

JACQUETMETALSERVICE

Activity report

SEPTEMBER 30, 2019

**A European leader
in the distribution
of specialty steels**

— Euronext Paris
Compartment B



Press release dated November 13, 2019 - 6.00pm CET

Third quarter 2019 earnings 9 months

- > Sales €1,259m (-6,5% vs. September 30, 2018)
- > EBITDA €63m (5% of sales)
- > Net income (Group share) €20m

On November 13, 2019 the Board of Directors chaired by Éric Jacquet examined the consolidated financial statements for the period ended September 30, 2019.

€m	Q3 2019 ¹	Q3 2018 PF ²	30.09.19 ¹ 9 months	30.09.18 PF ² 9 months
Sales	375	427	1,259	1,346
Gross margin	83	99	288	327
% of sales	22.2%	23.3%	22.8%	24.3%
EBITDA³	15	25	63	87
% of sales	4.1%	5.8%	5%	6.5%
Adjusted operating income³	7	20	39	74
% of sales	1.9%	4.7%	3.1%	5.5%
Operating income	7	19	39	77
Net income (Group share)	2	12	20	52

¹ In accordance with IFRS 5 – Assets Held for Sale, The contribution of Abraservice is not included in the sales and operating income of the group.

² For the sake of comparison with 2019 figures, 2018 financial statements have been restated by removing the results of the Abraservice group, sold on October 31, 2019, and the results of businesses sold in 2018 (proforma data "PF").

³ Adjusted for non-recurring items: the activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them and is available at www.jacquetmetalservice.com.

Headlines

In a much less favorable market environment than last year, sales and earnings for the period were mainly impacted by:

- > challenging market conditions encountered by the IMS group division and, to a lesser extent, the STAPPERT division, especially in the German market. Accordingly, volumes sold by IMS group and STAPPERT divisions were respectively down -11.6% (Q3: -15%) and -3.2% (Q3: -9.3%);
- > steady business generated by the JACQUET division, which operates on more diversified markets, with volumes sold down -0.2% (Q3: +2.5%).

In this context, sales for the nine months ended September 30, 2019 came to €1,259 million (-6.5%; Q3: -12.1%) and EBITDA was €63 million (Q3: €15 million).

Market conditions should be broadly similar during the fourth quarter 2019.

On October 31, 2019, the Group sold to SSAB 100% of the shares of its subsidiary Abraservice Holding, the holding company of the Abraservice group which specializes in the distribution of wear-resistant steels. Abraservice has 10 distribution centers in 11 countries, mainly in Europe, and has generated €78 million in revenue in 2018. In accordance with IFRS 5 - Assets Held for sale, Abraservice's contribution is no longer recognized under Group sales or operating income. Only Abraservice's net income is included in net income (Group share) under "Net income from discontinued operations".

Sales and earnings for the period ended September 30, 2019

Sales amounted to €1,259 million, -6.5% compared to September 30, 2018 (Q3: -12.1%), including the following effects:

- > volumes sold: -7.1% (Q3: -9.9%);
- > prices: +0.6% (Q3: -2.2%). Q3 2019 prices were stable compared to Q2 2019 (+0.1%).

Gross margin amounted to €288 million, representing 22.8% of sales (Q3: 22.2%) compared to €327 million (24.3% of sales) as of September 30, 2018.

At constant consolidation, operating expenses excluding non-recurring items amounted to €248 million, -2.1% compared to September 30, 2018.

EBITDA amounted to €63 million, representing 5% of sales. The application of *IFRS 16 - Leases* as from January 1, 2019 increased EBITDA by €13 million. Adjusted from this impact, EBITDA amounted to €50 million, representing 3.9% of sales compared to 6.5% as of September 30, 2018.

Adjusted operating income amounted to €39 million (3.1% of sales) compared to €74 million (5.5% of sales) as of September 30, 2018. The application of IFRS 16 had no material impact on adjusted operating income.

Net income (Group share) amounted to €20 million (1.6% of sales) compared to €52 million (3.9% of sales) as of September 30, 2018. The application of IFRS 16 had no material impact on net income.

Financial position

As of September 30, 2019:

- > the Group generated operating cash flow of €40 million;
- > operating working capital amounted to €437 million (including inventories of €451 million) and represented 26.4% of sales, compared to 24.5% as of December 31, 2018 (proforma operating working capital of €428 million including inventories of €478 million);
- > after accounting for dividend payments (€17 million paid out in July 2019) and capital expenditure (€20 million), net debt amounted to €199 million (net debt to equity ratio (gearing) of 52.5%).




Pursuant to *IFRS 16 - Leases* applied as of January 1, 2019, the Group balance sheet at September 30, 2019 carries the following items:

- > a right-of-use asset amounting to €87.5 million, €18.4 million of which was recorded under net non-current assets as of December 31, 2018;
- > a lease liability amounting to €84.5 million, €15.8 million of which was recorded under borrowings as of December 31, 2018.

In accordance with *IFRS 5 - Assets Held for Sale*, Abraservice group assets (€42 million) and liabilities (€24 million) are reported under separate balance sheet line items (assets and liabilities held for sale).

Earnings by division as of September 30, 2019

excluding IFRS 16 impacts

	 JACQUET Stainless steel quarto plates ³		 STAPPERT Stainless steel long products		 IMS group engineering steels ³	
€m	Q3 2019	30.09.19 9 months	Q3 2019	30.09.19 9 months	Q3 2019	30.09.19 9 months
Sales	85	263	110	364	183	644
Change vs. 2018	+1.2%	+3.9%	-13.2%	-4.2%	-16.6%	-11.3%
Price effect	-1.3%	+4.1%	-3.8%	-1.0%	-1.6%	+0.3%
Volume effect	+2.5%	-0.2%	-9.3%	-3.2%	-15.0%	-11.6%
EBITDA¹²	6	19	2	12	2	15
% of sales	7.2%	7.2%	1.8%	3.4%	0.9%	2.4%
Adjusted operating income²	4	14	1	12	1	12
% of sales	5.2%	5.1%	1.3%	3.2%	0.3%	1.9%

¹ Non-division operations (including Jacquet Metal Service SA) contributed €2.8 million to EBITDA as of September 30, 2019 (Q3 2019: €1.2 million), and group EBITDA benefited from a positive impact of €13 million due to the application of IFRS 16 - Leases.

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.

³ For the sake of comparison with 2019 figures, the 2018 financial statements of JACQUET have been restated by removing the results of the Abraservice group, sold on October 31, 2019, and the IMS group businesses sold off in 2018.

JACQUET specializes in the distribution of stainless steel quarto plates. The division generates 67% of its business in Europe and 27% in North America.

Sales amounted to €263 million, up +3.9% from €253 million as of September 30, 2018 (Q3: +1.2%):

- > volumes: -0.2 % (Q3: +2.5%);
- > prices: +4.1% (Q3: -1.3% vs. Q3 2018 and -0.8% vs. Q2 2019).

Gross margin amounted to €79 million and represented 30.2% of sales (Q3: 30.1%) compared to €81 million (32% of sales) as of September 30, 2018.

EBITDA amounted to €19 million (Q3: €6 million) representing 7.2% of sales compared to €23 million (9% of sales) as of September 30, 2018.

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 €364 million, down -4.2% from €380 million as of September 30, 2018 (Q3: -13.2%):

- > volumes: -3.2% (Q3: -9.3%);
- > prices: -1% (Q3: -3.8% vs. Q3 2018 and -0.4% vs. Q2 2019).

Gross margin amounted to €70 million and represented 19.1% of sales (Q3: 17.7%) compared to €81 million (21.4% of sales) as of September 30, 2018.

EBITDA amounted to €12 million (Q3: €2 million) representing 3.4% of sales compared to €22 million (5.7% of sales) as of September 30, 2018.

IMS group specializes in the distribution of engineering steels, mostly in the form of long products. The division generates 47% of its sales in Germany, the largest European market.

Sales amounted to €644 million, down -11.3% from €725 million as of September 30, 2018 (Q3: -16.6%):

- > volumes: -11.6% (Q3: -15%);
- > prices: +0.3% (Q3: -1.6% vs. Q3 2018 and +0.8% vs. Q2 2019).

Gross margin amounted to €139 million and represented 21.6% of sales (Q3: 21%) compared to €166 million (22.9% of sales) as of September 30, 2018.

EBITDA amounted to €15 million (Q3: €2 million) representing 2.4% of sales compared to €38 million (5.3% of sales) as of September 30, 2018.

Key financial information

Income statement

€m	Q3 2019 ¹	Q3 2018 PF ²	30.09.19 9 months	30.09.18 PF ¹ 9 months
Sales	375	427	1,259	1,346
Gross margin	83	99	288	327
% of sales	22.2%	23.3%	22.8%	24.3%
EBITDA³	15	25	63	87
% of sales	4.1%	5.8%	5%	6.5%
Adjusted operating income³	7	20	39	74
% of sales	1.9%	4.7%	3.1%	5.5%
Operating income	7	19	39	77
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¹ In accordance with IFRS 5 – Assets Held for Sale, The contribution of Abraservice is not included in the sales and operating income of the group.

² For the sake of comparison with 2019 figures, 2018 financial statements have been restated by removing the results of the Abraservice group, sold on October 31, 2019, and the results of businesses sold in 2018 (proforma data "PF").

³ Adjusted for non-recurring items: the activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them and is available at www.jacquetmetalservice.com.

Cash flow

€m	30.09.19 9 months	30.09.18 PF ¹ 9 months
Operating cash flow before change in working capital	50	70
Change in working capital	(10)	(93)
Cash flow from operating activities	40	(22)
Capital expenditure	(20)	(13)
Asset disposals	0	4
Dividends paid to shareholders of Jacquet Metal Service SA	(17)	(17)
Interest paid	(9)	(7)
Cash flow from assets held for sale	5	3
Other movements	16	(3)
Change in net debt	15	(55)
Net debt brought forward	215	183
Net debt carried forward	199	239

¹ For the sake of comparison with 2019 figures, the 2018 financial data have been restated by removing the results of the Abraservice group, sold on October 31, 2019, and the results of other businesses sold in 2018, excluding the net debt carried forward as of September 30, 2018, stated as previously reported (proforma "PF" data).

Balance sheet

€m	30.09.19	31.12.18
Goodwill	66	68
Net non-current assets	136	156
Right-of-use assets ¹	88	-
Net inventory	451	493
Net trade receivables	186	182
Other assets	88	100
Cash & cash equivalents	143	119
Assets held for sale	42	-
Total assets	1,200	1,119
Shareholders' equity	379	377
Provisions (including provisions for employee benefit obligations)	94	96
Trade payables	199	228
Total borrowings	343	338
Other liabilities	76	80
Lease liabilities ¹	85	-
Liabilities held for sale	24	-
Total equity and liabilities	1,200	1,119

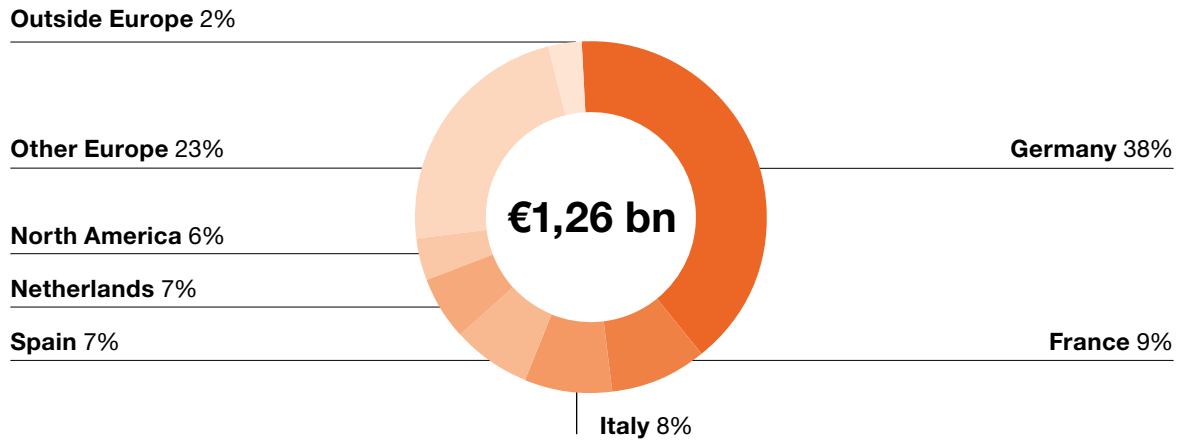
¹ Application of IFRS 16 – Leases as from January 1, 2019.

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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 as of September 30, 2019 (9 months)*



A global player*

> Countries of operation	25
> Distribution centers	101
> Staff	3,060



* Data as of September 30, 2019 restated for the contribution of Abraservice, sold on October 31, 2019

2 Brand management

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

On October 31, 2019, the Group sold to SSAB 100% of its shares of its subsidiary Abraservice Holding, the holding company of the Abraservice group which specializes in the distribution of wear-resistant steels.

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 Jacquet Metal Service.

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.

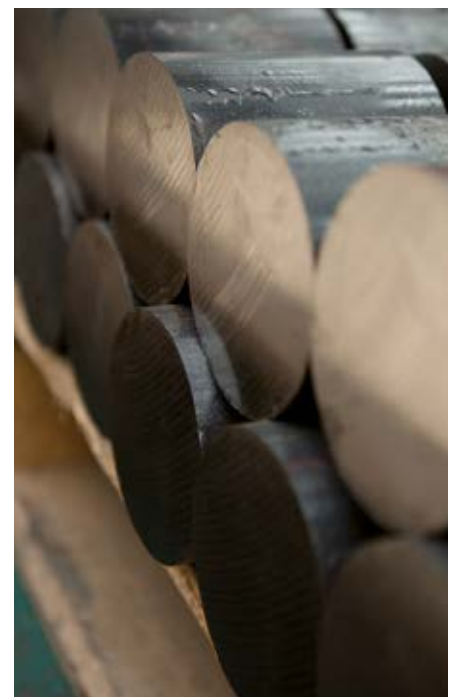
Stainless steel quarto plates



Stainless steel long products



Engineering steels



3 Stock market information

General features of shares and market capitalization

source: Jacquet Metal Service

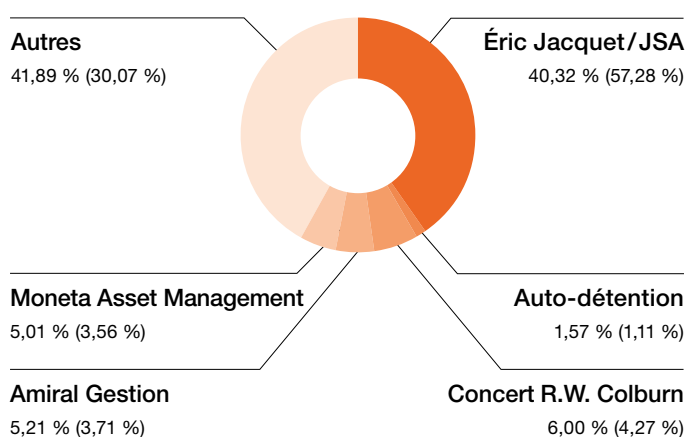
> Main indices	: CAC® All Shares, CAC® All-Tradable, CAC® Basic Materials, CAC® Mid & Small, CAC® PME, CAC® Small, Next 150
> Market	: Euronext Paris - Compartment B
> Listed on	: Euronext Paris
> Code or ticker	: JCQ
> ISIN code	: FR0000033904
> Reuters	: JCQ.PA
> Bloomberg	: JCQ : FP

		30.09.19	31.12.18
Number of shares at end of period	number of shares	24,028,438	24,028,438
Market capitalization at end of period	€k	372,441	372,921
High	€	18.46	32.90
Low	€	14.76	13.56
Price at end of period	€	15.5	15.52
Average daily trading volume	number of shares	37,648	27,351
Average daily traded capital	€	618,347	634,980

As of September 30, 2019, the Jacquet Metal Service (JCQ) share price was €15.5, stable compared to the December 31, 2018 closing price. As of November 12, 2019, the share price stood at €16.30.

The Jacquet Metal Service share is tracked by Société Générale SGCIB, Oddo Securities and Portzamparc Groupe BNP Paribas.

Shareholder structure as of September 30, 2019 % share capital (% voting rights)



Éric Jacquet and JSA (which he controls) held 40.32% of the share capital and 57.28% of the voting rights in the Company as of September 30, 2019.

4 Financial communication schedule

- > **2019 full-year results** : March 11, 2020 after close of trading

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

Investor relations

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Activity report

September 30, 2019

1 Group sales and earnings

Results for the nine months ended September 30, 2019 are compared to the results for 2018, which may be consulted in the 2018 Registration Document filed with the Autorité des Marchés Financiers (or AMF, French financial market regulator) on April 11, 2019 (filing no. D.19-0307) and in the September 30, 2018 activity report.

On October 31, 2019, the Group sold to SSAB 100% of the shares of its subsidiary Abraservice Holding, the holding company of the Abraservice group which specializes in the distribution of wear-resistant steels. Abraservice has 10 distribution centers in 11 countries, mainly in Europe, and has generated €78 million in revenue in 2018. In accordance with IFRS 5 – Assets Held for Sale, Abraservice’s contribution is no longer recognized under Group sales or operating income. Only Abraservice’s net income is included in net income (Group share) under “Net income from discontinued operations”.

For the sake of comparison with 2019 figures, the 2018 financial statements have been restated by removing the results of the Abraservice group, sold on October 31, 2019, and the results of other businesses sold off in 2018 (proforma “PF” data).

€k	Q3 2019	Q3 2018 PF	30.09.19 9 months	30.09.18 PF 9 months
Sales	375,041	426,621	1,259,488	1,346,392
Gross margin	83,385	99,402	287,647	327,447
<i>% of sales</i>	22.2%	23.3%	22.8%	24.3%
Operating expenses	(68,048)	(74,549)	(227,212)	(241,407)
Net depreciation and amortization	(8,560)	(4,452)	(25,507)	(13,505)
Net provisions	363	(981)	3,605	622
Gains/(losses) on disposals of non-current assets	140	52	234	4,098
Operating income	7,280	19,472	38,767	77,255
Net financial expense	(3,370)	(3,358)	(9,204)	(8,035)
Income before tax	3,910	16,114	29,563	69,220
Corporate income tax	(2,001)	(3,940)	(10,298)	(17,705)
Net income from discontinued operations	1,009	528	3,158	3,391
Consolidated net income	2,918	12,702	22,423	54,906
Net income (Group share)	2,110	11,787	19,771	52,426
Earnings per share in circulation (€)	0.09	0.49	0.82	2.18
Operating income	7,280	19,472	38,767	77,255
Non-recurring items and gains/losses on disposals	(140)	447	445	(3,598)
Adjusted operating income	7,140	19,919	39,212	73,657
<i>% of sales</i>	1.9%	4.7%	3.1%	5.5%
Net depreciation and amortization	8,560	4,452	25,507	13,505
Net provisions	(363)	981	(3,605)	(622)
Non-recurring items	0	(500)	1,406	358
EBITDA	15,337	24,852	62,520	86,898
<i>% of sales</i>	4.1%	5.8%	5%	6.5%

Headlines

In a much less favorable market environment than last year, sales and earnings for the period were mainly impacted by:

- > challenging market conditions encountered by the IMS group division and, to a lesser extent, the STAPPERT division, especially in the German market. Accordingly, volumes sold by IMS group and STAPPERT divisions were respectively down -11.6% (Q3: -15%) and -3.2% (Q3: -9.3%);

- > steady business generated by the JACQUET division, which operates on more diversified markets, with volumes sold down -0.2% (Q3: +2.5%).

In this context, sales for the nine months ended September 30, 2019 came to €1,259 million (-6.5%; Q3: -12.1%) and EBITDA was €63 million (Q3: €15 million).

Market conditions should be broadly similar during the fourth quarter 2019.

Sales

Sales amounted to €1,259 million, -6.5% compared to September 30, 2018 (Q3: -12.1%), including the following effects:

- > volumes: -7.1% (Q3: -9.9%);
- > prices: +0.6% (Q3: -2.2%). Q3 2019 prices were stable compared to Q2 2019 (+0.1%).

€m	Q3 2019	Q3 2018 PF	30.09.19 9 months	30.09.18 PF 9 months
Sales	375	427	1,259	1,346
Change	-12.1%		-6.5%	
Price effect	-2.2%		+0.6%	
Volume effect	-9.9%		-7.1%	

The various effects are calculated as follows:

- > Volume effect = $(V_n - V_{n-1}) \times P_{n-1}$, where V = volumes and P = average sale price converted into euros at the average exchange rate;
- > Price effect = $(P_n - P_{n-1}) \times V_n$;
- > The exchange rate effect is included in the price effect. There was no significant impact during the first nine months of 2019;
- > 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

Gross margin amounted to €288 million, representing 22.8% of sales (Q3: 22.2%) compared to €327 million (24.3% of sales) as of September 30, 2018.

€m	Q3 2019	Q3 2018 PF	30.09.19 9 months	30.09.18 PF 9 months
Sales	375.0	426.6	1,259.5	1,346.4
Cost of goods sold	(291.7)	(327.2)	(971.8)	(1,018.9)
Incl. purchases consumed	(289.7)	(323.3)	(972.8)	(1,008.1)
Incl. inventory impairment	(1.9)	(3.8)	1.0	(10.8)
Gross margin	83.4	99.4	287.6	327.4
% of sales	22.2%	23.3%	22.8%	24.3%

Operating income

At constant consolidation, operating expenses excluding non-recurring items amounted to €248 million, -2.1% compared to September 30, 2018. Operating expenses for the nine months ended September 30, 2019 include personnel expenses of €124 million (€128 million as of September 30, 2018).

First-time application of *IFRS 16 - Leases* resulted in a decrease in operating expenses (rental payments) and an increase in depreciation, amounting to €12.9 million and €12.2 million respectively.

EBITDA amounted to €63 million, representing 5% of sales. The application of *IFRS 16 - Leases* as of January 1, 2019 increased EBITDA by €13 million. Adjusted from this impact, EBITDA amounted to €50 million, representing 3.9% of sales compared to 6.5% in 2018.

Adjusted operating income amounted to €39 million (3.1% of proforma sales) compared to €74 million (5.5% of sales) as of September 30, 2018. The operating income is restated for €0.4 million of non-recurring expenses and amounted to €39 million. The application of *IFRS 16* had no material impact on adjusted operating income.

Net financial expense

Net financial expense for the nine months ended September 30, 2019 came to €9.2 million, compared to €8.0 million as of September 30, 2018. This increase is primarily due to application of *IFRS 16 - Leases*. The average gross debt ratio as of September 30, 2019 (excluding the impact of *IFRS 16* and changes in consolidation scope) was 2.4%.

€m	Q3 2019	Q3 2018 PF	30.09.19 9 months	30.09.18 PF 9 months
Net cost of debt	(2.2)	(1.8)	(6.7)	(5.2)
Expenses related to application of <i>IFRS 16</i>	(0.5)	-	(1.5)	-
Other financial items	(1.2)	(1.5)	(2.5)	(2.8)
Net financial expense	(3.4)	(3.4)	(9.2)	(8.0)

Net income

Net income (Group share) amounted to €20 million (1.6% of sales) compared to €52 million (3.9% of sales) as of September 30, 2018. The application of *IFRS 16* had no material impact on net income. The increase in tax rate is explained by the lower consumption of tax loss carry-forwards.

€m	Q3 2019	Q3 2018 PF	30.09.19 9 months	30.09.18 PF 9 months
Income before tax	3.9	16.1	29.6	69.2
Corporate income tax	(2.0)	(3.9)	(10.3)	(17.7)
Income tax rate	51.2%	24.4%	34.8%	25.6%
Net income from discontinued operations	1.0	0.5	3.2	3.4
Consolidated net income	2.9	12.7	22.4	54.9
Minority interests	(0.8)	(0.9)	(2.7)	(2.5)
Net income (Group share)	2.1	11.8	19.8	52.4
% of sales	0.6%	2.8%	1.6%	3.9%

2 Sales and earnings by division as of September 30, 2019 excluding IFRS 16 impacts

€m	JACQUET Stainless steel quarto plates ³		STAPPERT Stainless steel long products		IMS group engineering steels ³	
	Q3 2019	30.09.19 9 months	Q3 2019	30.09.19 9 months	Q3 2019	30.09.19 9 months
Sales	85	263	110	364	183	644
Change vs. 2018	+1.2%	+3.9%	-13.2%	-4.2%	-16.6%	-11.3%
Price effect	-1.3%	+4.1%	-3.8%	-1.0%	-1.6%	+0.3%
Volume effect	+2.5%	-0.2%	-9.3%	-3.2%	-15.0%	-11.6%
EBITDA¹²	6	19	2	12	2	15
% of sales	7.2%	7.2%	1.8%	3.4%	0.9%	2.4%
Adjusted operating income²	4	14	1	12	1	12
% of sales	5.2%	5.1%	1.3%	3.2%	0.3%	1.9%

¹ Non-division operations (including Jacquet Metal Service SA) contributed €2.8 million to EBITDA as of September 30, 2019 (Q3 2019: €1.2 million), and group EBITDA benefited from a positive impact of €13 million due to the application of IFRS 16 - Leases.

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.

³ For the sake of comparison with 2019 figures, the 2018 financial statements of JACQUET have been restated by removing the results of the Abraservice group, sold on October 31, 2019, and the IMS group businesses sold off in 2018.

JACQUET > Stainless steel quarto plates

The division specializes in the distribution of stainless steel quarto plates. The division generates 67% of its business in Europe and 27% in North America.

Sales amounted to €263 million, up +3.9% from €253 million as of September 30, 2018 (Q3: +1.2%):

- > volumes: -0.2 % (Q3: +2.5%);
- > prices: +4.1% (Q3: -1.3% vs. Q3 2018 and -0.8% vs. Q2 2019).

Gross margin amounted to €79 million and represented 30.2% of sales (Q3: 30.1%) compared to €81 million (32% of sales) as of September 30, 2018.

EBITDA amounted to €19 million (Q3: €6 million) representing 7.2% of sales compared to €23 million (9% of sales) as of September 30, 2018.

€m	Q3 2019	Q3 2018 PF	30.09.19 9 months	30.09.18 PF 9 months
Sales	84.6	83.5	263.1	253.2
Change	+1.2%		+3.9%	
Price effect	-1.3%		+4.1%	
Volume effect	+2.5%		-0.2%	
Gross margin	25.4	27.2	79.4	81.0
% of sales	30.1%	32.5%	30.2%	32.0%
EBITDA	6.1	8.5	19.0	22.9
% of sales	7.2%	10.2%	7.2%	9.0%
Adjusted operating income	4.4	7.1	13.5	18.3
% of sales	5.2%	8.5%	5.1%	7.2%

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 €364 million, down -4.2% from €380 million as of September 30, 2018 (Q3: -13.2%):

- > volumes: -3.2% (Q3: -9.3%);
- > prices: -1% (Q3: -3.8% vs. Q3 2018 and -0.4% vs. Q2 2019).

Gross margin amounted to €70 million and represented 19.1% of sales (Q3: 17.7%) compared to €81 million (21.4% of sales) as of September 30, 2018.

EBITDA amounted to €12 million (Q3: €2 million) representing 3.4% of sales compared to €22 million (5.7% of sales) as of September 30, 2018.

€m	Q3 2019	Q3 2018 PF	30.09.19 9 months	30.09.18 PF 9 months
Sales	109.9	126.6	363.8	379.5
Change	-13.2%		-4.2%	
Price effect	-3.8%		-1.0%	
Volume effect	-9.3%		-3.2%	
Gross margin	19.4	25.9	69.6	81.2
% of sales	17.7%	20.5%	19.1%	21.4%
EBITDA	2.0	6.7	12.4	21.6
% of sales	1.8%	5.3%	3.4%	5.7%
Adjusted operating income	1.5	5.7	11.6	19.7
% of sales	1.3%	4.5%	3.2%	5.2%

IMS group > Engineering steels

The division specializes in the distribution of engineering steels, mostly in the form of long products. The division generates 47% of its sales in Germany, the largest European market.

Sales amounted to €644 million, down -11.3% from €725 million as of September 30, 2018 (Q3: -16.6%):

- > volumes: -11.6% (Q3: -15%);
- > prices: +0.3% (Q3: -1.6% vs. Q3 2018 and +0.8% vs. Q2 2019).

Gross margin amounted to €139 million and represented 21.6% of sales (Q3: 21%) compared to €166 million (22.9% of sales) as of September 30, 2018.

EBITDA amounted to €15 million (Q3: €2 million) representing 2.4% of sales compared to €38 million (5.3% of sales) as of September 30, 2018.

€m	Q3 2019	Q3 2018 PF	30.09.19 9 months	30.09.18 PF 9 months
Sales	183.4	219.8	643.6	725.5
Change	-16.6%		-11.3%	
Price effect	-1.6%		+0.3%	
Volume effect	-15.0%		-11.6%	
Gross margin	38.5	47.3	138.7	166.2
% of sales	21.0%	21.5%	21.6%	22.9%
EBITDA	1.7	8.6	15.3	38.3
% of sales	0.9%	3.9%	2.4%	5.3%
Adjusted operating income	0.6	6.7	12.4	33.2
% of sales	0.3%	3.0%	1.9%	4.6%

3 Consolidated financial position

Summary balance sheet

The summary balance sheet below sets out Jacquet Metal Service's consolidated financial position as of September 30, 2019 and December 31, 2018.

In accordance with *IFRS 5 – Assets Held for Sale*, Abraservice group assets (€42 million) and liabilities (€24 million) are reported under separate balance sheet line items (assets and liabilities held for sale).

€m	30.09.19	31.12.18
Goodwill	66	68
Net non-current assets	136	156
Right-of-use assets ¹	88	–
Net inventory	451	493
Net trade receivables	186	182
Other assets	88	100
Cash	143	119
Assets held for sale	42	–
Total assets	1,200	1,119
Shareholders' equity	379	377
Provisions (including provisions for employee benefit obligations)	94	96
Trade payables	199	228
Total borrowings	343	338
Other liabilities	76	80
Lease liabilities ¹	85	–
Liabilities held for sale	24	–
Total equity and liabilities	1,200	1,119

¹ Application of *IFRS 16 – Leases* as from January 1, 2019.

Working capital

€m	30.09.19	31.12.18 PF ²	Changes
Net inventory	450.7	478.3	(27.6)
Days sales outstanding ¹	159	165	
Net trade receivables	185.8	171.0	14.8
Days sales outstanding	46	50	
Trade payables	(199.2)	(221.1)	21.8
Days payable outstanding	59	64	
Net operating working capital	437.3	428.2	9.1
% of sales ¹	26.4%	24.5%	
Other receivables or payables excluding taxes and financial items	(28.8)	(29.6)	
Working capital excluding taxes and financial items	408.5	398.6	9.9
Changes in consolidation and other		(0.3)	
Working capital before taxes and financial items and adjusted for other changes	408.5	398.4	10.2
% of sales ¹	24.6%	22.8%	

¹ Rolling 12 months.

² For the sake of comparison with 2019 figures, the 2018 financial statements have been restated by removing the results of the Abraservice group, currently under disposal, and other businesses sold off in 2018.

As of September 30, 2019, operating working capital amounted to €437 million (including inventories of €451 million) and represented 26.4% of sales, compared to 24.5% as of December 31, 2018 proforma (operating working capital of €428 million including inventories of €478 million). Inventory levels represented 159 days sales as of September 30, 2019 compared to 165 days proforma as of December 31, 2018.

Trade receivables amounted to €186 million as of September 30, 2019, with an average customer payment term of 46 days' sales,

down compared to December 31, 2018 on a proforma basis (excluding the impact of receivables assigned without recourse). The Group had assigned trade receivables amounting to €40 million as of September 30, 2019 without recourse, compared to proforma €44 million as of December 31, 2018.

Trade payables amounted to €199 million as of September 30, 2019, with an average payment term of 59 days (compared to 64 days proforma as of December 31, 2018).

Provisions for contingencies and charges and employee benefit obligations

Provisions for contingencies and charges and employee benefit obligations amounted to €94 million as of September 30, 2019 compared to €96 million as of December 31, 2018. These provisions consist of:

- > provisions for employee benefit obligations (€56 million as of September 30, 2019 compared to €57 million as of December 31, 2018) mainly related to pension obligations;
- > current and non-current provisions (€38 million as of September 30, 2019 compared to €39 million as of December 31, 2018), primarily relating to disputes with employees, reorganization costs and disputes with customers and suppliers.

Net debt

As of September 30, 2019, Group net debt stood at €199 million, compared to shareholders' equity of €379 million, resulting in a net debt to equity ratio of 52.5% (56.9% as of December 31, 2018).

€m	30.09.19	31.12.18
Fixed rate borrowings	54.4	46.2
Floating rate borrowings	288.2	291.6
Total borrowings	342.5	337.8
Cash, cash equivalents and other	143.4	123.3
Net debt	199.1	214.5
<i>Debt to equity ratio</i>	<i>52.5%</i>	<i>56.9%</i>

Interest rate hedging instruments (swaps) in place as of September 30, 2019 represented an amount of €75 million (€75 million as of December 31, 2018).

Financing

The Group had €638 million in lines of credit as of September 30, 2019, 54% of which had been used:

€m	Authorized as of 30.09.19	Used as of 30.09.19	% used
Jacquet Metal Service SA	449.9	237.9	53%
Syndicated revolving loan	125	—	0%
Schuldscheindarlehen (private placement of debt instruments under German law)	150	150	100%
Lines of credit	174.9	87.9	50%
Subsidiary financing	187.8	104.7	56%
Lines of credit	139.3	87.3	63%
Factoring	31.5	1.7	5%
Asset financing (term and revolving loans)	17	15.6	92%
Total	637.8	342.5	54%

In addition to the borrowings shown in the above table, the Group also had €71 million in non-recourse receivable assignment facilities, €40 million of which had been used as of September 30, 2019.

Financing covenants mainly apply to the syndicated revolving loan and the Schuldscheindarlehen. These covenants mainly correspond to commitments that must be complied with at Group level.

All financing covenants were in compliance at September 30, 2019.

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

- > Date of signature : June 2019
- > Maturity : June, 2022
- > 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	30.09.19 9 months	30.09.18 PF ¹ 9 months
Operating cash flow before change in working capital	50	70
Change in working capital	(10)	(93)
Cash flow from operating activities	40	(22)
Capital expenditure	(20)	(13)
Asset disposals	0	4
Dividends paid to shareholders of Jacquet Metal Service SA	(17)	(17)
Interest paid	(9)	(7)
Cash flow from assets held for sale	5	3
Other movements	16	(3)
Change in net debt	15	(55)
Net debt brought forward	215	183
Net debt carried forward	199	239

¹ For the sake of comparison with 2019 figures, the 2018 financial data have been restated by removing the results of the Abraservice group, sold on October 31, 2019, and the results of other businesses sold in 2018, excluding the net debt carried forward as of September 30, 2018, stated as previously reported (proforma "PF" data).

The Group generated operating cash flow of €40 million over the first nine months of 2019.

"Other movements" is primarily explained by the cash-in of the disposal of assets in 2018.

Capital expenditure amounted to €20 million, in particular relating to the construction of a new distribution center in the United States (Philadelphia) for the JACQUET division, and new finishing capacities.

Risk factors

Overall risk factors have not changed since December 31, 2018. They are set out in the 2018 Registration Document on pages 28-32.

Post balance sheet events

On October 31, 2019, the Group sold to SSAB 100% of its subsidiary Abraservice Holding, the holding company of the Abraservice group which specializes in the distribution of wear-resistant steels.