financial statement established for the year ended on the 31 12 2018 (hereafter referred to as the "Statement"), presented in the management report pursuant to the provisions of the article L. 225 102-1, R. 225-105 et R. 225-105-1 of the French Commercial code (Code de commerce).

Responsibility of the entity

It is the responsibility of the Board of Directors to establish the statement in compliance with the legal and regulatory provisions including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied regarding these risks as well as the results of these policies, including key performance indicators.

The Statement has been established by applying the procedures of the entity (hereinafter referred to as the "Criteria"), the significant elements of which are presented in the Statement available on request at the Entity's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements pursuant to the provisions of the article L. 822-11-3 of the French Commercial code (Code de commerce) and the Code of Ethics of our profession. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work, to express a limited assurance conclusion on:

- the compliance of the Statement with the provisions of Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to paragraph 3 of I and II of Article R. 225 105 of the French Commercial Code, namely the results of the policies, including key performance indicators, and the actions related to the main risks, hereinafter the "Information".

Nonetheless, it is not our responsibility to express any form of conclusion on:

- compliance by the entity with other applicable legal and regulatory provisions, particularly regarding the vigilance plan and the fight against corruption and tax evasion;
- compliance of products and services with applicable regulations.

Nature and scope of the work

Our work described below has been carried out in accordance with the provisions of articles A. 225 1 et seq. of the French Commercial Code determining the procedures in which the independent third party conducts its mission and according to professional standards as well as to the international ISAE standard 3000 - Assurance engagements other than audits or reviews of historical financial information.

The work that we conducted enables us to assess the compliance of the Statement with the regulatory provisions and the fairness of the Information:

> We took note of the activity of all the companies included in the scope of consolidation, the statement of the main social and environmental risks related to this activity, and, if applicable, its effects regarding compliance with human rights, the fight against corruption, tax evasion as well as the resulting policies and their results;
> We assessed the suitability of the Criteria in terms of its relevance, comprehensiveness, reliability, neutrality and understandability by taking into consideration, if relevant, the best practices of the industry;
> We verified that the Statement covers each category of information provided in III of article L. 225-102-1 of the French Commercial Code regarding social and environmental matters, as well as respect of human rights and the fight against corruption and tax evasion;
> We verified that the Statement includes an explanation justifying the absence of the information required by the 2nd paragraph of III of Article L. 225-102-1 of the French Commercial Code;
> We verified that the Statement presents the business model and the main risks related to the activity of all the entities included in the scope of consolidation; including if relevant and proportionate, the risks created through its business relationships, products or services, policies, actions and results, including key performance indicators;
> We verified, when relevant to the main risks or the policies presented, that the Statement presents the information provided for II in Article R. 225-105 II of the French Commercial Code;
> We assessed the process of selecting and validating the main risks;
> We inquired about the existence of internal control and risk management procedures put in place by the entity;
> We assessed the consistency of the results and the key performance indicators selected regarding the main risks and policies presented;
> We verified that the Statement includes a clear and reasonable explanation for the absence of a policy regarding one or more of these risks;
> We verified that covers the consolidated scope, i.e. all the companies included in the scope of consolidation in accordance with Article L. 233-16 of the French Commercial Code, with the limits specified in the Statement;
> We assessed the collection process put in place by the entity for the completeness and fairness of the Information;
> We implemented the key performance indicators and other quantitative results that we considered the most important presented in Appendix 1:
> > analytical procedures to verify the correct consolidation of the collected data as well as the consistency of their evolutions;
> > detailed tests based on samples, consisting of checking the correct application of the definitions and procedures and reconciling the data with the supporting documents. This work was carried out with a selection of contributing entities listed below: IMS Deutschland, Günther + Schramm Gmbh et IMS France; which cover between 26% and 29% of consolidated data selected for these tests (26% of scrap, 29% of work accidents);
> > We consulted documentary sources and conducted interviews to corroborate the qualitative information (actions and results) that we considered the most important presented in Appendix 1;
> > We assessed the overall consistency of the Statement with our knowledge of the entity.
> We consider that the work we have done by exercising our professional judgment allows us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work.

Means and resources

Our verification work mobilized the skills of two people and took place between November 2018 and March 2019 on a total duration of intervention of about 3 weeks.

We conducted ten interviews with the persons responsible for the preparation of the Statement including in particular the General Management, Administration and Finance, Internal audit, Human Resources, Health and Safety and purchasing.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us not to believe that the non-financial statement complies with the applicable regulatory provisions and that the Information, taken together, is fairly presented, in compliance with the Criteria.

Paris-la Défense, March 25, 2019

French original signed by

> **ERNST & YOUNG et Associés**

—
Christophe Schmeitzky
Partner, Sustainable Development

—
Jean-François Bélorgey
Partner

Appendix 1 : The most important information

Social Information

Quantitative Information including key performance indicators	**Qualitative Information** actions or results
> Frequency rate, accident severity rate	> Organization of work and actions in favor of human resource management > Health and safety (prevention actions)

Environmental Information

Quantitative Information including key performance indicators	**Qualitative Information** actions or results
> Tons of scrap > Significant greenhouse gas emissions (activities, goods and services)	> Circular economy (waste management and valorization)

Societal Information

Quantitative Information including key performance indicators	**Qualitative Information** actions or results
> Share of the 20 first suppliers	> Charter for suppliers and evaluation procedures to assess their compliance with climate change and human rights > Actions taken to prevent corruption > Actions in favor of supplying quality

8 Group infrastructures

Group assets

Group assets largely consist of buildings and plant (e.g. cutting and folding machines, etc.)

Real property as of December 31, 2018

sqm	Wholly-owned property			Rented property			Property under finance lease		
Country	Building surface area	Land surface area	Number of warehouses	Building surface area	Land surface area	Number of warehouses	Building surface area	Land surface area	Number of warehouses
Germany	87,191	137,101	15	125,069	29,250	10	22,603	32,856	2
Austria	1,363	30,350	1	10,047	–	1	5,000	17,200	1
Belgium	17,946	33,133	2	3,509	9,700	1	–	–	–
Canada	–	–	–	7,493	9,772	3	–	–	–
China	5,439	20,118	1	2,142	–	1	–	–	–
Spain	2,259	10,295	1	59,430	38,954	10	–	–	–
United States	–	36,407	–	20,695	6,907	4	–	–	–
United Arab Emirates	–	–	–	27	–	–	–	–	–
Finland	2,333	23,064	1	39	–	–	20	–	–
France	89,249	329,883	8	38,171	74,585	8	–	–	–
Hungary	4,080	22,602	1	49	–	–	–	–	–
Italy	24,711	57,880	4	51,347	36,778	7	–	–	–
Lithuania	–	–	–	–	–	–	–	–	–
Netherlands	32,823	44,137	4	4,455	2,910	1	–	–	–
Poland	8,081	62,842	3	6,299	–	3	–	–	–
Portugal	1,700	4,960	1	7,084	13,625	2	–	–	–
Czech Republic	8,753	42,164	1	2,911	974	3	–	–	–
United Kingdom	2,900	17,000	1	5,461	6,600	1	–	–	–
Slovakia	3,828	20,974	1	–	–	–	–	–	–
Slovenia	4,747	7,402	1	–	–	–	–	–	–
Sweden	4,169	27,927	2	788	–	1	–	–	–
Switzerland	1,395	1,500	1	–	–	–	–	–	–
Turkey	200	–	–	4,665	7,921	3	–	–	–
Total	**303,167**	**929,739**	**49**	**349,681**	**250,754**	**59**	**27,623**	**50,056**	**3**

Number of warehouses	31.12.18
Wholly-owned sites	49
Rented sites	59
Sites under finance lease	3
Total	**111**

There are no environmental constraints that could impact the issuer's use of its property, plant and equipment. Disclosures concerning assets belonging directly or indirectly to executive corporate directors and used by the Group in the course of its business activities are given under **§ 5.7.2** of the notes to the Jacquet Metal Service SA parent company financial statements.

9 Annual disclosure document

9.1 Publication in the French BALO journal of mandatory legal notices

Information published in the *Bulletin des Annonces Légales Obligatoires* (BALO) and available for consultation on the Official Journal website **www.journal-officiel.gouv.fr**

Invitation notice June 29, 2018 Ordinary and Extraordinary General Meeting	11.06.18	Ref. No. 1802909
Meeting notice June 29, 2018 Ordinary and Extraordinary General Meeting	25.05.18	Ref. No. 1802425

9.2 Notices published at the Commercial Court Registry

Filing nos. 023792 and 023793 dated 27.07.18: Filing of consolidated and parent company financial statements.

9.3 AMF publications

2017 Registration Document	04.04.18	D.18-0266

9.4 Financial reporting

Results

> Results for the nine months ended September 30, 2018	13.11.18
> Results for the six months ended June 30, 2018	05.09.18
> Results for the three months ended March 31, 2018	04.05.18
> 2017 results	07.03.18

Reports

> Q3 2018 financial report	13.11.18
> 2018 half-year financial report	05.09.18
> Q1 2018 financial report	04.05.18
> 2017 Registration Document	04.04.18

Monthly declaration of voting rights

> Monthly declaration as of December 31, 2018	13.02.19
> Monthly declaration as of November 30, 2018	04.01.19
> Monthly declaration as of Octobre 31, 2018	11.12.18
> Monthly declaration as of September 30, 2018	08.11.18
> Monthly declaration as of August 31, 2018	24.09.18
> Monthly declaration as of July 31, 2018	03.09.18
> Monthly declaration as of June 30, 2018	03.09.18
> Monthly declaration as of May 31, 2018	25.05.18
> Monthly declaration as of April 30, 2018	24.05.18
> Monthly declaration as of Mars 31, 2018	23.04.18
> Monthly declaration as of February 28, 2018	13.03.18
> Monthly declaration as of January 31, 2018	26.02.18

Half-yearly liquidity contract reports

> Half-yearly liquidity contract report as of December 31, 2018	31.01.19
> Half-yearly liquidity contract report at June 30, 2018	23.07.18

10 2018 Annual report cross-reference table

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* Press release

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AUTORITÉ
DES MARCHÉS FINANCIERS

This registration document was filed with the Autorité des Marchés Financiers (AMF – French market regulator) on April 11, 2019, pursuant to Article 212 - 13 of its general regulation. It may be relied upon within the scope of a financial transaction if supplemented by a securities note approved by the AMF. This document was drawn up by the issuer and its signatories are liable for its content.

Pursuant to Article 28 of European Regulation No 809 / 2004 of April 29, 2004, the reader is invited to consult previous registration documents with regard to specfic information. The following information is included herein by reference:

1 > The Management Report, the consolidated and parent company financial statements, the statutory auditors' reports on the consolidated and parent company financial statements for the year ended December 31, 2017 and the special report on regulated agreements pertaining to the same year, included in the Registration Document filed with the AMF on April 4, 2018 under number D.18-0266.

2 > The Management Report, the consolidated and parent company financial statements, the statutory auditors' reports on the consolidated and parent company financial statements for the year ended December 31, 2016 and the special report on regulated agreements pertaining to the same year, included in the Registration Document filed with the AMF on April 4, 2017 under number D.17-0319.

JACQUET METAL SERVICE

A European leader in the distribution of specialty steels

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