



Creator of innovative flexible composite materials



Gardens by the Bay (Jardin botanique) - Singapore





Half-year Financial Report January 1 - June 30, 2014

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

SergeFerrari Group

Limited liability company with capital of €4,737,115.20

Headquarters: ZI de La Tour du Pin – 38110 Saint Jean de Soudain, France
382 870 277 Vienne Commercial Register

This financial report is related to the six months ended June 30, 2014 and was prepared in accordance with the provisions of Article L. 451-1-2 III of the French Monetary and Financial Code and Articles 222-4 et seq. of the French Financial Markets Authority ("AMF") General Regulation.

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

Contents

Statement by the person responsible for the half-year financial report	p 2
Half-year activity report	p 3
Highlights	p 3
First half 2014 results	p 4
Description of the main risks and uncertainties	p 6
Related party transactions	p 6
Half-year condensed consolidated financial statements	p 7
Consolidated income statement	p 8
Consolidated balance sheet	p 10
Consolidated statement of cash flows	p 11
Statement of changes in shareholder's equity	p 12
Notes to the half-year condensed consolidated financial statements	p 13
Statutory Auditors' Report on the first half 2014 financial report	p 25

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

I hereby certify that, to the best of my knowledge, the condensed consolidated financial statements for the six months ended June 30, 2014 have been prepared in accordance with applicable accounting principles and present a fair view of the assets and liabilities, financial position and earnings of the Company and all of the companies included in the consolidation scope. I also certify that the half-year activity report presents a fair view of the main events occurring during the first six months of 2014 , the impact thereof on the financial statements and the main related party transactions, as well as a description of the main risks and main uncertainties for the remaining six months of fiscal 2014.

Saint Jean de Soudain
September 3, 2014

Philippe Brun
Chief Financial Officer, Board member.

HALF-YEAR ACTIVITY REPORT

Highlights

On April 30, 2014, the shareholders' extraordinary general meeting of Serge Ferrari SAS and Precontraint Ferrari approved the planned merger whereby Serge Ferrari SAS would absorb Precontraint Ferrari.

On April 30, 2014, by a decision of the shareholders' extraordinary general meeting, SergeFerrari Group SAS was converted into a *société anonyme* (limited liability company) with a Board of Directors. The shareholders' extraordinary general meeting then appointed Karine Gaudin, Victoire Gottardi, Sebastien Ferrari, Romain Ferrari, Philippe Brun, Bertrand Chammass and Bertrand Neuschwander as board members. The board members nominated Sebastien Ferrari as Chairman and Chief Executive Officer.

The shareholders' general meeting also carried out a share split such that the par value per share reduced from €20.00 to €0.40. Consequently, the number of shares increased from 173,469 to 8,673,450 shares.

In the light of the potential admission of SergeFerrari Group shares for trading on the Euronext Paris regulated market, the shareholders' general meeting amended the company's bylaws accordingly and authorized the Board of Directors to issue new shares.

On June 2, 2014 the Board of Directors approved the terms of the draft operation memorandum for the purposes of listing SergeFerrari Group shares on Euronext Paris, established the provisional issue price range and approved in principle a capital increase in conjunction with said planned transaction. During this meeting, the Board of Directors also resolved in principle to issue new stock to CM CIC Investissement, which has held 2% of the Company's capital stock since March 2008. The issue was capped at €5 million and was subject to planned terms and conditions. Lastly, the Board of Directors established the terms for an employee-reserved capital increase and the terms for a share buy-back program for share liquidity monitoring purposes, that had been approved in principle by the April 30, 2014 general meeting.

On June 19, 2014, the Board of Directors took formal note of the admission of shares for trading on Euronext Paris, pursuant to the authority granted June 2, 2014 to the Chairman and Chief Executive Officer, and approved the terms of the management and placement contract with CM CIC Securities and ODDO & Cie as joint lead managers and bookrunners. The Board of Directors resolved to issue new stock without a priority subscription right by way of a public offering.

On June 24, 2014, following the settlement and delivery operations, 2,752,672 new shares were issued under the retail public offering and global placement (including the extension clause) and 416,666 new shares were issued under the capital increase reserved for CM-CIC Investissement. The issue price was €12 per share resulting in total proceeds of €38,032,056.

On June 25, 2014, SergeFerrari shares were traded for the first time on Euronext Paris, under ISIN code FR0011950682, ticker symbol SEFER and European industry classification (ICB) number 2353 (Building Materials & Fixtures). A liquidity contract with €0.5 million in reserve was introduced late June 2014.

First half 2014 results

Revenues

First half 2014 revenues amounted to €75.8 million, up 0.8% compared to first half 2013 revenues of €75.3 million. Following a 0.7% dip in Q1 2014, revenues grew by 2.1% in the second quarter.

- Flexible composite materials: sales of flexible composite materials edged up 0.6% from €71.4 million in H1 2013 to €71.8 million in H1 2014. Growth in volumes came in at 1.5% vs. H1 2013, while revenues suffered from the appreciation of the euro in relation to the US dollar. The average EUR/USD exchange rate during the first half was 1.37 in 2014 compared to 1.33 in 2013, which reduced revenue growth by 0.4%.
- Revenues per region changed as follows: Southern Europe (SEUR) up 5.4%, Wide Europe (WEUR) up 0.7% and Rest of World (ROW) down 7%. The marginal growth in WEUR sales partly resulted from the launch effective 1st of January 2014, of a exclusive distribution agreement in Germany relating to waterproof, breathable materials for building facades and roofs. The run-down of inventories from former distributors and the growth in business from this new exclusive distribution agreement resulted in a 3.8% reduction in H1 2014 WEUR sales growth compared to H1 2013. This difference should gradually reduce with the development of the partnership. Growth in ROW revenues was hit by the appreciation of the euro in relation to the US dollar (1.6% adverse currency impact for the period) and by high sales in 2013 in Mexico and Brazil. Group South American revenues amounted to €2.2 million in H1 2014, down from €3.4 million in H1 2013 and €2.3 million in H1 2012.

Earnings

The first half 2014 gross margin on standard costs for flexible composite materials sales came to 45.8% (compared to 45.6% for first half 2013) and includes a 87bp adverse gross margin variance due to the unfavorable development of the EUR/USD exchange rate.

First half 2014 earnings before interest and tax (EBIT) amounted to €6.6 million compared to €6.1 million in H1 2013, and was boosted by tight costs control on raw material purchases. Purchases consumed amounted to €27.9 million (36.8% of H1 2014 revenues) compared to €28.3 million or 37.6% of revenues in H1 2013.

Personnel costs increased 2% from €20.3 million to €20.7 million and include the French CICE tax credit for employment and competitiveness, which resulted in a €0.22 million reduction in personnel expenses in H1 2014 compared to a €0.15 million decrease in H1 2013. Group headcount increased from 585 to 594 between December 31, 2013 and June 30, 2014 including an increase in the sales force from 107 to 114 employees.

Capital increase expenses arising from the IPO were accounted for as follows:

- costs directly attributable to capital increase transactions were charged against equity
- expenses relating to both the capital increase transactions and the IPO process were charged against equity in proportion to the number of newly issued shares over the total shares post IPO : a €0.2 million first half 2014 expense, was posted to 'Other operating income and expenses' in the income statement; €2.8 million before tax was charged against equity generated from the capital increase transactions.

The gross cost of debt amounted to €0.35 million, down 23% compared to H1 2013. This decrease is a direct result of the following:

- gross average debt (i.e. medium-term debt plus short-term facilities plus factor financing) reduced from €45.8 million to €36.2 million over the period;
- the average Euribor 3-month interest rate reduced by some 20bp during first half 2013 and by 30bp on average during first half 2014.

Other financial income and expenses improved dramatically, resulting in a €0.48 million reduction in the net expense to €0.08 million due to currency gains: in H1 2013 the Group recorded a currency loss of €0.42 million, but benefited from a net €0.05 million gain in first half 2014.

The current and deferred tax charge amounted to €1.4 million (25.4% of income before tax) compared to a €1.93 million charge in first half 2013 (37.2% of income before tax). Note that the first half 2013 tax charge included a €0.3 million contingency provision which was reversed to income during second half 2013. The 2013 tax charge also included non-recurring costs amounting to €0.2 million.

Net income (Group share) came to €3.58 million compared to €2.66 million in second half 2013.

Net debt and cash and cash equivalents

At June 30, 2014, net cash and cash equivalents amounted to €3.78 million compared to net debt of €27.7 million as of December 31, 2013.

The main items underlying this improvement are as follows:

- €38.1 million in proceeds from the capital increases received at the very end of first half 2014,
- €2.9 million in capital expenditure for the period,
- a €6.81 million increase in operating working capital in first half 2014 compared with a €7.03 million increase in first half 2013.

Post balance sheet events

On July 18, 2014, the company exercised the over-allotment option on the aforementioned capital increase transactions and issued 405,496 new shares at a price of €12 per share, resulting in capital stock comprising 12,248,284 shares. The proceeds of this issue amounted to €4.9 million.

On July 28, 2014, the Board of Directors took formal note of the issue of 50,975 new shares at €9.60 per share in conjunction with the employee-reserved capital increase, including a 20% discount on the €12 issue price as permitted by law. The proceeds of this capital increase amounted to €0.49 million. Following this transaction, capital stock comprised 12,299,259 shares.

No other post balance sheet events that could have a material impact on the Group financial statements have been identified.

Outlook

The Group's outlook, as set out below, reflects Group management's estimates and opinions. Actual results could differ materially from the forward guidance provided, largely due to the risks and contingencies described below.

SergeFerrari Group continues to hire sales staff with the aim of increasing the sales force of 107 people at December 31, 2013 to 128 people by December 31, 2014. This rise in employee numbers is expected to increase second half 2014 personnel costs, while second half 2014 revenues will not increase significantly or proportionately in view of the need to train and develop the skills of the sales people hired. Based on first half 2014 results, SergeFerrari Group targets an increase in 2014 revenue and earnings.

Description of principal risks and contingencies

The Company's market risks

As described in the Base Document registered on May 20, 2014 under number I.14-032, there has been no change in the Company's market risks.

Operational risks

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

Principal related party transactions

Principal transactions with related parties are described in Note 31 to the half-year condensed consolidated financial statements.

FIRST HALF 2014 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Group consolidated financial statements for the six months ended June 30, 2014 were approved by the Board of Directors on September 3, 2014.

CONSOLIDATED INCOME STATEMENT

Consolidated earnings - €'000	Note	H1 2014	H1 2013
Revenues	22	75,842	75,251
Purchases		(29,039)	(34,589)
Change in inventories - WIP and finished goods		1,138	6,257
External expenses	23	(16,433)	(16,261)
Personnel costs	24	(20,734)	(20,329)
Miscellaneous taxes		(1,186)	(1,144)
Depreciation and impairment	25	(3,548)	(3,667)
Net provisions for depreciation	26	(52)	(200)
Other recurring income and expenses	27	596	752
EBIT		6,584	6,070
Other operating income and expenses	28	(622)	-
Operating income		5,962	6,070
Income from cash and cash equivalents	29	-	51
Gross cost of debt	29	(348)	(453)
Net cost of debt		(348)	(402)
Other financial income and expenses	29	(78)	(487)
Income before tax		5,536	5,181
Income tax	30	(1,407)	(1,929)
Income after tax		4,129	3,252
Share of earnings of equity affiliates	9	(543)	(600)
Total net income		3,586	2,652
Net income, Group share		3,573	2,657
Minority interests		13	(5)
Earnings per share (€)		0.30	15.31
Diluted earnings per share (€) after July 2014 over-allotment option and employee-reserved capital increase		0.29	15.31

STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income - €'000	H1 2014	H1 2013
Total consolidated net income	3,586	2,652
Other comprehensive income:		
Actuarial gains/(losses) on pension liabilities	(2,113)	846
Income tax	317	(127)
Subtotal comprehensive income/(loss) not transferable to earnings	(1,796)	719
Currency translation differences	280	(444)
Income tax	-	-
Subtotal comprehensive income/(loss) transferable to earnings	280	(444)
Total other comprehensive income/(loss) after tax	(1,516)	275
Total comprehensive income	2,070	2,927
Group share	2,057	2,932
Minority interests	13	(5)

CONSOLIDATED BALANCE SHEET

Assets - €'000	Note	June 30, 2014	Dec 31, 2013
Goodwill	6	171	202
Intangible assets	7	5,565	4,706
Property, plant and equipment	8	25,939	27,592
Investments in equity affiliates	9	-	133
Other financial assets	10	3,698	2,888
Deferred tax assets	11	2,122	1,483
Total non-current assets		37,494	37,003
Inventories and WIP	12	36,771	35,498
Trade receivables	13	26,535	23,913
Tax receivables	14	1,674	1,471
Other current assets	15	11,670	9,165
Cash and cash equivalents	16	45,167	7,993
Total current assets		121,817	78,040
Total assets		159,311	115,044

Liabilities and equity - €'000	Note	June 30, 2014	Dec 31, 2013
Capital stock	17	4,737	3,469
Additional paid-in capital	17	37,965	3,055
Consolidated reserves and other reserves	17	42,996	40,771
Net income for the period	17	3,587	3,825
Total equity, Group share	17	89,285	51,120
Non-controlling interests		48	33
Total minority interests		48	33
Total equity		89,333	51,153
Borrowings and debt	18	12,448	15,662
Provisions for pensions and similar commitments	19	5,383	3,225
Deferred tax liabilities	11	883	872
Total non-current liabilities		18,714	19,759
Borrowings and bank overdrafts (due in less than 1 yr)	18	29,436	20,034
Current provisions	20	1,099	803
Trade payables		10,262	11,651
Tax payables	14	500	169
Other current liabilities	21	9,968	11,476
Total current liabilities		51,264	44,132
Total liabilities		69,978	63,890
Total liabilities and equity		159,311	115,044

STATEMENT OF CONSOLIDATED CASH FLOWS

€'000	H1 2014	H1 2013
Total consolidated net income	3,586	2,652
Consolidated net income from discontinued or held-for-sale operations	0	0
Consolidated net income from continuing operations	3,586	2,652
Elimination of earnings of equity affiliates	543	600
Depreciation, amortization, impairment and provisions	3,624	3,567
Fair value adjustments - gains and losses		
Elimination of gains/losses on asset sales		
Elimination of dividend income	0	0
Other non-cash income and expenses	376	96
Free cash flow after net cost of debt and tax	8,129	6,915
Net cost of debt	348	453
Tax charge	1,409	1,929
Free cash flow before net cost of debt and tax	9,886	9,297
Change in operating working capital	(6,816)	(7,031)
<i>Of which change in trade receivables</i>	(2,665)	(3,330)
<i>Of which change in inventories</i>	(1,802)	(5,382)
<i>Of which change in trade payables</i>	(1,389)	2,519
<i>Of which change in other receivables and payables</i>	(960)	(839)
Tax paid	(594)	(769)
Operating cash flows from discontinued operations		
Net cash flows from operating activities	2,476	1,498
Acquisition of consolidated investments net of cash		0
Acquisition of PP&E and intangible assets	(2,584)	(2,211)
Acquisition of financial assets	(810)	(409)
Disposal of PP&E and intangible assets	0	
Disposal of financial assets		
Dividends received	0	0
Cash flows from investing activities of discontinued operations		
Net cash flows from investing activities	(3,394)	(2,620)
Borrowings issued	500	1,094
Borrowings repaid	(2,770)	(4,257)
Net interest paid	(348)	(465)
Dividends paid to Group shareholders		
Dividends paid to minority interests		
Factoring	(1,095)	2,803
Other cash flows from financing activities	(3,053)	(1,672)
Share issue	38,032	
Cash flows from financing activities of discontinued operations		
Net cash flows from financing activities	31,266	(2,497)
Impact of change in foreign exchange rates	35	(23)
Impact of change in foreign exchange rates – discontinued operations		
Change in cash and cash equivalents	30,383	(3,642)
Cash assets	7,993	13,856
Bank overdrafts	(3,742)	(15,036)
Opening cash and cash equivalents	4,251	(1,180)
Cash assets	45,167	4,732
Bank overdrafts	(10,533)	(9,554)
Closing cash and cash equivalents	34,634	(4,822)
Change in cash and cash equivalents of discontinued operations		
Change in cash and cash equivalents	30,383	(3,642)

CHANGE IN CONSOLIDATED EQUITY

€'000	Capital stock	Capital reserves	Consolidated net income and reserves	Other comprehensive income	Comprehensive income, Group share	Minority interests	Total
Equity at Dec 31, 2012	3,469	3,055	39,229	711	46,464	(166)	46,299
Net income for the period	-	-	2,657	-	2,657	(5)	2,652
Other comprehensive income	-	-	-	275	275	-	275
Total comprehensive income for the period	0	0	2,657	275	2,932	(5)	2,927
Parent company dividends	-	-	-	-	0	-	0
Acquisitions/disposals	-	-	-	-	0	-	0
Other items	-	-	(427)	-	(427)	-	(427)
Total transactions with shareholders	0	0	(427)	0	(427)	-	(427)
Equity at June 30, 2013	3,469	3,055	41,459	986	48,969	(171)	48,798

€'000	Capital stock	Capital reserves	Consolidated net income and reserves	Other comprehensive income	Comprehensive income, Group share	Minority interests	Total
Equity at Dec 31, 2013	3,469	3,055	42,854	1,743	51,121	33	51,154
Net income for the period	-	-	3,573	-	3,573	13	3,586
Other comprehensive income	-	-	-	(1,516)	(1,516)	-	(1,516)
Total comprehensive income for the period	0	0	3,573	(1,516)	2,057	13	2,070
Capital increases	1,268	36,764	-	-	38,032	-	38,032
Capital increase costs after tax	-	(1,854)	-	-	(1,854)	-	(1,854)
Parent company dividends	-	-	-	-	0	-	0
Acquisitions/ disposals	-	-	-	-	0	-	0
Other items	-	-	(71)	-	(71)	2	(69)
Total transactions with shareholders	1,268	34,910	(71)	-	36,107	2	36,109
Equity at June 30, 2014	4,737	37,965	46,356	227	89,285	48	89,333

NOTES TO THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

The notes form an integral part of the condensed consolidated financial statements for the six months ended June 30, 2014. The Group consolidated financial statements for the six months ended June 30, 2014 were approved by the Board of Directors on September 3, 2014.

SergeFerrari Group SA is a limited liability company under French law founded in 1973 that designs, manufactures and distributes flexible composite materials. The Company's headquarter is located at Zone Industrielle de la Tour du Pin, 38110 Saint Jean de Soudain (France). SergeFerrari Group SA and its subsidiaries employed 594 people at June 30, 2014 compared to 602 at June 30, 2013.

On June 25, 2014, SergeFerrari Group shares were admitted for trading on Euronext Paris.

NOTE 1 – First half 2014 highlights

Revenues edged up during the first half on the back of a 1.5% increase in volumes (measured in square meters) that marked a turnaround from 2013 and 2012 when volumes declined.

On April 30, 2014, the shareholders' extraordinary general meeting of Serge Ferrari SAS and Precontraint Ferrari approved the planned merger whereby Serge Ferrari SAS would absorb Precontraint Ferrari.

During the first half, to fund its growth SergeFerrari Group launched an IPO that culminated in the Company's shares being admitted for trading on the Euronext Paris regulated market as from June 25, 2014

NOTE 2 – Valuation and consolidation principles

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

The consolidated financial statements have been prepared pursuant to:

- IFRS (International Financial Reporting Standards) as adopted by the European Union. IFRS can be viewed at the EU website:http://ec.europa.eu/internal_market/accounting/ias/index_en.htm;
- IFRS as published by the IASB.

The consolidated half-year financial statements have been prepared pursuant to IAS 34 "Interim Financial Reporting". In accordance with IAS 34, the notes to the consolidated half-year financial statements are presented in condensed form. Only material transactions and adjustments to comply with specific interim financial reporting principles have been disclosed in the notes. The half-year financial statements should be read in conjunction with the Group financial statements for the year ended December 31, 2013, which form part of the Base Document registered with the French Financial Markets Authority (AMF) on May 20, 2014 under number I. 14-032 and can be viewed on the Group website <http://www.sergeferraribourse.com/informations-financieres/documents-financiers>

Changes in accounting principles

- Accounting standards, amendments and interpretations adopted by the European Union and applied in advance

Group management have decided not to apply accounting standards, amendments and interpretations in advance of their compulsory application date as specified by the European Union.

To Group management's best knowledge, such accounting standards, amendments and interpretations do not have a material impact on the consolidated financial statements.

- Accounting standards, amendments and interpretations published by IASB but not yet adopted by the European Union

The Group does not apply standards and interpretations published by IASB but not yet adopted by the European Union as of 30 June 2014.

Group management does not expect such standards and interpretations to have a material impact on Group earnings or financial position.

Specific interim reporting accounting principles

Principles applying to estimates and judgments are described under Note 2.6 to the financial statements for the year ended December 31, 2013. In some cases, such principles have been adapted to comply with the specific features of interim reporting.

- Income tax

The tax charge is computed separately for each company: the estimated effective average tax rate for the current year is applied to income before tax for the first half year. The research tax credit is accounted for as a grant and is included under 'Other recurring income and expenses'. The French CICE tax credit for employment and competitiveness is accounted for as a deduction from personnel expenses.

- Employee profit share

First half 2014 profit share was calculated based on the results for the six months ended June 30, 2014.

- Post retirement benefits

Pursuant to IAS 34, provisions for pensions and similar commitments have not been calculated on a detailed basis as required for annual financial statements. Changes to net pension liabilities since December 31, 2013 have been estimated as follows:

- Interest expense and the cost of services provided have been estimated based on actual 2013 costs in accordance with the accruals concept;
- The effect of the reduction in the discount rate (2.96% at June 30, 2014 vs. 3.16% at December 31, 2013 in respect of French pension liabilities) was not recognized due to its non-material nature, and the reduction from 2.30% at December 31, 2013 to 1.80% at June 30, 2014 for Swiss pension liabilities was accounted for based on sensitivity tests performed as of December 31, 2013;
- The other actuarial assumptions in relation to the overall pension liability (e.g. salary rises, staff turnover etc.) are updated when the annual financial statements are prepared. No items that could have a material impact on the first half financial statements have been identified
- Other actuarial gains and losses arising from experience were not calculated as of June 30, 2014 given that no material change is expected this year.

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

- Impairment tests

Procedures for performing impairment tests are described in Note 2.12 (Asset impairment) to the 2013 financial statements as shown in the Base Document.

Impairment tests are only performed for half-year financial statements in respect of material assets where there is an indication of loss of value in the current or prior year.

NOTE 3 – Consolidation scope

The consolidation scope is shown under Note 3 to the 2013 financial statements included in the Base Document. With the exception of Serge Ferrari SAS's merger - absorption of Precontraint Ferrari, the consolidation scope did not change during first half 2014.

The closing date for all consolidated companies is December 31. Unconsolidated companies are stated at original cost.

NOTE 4 – Conversion of foreign currency financial statements

Foreign currency exchange rates applied are as follows:

	2014 average rate (6 months)	2013 average rate (6 months)	Closing rate (June 30, 2014)	Closing rate (December 31, 2013)
Swiss Franc - CHF	1.2213	1.2310	1.2156	1.2276
US Dollar - USD	1.3709	1.3282	1.3658	1.3791
Japanese Yen - JPY	140.4412	129.6688	138.4400	144.7200
Brazilian Real - BRL	3.1499	3.2133	3.0002	3.2466
Chilean Peso - CLP	757.8982	724.6117	751.7140	722.9196

NOTE 5 – Revenue breakdown and seasonal effects

In the past the Group has posted some 55% of annual revenues in the first half due to the Architecture business, which has higher sales in the first half than in the second half. Group first half 2014 results should not be taken as an indication of second half results given that fixed costs in the second half will be a higher proportion of earnings on sales.

NOTE 6 – Goodwill

	June 30, 2014	Dec 31, 2013
Net book value b/fwd	202	257
Acquisitions	0	0
Impairment	0	0
Translation differences	(31)	(55)
Net book value c/fwd	171	202

NOTE 7 – Intangible assets

	Dec 31, 2013	Acq.	Disposals	Amortization for the period	Changes in exchange rates	Reclassifications and retirement	June 30, 2014
Research & development costs	4,661	489			9		5,159
Concessions, patents & similar rights	38						38
Commercial goodwill	0						0
Intangible assets in progress	2						2
Other intangible assets	6,479	157			11	1,075	7,719
Total intangible assets	11,179	646	0	0	20	1,075	12,917
R&D costs amortization / impairment	(1,237)			(673)	(2)		(1,911)
Concessions, patents & similar rights amortization / impairment	(38)						(38)
Commercial goodwill amortization / impairment	0						0
Other intangible assets amortization / impairment	(5,198)			(210)	(4)		(5,404)
Total intangible assets amortization / impairment	(6,473)	0	0	(883)	(6)	0	(7,353)
Total net book value	4,706	646	0	(883)	14	1,075	5,565

The contra entry to the €1.075 million reclassification to 'Other intangible assets' is given in Note 8 under "Intangible assets in progress".

NOTE 8 – Property, plant and equipment

	Dec 31, 2013	Acq.	Disposals	Depreciation for the period	Changes in exchange rates	Reclassifications and retirement	June 30, 2014
Land	1,665				16		1,681
Buildings	34,554	66			173		34,793
Plant and equipment	102,101	487			525	772	103,885
PP&E in progress	4,112	1,202			16	(1,847)	3,483
Other PP&E	6,462	183			42		6,686
Total property, plant and equipment	148,893	1,938	0	0	772	(1,075)	150,529
Building depreciation / impairment	(24,413)			(779)	(102)		(25,294)
Plant and equipment depreciation / impairment	(90,837)			(1,795)	(476)		(93,108)
Other PP&E depreciation / impairment	(6,051)			(91)	(45)		(6,188)
Total PP&E depreciation / impairment	(121,302)	0	0	(2,666)	(623)	0	(124,590)
Total net book value	27,592	1,938	0	(2,666)	149	(1,075)	25,939

NOTE 9 – Investments in equity affiliates

Amounts posted to consolidated earnings and balance sheet

Vinyloop	June 30, 2014	Dec 31, 2013
Investments in equity affiliates	0	133
Consolidated share of earnings	(543)	(1,087)

Financial data of equity affiliates

The data below is taken from interim statutory accounts if available unless material IFRS adjustments have been identified for this investment.

Vinyloop	H1 2014	2013
Revenues	1,375	3,597
Net income	(1,358)	(2,717)
Equity	(1,386)	(28)
Total assets	Unknown	14,722

NOTE 10 – Other financial assets

	June 30, 2014	Dec 31, 2013
Held-for-sale financial assets	456	456
Other loans and receivables:	3,242	2,433
Total other financial assets	3,698	2,888

NOTE 11 – Deferred tax assets and liabilities

	June 30, 2014	Dec 31, 2013
Deferred tax assets related to employee benefits	992	666
Tax losses carried forward	117	127
Elimination of inter-company gains and losses	329	301
Other timing differences	684	389
Total deferred tax assets	2,122	1,483
Tax-allowable provisions	883	872
Total deferred tax liabilities	883	872
Total net deferred tax	1,239	611

NOTE 12 – Inventories

	June 30, 2014			Dec 31, 2013		
	Gross	Prov.	Net	Gross	Prov.	Net
Raw materials, supplies and other	8,219	(204)	5,951	8,303	(95)	6,172
Work in progress	257	(38)	240	355	(28)	338
Finished goods and components	28,322	(2,680)	27,631	26,570	(2,246)	26,268
Goods for resale	3,105	(209)	2,950	2,873	(234)	2,720
Total inventories	39,903	(3,131)	36,772	38,101	(2,603)	35,498

Serge Ferrari SAS inventory impairment provisions at December 31, 2013, which were previously combined under one line, "Inventories of raw materials, supplies and other", have been reclassified to the lines of the relevant inventory category as follows:

- €11 under "Work in progress"
- €1,945 under "Finished goods"
- €80 under "Goods for resale"

NOTE 13 – Trade receivables

	June 30, 2014	Dec 31, 2013
Trade receivables and payments on account	12,861	10,024
Receivables sold to the factoring company	15,790	15,961
Trade receivables impairment	(2,116)	(2,073)
Total trade receivables	26,535	23,913

NOTE 14 – Tax receivables and payables

	June 30, 2014	Dec 31, 2013
Tax receivables	1,674	1,471
Tax payables	500	169

NOTE 15 – Other current assets

	June 30, 2014	Dec 31, 2013
Current accounts - assets	4,621	2,593
Tax receivables excl. income tax	2,844	4,705
Staff and related receivables	264	288
Supplier receivable balances	387	643
Other receivables	1,069	53
Prepaid expenses	2,208	729
Deferred expenditure	28	20
Loans receivable, guarantees and other receivables due in less than 1 yr	249	134
Total other current assets	11,670	9,165

NOTE 16 – Cash and cash equivalents

	June 30, 2014	Dec 31, 2013
Marketable securities	279	67
Cash and short-term investments	44,888	7,926
Total cash and cash equivalents	45,167	7,993

NOTE 17 – Capital stock

The capital stock of SergeFerrari Group as of January 1, 2014 comprised 173,469 shares with a par value of €20 each.

- Following a 50-for-1 share split dated April 30, 2014, the par value per share reduced to €0.40 and the number of shares increased to 8,673,450 shares.
- On June 24, 2014, following the settlement and delivery operations in connection with the Company's IPO capital increase, 416,666 new shares were issued under the capital increase reserved for CM-CIC Investissement and 2,752,672 new shares were issued under the global placement and retail public offering. The resulting capital increase amounted to €1.27 million, while the issue premium amounted to €36.76 million. As of June 30, 2014, capital stock consisted of 11,842,788 shares, each with a par value of €0.40.

NOTE 18 – Borrowings and debt

	Current	Non-current	Total	Due in less than 1 yr	Due in 1 to 5 yrs	Due in more than 5 yrs
Bank loans	9,299	12,448	21,747	9,299	12,448	
Bank overdrafts	10,533		10,533	10,533		
Factoring (funded portion)	9,605		9,605	9,605		
Total borrowings and debt	29,436	12,448	41,884	29,436	12,448	0
Cash and cash equivalents	(45,167)		(45,167)	(45,167)	0	-
Net debt	(15,731)	12,448	(3,283)	(15,731)	12,448	0

NOTE 19 – Provisions for pensions and similar commitments

The change in the discount rate on post-retirement benefits for French companies (3.16% at December 31, 2013 and 2.96% at June 30, 2014) has not had a material impact on the value of the liability. With regard to the pension liabilities of the Group's Swiss companies, a 1.80% discount rate (based on the yield of Swiss blue-chip corporate bonds from the industrial sector), as published by the Swiss Actuaries Institute (www.skpe.ch) was applied at June 30, 2014. This discount rate was 2.30% at December 31, 2013. Based on the sensitivity study specified under Note 18 to the 2013 financial statements, a 50bp reduction in the discount rate applied would lead to a €2,113,000 increase in the liability.

The actuarial loss was recognized as a €2,113 increase in the liability and a €1,796 post-tax reduction in equity at June 30, 2014.

	Retirement compensation - France	Switzerland		Total
		Pension Plan	Long service awards	
Liability at Dec 31, 2012	1,079	3,439	416	4,934
Cost of past services	80	(66)	3	17
Interest expense	37	67	0	104
Actuarial differences	(175)	(1,586)	0	(1,761)
Exchange differences	0	(62)	(7)	(69)
Liability at Dec 31, 2013	1,021	1,792	412	3,225
Cost of past services	40	(33)	(12)	(5)
Interest expense	18	33	0	51
Actuarial differences	0	2,113	0	2,113
Exchange differences	0	0	0	0
Liability at June 30, 2014	1,079	3,905	400	5,384

NOTE 20 – Provisions

	Dec 31, 2013	Acquisitions / disposals	Increase	Reversal		June 30, 2014
				Used	Not used	
Current provision	803	0	580	(284)	0	1,099
Provisions for guarantees	602		75	(100)		577
Provisions for operating disputes	201		95	(184)		112
Provisions for commercial disputes	0		0	0		0
Provisions (equity affiliate reclassification)	0		410	0		410
Non-current provision	0	0	0	0	0	0
Total	803	0	580	(284)	0	1,099

NOTE 21 – Other current liabilities

	June 30, 2014	Dec 31, 2013
Current accounts - liabilities	24	1,049
Tax and social security payables	8,378	8,696
Customer accounts payable	540	1,418
Other payables	786	133
Fair value of derivative financial instruments	240	180
Total other current liabilities	9,968	11,476

NOTE 22 - Information relating to business areas

	1st quarter 2014	2nd quarter 2014	1st half 2014	1st quarter 2013	2nd quarter 2013	1st half 2013
Flexible composite materials	32,782	39,057	71,839	33,212	38,235	71,447
Other products	2,194	1,809	4,003	2,017	1,787	3,804
Total revenues	34,976	40,866	75,842	35,229	40,022	75,251

	1st quarter 2014	2nd quarter 2014	1st half 2014	1st quarter 2013	2nd quarter 2013	1st half 2013
Southern Europe (SEUR)	12,876	15,142	28,018	12,561	14,010	26,571
Wide Europe (WEUR)	11,933	15,265	27,198	12,550	14,449	26,999
Rest of World (ROW)	7,973	8,650	16,623	8,101	9,776	17,877
Total flexible composite materials	32,782	39,057	71,839	33,212	38,235	71,447

NOTE 23 – External expenses

	H1 2014	H1 2013
Subcontracting	216	217
Leasing and rental costs	2,546	2,639
Maintenance and repairs	1,488	1,594
Insurance premiums	426	253
Studies, research, documentation and conferences	509	667
Temporary workers pay and fees	3,659	3,177
Other external expenses	216	275
Non-company staff	491	259
Advertising, publications, public relations	2,083	2,227
Transport	3,223	3,150
Entertaining	1,284	1,280
Mail and telecommunications costs	295	356
Bank charges	96	168
Total external expenses	16,433	16,261

NOTE 24 - Personnel expenses and senior management remuneration

	H1 2014	H1 2013
Staff pay	15,176	14,882
Social security charges	4,969	4,757
Other personnel expenses	417	460
Staff profit share	172	229
Total personnel expenses	20,734	20,329

The French CICE tax credit for employment and competitiveness amounting to €0.22 million in first half 2014, compared to €0.15 million in first half 2013, is reported as a deduction from personnel expenses.

Headcount	June 30, 2014	June 30, 2013
Sales staff	114	107
Production / logistics	380	395
Support functions	100	100
Subtotal	594	602
Temporary staff and other (month-end headcount)	0	0
Total headcount	594	602

Senior management remuneration

	H1 2014	H1 2013
Ferrari Participations recharges	236,889	202,580
Company officers' remuneration	37,791	35,698
Benefits in kind	2,666	2,382
Total senior management remuneration	277,346	240,660

The 2013 Ferrari Participations recharges include the remuneration of Sebastien Ferrari and Romain Ferrari, Serge Ferrari Group managing directors appointed by Ferrari Participations, chairman of SergeFerrari Group. The 2014 Ferrari Participations recharges include:

- The remuneration of Sebastien Ferrari and Romain Ferrari as SergeFerrari Group managing directors from January 1 to April 30, 2014 followed by Chairman/Chief Executive Officer and Managing director respectively from May 1 to June 30, 2014;
- The remuneration of Mr. Philippe Brun as managing director from May 1 to June 30, 2014.

NOTE 25 - Depreciation, amortization and impairment

	H1 2014	H1 2013
Intangible assets	(883)	(436)
Property, plant and equipment	(2,666)	(3,231)
Depreciation, amortization and impairment	(3,548)	(3,667)

NOTE 26 - Provision expenses

	H1 2014	H1 2013
Operating provisions	(172)	(132)
Receivables provisions	(2,135)	(1,942)
Inventory and WIP provisions	(107)	0
Reversals of PP&E provisions	0	0
Reversals of receivables provisions	2,078	1,789
Reversals of inventory provisions	0	27
Reversals of operating provisions	284	57
Net impairment and provisions	(52)	(200)

Inventory impairment provisions were increased by €0.4 million so as to adjust the net tax provision expense in the local statutory accounts of Ferfils in 2010, 2011 and 2012. This adjustment was posted to 'Other operating income and expenses' (Note 28)

NOTE 27 - Other recurring income and expenses

	H1 2014	H1 2013
Capitalized production	308	470
Operating grants	148	7
Other	141	276
Other recurring income and expenses	597	753

NOTE 28 - Other operating income and expenses

	H1 2014	H1 2013
Other operating income	-	-
Other operating expenses	(622)	-
Other recurring income and expenses	(622)	-

Capital increase expenses arising from the IPO were accounted for as follows:

- Costs directly attributable to the capital increase were charged against equity
- Expenses relating to both the capital increases and the IPO were charged against equity in proportion to the number of newly issued shares and the total number shares post-IPO, amounting to a €0.2 million first half 2014 expense, was posted to 'Other operating income and expenses' in the income statement; €2.8 million before tax was charged against the issue premium generated from the capital increase transactions.

Furthermore, inventory impairment provisions were increased by €0.4 million so as to adjust the net tax provision expense in the local statutory accounts of Ferfils in 2010, 2011 and 2012.

NOTE 29 – Financial income and expenses

	H1 2014	H1 2013
Income from cash and cash equivalents	---	51
Interest expense	(348)	(453)
Net cost of debt	(348)	(402)

NOTE 30 – Tax charge

	H1 2014	H1 2013
Deferred tax	684	(849)
Current tax	723	2,779
Total income tax	1,407	1,929

	H1 2014	H1 2013
Net income	3,593	2,652
Offset:		
=> Share of earnings of equity affiliates	(543)	(600)
=> Tax charge	1,409	1,929
Income before tax	5,545	5,181
French statutory tax rate	34.43%	33.33%
Notional tax charge	1,909	1,727
Reconciliation		
=> Tax credits	(115)	(20)
=> Tax rate differences - France / Abroad	(363)	(402)
=> Tax provision		300
=> Prior year tax charge adjustment		203
=> Adjustment for margin in inventory	21	15
=> Adjustment to internal provisions		26
=> Permanent difference	(44)	81
Actual tax charge	1,407	1,929
Effective tax rate	25.4%	37.2%

NOTE 31 – Principal related party transactions

	H1 2014			H1 2013		
	Ferrari Participations	Real estate companies	Vinyloop	Ferrari Participations	Real estate companies	Vinyloop
Operating payables	1,021	1,628		791	926	
Operating receivables	866	147		380	305	
Current accounts	(1,932)	1,353	1,768	2,037	20	2,228
Purchases of goods and services	61	1,377	185	55	1,174	214
Sales of goods and services	944	71		657	54	
Interest expense	11			3		
Interest income	17			12		

NOTE 32 – Off-balance sheet commitments

There was no material change in off-balance sheet commitments during first half 2014.

NOTE 33 - Post balance sheet events

On July 18, 2014, the company exercised the over-allotment option on the aforementioned capital increases and issued 405,496 new shares at an issue price of €12, resulting in capital stock comprising 12,248,284 shares. The proceeds of this capital increase amounted to €4.9 million.

On July 28, 2014, the Board of Directors took formal note of the issue of 50,975 new shares at €9.60 per share in conjunction with the employee-reserved capital increase, including a 20% discount as permitted by law. Following this transaction, capital stock comprised 12,299,259 shares and the proceeds of this operation amounted to €0.49 million.

No other post balance sheet events that could have a material impact on the Group financial statements have been identified.

STATUTORY AUDITORS' REPORT ON THE FIRST HALF 2014 FINANCIAL REPORT

To the Shareholders,

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

- performed a limited review of the SergeFerrari Group condensed consolidated financial statements covering the period from January 1 to June 30, 2014, as attached hereto;
- verified the information given in the half-year activity report.

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

This being the first time that SergeFerrari Group has prepared half-year consolidated financial statements, we specify that financial information for the six months ended June 30, 2013, which is reported for comparison purposes, has not been audited or undergone a limited review.

I - Opinion on the financial statements

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

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

II - Specific testing

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

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

Lyon and Villeurbanne, September 3, 2014,

The Statutory Auditors
**CABINET MARTINE
CHABERT
MAZARS**

Martine Chabert
Pierre Beluze

Serge Ferrari

BP 54 – ZI
F 38352 La Tour du Pin Cedex
France
Tel: +33(0) 4 74 83 56 90
www.sergeferrari.com

