Registration Document

2015

Serge Ferrari

CREATOR OF **INNOVATIVE FLEXIBLE COMPOSITE MATERIALS**

sergeferrari.com

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SergeFerrari Group

A French limited company (*société anonyme*) with capital stock of €4,919,704
Head office: Zone industrielle de La Tour-du-Pin - 38110 Saint Jean-de-Soudain
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2015 REGISTRATION DOCUMENT

AMF | AUTORITÉ DES MARCHÉS FINANCIERS

Pursuant to its General Regulation, specifically Article 212-23 thereof, the French Financial Markets Authority (Autorité des Marchés Financiers – AMF) registered this Registration Document on May 3, 2016 under number R16-041. This document may only be used in support of a corporate-finance transaction if it is supplemented by a securities note approved by the French Financial Markets Authority. This document has been prepared by the issuer and its signatories are liable for its contents. This document was registered, pursuant to Article L621-8-1-I of the French Monetary and Financial Code, after verification by the AMF *"that the document is complete and comprehensible, and the information it contains is consistent"*. Registration does not imply authentication by the AMF of the accounting and financial information presented.
Pursuant to Article 28 of European Commission Regulation (EC) No 809/2004, the following information is incorporated by reference in this Registration Document: Registration Document 2014 registered on June 11, 2015, under number R. 15-050 and Base Document registered on May 20, 2014 with the French Financial Markets Authority under number I. 14-032.

This document may be obtained free of charge at the Company's head office or downloaded from the AMF website (www.amf-france.org) or the Company's website (www.sergeferrari.com).

The French version of the 2015 Registration Document has been registered with the AMF. It is therefore the only version that is binding in law. This Registration Document was registered with the Autorité des marchés financiers (AMF) on May 3, 2016, in accordance with the article 212–13 of the AMF's General Regulations. It may be used in support of a fi nancial transaction if accompanied by a transaction vcircular approved by the AMF.

Definitions

In this Registration Document, unless specified otherwise:

- "Serge Ferrari" or "Group" means the entity consisting of SergeFerrari Group SA and its consolidated direct or indirect subsidiaries;
- "SergeFerrari" or "SergeFerrari Group" or the "Company" mean SergeFerrari Group SA.

Disclaimer

This Registration Document contains statements and information on the objectives of Serge Ferrari Group which are forward-looking in nature and may be identified as such by the use of the future tense or conditional mood, and by terms of a prospective nature such as “estimate”, “consider”, “have as objective”, "aim to", "expect", “intend”, “should”, “hope”, “could”, “may” and similar. Such information is based on data, assumptions and estimates considered reasonable by the Company. The forward-looking statements and objectives in this Registration Document may be impacted by known and unknown risks, uncertainties surrounding the regulatory, economic, financial and competitive environment, and other factors that may cause the Company’s future profits, performance and achievements to be significantly different from the objectives as formulated or suggested. These factors may including among others the factors set out in section 1.10. "Risk factors" in this Registration Document.

Investors are advised to give careful consideration to the risk factors described in section 1.10. "Risk factors" in this Registration Document before deciding whether to invest. Should any or all of these risks materialize, they may have an adverse impact on the Company’s activity, financial position, earnings or objectives. Furthermore, other risks, not yet identified or considered not significant by the Company, may have a similarly adverse impact and investors may lose all or part of their investment.

This Registration Document contains information on the Group’s markets and its competitive positions, including information about the markets' size. Due to the lack of market studies in the Group’s sphere of activity, this information is drawn from Company estimates and is provided only for indicative purposes. The Group’s estimates are based on information obtained from customers, suppliers, professional organizations and other participants in the markets in which the Group operates. Although the Group considers that these estimates are relevant as of the date of this Registration Document, it cannot guarantee the completeness or accuracy of the data on which these estimates are based, or that its competitors define the markets in which they operate in the same manner. These estimates, and the data on which they are based, have not been verified by independent experts. The Group gives no guarantee that a third party using different methods to collate, analyze or calculate market data will obtain the same results. Since the data relating to market shares and market size in this Registration Document are only Group estimates, they are not official data.

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1. Overview of the Group and its business

1.1. Overview of the Group

1.1.1 A major player in the flexible composite materials market

Created in 1973 at La Tour-du-Pin in the Rhône-Alpes region, Serge Ferrari Group designs, manufactures and distributes high-tech, eco-responsible flexible composite materials whose unique characteristics allow them to be used in applications that meet the major technical and societal challenges of today and tomorrow. Energy-efficient buildings, shorter construction-deconstruction cycles, energy management, performance and durability of materials, together with the opening up of interior living spaces and increasingly large glazed areas in living spaces are major growth trends in the Group's markets.

Its main competitive advantage lies in a differentiating technology, Précontraint®[1] and the proprietary industrial know-how it involves, combined with the use of specially designed PET (polyethylene terephthalate) microcables transformed into flexible woven membrane and covered while under tension with polymers that give the final material numerous physical properties, in particular strength, deformability and lightness, as well as acoustic protection and UV resistance. These materials are delivered in reels or rolls of composite materials mainly in thicknesses less than or equal to 2mm. Serge Ferrari's Précontraint® technology gives the Group a highly differentiated competitive positioning. The two advantages of high dimensional stability and long-term mechanical strength, have proved decisive in winning new market segments for the Group with highly demanding quality requirements or large-scale projects showcasing the Group's expertise. The patent has now fallen into the public domain.

Serge Ferrari Group markets its offering in three application segments that represent a total market which the Group currently estimates at approximately €3.1 billion (in 2013), with each of the three main segments covering numerous market niches.

The Group's product offering includes:

- **innovative composite materials for architecture**: Précontraint® tensile composite roofs, solar protection and microclimate facades, acoustic solutions, watertight under-roof membranes;
- **advanced composite materials for professionals**: light modular structures for industry, environmental protection, bioenergy and safety, visual communication; and
- **innovative "consumer" composite membranes**: yachting, indoor and outdoor furniture, solar protection.

The Group's present legal and economic configuration is the result of five successive major phases of development that can be summarized as follows:

- The creation and development of innovative technology and a corporate business model (1973 to 1989)

The first Group company (Tissage et Enduction Serge Ferrari) originally specialized in the production of truck tarpaulins. In a relatively competitive market consisting of low value-added products, the founder and father of the two present directors, Serge Ferrari, wanted to implement a differentiated approach grounded in innovation. During this period, his efforts were focused on developing and perfecting the technology called Précontraint® which included setting up the first production line completely financed by the family shareholders. Sébastien Ferrari, the present Chairman and Chief Executive Officer, joined the Group in 1980.

- Internationalization and external growth (1990 to 2001)

In this second phase, a number of acquisitions were made for the dual purpose of greater vertical integration and broadening the product range. In 1997, the Batyline®[2] business was acquired (indoor and outdoor furniture range). In 2000, the Group acquired 50% of Tersuisse, a company based in Lucerne, Switzerland, from Rhodia Group, which was the Group's main supplier of micro-cables at the time. In 2001, the Group bought a competitor, Formo-Stamoïd based in Zurich, Switzerland, which expanded its range of coating technologies and products (mainly yachting and breathable protection for roofs and facades). The Group is growing steadily by approximately 10% a year. Romain Ferrari, currently Chief Operating Officer and engineer by training, joined the Group in 1990 and was given responsibility for the Group's technology and environment policy.

- Acceleration of organic growth and internationalization of business (2002 to 2008)

The Group entered an international deployment phase with the development of two marketing subsidiaries, in Florida in the United States, and in Hong Kong to cover China and Southeast Asia. These bases allowed it to gain knowledge of local markets through proximity, not only to end customers, but also to specifiers, consultants and potential customers. At the same time, the Group completed the consolidation of Serge Ferrari Tersuisse, its supplier of PET micro-cables, by increasing its stake in the company to 100%.

- Group structuring and organization for future growth (2009 to 2013)

Mindful of the environmental challenges connected with its activity, the Group designed and incorporated into its offering a recycling service for its materials (Texyloop®), based on a technology developed internally and operated under an industrial partnership with the Solvay Group. A structuring phase came next, to better consolidate the expanded scope achieved in previous years: an ERP (SAP) was implemented, the patent portfolio rationalized and the management team strengthened with the arrival of Philippe Brun in 2010 (Chief Financial Officer) and Marc Beaufils in 2013 (International CEO). During this period, the Group experienced the combined effects of the economic slowdown and a sharp rise in raw-material prices (of over 40% between April 2010 and April 2012). Drastic measures were taken, by discontinuing unprofitable or low-profit entry-range products impacted by increasing raw-materials prices, which accounted for 20% of sales in 2011, to refocus on higher-margin products. The Group also continued its marketing rollouts with the development of new marketing bases in Brazil and Japan.

- Definition of an ambitious development plan based on organic sales growth and an IPO designed to finance that plan (as from 2014)

Following two fiscal years, 2013 and 2014, which were characterized by a return to more satisfactory profit levels (adjusted EBITDA of over 12%, compared to 8% in 2012), the Group has defined a development plan implementing development actions valued at €100 million over the period between 2014 and 2018:

– €40 million in industrial investment (of which €15 million relating to an investment in breakthrough technology);

– €35 million for business development (increase in working capital and the sales force): for 2015 the EBITDA margin came to 10.7%, reflecting the impact of sizable investment in recruitment;

– €25 million in innovation expenditure.

To finance this development plan, SergeFerrari Group was listed on the stock market in June 2014, raising €43.4m.

Serge Ferrari Group is today an integrated Group which has achieved industrial maturity and has direct or indirect commercial presence through a distributor network covering nearly 80 countries. With its proven capacity for innovation, growth, restructuring and resilience, the Group today has all the advantages to pursue a new growth phase. The sales force has already been considerably reinforced, increasing from 107 sales staff as of December 31, 2013 to 139 sales staff at the 2015 year-end. Hervé Trellu has been in charge of all of the sales, marketing and supply-chain teams since January 1, 2016, when he joined the Group's Executive Management team as Senior Vice-President Sales & Marketing. Hervé Trellu's objective is to ramp up SergeFerrari Group's development abroad and to showcase the advantages that set its products apart.

1.1.2 Numerous strengths to further an ambitious strategy

Backed by over 40 years' experience, SergeFerrari Group aims to achieve high revenue growth by 2018, by leveraging its many strengths:

Proprietary know-how, the Serge Ferrari Précontraint®, continuously improved by an integrated engineering and R&D team, and industrial equipment designed and built by a Group subsidiary: a differentiating element of its offering, the technology developed by the Group is today protected by integrated know-how embodied in its industrial processes, design, manufacturing and adaptation of production equipment. This know-how constitutes a non-volatile form of protection that is particularly important in view of the fact that some of the patents have fallen into the public domain (such as Précontraint®).

An integrated Group:- via all of its industrial sites, the Group controls the entire value chain, featuring end-to-end vertical integration: innovation in raw-materials formulation, process and machine engineering, spinning of special PET micro-cables, production capacity covering all technologies for making flexible composite materials (multiprocess coating, coating with Précontraint® and extrusion), logistics, as well as an international network for distributing and recycling its products. Thereby avoiding any dependency on third parties, this integration allows it to sustainably ensure optimal high quality;

An innovation capacity which enables the Group to expand its commercial openings in the face of fast-changing demand and which alone can maintain or even boost selling prices: the strategic decision to invest strongly in innovation, implemented since its earliest years as a company, has led the Group to gradually strengthen its position in an increasing number of growing niche markets, meeting and even creating new needs or replacing traditional materials (such as concrete, steel, aluminum, glass, wood, etc.). This innovation capacity both in the formulation of products and in their physical properties, exerts powerful leverage on both commercial expansion and pricing power. This innovative power was one of the driving factors in the recovery of margins following soaring raw material prices in 2010 and 2011. Innovation functions employ some 5% of the total Group workforce, and annual innovation expenditure amounts to approximately €5 million;

Strong international exposure: in 2015, close to 75% of flexible composite materials sales were made outside France due to an international distribution network covering nearly 80 countries, both directly (through four subsidiaries and five sales offices) and indirectly (via more than 100 local distributors). This firm international foothold constitutes a major strength for promoting growth over the next five years. This geographical presence enables it to make the most of its knowledge of end-customers and specifiers (such as architects and contractors). Furthermore, this broad geographical exposure, which is relatively balanced among the three main regions (Southern Europe, "Wide Europe" and Rest-of-World), provides natural protection against regional economic cycles.

One of the widest innovative product ranges on the market: the Group boasts one of the market's widest product offerings. With a relative balance between the commercial outlets addressed by its three sectors, the Group optimizes its development potential while arming itself against the cyclical behavior of certain markets. Ongoing R&D initiatives continuously contribute to widening the fields of application for flexible composite materials.

A 5% average share of a market estimated by the company in 2013 at some €3 billion, affording growth opportunities: in each of its activity sectors, the Group faces competition consisting of a large number of small or medium-sized players with diverse profiles, ranging from specialists to generalists whose offering is geared more to commodities than high-tech materials. By contrast, few international players dominate the market.

Sustainable development central to its concerns: the Group has always given consideration to the environmental impact of its activities and strives to limit its environmental footprint. In partnership with Solvay, then INOVYN, it is the only global player that can offer its own service for recycling end-of-life composite products and for producing high-quality, second-generation raw materials.

A model employer: the Group boasts a unique range of occupational skills, due to a human resources policy that combines demanding standards with special emphasis on productivity, the employability and training of employees, and an attractive pay policy. The staff turnover rate is low (around 3% between 2013 and 2015), contributing to retention of know-how within the Group and commitment by all to a unifying project favoring quick decision-making and operational flexibility;

A record of growth and profitability: the historical financial data reflect the Group's capacity to build a long-term policy of both organic and external growth, without sacrificing profitability. Between 1991 and 2007, average annual growth exceeded 13% with an adjusted EBITDA margin above 15%, based on data drawn from financial statements prepared to French accounting standard CRC 99-02. Despite the sharp drop in revenue in 2009 (down 14% in value), consolidated net income amounted to a slight loss (€1 million), reflecting the Group's relative protection against sharp fluctuations in business activity. In 2011, the Group combined a sharp increase in volumes (partly reflecting restocking in the sales divisions) with a significant rise in raw material prices (plasticizers, resins, antimony, titanium, etc.). The resulting deterioration in of margins, combined with the widening working capital requirement, has been met by the taking of measures to restore the Group's competitiveness: improving industrial performance by reducing the quality rejection rate and the reduction of surplus inventories, improving sales performance via a geographic organization of sales, steering business in terms of margins and volumes, and the decision to discontinue certain unprofitable products or markets. Despite revenue equivalent to that of 2012, and down 10% from 2011, net income for 2013 came to €3.8 million compared to €0.9 million in 2012 and €1.3 million in 2011. This demonstrates the Group's resilience in coping with rising raw material prices which constitutes the main risk factor; fiscal 2014 confirmed the trend reversal already noted in 2013, with net income of €4.4 million. In 2015, revenue amounted to €148.4 million and net income to €4.8 million.

An experienced management team with the support of a strategy committee: the Group has been able to form, around the two shareholder-directors, an executive committee comprising eight experienced members with international profiles. In setting up a strategy committee in December 2013 composed of three external independent figures, the Group began implementing a governance model in compliance with the Middlenext Code.

1.1.3 A proactive strategy aimed at accelerating growth

The Group's ambition is to become the global benchmark for flexible composite materials in its main three current broad sectors of application, via the implementation of a well-defined marketing strategy. The innovation policy will bolster this approach by opening up many areas of application and by improving margins through the marketing of products embodying greater innovation.

Accordingly, the Group intends to base its strategy for flexible composite material growth and stronger financial performance on the following three key drivers: sales development, continued innovation and improved operating margins (the last factor being linked to optimized industrial efficiency).

An ambitious sales lever to position itself in the most booming markets

To accelerate its growth and to make the most of the strong development prospects in regions outside its original market (Southern Europe), the Group will strive to:

- increase its penetration in the **WEUR** region (**W**ide **EUR**ope: Europe excluding France, Italy, Spain and Portugal, and the region's more mature but as yet little-developed markets (UK, Northern Europe, etc.) and in developing markets such as Turkey. The expansion of the sales force, both direct and indirect, and the extension of the number of commercial partnerships, are the principal means for achieving this objective; emphasis is also placed on countries such as Switzerland (which in spite of everything withstood the currency shock seen in January 2015, and the strong appreciation of the CHF against the EUR) and Germany, the leading European market;

- accelerate its deployment in the **ROW** (**R**est **o**f **W**orld region – notably the United States and Asia), which are the regions with the strongest growth potential. Approximately half the sales staff recruitments planned for 2014-2018 will target this geographical region which currently represents only one-quarter of Group sales;

- maintain and develop its market share and profitability in the **SEUR** region (**S**outh **EUR**ope) from which the Group sprang and where it began its development abroad.

Hervé Trellu has been in charge of all of the sales, marketing and supply-chain teams since January 1, 2016, when he joined the Group's Executive Management team as Senior Vice-President Sales & Marketing. Hervé Trellu's objective is to ramp up SergeFerrari Group's development abroad and to showcase the advantages that set its products apart.

A number of initiatives have been or are currently being implemented:
– BOOSTER (the Serge Ferrari Group CRM system) has been made available to the sales forces: it is designed to boost efficiency and to facilitate measurement of sales performance;
– local marketing functions to adapt the Group's communication to specific local features;
- organization of Market Development Managers transversely addressing growth markets for the Group in addition to geographically-targeted actions;
– accentuation of investments and tools for addressing the Consumer market.

Leveraging technology to drive commercial expansion

The bolstering of the sales force will continue to rely on technological innovation to maintain and develop the Group's differentiation and positioning. Accordingly, innovation initiatives must allow the Group to:

- improve the competitive positioning of its offering in its existing markets by boosting the performance of the products' technical properties as well as optimizing the formulation of certain raw materials (cost control, matching product formulation to production speed, enhancing pigment combinations for new dyes, etc.);

- create new products or adapt existing ones to new uses to expand the range of commercial openings in new fields such as acoustics;

- continue the technological differentiation strategy pursued since the Group's foundation: an internal engineering office designs and develops critical technological processes, implemented by a Group company (CI2M) which makes critical production equipment (standard technical workstations are procured directly from the OEM market). Preserving and strengthening know-how is essential for growing revenue and maintaining appropriate margins by strong differentiation.

Innovation allows the Group to differentiate itself from commodity manufacturers and to retain its identity as a specialist manufacturer of high-tech, and therefore high-value-added products. These include flexible composite materials that can be used in new applications such as coating for robotics, materials for aquafarming, new energies or the oil & gas sector. The Group's ability to increase its average selling prices per square meter stems directly from its capacity for innovation.

Serge Ferrari is relying on an acceleration in organic growth due to the performance of both its sales and R&D teams, combined with the pursuit of commercial, technological and industrial partnerships. However, as and when opportunities arise, and despite the need to improve its profitability by taking full advantage of all of its currently available production capacity, the Group does not rule out the use of external growth operations such as those successfully conducted in the past to accelerate certain stages in its development, in support of the strategy pursued. In this respect, new technologies or foreign commercial and/or production sites neighboring its remote customers could be potential targets for strengthening its commercial presence.

The five-year partnership agreement signed on October 23, 2015 established a long-term collaboration between the research and development teams of Serge Ferrari Group and those of CEA Tech. The partnership is geared towards designing and developing optimized, innovative solutions based on technologies developed by CEA Tech, focusing on connected, instrumented and communicative materials.
CEA Tech ("From research to industry") is the technology division of CEA, the French Alternative Energies and Atomic Energy Commission. CEA Tech develops and disseminates key generic technologies and effectively bridges the gap between fundamental research and applications.
Serge Ferrari Group and CEA Tech teams have already started to work on pre-identified applications, with the aim of designing the next generation of flexible composite materials.

Financial levers for an expected increase in margins and optimization of the balance-sheet structure

The Group has the capacity to improve its profit margins, starting with operating its current production resources at full capacity. This should allow the Group to revert, after adjustment, to an EBITDA margin close to its historic regular pre-2008 levels. The Group aims to achieve an adjusted EBITDA margin of 15% of revenue by 2018.

€'000	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Adjusted EBITDA	15,912	17,319	16,947	9,884	14,272
Adjusted EBITDA (% of revenue)	**10.7%**	**12.2%**	**12.1%**	**7.1%**	**9.2%**

(Refer to section 4.1)

Achieving this objective will rely on:

- keeping the range positioned towards high value-added products, a strategy initiated in 2011 during the last wave of soaring raw material prices, and helped by a range of increasingly innovative products;
- increasing the production facilities usage ratio: the decision in 2011 and 2012 to stop marketing unprofitable products freed some 30% of production capacity currently available. The adding of extra teams at weekends and productivity gains should enable production to increase by 40% in terms of volume compared to 2013 levels, with no other investment than the annual renewal and technological-upgrading investment, amounting to approximately 2.5% of revenue;
- improving industrial efficiency due to R&D efforts, in order to reduce the rejection rate (products with aesthetic defects sold off at low margins);
- a significant reduction in working capital due to a number of factors, including:
  - the development of equipment for reducing the size of production runs;
  - the favorable impact of the geographic sales mix on average customer payment times, although longer in Southern Europe than in other regions (United States, Asia, etc.);
  - the availability, with effect from April 1, 2015, of the SAP ERP at all of the Group's industrial facilities, with the aim of optimizing production and inventory planning.

The 1.5% fall in adjusted EBITDA in 2015 results from the significant sales and marketing investments carried out mainly in the first three years of the 2014-2018 development plan, in contrast with a more gradual effect of these measures on revenue.

1.2. Overview of the Group's business

The Group’s commercial offering consists of a wide range of flexible composite materials, whose properties imparted by the structure of the PET micro-cable membrane, the manufacturing technology used and the surface treatments applied, open up a wide range of fields of application.

Delivered to customers around the world in the form of reels of various widths or in pre-cut pieces, these materials are then incorporated or undergo special processing by the customer or by other service providers.

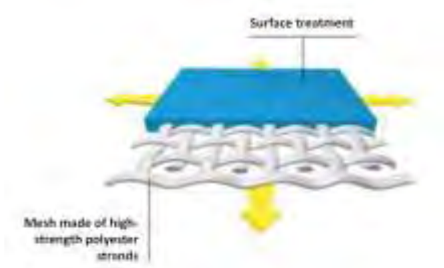
2015 revenue from flexible composite materials breaks down as follows: 41% architecture, 35% specialty materials for industry professionals and 24% composite membranes for the consumer market, virtually unchanged from 2014.

1.2.1 Pioneering technology: Précontraint®

Choosing to position itself as a specialist led the Group, shortly after it was formed, to design a novel production technology, imparting unrivaled physical properties to the composite materials produced.

Précontraint® is a manufacturing technology that consists of applying the coating while keeping both warp and weft threads under tension throughout the manufacturing cycle.

Bi-directional tension in the Précontraint® process



Coating with high-performance polymer layers

The flexible PET (polyethylene terephthalate) micro-cable high-strength membrane is coated with several layers of polymers while under bi-directional tension: the result is the dual benefit of eliminating both deformation under load and the need to periodically adjust the tension of the material after final installation, in contrast to products of lesser quality. The very high dimensional stability of the material is a decisive advantage in most application sectors.

The main characteristics of the materials that use this technology include high durability, perfect uniformity between different product batches and, pound for pound, greater durability due to the thickness of the coating that protects the material's membrane.

Because of the tension applied, the underlying material is flatter and the polymer coating is uniform across the entire surface produced. In contrast, membranes produced using standard manufacturing technology have a less uniform thickness, as the micro-cables forming the membrane are less flattened. Standard technology produces a coating layer of irregular thickness (as shown in the diagram below), which results in earlier degradation of the material and weaker UV resistance, especially compared with products made using Précontraint® technology.

230 µm
Serge Ferrari technology
650g/m²

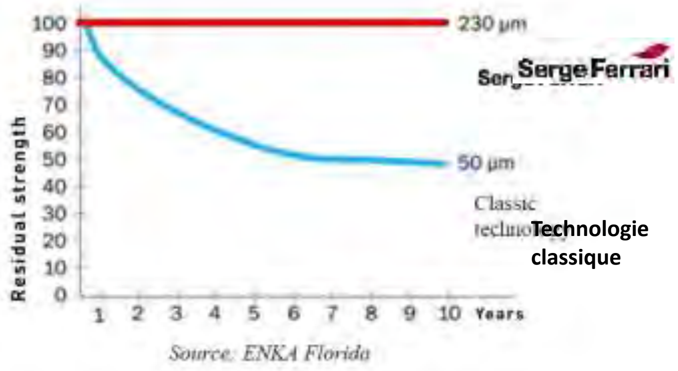
50 µm
Standard technology
650g/m²

Furthermore, the uniformity of the surface treatment produces a material that is more effective in terms of protection against light and UV, as well as weather and wear.
These characteristics of greater effectiveness and durability will be particularly important for certain application sectors, notably architecture, both at the time of installation and for withstanding wear and tear throughout the service life of the product (up to 30 years).

The use of Serge Ferrari materials for outfitting a building with sun blinds significantly limits:

- constraints at installation: thinner future blinds require less bulky headrails; and
- the cost of use, with less after-sales servicing due to the absence of deformation and its longer-lasting mechanical properties.

These two advantages are shown in the following graph derived from an external survey performed by ENKA Florida showing the ratio between residual UV resistance and thickness of coating layer:



Source: ENKA Florida

Keeping the membrane under tension throughout the coating process also gives it very high resistance to tearing. It has very high stretch resistance in the weft direction compared to standard membranes, as illustrated by the test results for deformation under load:

The durability and resistance of Serge Ferrari materials under traction are illustrated by long-term use, along with stability of performance:

1.2.2 A wide range of flexible composite materials meeting environmental and societal challenges

- A range of high-tech products

The fruit of a proactive and continuous R&D policy, Serge Ferrari's composite material range has been enriched over the course of time to meet changes in the demand for flexible composite materials to replace traditional materials or meet as-yet unsatisfied needs.
The following diagram lists the main changes in the ranges designed to meet problems posed by new lifestyles and new uses:

Soltis® low emission (low-E)

Précontraint® TX 30 Tensioned roof

Stamoid® Pure

The following timeline shows the launch phases of each product range:

1970 - 90	1990-2000	2000-10	2010-20
Technolgie et Gamme Précontraint	Gamme architecture FluoTop	Gamme Yachting	Gamme Bioénergies
			Gamme Acoustique
	Gamme protection solaire SOLTIS	Gamme Stamisol	Gamme Sécurité civile et urgence
		Gamme SIGN (communication visuelle)	Stamoïd Pure SOLTIS Low e Précontraint TX 30

Due to industrial tooling that incorporates not only Précontraint® technology but also standard manufacturing technologies such as extrusion and coating, the Group currently has one of the largest ranges in the market with nearly 1,200 references (color/width).
Its total sales break down as follows, by type of manufacturing technology used:

- approximately 70% of sales require Précontraint® technology (mainly intended for the Architectural and Professional sectors);
- approximately 20% of sales use standard coating processes (notably Stamskin®, Stamisol® and "SK" Silicone products mainly intended for the Consumer sector and for solar and sealant ranges targeting the Architectural sector);
- approximately 10% of sales use extrusion (mainly intended for the Consumer sector and for acoustic solutions in the Architectural sector).

- Properties meeting new environmental and societal challenges

The proposed composite materials offer numerous advantages for all possible fields of application and cater for changing lifestyles and the challenges of sustainable development:

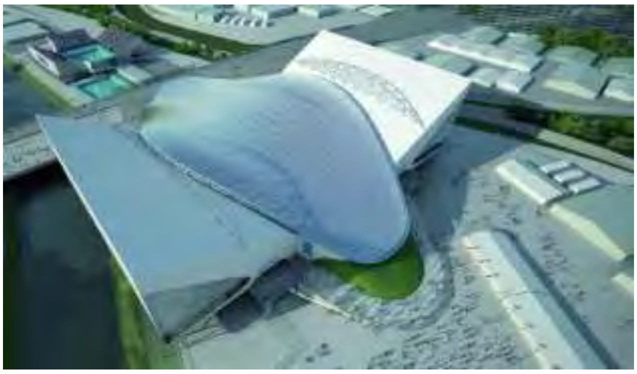
- thermal performance by using multiple layers;
- resistance to earthquake and extreme weather conditions;
- appearance;
- solar protection, permitting light transmission while limiting thermal transmission;
- modularity;
- no need for tension adjustment;
- prefabrication before deployment;
- environmental performance: environmental performance; LCA (life cycle analysis) and Eco IDentity (measure of progress beyond regulatory requirements);
- superior durability.

All of these characteristics have a decisive influence on the Group's positioning as a technological player in the specialty markets. Depending on the technical complexity involved, the price per square meter can vary from a factor of 1 to 5.
Having an innovative range is also a strong lever in exerting pricing power. Thus, in recent years, the Group has succeeded in increasing its average price per square meter despite increases in its manufacturing costs.

In 2008, this product offering was enriched by an associated integrated service: a composite-material recycling process which no other company in the world is able to offer. This complementary service is often a determining factor in the awarding of certain architectural contracts.

This ability to regenerate high-quality raw materials was, for example, a decisive advantage in winning the sports equipment contract in London, where the organizers needed to create a spectacular effect at certain sites but also wanted to leave a minimal footprint once the events had ended.

The aquatic sports center built using Serge Ferrari Précontraint® materials included a central part (which was kept and will be used permanently) and two wings intended to cover adjacent spectator stands (as shown in the photo below). These two wings were dismantled and the materials fully recycled to make PET fibers and high-quality R-PVC granules.



The Group also offers associated peripheral systems, such as cleaning agents, adhesives, tensioning systems, waterproofing systems and finishing accessories. These systems, connected with the use of the material during or after installation, are mostly produced in-house. They generated approximately €5 million in revenue in 2015, enhancing the all-inclusive, comprehensive character of the Group's offering.

1.2.3 A product offering geared to three distinct sectors

Serge Ferrari Group's offering is organized around three booming sectors focused on different end-customers, each with their own distribution networks:

- Innovative composite materials for Architecture (41% of flexible composite material sales 2015),
- Advanced composite materials for industry professionals (35% of 2015 sales),
- Composite membranes for the consumer market (24% of 2015 sales).

The contribution of each of these three main sectors to the Group's consolidated revenue is relatively balanced, and arms the Group to a certain degree against the varying impact of cyclical factors on any one sector. In the future, revenue is expected to grow more strongly in the Architecture and Consumer sectors.

1.2.3.1 Innovative composite materials for Architecture

These materials are intended for construction in general, in both the residential and commercial sectors, for infrastructures such as stadiums, airports, etc. In this sector, the influence of specifiers (architects, engineering offices, designers) is decisive, especially for the range of tensioned roofing which cannot be marketed directly to end-users. The product ranges and their respective applications are as follows:

- Composite tensile roofing (Précontraint range): for large-scale infrastructures (stadiums, museums, airports, etc.)
- Solar protection and bioclimatic facades (Précontraint and Soltis ranges): to provide a thermal shield for use on large glazed surfaces, in indoor or outdoor applications
- Acoustic solutions (Batyline AW range): these materials have a sound absorption coefficient of up to 65%
- Waterproof breathable membranes (Stamisol range): for insulating roofs or facades.

Composite materials are delivered on reels to industrial processors, sometimes based in countries remote from where the building is to be constructed: in such cases, the materials are prefabricated, and delivered for installation at the place of destination.

In this sector, its end-of-life recycling service is a strong differentiating factor.

1.2.3.2 Advanced composite materials for professionals

These materials are used by industry professionals for mainly industrial applications.

The product offering enables the Group to address the markets for the construction and leasing of lightweight, modular structures for industry, whether permanent or temporary (storage buildings, facilities for receiving the public during events); the Group occupies a dominant position in this area due to the technical performances of its materials. The anti-deformation and fire-retardant properties of the Group's materials fully meet industrial requirements for such uses and are compliant with fire-resistance standards.

Products for industry professionals are also used in the bioenergy and environment markets (methanization facilities, waste-water treatment plant, etc.). In this field, Serge Ferrari has developed barrier materials that confine odors, gas releases and liquid flows. Builders' and manufacturers' requirements have evolved, since they are increasingly taking on the role of site operators: in the final analysis, their economic benefit relies on the use of materials exhibiting enhanced quality and durability from the moment the infrastructure is built.

Lastly, in the range dedicated to visual communication, Serge Ferrari materials allow easy winding of advertising materials, and can be adapted to any type of ink, and to the latest digital printing systems.

The main uses include:

- Lightweight, modular structures for industry (Précontraint and Stamoïd ranges): fire-retardant materials, market leaders in the construction of structures spanning more than 20 meters.
- Environmental protection, bioenergy and safety (Précontraint range): the materials act as containing walls for odors, gases and liquids;
- Visual communication (Précontraint and Sign ranges)

1.2.3.3. "Consumer" composite membranes

These are product ranges for which the end-users are private individuals. These product ranges and their related uses are as follows:

- Indoor and outdoor furniture (Batyline range): these materials are designed, where necessary, to withstand adverse weather conditions and to be used outdoors throughout the year.
- Solar protection (Précontraint and Soltis ranges): The uses are the same as for Architecture, however for private individuals
- Yachting (Stamoïd range): these materials are used to make boat and other covers, biminis and tops. The Nanotop technology reduces maintenance costs.

1.3. Market overview

The market for flexible composite materials addressed by Serge Ferrari is a relatively recent market populated mainly by medium-sized players with little international presence. This market is very different from the market for traditional materials. However, their specific properties (stability, lightness) are leading to a gradual replacement of traditional materials with composite materials in a growing number of niche applications.

To the Company's knowledge, there is no study available of the world market for flexible composite materials in the fields of application targeted by the Group. Available studies of technical textiles mainly refer to applications outside the scope of the Group's business.

1.3.1 A target market estimated at €3.1 billion (2013 estimate)

To assess the size of its target market, the Group undertook a detailed review of the markets for which its products can offer an appropriate technological solution. On the basis of its detailed knowledge of the end markets (particularly via the various calls for tender, its privileged relationships with specifiers, etc.), the Group estimates the size of its target market worldwide at approximately €3.1 billion in 2013.

This internal analysis by the Group estimated its own market share at 4.2% of the total world market of €3.1 billion, but with relatively large geographical disparities: 8.0% in Southern Europe, 5.4% in Wide Europe, and 2.0% in the Rest of World.

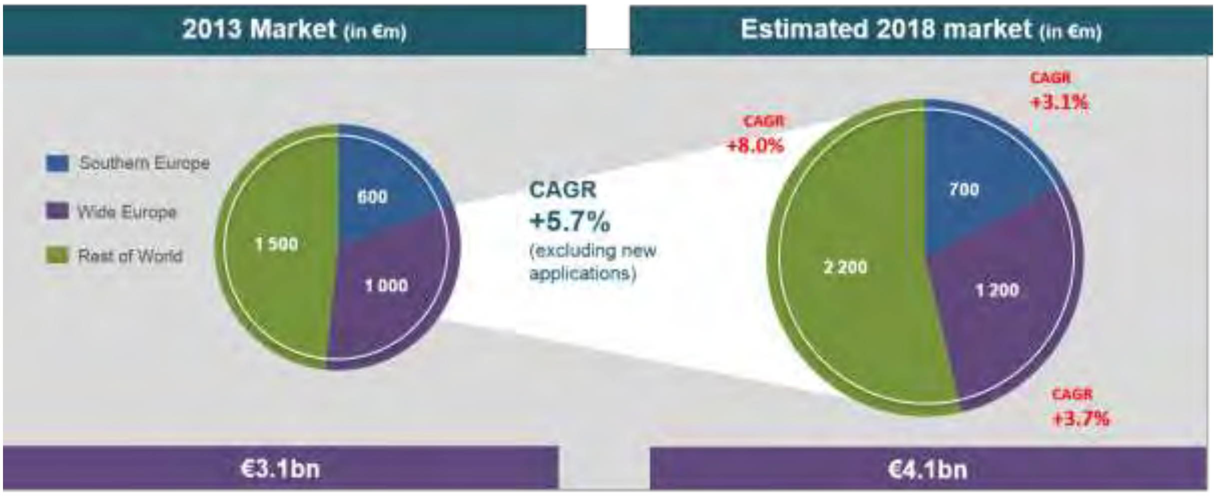
These market share figures show a fragmented competitive environment in which Serge Ferrari is one of the sector's technological leaders. The Group has demonstrated its ability to:
- increase its average selling prices to more than cover the rise in raw material costs (between 2010 and 2012), through the combined effects of an improved product mix and continuous innovation, and
- to achieve 75% of its growth between 1995 and 2013 through organic growth.

The still-limited size of these market shares is due to the fact that the technology developed by the Group since 1974 addresses a recent demand, and that traditional materials are only gradually being replaced by flexible composite materials.

The Group therefore believes that it can maintain its position among the technological leaders (in this sector which has seen no consolidation and which is expected to remain fragmented over the next few years), can improve its market shares and will be able to raise its prices in the medium term through further innovations.

According to Group estimates, the target world market is expected to grow to some €4.1 billion by 2018 (equivalent to 5.7% average annual growth over the period) driven by more or less steady growth, varying by geographical region.

Forecast growth broken down by region and by market is shown below:



As stated in the disclaimer on page 2 of this Registration Document, and in view of the lack of market studies in the Group's sphere of activity, this information is drawn from Company estimates and is provided for information purposes only. The Group's estimates are based on information obtained from customers, suppliers, professional organizations and other participants in the markets in which the Group operates. Although the Group considers that these estimates are relevant as of the date of this Registration Document, it cannot guarantee the completeness or accuracy of the data on which these estimates are based, or that its competitors define the markets in which they operate in the same manner. This market data was evaluated in 2014 on the basis of the 2013 database. In 2016, the Company will update these estimates and where necessary will issue an update of the projected market data for 2018 (€4.1 billion). Using its own judgment, and on the basis of the information in its possession, the Company considers that no significant changes occurred in 2014 or 2015, nor are any expected for 2016, that would upset these estimates".

In 2015, the Company's revenue rose 4.5% from 2014, to be set against an expected average world market growth rate of 5.7% for 2014-2018. Growth is expected to be strongest outside Europe, in the geographical regions where the business is actually making its most sizable recruitments under its development plan. In the first two months of 2016, consolidated revenue rose 15% compared to 2015.

With regard to the intrinsic characteristics and properties currently offered by flexible composites, and on the basis of ongoing R&D work and business developments, the Company also expects its products to become substitution products to edge out traditional materials in various new applications, such as connected, instrumented and communicative materials. It believes these new market openings could be:

a) New applications in present markets, for example:
   - Stainless steel wire membranes for cladding and ceilings;
   - Composite architectural cladding;
   - Metal plates covered with a protective coating for architectural cladding;
   - Corrosion-resistant materials for undersea uses; as well as

b) New application sectors such as aquaculture, new energies, oil & gas, etc.

These potential substitution markets, which constitute future growth drivers, have not been included in the target markets to which the above figures relate.

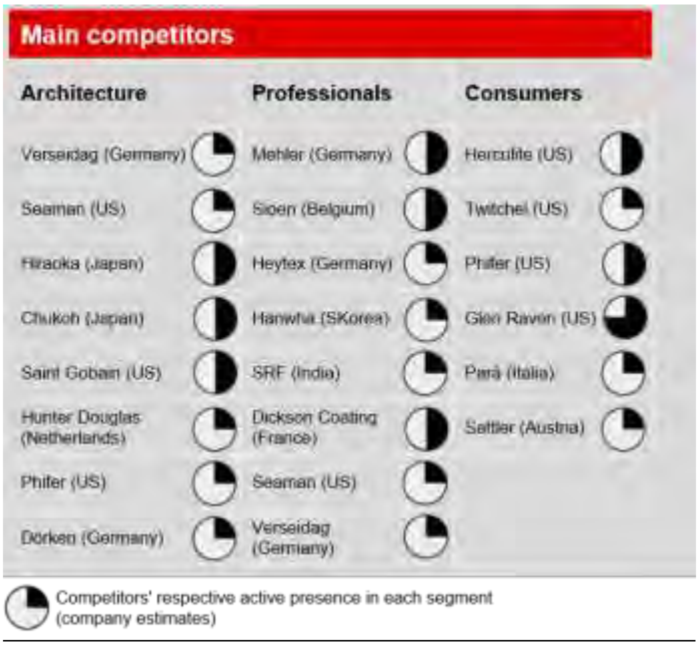
1.3.2 Group competitive environment

The relatively fragmented competitive environment needs to be analyzed in terms of the Group's main business lines:

- many competitors have product offerings based more on commodities than on high-value-added materials. To stand out from them, Serge Ferrari's distribution network must be organized to continually promote and demonstrate the quality-enhancing benefits of its products.

- No specialist player is present in as many ranges of applications as Serge Ferrari Group, which can use its sales networks with specifiers on a wider range of products.

The Company's most frequently-encountered competitors in each of its three markets are set out below (not ranked by size and without covering the entire competitive environment):



The Group stands out from its competitors due to its highly innovative processes and its unique product advantages, as well as its specialty products (at higher average prices in view of the unique benefits they provide).
No information is provided on the scale of activity of the above-mentioned market players, for the following reasons:

- lack of public data, since the operators concerned are not listed;
- where the operators are listed, the fact that they operate in several sectors of activity: the sectoral data communicated by these companies is not comparable with the Serge Ferrari's revenue figures. The companies concerned are SIOEN Industries (a Belgian group listed on Euronext in Brussels, ticker symbol: SIOE), Hanwha Corporation (a South Korean conglomerate listed in Seoul, ticker symbol: KRX: 000880), Low&Bonar (a British group listed on the London Stock Exchange - ticker 536301, which controls Mehler Texnologies) and SRF (an Indian group listed on the Bombay Stock Exchange, ticker symbol: SRF).

The Company's competitive environment, fragmented both by sector of activity and by the geographical regions that it covers, is a development-strategy factor disclosed at the time of the IPO (refer to Section 1.1.3.). The risks relating to the competitive environment are set out in Section 1.10.1.

1.4. Market and business trends in 2016

In the second half of 2014, the Group launched its 2014/2018 strategic development plan, which is aimed at:

- accelerating its organic growth,
- improving margins, and
- continuing its assertive innovation policy to generate higher margins.

Sales growth over the last eight quarters is as follows:

(€000)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Southern Europe (SEUR)	12,877	15,142	10,486	10,112	13,652	15,846	11,531	10,895
Wide Europe (WEUR)	11,933	15,265	12,511	11,641	12,159	15,187	12,278	12,444
Rest of World (ROW)	7,972	8,650	8,325	9,069	7,516	10,719	9,452	9,306
Flexible composite materials	32,782	39,057	31,322	30,822	33,327	41,752	33,261	32,645
Change vs prev. year	-1.3%	2.1%	0.1%	8.0%	1.7%	6.9%	6.2%	5.9%
Other	2,194	1,809	1,829	2,509	1,958	1,956	1,642	1,857
Total revenue	34,976	40,866	33,151	33,331	35,285	43,708	34,903	34,502

The trend in the rate of growth in sales of flexible composite materials accelerated from the 4th quarter of 2014, driven by two factors:
– volume growth of 1.6%, 2.5%, 4.8% and 10.0% successively for each quarter of 2015, compared with the respective quarters of 2014;
– a favorable foreign exchange effect on the sales in CHF and USD, due to the high appreciation of these currencies against the EUR starting in January 2015.

No significant event has occurred as of the date on which this Registration Document was drawn up.

As of February 29, 2016, Group revenue increased 15% compared with the first two months of 2015 (*unaudited data*).

1.5. Industrial organization, plants and real estate

1.5.1 An integrated industrial group

- A Group present throughout the entire value chain

The Group covers the entire value chain with comprehensive vertical integration that includes:

- the creation of technological workstations along the coating lines: standard components such as kilns are purchased and not developed in-house;
- the R&D and engineering departments responsible for process development, including the formulation of raw materials, process and machine engineering as well as the manufacture of production tools and formulation development;
- the supply of PET for micro-cables (with a dedicated subsidiary, avoiding any major dependency on third parties and offering tighter quality control) as well as the polymers needed for coatings;
- the production process with production capacities incorporating all the technologies involved in manufacturing flexible composite materials (spinning, weaving, coating including Précontraint®, and extrusion);
- logistics and order processing, to meet requests of any size using machines dedicated to transforming long-length reels into customized rolls, addressing distributors and end customers;
- a direct and indirect international distribution network covering more than 80 countries and structured to be as close as possible to customers, specifiers and contractors.
- an associated service for recycling its products using Texyloop®, a joint venture with INOVYN. Serge Ferrari is the only composite materials Group in the world to have a plant that can recycle those materials, which is a unique advantage.

- Internally designed production lines

The Group is unique in designing its own production equipment and creating its own technological workstations. This know-how is a non-volatile intellectual property factor.

Its subsidiary CI2M designs and manufactures production lines for the entire Group in close collaboration with the engineering department.

The in-house engineering department is dedicated to designing (plans, specifications, definition of necessary parts, etc.) and to improving industrial machines: it focuses on developing the Group's machines but also works on equipment intended for customers and partners, with approximately 25% of CI2M's business supplied to entities outside the Serge Ferrari Group. The existence of an in-house engineering department creates a real entry barrier as it enables the Group to develop machines that meet very specific demands. It also improves production efficiency by limiting the rate of breakdowns and defects (quality rejections) and by increasing machine productivity.

The engineering department also helped create the recycling equipment at the plant in Ferrara, Italy, with INOVYN contributing its equipment for recycling mainly PVC cable jackets, and Serge Ferrari contributing its equipment for recycling PET/PVC composite materials.

- Raw material procurement and cost control

Raw materials account for over 50% of the Group's production costs and are therefore a major factor influencing the Group's profitability. The procurement department is responsible for negotiating purchases with the aim of guaranteeing permanent availability of raw materials at the lowest cost.

The main raw materials used by the Group are:

- products partly or fully derived from the ethylene distillation plant (PET, PVC resins and plasticizers),
- refined ores: antimony trioxide (flame retardant) and titanium dioxide (white pigment)
- varnishes, pigments and solvents.

The main PET suppliers are located in Asia (Taiwan, Korea and China).
The rest of the raw materials are mostly purchased in Europe, in refined form or after processing, and ores such as antimony (flame retardant) are mostly sourced from China.
Although the Group has not been exposed to significant dependency in sourcing its raw materials, it is nevertheless exposed to the risk of fluctuations in raw material prices. Despite having no price indexing clauses in its customer contracts, the Group has succeeded in recovering the 2010-2012 rise in chemical prices by passing the increases on in its selling prices due to the innovative character of its offering.

(Refer to Section 1.10.1)

- Production

Serge Ferrari's reputation is built upon its proprietary know-how of Précontraint® technology. However, it has production facilities that also incorporate more traditional production technologies in order to fill orders for materials whose desired characteristics have different specifications.

Sales achieved with Précontraint® materials accounted for approximately 73% of Group revenue in 2015 versus 17% for the standard coating technology and 10% for extrusion.

In total, nearly 25 million m² of products were produced in 2015 across all of the Group's production sites, as detailed in the table below:

	Procurement	Manufacture of industrial equipment	Production			Distribution	Recycling
	Components	Production assets	Précontraint coating	Standard coating	Extrusion	Order preparation and delivery	Raw material collection, sorting and recycling
La Tour-du-Pin (France) 50,000m²		CI2M	Serge Ferrari SAS 3 lines		Serge Ferrari SAS 2 lines	Serge Ferrari SAS 95% of volumes	Collection, sorting, crushing
Lucerne (Switzerland) 10,000m²	Serge Ferrari Tersuisse – PET micro-cables						
Eglisau (Switzerland) 16,000m²				Serge Ferrari AG 4 lines		Serge Ferrari AG 5% of volumes	
Ferrara (Italy) JV 40%	Recycled PET fibers						Fiber separation and PET

Overall, the Group believes that the current configuration of its industrial facilities allows it to absorb, with no additional investment, an increase in volumes of approximately 30% with a product-mix equivalent to that of the past three years. The availability rate per site is not relevant, given both the Group's degree of integration and the need to assess availability in light of the product mix in its order book.

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- Logistics

Logistics is almost entirely centralized at La Tour-du-Pin, France. It is organized in three parts:

- 1.8 meter to 2.7 meter reels are received from all plants, including those manufactured in Switzerland which does not have its own distribution arrangements, with the exception of Stamisol products;
- Reels are cut and processed into smaller rolls while checking that there are no aesthetic defects. This is another advantage offered by Serge Ferrari, which is able to prepare and deliver small-sized rolls itself and thus satisfy all customers, regardless of size;
- Products are shipped in crates made specially for shipping in containers. The Group prepares between 80 and 100 orders per day requiring nearly 10 transits at the truck loading/unloading dock. Carriers are used to dispatch and route the products to the various customers.

- Associated recycling operation: a unique environmental facility

Environmental policy and sustainable development have always been a major concern for Serge Ferrari Group. Early on, the Group began addressing environmental issues so as to limit its footprint both upstream and downstream in the value chain.

Specified by large international architectural firms, Serge Ferrari's flexible composite materials contribute to the durability of structures by their lightness, low physical density and high performance. These materials combine insulation, translucence, lightness, resistance and stability. The Précontraint technology offers the best weight/performance ratio and dimensional stability over time; it is thus in tune with the challenge to conserve natural resources: to do better with less, to last longer.

In 1998, Serge Ferrari laid the foundations for a recycling technology which now operates at industrial level. This technology, called Texyloop®, is unique in the world. It gives composite materials a second life (manufacturing offcuts or materials at the end of the life cycle) by generating high-quality raw materials, and facilitates the introduction of environment-friendly offerings that match the expectations of major customers.

Operationally, the Texyloop recycling system includes a collection network, a sorting plant, an industrial plant and a number of re-use production lines including reincorporation of the material into certain Serge Ferrari ranges. (Refer to the Social and Environmental Report, Section 2.1).

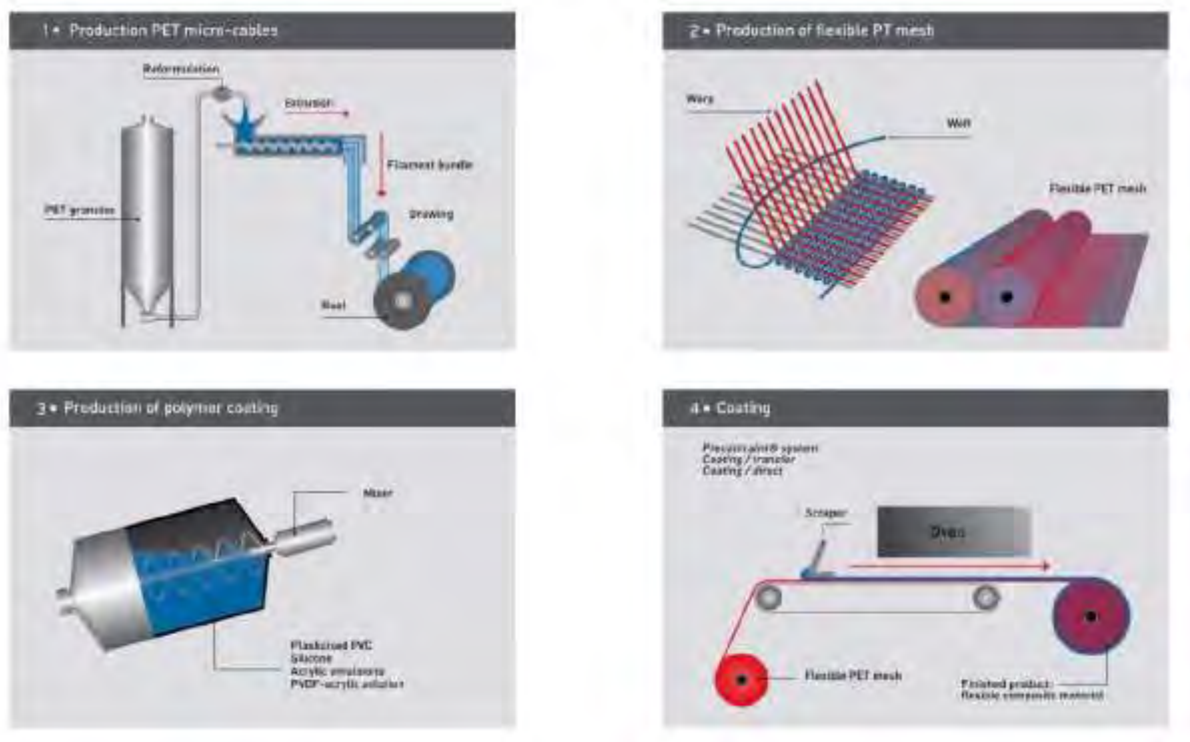
From an operational standpoint, the Group collects the composite materials to be recycled, then in stage 1 mechanically sorts and grinds them at its wholly-owned subsidiary, Texyloop®, before shipping this "pre-recycled" material to Italy where it is industrially processed to separate the two components, i.e. fibers and the chemical products.

Composite materials collected

Vinyloop® JV industrial plant

Materials produced by the "pre-recycling" phase

1.5.2 Phases of production using Précontraint® technology



- Phase 1: Manufacturing micro-cables (in Switzerland)
A bundle of extruded PET strands (polyethylene terephthalate, a common polyester) is extruded to form a super-strong micro-cable made up of 192 strands. The characteristics of this cable vary according to the final product.


- Phase 2: Weaving a membrane composed of PET micro-cables (in France)
The weaving process creates a membrane made of Précontraint® materials. The Group has 100 machines to produce every type of weave.

The weaving process gives the materials their mechanical properties: the size and number of micro-cables can be varied to alter the breaking strength.


- Phase 3: Production of coating polymers
This stage consists of preparing the paste consisting of the coating polymers that will be applied to the PET weave from raw materials and formulations developed in-house. This paste is then mixed in a large mixer.

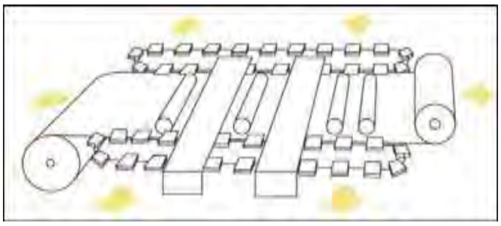
The R&D teams regularly work on optimizing the composition (or "formulation") of this paste in order to improve its performance in terms of cost, efficacy and color.

- Phase 4: Coating with polymers (in France and Switzerland)
The most important stage in making a Précontraint® or standard material, this consists of covering the PET membrane with a paste of PVC (a common thermoplastic polymer) for its plasticizing properties, and additives to provide flame-retardant and UV-resistance properties. Other liquid polymers such as silicones and acrylic resins are also used. Dye can be added immediately after making this paste by using a heavy mixer. The paste can also be stored in tubs and used later to add color depending on the customer order.

The PET membrane is then placed on a coating line. Once a layer of coating has been applied, the material passes into a firing kiln.

The membrane is tensioned in both weft and warp directions throughout the coating operation.
The tensioning process is shown in the following diagram:

Diagram of coating line (arrows indicate direction of tensioning)



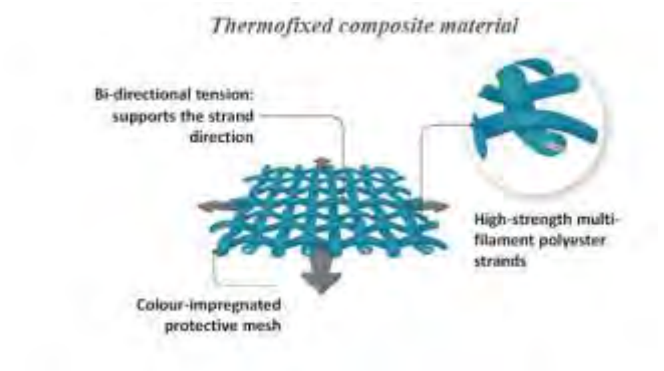
The Group has three Précontraint® production lines in total (see table above), the most recent of them able to handle widths between 1.8 and 2.7 meters used mostly in architecture, with clients specifying large widths to minimize the number of welds.

The finished products are systematically inspected at the end of the line to identify materials with visible defects (rejects) and tests are carried out on samples to verify the properties and quality of the products delivered to customers. Strength and resistance tests are carried out on selected products, and additional tests are sometimes conducted in control laboratories.

1.5.3 Phases of production based on industrial extrusion technology

Extrusion is a standard technology that is particularly appropriate for thermofixed materials. In contrast to Précontraint®, the micro-cables are first sheathed by an extrusion process before being woven.
The polyester micro-cables obtained in this way are high-tenacity strands due to the sheath's special formulation.

These micro-cables are then woven while being heated and widened using pins at the sides. This process is called thermofixing. The setting time depends on the end use of the material.



This technology allows:
- the use of micro-cables of different colors;
- the production of shorter lengths;
- the creation of flexible products that adapt to shapes, which is useful not only for furniture but also for acoustic solutions and is not possible with Précontraint®.

1.5.4 Production using standard industrial coating technology (non-Précontraint®)

- Stamskin materials (produced in Switzerland)

This coating transfer technology guarantees high product elasticity. These materials are also very resistant to friction and the caustic effects of cleaning products. They are used to make seat covers for hospitals, airports, restaurants and general use.

- Stamisol materials (produced in Switzerland)

This technology (direct coating on non-woven substrates) produces lighter-weight materials than via Précontraint®. They are waterproof while allowing water vapor to pass through and are called breathable membranes. They are used for roof and facade underlays, especially for old buildings.

- "SK" Silicone materials (produced in Switzerland)

These materials are highly resistant to chemical attack and have high flame retardant properties.

1.5.5 Factory ownership

All production-site premises in France are leased on arm's-length terms from real estate companies (SCIs) with the same shareholders as the Company.
The leases signed with the SCIs controlled by Sébastien and Romain Ferrari (through Ferrari Participations and Ferrimmo) are standard leases (standard 3-6-9 year rental agreements, automatically renewable, with a security deposit usually equal to three months' rent). In 2015, the Group paid total rent of €2.9 million.

The premises of the three sites in Switzerland are all owned by the Group.
The Vinyloop joint venture owns all the premises it uses.
All foreign marketing subsidiaries lease their premises from third parties.

1.6. Research and development at the heart of the Group's integrated business mechanism

R&D lies at the heart of the design-marketing mechanism, as it works in close collaboration with:

- marketing (planning new products);
- the engineering department, which designs industrial equipment;
- production (product quality);
- procurement (optimizing raw material costs).

As of December 31, 2015, R&D employs almost 5% of the total Group workforce: the R&D teams are present at each of the industrial sites, most of them at La Tour du Pin.
Some R&D work is outsourced via contracts with external laboratories in Germany, Switzerland (EMPA, a research institution focused on materials) and France.

Projects are organized with the aim of:

- developing innovations in terms of new products or new markets for existing products;
- adjusting formulations to reduce costs by reducing the cost-mix of the raw materials used or to improve the properties of existing formulations;
- improving manufacturing processes and production tooling (for example, to reduce the rejection rate).

The R&D teams also operate a technology watch and participate in collaborative projects. Several dozens of projects of this type are currently under way. Each project is reported separately to monitor its development and evaluate its cost.

For highly innovative products, the Group works through partnerships with business clusters or public bodies such as the CNRS or CEA. A program with an initial lifetime of four years and a completion horizon of 2016/2017 at the earliest is current under way as part of a partnership with business clusters (such as Techtera, Elastopole, Plastipolis and IAR) in which many private sector industrial companies are involved, as well as university laboratories and the CNRS. As is common with this type of collaborative project, the results, depending on the nature of the subject, could belong to any one of the partners or to several of them depending on their intellectual and financial inputs. It could therefore result in patents solely for the Group or co-owned patents or a patent solely for one or more partners.
Each private partner will benefit from a right of use in its field of activity and will pay the public bodies who run the research laboratories financial compensation, the amount of which and terms and conditions for payment will be defined by joint agreement among the various partners.

The Group has a portfolio of around 40 patents on products and manufacturing processes, but sometimes considers it more prudent not to file a patent in order to achieve better protection (as it will not fall into the public domain when the protection period ends).

Partnership with CEA Tech

The five-year partnership agreement signed on October 23, 2015 established a long-term collaboration between the Serge Ferrari Group and CEA Tech research and development teams. The partnership is geared towards designing and developing optimized, innovative solutions based on technologies developed by CEA Tech, focusing on connected, instrumented and communicative materials.
CEA Tech ("From research to industry") is the technology division of CEA, the French Alternative Energies and Atomic Energy Commission. CEA Tech develops and disseminates key generic technologies and effectively bridges the gap between fundamental research and applications.
Serge Ferrari Group and CEA Tech teams have already started to work on pre-identified applications, with the aim of designing the next generation of flexible composite materials.

1.6.1 Group innovation policy

Total gross R&D expenditure (howsoever recognized and before adjustment for the CIR research and innovation tax credit) amounted to €5,606,000 in 2015, compared to €5,091,000 in 2014. This innovation drive will be maintained in the coming years and is one of the components of the growth acceleration plan described in Section 1.1.1. of this Registration Document.

1.6.2 Intellectual property portfolio

The Group's intellectual property portfolio includes trademarks and patents, as well as a licensing agreement inherent in the composite materials recycling activity.

1.6.2.1. Trademark portfolio

After rationalizing its trademarks in 2011 (preferring the Serge Ferrari name over other Group trademarks), the Group now has 32 trademarks. These trademarks mainly correspond to the product ranges dedicated to special applications. Most can be grouped by type of manufacturing process:

- **Précontraint Coating**:
    - 3 trademarks: Précontraint® (architecture), Soltis® (architecture, solar protection), Fluotop® (architecture, surface treatment).
- **Extrusion**:
    - 3 trademarks: Batyline® and Canatex® (multicolor micro-cables), Defender® (tear-resistant, high-resistance steel micro-cables for industry).
- **Non-Précontraint Coating** (products made in Switzerland):
    - Consumer products: Stamoïd®, Stamskin®, Stamisol®.
    - Anti-condensation products: Drop Stop®, Nanotop®.
    - Visual Communication range: Decolit®, Sign-it®, and Expolit®.
    - Other: Stamfood® (food-grade film for the industrial market), Stamcoll® (adhesive in the accessories range), Siltop® (hybrid textile), Texysolar®.

The Group also has a variety of other trademarks such as:

- Flexlight®: a new impregnation process (top-of-the-range fiberglass-based micro-cables), the first deliveries of which were made in early 2014.
- Texyloop®: recycling process.
- Eco-Identity®: environmental label for materials (low toxicity, recyclability, etc.).
- Texwork®: the trademark of a composite materials trade fair organized by Serge Ferrari every two to three years in France, with international exhibitors and visitors.
- Zebu®: the name of the Group's internal newsletter.

Certain other trademarks, such as Stam® and Stamolux®, are not used.

All Group trademarks are protected in most of the markets in which the Group operates. The protection granted to the Group's trademarks is contingent on their being registered or used. They are registered nationally, in the European community, and internationally for varying periods depending on the country.

1.6.2.2. Patent portfolio

Committed to innovation since its inception, the Group has full ownership of a portfolio of over 30 active patents, almost 20 of which are currently being used. The Group's patents are highly varied, covering:

- industrial processes for manufacturing materials;
- coating formulations;
- optimization systems and technologies for using materials;
- accessories associated with sales of materials;
- new products, etc.

In addition to regularly filing patents, the Group, through its proprietary know-how, has developed a type of natural protection that does not rely on patents.

The Group has a patent on the manufacturing process using Précontraint® technology, but as it was filed in 1974 it has now fallen into the public domain. This process is now "protected" by the Group's know-how, which is classed as proprietary due to the history of the development stage required to perfect this know-how.

Given the extensive R&D required to develop it, the Group believes its activity is not threatened by any patents that may be filed by third parties. (Section 1.10.3. explains the limits to the protection provided by patents and other intellectual property rights.)

For each of its patents, the following table summarizes the references, nature of the object patented, the patent names, filing and expiry dates as well as the country where the patent was obtained and the countries in which patent applications are pending.

Name	Type	Reference no.	Country where patent obtained	Filing date	Theoretical expiry date	Patent pending
Anti-plis	**Device**	96 07829	France	19/06/1996	18/06/2017	----
		97420093.3	Belgium	18/06/1997	17/06/2018	----
		97420093.3	Germany	18/06/1997	17/06/2018	----
Lambrequin lumineux	Device	98420002.0	France	07/02/1998	06/02/2017	----
Antilac	Material	0102908	France	02/03/2011	01/03/2030	----
		02356023.8	Austria, Belgium, Switzerland, Germany, Denmark, Spain, Finland, UK, Greece, Ireland, Italy, Netherlands, Portugal, Sweden, Turkey	12/02/2002	11/02/2021	----
		10/086,863	United States	04/03/2002	03/03/2021	----
Silicord	Device	02356024.6	France, Austria, Belgium, Switzerland, Germany, Denmark, Spain, UK, Italy, Netherlands	12/02/2002	11/02/2021	----
		18845/02	Australia	01/03/2002	28/02/2021	Pending
Condtext Batyline	Material	02356195.4	France	08/10/2002	07/10/2022	----
SIGN'IT	Material	02783217.9	France, Austria, Belgium, Switzerland, Czech Republic, Germany, Denmark, Spain, UK, Greece, Italy, Luxembourg, Monaco, Netherlands, Portugal, Sweden, Slovakia	26/09/2002	26/09/2022	----
		2 461 342	Canada	26/09/2002	26/09/2022	Pending
Batyline Chanvre	Material	03737338.8	France, Austria, Belgium, Bulgaria, Switzerland, Cyprus, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, UK, Greece, Hungary, Italy, Ireland, Luxembourg, Monaco, Netherlands, Portugal, Sweden, Slovakia, Slovenia, Turkey	30/01/2003	29/01/2023	----
		03803409.3	China	30/01/2003	29/01/2023	----
		1784/DELNP/2004	India	30/01/2003	29/01/2023	Pending
		US-2004-0226277	United States	30/01/2003	29/01/2023	----
SILTOP	Material	03104479.5	France, Austria, Belgium, Switzerland, Germany, Denmark, Spain, Finland, UK, Greece, Ireland, Italy, Monaco, Netherlands, Portugal, Sweden	02/12/2003	01/12/2023	----
ATS 1	**Device**	03104735.0	France, Austria, Belgium, Germany, Spain, UK, Hungary, Italy, Netherlands, Portugal, Turkey,	16/12/2003	15/12/2023	----
COMA	Material	0302856	France	07/03/2003	06/03/2023	----
FCM	Material	0451541	France	16/07/2004	15/07/2024	----
SUVIR	Material	0404156	France	20/04/2004	19/04/2024	----
Cloison souple sécurit	**Device**	0450523	France	16/03/2004	15/03/2024	----
Hardtop	Material	0450900	France	11/05/2004	10/05/2024	----
		05300341.4	European Patent Office	29/04/2005	28/04/2025	Pending
BASIL	**Device**	06831273.5	France, Austria, Belgium, Switzerland, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, UK, Hungary, Italy, Netherlands, Sweden	03/10/2006	02/10/2026	----
ALARME	Material	06301138.1	France, Austria, Belgium, Germany, Spain, UK, Greece, Italy, Netherlands, Poland, Portugal, Slovenia, Slovakia, Turkey	09/11/2006	08/11/2016	----
Vario Soltis	**Device**	1253756	France	24/04/2012	23/04/2032	----
SIGN IT WINDOW	**Device**	0760288	France	21/12/2007	20/12/2027	----
RIBSTOP	Material	0759707	France	10/12/2007	11/12/2027	----
ATS Double Peau	**Device**	08827428.7	France, Austria, Belgium, Switzerland, Czech Republic, Germany, Denmark, Spain, Finland, UK, Italy, Netherlands, Norway, Poland, Portugal, Sweden, Turkey	31/07/2008	30/07/2028	----
		200880104977.0	China	31/07/2008	30/07/2028	----
		12/671 301	United States	31/07/2008	30/07/2028	Pending
Passe-cable Tex (Texell)	**Device**	10734513.4	France, Austria, Belgium, Switzerland, Germany, Denmark, Spain, Finland, UK, Greece, Italy, Ireland, Luxembourg, Netherlands, Poland, Portugal, Sweden, Turkey,	18/06/2010	17/06/2030	----
		2012101790	Russia	18/06/2010	17/06/2030	Pending
Dalle Lallemand	**Device**	06709134.8	France, Austria, Belgium, Germany, Denmark, Spain, UK, Italy, Netherlands	20/01/2006	19/01/2026	----
		11/883 061	United States	20/01/2006	19/01/2026	Pending
Texysolar	**Device**	1160034	France	04/11/2011	03/11/2031	Pending
		12787801.5	European Patent Office	23/10/2012	22/10/2032	Pending
BATILUX	Material	1154656	France	27/05/2011	26/05/2031	----
BIOPLAST	Formulation	0853202	France	16/05/2008	15/05/2028	----
		09745840.0	European Patent Office	15/05/2009	14/05/2029	Pending
Batyline AW	Material	1156193	France	08/07/2011	07/07/2031	----
		12731579.4	European Patent Office	16/06/2012	15/06/2032	Pending
		2014-517881	Japan	16/06/2012	15/06/2032	Pending
		14/124,906	United States	16/06/2012	15/06/2032	Pending
Pliure Verre	Formulation	13 61553	France	23/11/2013	22/11/2033	Pending
		14194316.7	European Patent Office	21/11/2014	20/11/2034	Pending
Z PLUS	**Device**	14163475.8	France, Austria, Belgium, Switzerland, Czech Republic, Germany, Denmark, Spain, Finland, UK, Italy, Netherlands, Norway, Poland, Portugal, Sweden	03/04/2014	02/04/2034	----
		14163475.8	Turkey	03/04/2014	02/04/2034	----
Anti condensation	Material	1552590	France	27/03/2015	26/03/2035	Pending
Fil en étoile	Component	1570045	France	25/09/2015	26/09/2035	Pending
TRV Imprégnation	Material	0209673	France	30/07/2002	29/07/2002	----
		03750833.0	European Patent Office	22/07/2003	21/07/2023	----
		03820619.6	China	22/07/2003	21/07/2023	----
Matériau de façade	Material	0705577	France	31/07/2007	30/07/2027	----
Polyplastone	Material	0407059	France	28/06/2004	28/06/2024	----

1.6.2.3. License agreements benefiting the Group

The Group also uses two licenses granted by agreement:

- In 1998 Solvay Group granted the Group an exclusive worldwide license to use the Vinyloop® process, free of charge, for the Group's fields of activity (see Section 1.5.1. of this Registration Document).
  This license is linked to the patent for:
  - separating PVC polyester material using a solvent that dissolves it selectively;
  - PVC precipitation.

This license will remain in force until it falls into the public domain in March 2019.

- The Group also owns a license in a field (Smart Textiles) that is not part of its core business and is not a growth vector.

The Group has not granted any license, with the exception of those relating to the use of the trademark by its distribution subsidiaries.

1.6.2.4 Other intellectual property rights

The Group has a large number of registered domain names. The Group's policy is to register the domain names corresponding to a given trademark as soon as it is created, as a precaution. Domain names are managed by a third party (a website hosting company) and are automatically renewable annually.

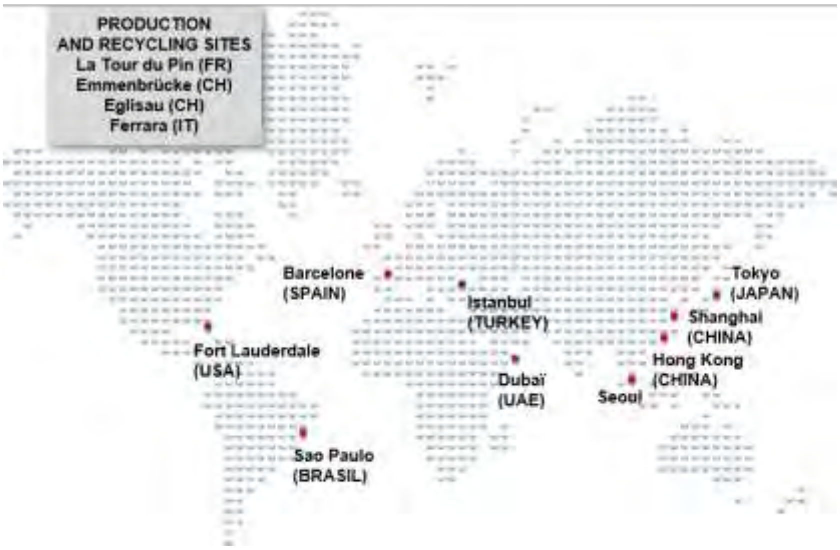
1.7. Worldwide sales organization geared to targets

1.7.1 Sales operations in 80 countries

The Group's commercial network covers nearly 80 countries via a direct sales force of 139 employees as of December 31, 2015 and an indirect sales force through a network of over 100 distributors.
This global sales force is spread across the main geographic regions, each under the responsibility of a Business Area Manager:

This strong international anchoring, reflected in the fact that nearly three quarters of total revenue is generated outside France, is the fruit of a proactive policy to win export market share launched in 2002 with the creation of the first foreign subsidiary.

Since then, the Group has multiplied its sales operations and today has five subsidiaries (United States, Hong Kong covering China and Southeast Asia, Japan, Brazil and India since January 2016) and five sales offices (Spain, Turkey, China, Korea and Dubai). These foreign locations are shown on the following map:



This physical presence in the field presents a major challenge:

- on the one hand, in acquiring a better understanding of the local economic fabric and the players in those target markets, insofar as contact with customers alone is often insufficient and the Group has to mark its presence among all players in the value chain; and
- on the other hand, in hiring appropriate sales profiles for the relevant areas of distribution.

Operationally, the sales department works closely with the Group and regional marketing departments, which design many different types of communication tools and organize training and motivation sessions for the distributor network. Distributors do not, as a rule, have benefit of exclusivity and are not bound by any contractual agreement requiring minimum sales. The purpose of the distributors is to deliver to smaller-sized end customers.

Specialist distributors market materials relating to one or more niche activities. They have their own sales forces with which the Group continuously interacts (training, information, etc.). These distributors cover from hundreds to over a thousand customers in their sales territory.

Thanks to its partnerships with distributors, the Group has agents who work for Serge Ferrari but are not included in the sales workforce figures.

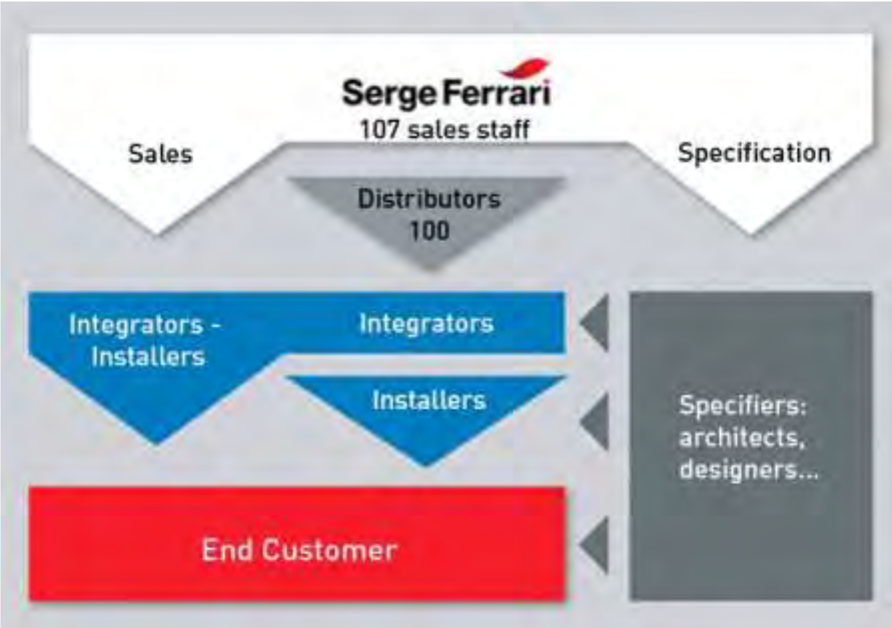
1.7.2 Sales organization with a dual mission

The Group develops a commercial approach tailored to the characteristics of each application sector. As in the case of any intermediate product aimed at a specialty market and having specific technical characteristics, it is essential to address the entire demand as best as possible.

This simultaneously involves:

- visiting and building relations with specifiers: in many markets, the decision to buy is usually made by the user-customer based on recommendations by specifiers and professionals;
- approaching end-customers directly, or accompanying distributors in the case of manufacturer-customers.

Thus, the Group has organized its sales network to make itself known at all levels: upstream by addressing product specifiers, as well as downstream by running promotions among professionals who are indirect customers, e.g. stores that sell blinds rather than manufacturers of blinds who are the Group's direct customers. Serge Ferrari's direct customers are thus approached upstream by specifiers as well as downstream by professionals.



These actions require a larger sales force than for commodity products.

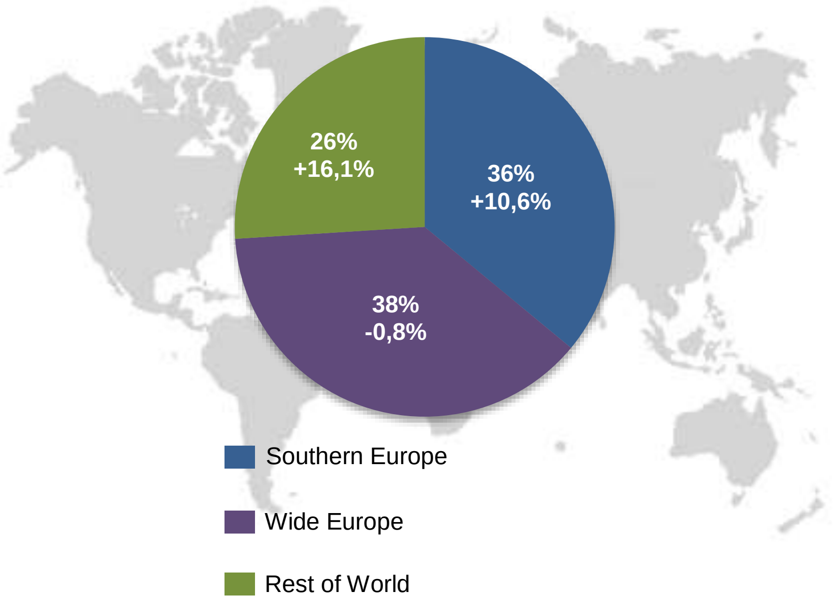
The distribution networks vary depending on the technological complexity and value-added of the products and the country (according to the degree of penetration of Serge Ferrari products). The Group strives to structure its distribution network in countries where it is least represented in order to apply the same model internationally and to be more effective in its sales approach.

1.7.3 Sales targets per region

Serge Ferrari earns nearly 75% of its revenue outside France and the brand is recognized globally in the B2B sector.

Changes in the regional distribution of sales from 2013 to 2015, and the relative-value change, partly point in the direction expected by the Company:
- vigorous growth in the Rest of World region, where the Group's market share is lowest;
- moderate growth in the Southern Europe region, which is a more mature market;
- intermediate growth in the Wide Europe region.

These changes are discussed in section 4.3 of the registration Document.



The Group is thus looking to accelerate its penetration in the Rest of World region (specifically in the United States, South America and Asia), which represented a total market of €1.5 billion in 2013, according to its estimates.

To benefit from the higher growth prospects in these regions, the Group intends to expand its footprint in countries whose development potential has been verified, but where its market share is still very small (2% by its own estimates). Serge Ferrari has implemented the following measures in order to accelerate its ramp-up on international markets:

- focusing its strategy on countries with strong potential, for which precise business plans have been drawn up and will be updated annually:
    - in North America, priority is given to the United States, which has the highest potential;
    - in Latin America, efforts are matched to the regional economic situation, particularly the sharp slowdown in Brazil;
    - in the Africa, Middle East and India region, the highest growth potential is in South Africa where Serge Ferrari sales are growing due to a distributor partner, and in India, where the architect specifier network has been strengthened; in India, a sales promotion subsidiary was formed in January 2016;
    - in the Asia-Pacific region, priority is being given to China, Indonesia and Australia;
- maintain a separate product and pricing policy per region. In 2014, the average selling price per square meter, based on an index of 100 in Southern Europe, was 112 in Wide Europe and 131 in the Rest of World region, a situation already noted in 2013.

1.8. Capital expenditure

The following capital expenditure was incurred during the fiscal years ended December 31, 2014 and 2015:

(€'000)	2015	2014
Total expenditure	7,345	6,952
Intangible assets	2,480	2,480
Property, plant and equipment	4,686	4,312
Financial assets	179	161

- Intangible assets

(€'000)	2015	2014
Total intangible assets	2,480	2,479
Research and development expenses	1,612	1,287
Other intangible assets	616	234
Intangible assets in progress	252	958

- ***Research and development expenses***: this relates to capitalized R&D on identified projects with proven likelihood of success. These projects relate to the development of new products, innovative processes and new chemical formulations.

- ***Other intangible assets and intangible assets in progress***: in 2014 these investments mainly related to spending on IT systems, including the SAP ERP system (SAP progress plan at the La Tour-du-Pin sites (2012-2013) and roll-out at the Emmenbrücke site in 2014) and the BOOSTER customer relationship management tool (2013-2014).
  As of December 31, 2014, part of the costs were recognized under 'Intangible assets in progress', as the solutions were not yet operational: BOOSTER became operational as of January 1, 2015 and SAP Emmenbrücke as of April 1, 2015.

- Property, plant and equipment

Capital expenditure was related to ongoing re-engineering operations on industrial equipment to maintain or increase the Company's technological advantages. The purpose of this expenditure is to prolong the lifetime of the industrial equipment by upgrading to the latest available technologies. This is therefore not maintenance but rather upgrade expenditure to permit production under conditions compatible with changing technological requirements while meeting productivity and competitiveness requirements.

(€'000)	2015	2014
Total property, plant and equipment	4,686	4,312
Buildings	1,445	638
Plant, machinery, tools & equipment	2,518	2,714
Other PP&E	35	353
PP&E in progress	688	607

- Buildings: these amounts relate to outfitting or refitting the buildings leased to the industrial companies by real estate companies, and to repair work on buildings owned by the Group.

- Plant, machinery, tools & equipment: this relates to capital expenditure to improve productivity and industrial equipment.

- PP&E in progress: this mainly relates to programs for improving industrial equipment that had not become operational by December 31 of the year in question.

The Group allocates on average nearly 2.5% of its revenue to investment in technological renewal and adaptation (primarily PP&E excluding buildings, and production-related IT expenditure which is recognized under 'Other intangible assets').

The Group made no investments on increasing capacity in 2014 or 2015.

- Financial assets

Financial investments mainly consist of financing provided to Vinyloop, in which the Group has a 40% holding via a joint-venture with INOVYN. Vinyloop regenerates raw materials from manufacturing offcuts and end-of-life composite materials which are collected, sorted and routed by TEXYLOOP to the Vinyloop industrial site, and from cable waste collected by INOVYN.
The joint-venture's financial performance is based on:
- the sale of the raw materials generated by the recycling process: sales prices are consistent with market prices;
- the entry fee paid by materials producers whose manufacturing waste or end-of-life products are recycled. This entry fee is satisfactory for the portion of products collected by TEXYLOOP, but still insufficient to ensure break-even for Vinyloop, as regards the other products (cable waste).
The Group re-capitalizes Vinyloop whenever necessary.

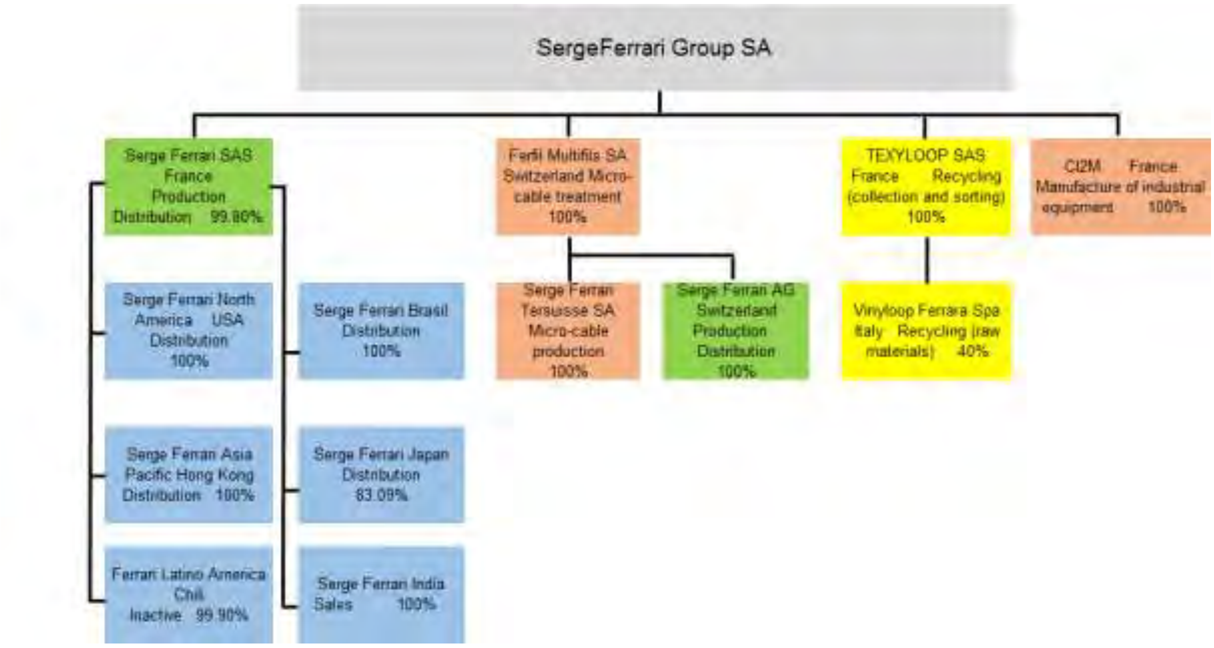
- Planned investment

Under its 2014-2018 development plan, the Group estimates the required investment in PP&E and intangible assets excluding R&D at €40 million, including €15 million for a breakthrough technology production team (small production runs).
Total innovation expenditure amounts to around €5 million per year: the portion of research and development expenditure capitalized between 2016 and 2018 is expected to remain at the same level as in 2015, i.e. €1.6 million after deducting a CIR research tax credit of approximately €0.6 million.
The Company is not currently planning to make any significant investments in PP&E or intangible assets in the foreseeable future, and for which the Company management bodies would have made firm commitments at the drafting date of this document.
As of the date of drawing up this Registration Document, PP&E and intangible investment, excluding R&D, is estimated for 2016 at some €6 million, most of which has already been contracted.

1.9. Organizational structure

1.9.1 Legal structure

As of the date of this Registration Document, the Group's legal structure is as follows:



Since the shares in direct and indirect subsidiaries have no double voting rights, the percentages of shareholdings and of control are the same.

1.9.2 Group companies

The Group currently consists of the parent company SergeFerrari Group SA and its four direct and nine indirect subsidiaries, as follows:

Manufacture of composite materials and components thereof

Serge Ferrari SAS (France): created in 1973 at the La Tour-du-Pin site in Isère, from the merger by absorption of its subsidiary Précontraint Ferrari SAS approved by the General Shareholders' Meeting of April 30, 2014, this entity weaves the PET micro-cables that constitute the membrane of the composite materials, and also performs coating and extrusion. It has a total of five material production lines (three for Précontraint® technology and two for extrusion technology) as well as a logistics department, which prepares orders for shipping worldwide.

Ferfil Multifils SA (Switzerland): created in 2000 and based in Eglisau, Switzerland, this wholly-owned subsidiary is responsible for cabling, twisting, warping and packaging PET micro-cables and holds the equity interests in two Swiss indirect subsidiaries, Serge Ferrari Tersuisse and Serge Ferrari AG.

Serge Ferrari Tersuisse: acquired by the Group in 2000 (with an initial 50% interest, increased to 100% in 2005), this wholly-controlled indirect subsidiary based in Emmenbrücke, Switzerland, has industrial tooling for producing all the special micro-cable reels necessary to produce the membranes for the flexible composite materials marketed by the Group.

Serge Ferrari AG: acquired in 2001 and based in Eglisau, Switzerland, this entity wholly controlled by the Group has four production lines for coated composite materials (non-Précontraint®). The company also delivers some of its production directly to Swiss and German customers.

Distribution

Serge Ferrari Brasil: created in 2012, this wholly-owned subsidiary distributes the Group’s offering in Brazil.

Serge Ferrari North America Inc.: created in 2000 and based in Florida, this US indirect subsidiary wholly controlled by the Group markets the Group’s offerings in the United States and Canada.

Serge Ferrari Asia Pacific Ltd: created in 2007 in Hong Kong, this indirect subsidiary wholly controlled by the Group markets the Group’s offering in Asia, and serves as the logistics platform for the Group company based in Japan.

KK Serge Ferrari Japan: created in 2004 in Kamakura, Japan, this indirect subsidiary markets the Group’s offering in Japan. Its share capital is 83% controlled by the Group, the balance being held by the local director.

Ferrari Latinoamerica S.A.: this company has been inactive since 2011.

Serge Ferrari India: created in 2016, this wholly-owned subsidiary specifies flexible composite materials in India.

Other operations

CI2M (manufacture of special machines): this wholly-owned subsidiary was acquired by the Group to integrate the designing of production tools for composite materials incorporating the Précontraint® technology.

TEXYLOOP SAS (collection and sorting of production waste and end-of-life composite materials): created in 2003 (and starting industrial production in 2008), this wholly-owned subsidiary also based at the Tour-du-Pin site carries out studies and research and development of processes for collecting and recycling flexible composite materials. It also performs the first mechanical stage of recycling collected PVC materials. At the end of the second stage, which is an industrial process performed by Vinyloop (see below), Texyloop sells the fibers resulting from the recycling-by-separation performed by the Vinyloop industrial equipment.

VINYLOOP FERRARA SPA: 40%-owned by the Group through its subsidiary Texyloop, this entity is a joint-venture whose 60% majority shareholder is INOVYN. This entity has an industrial facility operated by the INOVYN teams, at a site adjacent to Solvin Italia, and used by the Group to carry out the industrial/chemical stage of recycling PVC materials to separate the fibers from the chemical substances. It sells the R-PVC to INOVYN and the regenerated fibers to Texyloop, which then markets them.

The Group's industrial assets are mainly owned by Serge Ferrari SAS (France), Serge Ferrari AG (Switzerland) and Serge Ferrari Tersuisse (Switzerland). Refer to Note 21, Information concerning geographical regions in the Notes to the consolidated financial statements.

The Group also has three non-controlling interests in non-consolidated companies, jointly with companies within the consolidation scope and mentioned above:
- SIBAC in Tunisia (18.06% stake) which uses composite materials to make tensioned architectural elements and lined ponds;

- VR Développement in France (35% stake), a holding company which owns Rovitex, a French lamination specialist, with which the Group has set up industrial partnerships, and Rovitex Asia;
- 2FB2I in France (5% stake), a holding company that wholly owns MTB in France with which the Group develops partnerships in equipment construction and composite material grinding.

The relationships between the Group and these companies are essentially industrial partnerships: developing new products, manufacturing equipment, providing industrial services within each company's field of activity, etc.

The table below shows the key figures for each of the consolidated direct and indirect subsidiaries based on their separate company financial statements as of December 31, 2015:

(in 000's)	Curr.		% control	Share capital	Shareholders' equity	Revenue	Net income	Headcount
Direct subsidiaries								
Serge Ferrari SAS	EUR	000's	100%	14,169	39,790	133,188	4,215	441
Serge Ferrari Brasil	BRL	000's	100%	854	861	4,742	40	5
Texyloop SAS	EUR	000's	100%	1,101	-1,429	1,260	-2,473	2
Ferfil Multifils SA	CHF	000's	100%	1,000	9,815	18,316	269	8
CI2M	EUR	000's	100%	500	691	1,545	-19	16
Indirect subsidiaries								
Serge Ferrari North America Inc.	USD	000's	100%	600	2,475	14,163	-290	17
Serge Ferrari Asia Pacific Ltd	EUR	000's	100%	1	1,335	4,617	595	5
KK Serge Ferrari Japan	JPY	000's	83%	31,429	36,274	245,519	6,434	3
Ferrari Latino America	CLP	000's	100%	265,000	-73,801	----	----	----
Vivyloop Ferrara Spa (est.)	EUR	000's	40%	499	664	3,264	-2,430	NA
Serge Ferrari Tersuisse	CHF	000's	100%	14,000	20,177	18,368	1,859	55
Serge Ferrari AG	CHF	000's	100%	10,000	11,321	29,978	1	86

1.9.3 Main intercompany cash flows

As of the date of this Registration Document, the main cash flows between Group companies relate to the following agreements:

- **Administrative services agreement**

On January 1, 2012, Serge Ferrari SAS entered into an agreement with a number of Group companies to provide accounting, personnel management and IT services.

This administrative services agreement results in the invoicing, with a margin for management fees, of the cost of the services used by the beneficiary companies (payroll of HR staff assigned to administrative oversight of each company, office equipment and the use of IT systems, accounting costs).

Services are invoiced quarterly based on the annual budget. Calculations are adjusted at year-end.

The resulting total amount invoiced by Serge Ferrari SAS under this agreement for 2015 was €385,000.

- **Central cash management (cash pooling) agreement**

Under the cash pooling agreement signed on January 1, 2012, Serge Ferrari SAS manages the cash of some Group companies via a central cash pooling account. This agreement was signed with the following companies: Ferrari Participations, SergeFerrari Group, Serge Ferrari SAS, Texyloop and CI2M.

The reciprocal advances agreed under this arrangement bear interest at the EURIBOR 3-month rate plus 170 basis points when used for trading and 120 basis points when used for investment.

Intercompany trade receivables and payables not settled within 60 days are reclassified to current accounts.
Thus, at December 31, 2015, the total of cash pool accounts plus current accounts opened in the name of SergeFerrari Group in the books of Serge Ferrari SAS amounted to €34,933,000.

- **Operating license agreement covering the "Serge Ferrari" trademark**

On January 1, 2012 SergeFerrari Group granted the following subsidiaries a license to use the "Serge Ferrari" trademark for an indefinite term (the fee charged to each licensee amounts to 0.8% of revenue):
- Serge Ferrari SAS
- Serge Ferrari North America
- Serge Ferrari Japan
- Serge Ferrari Asia Pacific Ltd
- Serge Ferrari AG
- Serge Ferrari Tersuisse AG
- Serge Ferrari Brasil

In fiscal year 2015, Serge Ferrari Group recognized income of €1,146,000 from trademark royalties.

- **Tax consolidation agreement**

Under the tax consolidation agreement, SergeFerrari Group, the Group's parent company, consolidates its subsidiaries Serge Ferrari SAS, Texyloop and CI2M for taxation purposes. Any tax losses are reallocated to the subsidiaries.

As of December 31, 2015, the corresponding corporate income tax current accounts, including carryforwards from the previous year and taxes for 2015, showed the following balances:

- Serge Ferrari SAS tax current account:	€265,000
- Texyloop tax current account:	(€1,051,000)
- CI2M tax current account:	(€180,000)

1.10. Risk factors and insurance strategy

Investors are advised to take into consideration all of the information in this Registration Document, including the risk factors described in this section, before deciding to purchase or subscribe to shares in the Company. In preparing this Registration Document, the Company has reviewed the risks that may adversely impact the Group, its business, financial position or earnings, and considers that no other significant risks exist apart from those presented here.

1.10.1 Risks related to the market in which the Company operates

Risks related to the price of raw materials and energy

The risks related to raw material and energy prices (chemical products as well as the transport costs borne by the Group are linked to oil prices) are the main risk factor affecting the Group.

The Group uses large quantities of raw materials in its manufacturing processes (approximately 56% of standard production costs in 2015), mainly from petrochemicals (polyvinyl chloride [PVC], polyethylene terephthalate [PET] and plasticizers), which are indirectly impacted by fluctuations in the price of crude oil.

The Group is also exposed to changes in the prices of other raw materials essential to its activities, such as dyes, varnishes, antimony (flame retardant), pigments, etc. The rise in raw material prices in 2011, especially oil and petrochemicals, had a negative impact on the Group's profits in the months before it passed them on in higher selling prices. For this reason, operating margins declined between 2010 and 2011. Although the Group was able to recover this increase from its customers in 2011 and 2012, its earnings were affected due to the time required to raise the Group's selling prices following the rise in raw material prices.
Transport costs were also impacted by changes in oil prices and suffered the consequences of oil price volatility.

Since 2011, the Company no longer benefits from framework purchasing agreements, as suppliers want to retain as much flexibility as possible in setting their prices. Almost all purchases are transacted at spot prices, negotiated over-the-counter between the Company and its suppliers, generally one month ahead. The Group also procures supplies on a sale-or-return basis, whereby the Company is invoiced on the basis of the monthly price of the supplies used during that month.

2015 featured a significant drop in oil prices expressed in USD/bl. The group did not register a decrease of that magnitude in its supply costs:
- petroleum, via its refined products such as ethylene, constitutes only a fraction of the costs of raw materials (some 50 to 75%) manufactured by suppliers to the Group;
- with the exception of PET, these raw materials are derived from specialty chemicals, for which prices were relatively contained during 2015;
- lastly, the US dollar appreciated sharply during 2015.
On average, supply costs varied between 2014 and 2015 between -4% and +1%.

The following table shows the hypothetical impact of a +/-20% variation in the price of raw materials historically subject to greater price fluctuation than the average spread recorded between 2010 and 2012, based on 2015 purchases:

(€'000)	Dec 31, 2015	20% price rise	20% price fall
Highly sensitive purchases	5,901	-590	590
EBIT	8,030	-590	590
Net income after tax (34.43%)	4,795	-387	387
Total shareholders' equity	98,088	-387	387

The commercial terms of sales contracts do not include price-review clauses as prices are set when the order is signed. For almost all customer orders, delivery dates are specified in terms of days or, at most, a few weeks from the date when the order is received. From time to time, in the "Architectural" segment, prices may be quoted as valid for a maximum of 6 to 9 months. These price offers incorporate a "review clause" to recover all or part of rises in the cost of materials incurred, or exchange rate fluctuations when the offer is expressed in a foreign currency.

For managing the risk of fluctuations in the cost of materials, which mainly affects processed products and not primary raw materials (barrels of oil), the Company cannot use hedging. However, it does have numerous operational measures to minimize such fluctuations and their impact on its results. These measures include reducing production times, bargaining to revise prices, ongoing search for alternative sources of supply, as well as a strong innovation policy focused in particular on the chemical formulations of its products and the substitution of some components.

If raw material prices rise in the future and the Group is unable to recover the resulting additional costs immediately or fully from its customers due to the extent of the price increase, the deadlines imposed by agreed purchase orders, competitive pressure or market conditions, and if the Group is unable to optimize the formulation of its products, this could have a material adverse impact on the Group's business, financial position or earnings.

Risks related to the competitive environment

In each of its markets, the Group has to face active competition from players of varied size. However, the Group believes that it currently enjoys a strong competitive positioning globally, thanks mainly to an innovative and high-value-added range of products recognized in France and internationally. Indeed, the Group estimates its share of the world market at 4%. In sales terms, the Group's exposure to competition mainly takes the form of varying degrees of pressure on prices. The arrival of new players, some of whom could have much greater financial resources, or of new products or technologies developed by its competitors, could also affect the Group's competitive position. The Group cannot guarantee that it will be able to maintain its margins in the face of competition, especially if new entrants penetrate one or more of its markets or if competition intensifies for any other reason. These competitive pressures could lead to a reduction in the demand for the Group's products or force the Company either to lower its selling prices or to make additional investments. These factors could have a material adverse impact on the Group's financial position, earnings or outlook. The Group believes that maintaining its proactive R&D policy is the best way to keep its competitive positioning.

Risks related to technological developments

The flexible composite materials market in which the Group operates is in permanent competition with traditional materials in some of its application segments (architecture in particular), and may also experience technological developments and see new composite materials appear that are more efficient or less expensive. Since its formation, the Group has devoted a very significant part of its resources to R&D in order to widen its range of products and/or enhance their performance, as well as to develop manufacturing processes and equipment to maximize the quality of the materials offered. Nonetheless, it is imperative that the Group continues its commitment to R&D in order to retain its position as a benchmark in technological innovation and to be able to adapt to any future technological innovations in the sector. This commitment is and will continue to be reflected in research and development expenditure, which it is expected to remain stable at around €5 million per year and 3% to 4% of annual revenue.

Although the Group believes that the risk from new technology is very limited, should the Company fail to match the pace of technological development or be slow in developing its solutions compared to competitors with more substantial resources, its inability to develop new products or to market them on time would make its commercial offering less attractive, which could have an adverse impact on the Group's activity, revenue, earnings, financial position or growth.

Risks related to the economic environment and to the Group's opportunity sectors

In an economic context that still remains uncertain in France as well as in some of the Group's target countries, such as Brazil or China, the Group may face a deterioration in its financial position or see increased financing difficulties among its existing and prospective customers. However, the Group believes that the diversity of its application markets and geographical outlets gives it a form of protection against dependency on the economic conditions in any particular country or application segment, even though the Group may from time to time see some of its customers and/or distributors having financial difficulties. Furthermore, this uncertain economic environment could exert greater pressure on prices, which would adversely impact the Group's revenue, financial performance and competitive positioning.

In order to limit the impact of economic conditions on its activities and its financial results, the Group devotes a significant part of its sales initiatives to international development, especially in regions where it anticipates sustained demand (particularly Asia and the United States), and to diversifying its product offering, the markets for its applications and its customer base.

1.10.2. Risk related to the Group's business

Risks related to industrial environmental and safety regulations and regulatory changes

Refer to section 1.10.3. below.

Risks related to fires and industrial accidents

The Group's facilities carry a certain number of safety, fire or pollution risks, mainly due to the toxicity or inflammability of certain raw materials, finished products or manufacturing or supply processes. In particular, the Group's manufacturing processes that use inflammable materials (varnishes, solvents, chemical products, PET, PVC, etc.) can create a high risk of fire or explosion.

The Group is therefore diligent in putting in place measures to manage fire and industrial accident risks, specifically:
Regarding fires, in conjunction with the regional fire department (SDIS 38) a listed-facility ETARE plan No. 411 has been established to identify premises in risk areas (with insufficient means) and risks related to their activities. In addition, staff regularly receive training in firefighting (how to use extinguishers, and evacuation drills). The fire control center is also connected to a remote-surveillance central station.

Regarding industrial accidents, in accordance with its ISO 14001 certification, the Group has put in place an annual improvement plan which consists of organizing the security of sensitive areas (truck loading/unloading), arranging ATEX (explosive atmosphere) zones, conducting studies and fire scenarios (flow of thermal emissions), as well as training staff to be able to identify explosion-risk areas and monitor the smoke oxidizer for air pollution.

Despite these measures, the Group may be pursued for liability in the event of a claim involving the Group's activities or products. If that should occur, the adverse consequences on its business, financial position, earnings and outlook could be significant.

Risks related to the marketing network

Risks related to the portion of revenue achieved through distributors
In addition to its own sales force, the Group in some geographic regions uses distributor partners, usually on a non-exclusive basis (see Section 1.7.2 of this Registration Document). The Group currently considers that it is not dependent on any one of these partners, given that the most important one accounts for less than 10% of consolidated revenue for the years 2014 and 2015. Over 1,500 customers were invoiced in 2015, bearing in mind that the actual number of end customers is much higher than this in view of the volume of sales made by distributors, each of which serves a large number of local and regional customers.

The Group may, however, encounter difficulties in recruiting new distributors, or in renewing or terminating commercial agreements with some of them, or may find that some distributors have solvency problems. Should any of these risks materialize, it could materially affect the Group's business, financial position, earnings, growth and outlook in the medium and long term.

Risks related to the development of a marketing partnership policy

In order to develop its marketing opportunities in countries where it has little presence, the Group has decided to set up marketing partnerships with specialized players. The first partnership of this kind was established in Germany on January 1, 2014, with a second agreement following in Austria on July 1, 2014, followed by Benelux and the Czech Republic in July 2015, for the exclusive distribution of one of the Group's product ranges. The relative success or failure of these partnerships could limit the Group's growth in some geographic regions and/or force it to make alternative marketing investments with possibly a varying impact on its earnings.

Risk related to international development

For many years, the Group has earned a significant portion of its consolidated revenue outside France (France accounted for 75.7% of its total composite materials revenue in 2015, 75.6% in 2014, and 74.9% in 2011), due to a global distribution network consisting of its distribution subsidiaries (five subsidiaries and five sales offices abroad) as well as a network of largely non-exclusive independent distributors (see Sections 1.7.2 and 1.7.3 of this Registration Document for more details about international development). This direct or indirect local presence has proven particularly important in building knowledge of the local economic fabric, the various players in each opportunity segment, and local practices, specifics and regulatory constraints, to facilitate the marketing of the Group's offering. Accordingly, the Group intends to recruit a large number of sales staff in these three geographical regions (see Section 4.4 of this Registration Document). However, despite its local presence in the field, it may take longer than expected for international sales networks to add significantly to Group revenue and may require additional marketing drives in one or more of its markets; this could have a material adverse impact on the Group's business, earnings, financial position or outlook.

Risks related to industrial means of production

Risks related to the adequacy of industrial equipment and current production capacity

The Group currently has three production sites whose unused capacity should allow it to absorb growth in the order of 30% of sales without significant additional investment (see Sections 1.5 and 1.8 of this Registration Document). The Group will therefore need to monitor its order book and the adequacy of its industrial equipment, and anticipate any significant change that may force it to accelerate its investment plan. If its industrial capacity is stressed in the future, the Group may be unable to benefit from the growth in one or more of its markets and may be forced to undertake major investments to cope with the situation. Should the Group not be able to make the necessary investments to meet customer demand or if the cost of such investment proves to be significant and is not offset by orders to match the investment expenditure, such a situation may have an adverse impact on the Group's growth, financial position, earnings or outlook.

To minimize the impact of a downturn in business, the Group operates a proactive market canvassing policy, focusing on the international market, and ongoing R&D to develop its products and services for new applications.

Risks related to the recycling activity
Since 2008, the Group has expanded its offering by developing a recycling service for its own materials (see Section 1.5.1 of this Registration Document), which could be a deciding factor in obtaining certain contracts, particularly for architectural projects. This activity has been developed as part of a joint venture with Solvay, which has now become INOVYN. Although the Group owns all the intellectual property relating to the process - unique in the world - for recycling PEC-PVC composites under a cost-free license granted by Solvay, valid for the Group's activities and until the last patent covered by the license falls into the public domain, a very large part of the industrial recycling is nevertheless performed by a plant mainly owned and operated by a subsidiary of the INOVYN group.

If the partner decides for industrial or strategic reasons to shut down the recycling plant, the Group would no longer be able to market this service as the Group does not have its own recycling facilities. Although this activity adds little to Group revenue, it has strongly differentiating marketing impact and can be decisive for some customers when choosing the Group's materials. Accordingly, discontinuing the recycling activity could to a varying extent adversely affect the Group's activity and development in the "architectural" projects segment. Furthermore, the joint venture is part of the partner's business unit that was sold in 2013 to a financial group with holdings in the chemical industry: this transaction was authorized by the European Union subject to the completion of certain divestments in the relevant business sectors. The proposed divestments are currently being reviewed by the European monopolies commission. The Company has received no information from the buyer that would lead it to discontinue this activity.

If such a situation were to arise, the benefit of the license would not be compromised. However, the Company would be unable to use it for as long as a new partnership with a player in the chemical industry with suitable facilities has not been signed.

Furthermore, as regards managing the risk of these licensed processes coming out of patent and into the public domain by 2028, the Company believes that the development work and technological adjustments it has carried out since being granted the license gives it a technological lead over third parties hoping to use this technology. The Company estimates that it would take several years to master the process.

Risks relating to the quality of the Group's products

The growth in Group sales depends on the quality and reliability of its products and on its customer relationships. The Group, which is ISO 9001 certified, has put in place various measures for quality management, including its QSE policy, leadership responsibility, resource management and production quality. Projects are reviewed based on dashboards that report progress and focus on problems (via internal and external audits).

Should the Group's products repeatedly fail to meet customer requirements, its reputation and sales volumes may be impacted. Sales of materials come with a warranty of up to 30 years. To this effect, the Company has product insurance (covering manufacturing defects) and lays down a provision for warranties, which have proven sufficient to date, to cover customer complaints (see Section 1.10.5 regarding insurance and Note 2.2.1 of the Financial Report, set out in Section 4.6 of this Registration Document discussing provisions). The Group cannot, however, guarantee that its customers will not have product quality or reliability problems that may have a significant adverse impact on the Group's earnings, reputation, business, financial position or outlook. The Group also cannot exclude the possibility that its member companies may be held liable under third party liability or contractual provisions for product faults, which could adversely impact the Group's earnings, reputation, business, financial position and outlook.

Risks related to working capital management and business seasonality

Some Group activities, such as Solar Protection and Bioclimatic Facades in the Architecture segment, or Yachting, Outdoor Furniture and Solar Protection in the Consumer segment, are subject to the extreme seasonality of their customers (see the product presentation in Section 1.2.4.). The relatively greater activity from March to September in the northern hemisphere, where most sales are concentrated, creates organizational constraints for the Group that involve inventory control, production planning, deliveries and the availability of human resources, to manage this period as effectively as possible, as well as working capital that can vary significantly depending on the time of year.
Similarly, international expansion may put financial pressure on working capital requirements.

The Group has therefore introduced various measures to better manage and mitigate seasonality. For this purpose, the Group has set up a structure with support functions including, in particular, a procurement department and an industrial department, one of whose missions is to identify the requirements of each business line in order to implement industrial synergies such as optimizing industrial equipment and guaranteeing supplies to ensure that planning and production schedules are met. The development of new application markets that are non-cyclical or have divergent cycles, particularly in the southern hemisphere, as well as markets in regions and countries with varying cycles, should also help alleviate seasonality.

However, despite all the measures implemented by the Group, strong seasonal growth that is beyond the Group's ability to absorb in its various areas could have a material adverse impact on the Group's business, earnings, financial position or outlook.

Risks related to inventory impairment

The gross value of inventories as of December 31, 2015 and December 31, 2014 amounted to 22.2% and 23.7% respectively of the balance sheet total and hence, the Group's earnings, financial position and outlook may be impacted by a significant provision for inventory impairment.

Nevertheless, risk management procedures have been put in place. Purchases and inventories of raw materials are mostly managed by an integrated IT system. Orders are prepared based on industrial planning information, in response to manufacturing triggers (orders, forecasts, etc.). To minimize its working capital on these purchases, the Group works on a sale-or-return basis, which ensures that the supplier does not invoice until the material has been used up. In their raw state, the raw materials have a low risk of spoilage. However, in their prepared form (plastisols) their shelf life is no more than a few days, which is why these preparations are only ever made to order for an identified process. Components and/or finished products are also unaffected by expiry dates, but are more affected by products or particular colors not selling because they do not meet market needs. This is the reason why a provision for low turnover is set up on these product lines. Lastly, a “lower of cost or market” provision is set up for products with aesthetic defects whose selling price will be lower than normal.

Due to this vigilant management, total provisions on inventories have been kept well under control over the last few years, amounting to 9.8% as of December 31, 2015 compared to 9.3% as of December 31, 2014 and 6.8% as of December 31, 2013.

Risks related to IT systems

The Group uses complex IT systems (notably for managing its production, sales and logistics, and for bookkeeping and financial reporting) that are essential for running its commercial and industrial activities. Despite a policy of stepping up the procedures for backing up its IT systems and infrastructures, and in particular the management of its infrastructures and help desk functions set up in 2015, a failure in any one of them could have a material adverse impact on the Group's business, financial position, earnings or outlook.

The Group's IT systems could be hit by complex and targeted attacks. The IT security systems of a growing number of companies have in fact recently experienced intrusions or attempted intrusions. The techniques used to hack into, interrupt, degrade the quality of or sabotage IT systems are constantly evolving, and it is often impossible to identify them before an attack is launched. The Group may therefore not be able to defend itself against such hacking techniques or to quickly install an appropriate and effective response. Any failure or interruption of the Group's IT services due to such intrusions or other factors may have a material adverse impact on the Group's business, financial position, earnings or outlook.

1.10.3. Legal risks

Risks related to regulations and regulatory changes

The Group is subject to a restrictive regulatory environment notably concerning the environment and safety, in particular as regards industrial safety, emissions or discharges of any kind, the use, production, traceability, handling, transport and storage of products and substances, including disposal and exposure to them, as well as site remediation and environmental clean-up. The Group is also subject to regulations governing safety, notably fire-prevention standards applicable to the Group's products and manufacturing sites.

Since June 2007, Serge Ferrari Group has complied with REACH regulations (Registration, Evaluation and Authorisation of Chemicals). The Group is also engaged in an initiative to anticipate and exceed these European regulatory requirements. Serge Ferrari regularly assesses the health and environmental performance of its composite materials on the basis of five key indicators: health precautions, internal air quality, environmental footprint, circular economy and renewable content. These Eco Identity system indicators measure the progress made over and above regulatory requirements. Moreover, the Group is a member of several sustainable development organizations including Orée and the INSPIRE institute (see Social and Environmental Report in Section 2.1 of this Registration Document).

Compliance with these regulations requires the Group to incur regular and large expenditure. Moreover, this regulatory environment frequently changes, making the requirements increasingly stringent. The Group's failure to comply with these regulations or inability to adapt to future regulatory changes could entail penalties of various kinds – financial, civil, administrative or criminal – and could lead to the withdrawal of the permits and licenses needed to pursue its activities (ICPE classification of its industrial sites in France). Changes in these laws and regulations and their interpretation could lead to significant expenditure and/or investment mainly in industrial tooling and/or adaptation of the formulation of its products, which could have a material adverse impact on the Group's business, earnings, financial position and outlook.

See section 2.1 of this Registration Document.

Risks related to the protection of intellectual property rights

The Group’s future growth depends in particular on its ability to obtain, keep and protect its patents, trademarks and other intellectual property rights as well as its ability to internally retain its know-how in terms of innovation, the engineering of manufacturing processes and the design of industrial equipment. Despite the Group's efforts to protect its intellectual property, it cannot guarantee the level of protection that will be granted to its portfolio of patents and trademarks, or prevent the risk of counterfeiting of its products or misappropriation or unlawful use of its intellectual property rights.
This is why the Group pays particular attention to retaining and developing its know-how in the design of industrial equipment:

- partly, because it is a non-volatile form of intellectual protection although some patents relating to its Précontraint® technology have now fallen into the public domain;
- partly, because in the absence of special-purpose equipment that only the Group knows how to design, it would prove extremely difficult to manufacture flexible materials of equal quality.

With respect to Précontraint®, the Group filed a patent in 1974 which has now fallen into the public domain. From now on, the Précontraint® process (which is detailed in Section 1.2.1 of this Registration Document) is protected by the Group's know-how, which can be described as “proprietary” in light of the track record of the developments that have been necessary to progressively perfect it. Indeed, since 1974, the Group’s teams dedicated to the design and fabrication of machines have continuously developed and improved the Précontraint® technology on the production lines at La Tour-du-Pin. The Group, which designs and makes its own production machinery through its subsidiary C12M, also therefore enjoys the protection associated with the production of machinery, as well as the protection resulting from the use of the technology. Consequently, the entry barrier is such that a competitor looking to achieve a similar level of quality would find itself unable to launch itself into designing and producing such machines, as the cost of doing so would be disproportionate to the market share it could hope to gain. Competitors therefore generally use standard equipment, which does not allow access to the technology used by the Serge Ferrari Group.
As regards risks related to the protection of intellectual property rights on recycling, see Section 1.10.2 of this Registration Document.

Limits to the protection conferred by patents and other intellectual property rights

The Group’s commercial success and the protection of its innovations depend on its ability to obtain, keep and protect its related patents, trademarks, drawings and designs as well as other intellectual property rights and similar assets (such as patents, trade secrets and industrial know-how - see Section 1.6.2.2. "Trademark portfolio").

The Company devotes serious financial and human effort to protecting its technology and implements measures commonly used in the industry to do so (such as filing patent applications for both key inventions and additional development). To the Company’s best knowledge, the inventions incorporated in the Company’s manufacturing process were or are protected by its patents and patent applications (see Section 1.6.2 of this Registration Document).

However, the Company could become unable to continue adequately protecting its patents, causing it to lose its technological and competitive advantage.

Firstly, the Company cannot guarantee that it will actually be issued patents for the innovations it has filed, as they are subject to assessment by the relevant intellectual property office before a patent can be issued.

In addition, even if issued, patents may be superseded (“anticipated”) by earlier patent applications not yet published or by disclosures of earlier inventions.

Despite researching earlier filings and the constant watch it operates, the Group can therefore never be certain that it has been the first to conceive an invention and to file the patent application, given that, in most countries, patent applications are not published until about 18 months after they are filed.

Lastly, all patents have a time limit. This limit varies by region and country and runs from the date that the patent application is filed (20 years in France and Europe). This is why the Précontraint® process which was filed in 1974 has now fallen into the public domain.

The Company may also find it necessary to file trademarks, drawings and designs.
As concerns trademarks, when filing a trademark in a new country the Company may find that the trademark in question is not available in that country. In these circumstances, a new trademark must be sought for that country.

As concerns drawings and designs, the Company is not protected in countries where it has not filed patents, because it knows that it will not be protected in those countries if it has filed patents for the same drawing or design in another country more than 12 months previously.

The Group may therefore encounter difficulties in filing patents and securing some of its intellectual property rights (patents, trademarks, drawings or designs).

In addition, the issuance of a patent, or the registration of a trademark or drawing or design does not of and by itself guarantee its validity or enforceability. Indeed, the Company's competitors may at any time successfully challenge the validity or enforceability of the Company's patents, trademarks, drawings, designs or applications before a court or in other proceedings, which, depending on the outcome of such challenges, can reduce the scope of protection of these rights, render them partially or totally invalid, or allow them to be circumvented by competitors.

Lastly, changes in or divergent interpretations of the laws governing intellectual property in Europe, the United States or other countries may allow competitors to use the Company's inventions or intellectual property rights or develop or market the Company's products or technologies without being liable for financial compensation. Furthermore, there are still some countries that do not protect intellectual property rights as Europe or the United States do, and the effective procedures and rules necessary to ensure the defense of the Company's rights may not exist in those countries.

Consequently, the Company's rights as regards its patents, trademarks, drawings and designs, applications relating to them and its other intellectual property rights may not confer the expected protection against its competitors. The Company cannot therefore guarantee that:

- the Company will succeed in developing new patentable inventions;
- the Company's currently pending patent applications will result in actual patents;
- the patents granted to the Group will not be contested, invalidated or circumvented;
- the range of protection conferred by the Company's patents, trademarks and intellectual property rights is and will remain sufficient to protect it from competitors and from the patents, trademarks and intellectual property rights of third parties covering similar devices;
- third parties will not challenge the Company's ownership of patent rights or other intellectual property rights;
- the Company's employees will not claim rights or additional pay or fair compensation for inventions that they participated in creating.

Limits to the protection of the Company's trade secrets and know-how

It is also important for the Company to protect itself against the unauthorized use or disclosure of its confidential information and trade secrets. The Company may be required to provide, in various ways, information, technologies, processes, know-how, data and inputs, that may not be patented and/or patentable, to third parties with whom it works (such as public or private entities, its distributors or its subcontractors) regarding product research, development, testing, manufacture and marketing.

In such cases, the Company normally requires confidentiality agreements to be signed. This is because non-patented or non-patentable technologies, processes, know-how and proprietary information are considered to be trade secrets that the Company strives to protect partly by such confidentiality agreements.

However, these elements offer only limited protection and cannot prevent disclosure or illicit use of the Company's trade secrets and know-how by third parties, despite the precautions, primarily contractual precautions, that the Company takes with these entities.

Nothing can therefore guarantee that third parties involved (i) will keep confidential the Company's non-patented innovations or improvements and know-how, (ii) will not disclose the Company's trade secrets to its competitors or will not develop those trade secrets independently, and/or (iii) will not breach such agreements, while the Company has no appropriate solution to counter such breaches.

Consequently, the Company's rights to its trade secrets and know-how may not confer the expected protection against its competitors and the Company cannot guarantee that:

- its know-how and trade secrets will not be usurped, circumvented, communicated without its authorization or used;
- the Company's competitors have not already developed technology, products or devices similar in nature or purpose to those of the Company;
- no contracting partner will claim the benefit of intellectual property rights to the Company's inventions, knowledge or results.

Specific limits related to infringement of intellectual property rights

It is important, for the success of its activity, that the Company be able to freely exploit its products without infringing the patents or other intellectual property rights of third parties, and without third parties infringing Serge Ferrari's intellectual property rights.

<u>Risk of the Company infringing the intellectual property rights of third parties</u>

The Company continues, as it has always done, to conduct the due diligence it considers necessary to counter the above-mentioned risks before investing in the marketing of its various products. With the aid of its independent intellectual property consultants, it maintains a watch on its competitors (particularly for patent applications).

However, it is difficult to monitor the unauthorized use of products and technology. The Company cannot guarantee that:

- it will be able to prevent the misappropriation or unauthorized use of its products and technology, particularly in foreign countries where its rights are less rigorously protected due to the territorial scope of its intellectual property rights;
- its products do not infringe or breach patents or other intellectual property rights belonging to third parties;
- there do not exist patents that are complex to interpret, or other intellectual property rights, that may cover certain Company products, processes, technologies, results or activities such that third parties are breaching or infringing its rights for the purpose of launching a claim for damages against the Company or proceedings to stop it manufacturing and/or marketing the challenged products or processes;
- there do not exist earlier trademarks, drawing and design rights or other intellectual property rights of third parties that could justify legal proceedings against the Company for infringement;
- that the Company's domain names will not be challenged by a third party with prior rights (for example, trademarks) under the Uniform Dispute Resolution Policy (UDRP) procedure or a similar procedure or infringement proceedings.

Litigation against the Company, regardless of its outcome, could entail substantial costs and compromise its reputation and financial position. If such proceedings were to lead to a ruling against the Company, it could be forced (on pain of penalties) to interrupt or delay its research, development, manufacturing or the sale of its products and processes named in those proceedings, significantly affecting its activities. Some competitors with more substantial resources than the Company's could more readily bear the costs of such complex proceedings. Any litigation of this type could thus affect the Company's ability to carry on all or some of its activity, should the Company be legally required to:

- stop selling or using any of its products that depend on the contested intellectual property in a given geographic region, thus reducing its revenue;
- obtain a license from the holder of the intellectual property rights, which it may not be able to obtain or may be able to obtain only on unfavorable terms;
- review its design or, in the case of a claim concerning registered trademarks, rename its products to avoid infringing third party intellectual property rights, which could prove to be impossible or involve a very lengthy and costly process that could adversely impact its marketing efforts.

Risk of third parties infringing the Company's intellectual property rights

Other companies could use or try to use elements of the Company's technology whether or not protected by intellectual property rights, entailing potential damage to the Company. The Company cannot guarantee that it will not institute legal or administrative proceedings to enforce the monopoly conferred by its intellectual property rights (notably its patents, trademarks, software, drawings and designs or domain names), trade secrets or know-how.

The Company may find it necessary to institute legal proceedings to ensure that its intellectual property rights are upheld and that its trade secrets and know-how are protected. Any litigation could entail significant expenditure, adversely impact the Company's earnings and financial position and potentially fail to deliver the protection or sanction sought.

Impact of legal proceedings

Should any of these events occur concerning the Company's intellectual property rights, it could have a significant unfavorable impact on its business, outlook, financial position, earnings and growth. However, as of the registration date of this Registration Document, the Company is not faced with any of these situations nor is it involved in any litigation, as plaintiff or defendant, relating to its intellectual property rights or those of a third party.

1.10.4. Financial risks

Currency risk

Due to the international character of the Group's business activities and operations, it faces fluctuations in the exchange rates of various currencies, which have a direct accounting impact on the Group consolidated financial statements, reflected in a transaction risk on income and expenses denominated in a foreign currency and the unpredictability of their conversion into euros in the statements of income and financial position of foreign subsidiaries in the euro zone.

In 2015, consolidated revenue broke down by currency as follows: 81.5 % in euros, 10.7% in US dollars and 6.2% in Swiss francs, the remainder in Japanese yen, Norwegian krone and other currencies. For the same period, in value terms, over 80% of purchases of raw materials and services were contracted in euros and less than 20% in US dollars.

Moreover, although the Group benefits from partial automatic backing, some residual exposure remains. Lastly, some of the Group's production is carried out in Switzerland (PET micro-cables and composite materials) in a non-euro accounting currency. These annual intra-group invoices came to some CHF 40 million in 2015, and are partially hedged. For 2015, the Group recognized a currency translation gain of €20,000, compared with €566,000 at the 2014 year-end. The changes in fair value of currency derivative financial instruments were of €517,000 in 2015 and a loss of €575,000 in 2014.

In Section 4.4 of this Registration Document, the Group recalls the impacts of the change in the EUR/CHF parity following the January 15, 2015 decision of the Swiss National Bank to **abolish the exchange rate floor of 1.20,** which had pegged the Swiss franc to the euro since September 2011.

- operating currency risk

A 10% change upwards or downwards in the exchange rate of the US dollar and Swiss franc against the euro on net flows (sales denominated in foreign currencies – purchases denominated in foreign currencies) in the income statement would have had the following impact on pre-tax income and shareholders' equity as of December 31, 2015:

			On pre-tax income		On shareholders' equity before tax	
(€'000)	Net exposure of flows	Average 2015 rate	10% increase	10% decrease	10% increase	10% decrease
EUR/USD		1.11	1.00	1.22	1.00	1.22
Impact (in EUR)	12,014		1,203	-984	1,203	-984
EUR/CHF		1.07	0.96	1.17	0.96	1.17
Impact (in EUR)	-20,189		-2,101	1,719	-2,101	1,719
Total			**-898**	**735**	**-898**	**735**

(Impact of an increase or decrease of the foreign currency against the euro, excluding any hedging transactions)

Further significant and lasting changes in exchange rates could have a significant adverse impact on the Group's earnings, financial position or outlook.

The Group's hedging policy is designed to protect the budgeted exchange rates for its commercial flows in USD and CHF. The Group commonly uses currency hedges for approximately 50% of its net flows in its main trading currencies: USD and CHF. As of the date of this Registration Document, outstanding currency hedges contracted by the Company are shown in Note 30 to the consolidated financial statements.

- financial currency risk

As of December 31, 2015, the financial asset and liability positions were as follows:

(amounts in thousands)	USD	CHF
Financial assets / Cash	1,397	---
Financial liabilities	---	3,850

These financial assets and liabilities, the amount of which has fallen since December 31, 2014, are not the subject of currency hedges.

- currency risk relating to investments in foreign subsidiaries

The breakdown of consolidated non-current assets is provided in Note 21 of the Notes to the consolidated financial statements. Non-current assets located in France are denominated in euros. Non-current assets located in Switzerland were translated on the basis of a closing rate as of December 31, 2015 of CHF 1.08 to 1 EUR, compared with CHF 1.2024 to 1 EUR at 2014 year-end.

Currency hedges in effect as of December 31, 2015 are disclosed in Note 31 to the financial statements set out in Section 4.6 of this Registration Document.

Risks related to customers

In fiscal years 2013, 2014 and 2015, the contribution to consolidated sales of flexible composite materials from the Group's main customer remained below 9% of total revenue, and the Group's top five customers accounted for 15.4% of revenue in 2015 compared with 15.6% in 2014 and 17% in 2013. The Group therefore considers that it has no dependency on any single customer, all the more so given that its top customers are distributors who themselves address a large number of regional or local end-customers. Note also that of the top 300 customers in 2012, 197 were already customers of the Group ten years earlier, which demonstrates the low customer-portfolio turnover and the lasting nature of its relationships.

The Group also considers the risk of customer insolvency to be low and it has rarely encountered problems collecting payment or bad debts. Thus, the net change in provisions for customer-related impairment in 2015 amounted to €207,000 compared with €82,000 in 2014 and €214,000 in 2013 (see also Note 30 "Financial risks" in the Notes to the consolidated financial statements, inserted in Section 4.6 of this Registration Document). Nevertheless, given the significance of certain distributors in the Group's trade receivables, the Company cannot rule out the possibility that provisions or losses on these trade receivables may have a material adverse impact on the Group's earnings, financial position or outlook.

Risks related to suppliers

Given the extent of its vertical integration (see Section 1.5 of this Registration Document), the Group significantly limits its risk of dependency on any single supplier or provider. For most of its procurement, the Group has at least two possible sources.

Like its competitors, the Group has to mobilize resources to ensure sufficient inventories so as to limit any problems or delay in supply.
The R&D department works continually on projects to develop replacement products for many of the chemical compounds used in the formulation of the Group's flexible composite materials. While waiting for such a product to be developed, any problem or delay in supply could have an impact on the sale of certain ranges of products and could also have a more or less material impact on the Group's sales, earnings and outlook.

Liquidity risks

The Group regularly reviews its financing sources in order to maintain sufficient liquidity at any given time. As of December 31, 2015, net cash and cash equivalents amounted to €49,389,000 compared with €45,178,000 as of December 31, 2014.

As of the date of drafting this Document, the Group has a factoring agreement covering French and foreign customers of Serge Ferrari SAS (France) and Serge Ferrari AG (Switzerland) for a maximum amount of €13 million, €9.2 million of which was drawn as of December 31, 2015 (see Section 4.5.3). In July 2015, the Group also concluded an agreement for a Revolving Credit Facility of an amount of €35 million available for a term of 6 years, unutilized as of December 31, 2015.

The bank borrowing repayment schedule is set out in Note 17 to the financial statements, which may be found in Section 4.6 of this Registration Document.

The Group’s bank financing includes covenants to maintain financial ratios, as disclosed in Note 30 of the notes to the 2015 consolidated financial statements inserted in Section 4.6 of this Registration Document. Breaching these covenants without obtaining a waiver or prior authorization from the lending banks could lead to a demand for the immediate repayment of the capital outstanding on the date of the breach, unless the bank pool has explicitly waived early repayment of the balance owing.
These covenants are tested at each annual balance sheet date based on the financial statements prepared in accordance with the IFRS accounting system as from January 1, 2014:

- Leverage ratio (Net debt / adjusted EBITDA) with a maximum of 3 to meet as of December 31, 2015;
- Gearing ratio (Debt / Equity) with a maximum of 1 to meet as of December 31, 2013.

As of December 31, 2013, these ratios were complied with.

The Company has conducted a special review of its liquidity risk, and believes that it is able to meet its future contractual maturities over the next 12 months, as of the date of this Registration Document.

Interest rate risk

This point is discussed in Note 31 “Financial Risks” of the notes to the 2015 consolidated financial statements inserted in Section 4.6 of this Registration Document.

As of December 31, 2015, total loans and borrowings amounted to €28,542,000 (compared with €27,717,000 at December 31, 2014), of which €9,230,000 was contracted at floating rates.
As of December 31, 2015, the amount of interest-rate hedges outstanding was €3,744,000 compared with €5,956,000 as of December 31, 2014 (introduction of fixed-rate payer swaps).

Regarding the cost of net debt for fiscal year 2015 plus the change in fair value of interest-rate hedges, which was -€413,000, a +/-10% change in interest rates applicable to the entire debt would impact 2015 consolidated net income by less than 1% after tax and therefore can be considered marginal.

Risk related to the CIR tax credit

As part of its innovation policy, the Group benefits from the Research Tax Credit (Crédit d’Impôt Recherche or "CIR" mechanism) available in France to companies investing significantly in research and development. Research expenses eligible for the CIR tax credit include salaries and benefits, depreciation of research equipment, services outsourced to public or private research bodies, and intellectual property fees.

The possibility cannot be excluded that the tax authorities may decide to contest the methods adopted by the Group for calculating R&D expenses or that the CIR entitlement may be jeopardized by an amendment to the regulations or by the tax authorities, in spite of the Group complying in every way with the regulations in force at the time. Such a situation, should it occur, would have an adverse impact on the Group’s business, earnings, financial position, growth and outlook. The CIR tax credit recognized for 2015 amounts to €614,000.

Risks related to access to government advances

The Group received an OSEO repayable advance of €107,000 granted in January 2013, on which the balance as of December 31, 2015 amounted to €96,000 with the residual repayment installments breaking down as follows:

- €10,800 to be repaid on March 31, 2016, June 30, 2016 and September 30, 2016, and
- €16,000 to be repaid on December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017.

Should the Group fail to comply with the contractual terms and conditions specified in the repayable advance agreements, it may be forced to repay the advances early.

1.10.5. Insurance and risk coverage

The Group has instituted a policy for covering the main insurable risks, with the insured amounts and deductibles it considers to be compatible with the nature of its activities. Furthermore, the occurrence of one or more major claims for damages, even if they are covered by these insurance policies and/or even if they were caused by a third-party fault in manufacturing or installation, could seriously impact the Group's activities and financial position given the interruption in its services that could result from such claims, the delays in insurance company payouts in the event that the policy limits are exceeded, and the resulting increase in future premiums.

The Group's main policies, taken out with internationally respected insurance companies, are as follows:

• **Third party liability** covering personal injury, damage to property and consequential damage, caused to third parties due to the Group's activities. The maximum insured limits are:

- Operational third party liability: €8 million per claim;
- Third party liability after delivery: €16 million per insured year
- Legal action and defense: €100,000.

Professional third party liability is also included in this policy as additional cover with a separate limit of €800,000.

Property damage and operating losses, with the following total limits including a limit of €65 million per claim:

- "Property damage" limited to €136 million covering fire, explosion and special risks, and €2 million for flood - Deductible of €300,000 per claim;
- "Operating losses" limited to €60 million gross profit - Deductible of 3 working days;

A second, top-up insurance line of €20 million was set up as of January 1, 2016.

For purposes of these two policies, the Group has also for many years operated a risk prevention process which involves asking its insurers to provide consulting engineers to carry out annual audits, and implementing any resulting recommendations.

Manufacturing defects, for architectural composite materials and for breathable products. The total limits are €1,524,000 per year and €762,000 per claim.

The Group also has policies to cover the following:

- Transport - inventories and transits;
- Key personnel (Sébastien Ferrari and Romain Ferrari);
- Automobile fleet;
- Credit insurance;
- Directors' and officers' liability.

The Group also has insurance policies for its Swiss entities.

Should one or more of these risks materialize, they could have a material adverse impact on the Group's business, outlook, financial position, earnings or growth.

The expenses recognized by the Group for all of its insurance policies totaled €0.9 million for fiscal year 2015.

1.10.6. Risks related to the Company's organization

Risks of dependency on key personnel and on the need to attract and retain it

The Group could lose key personnel and be unable to attract new skilled personnel**.**
The Group's success largely depends on the involvement and expertise of its executive team as well as on the directors of the operational entities and managers of departments such as R&D, marketing and supply chain. The Group's executives are also significant shareholders in the Company: see Section 5.1.1 of this Registration Document on the shareholder structure and Section 3.1. for a description of the executive team.
Despite the structure put in place to secure the Group's development, the prolonged unavailability or departure of one or more of these people or other key employees could entail:

- the loss of know-how and customer relationships and the weakening of certain activities, all the worse if transferred to a competitor;
- - a shortage of technical skills, which may slow down certain business segments and, over time, restrict the Group's ability to achieve its objectives.

The Group also needs to recruit new senior managers, sales staff and skilled staff to develop its activities. Despite the Group's attractiveness in the light of its growth prospects, it may be unable to attract or retain these key people on economically acceptable terms. Such a situation could prevent it from achieving its overall objectives and could have a material adverse impact on its business, earnings, financial position, growth and outlook.

Faced with this risk, the Group has progressively put in place contractual provisions specific to its activity and in compliance with labor laws, including non-compete, intellectual property and confidentiality clauses. Lastly, the Group strives to provide a dynamic and motivating working environment and pay policy.

Risks related to external growth operations

As part of its growth strategy, the Group may envisage acquiring synergetic companies, activities or technologies to pursue its business development, improve its competitiveness in one or more of its current markets, or penetrate new markets. The Group cannot guarantee that such acquisition opportunities will present themselves, or that its acquisitions will turn out to be profitable.
Despite the structure put in place to this effect and the Group's experience curve in this matter, newly acquired entities may prove difficult to integrate, may temporarily monopolize and divert the management team from the Group's existing activities, dilute existing shareholding or negatively impact the Group's financial results and thereby have a material adverse impact on the Group.

1.10.7. Legal and arbitration proceedings

As of the registration date of this Registration Document, there were no administrative, legal or arbitration proceedings, including any proceeding of which the Company is aware, suspended or threatened, or is or has been in progress over the past 12 months, that may significantly affect the financial position, business or earnings of the Company and/or any of its subsidiaries.

2. Corporate social responsibility

2.1. Social and environmental report

The social and environmental report has been published as a separate document on the Company's website www.sergeferrari.com, providing an improved reading experience compared to the insert found on pages 58 to 114 of this Registration Document.

CSR Report 2015

2015 report
on social, environmental
and corporate
information

Serge Ferrari

60


CSR Report
2015

Serge Ferrari

A little lightness...

FORE-WORD

Nothing is more important than a company's first CSR report. Except for the second.

By its very nature, a CSR report is part of a progressive approach, presenting a comparison of yesterday's reality with today's reality.

That is why, in this second report, we paid careful attention to not only keep all the indicators presented on page 42, but also to respect a similar editorial structure.

Both discerning and unfamiliar readers will find a consistent attitude, inspired to speak of things in simple terms and concentrate our attention on meaningful criteria relating to our industry activity. This attitude has driven Serge Ferrari since our meeting in the 2000s with Thierry Kazazian, who published a remarkable book in 2003: *"There will be an age for lighter things."*

> "By setting the foundation for a lighter economy, Thierry Kazazian projected us into a possible future"

Beyond the work's resonance with the origin of our company, an innovation called Précontraint® that lightens product weight while offering higher performance (see p. 3), we developed an affinity with the thoughts of a man who had no problem facing reality while identifying an ideal to be reached.

His considerations for water, energy, living environments, architecture, and mobility, along with the boldness of his scenarios for transforming society, were particularly stimulating.

By setting the foundation for a lighter economy, Thierry Kazazian projected us into a possible future.

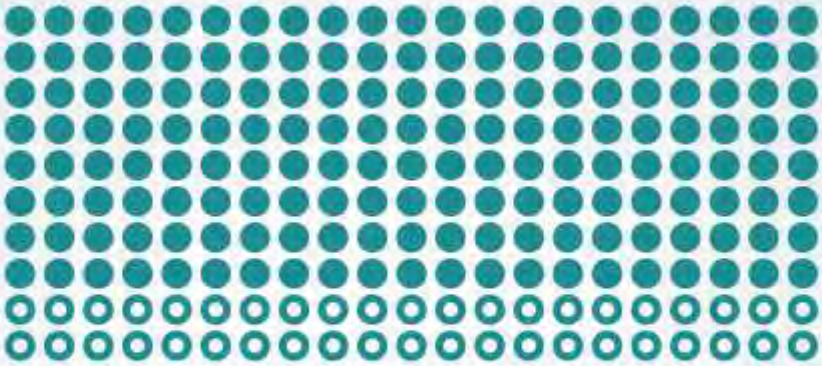
10 years later, we would like to believe that we are already there, even if significant progress still remains to be made, as demonstrated by this CSR report.

Romain Ferrari | *Chief Executive Officer*

Thierry Kazazian, a pioneer in sustainable development applied to design, passed away on January 30, 2006 at the age of 44, ten years ago this year.
Far from ecological fundamentalism, Thierry Kazazian advocated environmentally-respectful aesthetics, which he would summarise by speaking of "sustainable and desirable development." This visionary then expanded his scope of attention to our lifestyles and usages to extract the concept of a "lighter economy." Thierry Kazazian directly assisted the early steps towards Serge Ferrari's progressive approach.

...and realism

OUR ENVIRONMENTAL IMPACT



●	Extraction, Production of raw materials and Transport	80%
○	Transformation, Manufacturing, End-of-life	20%

The main part of Serge Ferrari's impact occurs upstream of the transformation business.

Extraction, production of raw materials and transport represent a huge majority of overall impact.

This reality fully justifies the strategy carried out by Serge Ferrari, which combines:

- Light weight (reducing material per unit of provided service)
- Re-integration (functionality economy)
- Re-use (second life in a new application)
- Recycling (regeneration of raw materials)

These circular economic actions reduce environmental impact significantly.

Contents

63

→ I. ABOUT US

→ II. WHAT ARE OUR SIGNIFICANT IMPACTS AND HOW CAN WE REDUCE THEM?

→ III. APPENDICES

64

29 minutes of useful reading...

An average reader will take just under half an hour to get through this CSR report, which focuses on:

- Significant impacts
- Measures implemented to reduce these impacts
- Initiatives taken to go further

enhanced reading

As you read through this document, you will see the term "Enhanced reading," enabling you to enrich your reading experience with bonus video and audio segments. This extra content is available in the interactive PDF version of this report, available and downloadable on our website.

The first section of this report provides an overview of the company.
The second section focuses on its impact.
The third section presents our indicators with respect to Article 225 of the Grenelle II Act.

Our business activities, our products

Serge Ferrari has been designing, manufacturing and distributing innovative flexible composite materials, delivered on reels, since 1973. Starting with a single application, the company has expanded its offering, which now covers three sectors :

→ Innovative composite materials for architecture

Précontraint® composite tensile roofs, solar protection and bioclimatic façades, acoustic solutions and waterproof breathable membranes.

→ Advanced composite materials for professionals

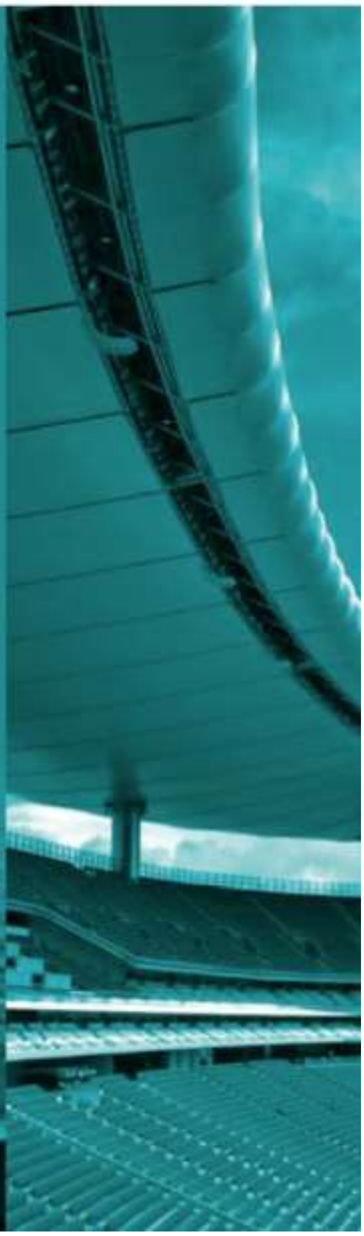
Lightweight, scalable structures for industry, environmental protection, bio-energy, safety and visual communications.

→ Composite membranes for consumer markets

Indoor and outdoor furniture, yachting and solar protection.

The durability, strength, lightness and recyclability of materials used by Serge Ferrari meet the requirements of sustainable construction:

- Lower material density
- Energy savings
- Functional strategy
- Circular economy



CONTRIBUTION

Dominique Bourg

"We should not delude ourselves: let us brave a perma-circular approach!"

"The economic growth model of the 1960s, in which we force ourselves to indulge, is no longer viable. Increasing GDP is no longer in phase with growing employment and general well-being, while inequalities have never been so pronounced. Recycling by itself is not a sufficient answer to the depletion of natural resources, the exploitation of which is also becoming increasingly energy intensive. For example, given the annual rate of growth in steel consumption, recycling only enabled saving 5% of the resources exploited during the XX[th] century. In other words, the growth rate in resource consumption is the factor that sets the stage for the effectiveness of its recycling. These incontrovertible observations should encourage us to choose a new economic approach that strikes the right balance of inequality reduction, employment, well-being and environmental protection.

> "The growth rate in resource consumption sets the stage for the effectiveness of its recycling"

The circular economy seeks to preserve the fundamental characteristics of our Earth system, while also considering its limits. This model is based on a combination of 4 key factors, the "4 Rs": reduction, re-use, remanufacturing, and recycling. While industrialists have relatively little control over the first R because it involves a community commitment, they are, on the other hand, responsible for the other three.

The Serge Ferrari group is one of the pioneers encouraging this movement, as some of its initiatives are driven by a strategy of minimal flow reduction, directly related to the circular economy. The Transatube garden chair, designed with a recyclable composite fabric seat, and specially developed for an alternative consumer target, promotes a new mode of consumption that is compatible with a sustainable industrial approach emerging from collaboration between different stakeholders, namely Serge Ferrari, Lafuma and Botanic. This effort is an example of the strong sustainability we need to build: achieving success in business terms and, at the same time, giving direction to society."

Dominique BOURG, Professor at the Faculty of Geosciences and Environment of the University of Lausanne

enhanced reading
To read more about Dominique Bourg's work, see the article in OFCE no. 145

enhanced reading
Transatube: **a successful collaboration** between Serge Ferrari, Lafuma and Botanic

MILESTONES IN OUR HISTORY

- **1973** Company founded by Serge Ferrari
- **1974** First development of the Précontraint® process
- **1985** Approval of the diversified niche business model
- **1997** Acquisition of the Batyline® business (Taraflex)
- **1998** Vinyloop® basic process with Solvay
- **2000** Acquisition of Swiss-based Tersuisse (Lucerne) (JV with Rhodia Group)
- **2001** Acquisition of Swiss-based Forbo-Stamoid (Zurich)
- **2002** Foundation of Serge Ferrari North America (Florida)
- **2004** Development of Serge Ferrari Japan (Tokyo)
- **2005** Acquisition of a 100% interest in Tersuisse
- **2007** Development of Serge Ferrari Asia Pacific (Hong Kong)
- **2008 2012** New Group ERP (SAP)
- **2011** Launch of the Serge Ferrari umbrella brand
- **2012** Foundation of Serge Ferrari Brasil; Improvement of product mix; New sales organisation
- **2013** Re-engineering of formulations; Industrial efficiency plan
- **2014** Company becomes a French limited company with a Board of Directors; Initial public offering
- **2015** Development of international sales teams and major customer alliances

Key 2015 data

REVENUE

148.4 M€

Revenue breakdown by geographical region

37% Southern Europe

37% Europe wide

26% Rest of World

Revenue breakdown by market

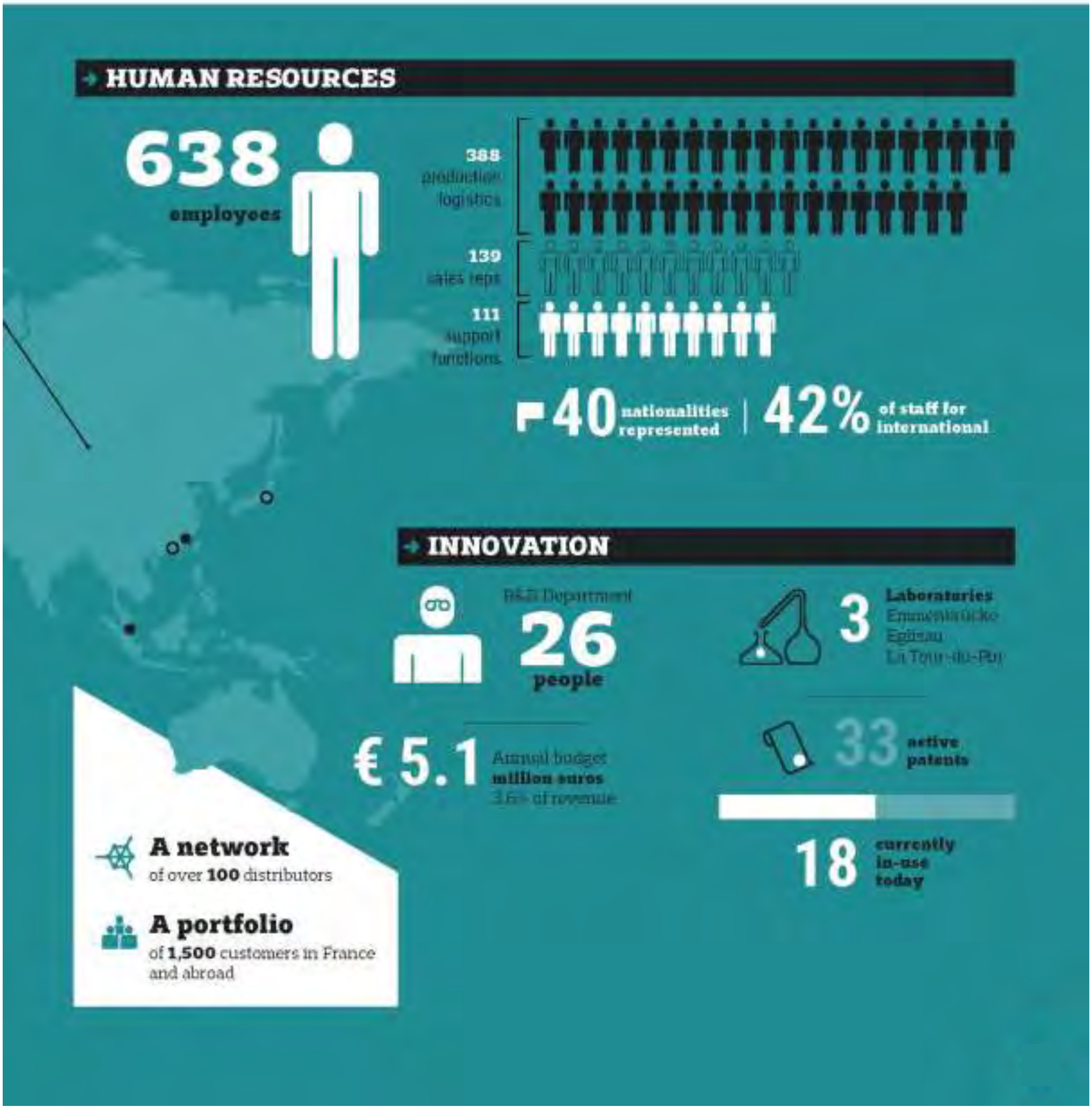
40% Innovative materials for architecture

36% Advanced materials for professionals

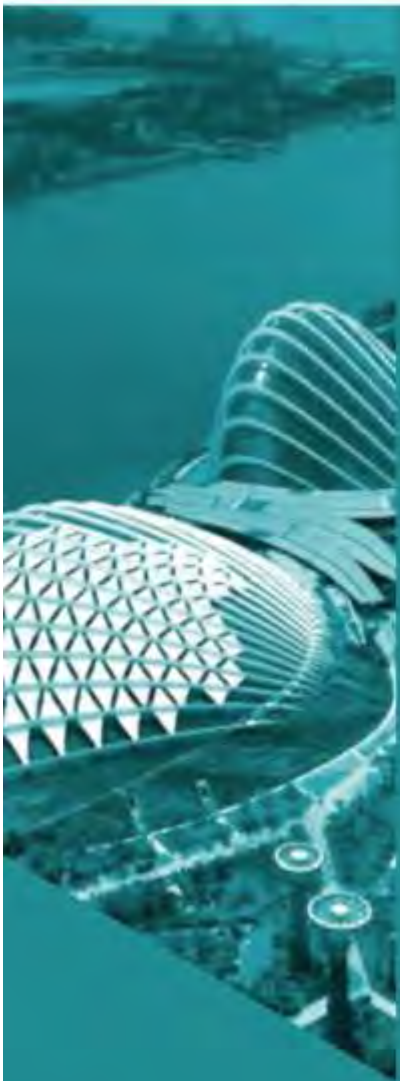
24% Composite membranes for consumer markets

INTERNATIONAL

- Production and recycling sites
  La Tour-du-Pin (France), Eglisau (Switzerland), Emmenbrücke (Switzerland), Ferrara (Italy)
- Subsidiaries
  United States, Japan, Hong Kong, Brazil
- Offices
  Spain, Turkey, China, Singapore, Dubai


HUMAN RESOURCES
638
employees
388
production
logistics
139
sales reps
111
support
functions
40 nationalities represented
42% of staff for international
INNOVATION
R&D Department
26
people
3 Laboratories
Emmenbrücke
Eglisau
La Tour-du-Pin
€ 5.1 Annual budget
million euros
3.6% of revenue
33 active patents
18 currently in-use today
A network
of over 100 distributors
A portfolio
of 1,500 customers in France and abroad

Our model



→ Innovative industrial production technology

In 1973, Serge Ferrari invented Précontraint®, a patented material that combines light weight, strength and durability and offers a weight-performance ratio that meets the requirements of the most demanding projects.
Thanks to this technological advance, the Group continues to expand in numerous markets, notably internationally.

→ Lightening construction systems

Using Précontraint® composite materials helps reduce the material density of structures while increasing the functional density of resources.
These materials are:

- Intrinsically economical in their use of raw materials
- Lightweight, extremely strong and exceptionally durable
- Quick to implement (prefabrication prior to deployment)
- Easily scalable, dismantlable and reusable,
- 100% recyclable via the Texyloop process

→ Reducing energy consumption

Précontraint® composite membranes help improve the energy footprint of buildings by achieving efficient solar gains. They contribute effectively to reducing the use of air conditioning.

→ Optimising visual and acoustic comfort

Thanks to their different texture and transparency options, Précontraint® composite materials provide the right amount of natural or artificial light, without sacrificing user comfort. Their intrinsic acoustic absorption performance is high and eliminates the need to use bulky absorbent materials.

Second life
for London Olympic Stadium roof

In 2014, the flexible Serge Ferrari Précontraint® composite roof covering the London Olympic Stadium was dismantled entirely in order to reduce the arena's seating capacity from 80,000 to 25,000 people. 33,000 sq. meters of material was fully recycled in 2015 using the Texyloop® process, producing an Ecocert certified second-generation, non-woven material.

Non-woven Texyloop®, used for growing mats and filtering layers.

enhanced reading

Texyloop as seen by **Dan Epstein**, Sustainable Development Manager, ODA (Olympic Delivery Authority)

> Respecting our objective to leave a positive mark following the Olympic Games of 2012, the London Olympic Stadium was dismantled and its roof recycled after the event.

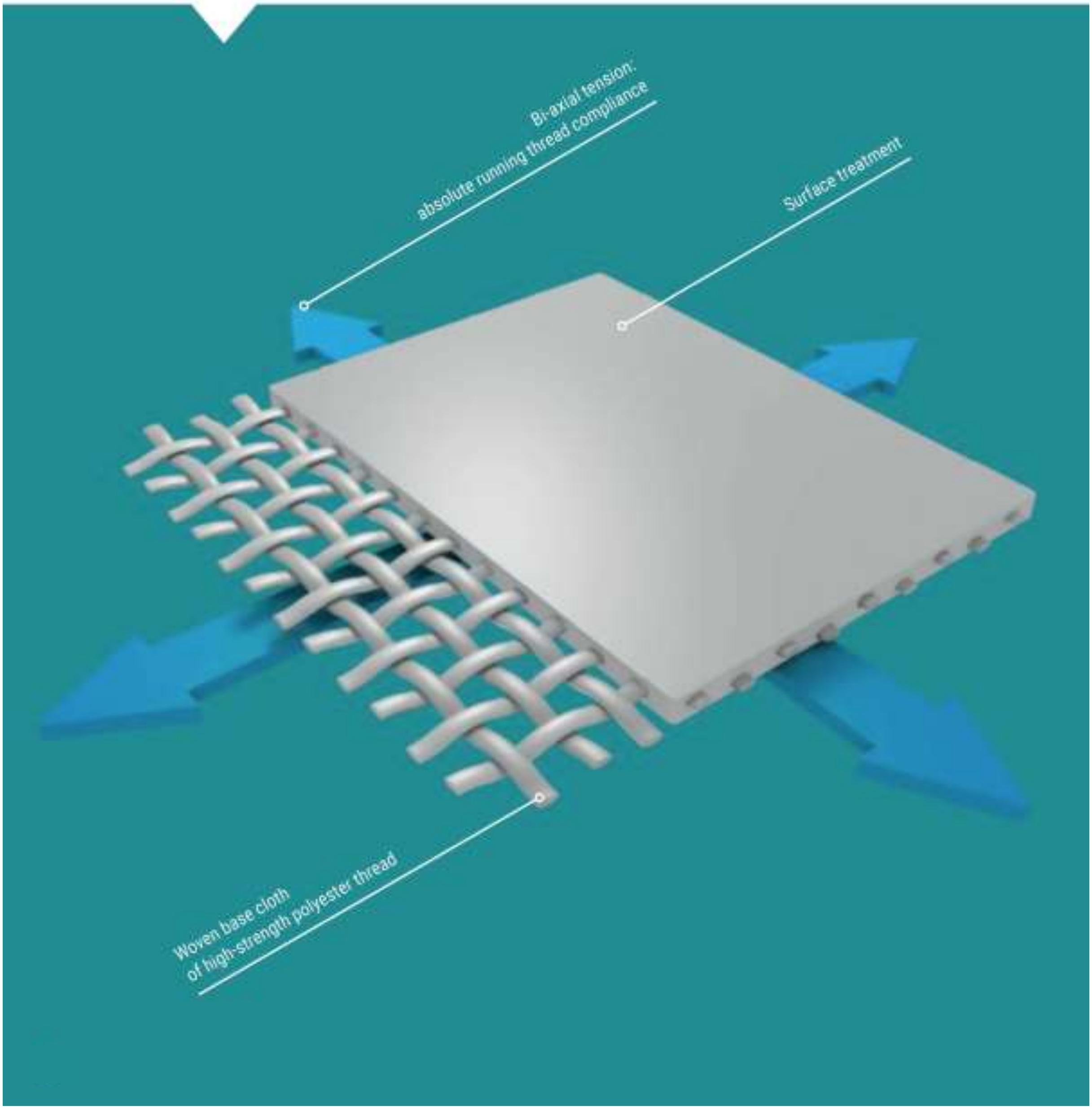
This action resulted in the following environmental savings:

6,304 m³ **water savings**

53 T eq CO_2 **CO_2 reduction**

1,547,679 MJ **energy savings**

Our technology



→ Précontraint® technology: the manufacturing process

Précontraint® technology involves **performing the coating operation under bi-axial tension** (both in the warp and weft directions) throughout the manufacturing cycle. The flexible, high-strength PET micro-cable woven base cloth is coated with several layers of polymers while remaining under bi-axial tension: this provides a dual benefit, namely **eliminating distortions** under load and **avoiding the need to periodically** adjust material tension after final assembly.

→ Mechanical and aesthetic durability

The applied tension results in a flatter membrane. **It is better protected by a very thick, uniform layer of coating on top of the threads.**

Conversely, materials produced using standard industrial technologies display significant shrinkage and are therefore less protected by the coating, leading to faster deterioration.

→ Stable dimensions

Tensioning the membranes throughout the coating process also makes them highly resistant to stretching over the long term. As such, Précontraint® materials offer **resistance to extension that is practically negligible** in the warp direction as compared to conventional materials.


What are our
significant
and how can we


impacts
reduce them?
1
2
3

Our components are based on synthetic chemistry

→ IMPACT

The raw materials we use in our manufacturing processes include a large number of synthetic chemical products, such as: PET and PVC resins, as well as solvents, silicones, varnish and plasticizers.

→ KEY DATA

35,746

the number of sq m produced containing bio-sourced materials

100%

of our products offer an R+ profile

66%

the percentage of our products having undergone an LCA

→ INITIATIVES

We are committed to measuring and reducing the health and environmental footprint of our products with several different methods:

- **We perform Life Cycle Assessments** on our products (LCA, a method of evaluating a product's environmental impact throughout its entire life cycle). At this time, we perform this assessment on 66% of our products. These LCAs, which are ISO 14040-44 certified, are performed by specialized and independent consultants (EVEA Conseil, CIRAIG).
- **We created a committee called VIGI-ALERTE** in 2015 (see p. 24). The goal of this committee is to foresee regulatory changes and recommend alternatives. For example, we developed **phthalate-free products** such as Batyline NON FR, Stamskin ZEN and Stamskin TOP.
- **Above and beyond FDES** (environmental and health declaration forms), **we also produced EPD** (Environmental Product Declarations) for three of our Soltis solar protection screen lines (see p. 34).
- **We enhanced the ECO IDENTITY tool**, developed in 2014, with a communication mechanism: **R+**.

R+: a tool **that promotes the company's efforts and helps users** make decisions.

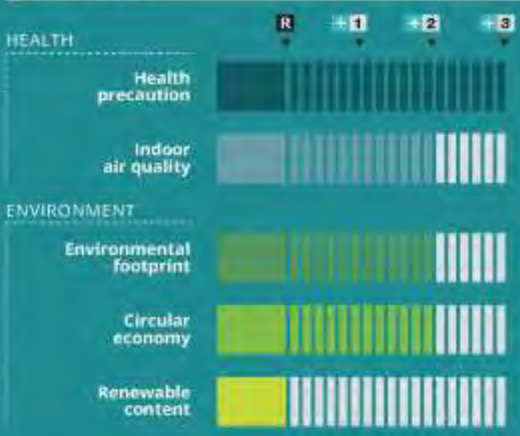
Serge Ferrari exceeds regulatory requirements in matters concerning health and environmental safety. These advances are in line with the company's desire to build excellence in all areas. More generally, they embody its societal and environmental commitments and its ability to innovate. Above all, the advances lead to safer products that are more respectful of the environment. To measure and steer its efforts, Serge Ferrari leverages a specific tool (Eco Identity, presented in the 2014 report) to establish the health and environmental profile of each product. This profile establishes performance in five areas: health precaution, indoor air quality, environmental footprint, circular economy and renewable content.

Based on the usage of a given product, this profile enables us to validate specific performance as well as to orient future effort. For example, a product that is used mainly inside buildings (a screen for indoor shutters) is subject to greater attention on the indoor air quality criteria.

To better share its proactive advances, Serge Ferrari chose to equip itself with a simple communication mechanism called R+, thereby confirming its desire to take measures above and beyond regulatory requirements (R).

This communication mechanism, compliant with the ISO 14021 environmental communication standard (accurate, substantiated, not misleading, verified) guides decisions for stakeholders in the cycle: from maker clients to end users. It helps arbitrate health and environmental priorities, and usages between R&D and the Marketing department.

SAMPLE FOR STAMSKIN ZEN R+ PROFILE



> ***Stamskin ZEN*** *composite coating material, for intensive-use indoor or outdoor furniture, achieves significant progress for all health criteria: Stamskin ZEN is guaranteed Sanitized® and benefits from a class A+ rating. 100% recyclable, Stamskin ZEN exceeds regulatory requirements concerning environmental footprint and circular economy criteria.*

Our plants consume and discharge

→ IMPACT

Our production sites and offices consume resources, such as water, air, electricity and gas. Our plants also emit pollutants, such as wastewater and VOCs (volatile organic compounds).

→ KEY DATA

0

hours downtime for our VOC mitigation system in France

100%

of our workshops equipped with LEDs by 2017

6

sites certified ISO 50001 in 2015

→ INITIATIVES

By the end of 2016, our goal is to succeed in reducing our total energy consumption relative to our annual production volume.

Energy management

• We implemented **a global energy management system** compliant with the ISO 50001 standard, today covering the 6 sites within the UES (social and economic unit) scope of Serge Ferrari SAS.

• **Energy sponsors**, coordinated by the QSE Department, are in charge of deploying our **action plan and its 5 facets**: recovering heat, improving energy utility performance, improving process energy performance, improving energy management, resolving regulatory non-compliance. Example: to reduce electricity consumption generated by production site lighting, neon tubes are being replaced progressively by LEDs, which will equip 100% of our facilities by 2017.

ISO 14001 certification

• Our French production sites (France UES) Switzerland (Serge Ferrari AG), and the Vinyloop Ferrara Spa recycling plant are **certified ISO 14001** (that is, 72% of the group's sites). On February 12, 2016, the France UES production sites were awarded **ISO 14001 version 2015 certification**.

VOC mitigation

• We are continuing to apply a **prevention and anticipation plan**, initiated in 2000, enabling us to minimise downtime of our system to mitigate volatile organic compound (VOC) emissions during the varnishing phase, which requires the use of large amounts of solvent. The investment and resulting steering improvements enabled us to achieve an extremely high operating level for our VOC system in France:
> 2014: 44 hours downtime (for 183 production days)
> 2015: 0 hours downtime (for 192 production days)

Serge Ferrari audits its greenhouse gas emissions

In application of French law No. 2012-557, of April 24, 2012, Serge Ferrari acquired a dedicated application, Toovalu, to audit its greenhouse gas emissions.
Scope 1 concerns the company's **direct emissions** (gas and fuel combustion, non-energy processes, furtive air-conditioning emissions); **scope 2** expands on scope1 to include **indirect emissions**, notably those related to electricity consumption. France and Switzerland are concerned by this audit.

	2014	2015
CO_2 emissions - Scope 1	10,875	10,724
CO_2 emissions - Scope 2	11,614	12,662
Energy consumption (GWh)	62.5	63.5

Indicators in tonnes of CO_2 (eq)

Serge Ferrari is committed to carbon pricing

Taking into account a cost for carbon when making investment decisions enables us to expand the concept of project profitability and to correct for the disconnection between private and social yield.

This approach is sometimes used by public authorities in specific project cost-benefit analyses for both infrastructure and public policy.

In a similar manner, by taking a voluntary and proactive approach, the Serge Ferrari Group decided in 2016 to apply carbon pricing in all investment project evaluations whenever such consideration has the potential to prevent at least 100 tonnes of CO_2 (eq) per year.

Waste is an issue

→ IMPACT

Our LCAs have shown us that 80% of the impact of our products occurs in the upstream sector of our industry, during raw material extraction and production processes.

enhanced reading
What is the **industrial reality of recycling** via Texyloop today?

→ INITIATIVES

To limit this impact, we leverage the use of our materials by investing in their recycling and re-integration.

Recycling

• We are expanding the use of our **patented recycling process: Texyloop**. This process consists of transforming used composite materials in order to obtain a PVC compound (granules) and uniform polyester fibres of very high quality. We developed this process together with an industrial partner, with whom we jointly manage a plant located in Ferrare, Italy, capable of recycling several hundred tonnes of used materials per year. The plant has been operating since 2008. Our collection network now includes 136 industrial companies who have signed the Texyloop Charter. Our investment has totalled over 15 M€ since the project's launch in 1998.

• Texyloop enables us to reduce our impact via **oversetting**, an operation even more efficient than insetting. By recycling 768 tonnes/yr, we reduced the impact of our activities by 18% (tonnes CO_2 eq). A relatively simple calculation shows that recycling 5,000 tonnes of end-of-life products every year would enable us to offset this impact via a "zero-sum" effect.

• We are developing **commercial applications for the "secondary" polyester fibres** produced by recycling.

• In parallel with recycling composite membranes, which is merely the culmination of their life cycle, we are working to support options for **re-integrating and reusing them.**

enhanced reading
6,000 sq m green roof
made from Texyloop fibres at ENS Lyon

enhanced reading
Freitag®, [illegible] used flexible composite materials

→ KEY DATA

15.4 M€
amount Serge Ferrari has invested in Texyloop activity since 1998

768 tonnes
of composite materials recycled via Texyloop in 2015

François-Michel Lambert: materials thinking at Serge Ferrari

A study performed by the Circular Economy Institute and the E&Y Cleantech and Sustainability team, **The Circular economy, a key trajectory to fight against climate change**, attracted the attention of Serge Ferrari for its approach relative to reducing the environmental impact of its products. *"By taking a materials-oriented approach, Serge Ferrari is joining the circular economy movement: the group has become an expert in composite materials, from which it intends to generate value effectively under current market conditions. Positioning certain products for functional savings, and within re-integration cycles, embodies thinking that highlights the efficiency of materials. The Texyloop recycling effort is also involved with this logic, which considers waste as being the state of a given material at a specific point in time, and not its culmination,"* explains François-Michel Lambert, President of the Circular Economy Institute. The actions undertaken by the Serge Ferrari group nonetheless remain isolated. *"It is the work of local initiatives to encourage the intensified use of materials in order to reduce upstream extraction, which represents considerable carbon weight. Adapting materials thinking on a macroeconomic scale requires raising awareness by public buyers and other economic stakeholders, and then citizens by association"*, concludes François-Michel Lambert.

"The Texyloop recycling effort is involved with this logic, which considered waste as being the state of a given material at a specific point in time, and not its culmination"

François-Michel Lambert,
Founder and president of the Circular Economy Institute

Reducing impact by **oversetting**

	Consumption or emissions		Reduction from recycling activities		Savings from oversetting (%)	
	2014	2015	2014 (900 t)	2015 (768 t)	2014	2015
Energy (GWh)	62.5	63.5	-8.88	-7.58	-14%	-12%
CO_2 (t equiv.) Process - Scope 1	10,875	10,724	-2,295	-1,958	-21%	-18%
Non-Hazardous Waste (t)	2,046	1,899	-246	-210	-12%	-10%

Our operators may work under difficult conditions

→ IMPACT

The teams working at our production facilities are exposed to noise, high temperatures, substances and electromagnetic fields.

→ KEY DATA

7/7 days

corresponds to the Coating/Polymer facility activity, with the implementation of a team of 10 alternates to optimise the load on our production tool.

€120,000

dedicated to research and toxicology lab tests on endocrine disruptors (EDCs)

→ INITIATIVES

To limit exposure for our production teams, we are reinforcing our risk prevention and management program.

"VIGI-ALERTE" Committee

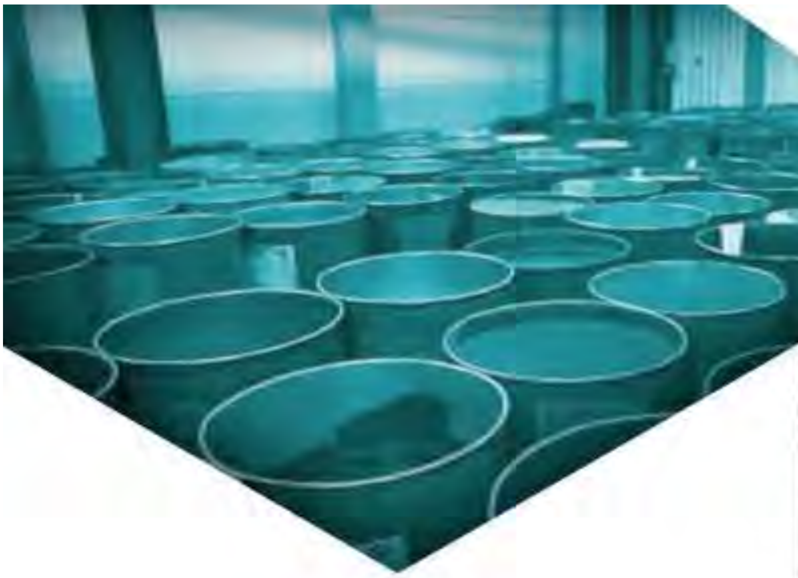
• In order to be more proactive, **we created a VIGI-ALERTE committee starting in November 2015**. Under the responsibility of the group's CEO, this committee unites internal experts from R&D, the QSE department, purchasing and, depending on the topic, outside experts. Its action, which focuses far upstream from current regulations (such as REACH), seeks to detect early signs of health and environmental risks related to substances or technologies.

• **The work performed by the VIGI-ALERTE committee led us to undertake studies on exposure to nano-particles** at all sensitive areas of our production sites, and to implement new PPEs, Personal Protective Equipment such as air-supply hoods for eye and respiratory protection, and cuffs for protecting the most exposed skin areas. Its work to continually monitor and prevent potentially dangerous substances for human and environmental health helps us consider alternatives for substitution, such as blowing agents and thermal stabilisers).

Health and Safety at Work

• To improve monitoring of exposure conditions for our employees, we acquired a software application dedicated to health and safety at work. Operational as of the second half of 2016, this software will centralise and update all health-safety data using a single tool. This concerns both regulatory aspects such as the Single Document (an analysis of occupational risks) and operational aspects (choice of personal protection equipment, declaration of work-related accidents, chemical risks, etc.).

Serge Ferrari is working in partnership with the software developer to adapt and design new features to increase responsiveness within its organisation.



The VIGI-ALERTE committee as seen by **Jacques de Gerlache**, eco-toxicologist and co-founder of GreenFacts[1]

"The VIGI-ALERTE committee offers a continuation of initiatives related to activity sustainability undertaken by the Serge Ferrari for the past many years. It reaches even further with respect to anticipating regulatory changes. The focus of the VIGI-ALERTE committee is demonstrated by its studies on nano-particle exposure – which are not covered by current legislation – as well as tests carried out regarding potential alternatives for some current products: staying one step ahead on topics involving group strategy that could be subject to restrictions by authorities.

> “VIGI-ALERTE: staying one step ahead on all topics that involve Group strategy and which could be subject to restrictions by authorities”

This approach applies both to raw materials and technologies used in production processes. It is all the more important because some topics are a source of concern with respect to certain risks perceived by public opinion and Group customers.

It took about a dozen years to determine that plasticizers used by the Group, for PVC applications in particular, do not represent any health risk[2] under their usage conditions. Hence the public's interest in having access to accurate and reliable information on these topics. That is exactly why GreenFacts was created.

While major groups have implemented similar programs over the past several years, the VIGI-ALERTE committee is still an original initiative for a mid-sized company such as Serge Ferrari. It is an example to be highlighted for other SMEs involved in other business sectors, as it affects a company's ability to innovate and adapt. It is also a means to optimise investment policy and R&D policy."

[1] *GreenFacts is a non-governmental association that publishes, on its website, factual summaries and confirmations of international reports on health and environmental topics in terms designed to reach non-specialists.*

[2] *It is important not to confuse danger related to the intrinsic properties of a given product, and risk related to the probability of being exposed to that danger. If one is not, or little, exposed to a danger or dangerous product, there is no risk: it is the authorities' duty to set limits.*

enhanced reading

See the **GreenFacts video** on this topic: [illegible]

We are not immune to the risk of accidents

→ IMPACT

Our industrial activity represents risks for our employees

→ KEY DATA

€127,594

total budget dedicated to investment in safety

€97,794

invested in health-safety training for our employees

243

people have received health & safety training (including mandatory training) for France UES

→ INITIATIVES

We took a survey of our employees in order to deploy a global program to encourage good practices.

Survey

• In 2015, we continued our training initiatives related to preventing risk and controlling safety rules, dedicating a budget of over €97,000 on health-safety training group wide. In parallel, we **conducted a safety survey** among our employees at the La Tour-du-Pin site. This survey confirms that technological solutions (equipment), no matter how evolved they may be, are not sufficient to ensure optimal safety.

Group Safety Charter

• In addition to existing initiatives, we decided to deploy a **Safety Charter** covering all of our production facilities in order to prevent the risk of accidents and to reinforce our safety policy. Expressed in four **universal safety rules (USR)**, the Charter targets behavioural aspects and reconfirms that safety is a strategic point for the Group, at the same level as economic performance and innovation. **It addresses all employees, with each helping to implement a mindset based on horizontal safety covering all of the Group's activities.** The program's effectiveness will be evaluated by 2018, with the goal of **improving individual and collective awareness regarding good practices and behaviours to be adopted regarding safety risks.**

Specific safety rules

• In parallel, **specific safety rules (SSR) were written by and for users, taking into account differences in work environments.** The SSRs will be rolled-out progressively throughout France in 2016 (La Tour-du-Pin pilot site), to be continued in Switzerland in 2017.

Indicators

• The **absenteeism rate** is relatively low: it reached 4.15% overall for the Group (within France and Switzerland) in 2015.

• **The severity rate** of reported accidents is also below average compared to other companies in the sector: 0.42 (compared to 1.7 for the textile industry).

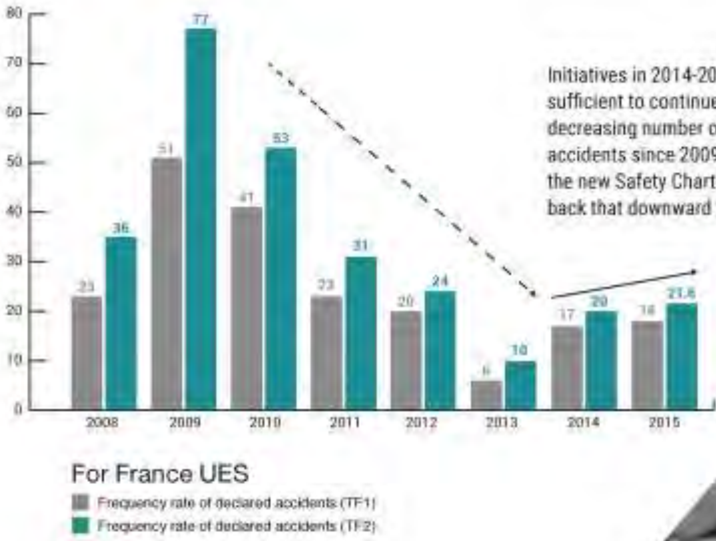
Deploying a safety mindset at a Group level,
a priority direction in the training plan

The Safety Charter confirms a significant cultural change for the Serge Ferrari group. Applying the Charter involves providing support through our training plan implemented in 2015. In addition to inter-industry professional qualification, which includes a safety course, our employees working at production facilities take required training for driving vehicles, and additional training focusing on health and safety at work. Training is also provided for managers in charge of relaying the universal safety rules described in the Charter to their teams. A program encouraging employees to take responsibility for safety was initiated in 2015. The goal is to develop, over time, a mindset based on horizontal safety and to ensure that these everyday rules are shared by all employees. More specifically, employees are brought to examine their own practices and the conditions under which they exercise their jobs, while continuing to participate in defining specific safety rules (SSR).

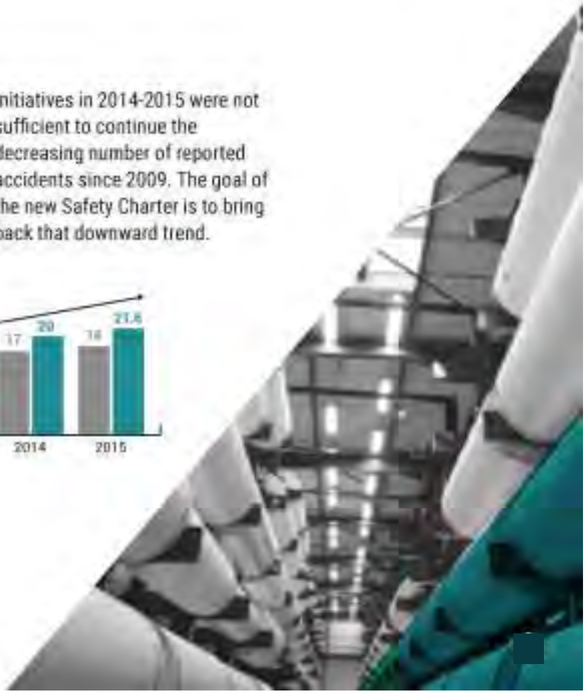
Work-related accidents and absenteeism (France and Switzerland)

	2014	2015
Accident frequency rate (TF1*)	NC	17.67
Accident frequency rate (TF2)**	21	20.03
Accident severity rate (TS2*)**	0.55	0.42
Absenteeism rate (illness and lost time)	4.15%	4.17%
Number of days absent	4,831	5,011

* TF1 = Number of accidents with lost time x 1,000,000 / hours worked
** TF2 = Number of reported accidents x 1,000,000 / hours worked
*** TS = Number of lost work days x 1,000 / hours worked



Initiatives in 2014-2015 were not sufficient to continue the decreasing number of reported accidents since 2009. The goal of the new Safety Charter is to bring back that downward trend.



Our human capital is to be preserved and developed

IMPACT

Given the physical nature of the jobs performed within the Group, the increasing average age of our employees represents a challenge for extending their careers.

INITIATIVES

With our employees' job experience being a strong sign of their commitment and expertise, we strive to maintain this wealth for the company.

Physical hardship plan

• In 2015, we continued to **roll out the physical hardship plan** initiated in 2011. Machines created partly by our engineering office were implemented at our production facilities in order **keep employees from having to carry heavy, repetitive loads.** 5 of our 7 sites are now equipped. Initiatives to raise awareness were undertaken with employees to inform them about the risks of not wearing hearing protection in production areas. An Occupational Health Nurse was hired in September to complete our prevention action, and to become more attentive to our employees' health overall. Meetings were held to focus on the topic of physical hardship in all departments, with the goal of **renewing the physical hardship agreement and the generation agreement planned for 2016**.

Promoting teams

• At the same time, we are committed to **promoting the skills and work performed by our production employees by**:
- Informing operators about the final applications of the products they make in the workshop every day, and the most representative commercial successes.
- Allowing managers the independence required to develop their teams.

Salaries within France UES

• We implement a **compensation policy that is higher than the national average** on the production side, within the scope of France UES.
- The teams receive a salary equivalent to 1.9 times the French minimum wage overall.
- A profit-sharing scheme has been set up that includes both production management staff and staff in the direct labour category. These employees share in the profits proportionally to the Group's overall performance in terms of productivity and quality.

• All Group employees benefit from **complementary and indirect income**:
- French employees have benefited from a family mutual insurance, as well as personal insurance, for many years. Serge Ferrari also finances healthcare insurance for all of its foreign employees.
- The Company has had a mandatory profit-sharing agreement since December 16, 2004.
- A collective retirement savings plan (PERCO) was set up on December 6, 2011. Over 55% of employees have enrolled in the plan to date.
- A Serge Ferrari collective employee shareholder mutual fund (FCPE) was set up on April 28, 2014. 49% of employees have subscribed to the fund.

→ **KEY DATA**

€320,000
invested over three years to introduce the physical hardship plan (France)

48%
of the French employees became shareholders when the Group was listed on the stock exchange in 2014

92%
of the Group's employees are on permanent contracts (France & Switzerland)

7.3%
employee turnover rate (France and Switzerland)

Our human capital is to be preserved and developed

Developing our employees' skills

The high technical level and the quality of the products we produce are linked directly with our goal to maintain and increase our employees' skills continually. For that reason, Serge Ferrari invests approximately 3% of the overall payroll on employee training every year.

In response to needs expressed by production managers, inter-industry professional qualification programs with certification, have been deployed in workshops since 2012. These long training sessions – 70 hours total per person – offer employees an opportunity to take an industrial equipment driving exam upon completion of the program. Sessions are provided directly at production facilities, which enables us to maintain work volumes, and staff salaries, during quiet activity periods. Given the specificity of our products and professions, we have increased the number of internal training initiatives, currently handled by 8 trainers – one for each professional focus. Designed to integrate new employees, parallel programs also help build value from internal training actions. In addition to a 6-month tutorial process, which includes regular evaluations, advisers, different team managers, are in charge of both teaching them their jobs, and transmitting corporate values and culture.

Training is also provided for managers, who now have a leading role in relaying safety policy to their teams (see p. 27). Other training programs are offered to sales teams on topics such as team management, managing distributor networks, and more, in order to support the Group's international development. A total of 278 employees received training in 2015, representing nearly 7,000 hours.

→ KEY DATA
for France UES

278
people trained

6,996
hours of training provided

16
employees obtained professional qualification

Summary of training

Areas covered by training: safety, management, communication, multi-skilling

→ INVESTMENT IN TRAINING DURING 2015 (FRANCE UES)

Total training cost in Euros

	Women		Men		Total	
	2014	2015	2014	2015	2014	2015
Supervisors	17,044	5,377	76,666	98,796	93,710	104,173
Executives	36,533	77,939	76,903	145,568	113,436	223,507
Employees	30,600	27,233	13,438	6,754	44,038	33,986
Production operators	264	2,269	66,185	153,305	66,449	155,574
Total	84,441	112,818	233,192	404,423	317,633	517,240

→ BREAKDOWN OF EMPLOYEES WHO COMPLETED AT LEAST ONE TRAINING COURSE IN 2015 (FRANCE UES)

Number of people who benefited from a training course

	Women		Men		Total	
	2014	2015	2014	2015	2014	2015
Supervisors	5	3	33	52	38	55
Executives	13	29	39	46	52	75
Employees	20	30	7	5	27	35
Production operators	1	6	53	107	54	113
Staff trained	39	68	132	210	171	278
% of staff trained	46%	74.73%	53%	80.15%	51%	78.75%

→ KEY DATA (TRAINING BUDGET IN 2015)

€517,240

invested in training in 2015

6

in-house trainers

78.75%

employees who took a training course in 2015 (France UES)

Our human capital is to be preserved and developed

Combining technique and a flow-based approach in workstation ergonomics

Launched in 2011, the physical hardship plan began with an initial internal audit phase focusing on equipment and activity flows. This study showed us that 40% to 50% of the flows related to preparing orders could be handled differently, in a manner that would eliminate the need for our employees to carry heavy loads. For the remaining workflows, our engineering office leveraged standard machinery available on the market to elaborate and develop accessories adapted to our operations. Three pieces of equipment were set up successively in site logistics areas from 2012 to 2015: an entirely automated forklift able to pick parts located 2 to 8 metres from the ground, thereby eliminating all carrying operations for operators; a forklift designed to lift rolls stored perpendicularly in aisles; and a forklift able to lift rolls off the ground, with length up to 3 metres and weighing as much as 100 kg, placed in parallel along aisles.

A long-term approach

These initiatives are the result of significant investment driven by a long-term approach. *"It's about enabling an operator to prepare orders until the end of his or her career. But the job is hard on the body, which is why it is important to improve employees' work conditions in order to prolong their career. If we think about it in "dry time", that is, if we only look at immediate productivity, an operator who lifts a 50 kg roll directly by hand offers better performance than a machine. However, that operator has to repeat the task for 8 hours in a row. In the long-term, it's the machine that proves to be more efficient. In addition, if we include the inconveniences generated by handling operations, such as sick leave, vocational rehabilitation, and more, the demonstration is even clearer,"* explains Gilles Gauzargues, logistics manager in charge of these deployments. He adds: *"Of course, not everything involves technical aspects. The relationship with this new equipment requires appropriation time, which leads to assimilating new movements and new postures. Managing change with employees is therefore just as important as the inventions created by our engineering office, which are themselves derived from prior consideration for our activity workflows."*

Other arrangements are planned for 2016, notably the integration of a new packaging line without any heavy lifting needed on old-generation inspection machines at the transformation facility.

Internal communication:
we can do better!

Often considered as a weak point in mid-sized companies, internal communication nonetheless has numerous virtues: developing a feeling of belonging, distributing horizontal information about company life, providing keys for understanding strategy and, lastly, driving structural initiatives such as Corporate Social Responsibility.

By leveraging a strong tradition of oral communication, "walking management", the company no doubt neglected to produce regular materials, now more than ever considered to be necessary, given the increased number of sites and international development strategy. This situation was revealed in a qualitative study based on interviews conducted in Q2 2015.

There are several areas for progress. The study points out, among other things, the irregularity of internal information, panels in the workshops not updated (even though they were renovated in 2012), and a lack of strategic information as well as the order of distribution (with external targets often taking priority over internal teams). The observation is indisputable, itself worthy of an action programme to rectify the situation. Thinking on this topic, which was launched by ordering the study, is heading in that direction and should, starting in 2016, lead to several major initiatives to reverse the trend. The first of these is to ensure that this CSR report is distributed first internally to each employee. It is all the more important to communicate effectively at this time when a new strategy is being implemented and new managers and sales representatives are joining the company.

We must raise customer awareness

IMPACT

Our customers want to better promote the health, environmental and societal performance of our products in their markets.

enhanced reading

[illegible] **Locabri** [illegible]

INITIATIVES

We help our customers measure the environmental footprint of their products and services.

Life Cycle Assessments

• **We perform Life Cycle Assessments** (LCAs) on our products to measure our environmental impact. We also manage LCAs for some of our customers' applications to help them measure the environmental impact of their solutions. These LCAs are performed by a specialised, independent auditor. 7 LCAs have been managed for our customers since 2011, each one covering a specific area.

Alter-consumption

• We also manage **alter-consumption studies** for customers with products designed for consumer market. This enables them to understand a new user target – "alter-consumers" – highly sensitive to recycling, and seeking product offers whose environmental footprint is measurable. Transatube garden chairs, with their interchangeable textile finishings, were developed jointly by Lafuma and Botanic in 2010, meeting these new needs precisely (see p. 11).

Prescription supported by R+

• The **R+ mechanism**, which establishes the health and environmental profile of our products, and highlights the proactive measures taken by the company, represents an additional guarantee for our customers who are subject to strong environmental constraints, such as architects and engineering offices.
R+ complies with the ISO 14021 environmental communication standard: accurate, substantiated, not misleading and verified.
R+ also enables transformers and international distributors to meet their own end-customers' expectations, often sensitive to arguments concerning the qualitative origin and ecological impact of products.

EPD

• **We give our customers access to the official EPD (Environmental Product Declaration) reports for our solar protection screens**: Soltis 86, Soltis 92 and Soltis 99. Governed by the European standard EN 15804, these EPDs are also available in the IBU database (Institut Bauen und Umwelt e.V), in compliance with the International EPD System.

92

EPD: offering a reliable point of comparison between a product and its future use

Environmental Product Declarations (EPD): present the results of a product's Life Cycle Assessments (LCA) for a given function and market, based on very precise rules. These declarations make it possible to check whether a product's LCA corresponds to the recommended usage, and to measure the benefits induced by the application context.

In 2015, Serge Ferrari established EPDs for its Soltis line of solar protection screens. These EPDs are an extension of FDES declarations – the French equivalent to EPD – which interest our direct customers as well as end-users, notably architects, who are subject to strong environmental constraints.

Given the high cost of these studies, the elaboration of our future EPDs will be guided by users' needs. For example, engineering offices are required to comply with new standards and environmental evaluation methods for buildings (such as BREEAM), which involve providing precise data regarding the materials used in a given building to calculate the overall environmental footprint. Over the longer term, the Group would like to implement EPDs for all of its products.

Environmental Product Declaration

SOLTIS 92
Technical Textile

According to
ISO 14025

Publisher
UL ECO-INSTITUT GmbH
Sachsenring 69
50677 Cologne
Germany

Programme holder
Institut Bauen und Umwelt e.V.
Panoramastr 1
10178 Berlin
Germany

Author of the Life Cycle Assessment
EVEA Conseil
35 Rue Crucy
44000 Nantes
France

Owner of the Declaration
Serge Ferrari
BP 54
38352 La Tour-du-Pin
France

We are expanding our cooperation with our stakeholders

→ INITIATIVES

· **We are continuing our commitment to the industrial sector**, notably through a network of makers-installers, "Serge Ferrari Experts," which today comprises nearly 90 members across 8 European countries.

· **We are consolidating our partnerships with industrial companies** that want to recycle their used composite materials. A member of the Texyloop recycling network since 2007, Compagnie Internationale André Trigano (CIAT) confirmed its commitment by entrusting us with the end-of-life management of canvas bungalows from its Campéole open-air hotel business. 37 bungalows were recycled in 2015.

· **We are thinking up new areas of application for our products.** Following four years of design and development efforts by our R&D teams, in collaboration with Norwegian engineering offices, Serge Ferrari delivered a composite membrane to create an 80 tonne underwater pocket that was installed in a Norwegian aquafarm during the summer of 2015.

· **We support key research activities for studying the effects of climate change on ecosystems.** Since 2009, the teams at TARA Océans have been mapping the biodiversity of marine plankton, which not only produces half of our oxygen, but is also at the base of the ocean food chain that feeds fish and marine mammals.

→ KEY DATA

89

Serge Ferrari Experts in 8 European countries

37 bungalows

recycled at their end-of-life in 2015 for CIAT

→ **CIAT** is committed to the **circular economy**

Compagnie Internationale André Trigano (CIAT) produces canvas structures for campground professionals and municipalities. Since 2007, the company has transferred nearly 92 tonnes of material scraps from its mesh-making workshops to the Texyloop division.

In 2015, CIAT's Campéole open-air hotel business went even further, sending its end-of-life canvas bungalows to Texyloop for recycling. *"The covers for 37 bungalows were recycled through Texyloop. It seemed natural for us to make sure that when we change our bungalows, the canvas would not simply vanish into a traditional disposal circuit, where it most likely would be incinerated. Instead, we wanted it to be recycled and reintegrated into a current usage context,"* says Laurent Champion, director for the Camping Campéole Plage Sud de Biscarrosse-Plage.

Based on Life Cycle Assessments performed by EVEA, comparing the impact of landfill or incineration scenarios, the Texyloop recycling solution generated water savings of 649 m³, CO_2 reduction of 4.7 T (eq) and energy savings of 132,429 MJ.

→ TARA Expéditions: Large-scale evaluation of the impact of climate change on ocean ecosystems

The partnership between Serge Ferrari and Tara Expéditions began in 2009, when the schooner TARA set out to explore seas and oceans around the world to study plankton and the impact of global warming on the planet.

enhanced reading

Presentation by **Romain Troublé**, Secretary general of Tara Expéditions at the "Climat Comprendre et Agir" conference organised by Serge Ferrari alongside COP 21

Over the course of a four-year expedition, 35,000 samples were collected to examine the biodiversity of marine plankton, their interactions and the manner in which they behave and react in their environment when faced with different variables, including temperature.

Representing an unprecedented knowledge base for the scientific community, this data is expected to alter the approach to climate change and its impact on humans.

Éric Karsenti, director of Tara Océans and research director at EMBL (European Molecular Biology Laboratory) and CNRS (Centre National de la Recherche Scientifique), says: *"Beyond the cutting-edge scientific research that was carried out, this adventure also shows how very important oceans are for our own well-being."*

EcoCage: a concept that supports eco-responsible aquaculture

More than ever, "blue growth" needs to move towards lower impact solutions, notably reducing discharges and limiting the use of antibiotics.

In 2015, testing began on a brand new 80-tonne EcoCage at the Sulefisk As Solund sea farm in Norway.

Equipped with a membrane specially designed by Serge Ferrari (which required four years of work and development to resist the extreme conditions of the North Sea), the EcoCage is sealed: the sea floor is entirely protected from any pollution or discharges.

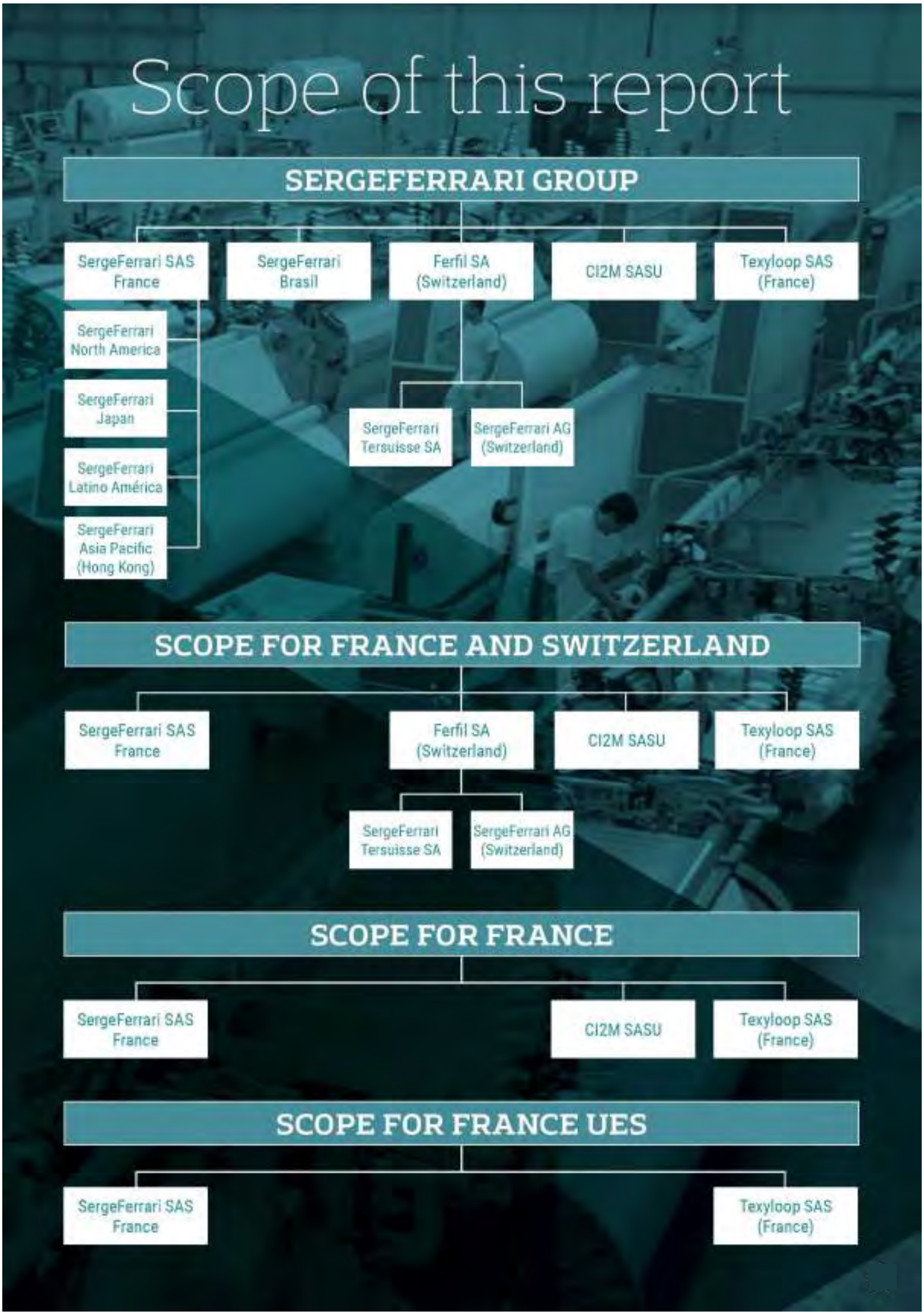
Another advantage related to the performance of this membrane, a closed circuit enables aquaculture production to be increased without the intensive use of antibiotics. For example, nearly 1.2 million salmon weighing 1 kg each, will be raised in this EcoCage.

At end-of-life, the Texyloop process ensures materials recycling.

enhanced reading

Marine aquaculture of the future

Appendices


Scope of this report
SERGEFERRARI GROUP
SergeFerrari SAS France
SergeFerrari Brasil
Ferfil SA (Switzerland)
CI2M SASU
Texyloop SAS (France)
SergeFerrari North America
SergeFerrari Japan
SergeFerrari Latino América
SergeFerrari Asia Pacific (Hong Kong)
SergeFerrari Tersuisse SA
SergeFerrari AG (Switzerland)
SCOPE FOR FRANCE AND SWITZERLAND
SergeFerrari SAS France
Ferfil SA (Switzerland)
CI2M SASU
Texyloop SAS (France)
SergeFerrari Tersuisse SA
SergeFerrari AG (Switzerland)
SCOPE FOR FRANCE
SergeFerrari SAS France
CI2M SASU
Texyloop SAS (France)
SCOPE FOR FRANCE UES
SergeFerrari SAS France
Texyloop SAS (France)

Notes about methodology

1. ORGANISATION AND METHOD OF REPORTING

Quantitative data was collected from the various departments (Human Resources, Quality, Safety & Environment, Accounts) at each facility (France and Switzerland unless stated otherwise). The data provided by the various contributors was then consolidated on a Group level (unless stated otherwise in the cross-reference table or text body).

The quantitative social and environmental data included in this report was collected and aggregated on a Group level using our consolidation software (Staff and social information: ADP for French payroll, Excel spreadsheets for the other units. Environmental data: shared business application databases).

The qualitative data was collected via targeted interviews with Group and external personnel and controlled in-house by Executive Management, and the Human Resources and Safety departments.

The Senior Vice President has been given responsibility for Group CSR reporting.

Data consistency is checked by a CSR report drafting committee, comprising representatives of Executive Management and the HR and Safety departments, at each stage of the report preparation process.

2. REPORTING SCOPE AND PERIOD

The staff, social and environmental reporting covers the fiscal year ended December 31, 2015 and the following companies: Serge Ferrari Group SA, Serge Ferrari SAS, Serge Ferrari Brasil, Ferfil SA, Serge Ferrari Tersuisse SA, Serge Ferrari AG, Texyloop SAS, CISM SASU, Serge Ferrari North America, Serge Ferrari Latino America, Serge Ferrari Asia Pacific and Serge Ferrari Japan.

These companies are all fully integrated within the CSR reporting scope. Vinyloop Ferrera S.p.A., a joint venture in which Texyloop holds 40%, is excluded from the reporting scope.

Some indicators are excluded from the aforementioned scope, owing to a lack of information regarding Group facilities located outside France. These exceptional exclusions are clearly specified individually in the cross-reference table provided in the report. They do not involve significant issues.

The data collected covers the period from January 1, 2015 to December 31, 2015 inclusive.

3. RELEVANCE OF SELECTED INDICATORS

The choice of relevant indicators was made by the report project team, comprising: Executive Management and the HR and QSE departments. The relevance of the chosen indicators was assessed with regard to the social and environmental impacts of Group company operations and the occupational risks associated with the professions exercised.

Given Serge Ferrari Group operations, the following information was deemed irrelevant and was not included in the report: "Other initiatives implemented to promote human rights" and "Fighting food waste."

4. DETAILS ON METHODOLOGY

Energy consumption includes the energy used to heat buildings and for production processes in France (La Tour-du-Pin) and Switzerland (Eglisau and Emmenbrücke). The published data corresponds to the invoiced totals for the period in question.

Water consumption includes general usage and cooling systems. Consumption is calculated according to the criteria recommended by ISO 14040-44 for life cycle assessments. Under these criteria, water used in cooling systems is considered to be "consumed".

All energy and water measurements for France and Switzerland are made using the same method, that is, from physical meter readings or invoices defining the consumption period. Among commercial subsidiaries, the energy and fluid usage of companies with very low consumption was not included. As most facilities have an ISO 14001-certified management system, these readings are audited on an annual basis.

CO_2 emissions consist of fossil fuel emissions generated by our processes and emissions caused by the oxidization of solvents used to process flexible composite materials at the La Tour-du-Pin and Eglisau production plants. This information is taken from a greenhouse gas assessment. Therefore, CO_2 emissions from goods transportation and, in particular, employee business trips are not included.

Hazardous and non-hazardous waste corresponds to the volumes of waste collected at the production plants in France (La Tour-du-Pin) and Switzerland (Eglisau and Emmenbrücke). These volumes are monitored in accordance with classification established by EU law.

Regarding **staff**, French employees are governed by French employment law and foreign employees by the laws of their respective countries. The headcount calculated as of December 31, 2015, includes hires and departures during the year, employees on permanent and fixed-term contracts and professional qualification, apprenticeship, "wage portage" and expatriate employees (expatriates and Volunteers for International Experience).

Regarding remuneration and changes thereto, the remuneration paid to corporate officers of Serge Ferrari Group and Serge Ferrari Participations is included in the reported quantitative data. Payroll includes salaries, employer's social security contributions and profit-sharing.

Absenteeism: absence due to illness including occupational illness and industrial accidents. Long-term illnesses (longer than one year) are excluded. Calculation methods are based on working days.

Industrial accidents consist of work accidents occurring in 2015, excluding relapses.

The frequency rates are calculated as follows:

TF1 = Number of reported accidents with lost time x 1,000,000 /hours worked.

TF2 = Number of reported accidents x 1,000,000 / hours worked.

TS = Number of lost work-days x 1,000 / hours worked

Training hours include e-learning provided by external providers, the personal training allowance (CPF), face-to-face training, training eligible or not for funding under the company training plan, and both in-house and external training.

The disabled employee ratio is based on the number of persons employed.

* We include consideration for long-term illnesses and relapses when calculating rates.

5. EXTERNAL AUDITING

This corporate, social and environmental information is audited by an independent third-party organisation, Mazars SAS, a member of the Mazars SA network, your Company's statutory auditors, accredited by COFRAC (French accreditation commission) under number 3-1058. The scope of accreditation may be found on www.cofrac.fr.

The auditors' findings are presented at the end of the report on **page 56**.

Indicators and cross-

The data and figures set out in this section cover the Group overall unless otherwise specified.

Headings in Article 225 of the Grenelle II Act	Indicators	Quantified 2014 items	Quantified 2015 items
ENVIRONMENTAL INFORMATION			
A | General environmental policy			
Manner in which the company is organized to take environmental issues into account and, where applicable, environmental assessment or certification initiatives.	% of facilities concerned by environmental certification	53% ISO 14001	72% ISO 14001
	Percentage of articles covered by an LCA (Life Cycle Assessment)	NC	66%
	Number of customers who benefited from environmental assessment support	6	7
	Product ranges concerned by FDES environmental and health declarations and EPDs	2	3
Initiatives implemented to train and inform employees about protecting the environment	Number of employees trained on environmental protection	110	96
	Expenses incurred for health & safety training > Scope: France > Scope: France and Switzerland	€85,544 NC	€88,980 €97,794
Resources dedicated to preventing environmental risks and pollution	Initiatives taken to prevent environmental and health risks		
	Percentage of products concerned by a health and environmental measure indicator	95%	100%
Provisions and guarantees for environmental risks		€486,153	€486,152
B | Pollution and waste management			
Measures to prevent, reduce and remedy discharges into the air, water or soil that have severe impact on the environment	Initiatives launched		
	Hazardous waste (tonnes)	432	456
	Non-hazardous waste (tonnes)	2,046	1,899
	Wastewater (tonnes, VOC) > Scope: France > Scope: France and Switzerland	60 NC	37.7 39.5

reference table **Grenelle II**

	Qualitative items	More details
[redacted]		
	In 2015, our production facilities in France (France UES) and Switzerland (Serge Ferrari AG), and the Vinyloop Ferrara S.p.A. recycling plant, were certified ISO 14001. We implemented a global energy management system compliant with ISO 50001 certification at 5 of our facilities.	Page 76
		Page 74
	7 customer LCAs have been performed since 2011, for the following companies: Lafuma-Botanic, Locabri, Mediamax, Roeder, Buisson Effilochage, Filature du Parc and SOCCA	Page 90
	We updated the ACV, EPD and FDES files for Soltis 92, 86 and 99 solar protection screens in compliance with the EN 15804 construction standard.	Page 90
	People receiving specific training on fire safety (notably on fire containment measures).	
		Page 82
	> In November 2015, we set up a VIGI-ALERTE committee, whose action seeks to detect early signs of health and environmental risks related to substances or technologies. > We commissioned a campaign to measure exposure precisely at all sensitive areas of our production facilities (France UES). This campaign follows up on our 2013 campaign on volatile organic compounds (VOC).	Page 80
	The R+ program we created applies to 100% of our finished goods.	Page 75
	Financial guarantee to be established with respect to depollution requirements (Metaleurop judgement, Bachelot Law). Serge Ferrari chose to implement this cost progressively starting July 1, 2014.	
	Creation of secure above-ground storage for flammable liquids.	
		Page 79
	% reduction taking into account Texyloop recycling: - 10%	
		Page 76

Indicators and cross-

The data and figures set out in this section cover the Group overall unless otherwise specified.

Headings in Article 225 of the Grenelle II Act	Indicators	Quantified 2014 items	Quantified 2015 items
ENVIRONMENTAL INFORMATION			
B | Pollution and waste management			
Measures for preventing, recycling and eliminating waste	Investment dedicated to Texyloop	1 M€	1.5 M€
	Number of tonnes of materials collected per year	460	428
	Number of tonnes of materials recycled per year	907	768
	Number of Texyloop Charter signatories	113	136
Measures regarding noise nuisance and any other form of pollution specific to a business activity	Number of people trained	21	125
C | Sustainable use of resources			
Water consumption, water supply with respect to local constraints Scope: France & Switzerland	Water (m^3 x 1,000)	628	846
Consumption of raw materials and measures taken to improve efficiency of their use Scope: France & Switzerland	PET, resins and other polymers (tonnes)	11,050	12,031
	Fillers & additives (tonnes)	2,781	2,180
	Plasticizers (tonnes)	3,142	3,240
	Solvents (tonnes)	1,431	1,332
	sq m of products containing bio-sourced materials	100,000	35,746
Energy consumption, measures taken to improve energy efficiency and the use of renewable energies Scope: France & Switzerland	Energy (GWh)	62.5	63.5
Land use			
D | Climate change			
Adaptation to the consequences of climate change	Actions taken Processes only		
Greenhouse gas emissions Scope: France & Switzerland	Tonnes, CO_2 Scope 1 Scope 2	10,875 11,614	10,724 12,682

reference table **Grenelle II**

Qualitative items	More details
15.5 M€ since 1998.	
As collection began in 2004 (and recycling in 2008), we have inventory to recycle, which explains why we have focused more on recycling than collection.	
Our Ferrare facility was halted for 2 months in 2015 to implement technical changes.	Page 78
Texyloop has united and grown a European-wide network that collects its own end-of-life composite materials, and/or those of third-party companies, including workshop scraps and used materials.	
125 people received specific training on noise nuisance and radiation protection with respect to the use of measurement materials requiring accreditation.	
Water consumption is related to equipment cooling. Water is discharged as-is into the natural environment, with an increase in temperature restricted to 3°C.	
	Page 74
We are currently developing eco-designed products comprising plasticizers that are exclusively bio-sourced in order to obtain the necessary approvals for our requirements.	Page 74
The 62,540 MWh that we consume break down as follows: Gas: 21,600 / heating oil: 9,700 / electricity: 32,200 % reduction taking into account Texyloop recycling: - 11% > To reduce electricity consumption for production facility lighting by 50%, neon bulbs are progressively being replaced by LEDs, which will equip 100% of our workshops by 2017.	Pages 76,77
The Group's production facilities are not located on sensitive sites.	
Our applications (bioclimatic facades, urban shade screens and green roofing) provide technical solutions in a context of rising temperatures.	
In 2015, the Serge Ferrari Group undertook in-depth analysis of its greenhouse gas emissions. Generated using dedicated Toovalu software, this data is referenced in the ADEME database.	Page 77

Indicators and cross-

The data and figures set out in this section cover the Group overall unless otherwise specified.

Headings in Article 225 of the Grenelle II Act	Indicators	Quantified 2014 items	Quantified 2015 items
ENVIRONMENTAL INFORMATION			
E | Protecting biodiversity			
Measures taken to develop biodiversity			
STAFF INFORMATION			
A | Employment			
Total headcount, breakdown of employees by gender, age and geographic region	Total headcount	**605**	**638**
	Number of employees working in France	**350**	**370**
	Average length of service – Scope: France	**11**	**11.7**
	Number of women in total headcount	**125**	**140**
	Number of men in total headcount	**480**	**498**
	Number of people assigned to commercial functions	**122**	**139**
	Number of people assigned to production / logistics functions	**377**	**388**
	Number of people assigned to support functions	**106**	**111**
	Breakdown by age group Scope: France	**< 30 yrs: 37** **30 to 39 yrs: 100** **40 to 49 yrs: 133** **> 49 yrs: 80**	**< 30 yrs: 46** **30 to 39 yrs: 108** **40 to 49 yrs: 135** **> 49 yrs: 81**
Hires and departures excluding professional qualification contracts – Scope: France	Hires	**26**	**40**
	Dismissals	**1**	**3**
	Other departures	**18**	**17**
Remuneration and evolution thereof	Overall payroll	**€38,649,000**	**€40,246,000**
	Percentage of employees who benefit from an incentive scheme Scope: France UES	**100%**	**100%**
	Percentage of employees who are shareholders in the Company – Scope: France UES	**49%**	**48.2%**
	Percentage of employees who are members of a retirement savings scheme - Scope: France UES	**55%**	**60.1%**
	Percentage of employees covered by a mutual health insurance company - Scope: France	**100%**	**100%**

reference table **Grenelle II**

Qualitative items	More details
[redacted]	
We are contributing to the development of pisciculture with low environmental impact, via the EcoCage application.	Page 97
[redacted]	
We hired 73 new employees, 13 of whom are in commercial functions, in order to accelerate the Group's international development goals.	Page 97
	Page 67
With respect to remuneration, the Serge Ferrari Group ranks above the average for its professional sector in terms of the salaries paid for blue and white collar positions (excluding profit-sharing/incentive scheme).	
All French employees are covered by an incentive scheme, but only staff belonging to the so-called "Available Labour" category and production management staff are covered by a system of variable incentive bonuses based on performance measured in terms of productivity and quality.	
A Serge Ferrari collective employee shareholder fund (FCPE) was set up on April 28, 2014. 48.2% of the employees have subscribed to the fund at this time.	Page 84
A retirement savings scheme (PERCO) was set up on December 6, 2011 via an amendment to the profit-sharing agreement. Today, over 60.1% of the employees are enrolled in the PERCO.	
All French employees are covered by family mutual insurance and personal insurance. The company also finances healthcare insurance for all of its foreign employees.	

Indicators and cross-

The data and figures set out in this section cover the Group overall unless otherwise specified.

Headings in Article 225 of the Grenelle II Act	Indicators	Quantified 2014 items	Quantified 2015 items
STAFF INFORMATION			
B | Work organisation			
Employment contracts - 2014 data concerns France only. - 2015 data concerns France and Switzerland including specific contracts for foreign employees in Switzerland	Percentage of permanent employees	92%	91.95%
	Percentage of production employees with fixed-term contracts	4%	4.53%
	Percentage of employees with temporary contracts	3%	5.01%
	Percentage of work-study contracts	1%	2.70%
Organisation of working hours	Number of people assigned to production/ logistics functions	377	388
	Number of part-time employees working in France	15	18
Absenteeism Scope: France & Switzerland	Absenteeism rate (illnesses and industrial accidents)	4.15%	4.17%
	Number of days absent (illnesses and industrial accidents)	4,831	5,011
C | Employee relations			
Organisation of employee relations, including information processes and processes for consulting and negotiating with employees	Participation rate in trade union elections	72%	-
	Works Council		
	Health, Safety and Working Conditions Committee (CHSCT)		
Summary of collective agreements	Number of agreements signed	2	2
D | Health and safety			
Health and safety conditions at the workplace	Initiatives implemented to improve health and safety conditions at the workplace		
Summary of agreements on health and safety at work signed with trade union organisations or employee representatives	Physical hardship plan (France)		
	Group Safety Charter		

reference table Grenelle II

	Qualitative items	More details
	Serge Ferrari aims to increase its teams' loyalty in order to retain its know-how. Hence a particularly high number of permanent employees.	Page 85
	Serge Ferrari is committed to maintaining its manufacturing base in order to control its manufacturing process and product quality. Hence a high number of employees in production and logistics.	Page 67
	The Group's absenteeism has remained stable, below the average rate for the same sector.	Page 83
	The last elections were held on November 13, 2014. The next elections will be held in 2018.	
	The Works Council comprises 16 people, divided into three groups: The 1st group includes Workers and Employees. The 2nd group includes Supervisors. The 3rd group includes Engineers and Executives. The Works Council meets once a month.	
	The Works Council and Personnel Representatives elected 6 members for a Health, Safety and Working Conditions Committee. This committee meets once a quarter.	
	In 2015, we signed an agreement concerning equality between men and women, along with required annual negotiations.	
	> Specific safety rules (SSR) written by and for users, will be rolled out progressively in France throughout 2016 (with La Tour-du-Pin as the pilot site), then in Switzerland starting in 2017. > We acquired a software application for health and safety that will be operational in Q2 2016.	Pages 82, 84
	We are continuing to roll out the physical hardship plan initiated in 2011. We have designed and implemented, at 5 of our 7 production facilities, machines that prevent employees from having to carry heavy or repetitive loads.	Page 84
	We are continuing to roll out our Safety Charter, initiated in 2015, for all of our production facilities, with the goal of finishing in 2017.	Page 82

Indicators and cross-

The data and figures set out in this section cover the Group overall unless otherwise specified.

Headings in Article 225 of the Grenelle II Act	Indicators	Quantified 2014 items	Quantified 2015 items
STAFF INFORMATION			
D | Health and safety			
Workplace accidents, notably their frequency and severity, together with occupational illnesses	Accident frequency rate (TF1) > Scope: France > Scope: France and Switzerland	NC NC	20.63 17.67
	Accident frequency rate (TF2) > Scope: France > Scope: France and Switzerland	21 NC	24.07 20.03
	Accident severity rate (TS) > Scope: France > Scope: France and Switzerland	0.55 NC	0.55 0.42
	Number of occupational illnesses Scope: France & Switzerland	0	0
	Number of work-related accidents > Scope: France > Scope: France and Switzerland	17 NC	14 17
E | Training			
Training policies implemented	Overall budget dedicated to training > Scope: France UES > Scope: France and Switzerland	€317,633 NC	€517,240 €579,708
	Number of in-house trainers > Scope: France UES > Scope: France and Switzerland	8 NC	6 18
Total number of training hours	Total number of training hours > Scope: France > Scope: France and Switzerland	4,213 NC	6,996 9,366
	Percentage of employees who took at least one training course during the year > Scope: France UES	51%	78.75%
F | Diversity, equal opportunity / equal treatment			
Policy implemented and measures taken to promote gender equality	Number of women hired > Scope: France	11	14
Policy implemented and measures taken to promote the employment and inclusion of disabled persons	Employment rate of disable persons (% of total headcount) > Scope: France UES > Scope: France	2.70% NC	3.97% 4.05%
	Number of jobs concerned - Scope: France	9	15
Policy implemented and measures taken to prevent discrimination	Number of young people (under 26) hired > Scope: France UES > Scope: France and Switzerland	6 NC	14 15
	Number of nationalities within the Group	33	40

reference table **Grenelle II**

	Qualitative items	More details
	Calculation obtained according to standards recognized by CARSAT. The accident frequency rate is within the average of companies in the same sector.	Page 83
	Calculation obtained according to standards recognized by CARSAT. Accidents mainly involved falls, cuts, sprains, fractures, and contusions.	
	For France and Switzerland, the budget breaks down as follows: Supervisors: €109,600 / Executives: €239,344 / Employees: €66,342 / Workers: €164,422	Pages 86, 87
	Training hours were provided for each employee category in France as follows: Supervisors: 76 / Executives: 91 / Employees: 66 / Workers: 190 These training courses covered the following areas: safety, jobs, psycho-social risk, communications and organisation.	Page 86
	Hires of women break down as follows: Permanent contracts: 6 / Apprenticeship: 2 / Professional qualification 2 / Fixed-term: 4	
		Page 67

Indicators and cross-

The data and figures set out in this section cover the Group overall unless otherwise specified.

Headings in Article 225 of the Grenelle II Act	Indicators	Quantified 2014 items	Quantified 2015 items
STAFF INFORMATION			
G | Promotion and compliance with the recommendations of the ILO Fundamental Conventions regarding:			
Freedom of association and the right to collective bargaining			
Eliminating discrimination in employment and occupation			
Eliminating forced or mandatory labour			
Effectively abolishing child labour			
SOCIAL INFORMATION			
A | Regional, economic and social impact of the company's activities			
In terms of regional employment and development	Partnerships with regional bodies working to promote employment		
On neighbouring and local communities	Discussions with local associations regarding the implementation of the Damselfly Biodiversity Plan		

reference table **Grenelle II**

	Qualitative items	More details
[redacted]		
	The Serge Ferrari Group takes care to establish transparent, sincere and respectful social dialogue with employee representative bodies, in accordance with the principle of respecting employees' rights.	
	The Serge Ferrari Group is committed to banning any form of discrimination in terms of recruitment and hiring stages, as well as during the performance or at the end of the employment contract.	
	The Serge Ferrari Group is committed to banning any forced or mandatory labour, notably through dialogue with the employee representative bodies. In addition, with the majority of our suppliers being European, the risk of exposure to forced or mandatory labour is negligible.	
	The Serge Ferrari Group complies with international conventions regarding the protection of children's rights. Furthermore, the Group's suppliers and sub-contractors are not manufacturing companies (they belong to the chemical and synthetic chemical sectors). As such, any exposure to the risk of child labour is negligible. Furthermore, most of our suppliers are European.	
[redacted]		
	We have set up a number of partnerships with regional bodies working in the areas of employment and training (on a permanent and work-study basis): - Chamber of Commerce and Industry - La Tour-du-Pin Sub-Prefectural Territorial Coordination Projects - District groupings - Regional junior high schools and high schools - Apprentice Training Centre - Rhône-Alpes DIRECCTE (Regional Department for Companies, Competition, Consumption, Labour and Employment) - CEPITRA (Rhône-Alpes Textile Industry Development Centre): regional professional training body - OPCALIA (training fund-collection body)	
	We are in contact with three local associations regarding implementation of the Damselfly Biodiversity Plan: - SMABB (Public-Private Development Association for the Bourbre Basin) > http://www.smabb.fr - Les Vallons de La Tour (district grouping) > http://www.lesvallonsdelatour.fr - Action Bourbre Responsable > http://www.action-bourbre-responsable.org The Steering Committee meets once a year. Operating meetings are organized at least once a quarter.	

Indicators and cross-

The data and figures set out in this section cover the Group overall unless otherwise specified.

Headings in Article 225 of the Grenelle II Act	Indicators	Quantified 2014 items	Quantified 2015 items
SOCIAL INFORMATION			
B | Relations with persons and organisations having an interest in the Company's business activities			
Conditions for dialogue with these persons and organisations	Relations with partners, distributors, specifiers, suppliers, subcontractors, customers, shareholders, Government authorities, associations and other stakeholders		
Partnership or sponsorship initiatives	Amount invested in sponsorship initiatives	€200,000	€200,000
C | Sub-contracting and suppliers			
Inclusion of social and environmental issues in the company's procurement policy			
Extent of sub-contracting, inclusion of suppliers' and sub-contractors' social and environmental responsibility in relations with them	Use of sub-contracting		
D | Fair practices			
Anti-corruption measures			
Measures taken to promote consumer health and safety			

reference table **Grenelle II**

Qualitative items	
Serge Ferrari organises dialogue with each stakeholder depending on the issues, identifying the relevant information channels and setting up appropriate locations and frameworks for dialogue, as necessary. Serge Ferrari is also a member of several organisations and institutes working to promote sustainable development, CSR and the circular economy: - The Orée association > http://www.oree.org - French Circular Economy Institute > http://www.institut-economie-circulaire.fr - Greenfacts > http://www.greenfacts.org/fr (founding member) - French Institute for Building Performance > http://www.ifpeb.fr Entrepreneurs d'Avenir > http://www.entrepreneursdavenir.com	Pages 65, 81, 93
Since 2009, we have supported Tara Expéditions, a French not-for-profit initiative that organises scientific expeditions to study and understand the impact of climate change on oceans (http://oceans.taraexpeditions.org)	Page 93
Our procurement policy is based on long-term partnerships. As such, 2/3 of our purchases are made from reliable suppliers with which we have long-standing relations (over 20 years). These partnership relations enable us to: > Maintain the competitiveness of our long-term purchases (TCO assessment: Total Cost of Ownership) > Jointly develop new products and new concepts in a collaboration-oriented manner (e.g. Texyloop, with Solvay).	
The Group is highly vertically integrated, and only leverages sub-contracting on a very occasional basis. This integration covers production, as well as production equipment manufacturing and maintenance.	
The risk of corruption is managed globally by separating consumption and execution tasks carried out by the Procurement Department and via the first risk-mapping process carried out in 2014, which identified the risk of corruption as possible and significant.	
In 2009, the Group launched a campaign to achieve compliance with EU regulations on REACH-classified chemical substances. Substitutes were found for 25 products used in the manufacturing process, including 5 materials substituted in 2015.	Page 74

Report by the Independent Third-Party Organisation on the consolidated corporate, social and environmental information provided in the management report

> FISCAL YEAR ENDED DECEMBER 31, 2015

To the Shareholders,

In our capacity as an independent third-party organisation, and member of the Mazars network, statutory auditors for Serge Ferrari, accredited by the French accreditation commission (COFRAC) under number 3-1058[1], we hereby present our report on the corporate, social and environmental information for the fiscal year ended December 31, 2015 presented in the Management Report (hereinafter the "CSR Information"), pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code.

> THE COMPANY'S RESPONSIBILITY

The Board of Directors is responsible for establishing a Management Report including the CSR Information provided for in Article R. 225-105-1 of the French Commercial Code, prepared in accordance with the procedures and definitions applied by the Company (hereinafter the "Standards"), a summary of which is provided in the Management Report, available upon request.

> INDEPENDENCE AND QUALITY CONTROL

Our independence is determined by regulations, our professional code of ethics, and the provisions set out in Article L. 822-11 of the French Commercial Code. In addition, we have implemented a quality control system that includes documented policies and procedures aimed at ensuring compliance with business ethics rules, professional practice standards and applicable legislation and regulations.

> THE INDEPENDENT THIRD-PARTY ORGANISATION'S RESPONSIBILITY

It is our responsibility, on the basis of our work:

- To certify that the required CSR Information is included in the Management Report, or that any omission is explained pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Certificate of inclusion of CSR Information);
- To draw a conclusion expressing reasonable assurance regarding the fact that all the significant aspects of the CSR Information, taken as a whole, are presented in a fair manner, in accordance with the Standards (Reasoned opinion on the fairness of the CSR Information).

Our work was performed by a team of five people over a period of around six weeks from February to March, 2016.

We performed the work described below in accordance with professional standards applicable in France and with the decree of May 13, 2013 setting out the conditions under which the independent third-party organisation performs its assignment, and with the ISAE 3000[2] international standard with respect to the reasoned opinion on fairness.

[1] *The scope of which may be accessed on www.cofrac.fr*
[2] *ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information*

1. CERTIFICATE OF INCLUSION OF CSR INFORMATION

We familiarized ourselves, through interviews with the managers of the concerned departments, with the presentation of the sustainable development objectives, in accordance with the social and environmental consequences linked to the Company's activities and its social commitments, and, where applicable, to the resulting initiatives or programs.

We compared the CSR Information set out in the Management Report with the list provided for by Article R. 225-105-1 of the French Commercial Code.
In the event that some consolidated information was missing, we checked that explanations had been provided in accordance with the provisions of the third paragraph of Article R. 225-105 of the French Commercial Code.

We ascertained that the CSR Information covered the consolidation scope, that is, the Company and its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code, and the companies that it controls within the meaning of Article L. 233-3 of that Code, within the limits specified in the methodology note set out in the Appendices of the CSR document. Based on this work, and given the limits set out above, we hereby certify that the required CSR Information is included in the Management Report.

2. REASONED OPINION ON THE FAIRNESS OF THE CSR INFORMATION

Nature and scope of the work

We held around ten meetings with the individuals responsible for preparing the CSR Information at the departments in charge of collecting the information and, where applicable, with the individuals responsible for internal control and risk management procedures, in order to:

- Assess the appropriate nature of the Standards in terms of their relevance, completeness, reliability, objectivity, and comprehensibility, taking industry best practices into consideration, where applicable;
- Verify that an information collection, compilation, processing and control process had been implemented, with a view to the completeness and consistency of the Information, and familiarise ourselves with the internal control and risk management procedures relating to the preparation of the CSR Information.

We determined the nature and extent of our checks and controls in accordance with the nature and significance of the CSR Information, in view of the Company's specific features, the social and environmental challenges posed by its business activities, its sustainable development strategy and industry best practices.
In the case of the CSR Information that we considered to be most relevant[4]:

- At the level of the consolidating entity and related entities, we consulted the documentary sources, and held meetings in order to corroborate the qualitative information (organisation, policies and initiatives). We then carried out analytical procedures on the quantitative information, checked the calculation and consolidation of the data on the basis of spot checks, and ascertained that it was coherent and consistent with the other information provided in the Management Report;
- At the level of a representative sample of entities or operations

[4] *Total headcount and number of men and women; payroll for the total headcount; frequency and severity rates for industrial accidents and number of industrial accidents; number of training hours per employee; energy consumption; amount (in tonnes) of hazardous and non-hazardous waste collected; and financing of retraining programs by the FONGECIF from an employment and regional development standpoint.*

that we selected[1] on the basis of their activities, their contribution to the consolidated indicators, their operating location and a risk assessment, we held meetings in order to ascertain the correct application of the procedures, and performed detailed tests on the basis of samples, which consisted in checking the calculations performed and cross-checking the data with the supporting documents.

The sample selected in this manner represented an average of 57% of the staff, and between 60% and 70% of the quantitative environmental information.

Regarding the other consolidated CSR Information, we assessed its consistency based on our knowledge of the Company.

Lastly, we assessed the appropriateness of the explanations, as necessary, relating to the fact that some information was wholly or partly missing.

We believe that the sampling methods and the size of the samples that we selected by exercising our professional judgement enable us to draw a conclusion expressing moderate assurance. A higher level of assurance would have required more extensive auditing work. Given the use of sampling techniques, and the other limits inherent to the operation of any information and internal control system, the risk of a material misstatement not being identified in the CSR Information cannot be completely eliminated.

[1] *Serge Ferrari SAS*

Conclusion

Based on our work, we did not identify any significant misstatements likely to call into question the fact that the CSR Information, taken as a whole, is presented in a fair manner, in accordance with the Standards.

Paris La Défense, March 15, 2016
The Independent Third Party Organisation
Mazars SAS

Emmanuelle Rigaudias
CSR and Sustainable Development Partner

2.2. Employees

2.2.1 Operational structure as of January 1, 2015

The Group's human resources division, which consists of 8 people, is highly committed to maintaining strong values (all the more so given the sharp growth in the workforce in the medium term) which make Serge Ferrari a model corporation. This human resources policy is based on four principles:

- Recruitment policy

Compliance with 3 criteria: the right candidate for the right position at the right time. The Group's recruitment policy is to ensure that the future employee has not only the expected skills but also the ability to evolve within the Group. To join the Group, a candidate must be able to:

- Do well: the right profile for the job, looking for talent;
- Feel good: work as part of a team, adhere to shared values, expand/develop;
- Do better: responsiveness, innovation.

The Group's staff turnover is below 3% in France and below 5% worldwide, which confirms the effectiveness of this recruitment policy.

- Training policy

The training policy supports the Group's strategy, transfers know-how, develops and adapts employees' skill sets, boosts the Group's reactivity and sets up resilient structures.
The resources that the Group has mobilized match its ambitions, with a budget three times higher than the minimum required, and an innovative system for funding training (co-financed by the State and our collecting agency to replace partial layoffs with qualification-focused training).

- Compensation policy

The average pay for a Group production employee in France is more than 1.9 times higher than the Index-Linked Guaranteed Minimum Wage (SMIC), and this high-pay trend is replicated outside France. This policy attracts real talent, and thus satisfies the recruitment policy of attracting people who can "do better".
Between 10% and 25% of total gross pay is variable, including for non-executive staff: a monthly bonus based on volume and quality of production is distributed among the relevant staff. An important factor that focuses attention and motivation on productivity, organization and quality.

- Independent labor union

Over five years ago an independent (company) labor union (SSF - Syndicat Salarié Serge Ferrari) was set up. Seeking sustainability for its corporate employee-relations model, this very representative union is the privileged contact between workers and the Group when implementing measures to anticipate, respond to and innovate working practices and procedures.

To sound out the effects of this policy among its employees, in 2013 the Group had an external consultancy carry out a well-being-at-work survey, whose results testify to the quality of industrial relations within the Group and how it treats its employees. For example, 74% of respondents said they were satisfied or very satisfied in their work, which the consultancy said was an "exceptional" result.

2.2.2. Size and composition of workforce

The following table shows the changes in the Group's workforce as of year-end for the periods considered. The totals only include employees solely in Group employ and paid by local entities, as the Group has no bases of its own in certain countries:

(workforce at year-end)	Dec-15	Dec-14	Dec-13	Dec-12
TOTAL	**638**	**605**	**585**	**607**
COMMERCIAL	**175**	**159**	**139**	**137**
Sales staff	139	122	107	102
Administration	18	18	18	17
MKG & Com	18	19	14	18
OPERATIONS	**388**	**377**	**380**	**395**
SUPPORT FUNCTIONS - R&D	**75**	**69**	**66**	**75**

There were no temporary employees at the end of the years in question. Given the adjustable working hours agreement signed in November 2012, the Company can now better match its internal resources to its workload and thus have less need for part-time or temporary workers.

2.2.3. Profit sharing and stock options for executives and directors

The following table shows the Company shares directly held by Board members as of the date of preparation of this Registration Document. Note that as of December 31, 2015, no other securities exist giving access to Company capital:

Directors	Number of shares	% of capital and voting rights	Securities giving access to capital
Sébastien Ferrari	672,450	5.5%	---
Romain Ferrari	1,075,525	8.7%	---
Philippe Brun	8,650	0.1%	---
Victoire Gottardi	8,650	0.1%	---
Karine Gaudin	240	0.0%	---
Bertrand Neuschwander	0	0.0%	---
Bertrand Chammas	0	0.0%	---
Christophe Graffin	0	0.0%	---

Sébastien Ferrari's and Romain Ferrari's shareholdings in the Company, in addition to their direct holdings as shown in the table above, include indirect holdings through Ferrari Participations of which they own 66.7% and 33.3% respectively and which itself holds a 55% controlling interest in the Company (see Section 5.1.1 of this Registration Document).

2.2.4. Employee equity interests in the Company's share capital

Since December 6, 2011, the employees of Serge Ferrari SAS and of the Economic and Social Unit of which the company is the main constituent, are covered by a Company Savings Plan (Plan d'Epargne Entreprise – PEE) and a Collective Retirement Savings Plan (Plan d'Epargne de Retraite Collectif – PERCO) both invested in a number of Company employee mutual funds (Fonds Communs de Placement Entreprise – FCPE). At its stock-market listing in June 2014, the Company wished to allow access to its share capital for employees of the Economic and Social Unit. A capital increase was reserved for employees, with the statutory 20% rebate on the issue price. A special-purpose FCPE employee mutual fund was instituted (the FCPE Serge Ferrari Actionnariat), invested exclusively in shares of the Company. Its principles and methods of operation are identical to those of the other FCPEs in which the PEE company saving scheme is invested: the operating costs are paid by Serge Ferrari SAS, virtually all the flows into the FCPEs are supplied by voluntary payments or payments from the special profit sharing reserve. For voluntary payments, Serge Ferrari SAS makes a bonus payment, and each year, a contract addendum is made between Serge Ferrari SAS and the social partners.
As of the date of drafting this Registration Document, 49,975 SergeFerrari Group shares were held by the Company employee mutual fund (FCPE).

2.2.5 Incentive and profit-sharing agreements

Since December 16, 2004, the employees of Serge Ferrari SAS have benefited from a profit-sharing agreement. On April 9, 2010, a rider to this agreement was signed in order to bring its provisions into compliance with legislative amendments enacted since its execution.
As of the date of drafting this Registration Document, Serge Ferrari SAS does not have an incentive agreement within the meaning of Articles L. 3311-1 et seq. of the French Employment Code.

3. Report of the Chairman of the Board of Directors on corporate governance, risk management procedures and internal control

To the Shareholders,
Pursuant to Article L. 225-37 of the French Commercial Code, the Chairman of the Board of Directors, in his report, reports on corporate governance, risk-management and internal-control procedures, the composition of the Board of Directors and the application of the principle of balanced representation of men and women on the Board, the preparation and organization of its proceedings, the internal-control and risk-management procedures implemented within the Group, the limitations on the powers of the Chief Executive Officer, the principles for determining the compensation for corporate officers, the rules and procedures for shareholder attendance at general meetings and the publication of the information provided for under Article L. 225-100-3 of the French Commercial Code.

This report was forwarded to the Audit Committee and approved by the Board of Directors at its meeting on March 14, 2016.

3.1. Corporate governance principles

The Company refers to the corporate governance code for MiddleNext mid-cap stocks by virtue of a resolution of the Board of Directors of April 30, 2014. MiddleNext is a representative association for mid-cap stocks which, in December 2009, published a corporate governance code available on the www.middlenext.com website.
The Board of Directors believes this corporate governance code is suited to the Company's family shareholder structure: the Ferrari family group holds 69.1% of the share capital and voting rights of the SergeFerrari Group.
.
The Company applies all of the Middlenext code's Recommendations and "Points to be watched". The application of recommendation R5 on stock options and bonus shares was examined during the presentation to the Board of Directors on March 14, 2016 of the bonus share allocation program which will be the subject of a resolution submitted to the vote at the Shareholders' General Meeting on April 25, 2016. The General Meeting will be required to vote on the introduction of a program for the allocation of bonus shares in the Company, whether existing or to be issued, whose beneficiaries may be corporate officers and employees of the Group, subject to the fulfillment of Group performance criteria relating to growth in revenue, profitability and financial structure. The total number of bonus shares allocated under this resolution may not represent more than five per cent (5%) of the share capital. The shares shall be vested to the beneficiaries at the end of a minimum vesting period of one (1) year; the lock-in period during which the beneficiaries must retain the shares shall, where applicable, be set by the Board of Directors, it being specified that the combined duration of the vesting period and the lock-in period shall not be less than two (2) years.

3.1.1 Composition of the Board of Directors and Executive Management

The Company's Board of Directors consists of a minimum of three and a maximum of eighteen members, except in the case of an exemption provided for by law. The members of the Board of Directors are appointed by the Shareholders' General Meeting, on the Board of Directors' recommendation.

The term of office as director has been set at three years, and is renewable. No one can be appointed director if, being older than 70 years of age, his/her appointment has the effect of increasing the number of directors older than 70 to more than a third of Board members.

At the date of drafting of this Registration Document, the Board comprises eight members, including two women and four independent directors in accordance with the criteria laid down by the Code: Ms. Karine Gaudin, Messrs. Bertrand Neuschwander, Bertrand Chammas and Christophe Graffin. One director, Ms. Victoire Gottardi, represents the family shareholders.

The Executive Management team consists of Mr. Sébastien Ferrari, who has held the positions of both Chairman of the Board of Directors and Chief Executive Officer since April 30, 2014, Mr. Romain Ferrari (Chief Operating Officer responsible for industrial projects and sustainable development) and Mr. Philippe Brun (Chief Financial Officer in charge of finance, procurement and information systems). Messrs. Sébastien Ferrari, Romain Ferrari and Philippe Brun are also directors of SergeFerrari Group. The membership of the Audit and Strategy Committees is detailed below.

It is hereby stated that Ferrari Participations, the Company's main shareholder with 55% of the capital, is not represented directly, but indirectly through Messrs. Sébastien Ferrari and Romain Ferrari, Chairman and Chief Executive Officer respectively of Ferrari Participations.

Name	Position	Start of office	End of office	Audit Committee	Strategy Committee
Sébastien Ferrari	Director	April 30, 2014	2017 AGM		Chairman
	Chairman and CEO		2017 BoD		
Karine Gaudin	Director	April 30, 2014	2017 AGM	Chair	
Victoire Gottardi	Director	April 29, 2015	2018 AGM	Member	
Bertrand Chammas	Director	April 30, 2014	2017 AGM		Member
Bertrand Neuschwander	Director	April 30, 2014	2017 AGM		Member
Romain Ferrari	Director	April 30, 2014	2017 AGM		Member
	Chief Operating Officer		2017 BoD		
Philippe Brun	Director	April 29, 2015	2018 AGM		Member
	Chief Financial Officer		2018 BoD		
Eric Verin	Member of Strategy Committee	N/A	N/A		Member
Christophe Graffin	Director	April 29, 2015	2018 AGM		

For the first three-year period, directors will be reappointed in a staggered fashion in tranches of one third each year, selected by drawing lots. Accordingly, the reappointment of Ms. Victoire Gottardi and Mr. Philippe Brun were submitted to the approval of the Shareholders' General Meeting on April 29, 2015 and passed by that Meeting.

At its meeting on December 9, 2015, the Board of Directors formerly noted the resignation of Bpifrance from its office as director and at the request of Bpifrance, made the interim appointment of Mr. Christophe Graffin as director, previously the permanent representative of Bpifrance on the Board of Directors of SergeFerrari Group.

Directors' independence

Recommendation R8 of the MiddleNext code establishes five criteria for determining the independence of non-executive Board members, based on the absence of a financial, contractual or family relationship that could impair the objectivity of the person's judgment:

	Sébastien Ferrari	Karine Gaudin	Victoire Gottardi	Bertrand Chammas	Bertrand Neuschwander	Romain Ferrari	Philippe Brun	Christophe Graffin (1)
1- is not an employee or corporate officer of the Company or of any of its subsidiaries and has not been one in the last three years	No	Yes	Yes	Yes	Yes	No	No	Yes
2- is not a significant customer, supplier or banker of the Company or its group, or one for which the Company or its group represents a significant part of its business	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3 - is not a major shareholder of the Company	No	Yes	Yes	Yes	Yes	No	Yes	Yes
4 - has no close family relationship with any corporate officer or major shareholder	No	Yes	No	Yes	Yes	No	Yes	Yes
5 - has not been an auditor of the Company in the last three years.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Board's conclusion on the classification of its members as independent: Four directors are classified as independent by the Board of Directors	Not independent	Independent	Not independent	Independent	Independent	Not independent	Not independent	Independent

(1) interim appointment as director at the request of Bpifrance. In February 2013, Bpifrance (via OSEO) granted an interest-free innovation loan of €1 million, together with an innovation advance of €107,000. As of December 31, 2015, the outstanding balance of this funding was €909,000. Given the amount and nature of the funding, Bpifrance is not considered to have been a "significant banker" of SergeFerrari Group during Bpifrance's term of office, from March 18 to December 9, 2015.

Information on corporate officers and their expertise

Sébastien Ferrari, born in 1959, a French national

Business address: ZI de La Tour du Pin, 38110 Saint Jean de Soudain, France
Director, Chairman and Chief Executive Officer

Term of office and expiry date

Mr. Sébastien Ferrari was appointed director by the Shareholders' Ordinary General Meeting of April 30, 2014, then appointed as Chairman and Chief Executive Officer by the Board of Directors at its meeting on April 30, 2014. Mr. Sébastien Ferrari's term of office expires at the Shareholders' General Meeting to be held in 2017 to approve the annual financial statements for 2016.

For the first three-year period, directors will be reappointed in a staggered fashion in tranches of one third each year, selected by drawing lots.

Biography and experience

Sébastien Ferrari joined the family business in 1980 to take charge of developing its marketing and international business. He was a member of the Supervisory Board of Banque de Vizille (which later became CM-CIC Capital Finance, which owns CM-CIC Investissement) from 2002 to 2011.

Nature of any family ties with SergeFerrari Group corporate officers

Romain Ferrari (brother) – Director and Chief Operating Officer of SergeFerrari Group
Victoire Gottardi (daughter) – Director of SergeFerrari Group

Current offices and positions within the Group

Chairman of Serge Ferrari North America
Sole Director of Serge Ferrari Asia Pacific
Director of KK Serge Ferrari Japan
Chairman of Ferrari Participations
Chairman of FERRIMMO
Chairman of Immobilière Ferrari
Representative of Ferrari Participations, Chairman of Serge Ferrari SAS
Representative of Ferrari Participations, Chairman of Texyloop
Chairman of Ferfil Multifils in his capacity as representative of Ferrari Participations
Chairman of Serge Ferrari Tersuisse
Chairman of Serge Ferrari AG
Chairman of Serge Ferrari Brasil
Chairman of the Board of Directors of Serge Ferrari India Private Limited

Current offices and positions outside the Group

Manager of SCEA Malherbe agricultural investment company

Group and non-Group offices and positions held within the last five years and having expired

None

Karine Gaudin, born in 1966, a French national,

Business address: c/o COVED 392 Rue des Mercières 69140 Rillieux La Pape, France

Term of office and expiry date

Ms. Karine Gaudin was appointed as a director by the Shareholders' Ordinary General Meeting of April 30, 2014. Ms. Karine Gaudin's term of office expires at the Shareholders' General Meeting to be held in 2017 to approve the annual financial statements for 2016.

Karine Gaudin chairs the Group Audit Committee;

For the first three-year period, directors will be reappointed in a staggered fashion in tranches of one third each year, selected by drawing lots.

Biography and experience

Karine Gaudin studied at Audencia business school and qualified with a DESS specialized master's degree in Strategy at Paris-Dauphine, before joining E&Y as a statutory auditor, working first in Paris and then in Lyon. She completed her Chartered Accounting diploma at E&Y, writing her thesis on the structuring of the commercial approach in audit firms, putting her ideas into practice at E&Y locally in Lyon, then nationwide. She then joined Germain & Maureau, an Intellectual Property consulting firm, as Corporate Secretary, before joining Lamy Lexel Avocats Associés as a salaried Chief Executive Officer. Since May 2015, Karine Gaudin has been Innovation Director at COVED. For many years, Karine Gaudin has also spent time and effort in women's networks promoting opportunities for women.

Nature of any family ties with SergeFerrari Group corporate officers

None

Current offices and positions within the Group

None

Current offices and positions outside the Group

Director of THERMADOR GROUPE (Euronext Paris – Compartment C - FR0000061111 THEP)

Group and non-Group offices and positions within the last five years and having expired

None

Victoire Gottardi, born in 1985, a French national

Business address: 277 rue des Alloz – 74120 Megève, France
Director

Term of office and expiry date

Ms. Victoire Gottardi was appointed as a director by the Shareholders' Ordinary General Meeting of April 29, 2015. Ms. Victoire Gottardi's term of office expires at the Shareholders' General Meeting to be held in 2018 to approve the annual financial statements for 2017.

Ms. Victoire Gottardi is a member of the Group Audit Committee.

For the first three-year period, directors will be reappointed in a staggered fashion in tranches of one third each year, selected by drawing lots. Accordingly, Ms. Victoire Gottardi's reappointment was voted on at the first Shareholders' General Meeting held during that three-year period on April 29, 2015.

Biography and experience

Victoire Gottardi, who holds an ECE master's degree in International Marketing, is events coordinator at Décathlon Group.

Nature of any family ties with SergeFerrari Group corporate officers

Sébastien Ferrari (father) Director, Chairman and Chief Executive Officer of SergeFerrari Group
Romain Ferrari (uncle) Director and Chief Operating Officer of SergeFerrari Group

Current offices and positions within the Group

None

Current offices and positions outside the Group

None

Group and non-Group offices and positions within the last five years and having expired

Victoire & Nous (managing partner) – Non-Group

Bertrand Chammas, born in 1959, a French national

Business address: c/o Gerflor, 50 cours de la République 69627 Villeurbanne Cédex, France
Director

Term of office and expiry date

Mr. Bertrand Chammas was appointed as a director by the Shareholders' Ordinary General Meeting of April 30, 2014. Mr. Bertrand Chammas's term of office expires at the Shareholders' General Meeting to be held in 2017 to approve the annual financial statements for 2016.

For the first three-year period, directors will be reappointed in a staggered fashion in tranches of one third each year, selected by drawing lots.

Mr. Bertrand Chammas is a member of the Group Strategy Committee.

Biography and experience

Bertrand Chammas has been Chairman and Chief Executive Officer of Gerflor since 2003, after 12 years at the equipment manufacturer Valeo, first in operating management positions (sales/marketing director and industrial director) and then in senior management positions. Bertrand Chammas studied both engineering (at the Arts et Métiers engineering school) and management (at ISA/HEC business school).

Nature of any family ties with SergeFerrari Group corporate officers

None

Current offices and positions within the Group

None

Current offices and positions outside the Group

Chairman and Chief Executive Officer of Gerflor Floorings
Chairman of Manfloor
Chairman of Midfloor
Chairman of Topfloor
Chairman of Floor'in
Chairman of Gerflor
Chairman of SPM International
Chairman and Chief Executive Officer of Gerflor Mipolam
Chairman and Chief Executive Officer of Gerflor Polska
Chairman and Chief Executive Officer of BCIC
Chairman and Chief Executive Officer of Gerflor USA

Group and non-Group offices and positions within the last five years and having expired

None

Bertrand Neuschwander, born in 1962, a French national

Business address: c/o SEB, Chemin du Petit Bois I BP 172 - 69134 ECULLY Cedex France
Director

Term of office and expiry date

Mr. Bertrand Neuschwander was appointed as a director by the Shareholders' Ordinary General Meeting of April 30, 2014. Mr. Bertrand Neuschwander's term of office expires at the Shareholders' General Meeting to be held in 2017 to approve the annual financial statements for 2016.

For the first three-year period, directors will be reappointed in a staggered fashion in tranches of one third each year, selected by drawing lots.

Mr. Bertrand Neuschwander is a member of the Group Strategy Committee.

Biography and experience

Bertrand Neuschwander has been Chief Operating Officer at Groupe SEB since 2014. With an engineering degree from INA Paris-Grignon and an MBA from INSEAD, Bertrand Neuschwander began his career at Arthur Andersen & Cie, moving on to Apax Partners & Cie. He then became Chairman and Chief Executive Officer of Groupe Aubert, then CEO of Devanlay-Lacoste Group. In 2010, he joined Groupe SEB as Senior Vice-President, responsible for the Group's Business Units. In 2011, he became Chairman of SEB Alliance, SEB Group's vehicle for investing in start-ups with a high-technology content.

Nature of any family ties with SergeFerrari Group corporate officers

None

Current offices and positions within the Group

None

Current offices and positions outside the Group

Senior Vice-President of SEB SA – Euronext Paris Compartment A - FR0000121709
Chairman of SEB Alliance SAS
Director of Orosdi
Director of Maharaja
Joint managing partner of SCI Marco Paulo Investissement
Joint managing partner of SCI Marco Paulo Immobilier

Group and non-Group offices and positions within the last five years and having expired (all non-Group)

Member of the Executive Board of Devanlay SA
Chairman of Comptoir de la bonneterie
Director of Montaigne Diffusion
Director of Tricotage de Saint-Louis

Romain Ferrari, born in 1960, a French national

Business address: ZI de La Tour du Pin, 38110 Saint Jean de Soudain, France
Director and Chief Operating Officer

Term of office and expiry date

Mr. Romain Ferrari was appointed as a director by the Shareholders' Ordinary General Meeting of April 30, 2014. Mr. Romain Ferrari's term of office expires at the Shareholders' General Meeting to be held in 2017 to approve the annual financial statements for 2016.

For the first three-year period, directors will be reappointed in a staggered fashion in tranches of one third each year, selected by drawing lots.

Biography and experience

Romain Ferrari holds a certificate as a Deck and Engine officer of the French Merchant Navy. From 1985 to 1990, he worked as an engineering specialist at a subsidiary of Technip before joining the family firm in 1990, to take on responsibility for industrial projects and processes and sustainable development.

Nature of any family ties with SergeFerrari Group corporate officers

Sébastien Ferrari (brother) – Director, Chairman and Chief Executive Officer of SergeFerrari Group
Victoire Gottardi (niece) – Director of SergeFerrari Group

Current offices and positions within the Group

Chief Executive Officer of Ferrari Participations
Vice-Chairman of Serge Ferrari North America
Director of KK Serge Ferrari Japan
Chief Executive Officer of Serge Ferrari SAS
Chairman of CI2M
Chief Executive Officer of Immobilière Ferrari
Director of Ferfil Multifils

Director of Serge Ferrari Tersuisse
Director of Serge Ferrari AG

Current offices and positions outside the Group
None

Group and non-Group offices and positions within the last five years and having expired
None

Philippe Brun, born in 1960, a French national

Business address: ZI de La Tour du Pin, 38110 Saint Jean de Soudain, France
Director and Chief Financial Officer

Term of office and expiry date
Mr. Philippe Brun was appointed as a director by the Shareholders' Ordinary General Meeting of April 29, 2015. Mr. Philippe Brun's term of office expires at the Shareholders' General Meeting to be held in 2018 to approve the annual financial statements for 2017.

For the first three-year period, directors will be reappointed in a staggered fashion in tranches of one third each year, selected by drawing lots. Accordingly, Mr. Philippe Brun's reappointment was voted-on at the first Shareholders' General Meeting held during that 3-year period, on April 29, 2015.

Biography and experience
Philippe Brun joined the SergeFerrari Group in 2011 after holding senior and financial management positions in listed companies (IMS International Metal Service – Member of the Executive Board; Boiron – Executive Vice-President). Philippe Brun is a graduate of EM Lyon and the French Association of Financial Analysts (SFAF).

Nature of any family ties with SergeFerrari Group corporate officers
None

Current offices and positions within the Group
Member of the Board of Directors of Serge Ferrari North America
Director of Ferfil Multifils
Director of Serge Ferrari Tersuisse
Director of Serge Ferrari AG
Director of Serge Ferrari India Private Limited

Current offices and positions outside the Group
None

Group and non-Group offices and positions within the last five years and having expired (all non-Group)
Member of the Executive Board of IMS International Metal Service

Christophe Graffin, born in 1959, a French national

Business address: 23 rue du vieux Collonges 69660 Collonges au Mont d'Or, France
Director

Term of office and expiry date
Mr. Christophe Graffin was appointed on an interim basis as a director by the Board of Directors at its meeting on December 9, 2015. This interim appointment shall be submitted to ratification by the shareholders at the General Meeting on April 25, 2016.

Biography and experience
Christophe Graffinas held a large number of senior and operating management positions at Valeo, Entrelec, Pirelli Câbles et Systèmes and SONEPAR, both in France and abroad, particularly in Asia.

Christophe Graffin has extensive experience in business transformation (development, external growth and re-engineering). Christophe Graffin is a graduate of both ENSAM and ESSEC.

Nature of any family ties with SergeFerrari Group corporate officers
None

Current offices and positions within the Group
None

Current offices and positions outside the Group
Chairman of smartINST SAS

Group and non-Group offices and positions within the last five years and having expired (Group)
Representative of Bpifrance on the Board of Directors of SergeFerrari Group (March 18, 2015 – December 9, 2015)

Group and non-Group offices and positions within the last five years and having expired (non-Group)
Director of Winterhalter + Fenner
Director of Fabbri
Director of Dineo
Director of Dysbox
Director of Electroplast
Director of Sonepar Holding SA
Senior Executive, SIS

3.1.2 Disclosures concerning the members of the Board of Directors and of the Executive Management team

No convictions of fraud, no bankruptcy, no official sanctions in the last 5 years.
To the best of the Company's knowledge, none of the members of the Board or of the Executive Management team has, within the last five years, been convicted for fraud, been involved in a bankruptcy, had assets seized or undergone judicial liquidation and has not received an official public penalty or sanction by a regulatory or statutory authority, nor have they been barred under a court ruling from acting as the member of a management or supervisory body of an issuer, or been debarred from involvement in the conduct of an issuer's affairs.

Service contracts
To the best of the Company's knowledge, no corporate officer is bound to the Company or any of its subsidiaries by a service contract, with the exception of the agreements set out below:

- The Company is bound to its parent company, Ferrari Participations, by a service contract that came into force on January 1, 2012, the terms and conditions of which are set out in the statutory auditors' report on regulated agreements.
  The amounts received by directors under this agreement are disclosed in Section 3.2.2.
- The Company is bound to Serge Ferrari SAS, Serge Ferrari AG, Serge Ferrari Tersuisse, KK Serge Ferrari Japan, Serge Ferrari North America, Serge Ferrari Asia Pacific and Serge Ferrari Brasil by a trademark licensing agreement for the "Serge Ferrari" trademark, effective January 1, 2012, the terms and conditions of which are set out in the statutory auditors' special report.
- The Company is bound to Serge Ferrari SAS by a cash pooling agreement effective January 1, 2012.

These agreements were submitted to the supervisory arrangements governing regulated agreements as provided by Articles L. 225-38 et seq. of the French Commercial Code.

Conflicts of interest and agreements in which corporate officers have an interest
To the best of the Company's knowledge, and at the date of drafting this report, no potential conflict of interest exists between the duties of Karine Gaudin, Bertrand Neuschwander, Bertrand Chammas and Christophe Graffin towards the Company, directors who are not members of the Ferrari family group, and their private interests or other duties. Furthermore, Sébastien Ferrari and Romain Ferrari are Chairman and Chief Executive Officer respectively of Ferrari Participations, a shareholder owning more

than 50% of the share capital and voting rights of the Company. Mr. Philippe Brun is bound to Ferrari Participations, the Company's parent company, by an employment contract.

The Chairman and Chief Executive Officer, the Senior Vice-Presidents and three Directors are direct or indirect shareholders of the Company as detailed in Section 5.1.1 of this Registration Document.

A potential conflict of interest exists with respect to the premises leased by the Group's companies from SCI CLOMECA, IMMOBILIERE FERRARI SAS, SRF, LA ROCHE and SETIMM which are owned by certain directors and corporate officers of the Company. These real estate companies (SCIs) are wholly owned by FERRIMO, 66.7% of which is owned by Sébastien Ferrari and 33.30% by Romain Ferrari via Ferrari Participations.
In 2014, to manage this potential conflict of interest, the Company asked a real estate assessor to calculate the rental value of the premises leased by these companies to Group companies. The investigation concluded that the rents charged are consistent with market terms. Please also refer to paragraph 19.1.2.4. of the Base Document registered on May 20, 2014 under No. I. 14-032).

The Board of Directors has adopted an internal rule including an article concerning "Prevention of conflicts of interest" which requires that a director in such a situation immediately and fully disclose to the Board of Directors any actual or potential conflict of interest that he or she may have with regard to his or her functions as a director, in order to determine whether said director should abstain from discussions or voting on the resolutions concerned.
The internal rules of the Board of Directors restate the code of ethics by which Board members are required to abide. At the time of their appointment, each Director is made aware of the responsibilities incumbent upon them, the duty to observe the ethical rules and the rule prohibiting the holding of multiple offices, the duty to inform the Board in the event that a conflict of interest arises, the need for regular attendance at Board meetings and the confidentiality of the Board's proceedings.

The Board of Directors may recommend that a current director tender their resignation, where it believes that such director has a proven and permanent or substantially permanent conflict of interest.

Restrictions relating to the transfer of shares

To the best of the Company's knowledge, as of the date of this report, the only commitments made by members of the Board of Directors concerning the transfer or retention of Company shares were entered into when the Company's shares were admitted for trading in June 2014. Ferrari Participations, Victoire Gottardi and Mireille Ferrari, Sébastien Ferrari, Romain Ferrari and Philippe Brun had entered into a lock-up agreement covering:

- 100% of the shares that they hold until the expiry of a 180-day period following the settlement-delivery date on June 24, 2014,
- 80% of the shares that they hold until the expiry of a 270-day period following the settlement-delivery date on June 24, 2014,
- 60% of the shares that they hold until the expiry of a 360-day period following the settlement-delivery date on June 24, 2014.

These covenants all expired on June 23, 2015.

3.1.3 Organization and operation of the administrative and management bodies

Organization and operation of the Board of Directors (Articles 14 et seq. of the Articles of Association)

The Company is administered by a Board of Directors whose Chairman, Mr. Sébastien Ferrari, is also Chief Executive Officer. In fact, at its meeting on April 30, 2014, the Board of Directors decided that the combination of the roles of Chairman of the Board of Directors and Chief Executive Officer was the most suitable arrangement for the Company's operating model.

Since April 30, 2014, Sébastien Ferrari has been assisted in his duties by Romain Ferrari, Chief Operating Officer responsible for processes, industrial projects and sustainable development, and by Philippe Brun, Chief Financial Officer responsible for finance, procurement and information systems.

The Chairman of the Board of Directors, Mr. Sébastien Ferrari, organizes and directs the work of the Board of Directors, and reports on this work to the General Meeting of Shareholders. The Chairman oversees the proper functioning of the Company's bodies and in particular ensures that the Directors are capable of fulfilling their duties.

Remit of the Board of Directors (Article 16 of the Articles of Association and Article 2 of the Internal Rules of Procedure)

Under its internal rules adopted on April 30, 2014, the Board of Directors sets the Company's business strategy and oversees its implementation. The Board of Directors receives regular information regarding any significant event with regard to the Company's business, either directly or via its committees.

The Board of Directors meets no less than four times a year at the Chairman's request, or by at least one-third of its members. Notices of meetings are issued eight business days before the meeting by any means, including orally, except in an emergency. All documents required to inform the directors on the points for discussion on the agenda are attached to the notice of meeting or delivered within a reasonable timeframe prior to the meeting.

Internal Rules of Procedure

The internal rules of procedure were adopted on April 30, 2014: they specify the role of the Board, its composition and the criteria for assessing whether its members are independent, its operating rules as well as the conditions for preparing its meetings.
The internal rules also recall the rights and duties of the directors in the exercise of their office. Said rules may be consulted at the Company's head office.
The internal rules of procedure were amended by the Board of Directors at its meeting on September 2, 2015: the amendment lays down the procedure for determining compensation of the members of the Board of Directors.

Restrictions imposed by the Board on the powers of the Chairman and Chief Executive Officer and Senior Vice Presidents.

Within the limits of the Company's objects and within statutory limits, senior executives are vested with the widest powers, without limitation.

Work carried out by the Board of Directors in 2015 and since the beginning of 2016.

During 2015, the Board of Directors met five times with an attendance rate of 71.8%.
In particular, the Board of Directors finalized the annual financial statements as of December 31, 2014 and reviewed the interim financial statements as of June 30, 2014. At each Board meeting, an update was provided on the progress of the Group's business. The progress of the Group development plan, particularly with regard to strengthening the sales teams, the change in working capital and net cash, the levels of which illustrate progress in achieving the Group's growth targets, was the subject of regular discussion at meetings of the Board of Directors.
On July 22, 2015, the Board of Directors approved the pledging of the shares in Serge Ferrari SAS for the purposes of setting up a financing contract including a Euro PP tranche for €15 million, fully drawn down on the date of the contract's execution on July 28, 2015, and a tranche in the form of a Revolving Credit Facility for €35 million, undrawn at the date of drafting this document. Note that the Serge Ferrari SAS shares had already been pledged as security for financing facilities granted by a group of banks. The repayment of those financing facilities on July 28 secured the release of the pledges by the banks. The shares thus released from all charge or pledge were thereupon pledged in favor of the new lenders under the new pledge instrument enacted on July 28, 2015.

In 2015, the Board assessed its own operating process at its meeting on March 18, 2015, at which time this report was presented and approved. The Board specifically discussed the diversification of its membership and the balance within the Company's governance bodies. On March 14, 2016, the directors examined the results of the consultation carried out by the Chairman, seeking to gather directors' comments via a a questionnaire on the operation of the Board of Directors. An action plan was drawn up, to be followed up at subsequent meetings of the Board.

Executive Management (Article 19 of the Articles of Association)

By a decision dated April 30, 2014, the Board of Directors decided not to separate the functions of Chairman and Chief Executive Officer, by appointing Sébastien Ferrari to the position of Chairman and Chief Executive Officer. At the same meeting, the Board appointed Romain Ferrari and Philippe Brun as Senior Vice Presidents.
The age limit is set at 70. The positions of Chief Executive Officer or Senior Vice-President can be revoked at any time by the Board of Directors. The Chief Executive Officer and the Senior Vice Presidents are vested with full powers to act in the name of the Company.

Membership, operation and duties of the Board committees

Audit Committee

The Audit Committee was set up on April 30, 2014, at the first meeting of the Board of Directors.
The Audit Committee meets two to four times a year, at the invitation of its Chairman or at the request of the Chairman of the Board of Directors, in order to discuss the procedures for drawing up financial information, the effectiveness of the Information Systems and the audit of periodic financial and accounting information. The Audit Committee issues a recommendation regarding the statutory auditors proposed for appointment by the General Meeting. In 2015, the Committee met three times with an attendance rate of 100%.
The Audit Committee comprises two members, at least one of which is deemed independent within the meaning of the corporate governance code and with particular experience in accounting, financial and communication matters at a listed company. The Board of Directors appoints the Committee's Chairman, who directs its work.

At the date of drafting this report, the Audit Committee comprised two members, Karine Gaudin (Chairman and independent member) and Victoire Gottardi.

The Audit Committee interviews the Chief Financial Officer responsible for finance and information systems, and the Group Accounting Manager. The members of the Audit Committee receive the findings of the statutory auditors based on their audits of the interim and annual financial statements. In order to carry out its assignment, the Committee has access to all information and documents, and may interview any Company manager. The Audit Committee reports to the Board of Directors on the performance of its assignments.

The Audit Committee met three times in 2015:
- on March 17, to examine the 2014 annual financial statements;
- on June 2, to examine the scope of the audit to be performed in 2015 and to examine the audit fees budget;
- on September 1, to review the financial statements for the six months ended June 30, 2015.

Strategy Committee

The mission of the Strategy Committee is to give management and shareholders its opinions and recommendations on the following:
− analysis of Group strategy, information on market trends, assessments of research, review of the competition and the resulting medium- and long-term outlook; approval of the 10-year business plan;

− review of Group development projects especially in terms of external growth and, in particular, acquisitions or sales of subsidiaries and equity interests or other assets, investment and debt, relating to amounts exceeding €10 million; and
- examination of the Group's assets and shareholder structure.

The Strategy Committee meets at the invitation of its Chairman or, if the latter is indisposed, the Chairman of SergeFerrari Group to an agenda set by the person convening the meeting. The Committee meets five times a year, as general a rule. Notice of the meeting may be issued by any means, including verbally. Exceptionally and depending on the topics to be discussed, the Committee Chairman may authorize one or more Committee members to take part in a meeting by conference call or video-conference. The Committee may only validly deliberate if at least half of its members are or are deemed to be in attendance. Opinions and recommendations of the Committee shall be adopted by a majority of Committee members in attendance.

The Strategy Committee met five times in 2014 and three times in 2015, attended by all of its members.

3.2. Remuneration and benefits

3.2.1 Determination and transparency of compensation

The Company complies with the recommendations of the Middlenext code in determining the compensation for company officers.
The executive corporate officers of the SergeFerrari Group receive a corporate office allowance. They receive no attendance fees in respect of their duties as directors.

The rules and principles approved the Board of Directors, which determine the compensation and benefits granted to executive company officers, are as follows:

- fixed monthly compensation paid over 12 months;
- variable annual compensation, awarded in the event of achieving performance targets that contribute to the achievement of the 2015 targets (working capital rate of 35% of revenue) and those for 2018 (€215 million in revenue and adjusted EBITDA rate of 15% of revenue disclosed to the market). Variable remuneration is paid on September 30 and March 31, after the Board meeting called to approve the annual and half-yearly financial statements, whenever the relevant award criteria relate to a financial indicator. Variable annual compensation may range between 0% and 50% of the fixed annual compensation, on the basis of actual performance. For reasons of confidentiality, the achievement level of each award criterion is not disclosed;
- use of a company vehicle.

The individual target figures are not published, for reasons of confidentiality.
The quantitative criteria adopted for the award of variable remuneration to company officers in 2015 are set out below.

Sébastien Ferrari
- achievement of the budgeted free cash flows for 2015
- a 2-point reduction in the WC rate (from 37% of revenue as of December 31, 2014 to 35% of revenue as of December 31, 2015)
- achievement of the objective of 140 salespeople as of December 31, 2015

Romain Ferrari
- achievement of the budgeted free cash flows for 2015

Philippe Brun
- achievement of the budgeted free cash flows for 2015
- a 2-point reduction in the WC rate (from 37% of revenue as of December 31, 2014 to 35% of revenue as of December 31, 2015)
- conclusion of an additional €50 million in financing facilities for the Group.

These criteria may also include undisclosed qualitative criteria that are predetermined in a precise manner.

The determination of corporate officers' compensation was reviewed by the Board of Directors at its meeting on March 18, 2015, in accordance with Recommendation R2 of the corporate governance code. On this occasion, the Board of Directors assessed the desirability, whenever expedient, of the director corporate officers holding an employment contract simultaneously with corporate office, in accordance with Recommendation R1 of the corporate governance code. On September 2, 2015, the Company harmonized the internal rules of its Board of Directors with Recommendation R6 of the Middlenext corporate governance code.

The General Meeting of April 29, 2015 set the maximum overall amount of attendance fees that may be allocated to directors who are not executive corporate officers at €70,000: attendance fees are paid solely in proportion to effective attendance at meetings of the Board of Directors or its committees.

The Company has not granted any loans or guarantees to its corporate officers.

The employment contracts of Sébastien Ferrari, a Group employee since 1980, Romain Ferrari, a Group employee since 1990, and Philippe Brun, a Group employee since 2011, were suspended upon their taking office as corporate officers of Ferrari Participations and SergeFerrari Group. At its meeting on September 2, 2015, the Company aligned itself with the Middlenext corporate governance code and approved the holding of the employment contract simultaneously with office as Chairman and Chief Executive Officer and Chief Financial Officer/Senior Vice President. The Company states that the terms of these employment contracts do not in any respect depart from those of supervisory or managerial staff (pensions and disability insurance, health insurance, company vehicle, etc.). No indemnity is paid to corporate officers on their taking up or ceasing to hold office. Lifting the suspension of the employment contracts would reinstate the pension rights of the corporate officers, who would resume salaried employment upon ceasing to hold office as directors. These pension rights are the same as those of the other employees of the French companies in the Group: corporate officers have no entitlement to any special pension system.

3.2.2 Amount of compensation and benefits paid to corporate officers

The overall gross amount of compensation and benefits of all kinds awarded to corporate officers and members of the Board of Directors is detailed in accordance with Appendix 2 of the Registration Document Preparation Handbook, as adjusted for mid-cap companies published by the AMF in December 2014.

Table 1 - Table summarizing compensation, stock options and bonus shares allotted to each executive corporate officer (in euros)	FY 2015	FY 2014
Sébastien Ferrari, Chairman and Chief Executive Officer		
Compensation payable for the fiscal year	362,212	299,461
Valuation of variable multi-year compensation awarded during the fiscal year	---	---
Value of options granted during the year	---	---
Valuation of bonus shares awarded	---	---
Total	362,212	299,461
Romain Ferrari (Chief Operating Officer)		
Compensation payable for the fiscal year	239,400	234,502
Valuation of variable multi-year compensation awarded during the fiscal year	---	---
Value of options granted during the year	---	---
Valuation of bonus shares awarded	---	---
Total	239,400	234,502
Philippe Brun (Chief Financial Officer)	*(12 months)*	*(8 months)*
Compensation payable for the fiscal year	206,262	137,278
Valuation of variable multi-year compensation awarded during the fiscal year	---	---
Value of options granted in the year	---	---

Valuation of bonus shares awarded	---	---
Total	205,340	137,278

In addition to the compensation payable to Sébastien and Romain Ferrari for the duties exercised within the Group, rent (of €2.8 million for FY 2014 and €2.9 million for FY 2015) is paid to the property companies controlled by FERRIMMO, a wholly-owned subsidiary of Ferrari Participations, which is the majority shareholder in the Company, and in which Sébastien Ferrari has a 66.70% interest and Romain Ferrari a 33.30% interest. See Section 5.1.6.1.

Table 2 - Summary of compensation paid to each executive corporate officer (in euros)	FY 2015	FY 2014
Sébastien Ferrari, Chairman and Chief Executive Officer		
Fixed compensation ([1] service re-invoiced by Ferrari Participations)	238,128	238,129
Fixed compensation (corporate office allowances)	64,465	59,567
Variable annual compensation (part payment)	58,000	---
Multi-year variable compensation	---	---
Exceptional compensation	---	---
Attendance fees	---	---
Benefits in kind	1,619	1,765
Total	362,212	299,461
Romain Ferrari (Chief Operating Officer)		
Fixed compensation ([1] service re-invoiced by Ferrari Participations)	172,008	172,008
Fixed compensation (corporate office allowances)	64,465	59,567
Variable annual compensation	---	---
Multi-year variable compensation	---	---
Exceptional compensation	---	---
Attendance fees	---	---
Benefits in kind	2,927	2,927
Total	239,400	234,502
Philippe Brun (Chief Financial Officer)	(12 months)	(8 months)
Fixed compensation ([1] service re-invoiced by Ferrari Participations)	190,836	128,000
Fixed compensation (corporate office allowances)	12,000	8,000
Variable annual compensation	---	---
Multi-year variable compensation	---	---
Exceptional compensation	---	---
Attendance fees	---	---
Benefits in kind	2,504	1,278
Total	205,340	137,278

[1] Fixed compensation for management services covered by the agreement detailed in Section 5.1.6.1.

In 2014 and 2015, there was no difference between the amounts payable and the amounts paid.

Table 3 - Table of attendance fees and other compensation received by non-executive corporate officers (in euros)	FY 2015	FY 2014
Karine Gaudin		
Attendance fees	9,000	7,000
Other compensation	---	---
Victoire Gottardi		
Attendance fees	9,000	9,000
Other compensation	---	---
Bertrand Neuschwander		
Attendance fees	12,000	17,000
Other compensation	---	---
Bertrand Chammas		
Attendance fees	13,000	20,000
Other compensation	---	---
Bpifrance / Christophe Graffin		
Attendance fees	2,000	---
Other compensation	---	---
Total	**45,000**	**53,000**

The attendance fees in respect of 2015 were paid in January 2016.

At the date of drafting this document, no share purchase or subscription plans are outstanding. Accordingly, tables 4, 5, 8 and 9 in Appendix 2 of the Registration Document Preparation Handbook for mid-cap companies published by the AMF in December 2014 have not been reproduced here.

The Board of Directors approved the principle of awarding bonus shares to certain corporate officers and employees of the Group under a scheme with the following main characteristics:
- Duration of the plan: April 30, 2016 – April 30, 2018
- Bonus shares vesting period: one year
- Bonus shares retention period: one year
- Maximum number of bonus shares available for award: 200 000 shares (1.6% of the share capital before allocation)
- Origin of shares: buy-backs performed by the Company under the terms of Articles L. 225–208 and L. 225–209 of the French Commercial Code, and/or shares to be issued by capital increase; in the latter case, the Shareholders' General Meeting authorizes the Chairman and Chief Executive Officer to increase the share capital by the maximum nominal amount corresponding to the number of shares awarded and formally notes that as required by law, the award of shares to the beneficiaries designated by the Chairman and Chief Executive Officer entails ipso facto the express waiver by the shareholders of their preferential subscription right over the shares to be issued.
- Delegation of powers to the Chairman and Chief Executive Officer to determine the beneficiaries and/or categories of beneficiaries.
- Performance criteria for award whether alone or in combination: Revenue, sales margin, adjusted EBITDA margin, ratio of WC to revenue, free cash flows

This resolution shall be submitted to the vote of the shareholders at the General Meeting on April 25, 2016.

Tables 6 and 7 provided for in Appendix 2 of the Registration Document Preparation Handbook for mid-cap companies published by the AMF in December 2014 are reproduced below.

Table 6	Bonus shares awarded to each corporate officer by the SergeFerrari Group, approved by the General Meeting of Shareholders during the fiscal year 2015.	No. and date of plan	Number of bonus shares awarded during the fiscal year	Valuation of shares according to the method adopted for the consolidated financial statements	Vesting date	Date of availability	Performance conditions
Sébastien Ferrari	None						
Romain Ferrari	None						
Philippe Brun	None						
Total	None						

Table 7: Bonus shares awarded that have become available for each corporate officer	No. and date of plan	Number of shares that became available during the fiscal year 2015	Vesting terms
Sébastien Ferrari		None	
Romain Ferrari		None	
Philippe Brun		None	
Total		None	

Table 10 in Appendix 2 of the Registration Document Preparation Handbook for mid-cap companies published by the AMF in December 2014 has not been reproduced here since there is no bonus share award plan earlier than the plan to be submitted to the shareholders' vote on April 25, 2016.

Table 11 – Executive corporate officers	Employment contract (1)	Supplemental pension scheme	Compensation or benefits that may be due following termination or change of duties	Compensation relating to a non-compete clause
Sébastien Ferrari Chairman and CEO Start of office: April 30, 2014 End of office: 2017 AGM	Yes	No	No	No
Romain Ferrari Chief Operating Officer Start of office: April 30, 2014 End of office: 2017 AGM	Yes	No	No	No
Philippe Brun Chief Financial Officer Start of office: April 29, 2015 End of office: 2018 AGM	Yes	No	No	No

(1) employment contract with Ferrari Participations
The Company has not constituted any provisions for the payment of pension, retirement and other benefits owed to executives and directors
The Company has not granted arrival or departure bonuses to these individuals. Executive officers' employment contracts do not include any provisions regarding severance pay.

3.3. Chairman's report on risk management procedures and internal control

3.3.1 Risk management and internal control objectives

Internal control consists of a set of resources, procedures, systems and measures adapted to the organizational structure and business activities of the Company and its subsidiaries. It is designed to provide reasonable assurance that the main risks are adequately dealt with.

It draws on the reference framework published by the AMF and aims to ensure:

- fulfillment of targets set by Executive Management, via the efficient use of its resources and means;
- the compliance of industrial and commercial actions with the Company's internal rules and with laws and regulations;
- the protection of the Company's intangible assets;
- the quality and availability of information for managing the business;
- the prevention and detection of fraud and errors.

The internal control process contributes to managing the Company's business activities, the efficacy of its operations and the efficient use of its resources.

3.3.2 Internal control environment

The Board of Directors

In accordance with its internal rules of procedure, the Board of Directors determines the guidelines for the Company's business activities and ensures that they are implemented. The Board addresses any issue relating to the efficient running of the Company and settles matters that fall under its remit via its discussions.

The Board is informed, whether directly or through its Committees, of any event of significance to the conduct of the Company's affairs. Each Board meeting gives the Chairman the opportunity to outline any significant events that have occurred since the previous Board meeting, as well as the Company's business activities.

Group Executive Management and Executive Committee

The Executive Management team implements the internal control process via an Executive Committee tasked with ensuring the proper execution of the Group's strategy and policies. The Committee meets each month.

In addition to Sébastien Ferrari, Romain Ferrari and Philippe Brun, the Group Executive Committee comprises:

- Mr. Niklaus Zemp, Group Industrial Director, aged 47, a Swiss national. A graduate of the Ecole Polytechnique de Lausanne, Niklaus Zemp joined Viscosuisse (Rhône Poulenc, later renamed Rhodia) in 1991; this company was incorporated into the Serge Ferrari Group in two stages, in 2000 and 2006;
- Mr. Carlos Saiz, Group Innovation Director, aged 61, a French national. Mr. Carlos Saiz is an electronics engineer, and joined the Group in 1994 after holding senior positions at companies using flexible composite materials;
- Mr. Hervé Garcia, Group Human Resources Director, aged 47, a French national. Hervé holds a DESS advanced diploma in Human Resources, and joined the Group after holding senior positions in a group providing utilities services.
- Mr. Marc Beaufils, Vice President Marketing and Americas, aged 54, a French national. A graduate of the HEC business school, Marc Beaufils has held marketing and development positions at Sperian, International Paper and Kloeckner. He joined the Group in 2013.
- As from January 1, 2016, Mr. Hervé Trellu, Senior Vice President Sales & Marketing, aged 48, a French national. A graduate of the Ecole Nationale des Ponts et Chaussées civil-engineering school, Hervé Trellu held senior financial, technical and management positions at Thales, Somfy and Fläkt Woods.

The members of the Executive Committee are responsible for the business line divisions and guarantee the effective management of the risks relating to their area of responsibility. An initial risk map was drawn up in autumn 2014, after interviews with a number of operating managers. This draft version was examined by the Executive Committee and the main risks were identified and shared (see Section 1.10. on the main risk factors). This mapping and the actions for priority implementation were submitted to the Audit Committee.

The Company's operating structure

On January 1, 2012, the Company adopted an organizational structure involving a breakdown of its sales operations by region, to which the local sales and marketing staff are attached:

- Southern Europe (SEUR): this region includes France, Italy, Spain and Portugal, and accounted for 37% of Group revenue in 2015.
- Wide Europe (WEUR) includes all of the European countries, with the addition of Russia and Turkey, and excluding the countries in the SEUR region; the WEUR region accounted for 37% of consolidated sales in 2015.
- Rest of World (ROW) includes all other countries in which the Group operates. In 2015, this region accounted for 26% of consolidated sales.

This breakdown may change in line with development challenges: the Group's consideration of its resource allocations under its development plan remains aligned with the segmentation outlined above.

Local commercial or industrial initiatives are supported

- by a cross-divisional organizational structure in the areas of the supply chain, procurement, research and development, product regulations, marketing strategy and development
- by its central support functions in the areas of human resources, IT systems and finance.

Risk cover - Insurance

The Company's risk control policy is defined by Executive Management in coordination with its brokers and insurers. Virtually all of the units are covered by Group policies, particularly for direct risks (fire and theft, etc.) operating losses, third-party liability (including corporate officers' liability) and the transportation of goods. Where necessary, cover under a Master or central insurance policy is supplemented by local policies.

3.3.3 Internal control procedures implemented in the business

Quality Management System

Under the authority of Romain Ferrari, the Company has implemented a Quality Management System (QMS) with the following aims:

- constructive responsiveness, without giving way to unproductive action;
- an offer of original products and services that are always geared towards existing or deliberately-created purposes, specifically designed to handle industrial and product risks;
- privileged, professional and responsible relations with our customers, specifiers, suppliers and stakeholders, particularly with the aim of limiting the risk inherent in marketing networks;
- interactive control of professional, regulatory and standardizing requirements for each application, as part of our international development on markets which, although different, have potential for synergies, enabling us to reduce the legal risks relating to the business activities.

The following are the QMS documentary resources, accessible in a shared directory intended for employees at French industrial sites:

- the quality management handbook;
- a functional organizational chart;
- a set of process sheets describing the main processes, their interaction between them and the related organizational elements;

- a set of procedures, which may be combined with instructions and operating methods;
- measurement recordings and readings resulting from the implementation of the operating documents;
- defined goals for review by management.

The Quality Management System is implemented within the framework determined by standard ISO 9001 (2008 version)

Safety Plan

The Company has introduced a Safety Plan, available on the Company's intranet, which incorporates all of the procedures, instructions and forms to refer to in case of need, for preventive or remedial actions.

This Safety Plan is tested at regular intervals with regard to its ability to adequately respond to the risks incurred by the business's activities.

Environment Handbook

Under the authority of Romain Ferrari, an Environment Handbook has been drawn up, illustrating and describing the characteristics of the Serge Ferrari environmental management system for the French industrial sites.

This document illustrates the Company's commitment to continually meet the requirements of the ISO 14001 international standard, and reflects the Company's determination to care for the environment by implementing an organizational system designed to attain quantified, constantly-improved objectives by set dates.

The Environment Handbook focuses on environmental policy and planning, implementation and operation, as well as the related checks and review by Executive Management. The Environment Handbook is prepared and implemented under norms ISO 14001 (Environmental management systems - Requirements and guidelines for use) and ISO 14004 (Environmental management systems - General guidelines on implementation principles, systems and techniques).

3.3.4 Procedures for preparing and processing accounting and financial information

The administrative, financial and IT departments are headed by Philippe Brun, Chief Financial Officer responsible for the preparation and publication of financial information.

The finance department defines and implements the financial strategy, and develops the tools and systems for managing and supervising operating activities (reporting, consolidation, budgets, etc.).

The consolidation and supervision teams draw up and circulate consolidated monthly performance indicators and quarterly Group financial statements. These departments are also responsible for managing the budget process and for drawing up regular forecasts. They update and circulate accounting and financial procedures and maintain the Group chart of accounts in all of the accounting and reporting tools. The Group generates its consolidated financial information using SAP-BFC. Non-financial reporting data, particularly concerning industrial activities, is prepared by the operating departments and circulated to members of the Executive Committee.

The Company uses external specialists for certain areas of expertise for which it does not have staff (tax, etc.).

Information systems are managed within the Group where they relate to the core strategy of the business. Related functions or services for which the Group has no in-house expertise are outsourced to external service providers.

Financial statements - preparation and control

SergeFerrari Group has introduced standard guidelines for accounting recognition and monitoring financial performance. These guidelines are based on:
- maintaining a Group chart of accounts;
- circulating a timetable and instructions for account-closing procedures;
- the deployment of a common ERP system.

The head office departments help the subsidiaries to prepare their reports and periodic financial statements. A review of the subsidiaries' financial statements enables the quality of the reported financial statements to be examined and approved. Some subsidiaries are too small to have their own accounting or reporting team: in this case, the Group uses local service providers who fulfill all disclosure and reporting requirements on behalf of the local subsidiary.

The Group uses the following indicators for its monthly operating review and guidance:

- reporting of sales and profit margins per geographical region;
- statement of operating working capital;
- (weekly) statements of overdue trade receivables;
- (weekly) inventory statements;
- statement of net cash;
- headcount data;
- raw materials purchase price and other indices;
- operating income statement.

The preparation of the consolidated quarterly financial statements is accompanied by regular work:

- reviewing receivables, probability of recovery and the need for provisions;
- reviewing industrial business volume indicators and assessing any deviations from standard costs;
- reviewing research and development programs, their continued implementation, or the relevant transfers to the income statement in the event that they are abandoned;
- (monthly) confirmation of intercompany balances and cash flows;
- periodic/annual physical inventories of raw material stocks, work in progress and finished products.

The Group has appointed statutory auditors or external inspectors in its subsidiaries so as to cover substantially the whole of the Group's revenue, earnings, assets and liabilities. For subsidiaries outside the audit scope, limited external reviews may supplement internal audits of financial statements. The Group organizes assignment planning and closing meetings with its statutory auditors (in France, for the consolidated financial statements and those of the French companies) and with its independent auditors (in Switzerland, for the statutory financial statements of its three industrial subsidiaries). The auditors then forward their findings and recommendations for improvements to be made at subsequent period-ends to the Audit Committee and Executive Management.

Information systems

Since the roll-out of its SAP ERP system in March 2008 at its La Tour-du-Pin site in France, the Group has wished to extend its deployment. Thus, in March 2012, the site at Eglisau (Switzerland) was also switched over to the Group software system, and the remaining industrial site at Emmenbrücke (Switzerland) should align with the Group's other industrial subsidiaries in 2 steps: in December 2014 for the FI module (accounting and finance), and in March 2015 (for the industrial and logistics modules). A standardized information system supplies the Company with shared and consistent performance indicators, providing more effective control of operating risks and furthering fulfillment of the Group's development plan.

3.4. Report by the statutory auditors, pursuant to Article L. 225-235 of the French Commercial Code, on the report by the Chairman of SergeFerrari Group's Board of Directors

To the Shareholders,

In our capacity as statutory auditors of SergeFerrari Group SA and pursuant to Article L. 225-235 of the French Commercial Code, we submit to you our report on the report drawn up by the Chairman of your Company's Board of Directors in accordance with Article L. 225-37 of the French Commercial Code for the fiscal year ended December 31, 2015.

It is the Chairman's responsibility to draw up and submit to the Board of Directors for approval a report on internal control and risk management procedures instituted within the company, also providing the other information required by Article L. 225-37 of the French Commercial Code, particularly regarding provisions related to corporate governance.

It is our responsibility:

- to communicate to you our opinion regarding the information contained in the Chairman's report concerning internal control and risk management procedures related to the preparation and processing of accounting and financial information, and

- to certify that the report contains the other information required by Article L. 225-37 of the French Commercial Code, on the understanding that it is not our responsibility to ascertain the truthfulness or accuracy of such other information.

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

Information concerning the internal control and risk management procedures related to the preparation and processing of accounting and financial information

Our professional standards require us to conduct investigations to ascertain the truthfulness, accuracy and fairness of the information concerning the internal control and risk management procedures related to the preparation and processing of the accounting and financial information contained in the Chairman's report.

Those investigations include:

- acquainting ourselves with the internal control and risk management procedures involved in the preparation and processing of the accounting and financial information underlying the information set out in the Chairman's report, as well as with the existing documentation,

- acquainting ourselves with the work involved in generating such information and with the existing documentation,

- determining whether any major shortcomings in the internal control measures related to the preparation and processing of the financial and accounting information that we may have noted in the course of our audit have been appropriately detailed in the Chairman's report.

On the basis of the foregoing work, we are satisfied that there is no material misstatement in the information concerning the company's internal control and risk management procedures related to the preparation and processing of accounting and financial information contained in the report by the Chairman of the Board of Directors, drawn up pursuant to Article L. 225-37 of the French Commercial Code.

Other information

We certify that the report by the Chairman of the Board of Directors includes the other information required by Article L. 225-37 of the French Commercial Code.

Lyon and Villeurbanne, March 15, 2016,

The Statutory Auditors

**CABINET
MARTINE CHABERT**

MARTINE CHABERT

MAZARS

PIERRE BELUZE

4. Financial and accounting information

4.1. Selected financial information

The key financial information presented below is drawn from the consolidated financial statements prepared to IFRS standards. Amounts as of December 31, 2014 have been restated where necessary in light of the application of IFRIC 21.

€'000	Dec 31, 2015	Dec 31, 2014
Total assets	**164,144**	**155,944**
Total non-current assets	**39,862**	**38,336**
o/w Intangible assets	7,423	6,501
o/w Property, plant and equipment	26,430	25,712
o/w Non-current financial assets	3,036	2,857
Total current assets	**124,282**	**117,608**
o/w Inventories and work-in-progress	32,923	33,455
o/w Trade receivables	30,786	28,716
o/w Cash and cash equivalents	49,389	45,178
Total liabilities	**164,144**	**155,944**
Shareholders' equity	**98,088**	**94,616**
Total non-current liabilities	**25,893**	**15,352**
o/w Borrowings - long-term portion	16,208	8,127
o/w Provisions and other non-current liabilities	8,427	6,416
Total current liabilities	**40,162**	**45,976**
o/w Borrowings - short-term portion	12,334	19,590
o/w Provisions and other current liabilities	10,251	11,080
o/w Trade payables	17,251	15,016

€'000	2015	2014
Revenues	**148,398**	**142,324**
EBIT	**8,030**	**8,493**
Net financial expense	**(225)**	**(754)**
Net income	**4,795**	**4,334**

Cash flows (€'000)	2015	2014
Operating activities	14,417	14,904
Investing activities	(7,312)	(6,713)
Financing activities	(2,303)	32,417
Change in cash over the year	**4,286**	**40,852**

Key performance indicators

To assess the performance of its businesses, SergeFerrari Group monitors three key indicators in particular:
- gross margin on standard production cost,
- adjusted EBITDA,
- operating working capital,
determined as follows:

- "Gross margin" is the gross margin on standard production costs, calculated as follows:
  Gross margin = Total revenue - standard production costs (standard materials cost + standard personnel expense + standard general expenses). The gross margin on standard costs from sales of flexible composite materials is the Group's primary indicator of operational profitability.
  The standard production costs (raw materials, personnel expenses and general expenses) are extracted from the accounts by business unit. The sum of the expenses by type of all the business units tallies with the amount of expenses by type shown in the consolidated income statement.

€'000	2013	2014	2015
Gross margin - flexible composite materials	60,109	62,368	64,787
Gross margin as % of revenue - flexible composite materials	45.8%	46.5%	46.0%

The reconciliation of gross margin on standard costs with the consolidated income statement is given below:

	Standard production costs	Other operations	Total costs
Cost of sales	42,670	12,171	54,841
Personnel costs	19,811	20,435	40,246
Other operating costs	13,717	31,564	45,281
Total operating costs	76,198	64,170	140,368
Revenue	140,985	7,413	148,398
Gross margin on standard costs	46%	N/A	N/A
EBIT			8,030

- **Adjusted EBITDA is determined by** summing the EBIT, the provisions and reversals shown in Notes 24 and 25 to the consolidated financial statements with the "company value-added contribution" (CVAE) restated as income tax, as shown in Note 29 to the consolidated financial statements. The EBITDA-to-revenue ratio is the Group's secondary profit indicator.

€'000	2013	2014	2015
Adjusted EBITDA	16,947	17,319	15,912
Ratio: adjusted EBITDA / total revenue	12.1%	12.2%	10.7%

- Operating working capital consists of inventories, trade receivables and trade payables. Operating working capital as well the working capital related to operating items other than inventories, trade receivable and trade payables (i.e. tax and social security payables, adjustment accounts, tax expense other than corporate income tax, etc.) together comprise working capital related to business operations. Operating working capital is the primary indicator of liquidity and the use of Group capital.

€'000	2013	2014	2015
Operating working capital	52,436	52,729	52,508
Operating working capital (as % of revenues)	37.6%	37.0%	35.4%

- ROCE (Return On Capital Employed) after tax corresponds to EBIT after tax divided by average net capital employed.

€'000	2013	2014	2015
ROCE	**7.4%**	**8.0%**	**7.3%**
Average capital employed	81,915	79,713	79,905
EBIT after tax	6,067	6,392	5,811
Tax rate	32.3%	25.1%	27.6%

ROCE is calculated as the ratio between:
- EBIT after tax, calculated by charging the taxation rate shown in Note 28 to the consolidated financial statements, and

- average capital between the year opening and closing dates, composed of the sum of net intangible assets, net PP&E, trade receivables net of provisions for impairment, and inventories net of provisions, as set out respectively in Notes 6, 7, 11 and 12 to the consolidated financial statements, less trade payables as shown under consolidated balance sheet liabilities.

For the periods presented, industrial capital expenditure mainly corresponds to industrial plant upgrading contracted and commissioned throughout the year. For the period under review, no capacity investment was made of which the commissioning date could have significantly impacted the calculation of average capital on a *pro rata temporis* basis. If such a situation were to arise in the future, the calculation of average capital employed would be altered, and the significant investment in question would be recognized only at the time of its commissioning.

- The Group does not intend to provide forecasts or estimates of profits.

4.2. Pro forma financial information

Not applicable.

4.3. Review of financial position and earnings

4.3.1. SergeFerrari Group SA business activities

The Company's position and activities during the fiscal year: assessment of business trends, earnings and financial position

4.3.1.1. 2015 highlights

Changes in the CHF and USD exchange rate against the EUR
On January 15, 2015, the Swiss National Bank announced its decision to abolish the 1.20 EUR/CHF exchange rate floor that it had maintained since September 2011. During the minutes following this announcement, the CHF appreciated sharply versus the euro.

SergeFerrari Group manufactures in its plant at Eglisau near Zurich around 20% of the volume of flexible composite materials that it sells, while nearly all of the PET micro-cables used to create the mesh for its products come from the Emmenbrücke facility near Lucerne.

In its Registration Document filed with the French Financial Markets Authority on June 11, 2015, the Company stated that a 20% increase in the CHF over the average 2014 rate would reduce its pre-tax profit and shareholders' equity by €4.6 million (based on net flows: sales denominated in foreign currencies less purchases denominated in foreign currencies). In 2015, the Swiss franc appreciated by nearly 13% versus the euro compared with its average 2014 rate.

Nevertheless, the following factors and measures have helped to mitigate the impact from the loss of competitiveness caused by this development:
– around 50% of costs borne by the two Swiss plants relate to raw materials that are sourced, invoiced and paid for in euros or dollars. The appreciation of the Swiss franc (the operating currency of the Swiss subsidiaries) therefore tends to reduce the cost, in CHF, of procuring these raw materials;
- the Group has implemented measures addressing other operating expenses denominated in CHF, notably personnel expenses: the working week has been increased to 42.5 hours at the two Swiss manufacturing plants, with no increase in wages. The extended working week increases flexibility by reducing the number of shifts required to ensure continuous 24-hour operation;
- general expenses and industrial service purchases (transport and maintenance) have been analyzed in order to find ways of reducing prices denominated in CHF for materials and services sourced in the euro zone; where such local costs cannot be reduced, the Group's Swiss companies will readily resort to suppliers who invoice in euros.

As of December 31, 2015, the Company considers that it recovered half the loss of competitiveness due to the appreciation of the CHF.

Dividends paid
On April 29, 2015, Serge Ferrari SAS paid out €2.7 million as a dividend to its sole shareholder, SergeFerrari Group.
On May 21, 2015, the Company paid out a dividend of €0.12 per share, amounting to 30% of earnings per share.

Financing
On July 28, 2015, the Company contracted the following financing facilities with a group of lenders:
- a €15 million Euro PP in the form of a six-year loan, repayable on maturity and fully drawn down at the signing of the agreement, to be assigned to refinancing €8.6 million of medium-term borrowings in euros and reducing recourse to factoring finance;
- a €35 million six-year revolving credit facility to be drawn as and when required for general purposes (capital expenditure, acquisitions etc.), subject to an annual €5 million reduction in the available amount over a three-year period beginning in the third year.
The main purpose of these financing facilities is to extend the average maturity of Group debt and to enable the Group to take advantage of opportunities that may arise. Furthermore, the Euro PP diversifies the type of lenders to which the Group resorts.

Under Article 39 of the French General Tax Code, the Company took out a policy for the partial funding of one-off retirement gratuities payable to French employees residing in mainland France. A payment of €996,000 was made under this policy, offset by an equivalent reduction in the commitment previously recognized by the Group.

On March 20, 2015, SergeFerrari Group made an additional €250,000 contribution to the liquidity contract, increasing the funds allocated to the contract from €500,000 to €750,000.

Partnership with CEA Tech
The five-year partnership agreement signed on October 23, 2015 established a long-term collaboration between the Serge Ferrari Group and CEA Tech research and development teams. The partnership is geared towards designing and developing optimized, innovative solutions based on technologies developed by CEA Tech, with a focus on connected, instrumented and communicative materials.

CEA Tech ("From research to industry") is the technology division of CEA, the French Alternative Energies and Atomic Energy Commission. CEA Tech develops and disseminates key generic technologies and effectively bridges the gap between fundamental research and applications. Serge Ferrari Group and CEA Tech teams have already started to work on pre-identified applications, with the aim of designing the next generation of flexible composite materials.

4.3.1.2. Revenue and earnings

In 2015, the Company invoiced its subsidiaries using the "Serge Ferrari" brand name for trademark license fees, from which it earns all its revenue, totaling €1,146,000 compared with €1,109,000 in 2014. The licensing contracts concluded with the Serge Ferrari SAS, Serge Ferrari North America, Serge Ferrari Japan, Serge Ferrari Asia Pacific Ltd, Serge Ferrari AG, Serge Ferrari Tersuisse AG and Serge Ferrari Brasil subsidiaries were continued without change in 2015. The license fee rate charged in 2014 and 2015 was 0.8% of sales outside the Group by each of the companies concerned.

In 2015, the Company made an operating loss of €547,000 compared with a loss of €2,993,000 for 2014, mainly due to the following:
- the recognition in 2014 of expenses related to the capital increases carried out as a result of the IPO, amounting to €3,529,000;
- recognition in 2015 of €465,000 in fees for implementing the €15 million Euro PP credit facility and the €35 million revolving credit facility.

In 2015, the Company returned net financial income of €337,000 compared with €5,377,000 for the 2014 fiscal year, due to the following:

- in 2014, dividends of CHF 7.5 million (equivalent to €6,168,000) paid by Ferfil Multifils, and the recognition of €801,000 in impairment provisions on loans to affiliates;
- for 2015, receipt of €2.7 million in dividends paid by Serge Ferrari SAS and the recognition of €2.9 million in impairment provisions on equity investments.

The company returned a net loss of €183,000 in 2015 compared to a profit of €3,322,000 in 2014.

4.3.1.3 Financial position and liquidity

The only changes in shareholders’ equity were due to the appropriation of 2014 earnings and a €1,475,000 dividend payment in 2015. As of December 31, 2015, the Company's individual shareholders’ equity amounted to €59,455,000.

The Company's gross medium-term debt as of December 31, 2015 stood at €15 million compared to €8,901,000 at the 2014 year-end, impacted by the following factors:
- the setting up of a €15 million Euro PP financing facility on July 28, 2015;
- the early repayment of all the medium-term financing facilities contracted in the form of club deals, on which €8,901,000 was outstanding as of December 31, 2014.
These loans carry restrictive covenants in the form of financial ratio requirements based on the consolidated financial statements drawn up to IFRS standards, with which the Company was compliant as of December 31, 2015.

The Company's cash position as of December 31, 2015 amounted to €16,998,000 compared to €25,660,000 at the 2014 year-end. As of December 31, 2015, €16,008,000 was deposited on term accounts maturing in less than 36 months, drawable at 32 days' notice.
The net balance receivable as of December 31, 2015 by SergeFerrari Group from the pooling company under the cash pooling agreement of which Serge Ferrari SAS is the pivotal entity amounted to €34,933,000 compared to €19,545,000 at the 2014 year-end.

4.3.1.4. Share capital, treasury shares and transactions in SergeFerrari Group shares

As of December 31, 2015, the share capital consisted of 12,299,259 shares, each with a par value of €0.40.

In 2014, the company entered into a liquidity contract in respect of the SergeFerrari Group share, with a provision of €500,000. A further provision of €250,000 was contributed to the contract in 2015. The contract was drawn up in accordance with the applicable legal framework, particularly European Commission Regulation (EC) 2273/2003 of December 22, 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buyback plans and stabilization of financial instruments, Articles L. 225-209 et seq. of the French Commercial Code, the General Regulation of the French Financial Markets Authority (AMF) and the AMF decision of March 21, 2011 updating accepted market practice No. 2011-07 relating to liquidity contracts.
Under this arrangement, the Company held 38,881 treasury shares as of December 31, 2015, equivalent to 0.32% of its share capital.
Movements in shares held under the liquidity contract were as follows:
Number of shares purchased: 66,016 shares at an average price of €9.70
Number of shares sold: 52,824 shares at an average price of €9.77.
There was no other movement in shares arising from the use by the Board of Directors of the authorizations passed at the April 29, 2015 general meeting.

As of December 31, 2015, to the best of the Company's knowledge, the share capital was held by the following:

- members of the Ferrari family group (69.4%)
- Bpifrance (5.4%)
- Salvepar (6.3%)
- CM CIC Investissement (4.8%)

Research and development information
The Company performed no research and development activity during the 2014 and 2015 fiscal years.

Information on supplier and customer payment terms
As of December 31, 2015, trade payables amounted to €121,000 compared to €113,000 at the 2014 year-end. The average payment terms are 60 days date of invoice. Intercompany invoices are paid on the 15th of the 3rd month following their recognition, upon completion of reconciliation of the net positions.

4.3.1.5. Business activities of subsidiaries

Business activities of subsidiaries

List of subsidiaries and equity investments
As of December 31, 2015, SergeFerrari Group directly held the following subsidiaries and equity investments:

- SergeFerrari SAS (99.78% of the share capital) – Manufacture and marketing of flexible composite materials
- TEXYLOOP (100% of the share capital) – Recycling and re-generation of raw materials
- CI2M (100% of the share capital) – Construction of special machinery
- Ferfil Multifils (100% of the share capital) – Twisting and warping of PET micro-cables (Switzerland)
- Serge Ferrari Brasil (83.12% of the share capital) – Marketing (Brazil)
- VR Développement (20.10% of the share capital), holding company of ROVITEX (lamination) and Rovitex Asia.
- SIBAC (17.53% of the share capital) – Manufacturing and real estate (Tunisia)

- 2F2BI (5% of the share capital), parent company of MTB – Design and manufacture of recycling machinery

The activity of each of the consolidated subsidiaries is outlined below.

Serge Ferrari SAS
Sales in 2015 came to €133,188,000 compared to €127,547,000 in 2014. This improvement in revenue is reflected in further growth in net income from €3,620,000 in 2014 to €4,215,000 in 2015. The company has decided to finance a portion of its retirement gratuity commitments by taking out a special-purpose insurance policy, making a payment of €1 million.
Serge Ferrari SAS itself carries on the activities of design, manufacture and distribution of flexible composite materials.

TEXYLOOP
2015 revenue amounted to €1,260,000, compared to 2014 revenue of €1,286,000. Operating income for 2015 came to €69,000 compared to €14,000 in 2014.
Texyloop holds 40% of the capital of Vinyloop Ferrara SpA: in 2015, Texyloop contributed €600,000 to recapitalize the latter company. The shares issued on this occasion have been fully written off, as have the loans to this affiliate, for a total amount of €3,509,000. This brought the net loss for 2015 to €2,472,000 compared with €889,000 in 2014.

In December 2015, Texyloop made a commitment to recapitalize Vinyloop Ferrara SpA in 2016 with an injection of €800,000.

CI2M
CI2M earned revenue of €1,546,000 in 2015 compared to €1,558,000 in 2014, returning operating losses of €92,000 in 2015 and €69,000 in 2014.
This company returned a net loss of €19,000 in 2015 compared to a €38,000 loss in 2014.

Ferfil Multifils
In 2015, Ferfil Multifils earned revenue of CHF 18,316,000, compared to CHF 20,478,000 in 2014. 2015 net income came to CHF 269,000, compared to CHF 262,000 in 2014.

Serge Ferrari Brasil
In 2015, Serge Ferrari Brasil earned revenue of BRL 4,743,000 compared to BRL 4,124,000 in 2014. Its revenue was earned from local sales of flexible composite materials and from the invoicing of business development services provided to Serge Ferrari SAS. Net income came to BRL 40,000 in 2015 compared to BRL 251,000 in 2014.

SergeFerrari Group indirectly controls consolidated companies whose 2015 revenue is outlined below:

Serge Ferrari North America (fully-consolidated subsidiary)
This subsidiary earned revenue of USD 14,163,000, compared to USD 15,307,000 in 2014. It returned a net loss of USD 290,000 compared to a profit of USD 567,000 in 2014.

Serge Ferrari Asia Pacific (fully-consolidated subsidiary)
This company earned revenue of €4,617,000 in 2015 compared to €3,525,000 in 2014. Net income for 2015 came to €594,000 compared to €69,000 in 2014.

Serge Ferrari Japan (83.10% consolidated subsidiary)
In 2015, this subsidiary earned revenue of JPY 245.5 million compared to JPY 190.5 million in 2014, while net income came to JPY 6.4 million compared to JPY 5.3 million in 2014.

Ferrari Latino America (99.99% consolidated subsidiary)
This company had no activity during 2015.

Serge Ferrari Tersuisse (fully-consolidated subsidiary)
In 2015, this subsidiary earned revenue of CHF 18,368,000 compared with CHF 21,645,000 in 2014. Net income came to CHF 1 858,000 compared to CHF 2,609,000 in 2014.

Serge Ferrari AG (fully-consolidated subsidiary)
In 2015, this subsidiary earned revenue of CHF 29,979,000 compared to CHF 35,903,000 in 2014. 2015 net income came to CHF 1,000 compared to CHF 10,000 in 2014.

Tax consolidation
SergeFerrari Group is the parent company for the tax consolidation entity formed with Serge Ferrari SAS, TEXYLOOP and CI2M.

Prior year dividends
Pursuant to Article 243 *bis* of the French General Tax Code, we would remind you that a dividend of €0.12 per eligible share was made payable on May 21, 2015, distributed from earnings for the 2014 fiscal year; no dividend was paid in respect of the two fiscal years ended December 31, 2012 and 2013.

Non-tax deductible expenses
Pursuant to Article 223 *quater* and *quinquies* of the French General Tax Code, it is hereby stated that the attendance fees added back to earnings for the purpose of calculating 2015 taxable income amounted to €68,000.

Corporate governance
The list of offices held and duties performed by each of the corporate officers, together with the compensation and benefits of all kinds awarded to corporate officers, are disclosed in Section 3 of the Chairman's Report on corporate governance and internal control.

4.3.2. Consolidated Group operations

4.3.2.1 Overview and factors having an impact on revenue and net income

The Group is a leading player in the design, manufacture and distribution of flexible composite materials intended for Architectural, Professional and Consumer uses.

Most of the production sold relies on an industrial technology, Précontraint®, designed and continuously improved by the Group since it was first developed nearly 40 years ago. The patent relating to this technology has fallen into the public domain, but the Group retains proprietary know-how in that it designs and makes production equipment for manufacturing composite materials with Précontraint technology, without which the quality and technical characteristics of the materials cannot be copied by a competitor.

The Group benefits from a very high degree of integration (from procurement to end-of-life recycling) and an international anchoring with production plants in France, Switzerland and Italy as well as subsidiaries in France, the United States, Brazil, Hong Kong, Japan and, as of January 2016, India.

Over the past few years (2011 to 2015), the Group's business and earnings were affected by the following key events:

- After a sharp drop in revenue in 2009, the Group experienced a strong rise in sales in 2011, partly due to restocking by its distributors;
- A sharp rise in raw material prices which began in 2010 and continued through 2011: the prices of these materials (of mainly chemical origin) rose sharply following the surge in oil prices and the scarcity effect of certain materials sourced mainly in China (antimony). Although the Group was operating at full capacity as indicated above, these price rises could not be passed on to customers in the short term, thus heavily impacting the Group's margins which declined markedly from their long-term historical levels.

- Strong measures to refocus its business: to combat the combined effects of a significant recovery in sales and the rise in raw material prices which severely narrowed its margins, the Group's Management decided on a set of measures which included:
    - discontinuing unprofitable or low-profit product lines;
    - focusing sales drives on more innovative, higher-value-added products,
    - streamlining to recover historic operating margin levels,
    - a proactive innovation policy to support its repositioning onto high-value-added products and to eventually minimize exposure to chemical prices by working on product formulation.
- the EBITDA margin improved as from 2013, rising in line with the plan to regain historic levels and reach the Group's target of 15% by 2018, increasing to 12.1% in 2013 and 12.2% in 2014. The drop to 10.7% in 2015 resulted from the significant increase in capital expenditure granted as part of the Group's development plan.
- the Group pursued its development in 2014 and 2015 via the considerable expansion of its sales force, with a view to achieving revenue of €215 million in 2018.

Revenue

Consolidated net revenue breaks down as follows: around 95% of total revenue (net of tax) is from the sale of flexible composite materials, with the balance from miscellaneous sales (industrial waste, intermediary services, production machines built by its subsidiary CI2M, and semi-finished products such as PET micro-cables), minus discounts, rebates, returns and intercompany sales.

Proceeds from goods sold are recognized in the income statement when the significant risks and rewards inherent in the ownership of the goods have been transferred to the buyer, or in most cases on the date that the materials are shipped.
The geographic regions in which the Group operates each have different demand trends, mainly reflecting local economic conditions.

The organic growth in Group revenue (i.e. growth due to changes in volumes of products sold and selling prices, excluding the impact of changes in consolidation scope and exchange rates) depends mainly on the following factors:
- The competitive positioning of the Group's offering in its main markets, which relies in particular on: the extent of its offering and the value added of the materials offered, the compliance of its products with regulatory standards, the existence and maintenance of privileged relationships with customers and specifiers (architects, installers, specialized distributors), the quality of the products and services offered by the Group, and the competitiveness of the Group's prices.
- The growth potential and structure of each geographic market in which the Group operates.
- Local economic conditions in that its sales policy focusing on high-end products may prove unsuitable at times of economic slowdown.

Factors impacting operating income

Purchases consumed

Purchases consumed mainly consist of the raw materials used in making the Group's products, in particular plasticizers, PVC resins, flame retardants, PET and pigments. Other expenses mainly consist of packaging costs.

External expenses

External expenses cover:
- Rents and related charges at its various sites;

- Remuneration to intermediaries and fees, including the cost of non-employee personnel in countries where the Group has no legal structure of its own, as well as fees paid under management agreements with the controlling holding company Ferrari Participations, which re-invoices all payroll costs of the French members of the Executive Committee (see Section 3.3 of this Registration Document);
- The cost of shipping products and of logistics, which vary mainly depending on the price of fuel and the Group's operational efficiency (truck fill rates, location of production and distance from sale location, etc.);
- Preventive maintenance, servicing and repair costs;
- Advertising and marketing expenses which are linked to the release of new products requiring specific sales drives;
- Engineering, R&D and documentation costs;
- Mission and product reception costs for international marketing, sales and representation;
- Insurance premiums, postal charges, bank charges.

Miscellaneous taxes
These comprise mainly the "company value-added contribution" (CVAE). CVAE is restated for the purpose of calculating adjusted EBITDA.

Personnel expense
This includes the total salary cost for Group employees. These expenses change depending on the number of employees, the average pay and the achievement of employees' annual targets, which affects the variable portion of their pay.
To calculate the total payroll required by its activities, the Group must take not only its own personnel expense into account but also the cost of non-payroll personnel in countries where the Group has no legal structure of its own, as well as the fees paid under the management agreement signed with the controlling holding company Ferrari Participations, which re-invoices all the salaries of French employees on the Group's Executive Committee, which are recognized as external expenses.

Depreciation and impairment
The level of capital expenditure affects the amount of depreciation charges recognized under operating expenses. The Group spends on average around 2.5% of its annual revenue on industrial renewal and technological adaptation. Any required investment in capacity will increase depreciation charges.

Provisions for impairment of inventory and receivables reflect:
- the Group's capacity to improve the quality conformity of the materials it produces, as products with aesthetic defects have to be sold off at sharply reduced prices;
- the economic environment of the countries in which the Group operates, which directly affects its distributor-customers and their end customers.

Other recurring income and expenses
This relates mainly to miscellaneous income (insurance payouts, capitalized equipment or R&D, etc.) and miscellaneous expenses (losses on receivables).

Non-recurring operating income and expenses
This item consists of non-recurring income and expenses.

Factors impacting Group net income

Net cost of debt
This cost incorporates the financial cost of total debt (investment income minus interest expense) plus the profit or loss from other financial income and expenses including, in particular, gains or losses on currency translation, change in the value of derivative financial instruments (interest rate swaps in this case), financial expenses related to employee benefits and dividends from non-consolidated companies.

Income tax

Income tax in the Group consolidated financial statements consists of the tax on the income of the Group's entities plus any changes in deferred tax balances on the Group's balance sheet.

Share of profit from equity associates

This is the Group’s share of profit from companies consolidated on an equity basis, as the size of the Group's equity interest in them does not warrant their full consolidation. In this case, it is the Group’s share in the joint venture with INOVYN (an INEOS Group subsidiary) on a 40:60 basis. This industrial entity re-generates the second-generation raw materials from the recycling of raw materials (manufacturing waste, end-of-life materials, etc.) which allows the fibers and PVC to be separated.

Segment reporting

The Group is a “single segment” enterprise in the sense of IFRS 8, in the “flexible composite materials” segment (in accordance with IFRS 8, segment reporting is based on internal management data used by the Group's senior management, the Chairman and Chief Executive Officer, the two Senior Vice Presidents, the Group's main operational decision-makers), this single-segment presentation being linked to the strongly integrated nature of the activities developed by the Group.
Geographic regions and fields of activity do not constitute segments in the sense of IFRS 8.
The Group has, however, information on revenue and gross margin on standard costs per geographic region and per business segment.
However, the Group does not have key performance aggregates at a more detailed level than margin on standard costs (as defined in Section 3 of this Registration Document), as the major operational cost components beyond this margin cannot be broken down geographically or in terms of segment, as these unallocated operating expenses accounted for over half of total operating expenses in 2015.

The availability of gross margin figures does not call into question its single-segment character in the sense of IFRS 8.

In accordance with IFRS 8, the breakdown of revenue by geographic region is presented in the consolidated financial statements in Section 4.6 of this Registration Document.

Exchange rate fluctuations

Fluctuations in the exchange rates of various currencies had a direct impact on the Group’s consolidated financial statements. This impact was reflected in the contingency risk on translation into euros in the subsidiaries’ balance sheets and income statements.

The main currencies concerned are the Swiss franc (as two production sites are in Switzerland) and the US dollar (as some raw materials are purchased and invoiced in dollars).

Seasonality

The diversification of sectors and geographic regions where the Group’s products and services are marketed eases the seasonality resulting from a focus on local and regional markets. However, sales of solar protection products as well as architectural and homeowner products are higher in the first half of each year than the second. Weather conditions in the Northern Hemisphere (where most of the Group’s sales are concentrated) are less conducive to architectural and homeowner work late in the year. Generally, around 55% of annual sales are made in the first half of the year and around 45% in the second half, a ratio which has been becoming more balanced since 2014 and 2015 (see paragraph 4.3.2.4). This breakdown of sales is reflected in peak working capital requirements (and therefore the need to finance them) between April and September.

Changes in consolidation scope

Over the reporting period, there was no significant entry into or exit from the consolidation scope that disrupted the comparability of the accounting information that would have required the preparation of proforma data.

Presentation of accounting and financial information

The Group uses two key indicators to measure its performance, gross margin on standard production costs and adjusted EBITDA, calculated using the following methods.

Gross margin

"Gross margin" is the gross profit on standard costs, calculated as follows:
Gross margin on standard production costs = Total revenue - standard production costs (standard materials cost + standard personnel expense + standard general expenses).

Adjusted EBITDA

To assess the performance of its activities, the Group uses Adjusted EBITDA, which is operating income adjusted for depreciation and amortization plus the CVAE that was reclassified as income tax (expense of €657,000 in 2015 and €709,000 in 2014).

The Group's Management considers adjusted EBITDA to be a pertinent indicator as it measures the performance of the Group's ordinary activities, without taking into account the impact of expenses connected with past expenditures (depreciation and impairment), or non-recurring items that are not representative of the trends in the Group's results.

Estimates and assumptions used in the preparation of the financial statements

The preparation of consolidated financial statements in accordance with international financial reporting standards (IFRS) requires management to make estimates and assumptions that impact the value of assets and liabilities as well as expenses and income. Management regularly reviews the assumptions and estimates used, based on its experience and other reasonable factors that form the basis for measuring its assets and liabilities. Actual results may vary from such estimates.

These assumptions and estimates mainly relate to:
- provisions for pensions and employee benefits;
- other provisions for litigation, guarantees and contingencies;
- deferred tax assets, in particular those relating to tax loss carryforwards.

Provisions for pensions and similar

In accordance with the laws and practices of each country in which it operates, the Group participates in pension schemes, health and disability schemes and severance provisions for eligible employees, former employees and their eligible beneficiaries. As of December 31, 2015, the Group's employee benefit obligations in this respect were mainly in France and Switzerland.

Provisions for litigation, guarantees and restructuring charges

Provisions for litigation, guarantees and other contingencies are recognized when, at the balance sheet date, there is a legal or constructive obligation arising from a past event which will probably result in a cash outflow to the benefit of a third party and which can be reliably estimated.

Deferred tax assets
The Group recognizes deferred tax assets and liabilities in its statement of financial position. A deferred tax asset must be recognized for all future deductible temporary differences, tax loss carryforwards and unused tax credit carryforwards, if it is likely that the Group will have taxable profits in the future against which those future tax savings could be offset.

Deferred tax assets are recognized if it is likely that the Group will be able to use them in the future. Management must determine the net tax asset value that can be recognized. Net taxable profits are estimated based on forecasts and on assumptions and models of market conditions. Such assumptions and models can have a material impact on the asset value recognized on the Group balance sheet. Deferred tax assets relating to tax loss carryforwards and unused tax credits were recognized in the Group financial statements in a total amount of €2,495,000 as of December 31, 2015.

Accounting of joint ventures
IFRS 11 defines the accounting treatment for partnerships in which at least two parties exercise joint control. Under the new provisions, only two types of partnerships are identified: joint ventures and joint operations, the difference depending on the rights and obligations of the partners.

The removal of the proportional consolidation method has no impact on the Group, as the Vinyloop joint venture is currently consolidated as an equity associate.

4.3.2.2. Group revenue

(€'000)	2015	2014	*Change*
Southern Europe (SEUR)	51,924	48,616	*+6.8%*
Wide Europe (WEUR)	52,068	51,350	*+1.4%*
Rest of World (ROW)	36,993	34,017	*+8.7%*
Total flexible composite materials	140,985	133,983	*+5.2%*
Other products	7,413	8,341	*-11.1%*
Total revenue	148,398	142,324	*+4.3%*

2015 revenue amounted to €148.4 million, up 4.3% from €142.3 million in 2014. The 5.2% increase in sales of flexible composite materials resulted from a 4.5% increase in volumes sold; currency gains contributed 2.7% to sales growth while the mix/price effect reduced by 2.0% in 2015.

The foreign exchange impact resulted from changes in the EUR/CHF and EUR/USD exchange rates: the average 2015 EUR/USD exchange rate was 1.10, compared to 1.329 for 2014. Invoices in euros accounted for 81% of 2015 sales, as in 2014, while sales denominated in USD accounted for 11% of the 2015 total (as in 2014). Those denominated in CHF accounted for 6% of consolidated revenue (stable compared to 2014).

The geographic trend in sales prompts the following comments:

- Southern Europe: €51.9 million, up 6.8% compared to 2014.
  Sales in France, the Group's largest market, amounted to €34.3 million, up 4.6% from €32.8 million in 2014. The increase in revenue in Italy and Spain was more significant at 11%, which reflects a return, primarily in Spain, to a more favorable economic environment than that of previous years.

- Europe (other countries): €52.1 million, up 1.4% compared to 2014
  This region benefited from a favorable foreign exchange impact (sales in CHF in Switzerland represented around 6% of Group revenue), but suffered from the need to adjust selling prices in CHF in order to retain the market share, and an unfavorable price/mix effect for sales in this region.

- Rest of World: €37.0 million, up 8.7% compared to 2014
  This region was positively impacted by the change in the US dollar against the euro, with the Group achieving around 11% of its total invoices in USD in the United States and China. Conversely, at times this currency instability led the Group to lower its prices in USD, placing the price/mix effect under strain.

The change in sales according to field of application was as follows:
- Innovative materials for architecture: €56.8 million (up 4.5% from €54.4 million in 2014)
- Innovative materials for professionals: €49.8 million (up 7.0% from €46.5 million in 2014)
- Composite membranes for consumers: €34.4 million (up 3.8% from €33.1 million in 2014)

4.3.2.3. Earnings

The 2015 gross margin on standard costs for sales of composite materials amounted to 46.0% of sales, compared to 46.5% of sales in 2014, primarily due to a combination of:
- a decrease resulting from the unfavorable currency impact on manufacturing at the Group's Swiss plants,
- a decrease resulting from a product mix effect that saw an increase in Advanced materials for industry professionals, higher than that of other fields of activity,
- an increase resulting from a currency gain on revenue of 2.7% in 2015,
- an increase due to the impact, however moderate, of the change in raw material prices.

The Group continued to roll out its development plan and in particular the expansion of its sales force, for which the number of sales staff increased from 107 to 122, and then to 139 as of December 31, 2013, 2014 and 2015 respectively. There has therefore been a sharp increase in the ratio of sales and marketing-related costs, which rose from 15.9% to 17% of revenue between 2014 and 2015, and increased by €2.6 million (up 11.4%). 2015 operating income (€8,030,000) was stable compared to 2014 (€7,969,000, which was however impacted by €524,000 in costs associated with the Company's IPO).

The change in costs according to type prompts the following comments:
- Purchases consumed (including changes in the inventory of work-in-progress and finished products) amounted to €54,841,000 (37.0% of revenue) compared to €53,222,000 (37.4% of revenue in 2014);
- External expenses amounted to €36,680,000 in 2015 (24.7% of revenue), compared to €32,813,000 (23.1% of revenue) in 2014. These expenses mainly consist of transportation costs, maintenance expenditure for the industrial facilities and the costs of marketing and communication campaigns;
- Personnel expenses increased by 4.1% between 2014 (€38,649,000) and 2015 to €40,246,000; the impact of the French Competitiveness and Employment Tax Credit reduced personnel expenses by €483,000 in 2015 compared to €482,000 in 2014. The Group had 638 employees at December 31, 2015, compared to 605 on the same date in 2014. The increase in the headcount included sales, marketing and administration staff (a 10% increase totaling 16 new hires), as well as production personnel (a 2.9% increase over 2014, with 11 new hires) ;
- Amortization and depreciation charges amounted to €7,370,000 in 2015 compared to €7,241,000 in 2014: amortization charges for intangible assets amounted to €1,768,000 (including €1,071,000 for research and development expenses and €697,000 for IT solutions); depreciation charges for property plant and equipment amounted to €5,601,000. Investments in property, plant and equipment and intangible assets amounted to €7,166,000 in 2015.

Non-recurring operating income and expenses in 2014 included a portion of the expenses incurred to perform the capital increases subscribed at the time of the IPO, which were recognized as follows:
- expenses directly attributable to the capital increase transactions were charged to the issue premium;
- expenses relating to both the capital increases and the IPO were charged to the issue premium in proportion to the number of newly issued shares, while the balance was posted to the income statement for the period.

In this regard, €314,000 was recognized on the 'Non-recurring operating income and expenses' line and €3,215,000 (pre-tax) was charged to the issue premium generated at the time of the capital increase transactions.

Adjusted EBITDA amounted to €15,912,000 and 10.7% of revenue, compared to €17,319,000 in 2014 (and 12.2% of revenue).

Operating income amounted to €8,030,000 in 2015 compared to €7,969,000 in 2014 (restated for the impact of the application of IFRIC 21).

The net cost of debt fell from €578,000 in 2014 to €471,000 in 2015, due to the decrease in interest rates and bank loans, the amount of which fell from €14,557,000 at the end of 2014 to €4,744,000 at December 31, 2015, and to which the €15 million Euro PP is added, drawn as of July 28, 2015.

The (payable and deferred) income tax charge amounted to €2,157,000 compared to €1,810,000 in 2014, with the effective tax rate at 27.6% in 2015 compared to 25.1% the previous year.

Net income (Group share) amounted to €4,787,000 in 2015 compared to €4,328,000 in 2014.

4.3.2.4. Balance sheet and liquidity

Non-current assets amounted to €39,862,000 as of December 31, 2015, up from €38,336,000 in 2014 due to investments made during the year:

- investments in intangible assets in 2015
  - €1,612,000 (compared to €1,287,000 in 2014), for research and development operations;
  - €868,000 (compared to €1,192,000 in 2014) relating to expenditure on information systems and specifically the management of IT infrastructures and helpdesk solutions, as well as the completion and deployment on April 1, 2015 of the SAP system at the Emmenbrücke industrial facility in Switzerland;
- investments in property, plant and equipment amounting to €4,686,000 (compared to €4,312,000 in 2014). These investments, primarily in industrial maintenance, represented 3.2% of 2015 revenue;
- depreciation and amortization charges totaling €7,370,000 compared to €7,241,000 in 2014.

Operating working capital, expressed as a percentage of annual revenue, improved by 160 basis points:

€'000	Dec 31, 2014	Dec 31, 2015
Operating working capital	52,729	52,508
Inventory (gross)	36,873	36,482
Trade receivables (gross)	30,872	33,147
Trade payables	15,016	17,121
Operating working capital (% of revenue)	37.0%	35.4%

There is no deconsolidation mechanism that would be reflected as an increase or decrease in one of the aggregates presented above. Trade receivables sold under the factoring program are added back to the ‘Trade receivables’ line.

The increase in trade receivables (up €2,275,000) reflects revenue growth recorded in Q4 2015 (up €2,439,000) compared to the previous year. In this respect, a slight rebalancing has taken place over the last two years: while 2014 revenue broke down between 55% in the first half and 45% in the second, in 2015 the breakdown was 53% / 47%. This change is very positive in terms of working capital, to the extent that the increase in supplies for December and November are financed as of December 31 by the Trade payables item.

The reduction in inventories resulted from the impact of improved consolidation of all of the material manufacturing stages.

The Group's equity amounted to €98,088,000 as of December 31, 2015, compared to €94,616,000 as of December 31, 2014 primarily due to:
- the recording of net income of €4,795,000 for 2015,
- the paying out of dividends totaling €1,471,000.

The Group’s net cash position as of December 31, 2015 increased by €3,385,000 compared to December 31, 2014. These amounts are analyzed as follows:

€'000	Dec 31, 2015	Dec 31, 2014
(Cash)/Net debt	-20,846	-17,461
(Short and long term) loans	19,745	14,557
Acquisition costs	-432	---
Bank overdrafts	1	76
Factoring	9,229	13,084
Cash and cash equivalents	-49,389	-45,178

The acquisition cost for loan agreements entered into on July 28, 2015 are amortized over the term of the loans, i.e. 6 years.

The Group had unused bilateral lines of credit as of December 31, 2015 of €4.5 million.

4.4. Foreseeable developments, future outlook and significant post-balance sheet events

Changes in the Company’s position and outlook

Ongoing implementation of the strategic plan
Confident in the impact that the ongoing expansion of its sales force will have on its revenue growth in 2016, SergeFerrari Group is continuing to pursue its objective of achieving revenue of €215 million and a 15% adjusted EBITDA margin in 2018.

As of December 31, 2015, sales staff comprised 139 employees, compared to 122 as of January 1, 2015; at the end of 2016, the sales headcount is expected to reach around 160. Hervé Trellu has been in charge of all of the sales, marketing and supply-chain teams since January 1, 2016, when he joined the Group's Executive Management team as Senior Vice-President Sales & Marketing. Hervé Trellu's objective is to ramp up SergeFerrari Group’s development abroad and to showcase the advantages that set its products apart.

Significant post-balance sheet events – Foreseeable developments and future outlook

Serge Ferrari’s future outlook and goals are not forecasts resulting from a budget process, but merely targets arising from the strategic choices set out in Sections 1.2 and 1.3, and from Serge Ferrari’s development plan.

The future outlook and goals are based on data and assumptions that Serge Ferrari's management considered reasonable as of the Registration Document date. These assumptions and data are liable to change due to the uncertainty relating, in particular, to the regulatory, economic, financial, competitive, accounting or tax environment, or depending on other factors of which Serge Ferrari may not be aware at the date of this Registration Document.

Moreover, the materialization of certain risks described in Section 4 “Risk factors” could have an impact on Serge Ferrari’s business, financial position, earnings and outlook and on its ability to achieve its goals. The achievement of these goals also depends on the success of Serge Ferrari's strategy, as set out in Section 1.1 of this Registration Document, which itself may be affected by the materialization of these risks.

Accordingly, the Company makes no commitments or guarantees regarding the achievement of the outlook and goals described in this Registration Document.

SergeFerrari Group’s objective is to become the global benchmark for flexible composite materials in its three main current sectors of application (see Section 1.1.3 “A proactive strategy to accelerate growth" of this Registration Document).

To achieve this aim, the Group intends to develop the following three key drivers:

- an ambitious sales driver aimed at accelerating its growth in regions outside its historical market (Southern Europe): accordingly, from 2014 to 2018 the Company is aiming for estimated average annual growth of 7% in Wide Europe (i.e. Europe excluding France, Italy, Spain, Portugal and Switzerland) and average growth of close to 17% in the Rest of World region between 2014 and 2018, with the aim of generating around 40% of its sales in that region by 2018, compared to 24% in 2013. In terms of recruitment, the Group plans to hire 57 new employees by the end of 2018, in order to reach a sales force of 164 people, compared to 107 at the end of 2013.

Number of sales persons	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Expected increase 2018 vs 2013
Southern Europe (SEUR)	33.0	28.0	23.5	30%
Wide Europe (WEUR)	42.0	38.0	34.0	53%
Rest of World (ROW)	64.0	56.0	49.5	65%
Total	139.0	122.0	107.0	

- a technology driver aimed at boosting its commercial expansion: the Group intends to pursue its innovation policy until 2018, with an annual budget of around €5 million. Innovation expenditure in 2015 amounted to €5,135,000, including €2,226,000 (before a €614,000 research tax credit) in capitalized research and development expenses, €1,839,000 in research and development expenses expensed in the fiscal year, and the €1,070,000 Group contribution to the development and fine-tuning of the recycling unit.

- financial drivers aimed at increasing margins and optimizing balance sheet structure: the Group believes that it has room to improve its profitability, which will enable it to achieve an adjusted EBITDA margin of around 15% in 2018, comparable to its historical pre-2008 level. In addition, the Group has set itself the goal of maintaining and even improving its operating working capital to revenue ratio, which amounted to 35.4% in 2015 (compared to 37% in 2014, 37.6% in 2013 and 38.2% in 2012).

The implementation of all of these drivers enables the Group to announce the following growth and profit targets for the end of 2018: revenue of €215 million and an adjusted EBITDA margin of around 15%, close to historical recorded levels.
As part of this growth acceleration plan, the Group plans to invest around €100 million in total between 2014 and 2018. This amount is expected to break down as follows:

- around €35 million on business development (increase in working capital, sizing of the sales teams and strengthening current operations);
- around €25 million on innovation (research and development);
- around €40 million on industrial plant (CAPEX), including:
    - around €25 million on renewal and technological upgrading;
    - around €15 million on breakthrough technology.

2015 capital expenditure amounted to €5,554,000 (compared to €5,505,000 in 2014), excluding capitalized research and development expenses.
The change in operating working capital (see Section 4.1) resulted in a cash inflow of €221,000.

The proportional allocation in 2014 of the €40 million in funds raised to each development area (€14 million for business development, €10 million for innovation and €16 million for industrial plant), combined with the cash flows generated by the business activities, has enabled the following investments to be financed:
- the increase in sales staff and marketing expenditure of €2.6 million in 2015;
- the €5.1 million investment in innovation in 2015 (compared to €4.6 million in 2014), estimated expenditure for 2016 is at the same level as the expenditure incurred in 2015;
- investments of €5.6 million in industrial plant in 2015 (compared to €5.5 million in 2014); expenditure for 2016 is expected to remain around the same level.

To the Company's knowledge, there have been no material changes in the Group's financial or commercial position since December 31, 2015 of which the shareholders were not aware as of the date when this Registration Document was prepared.

4.5. Capital resources

4.5.1. Information on the Group's equity, liquid assets and sources of financing

Note 16 to the financial statements and the statement of changes in shareholders' equity featured in Section 4.6 of this Registration Document respectively set out the changes in the Company's share capital and equity.

The Group’s equity amounted to €98,088,000 as of December 31, 2015 compared to €94,616,000 as of December 31, 2014 (adjusted in accordance with IFRIC 21). Increases in share capital are set out in Section 5.1.3 of this Registration Document.

The Group finances the development of its business activities internally, partly via the cash flows generated by its operations and partly via recourse to short and medium-term debt, as and when required. The IPO performed in June 2014 profoundly altered the Group's financing structure: the funds raised on that occasion amounted to €43.4 million.

The loan and financing agreements from which the Group benefits are conditional, with regard to the covenants, on the Group's consolidated financial statements drawn up in accordance with IFRS, tested once a year on December 31. These covenants were complied with as of December 31, 2015.

Group net cash and cash equivalents increased from €17,461,000 as of December 31, 2014 to €20,846,000 as of December 31, 2015.

4.5.2. Information on liquid assets

The total amount of cash and cash equivalents held by the Group at December 31, 2015 was €49,389,000 compared to €45,178,000 at December 31, 2014. The cash and cash equivalents item includes €49,033,000 in cash and €356,000 in short-term investments.

Cash is partially invested in term accounts with a maturity of less than 36 months, which are accessible at 32 days' notice.

4.5.3. Information on the Group's financing sources

In addition to cash flow from operating activities, the Group uses medium-term financing as required, mainly to fund its renewal and technological adaptation investments (bank loans set up to cover the costs linked to property, plant and equipment purchases budgeted for the following year) and short-term financing (revolving credit, factoring and overdraft facilities).

- Financing by medium-term borrowing

Renewal and technological adaptation investments were for the most part completed up until the Company's IPO in June 2014, and were partly financed by bank loans from the Group's partner banks ("Club Deal"). These loans were set up based on the investment budget for the following year.
In 2015, the Group entered into new loan agreements:

€'000	Initial amount	Term	Drawn as of December 31, 2015	Due in 1 yr	Due in > 1yr and < 5 yrs	Due in > 5 yrs
Euro PP (loan) July 28, 2015	15,000	6 yrs	15,000	0	0	15,000
Revolving credit facility July 28, 2015	35,000	6 yrs	0	0	0	0
	50,000	Total	15,000	0	0	15,000

The Revolving Credit Facility is actioned via drawdown notices.
In addition, the Group has access to a medium-term credit facility in Swiss francs via its Swiss subsidiaries. Available funding amounted to CHF 3,850,000 as of December 31, 2015 compared to CHF 5,350,000 as of December 31, 2014. These financing arrangements were made between 2002 and 2011 to cover expenditure specific to the Swiss subsidiaries. As it wants to reduce its exposure to EUR/CHF exchange rate fluctuations, the Group is no longer financing these investments through CHF lines, but through EUR financing available to the Group.
The repayment schedules are subject to financial covenants as described in Section 1.10.4 of this Registration Document. If these covenants are not met, the lenders have the option of requiring early repayment.

- Other medium-term financing set up with OSEO/Bpifrance

As part of the project to develop a specific machine, in February 2013 the Group obtained an interest-free innovation loan from OSEO for €1 million.

As of December 31, 2015, the outstanding amount of this loan was €812,000: the maturity date is in March 2019 (quarterly repayments of €61,900).

A €107,000 innovation advance was also obtained from OSEO in January 2013. As of December 31, 2015, the balance of this innovation funding was €96,000. It will be repaid in quarterly installments of between €10,800 and €16,000 from December 2015 to September 2017.

- Short-term financing

In 2011, to optimize management of working capital requirements, the Company entered into a factoring agreement. A previous agreement expired on December 31, 2015: the Group's financing line with the factor amounted to €20 million, of which €9,229,000 had been used as of December 31, 2015 (€7,287,000 of the €9,229,000 drawn as of December 31, 2015 appears as a contra entry under Cash and cash equivalents).
The financing set up under this agreement relies mainly on the existence of the guarantees offered by the Group’s credit insurance company.

On January 1, 2016, a new pan-European factoring agreement was set up, enabling Group companies to join the Group program, in particular Serge Ferrari SAS (France – line of financing capped in 2016 at €10 million) and Serge Ferrari AG (Switzerland – line of financing capped in 2016 at €3 million).

Occasional use of this means of financing allows the Group to cover peak periods in working capital requirements.

In addition to the financing indicated above, the Group supplements the financing of its working capital requirements by the use of **short-term financing lines**.
As of December 31, 2015, the Group had unconfirmed overdraft facilities of €4.5 million.

As needed, the Group benefits from **advances on current accounts** by related companies, primarily Ferrari Participations, SergeFerrari Group’s holding company which, as of the date on which this document was prepared, holds 55% of the Company’s share capital. The funds made available to the Group from a shareholder current account mainly result from a participation loan granted by OSEO in January 2012 for a 7-year term but lodged for historical reasons with the holding company Ferrari Participations.

4.5.4. Off-balance sheet commitments

Off-balance sheet commitments are disclosed in Note 33 to the consolidated financial statements presented in Section 4.6 of this Registration Document.

4.5.5. Cash flow

The following table shows the change in cash flows between 2014 and 2015 as presented in the consolidated financial statements included in Section 4.6, broken down by source.

Cash flows (€'000)	2015	2014
Operating activities	14,417	14,904
Investing activities	-7,312	-6,713
Financing activities	-2,303	32,417
Impact of exchange rate movements	-516	244
Net cash flow for the period	4,286	40,851

Cash flow amounts are taken from the statement of cash flows included in the financial statements presented in Section 4.6 of this Registration Document. Factoring is included in financing activities.

- Cash flow from operating activities

Cash flow from operating activities for the years ended December 31, 2015 and 2014 was as follows:

Cash flows (€'000)	2015	2014
Consolidated net income	4,795	4,334
Elimination of income from equity associates	853	1,070
Depreciation and impairment	7,514	7,948
Gains/losses due to changes in fair value	517	-476
Other non-cash items	446	-213

Gross operating cash flow after net cost of debt and tax	**14,125**	**12,663**
Net cost of debt	511	638
Tax expense	2,157	1,706
Gross operating cash flow before net cost of debt and tax	**16,793**	**15,007**
Change in working capital related to operations	**488**	**2,230**
Change in operating working capital	221	-211
- of which Impact of change in inventories	*391*	*1,227*
- of which Impact of change in trade receivables	*-2,275*	*-4,803*
- of which Impact of change in trade payables	*2,105*	*3,365*
Change in working capital related to other operating items	267	2,441
Tax paid	**-1,868**	**-2,334**
Other cash flows	**-996**	**---**
Net cash flow from operating activities	**14,417**	**14,903**

The €486,000 decrease in operating cash flow between 2014 and 2015 is due to the combination of:

- the increase in gross operating cash flow of €1,786,000;
- a €1,742,000 decrease in the change in working capital compared to 2014 and the external financing of a portion of retirement indemnities payable by the Group's French companies (€996,000).

- Cash flow from investing activities

Cash flow from investing activities was as follows:

Cash flows (€'000)	2015	2014
Acquisition of PP&E and intangible assets	-7,166	-6,792
Change in financial assets	15	-161
Disposal of PP&E and intangible assets	10	2
Dividends received	21	45
Provisions for impairment of financial assets	-192	192
Net cash flow from investing activities	**-7,312**	**-6,713**

The Group's main investments in the period are described in Section 1.7 "Investments" of this Registration Document. Provisions recognized in 2014 and written back in 2015 relate to the assessment of the risk of partial non-recovery of advances made to non-consolidated companies.

- Cash flow from financing activities

Net cash flow from financing activities amounted to an outflow of €2,303,000 in 2015, compared to an inflow of €32,417,000 in 2014, which was impacted by the capital increase carried out at the time of the Company's IPO.

Cash flows (€'000)	2015	2014
New borrowings	15,000	1,900
Acquisition costs	-433	---
Repayment of borrowings	-9,812	-8,597
Net interest expense	-508	-634
Attendance fees	-45	-75
Dividends paid to Group shareholders	-1,472	---
Factoring	-3,855	2,384
Issue of securities	---	43,387
Issue fees deducted from shareholders' equity	---	-3,215
Treasury shares	-414	-319

Other cash flow from financing activities	-764	-2,414
Net cash flow from financing activities	**-2,303**	**32,417**

The setting up of new medium-term financing of €15 million (Euro PP in the form of a loan, set up and drawn on 28 July 2015) partially refinancing previous borrowings of €8,600, was the main transaction recorded for 2015, with the payout of dividends at €0.12 per share.

Cash flow related to treasury shares is the result of the implementation of the liquidity contract signed at the time of the IPO (see Section 5.2.3 of this Registration Document).

4.5.6. Borrowing conditions and issuer's financing structure

This information is detailed in Section 4.5.3 above.

4.5.7. Restrictions on the use of capital

With the exception of guarantee deposits and current accounts frozen for a period longer than one year, the Company faces no restrictions on the availability of its capital.
These items are recognized under non-current assets, totaling €2,580,000 as of December 31, 2015 and specifically include:
- guarantee deposits relating to leases amounting to €851,000;
- loans to equity associates totaling €1,048,000;
- current accounts with non-consolidated subsidiaries totaling €647,000.

4.5.8. Sources of financing required in the future

The Company believes it can meet its operating and investment needs, and repay its borrowings (including interest), for the twelve months following the 2015 balance sheet date.

4.6. Consolidated financial statements for the year ended December 31, 2015

Statement of Financial Position

Statement of Financial Position (Assets) - €'000	Note	Dec 31, 2015	Dec 31, 2014 (1)
Goodwill	5	212	201
Intangible assets	6	7,423	6,501
Property, plant and equipment	7	26,430	25,712
Investments in equity affiliates	8	266	-
Other financial assets	9	3,036	2,857
Deferred tax assets	10	2,495	3,065
Total non-current assets		**39,862**	**38,336**
Inventories and WIP	11	32,923	33,455
Trade receivables	12	30,786	28,716
Tax receivables	13	2,517	2,207
Other current assets	14	8,667	8,051
Cash and cash equivalents	15	49,389	45,178
Total current assets		**124,282**	**117,608**
Total assets		**164,144**	**155,944**

Liabilities and equity - €'000	Note	Dec 31, 2015	Dec 31, 2014
Share capital	16	4,920	4,621
Additional paid-in capital	16	41,724	42,848
Consolidated reserves and other reserves	16	46,606	42,780
Net income for the period	16	4,787	4,328
Total equity, Group share	16	**98,035**	**94,577**
Non-controlling interests		52	39
Total minority interests		**52**	**39**
Total equity		**98,088**	**94,616**
Loans and borrowings	17	16,208	8,127
Provisions for pensions and similar commitments	18	8,427	6,418
Deferred tax liabilities	10	1,258	807
Total non-current liabilities		**25,893**	**15,352**
Borrowings and bank overdrafts (due in less than 1 yr)	17	12,334	19,590
Current provisions	19	683	1,166
Trade payables		17,121	15,016
Tax payables	13	456	290
Other current liabilities	20	9,568	9,914
Total current liabilities		**40,162**	**45,976**
Total liabilities		**66,056**	**61,328**
Total liabilities and equity		**164,144**	**155,944**

(1) Position as of December 31, 2014 adjusted in accordance with IFRIC 21

Consolidated Income Statement

Consolidated Income Statement - €'000	Note	2015	2014 (1)
Revenue	21	**148,398**	**142,324**
Purchases		-53,734	-50,880
Change in inventories - WIP and finished goods		-1,107	-2,341
External expenses	22	-36,680	-32,813
Personnel costs	23	-40,246	-38,649
Miscellaneous taxes	29	-2,145	-2,118
Depreciation and amortization	24	-7,370	-7,241
Net impairment charges and provisions	25	144	-707
Other recurring income and expenses	26	768	917
EBIT		**8,030**	**8,493**
Non-recurring operating income and expenses		-	-524
Operating income		**8,030**	**7,969**
Income from cash and cash equivalents		40	60
Gross cost of debt	27	-511	-638
Net cost of debt		**-471**	**-578**
Other financial income and expenses	27	246	-176
Income before tax		**7,804**	**7,215**
Income tax	28	-2,157	-1,810
Income after tax		**5,648**	**5,405**
Share of earnings of equity affiliates	8	-853	-1,070
Total net income		**4,795**	**4,334**
Net income, Group share		4,787	4,328
Minority interests		8	6
Earnings per share (€)		0.39	0.41
Diluted earnings per share (€)		0.39	0.41

(1) Position as of December 31, 2014 adjusted in accordance with IFRIC 21

Statement of comprehensive income

Statement of comprehensive income - €'000	2015	2014 (1)
Total consolidated net income	**4,795**	**4,334**
Other comprehensive income:		
Actuarial gains/losses on pension liabilities	-2,895	-3,154
Income tax	493	674
Subtotal - comprehensive income/loss not transferable to earnings	***-2,403***	***-2,479***
Currency translation differences	1,897	685
Income tax	-	-
Subtotal - comprehensive income/loss transferable to earnings	***1,897***	***685***
Items of other comprehensive income posted directly to shareholders' equity	**-506**	**-1,795**
Total comprehensive income	**4,289**	**2,540**
Group share	4,281	2,533
Minority interests	8	6

(1) Position as of December 31, 2014 adjusted in accordance with IFRIC 21

Statement of changes in shareholders' equity

€'000	Share capital	Capital reserves	Consolidated net income and reserves	Treasury shares	Other comprehensive income	Comprehensive income, Group share	Non-controlling interests	Total
Equity at Dec 31, 2013	**3,469**	**3,055**	**42,854**	**0**	**1,743**	**51,121**	**33**	**51,153**
Net income for the period			4,328			4,328	6	4,334
Other comprehensive income					-1,795	-1,795	0	-1,795
Total comprehensive income for the period	**0**	**0**	**4,328**		**-1,795**	**2,533**	**6**	**2,539**
Capital increase	1,450	41,937				43,387		43,387
Treasury shares	-298					-298		-298
Share issue expenses, net of tax		-2,144				-2,144		-2,144
Other items			-22			-22		-22
Total transactions with shareholders	**1,152**	**39,793**	**-22**	**0**	**0**	**40,923**	**0**	**40,923**
Equity at Dec 31, 2014 (1)	**4,621**	**42,848**	**47,160**	**0**	**-52**	**94,577**	**39**	**94,616**
Net income for the period			4,787			4,787	8	4,795
Other comprehensive income					-506	-506	5	-500
Total comprehensive income for the period	**0**	**0**	**4,787**	**0**	**-506**	**4,281**	**13**	**4,294**
Treasury shares				-99		-99		-99
Parent company dividends			-1,471			-1,471		-1,471
Other items	298	-1,124	1,874	-298		750		750
Total transactions with shareholders	**298**	**-1,124**	**-749**	**-397**	**0**	**-848**	**0**	**-848**
Equity at Dec 31, 2015	**4,920**	**41,724**	**52,349**	**-397**	**-558**	**98,035**	**52**	**98,088**

(1) Position as of December 31, 2014 adjusted in accordance with IFRIC 21

Statement of cash flows

€'000	2015	2014
Total consolidated net income	4,795	4,334
Consolidated net income from continuing activities	4,795	4,334
Elimination of income from equity associates (Note 9)	853	1,070
Depreciation and amortization (Note 24)	7,370	7,240
Provisions (Note 25)	144	707
Gains/losses due to changes in fair value	517	-475
Other non-cash income and expenses	446	-213
Gross operating cash flow after net cost of debt and tax	14,125	12,663
Net cost of debt (Note 27)	511	638
Tax expense (Note 28)	2,157	1,706
Gross operating cash flow before net cost of debt and tax	16,793	15,007
Change in working capital related to operations	488	2,230
of which Change in trade receivables (Note 12)	*-2,275*	-4,803
of which Change in inventories (Note 11)	*391*	1,227
of which Change in trade payables	*2,105*	3,365
of which Change in other receivables and payables	*267*	2,441
Tax paid	-1,868	-2,334
Other cash flow from operating activities (Note 18)	-996	0
Net cash flow from operating activities	**14,417**	**14,903**
Acquisition of PP&E and intangible assets (Notes 6 and 7)	-7,166	-6,791
Change in financial assets (Note 9)	15	-161
Disposal of PP&E and intangible assets (Notes 6 and 7)	10	2
Provision for impairment of financial assets (Note 9)	-192	192
Dividends received	21	45
Net cash flow from investing activities	**-7,312**	**-6,713**
New borrowings (Note 17)	15,000	1,900
Acquisition costs (Note 17)	-433	0
Repayment of borrowings (Note 17)	-9,812	-8,597
Net interest expense (Note 27)	-508	-634
Attendance fees	-45	-75
Dividends paid	-1,472	0
Factoring (Note 17)	-3,855	2,384
Other cash flow from financing activities	-764	-2,414
Issue of securities (Note 16)	0	43,387
Purchase of treasury shares (Note 16)	-414	-319
Gross issue fees deducted from shareholders' equity	0	-3,215
Net cash flow from financing activities	**-2,303**	**32,417**
Impact of exchange rate movements	-516	244
Change in net cash and cash equivalents	**4,286**	**40,851**
Opening cash and cash equivalents (Note 15)	45,178	7,993
Bank overdrafts at start of period (Note 17)	-76	-3,742
Net cash at start of period	45,102	4,251
Closing cash and cash equivalents (Note 15)	49,389	45,178
Bank overdrafts at end of period (Note 17)	-1	-76
Net cash at end of period	49,388	45,102
Change in cash from discontinued operations		
Change in cash and cash equivalents	**4,286**	**40,851**

(1) Position as of December 31, 2014 adjusted in accordance with IFRIC 21

Notes to the consolidated financial statements

Note 1 - Information about the Group

1.1 Identification of the Issuer

SergeFerrari Group is a limited company (“*société anonyme*”) domiciled in France.
Serge Ferrari Group designs, manufactures and distributes flexible composite materials.
The consolidated financial statements for the year ended December 31, 2015 were approved by the Chairman on March 14, 2016.
These financial statements were the subject of an audit report by the Statutory Auditors dated March 15, 2016.
The financial statements are presented in thousands of euros unless otherwise indicated. The amounts are rounded to the nearest thousand euros.
For all entities, the financial statements used for consolidation are the individual company financial statements for the year ended December 31, 2015.

1.2 Highlights of the fiscal year presented

On January 15, 2015, the Swiss National Bank announced its decision to abolish the 1.20 EUR/CHF exchange rate floor that it had defended since September 2011. During the minutes following this announcement, the CHF appreciated sharply versus the euro.

SergeFerrari Group manufactures around 20% of the volume of flexible composite materials that it sells in its plant at Eglisau near Zurich, while nearly all of the PET micro-cables used to create the mesh for its products come from the Emmenbrücke facility near Lucerne.

In its Registration Document registered with the French Financial Markets Authority (AMF) on June 11, 2015, the Company stated that a 20% increase in the CHF over the average 2014 rate would reduce its pre-tax profit and shareholders' equity by €4.6 million (based on net flows: sales denominated in foreign currencies less purchases denominated in foreign currencies). In 2015, the Swiss franc appreciated by nearly 13% versus the euro compared to its average 2014 rate.

Nevertheless, the following factors and measures have helped to mitigate the impact of the loss of competitiveness caused by this development:
- around 50% of costs borne by the two Swiss plants relate to raw materials that are sourced, invoiced and paid in euros or dollars. The appreciation of the Swiss franc (the operating currency of the Swiss subsidiaries) therefore reduced the cost, in CHF, of procuring these materials;
- the Group has implemented measures in relation to other operating expenses denominated in CHF, notably personnel expenses: the working week has been increased to 42.5 hours at the two Swiss manufacturing plants, with no increase in wages. The extended working week increases flexibility by reducing the number of shifts required to ensure continuous 24-hour operation;
- general expenses and industrial service purchases (transport and maintenance) have been analyzed in order to find ways of reducing prices denominated in CHF for materials and services sourced in the eurozone; where such local costs cannot be reduced, the Group's Swiss companies will resort to suppliers who invoice in euros.

In February 2015, the sales teams were brought together on two occasions:
- the Barcelona sales conference: over a hundred employees attended this conference aimed at preparing for the roll-out of BOOSTER, the new CRM software, and organizing the sales networks with a view to achieving the Group's growth targets;
- the R+T trade fair in Stuttgart: Serge Ferrari was represented at this trade fair in which 70,000 professionals working in the field of solar protection took part; R+T is organized every three years and provides an opportunity to meet customers and partners from all over the world.

These events, which do not take place every year, gave rise to expenses totaling €700,000 recorded in first half 2015.

On March 20, 2015, SergeFerrari Group made an additional €250,000 contribution to the liquidity contract, increasing the funds allocated to the contract from €500,000 to €750,000.

On May 21, 2015, the Company paid out a dividend of €0.12 per share, amounting to 30% of earnings per share.

On June 17, 2015, SergeFerrari Group confirmed its compliance with all of the eligibility criteria relating to the SME personal equity plan as set out in Article D.221-113-5 of implementing decree no. 2014-283 of March 4, 2014, i.e.:
"Companies with less than 5,000 employees and either revenues of less than €1.5 billion or a balance sheet total of less than €2 billion are eligible." SergeFerrari Group shares may therefore be included in SME personal equity plan accounts.

The Company has taken out a policy under Article 39 of the French General Tax Code for the partial funding of one-off retirement benefits payable to French employees residing in mainland France. A payment of €996,000 was made under this policy, offset by an equivalent reduction in the commitment previously recognized by the Group.

On July 28, 2015, the Company closed the following financing facilities with a group of lenders:
- a €15 million Euro PP in the form of a six-year loan, repayable on maturity and fully drawn at the signing of the agreement, to be assigned to refinancing medium-term borrowings in euros;
- a €35 million six-year revolving credit facility to be drawn as and when required for general purposes (capital expenditure, acquisitions etc.), subject to an annual €5 million reduction in the available amount over a three-year period beginning in the third year.

The main purpose of these financing facilities is to extend the average maturity of Group debt and to enable the Group to take advantage of opportunities that may arise. Furthermore, the Euro PP entails a diversification in the type of lenders to which the Group resorts.

Partnership with CEA Tech

- The five-year partnership agreement signed on October 23, 2015 established a long-term collaboration between the Serge Ferrari Group and CEA Tech research and development teams. The partnership is geared towards designing and developing optimized, innovative solutions based on technologies developed by CEA Tech, in particular with regard to connected, instrumented and communicative materials.
- CEA Tech ("From research to industry") is the technology division of CEA, the French Alternative Energies and Atomic Energy Commission. CEA Tech develops and disseminates key generic technologies and efficiently bridges the gap between fundamental research and applications. Serge Ferrari Group and CEA Tech teams have already started to work on pre-identified applications, with the aim of designing the next generation of flexible composite materials.

1.3 Post-balance sheet events

On January 14, 2016, SergeFerrari Group subscribed to 698 new shares with a par value of €286.50 issued by VR Développement as part of a capital increase reserved for SergeFerrari Group. Following this transaction, SergeFerrari Group held 35% of the share capital of VR Développement.

On January 21, 2016, Serge Ferrari INDIA Private Limited was registered in Delhi, India.

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

Note 2 - Accounting and financial principles

The main accounting methods used in the preparation of the consolidated financial statements are explained below. They have been applied consistently to all the fiscal years presented.

2.1 Basis of preparation

The consolidated financial statements have been prepared pursuant to:
- IFRS (International Financial Reporting Standards) as adopted by the European Union. These may be consulted on the European Commission website at:
http://ec.europa.eu/finance/company-reporting/index_en.htm;
- IFRS as published by the IASB and adopted by the EU.

The financial statements have been prepared primarily using the historical cost method, with the exception of employee benefits, which have been measured using the projected unit credit method, loans and borrowings, measured at cost less repayments, and derivative financial instruments, measured at fair value.

2.2 Procedure for first application of IFRS

The Group has prepared IFRS consolidated financial statements since January 1, 2013. Fiscal years 2011 and 2012 have been adjusted in accordance with the new standards.
The transition date adopted by the Company is January 1, 2011.

2.3 Changes in standards

The Group does not apply standards and interpretations published by the IASB but not yet adopted by the European Union.
The guidelines to which the Group refers may be found on the EFRAG (European Financial Reporting and Advisory Group) website at:
http://www.efrag.org/Front/c1_306_Endorsement_Status_Report_EN.aspx

The standards, interpretations and amendments that were mandatory for the Group as from the 2015 fiscal year include:

- Annual improvements – 2011-2013 cycle

- IFRIC 21 Levies, which lays down the rules for recognizing miscellaneous taxes in accordance with the triggering or "obligating" event. After review, no material impact on the 2015 financial statements was identified.

- The impact of the application of IFRIC 21 on the financial statements is as follows:

INCOME STATEMENT

Consolidated earnings - €'000	Note	2014 reported	IFRIC 21	Adjusted 2014
Revenues	21	142,324	0	142,324
Miscellaneous taxes	29	-2,077	-41	-2,118
EBIT		8,534	-41	8,493
Non-recurring operating income and expenses		-524	0	-524
Operating income		**8,010**	**-41**	**7,969**
Income from cash and cash equivalents		-	-	-
Income before tax		7,256	-41	7,215
Income tax	28	-1,824	14	-1,810
Income after tax		5,432	-27	5,405
Share of earnings of equity affiliates	8	-1,070	0	-1070
Total net income		**4,362**	**-27**	**4,334**

CONSOLIDATED BALANCE SHEET

Liabilities and equity - €'000	Note	Dec 31, 2014 reported	IFRIC 21	Adjusted Dec 31, 2014
Net income for the period	16	4,355	-27	4,328
Total equity, Group share	16	94,604	-27	94,577
Total equity		**94,643**	**-27**	**94,616**
Deferred tax liabilities	10	821	-14	807
Total non-current liabilities		**15,366**	**-14**	**15,352**
Other current liabilities	20	9,873	41	9,914
Total current liabilities		**45,935**	**41**	**45,976**
Total liabilities		**61,301**	**27**	**61,328**
Total liabilities and equity		**155,944**	**0**	**155,944**

STATEMENT OF CASH FLOWS

€'000	Reported	IFRIC 21	Adjusted 2014
Total consolidated net income	4,362	-27	4,334
Free cash flow after net cost of debt and tax	12,691	-27	12,664
Tax expense (Note 29)	1,720	-14	1,706
Free cash flow before net cost of debt and tax	15,049	-41	15,007
Change in operating working capital	2,189	41	2,230
of which Change in other receivables and payables	*2400*	*41*	*2441*
Change in cash and cash equivalents	**40,851**	**0**	**40,851**

CHANGES IN EQUITY

€'000 (reported)	Share capital	Capital reserves	Consolidated net income and reserves	Other comprehensive income	Comprehensive income, Group share	Non-controlling interests	Total
Equity at Dec 31, 2013	**3,469**	**3,055**	**42,854**	**1,743**	**51,121**	**33**	**51,153**
Equity at Dec 31, 2014 (reported)	**4,621**	**42,848**	**47,187**	**-52**	**94,604**	**39**	**94,643**
IFRIC 21			-27	0	-27	0	**-27**
Equity at Dec 31, 2014 (adjusted)	**4,621**	**42,848**	**47,160**	**-52**	**94,577**	**39**	**94,616**

Standards and interpretations not mandatory for European listed companies in their 2015 IFRS financial statements include the following:

- IFRS 9 - Financial Instruments

- Annual improvements – 2010-2012 cycle

2.4 Consolidation methods

SergeFerrari Group is the consolidating company.

In accordance with IFRS 10 (power over the relevant activities; exposure, or rights, to variable returns; the ability to use its power to affect the amount of returns), companies in which the Group directly or indirectly holds the majority of voting rights at the general meeting on the Board of Directors or equivalent governing body, giving it the power to direct those companies' operational and financial policies, are generally deemed to be controlled and are fully consolidated.

Equity interests in companies over which the Group exercises significant control (associates) are measured using the equity method. With the exception of Vinyloop, SergeFerrari Group does not exercise significant or joint control of any other company.
Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated.
The balance sheet date for all annual consolidated financial statements is December 31. If necessary, the financial statements are restated to ensure the uniformity of the accounting and measurement rules applied by the Group.
The consolidation scope is presented in Note 3.

2.5 Currency translation of financial statements

2.5.1 Operating currency and reporting currency of financial statements

The items included in the financial statements of each Group entity are measured in terms of the prevailing currency in the economic environment in which the entity operates ("operating currency").
The consolidated financial statements are presented in euros, which is the operating and reporting currency of the parent company SergeFerrari Group.

2.5.2 Currency translation of financial statements of foreign subsidiaries

The operating currency of subsidiaries is their local currency, in which most of their transactions are denominated. The financial statements of all Group entities whose operating currency is different from the reporting currency are translated into euros as follows:

- assets and liabilities are translated at the closing exchange rate at the balance sheet date;
- income, expenses and cash flows are translated at the average exchange rate over the reporting period;

- all the resulting differences on translation are recognized in "Items of other comprehensive income", then reclassified under profit or loss at the disposal date of those investments.

Goodwill/badwill and adjustments in fair value resulting from the acquisition of a foreign activity are treated as assets and liabilities of the foreign activity and translated at the closing rate.
The Group does not consolidate any entity that operates in a hyper-inflationary economy.

The exchange rates used for converting foreign currencies into euros are shown below.

		Average exchange rate	
	€1 equal to	Dec 31, 2015	Dec 31, 2014
Swiss franc	CHF	1.067	1.21
Chilean peso	CLP	725.21	756.62
Yen	JPY	134.28	140.40
US dollar	USD	1.10	1.32
Brazilian real	BRL	3.69	3.12

		Closing rate	
	€1 equal to	Dec 31, 2015	Dec 31, 2014
Swiss franc	CHF	1.08	1.20
Chilean peso	CLP	769.71	736.36
Yen	JPY	131.07	145.23
US dollar	USD	1.08	1.21
Brazilian real	BRL	4.31	3.22

2.5.3 Translation of transactions in a foreign currency

Transactions in a foreign currency are translated into the operating currency at the exchange rate on the transaction date. Gains and losses on translation resulting from the settlement of these transactions and from the translation, at the closing exchange rate, of monetary assets and liabilities denominated in a foreign currency, are recognized in profit and loss, unless directly posted to shareholders' equity as eligible cash flow hedges.

2.6 Critical accounting estimates and judgments

The preparation of financial statements involves making estimates and assumptions about the valuation of certain assets and liabilities shown on the balance sheet and of certain income statement items. Management is also required to exercise its judgment with regard to the application of the Group's accounting methods, any environmental and dismantling requirements, the impairment of receivables and the accounting treatment of transactions under the factoring agreement.
These estimates and judgments, continually updated, are based partly on historical information and partly on expectations of the future that are considered to be reasonable in light of circumstances. Given the relative uncertainty over assumptions about the future, the accounting estimates may differ from actual results.

Critical accounting estimates and judgments

Assumptions and estimates that may lead to a significant adjustment in the net carrying value of assets and liabilities in the next period relate mainly to:

- Development expenses: development expenses that meet the criteria for capitalization are entered under intangible assets and amortized over their expected useful life. The Group assesses these criteria mainly in light of the business and profitability forecasts applicable to the projects in question;
- The depreciation/amortization periods of non-current assets;

- Deferred tax assets: these result from tax loss carryforwards and the deductible temporary differences between the carrying value and tax value of recognized assets and liabilities. The recoverability of these assets is assessed on the basis of forecasts;
- measurement of the net realizable value of work-in-progress and finished products (see Notes 2.17 and 11);
- measurement of post-employment obligations and other long-term benefits. Post-employment obligations and other long-term benefits are estimated on statistical and actuarial bases.

2.7 Business combinations

The Group applies IFRS 3 Revised to the purchase of assets and assumption of liabilities constituting a business. The acquisition of assets or groups of assets not constituting a business is recognized in accordance with the standards applicable to those assets (IAS 38, IAS 16, IAS 39).
The Group recognizes each business combination through the acquisition method which consists of the measurement and recognition on the acquisition date of the difference known as goodwill (badwill if negative), between:

- the acquisition price of the acquired business plus any non-controlling interests in it, and
- the net identifiable assets acquired and liabilities taken over.

The acquisition date is the date on which the Group obtains effective control of the acquired business.
The acquisition price of the acquired business is the fair value, as of the acquisition date, of the components of the remuneration given to the seller in exchange for control of the acquiree, excluding any component that remunerates a transaction separate from taking control.
In the case where the initial recognition can only be measured provisionally before the end of the period during which the combination is completed, the acquirer recognizes the combination on the basis of provisional valuations. The acquirer must then recognize any adjustments to those provisional values from the initial recognition, within 12 months following the acquisition date.

2.8 Goodwill

For each business combination, the Group has the choice of recognizing as an asset the partial goodwill (corresponding to its percentage holding) or the entire goodwill (including goodwill assigned to non-controlling interests).
When the calculation of goodwill shows that the value of the assets acquired is higher than the price paid for them, the Group recognizes the entire profit in the income statement.
Goodwill is assigned to the cash generating unit to which the assets concerned belong for the purposes of impairment testing. These tests are performed when a loss in value is identified, and automatically on December 31, the annual balance sheet date.

2.9 Intangible assets

2.9.1 Assets acquired separately

These correspond to software valued on an amortized-cost basis (historical cost at initial recognition date, plus subsequent amortizable expenses, less accumulated amortization and identified impairment losses). These assets are amortized on a straight line basis over a period ranging from one to eight years, depending on their estimated useful life.

2.9.2 Research and development expenses

Ferrari Group’s activity is a high-value-added activity and the products used by its customers are used in innovative applications. R&D operations are decisive factors in implementing the Group’s strategy in developing functional uses and chemical formulations of flexible composite materials. The criticality of the applications for which the Group's customers use its products (mechanical and aerodynamic constraints in tensioned architecture, hostile or highly corrosive environments, etc.) demands highly technological input.

R&D corresponds to the work of designing products, making industrial prototypes for industrial manufacturing, development testing to ensure product compliance with market specifications and applicable regulations (fire ratings, REACH requirements, etc.). To date, many patents have been filed in the names of Ferrari Group companies covering the Group's products and the industrial processes used to manufacture them.
In accordance with IAS 38 “Intangible Assets”:

- R&D expenses are recognized as expenses in the fiscal year in which they are incurred;
- Development expenses are capitalized if the following six conditions can be demonstrated:
    - The technical feasibility of completing the intangible asset so that it will be available for use or sale;
    - The intention to complete the intangible asset and to use or sell it;
    - The capacity to use or sell the intangible asset;
    - The manner in which the intangible asset will generate future economic benefits;
    - The availability of suitable technical, financial and other resources for completing development and using or selling the intangible asset;
    - The ability to reliably estimate the costs attributable to the intangible asset during its development.

These development costs include the gross salaries and social security contributions of the employees who work on these programs and are calculated on a prorated time basis. The expenses related to service providers involved in these projects are also taken into account.
Research tax credits related to capitalized projects are considered to be investment subsidies, and are recognized as deductions from the corresponding assets. They are reported in profit and loss in the same way as the amortization of the corresponding assets. Subsidies allocated to a capitalized project are treated in the same way as research tax credit.
Development costs have been capitalized as assets since January 1, 2011, the year in which project-based cost monitoring and allocation was set up.
The useful life of these development expenses is estimated to be 4 years, and the equipment is depreciated on a straight line basis over that period.
Residual values and useful lives are reviewed at every period-end and adjusted if necessary. Amortized assets are subjected to an impairment test when, due to particular events or circumstances, recoverability may be in question. The recoverable value of an asset is its fair value less selling costs, or its value in use, whichever is higher. Recoverable value at period-end takes into account, in particular, any change in the commercial success of the product as well as technological advances.
The Company capitalized its R&D expenses for the first time in respect of the year ended December 31, 2011. These expenses are monitored per project and their state of progress is reviewed at periodic meetings with the Group’s R&D managers. As is customary and for simplification, given the amount of time required to complete these programs, the following procedure has been adopted:
- all work done in year N begins to be amortized on January 1 of year N+1, whether the project has been completed or is still in progress at December 31 of year N;
- projects abandoned during the current year are removed from assets as of December 31 of that year.
Beginning in fiscal 2014, capitalized R&D projects are amortized from the time when they are implemented.

2.10 Property, plant and equipment

Property, plant and equipment mainly includes land, structures and technical facilities, as well as expenses for re-engineering to prolong the lifetime of the industrial equipment for the production line and to upgrade with the latest available technologies. Property, plant and equipment is recognized at acquisition cost (purchase price and ancillary expenses or production costs for certain industrial equipment comprising capitalized production) excluding financial expenses, minus accrued depreciation and value impairment if any. It is not revalued. In application of the component method, each component of a single asset is recognized separately for the purpose of establishing the relevant depreciation schedule.

Depreciation is calculated using the straight line method based on the expected useful life of the various categories of assets:

Assets	Depreciation method	Term
Buildings	straight line	10/27 yrs
Building fixtures	straight line	5/12 yrs
Industrial equipment and machinery	straight line	3/8 yrs
Transport equipment	straight line	2/5 yrs
Office equipment/furniture	straight line	3/7 yrs

Depreciation is calculated on the basis of acquisition price, minus any residual value. Residual values and expected useful lifetimes are reviewed at every period-end.

2.11 Lease agreements

2.11.1 Finance lease agreements

Lease agreements covering property, plant and equipment under the terms of which the Group retains substantially all the risks and rewards inherent in ownership are classified as finance lease agreements. These contracts are entered in assets at the fair value of the leased item, or the discounted value of the minimum payments due under the lease, whichever is lower.
Each lease payment is broken down between the interest expense and the amortization of the outstanding debt remaining so as to obtain a constant periodic interest rate on the remaining balance due. The corresponding contractual rents, net of financial expenses, are including under 'Loans and borrowings'. The corresponding interest expenses are recognized in the income statement under 'Cost of debt' over the lifetime of the lease.
Assets acquired as part of lease finance agreements are depreciated over the useful life of the asset or over the lifetime of the lease, whichever is shorter.

2.11.2 Operating leases

Lease agreements under which the lessor retains substantially all the risks and rewards inherent in ownership are classified as operating leases. Payments under these contracts are recognized in expenses on a straight line basis over the lifetime of the lease agreement.

2.12 Impairment of assets

2.12.1 Impairment of intangible assets

IAS 36 “Impairment of Assets” requires the entity, whenever financial statements are prepared, to identify any evidence of impairment. If evidence of impairment is found, the entity must estimate the recoverable value of the asset.
An entity must also, even in the absence of evidence of impairment:
- annually test intangible assets with an indefinite useful life;
- test business combinations for goodwill impairment.

Impairment tests are carried out at the level of the cash generating unit (CGU) to which the assets are assigned. A CGU is the smallest identifiable group of assets that generates cash inflows largely independent of cash inflows generated by other assets or groups of assets.
The Group adopts segmentation per CGU that is consistent with the operational organization of business units, management control, and sector information and reporting. Impairment tests consist of comparing the carrying value and the recoverable value of the CGUs. The recoverable value of a CGU is the higher of its fair value (generally the market price) net of disposal cost and its value in use.

The value in use of a CGU is measured using the discounted future cash flow method:
- estimated flows during an explicit 5-year forecasting period, the first year of this period being derived from the budget;
- flows subsequent to this 5-year period measured by applying a growth rate to infinity reflecting the expected real growth rate of the economy in the long term.
The cash flow forecasts for the explicit period take into account the growth rate of the entity or the relevant sector.
The cash flow is discounted using a discount rate equal to:
- the 10-year risk-free interest rate;
- plus the market risk premium to which a sensitivity coefficient (β) specific to the entity is applied.
If the carrying value of the CGU exceeds its recoverable value, the CGU's assets are written down to match their recoverable value. The value impairment is allocated as a priority to goodwill and recorded in the income statement under 'Non-recurring operating income and expenses'. The recognition of an impairment loss is final.

2.12.2 Impairment of investments in equity affiliates

Investments in equity affiliates are a unique asset and are tested for impairment in accordance with IAS 36 "Impairment of Assets".
The goodwill relating to an equity affiliate is included in the value of the investment in the equity affiliate and must not be tested separately for impairment, as the value of these investments is measured including goodwill.
At each period-end, if there is evidence of impairment of the value of any investments in equity affiliates, the parent company performs an impairment test which consists of comparing the carrying value of the investments with their recoverable value.
According to IAS 36, the recoverable value of an investment in an equity affiliate is the higher of the value in use, measured in terms of future cash flow, and the fair value of the equity interest minus its disposal cost.
If an improvement in the recoverable value of investments in equity affiliates justifies a reversal of the value impairment, the entire impairment loss must be reversed, including the portion relating to goodwill.

2.12.3 Impairment of financial assets

IAS 39 (see IAS 39.58 "Impairment and uncollectibility of financial assets") requires the entity to assess at each period-end whether objective evidence exists of impairment of a financial asset or group of financial assets. If such evidence exists, the entity must apply the provisions of IAS 39 relating to each category of financial assets to determine any impairment loss.

2.13 Financial assets

The Group classifies its financial assets under the following categories:
- Assets measured at fair value through profit or loss;
- Assets held to maturity;
- Loans and receivables;
- Assets available for sale.

How a financial asset is classified depends on the reasons for acquiring it. Management decides how to classify its financial assets when they are initially recognized and reviews the classification at the end of each fiscal year or half year.
Financial assets are entered on the balance sheet at their initial fair value. Subsequent valuations, depending on their classification, are either at fair value or at amortized cost.

2.13.1 Assets measured at fair value through profit or loss

This category includes financial assets held for trading (assets acquired primarily to be resold in the short term) as well as financial assets initially recognized at fair value through profit or loss. Changes in the fair value of the assets in this category are recognized in the income statement.

2.13.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not listed on an active market. They represent the financial assets issued by the Group due to the direct transfer, to a debtor, of money or goods and services. Loans and receivables are recognized at their nominal value and discounted where applicable in accordance with IAS 39. These assets are measured at amortized cost and a provision for impairment of receivables is recorded in accordance with the likelihood of their being collected.

The Group has identified in this category:

- (i) long-term loans and receivables classified as non-current financial assets (loans to non-consolidated affiliates and guarantee deposits paid on leased premises). Receivables related to non-consolidated equity interests are written down when their estimated recoverable value is less than their net carrying value; and
- (ii) short-term trade receivables. Short-term trade receivables remain valued at the original invoiced price, the nominal value usually representing the fair value of the consideration receivable. The discount effect is negligible given the short average invoice payment period. As necessary, an impairment is recognized on a case-by-case basis to take into account any payment collection problems. Where the customer is involved in a court-supervised procedure (corporate rescue, liquidation, etc.), except in duly justified circumstances, a provision is recorded for an amount ranging from 75% to 100% of the value of the receivable. Otherwise, the provision is estimated with regard to the likelihood of collection, with the amount ranging from 25% to 100% of the amount owed.

Non-due trade receivables sold under a factoring agreement and not meeting the derecognition conditions set out in IAS 39.20 (transfer of substantially all of the risks and rewards) are kept in 'Trade receivables and related accounts'. A financial liability is recorded to offset the cash received.

2.13.3 Assets available for sale

These are non-derivative financial assets that do not fall into any of the above categories, that the company may or may not intend to sell. Changes in the fair value of these assets are recognized directly in items of other comprehensive income under shareholders' equity, with the exception of impairment losses and gains (losses) on currency translation recorded in the income statement.
The Group has classified in this category equity investments in non-consolidated companies over which it has no significant influence or control.
As these equity instruments are not quoted on an active market (unlisted companies) and their fair value cannot be measured reliably, they are held at their cost, net of any impairment losses. Their recoverable value is measured by taking various criteria into account (the Group's share in the net assets of these companies, the growth and profitability outlook for the entity in which the Group has invested, etc.). Impairment losses recorded in the income statement cannot be reversed.

2.14 Deferred taxes

Deferred taxes are recognized using the liability method for all temporary differences between the tax base of the assets/liabilities and their carrying value in the consolidated financial statements.
Deferred taxes are measured per entity or tax group, using the tax rate adopted or substantially adopted at period-end and expected to be applied when the tax asset concerned is realized or the tax liability settled.
Deferred tax assets corresponding to temporary differences and tax loss carryforwards are not recognized unless the probability exists that these tax savings will be realized in the future. They are calculated by applying the tax rate of the country to which the deferred tax assets are attached to the relevant tax base.

To assess the Group's ability to recover these assets, the following elements in particular have been taken into account:

- projected future taxable income;
- the proportion of non-recurring expenses in past losses which are not expected to recur in the future;
- the existence of sufficient taxable differences or tax opportunities;
- historical taxable income in previous years.

The CFE tax levied on the assessed rental value of real estate and the CVAE company value-added contribution are recognized under operating expenses ('Miscellaneous taxes') and restated for the purposes of calculating adjusted EBITDA.

2.15 Derivatives

Derivative financial instruments are initially recognized at fair value on the date on which the agreement was entered into. They are subsequently remeasured at fair value. The method for recognizing the resulting profit or loss depends on the designation of the derivative as a hedge instrument and the type of item hedged.
The Group designates hedges as follows:

- a hedge of the fair value of recognized assets or liabilities or of a firm commitment (fair value hedge); or
- a hedge of a specific risk associated with a recognized asset or liability or a highly probable future transaction (cash flow hedge); or
- a hedge of a net investment in a foreign operation (net investment hedge).

The fair value of a hedging derivative is classified as a non-current asset or liability when the residual maturity of the hedged item is longer than 12 months, and as a current asset or liability when the residual maturity of the hedged item is less than 12 months. Depending on whether the hedge is a cash flow hedge or fair value hedge, changes in fair value are recognized in:
- Items of other comprehensive income. In the case of a cash flow hedge, the amount accumulated under OCI is posted to income as of the date on which the hedged transactions are executed
- Profit or loss, for fair value hedges.

Derivatives held for trading are classified as current assets or liabilities when they close out within less than a year after the period-end concerned. Otherwise, they are recognized as non-current assets or liabilities. The Group classifies as speculative derivatives that cannot be qualified as designated and effective hedging instruments as defined by IAS 39. Changes in fair value are recorded in the income statement under 'Other financial income and expenses'.

2.16 Cash and cash equivalents

This heading includes liquid assets, bank sight deposits, other very liquid investments with initial maturities less than or equal to three months, and bank overdrafts. Bank overdrafts are shown on the liabilities side of the balance sheet, under 'Loans and borrowings - short-term portion'.
The Group uses the analytical approach updated by the French Financial Management Association (AFG), the French Association of Corporate Treasurers (AFTE) and the French Association of Institutional Investors (AF2I) and recognized as a reasonable basis by the French Financial Markets Authority (AMF) in its position notice 2011-13 on the classification of UCITS (mutual funds) as cash equivalents:

- UCITS classified by the AMF as “money market” and “short-term money market” automatically satisfy the four eligibility criteria;
- the eligibility of other cash UCITS as "cash equivalents" is not taken for granted: these UCITS must be analyzed in accordance with the four criteria.

Cash equivalents are recognized at their fair value; changes in fair value are recognized in the income statement under 'Other financial income and expenses'.

Investment securities held by the Group are very liquid instruments satisfying the definition of cash equivalents as given in IAS 7. These securities are included in the consolidated statement of financial position under 'Cash and cash equivalents'.

2.17 Inventories

Inventories of raw materials and traded goods are valued at the weighted average price.
The gross value of inventories of traded goods and supplies includes the purchase price and ancillary expenses (customs duties and other taxes, as well as handling, shipping and costs directly attributable to the purchase).
Inventories of manufactured products and work-in-progress are valued at their production cost. Production cost includes consumables and direct and indirect production costs. The cost of under-activity is excluded from inventory value. Components are intermediate products whose cycle of production is completed and which are due to be incorporated into composite materials, which have been classified solely as finished products in these financial statements.
Net realizable value corresponds to the expected selling price after deducting the completion and marketing costs.
Inventories are written down to their net realizable value when evidence exists that NRV is below cost; the impairment is reversed as soon as the circumstances that led to the write-down cease to exist.
An impairment charge can also be recognized if the inventories have been damaged, if they have become completely or partially obsolete, or if their selling price has fallen.
Estimates of net realizable value take into account fluctuations in price or costs directly linked to events arising after the end of the reporting period if those events confirm conditions existing at the end of the period.

2.18 Employee benefits

2.18.1 Short-term benefits and post-employment defined contribution schemes

The Group recognizes under 'Personnel expense' the value of short-term benefits as well as the contributions payable for general and mandatory pension plans. As the Group has no obligations in addition to these contributions, it does not lay down a provision for such pension plans.

2.18.2 Post-employment defined benefit schemes

These concern France, for payment of contractual retirement benefits, and Switzerland for retirement pensions.
Defined benefit schemes are borne directly by the Group, which provisions the cost of the deliverable benefits as follows.
The Group uses the projected unit credit method to measure the value of its defined benefit obligations: this method stipulates that each period of service gives rise to one additional unit of benefit rights and separately measures each unit to obtain the final obligation.
These calculations incorporate various actuarial assumptions such as the employee's probable future length of service, the level of future compensation, life expectancy, and estimated staff turnover.
The Group makes use of actuaries to assess its commitments in France and Switzerland.
The commitment calculated in this way is then discounted at the interest rate for blue chip corporate bonds, denominated in the currency of payment and whose duration approximates the estimated average duration of the pension obligation concerned.
Changes in these estimates and assumptions may lead to a significant change in the amount of the obligation. The main estimates and assumptions are as follows:

- Discount rate of 2% (France) and 0.8% (Switzerland)
- Salary growth rate 2.5% (France), 1% (Switzerland)
- Retirement age of 64 (France), 65 for men and 64 for women (Switzerland)

The amount of the provision set up for pension and similar obligations corresponds to the discounted value of the defined-benefit obligation. Actuarial gains (losses) resulting from the change in value of the discounted defined-benefit obligation include (i) the effects of the differences between the earlier actuarial assumptions and actuals and (ii) the effects of the changes in actuarial assumptions.

Actuarial gains (losses) are recognized in full in shareholders' equity under 'Items of other comprehensive income' without subsequent reclassification in the income statement, for all of the Group's defined benefit schemes, in accordance with IAS 19 Revised.
No new benefit or change of scheme resulting from statutory or contractual provisions has been introduced during the fiscal year.

2.18.3 Other long-term benefits

These benefits concern Switzerland, for the payment of various long-service awards ("jubilee gifts").
Other long-term benefits are borne by the Group and are calculated by an independent actuary.

2.19 Loans and borrowings

Loans and borrowings mainly include:

- bank loans: these are initially recognized at fair value, net of transaction costs incurred. The borrowings are subsequently measured at their amortized cost; any difference between the income (net of transaction costs) and the repayment value is recognized in the income statement over the lifetime of the loan using the effective interest rate method;
- bank overdrafts;
- factoring.

The portion of loans and borrowings that must be repaid within 12 months following period-end is classified under current liabilities.

2.20 Provisions

A provision is set up when an obligation to a third party arises before period-end and the loss or liability is probable and can be measured reliably.
When the Group expects the provision to be totally or partially reimbursed, for example because an insurance policy exists, the reimbursement is recognized as a separate asset but only if the reimbursement is substantially certain. The provision charge is shown in the income statement net of any reimbursement.
If the effect of the time value of money is significant, the provision is discounted at a pre-tax rate that reflects the risks specific to the liability. When the provision is discounted, the provision increase linked to the flow of time is recognized as a financial expense.
When the provision is used, the provision reversal is recognized on the credit side of the expense account in which the expense covered by the provision was recorded. When the provision reversal reflects the extinction of the projected risk with no associated expenditure, the reversal is recognized on the credit side of the provision expense account.
If the loss or liability is not probable or cannot be measured reliably, a contingent liability is mentioned under the Group's commitments.

Provision for warranties
In addition to the product liability insurance subscribed by the Group, a provision for warranties is recognized to cover technical and/or commercial expenses resulting from the partial or total replacement of deliveries of composite materials to customers or the cost of additional or corrective work invoiced to the Group by customers. The expenditures actually recognized in previous years are analyzed by market and extrapolated to sales in the period ended. Depending on how long it takes for the Group to identify the origin of these costs, a provision is recognized and updated at each annual period-end.

2.21 Recognition of revenue

Consolidated net revenue breaks down as follows: 95% of total revenue (net of tax) is from the sale of flexible composite materials, with the balance from miscellaneous sales (industrial waste, intermediary services, industrial equipment built by CI2M, and semi-finished products such as PET micro-cables).
Proceeds from goods sold are recognized in the income statement when the significant risks and rewards inherent in the ownership of the goods have been transferred to the buyer, or in most cases on the date that the materials are shipped. Where the incoterms applied do not transfer the significant risks and rewards to the customer, the invoicing is canceled and the materials are returned to inventory.
Revenue includes proceeds from the sale of goods and services after deduction of price reductions and taxes and after elimination of intercompany sales.

2.22 EBIT

Profit from continuing operations, or EBIT, includes all recurring income and expenses directly relating to the Group's activities, with the exception of income and expenses resulting from one-off decisions or transactions.

2.23 Non-recurring income and expenses

This item is populated when a major event occurs during the accounting period that may give a false impression of the Company's performance.

This includes a very limited number of income and expense entries, of unusual frequency, nature or value.

2.24 Operating income

Operating income includes all income and expenses directly relating to the Group's activities, whether the income and expenses are recurring or not, or result from one-off decisions or transactions.

2.25 Segment information

The Group is a "single segment" enterprise in the sense of IFRS 8, in the "flexible composite materials" segment (in accordance with IFRS 8, segment reporting is based on internal management data used by the Group's senior management, the Chairman and Chief Executive Officer, the two Senior Vice Presidents, the Group's main operational decision-makers), this single-segment presentation being linked to the strongly integrated nature of the activities developed by the Group.
Geographic regions and fields of activity do not constitute segments in the sense of IFRS 8.

2.26 Earnings per share

The earnings per share presented with the income statement is calculated from 'Net income, Group share' as follows:

- basic earnings per share is calculated using the weighted average number of outstanding shares during the period, after cancellation, where applicable, of treasury shares relating to the liquidity contract and share buyback plan, based on the injection dates of funds from capital increases in the form of cash, and the date of first consolidation for share issues carried out in connection with external contributions of securities of newly consolidated companies;

- diluted earnings per share is calculated by adjusting 'Net income, Group share' and the weighted average number of outstanding shares by the dilutive effect of stock option plans outstanding at period-end and bonus share allocation plans. The share buyback method is applied at the market price based on the average share price throughout the year.

The company has issued no dilutive or non-dilutive instruments in the periods presented. Earnings per share is therefore equal to diluted earnings per share.

As of December 31, 2015, the EPS value of €0.39 was calculated taking into account the 50:1 stock split effective April 30, 2014.

Note 3 - Scope of consolidation

Companies	Activity	Head office	Percentage control			2015 consolidation method
			2015	2014	2013	
Serge Ferrari Group	Holding	La Tour-du-Pin (France)	100%	100%	100%	Parent company
Serge Ferrari SAS	Production and distribution	La Tour-du-Pin (France)	100%	100%	100%	Full consolidation
Serge Ferrari North America	Distribution	Pompano Beach (USA)	100%	100%	100%	Full consolidation
Serge Ferrari Asia Pacific	Distribution	Hong Kong (HK)	100%	100%	100%	Full consolidation
Serge Ferrari Japan	Distribution	Kamakura (Japan)	83%	83%	83%	Full consolidation
Ferrari Latino America	None	Santiago (Chile)	100%	100%	100%	Full consolidation
Serge Ferrari Brasil	Distribution	Sao Paulo (Brazil)	100%	100%	100%	Full consolidation
Précontraint Ferrari SAS	Production	La Tour-du-Pin (France)	(1)	(1)	100%	Full consolidation
Ci2M SAS	Equipment manufacture	La Tour-du-Pin (France)	100%	100%	100%	Full consolidation
Serge Ferrari AG	Production and distribution	Eglisau (Switzerland)	100%	100%	100%	Full consolidation
Ferfil	Production	Emmenbrücke (Switz)	100%	100%	100%	Full consolidation
Serge Ferrari Tersuisse	Production	Emmenbrücke (Switz)	100%	100%	100%	Full consolidation
Texyloop SAS	Recycling	La Tour-du-Pin (France)	100%	100%	100%	Full consolidation
Vinyloop	Recycling	Ferrara (Italy)	40%	40%	40%	Equity affiliate

(1) Serge Ferrari SAS and Précontraint SAS merged as of April 30, 2014.

The companies SIBAC (18%-owned), VR Développement (20%-owned) and 2FB2I (5%-owned) are excluded from the consolidation scope due to the absence of significant influence over these entities.

Note 4 - Comparability of financial statements

There was no entry into or exit from the consolidation scope in fiscal years 2014 and 2015 that would require the disclosure of comparative information.

Note 5 - Goodwill

Goodwill - €000	Dec 31, 2015	Dec 31, 2014
Net book value b/fwd	201	202
Translation differences	11	-1
Net book value c/fwd	**212**	**201**

Goodwill corresponds to Serge Ferrari Japan acquired in 2008.
The valuation tests conducted as of December 31, 2014 and 2015 based on discounted cash flow (DCF) do not show evidence of a need to write down this asset. The changes in value result exclusively from exchange rate fluctuations.

As of December 31, 2015, Serge Ferrari Group consists of a single Cash Generating Unit, as the activities of the fully consolidated entities are interdependent. Substantially all the materials marketed by the Group and its subsidiaries are produced at its French or Swiss plants.

Note 6 - Intangible assets

Intangible assets can be analyzed as follows:

€'000	Dec 31, 2013	Acq.	Disposals	Amortization for the period	Changes in exchange rates	Reclassifications and retirement	Dec 31, 2014
Research & development costs	4,661	1,287			19		5,967
Concessions, patents & similar rights	38						38
Intangible assets in progress	2	958			2		961
Other intangible assets	6,479	234			28	1,080	7,819
Total intangible assets	**11,179**	**2,480**	**0**	**0**	**48**	**1,080**	**14,786**
Amort./impairment - R&D expenses	-1,237			-1,188	-5		-2,431
Amort./imp. - Concessions, patents & similar rights	-38						-38
Amort./imp. - Other intangible assets	-5,198			-603	-14		-5,816
Total amort./imp of intangible assets	**-6,473**	**0**	**0**	**-1,792**	**-19**	**0**	**-8,284**
Total net book value	**4,706**	**2,480**	**0**	**-1,792**	**29**	**1,080**	**6,501**

€'000	Dec 31, 2014	Acq.	Disposals	Amortization for the period	Changes in exchange rates	Reclassifications and retirement	Dec 31, 2015
Research & development costs	5,967	1,612			116		7,695
Concessions, patents & similar rights	38						38
Intangible assets in progress	961	252			45	-1,006	252
Other intangible assets	7,819	616	-107		181	1,006	9,515
Total intangible assets	**14,786**	**2,480**	**-107**	**0**	**342**	**0**	**17,500**
Amort./impairment - R&D expenses	-2,431			-1,071	-36	0	-3,538
Amort./imp. - Concessions, patents & similar rights	-38						-38
Amort./imp. - Other intangible assets	-5,816		73	-697	-64		-6,504
Total amort./imp. of intangible assets	**-8,284**	**0**	**73**	**-1,768**	**-100**	**0**	**-10,079**
Total net book value	**6,501**	**2,480**	**-34**	**-1,768**	**242**	**0**	**7,423**

The amount of research and development expenses capitalized in 2015 (€1,612,000) is stated after deduction of the €614,000 research tax credit for the fiscal year.

Uncapitalized R&D expenses after deduction of amortization charges applied to R&D expenses capitalized in prior years amounted to €1,845,000 in 2015 and €1,766,000 in 2014.

Other intangible assets and intangible assets in progress mainly consist of IT solutions and systems used by the Group.

Note 7 - Property, plant and equipment

Property, plant and equipment can be analyzed as follows:

€'000	Dec 31, 2013	Acq.	Disposals	Depreciation for the period	Changes in exchange rates	Reclassifications and retirement	Dec 31, 2014
Land	1,665				35		1,700
Buildings	34,554	638			371	0	35,563
Plant and equipment	102,101	2,714	-399		1,124	1,023	106,563
PP&E in progress	2,506	607			29	-2,103	1,039
Other PP&E	8,502	353			131		8,986
Total property, plant and equipment	**149,328**	**4,312**	**-399**	**0**	**1,689**	**-1,080**	**153,849**
Depr./impairment - Buildings	-24,413			-1,552	-219		-26,184
Depr./impairment - Plant & equipment	-90,837		397	-3,542	-1,017		-94,999
Depr./impairment - Other PP&E	-6,484			-355	-115		-6,954
Total depreciation/impairment of PP&E	**-121,735**	**0**	**397**	**-5,449**	**-1,351**	**0**	**-128,137**
Total net book value	**27,592**	**4,312**	**-2**	**-5,449**	**338**	**-1,080**	**25,712**

€'000	Dec 31, 2014	Acq.	Disposals	Depreciation for the period	Changes in exchange rates	Reclassifications and retirement	Dec 31, 2015
Land	1,700				187		1,887
Buildings	35,563	1,445			2,000		39,008
Plant and equipment	106,563	2,518	-432		6,083	480	115,212
PP&E in progress	1,039	688			25	-512	1,240
Other PP&E	8,986	35	-114		565		9,471
Total property, plant and equipment	**153,849**	**4,686**	**-547**	**0**	**8,860**	**-32**	**166,818**
Depr./impairment - Buildings	-26,184			-1,616	-1,201		-29,001
Depr./impairment - Plant & equipment	-94,999		416	-3,657	-5,489		-103,729
Depr./impairment - Other PP&E	-6,954		117	-328	-493		-7,658
Total depreciation/impairment of PP&E	**-128,137**	**0**	**532**	**-5,601**	**-7,182**	**0**	**-140,388**
Total net book value	**25,712**	**4,686**	**-15**	**-5,601**	**1,678**	**-32**	**26,430**

Substantially all fiscal year 2014 and 2015 capital expenditure was incurred in Europe.

Note 8 – Investments in equity affiliates

Investments in equity affiliates relate to Vinyloop, which is 40% owned by SergeFerrari Group through its subsidiary Texyloop. The rest of the share capital is held by Solvay Group.

In 2015, the Group injected €0.6 million of capital into Vinyloop by capitalizing a receivable held against the company as of December 31, 2014 and recognized in 'Other loans and receivables' under 'Other financial assets' (explained in detail in Note 9 to the financial statements) of the Group balance sheet.

Impact on net assets and consolidated net income

Vinyloop - €'000	Dec 31, 2015	Dec 31, 2014
Investments in equity affiliates	266	0
Income from equity affiliates	-853	-1,070

Financial data of equity affiliates

The data presented below is drawn from the Italian financial statements in the absence of significant IFRS restatement identified for this equity investment.

Vinyloop - €'000	Dec 31, 2015 (est.)	Dec 31, 2014 (act.)
Revenue	3,264	4,034
Net income/(loss)	-2,430	-2,378
Shareholders' equity	664	1,094
Total assets	Unknown	14,130

Note 9 - Other financial assets

€'000	Dec 31, 2015	Dec 31, 2014
Held-for-sale financial assets	456	456
Other loans and receivables	2,580	2,401
Total other financial assets before impairment	**3,036**	**2,857**

Note 10 - Deferred tax assets and liabilities

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

Deferred tax (€'000)	Dec 31, 2015	Dec 31, 2014
Deferred tax assets related to employee benefits	1,672	1,439
Tax losses carried forward	120	95
Elimination of intercompany gains and losses	341	381
Research tax credit adjustment	461	292
Change in fair value of interest rate and currency hedges	47	195
Non-deductible provision	0	90
Other temporarily non-deductible items	317	574
Non tax-allowable provisions	-1,722	-821
Total net deferred tax	**1,236**	**2,244**

Note 11 – Inventories

€'000	Dec 31, 2015			Dec 31, 2014		
	Gross	Provisions	Net	Gross	Provisions	Net
Raw materials and supplies	7,444	-425	7,019	7,860	-27	7,834
Work in progress	403	-25	378	253	-41	212
Finished products and components	25,259	-2,814	22,445	25,437	-2,719	22,718
Traded goods	3,376	-295	3,081	3,323	-222	3,101
Total	**36,482**	**-3,559**	**32,923**	**36,873**	**-3,418**	**33,455**

Note 12 - Trade receivables and related accounts

€'000	Dec 31, 2015	Dec 31, 2014
Trade receivables and payments on account	14,150	13,792
Receivables sold to the factoring company	18,998	17,079
Gross trade receivables	**33,147**	**30,872**
Impairment of trade receivables	-2,362	-2,155
Net trade receivables	**30,786**	**28,716**

The Company analyses its trade receivables on a case by case basis and recognizes impairment on an individual basis taking into account the customer's situation and late payments.
No trade receivables are more than one year overdue.

Note 13 – Tax receivables and payables

€'000	Dec 31, 2015	Dec 31, 2014
Tax receivables	2,517	2,207
Tax payables	456	290

Tax receivables mainly relate to installments paid and tax credits not yet recorded.

Note 14 - Other current assets

€'000	Dec 31, 2015	Dec 31, 2014
Current accounts - assets	4,679	4,180
Tax receivables excl. income tax	1,497	1,721
Staff and related receivables	368	147
Supplier receivable balances	358	279
Other receivables	548	191
Prepaid expenses	753	883
Loans receivable, guarantees and other receivables due in less than 1 yr	15	13
Invoices to be issued	1	0
Advances and payments on account to suppliers	185	378
Receivables against suppliers (rebates, discounts, refunds and other credits)	262	259
Total other current assets	**8,667**	**8,051**

All other current assets have maturities of less than a year.
Tax receivables excluding corporate income tax mainly include customs duties and VAT receivables.

Current account assets are analyzed as follows:

€'000	Dec 31, 2015	Dec 31, 2014
Non-consolidated third-party companies	122	200
Equity affiliates	0	77
Real estate companies	0	982
Ferrari Participations	4,527	2,882
Other	30	49
Current accounts - assets	**4,679**	**4,180**

These current accounts give rise to recognition of interest income and expense determined in accordance with arm's length principles.
The change in current accounts is presented in 'Other cash flows from financing activities' in the cash flow statement.

Note 15 - Cash and cash equivalents

€'000	Dec 31, 2015	Dec 31, 2014
Marketable securities	356	84
Cash (at hand and in bank, term deposits)	49,033	45,094
Total	**49,389**	**45,178**

As of December 31, 2015 term deposits amounted to €19 million.

Note 16 - Share capital

As of January 1, 2014, the Company's share capital amounted to €3,469,000 divided into 173,469 fully subscribed and paid-up ordinary shares with a par value of €20 each. On April 30, 2014, the shareholders' general meeting carried out a share split whereby the par value per share was reduced from €20.00 to €0.40. Consequently, the number of shares increased from 173,469 to 8,673,450 shares.
On June 24, 2014, following the settlement and delivery operations ensuing from the initial public offering, 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 amounting to total proceeds of €38 million.
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 share capital 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 issue amounted to €0.49 million. Following this transaction, the share capital comprised 12,299,259 shares.

SergeFerrari Group made an additional €250,000 contribution to the liquidity contract, increasing the funds allocated to the contract from €500,000 to €750,000.
The 38,881 treasury shares held under the liquidity contract were canceled as of December 31, 2015 for an amount of €397,000.

Net proceeds from the sale of treasury shares amounted to a €32,000 loss.

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

To date, the Company has not allocated any securities giving future access to capital of any kind whatsoever (stock options, bonus shares, etc.). There are therefore currently no dilutive instruments.

As of December 31, 2015, the adjustment in respect of treasury shares held under the liquidity contract was recorded under consolidated reserves in the column entitled 'Treasury shares' in the statement of changes in shareholders' equity.

Note 17 – Loans and borrowings

Presentation of net debt

Dec 31, 2014 - €'000	Current	Non-current	Total	Maturity: Due in less than 1 yr	Due in 1 to 5 yrs	Due in more than 5 yrs
Bank loans	6,430	8,127	14,557	6,430	8,127	0
Bank overdrafts	76	0	76	76	0	0
Factoring	13,084	0	13,084	13,084	0	0
Total borrowings and debt	**19,590**	**8,127**	**27,717**	**19,590**	**8,127**	**0**
Cash and cash equivalents	-45,178	0	-45,178	-45,178	0	0
Net cash and cash equivalents	**-25,588**	**8,127**	**-17,461**	**-25,588**	**8,127**	**0**

Dec 31, 2015 - €'000	Current	Non-current	Total	Maturity: Due in less than 1 yr	Due in 1 to 5 yrs	Due in more than 5 yrs
Bank loans	3,104	16,640	19,744	3,104	1,640	15,000
Acquisition costs	0	-432	-432	0	0	-432
Bank overdrafts	1	0	1	1	0	0
Factoring	9,229	0	9,229	9,229	0	0
Total borrowings and debt	**12,334**	**16,208**	**28,542**	**12,334**	**1,640**	**14,568**
Cash and cash equivalents	-49,389	0	-49,389	-49,389	0	0
Net cash and cash equivalents	**-37,055**	**16,208**	**-20,846**	**-37,055**	**1,640**	**14,568**

The Group funds its operations and capital expenditure via the following means:

- the Club Deal with its relationship banks for financing its investments. Four such transactions were entered into in July 2009, May and December 2011 and September 2013. These arrangements were signed at variable market interest rates (EURIBOR) plus a spread. These borrowings are contractually subject to mandatory interest rate hedging (fixed rate vs floating rate swap) on a proportion of the total amount by using short-term cash facilities, confirmed or unconfirmed.
- via a €15 million Euro Private Placement (Euro PP) signed on July 28, 2015 and used mainly to refinance the remaining Club Deal loans.
- by using financing for R&D operations: innovation aid in the amount of €107,000 (over five years with repayment deferred for the first two years) and a €1 million interest-free loan for innovation (over six years with repayment deferred for 27 months) were set up with OSEO in 2013. As of December 31, 2015, the outstanding balance of these loans was €909,000.
- by factoring the receivables it holds against French and international customers.
- by bilateral lines of financing with the Swiss subsidiaries' local banks to finance CAPEX. Since 2012, the financing of these investments has been arranged by SergeFerrari Group.
- A €15 million Euro PP in the form of a six-year loan, repayable on maturity and fully drawn at the signing of the agreement, to be assigned to refinancing medium-term borrowings in euros;

- - a €35 million six-year revolving credit facility to be drawn as and when required for general purposes (capital expenditure, acquisitions etc.), subject to an annual €5 million reduction in the available amount over a three-year period beginning in the third year.

Factoring:

- The Group resorts to factoring to cover its short-term financing requirements. As of December 31, 2015, the main balance sheet and income statement accounts related to factoring were the following:
- Trade receivables (Note 12): €18,998,000 of receivables sold to the factoring company.
- Loans and borrowings (Note 17): €9,929,000 of financing advanced by the factor.
- Financing fees (Note 27) €58,000
- Factoring fees (Note 22) €66,000.
- As of December 31, 2015, the guarantee fund attached to the agreement terminated on the same date was recognized under "cash equivalents" and repaid on January 21, 2016.

Note 18 - Provisions for pensions and similar obligations

The provisions recognized relate to:

- post-employment benefits relating to defined benefit schemes in France (severance pay on retirement) and Switzerland (pension plan);
- other long-term benefits in Switzerland (jubilee gifts).

These benefits are calculated by actuaries working in France and Switzerland.

The main actuarial assumptions adopted for obligations in France are as follows:

	Dec 31, 2015	Dec 31, 2014
Retirement age	Voluntary retirement at 64	
Collective bargaining agreement	Textile industry	
Discount rate	2.00%	1.80%
Mortality table	TH-TF 09-11	TH-TF 08-10
Salary growth rate	2.5%	2%
Staff turnover rate	Turnover inversely proportional to age	
Social security charge rate	51%	48%

The main actuarial assumptions adopted for obligations in Switzerland are as follows:

	Dec 31, 2015	Dec 31, 2014
Retirement age	65 for men, 64 for women	
Discount rate	0.80%	1.50%
Mortality table	BVG2010GT	BVG2010GT
Salary growth rate	1.00%	1.00%
Staff turnover rate	Turnover inversely proportional to age	

The reference discount rate used is the rate of return on “investment grade” corporate bonds in the industrial sector on the Swiss market.

The following table shows changes in provisions for pension and related commitments:

€'000	Retirement compensation - France	Switzerland		Total
		Pension Plan	Long service awards	
Dec 31, 2013	**1,021**	**1,792**	**412**	**3,225**
Cost of past services	115	-57	-36	22
Interest expense	52	41	0	93
Actuarial gains/(losses)	1,290	1,864	0	3,154
Benefits paid	-134	0	0	-134
Exchange differences	0	56	0	56
Dec 31, 2014	**2,344**	**3,695**	**376**	**6,416**
Cost of past services	168	-127	-307	-266
Interest expense	42	64	0	106
Actuarial gains/(losses)	83	2,812	0	2,895
Payment	-996	0	0	-996
Benefits paid	-71	0	0	-71
Exchange differences	0	399	-56	343
Dec 31, 2015	**1,570**	**6,843**	**13**	**8,427**

The following tables analyze the provision for pensions in Switzerland:

€'000	Dec 31, 2015	Dec 31, 2014
Present value of the obligation	35,042	28,514
Fair value of plan assets	28,197	24,820
Recognized net liability	**6,844**	**3,695**

Reconciliation of plan assets and the actual value of pension obligations in previous years:

Change in the present value of the obligation

€'000	Dec 31, 2015	Dec 31, 2014
Benefit obligations at start of period	28,514	26,324
Interest expense	480	608
Cost of services rendered	1,090	736
Members' contributions	565	498
Benefits paid	- 1,003	-2,173
Cost of past services	-362	-
Administration costs	16	13
Actuarial gains (losses)	2,613	1,958
Currency translation differences	3,129	550
Benefit obligation at end of period	**35,042**	**28,514**

Change in the value of plan assets

€'000	2015	2014
Present value at start of period	24,820	24,532
Interest income from plan assets	416	567
Employer contributions	870	807
Members' contributions	565	498
Benefits paid	-1,003	-2,173
Return on plan assets excluding interest income	-192	74
Currency translation differences	2,722	516
Present value at end of period	**28,197**	**24,820**

The breakdown of plan assets for the years presented is as follows:

Breakdown of plan assets by asset class

€'000	2015	2014
Cash and cash equivalents	582	277
Equity instruments	2,860	2,396
Debt securities	3,992	3,098
Real estate	7,659	6,090
Other	477	482
Other assets from insurance policies	12,626	12,477
Total plan assets	**28,197**	**24,820**

The underlying assets comprising 'Other assets from insurance policies' represent the valuation of Serge Ferrari AG's share of the assets managed collectively by Swiss Life and are broken down as follows: 12% real estate, 77% fixed income and 7% mortgages and other claims on nominal value, the remainder consisting of other assets and cash.

Plan assets for Serge Ferrari Tersuisse and Ferfil Multifils comprise around 50% real estate, 24% fixed income and 19% equities, the remainder consisting of other assets and cash.

The following table shows the sensitivity to significant changes in actuarial assumptions:

Sensitivity test

€'000	Dec 31, 2015	Dec 31, 2014
Change in present value of the obligation if the discount rate is reduced by 0.50%	3,161	2,442
Change in present value of the obligation if the discount rate is increased by 0.50%	-2,739	-2,090
Change in present value of the obligation if the interest rate on the retirement savings plan capital is reduced by 0.50%	-749	NA
Change in present value of the obligation if the interest rate on the retirement savings plan capital is increased by 0.50%	786	NA
Change in present value of the obligation if the salary growth rate decreases by 0.50%	-242	-245
Change in present value of the obligation if the salary growth rate increases by 0.50%	243	279
Change in the present value of the obligation if life expectancy increases by 1 year	828	612
Change in the present value of the obligation if life expectancy decreases by 1 year	-839	-575

The Company does not expect significant fluctuation in its cash flows in future years, as the flows mainly correspond to premiums paid to insurance companies. The annual premiums paid are in the order of CHF 1 million and the forecast premium for fiscal 2016 is estimated at CHF 911,000. The estimated weighted average duration of the obligation is 16.5 years. There is no minimum funding requirement.

Note 19 – Provisions for risks and contingencies

€'000	Dec 31, 2014	Increases	Reversal		Dec 31, 2015
			Used	Not used	
Current provisions	**1,166**	**0**	**-363**	**-120**	**683**
Guarantee	652	0	-135	0	517
Staff and administrative disputes	192	0	-26	0	166
Commercial disputes	202	0	-202	0	0
Investments in equity affiliates	120	0	0	-120	0
Non-current provisions	**0**	**0**	**0**	**0**	**0**

Note 20 – Other current liabilities

€'000	Dec 31, 2015	Dec 31, 2014
Current accounts - liabilities	6	271
Tax and social security payables	8,244	7,821
Customer accounts payable	912	350
Other payables	268	817
Fair value of derivative financial instruments	137	654
Total other current liabilities	**9,568**	**9,914**

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

Note 21 - Information relating to geographic regions

Revenue

€'000	2015	%	2014	%
Flexible composite materials	140,985	95%	133,983	94%
Other products	7,413	5%	8,341	6%
Total revenue	**148,398**	**100%**	**142,324**	**100%**

€'000	2015	%	2014	%
Southern Europe	51,924	37%	48,616	36%
Wide Europe	52,068	37%	51,350	38%
Rest of World	36,993	26%	34,017	26%
Total revenue from flexible composite materials	**140,985**	**100%**	**133,983**	**100%**

Countries in which the Group has generated more than 10% of its consolidated revenue:

€'000	2015	2014
France	34,287	32,768
Germany	16,271	16,059
Other countries	90,427	85,156
Total revenue from flexible composite materials	**140,985**	**133,983**

Geographic breakdown of main assets

The Group's main assets are located in France and Switzerland. For its commercial bases outside Europe, the Group leases its offices and facilities.

Breakdown of non-current assets by main geographic region

€'000	Dec 31, 2015	Dec 31, 2014
Total non-current consolidated assets	39,862	38,336
France	20,478	20,120
Switzerland	18,565	17,775
Other countries	819	443

Note 22 – External expenses

€'000	2015	2014
Bank charges	433	360
Maintenance and repairs	3,943	3,087
Leasing and rental costs	5,785	5,322
Transport	6,680	7,086
Fees and advertising expenses	11,416	9,614
Other external expenses	8,423	7,344
Total external expenses	**36,680**	**32,813**

'Fees and advertising expenses' include invoices issued for the cost of non-employee personnel in countries in which the Group has no legal structure of its own, in the amount of €1,057,000 for 2015 and €1,342,000 for 2014.

As explained in Note 29, the Company reclassified 2014 training expenses amounting to €442,000 from 'Other miscellaneous taxes' to 'Fees and advertising expenses'.

Note 23 - Personnel expense and executive compensation

Personnel expense

€'000	2015	2014
Payroll	30,105	28,518
Social security charges	9,211	9,104
Other personnel expenses	783	698
Staff profit share	147	330
Total personnel expense	**40,246**	**38,649**

Personnel expenses cover both permanent and fixed-term contracts.
In accordance with the ANC information memo of February 28, 2013, the proceeds from the French CICE tax credit for competitiveness and employment have been recognized as a reduction in social security charges for the period. This reduction amounted to €483,000 in 2015 compared to €482,000 in 2014. The 2014 figures have been restated accordingly.

The headcount can be broken down as follows:

	Dec 31, 2015	Dec 31, 2014
TOTAL	**638**	**605**
COMMERCIAL	**175**	**159**
Sales staff	139	122
MKG & Com	18	19
Sales administration	18	18
OPERATIONS	**388**	**377**
Production	340	327
Logistics	48	50
SUPPORT FUNCTIONS - R&D	**75**	**69**
G&A	49	44
R&D	26	25

Executive compensation

€'000	2015	2014
Ferrari Participations (for services provided)	659	538
Corporate office	141	127
Benefits in kind	7	6
Total executive compensation	**807**	**671**

Ferrari Participations (for services provided)

Since May 1, 2014, SergeFerrari Group has been directed by Sébastien Ferrari (Chairman and CEO), Romain Ferrari (Chief Operating Officer) and Philippe Brun (Chief Financial Officer).

The amounts shown relate solely to the compensation paid in respect of the operational positions held by Sébastien Ferrari, Romain Ferrari and Philippe Brun (amounts for 2014 as from May 1).

The total invoicing borne under the management fees agreement, which amounted to €2,354,000 in 2015 and €1,602,000 in 2014, is shown in the table in Note 31 'Related party transactions'.

Corporate office

All compensation received in respect of Group corporate offices held by Sébastien Ferrari, Romain Ferrari and Philippe Brun.

Benefits in kind

Benefits in kind relating to the provision of company vehicles.

Note 24 - Depreciation and amortization charges

€'000	2015	2014
Intangible assets	-1,768	-1,792
Property, plant and equipment	-5,601	-5,449
Total depreciation and amortization	**-7,370**	**-7,241**

Note 25 - Impairment allowances and provisions

€'000	2015	2014
Provisions for risks and contingencies	0	-469
Provisions on receivables	-1,369	-2,483
Provisions on inventories and WIP	-3,442	-2,775
Reversal of provisions on inventories and WIP	3,421	2,375
Reversal of provisions on receivables	1,203	2,420
Reversal of provisions for risks and contingencies	0	225
Reversals of operating provisions	331	0
Net impairment and provisions	**144**	**-707**

Note 26 - Other recurring income and expenses

€'000	2015	2014
Operating grants	198	228
Gain/loss on disposal of assets	-3	2
Other	573	687
Other recurring income and expenses	**768**	**917**

Note 27 – Financial income and expenses

	2015	2014
Net cost of debt	**-471**	**-578**
Income from cash and cash equivalents	40	60
Interest expense	-511	-638
Other financial income and expenses	**246**	**-176**
Net currency gains/(losses)	**20**	**566**
- USD	387	703
- CHF	-70	-119
- EUR and other	-296	-18
Change in fair value of derivative financial instruments	**517**	**-475**
- USD exchange rate	459	-478
- Interest rate	58	3
Interest expense on employee benefits	**-79**	**-93**
Dividends from non-consolidated entities	**22**	**45**
Other	**-234**	**-218**
Net financial expense	**-225**	**-754**

NB:

- Factoring finance charges amounted to €58,000 in 2015 compared to €116,000 in 2014. They are included under interest expense.
- Factoring fees paid in 2015 and posted to 'External expenses' amounted to €66,000, compared to €65,000 in 2014.
- 2015 currency gains and losses resulted mainly from fluctuations in the BRL and CHF exchange rates versus the euro.

Note 28 - Tax expense

€'000	2015	2014
Deferred tax	1,434	104
Current tax	723	1,706
Total income tax	**2,157**	**1,810**

The notional tax expense is calculated using the tax rate on French companies of 34.43% for fiscal years 2014 and 2015. This charge is reconciled with the recognized tax expense as follows:

€'000	2015	2014
Net income	4,795	4,334
Offset:		
=> Share of earnings of equity affiliates	-853	-1,070
=> Tax expense	2,157	1,810
Income before tax	**7,804**	**7,214**
French statutory tax rate	**34.43%**	**34.43%**
Notional tax expense	**2,687**	**2,484**
Reconciliation		
=> Tax credits	-104	-40
=> Tax rate differences - France / other countries	-366	-320
=> Tax adjustment	0	-141
=> Permanent differences	-60	-173
Actual tax expense	**2,157**	**1,810**
Effective tax rate	**27.6%**	**25.1%**

The company value-added contribution (CVAE) has been recognized in 'Miscellaneous taxes' under operating income.
The Group has no other material tax assets that are not recognized in the financial statements.

Note 29 – Miscellaneous taxes

€'000	2015	2014
Other miscellaneous taxes	1,583	1,482
Miscellaneous payroll taxes	562	453
Total miscellaneous taxes	**2,145**	**2,118**

'Miscellaneous payroll taxes' include ongoing training, the 1% housing contribution, apprenticeship tax and the disabled employment sanction levied in France. All other miscellaneous taxes are included under 'Other miscellaneous taxes'.
€657,000 was recognized in 2015 in respect of the CVAE company value-added contribution, compared to €709,000 in 2014.

As explained in Note 22, the Company reclassified 2014 training expenses amounting to €442,000 from ‘Other miscellaneous taxes’ to ‘Fees and advertising expenses’.

Note 30 - Information on financial risk

Credit risk

The Group assesses the insolvency risk of its customers. Solvency takes into account items that are purely internal to the Group, as well as contextual items such as geographic location, global economic conditions and sector growth prospects.

An application for cover is submitted to a credit insurer whenever a customer account is opened.

Credit risk represents the risk, for the Group, of financial loss in the event that a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group is not exposed to significant credit risk. Such credit risk as exists mainly concerns trade receivables. The net carrying value of identified receivables reflects the fair value of the net cash flow receivable estimated by Management, based on information at period-end. The Group has not taken into account any guarantees or agreements for offsetting liabilities with the same maturity when performing impairment tests on financial assets.
There are no significant unimpaired past-due financial assets.

All of the Group's relationship banks have complied with the requirements of solvency testing provided for by European regulations.

• Trade receivables

A credit risk exists when a loss may occur if a customer cannot meet its obligations within the deadlines provided. The Group has set up an internal permanent credit-risk watch on its customers. When a possible credit risk is identified, the Group requires its customers to pay an advance deposit.

• Average payment time by main geographic region

The average collection time for trade receivables depends on the market and financing practices in the economy concerned:

- Europe: from 10 days for discount (German-speaking region) to 120 days (Italy)
- North America and Asia: from 45 to 90 days
- Latin America: from 90 to 180 days

• Provisions for impairment of receivables:

Trade receivables are analyzed on a case-by-case basis and an impairment charge is recognized when the collectibility of the receivable is at risk.

• Importance of main customers

In 2015, the Group's largest customer accounted for 9% of revenue from composite materials and the top 5 customers accounted for 15.5% of total revenue. On the other hand, distributor-customers serve dozens or even hundreds of end customers in the countries in which they operate.

Interest rate risk

Interest rate risk is handled by Group Management working closely with its main bank partners. The floating-rate financing agreements signed with the relationship banks required 50% of the nominal amount of the contracted loan to be hedged with regard to interest rates. Accordingly, interest rate swap agreements were entered into. The Group offers a floating rate and receives a fixed rate.

The rate structure of borrowings before the application of interest-rate derivatives is presented below:

€'000	Rate	Dec 31, 2015	Dec 31, 2014
Total loans and borrowings		28,543	27,717
Bank loans	Floating	0	10,108
	Fixed	19,744	4,449
Acquisition costs	NA	-432	
Bank overdrafts	Floating	1	76
Factoring	Floating	9,229	13,084
Fixed-rate loans and borrowings		19,744	4,449
Floating-rate loans and borrowings		9,230	23,268
Other		-432	0

The exposure to interest-rate risk after taking into account interest-rate derivatives is presented below:

€'000		Dec 31, 2015	Dec 31, 2014
Total at fixed rate		19,744	4,449
Total at floating rate		9,230	23,268
Fixed-rate payer swaps		3,744	5,956
Exposure to rate risk after hedging	Fixed	23,488	10,406
	Floating	5,486	17,312

Derivatives covering floating-rate debt are classified as cash flow hedges and recorded at their fair value. As of December 31, 2015, these agreements carried a total notional value of €3.7 million. Their fair value is determined by using the market rates prevailing on the balance sheet date, as provided by financial establishments, and represents the estimated amount that the Group would have paid or received had it closed out the agreement on the balance sheet date. The fair value of cash flow hedging instruments represented an unrealized liability in the amount of €94,000 as of December 31, 2015.

The change in the value of these instruments, posted to profit or loss, represented a €57,600 gain in 2015 compared to a €3,000 gain in 2014.

Exchange rate risk

The Group is exposed to the risk of exchange rate fluctuations on commercial and financial transactions made in a currency different from the operating currency of the Group entity that records it. Consolidated revenue is mainly invoiced in EUR (82%), as well as in USD (10%), CHF (6%) and JPY (1%). Intercompany transactions are usually executed in the same currencies.
The exchange rate hedges that are set up are futures. Their purpose is to obtain the budgeted rates for the aforementioned transactions.

The Serge Ferrari Group classifies its exchange rate hedges as cash flow hedges and carries them in the balance sheet at fair value.

Changes in the value of these instruments posted to the income statement represented income of €459,000 in 2015, compared to expenses of €478,000 in 2014.

Hedge instruments outstanding as of December 31, 2015 related to:

- future sales in USD amounting to USD 1.5 million (maturing in Q1 2016, average rate 1.0650).
- future purchases in CHF amounting to CHF 4.2 million (maturing in Q1 2016, average rate 1.0842).

The fair value of these instruments has been measured by banks at -€43,900.

The maturities of hedge instruments generally range from 3 to 9 months.

- Breakdown of expenses by currency

Expenses are mainly denominated in euros, with the exception of raw materials (USD) and local expenses of subsidiaries and offices denominated in the local currency. Local expenses in CHF incurred by the Swiss companies amounted to CHF €25 million in 2015.

Liquidity risk

The Group is not exposed to liquidity risk: as of December 31, 2015 net cash and cash equivalents amounted to €20.8 million. Moreover, the Group has the following financing means:

- Bilateral lines of credit in the amount of €4.5 million, not drawn as of December 31, 2015.
- A factoring agreement covering up to €13 million, of which €9 million had been used as of December 31, 2015.

Risks induced by early repayment clauses in financial ratio covenants

The Group's medium-term financing agreements (in EUR and CHF) include covenants requiring compliance with financial ratios. The covenants are tested at each annual balance sheet date:

- Leverage ratio (Net debt / EBITDA): maximum of 3 as of December 31, 2015
- Gearing ratio: (Debt / Equity): maximum of 1 as of December 31, 2015.

The aggregates used to calculate the aforementioned ratios are clearly defined in the borrowing agreements referred to in the IFRS consolidated financial statements with regard to covenant tests conducted as from December 31, 2015.

Non-compliance with these ratios gives the lender concerned the option of requiring the loan to be repaid early and could lead to an increase in the interest rates. As of December 31, 2015, the Group was in compliance with its covenants.

Note 31 – Related party transactions

€'000	Dec 31, 2015 Ferrari Participations	Dec 31, 2015 Real estate companies	Dec 31, 2015 Vinyloop	Dec 31, 2014 Ferrari Participations	Dec 31, 2014 Real estate companies	Dec 31, 2014 Vinyloop
Operating payables	-69	81	-16	256	6	22
Operating receivables	-	30		33	4	
Current accounts	4556	-	1,048	2,882	959	1,008
Purchases of goods and services	2,354	3,083	438	1,932	2,965	181
Sales of goods and services	113	129		121	146	-
Interest expense	0	-		14	0	-
Interest income	63	5		30	15	-

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

In October 2014 SCEA Malherbe was transferred to Ferrari Participations, the SergeFerrari Group parent company. There are no material transactions between SCEA Malherbe and SergeFerrari Group. Expenses correspond to:

- Ferrari Participations: re-invoicing under the agreement described in Note 23 "Executive compensation".
- Real estate companies: rent paid to real estate companies directly or indirectly controlled by the same Ferrari family group, for industrial sites in France and Switzerland.

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

Note 32 – Off-balance sheet commitments

Commitments given

Off-balance-sheet commitments (€'000)	Dec 31, 2015	Less than 1 yr	1-5 yrs	More than 5 yrs	Dec 31, 2014
CHF-denominated mortgages translated at the closing rate	1,477	610	867	0	2,412
Operating lease commitments	6,990	3,198	3,792	0	6,601

The Group companies have also entered into arm's length operating lease agreements on the buildings and structures that they use.

Rent is reviewed on a three-yearly basis in accordance with the construction cost index.

SergeFerrari Group's debt is subject to covenants with which the Group has complied in all the fiscal periods presented.

As part of the borrowing contracted by SergeFerrari Group SA, the shares in Serge Ferrari SAS held by SergeFerrari Group have been pledged.

Commitments received

Serge Ferrari Group had no received commitments as of December 31, 2015.

4.7. Statutory auditors' report on the consolidated financial statements

To the Shareholders,

Pursuant to the assignment entrusted to us by your General Meetings, we hereby submit our report relating to the fiscal year ended December 31, 2015 on:

- our audit of SergeFerrari Group SA's consolidated financial statements, as appended to this report;
- the justification of our assessments;
- the specific testing required by law.

Your Company's consolidated financial statements have been approved by your Board of Directors. It is our responsibility to express our opinion on these financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we plan and perform the audit so as to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the information we have gathered is sufficient and appropriate to form the basis of our opinion.
We hereby certify that the consolidated financial statements present a true and fair view of the net assets, financial position and earnings of the entity formed by the persons and entities included in the consolidation scope, in accordance with IFRS guidelines as adopted by the European Union.

Notwithstanding the foregoing conclusion, we hereby draw your attention to Note 2.3 entitled "Changes in standards" in the notes to the consolidated financial statements, which explains the first-time application of IFRIC 21 as from January 1, 2015.

II - Justification of our assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code regarding the justification of our assessments, we hereby draw the following matters to your attention:

- The assessments that we performed cover the appropriateness of the accounting policies applied, and the reasonableness of the significant estimates used to prepare the financial statements,
  especially as regards trade receivable and inventory accounts.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the establishment of our opinion expressed in the first section of this report.

III – Specific testing

We also carried out the specific testing required by law on the information regarding the Group presented in the management report, in accordance with professional standards applicable in France.

We have no comment to make on the fair presentation of that information or on its consistency with the consolidated financial statements.

Lyon and Villeurbanne, March 15, 2016

The Statutory Auditors

CABINET
MARTINE CHABERT

MARTINE CHABERT

MAZARS

PIERRE BELUZE

4.8. Parent company financial statements for the year ended December 31, 2015

4.8.1. Annual financial statements of SergeFerrari Group SA

Balance sheet -Assets

Presentation currency: **euros**

		Dec 31, 2015 Gross	Dec 31, 2015 Depr. & imp.	Dec 31, 2015 Net	Dec 31, 2014 Net
	Subscribed capital not called (I)				
FIXED ASSETS	**INTANGIBLE ASSETS**				
	Start-up expenses				
	Development expenses				
	Concessions, patents and similar rights				
	Business goodwill (1)				
	Other intangible fixed assets				
	Advances and down payments				
	PROPERTY, PLANT & EQUIPMENT				
	Land				
	Buildings				
	Plant, machinery, tools and equipment				
	Other PP&E Fixed assets in progress				
	Advances and down payments				
	FINANCIAL FIXED ASSETS (2)				
	Interests valued under equity method				
	Other interests	22,810,659	6,437,500	16,373,159	16,373,159
	Loans to affiliates	2,379,923	1,842,423	537,500	345,500
	Other long-term investments				
	Other loans				
	Other financial assets				
	TOTAL (II)	**25,190,583**	**8,279,923**	**16,910,659**	**16,718,659**
CURRENT ASSETS	**INVENTORIES AND WIP**				
	Raw materials, supplies				
	Work in progress - goods				
	Work in progress - services				
	Intermediate and finished products				
	Traded goods				
	Advances and down payments on orders				16
	RECEIVABLES (3)				
	Trade receivables	32,768	32,000	768	86,263
	Other receivables	42,382,997		42,382,997	28,075,965
	Subscribed, called-up but unpaid share capital				
	MARKETABLE SECURITIES CASH & CASH EQUIVALENTS	16,998,499		16,998,499	25,659,785
ACCRUALS AND EQUIVALENT	Prepaid expenses	13,021		13,021	64,959
	TOTAL (III)	**59,427,285**	**32,000**	**59,395,285**	**53,886,989**
	Deferred debt issuance costs (IV)				
	Bond redemption premiums (V)				
	Unrealized foreign currency losses (VI)				293
	TOTAL ASSETS (I to VI)	**84,617,868**	**8,311,923**	**76,305,944**	**70,605,940**

(1) of which lease right
(2) of which financial assets < 1yr
(3) of which receivables > 1 yr

Balance sheet - Liabilities & Equity

Presentation currency: **euros**

		Dec 31, 2015	Dec 31, 2014
Equity	Share capital or individual capital	4,919,704	4,919,704
	Additional paid-in capital	43,867,647	43,867,647
	Revaluation surplus		
	RESERVES		
	Legal reserve	491,970	346,938
	Statutory or contractual reserves		
	Regulated reserves		
	Other reserves	10,354,122	8,653,104
	Retained earnings	4,770	
	Net income/(loss) for the period	**(183,341)**	**3,321,962**
	Investment subsidies		
	Regulated provisions		
	Total equity	**59,454,872**	**61,109,354**
Other equity	Proceeds from issue of equity loans		
	Conditional advances		
	Total other equity		
Provisions	Provisions for risks		293
	Provisions for contingencies		
	Total provisions		**293**
LIABILITIES (1)	**FINANCIAL LIABILITIES**		
	Convertible bonds		
	Other bonds		
	Borrowings from credit institutions (2)	15,196,932	8,955,416
	Other loans and borrowings	1,237,249	205,867
	Advances and down payments received on current orders		102,153
	OPERATING LIABILITIES		
	Trade payables	318,817	191,711
	Tax and social security payables	47,269	4,225
	OTHER PAYABLES		
	Fixed asset liabilities		
	Other debts		13,850
	Deferred income (1)		
	Total liabilities	**16,800,267**	**9,473,222**
	Unrealized foreign currency gains	50,805	23,072
	TOTAL EQUITY & LIABILITIES	**76,305,944**	**70,605,940**

		Dec 31, 2015	Dec 31, 2014
	Net income/(loss) for the period (in euros and cents)	(183,340.70)	3,321,961.59
(1)	Liabilities and deferred income < 1yr	1,800,267	4,271,069
(2)	Of which current bank loans and overdrafts	57	54,673

Income statement

Presentation currency: **euros**

		France	Exports	Dec 31, 2015 12 months	Dec 31, 2014 12 months
OPERATING INCOME	Sales of traded goods				
	Production sold - goods				
	Production sold - works and services	892,440	253,329	1,145,769	1,108,728
	Net revenues	**892,440**	**253,329**	**1,145,769**	**1,108,728**
	Production transferred to inventories				
	Capitalized production				
	Operating grants				
	Write-back of provisions and depreciation, expense transfers				
	Other items			1,914	1,360
	Total operating income (1)			**1,147,683**	**1,110,088**
OPERATING EXPENSES	Purchase of traded goods				
	Change in inventories				
	Purchase of raw materials and other supplies				
	Change in inventories				
	Other purchases and external expenses			1,502,547	3,976,016
	Taxes, duties and other levies			2,988	3,581
	Wages and salaries			36,000	24,000
	Employee-related expenses			74,438	7,236
	Operator's contribution				
	Depreciation and amortization:				
	- of fixed assets				(135)
	- deferred operating expenses				19,949
	Impairment:				
	- of fixed assets				
	- of current assets				
	Provisions				
	Other expenses			78,566	72,230
	Total operating expenses (2)			**1,694,538**	**4,102,876**
NET OPERATING INCOME/(EXPENSE)				**(546,856)**	**(2,992,788)**

Income statement (cont.)

Presentation currency: **euros**

		2015	2014
	OPERATING INCOME/(LOSS)	**(546,856)**	**(2,992,788)**
Joint operations	Profit transferred in/loss transferred out		
	Loss transferred in/profit transferred out		
FINANCIAL INCOME	From equity investments (3)	2,757,020	6,212,672
	Other marketable securities and fixed-asset receivables (3)		
	Other interest and similar income (3)	690,203	319,669
	Write-backs of provisions and impairment, expense transfers	192,293	7,459
	Currency gains	15,552	5,722
	Net gains on sale of marketable securities	7,796	
	Total financial income	**3,662,864**	**6,545,522**
FINANCIAL EXPENSES	Depreciation, amortization, impairment and provisions	2,884,923	801,293
	Interest and similar expenses (4)	383,375	343,708
	Currency losses	25,202	1,524
	Net losses on sale of marketable securities	32,697	21,645
	Total financial expenses	**3,326,197**	**1,168,169**
	NET FINANCIAL INCOME/(LOSS)	**336,667**	**5,377,353**
	NET INCOME/(LOSS) BEFORE TAX & NON-RECURRING ITEMS	**(210,189)**	**2,384,565**
NON-RECURRING	From operating transactions		
	From capital transactions		
	Write-back of provisions and impairment, expense transfers		
	Total non-recurring income		
NON-RECURRING	On operating transactions		
	On capital transactions		
	Depreciation, amortization and impairment charges, provisions		
	Total non-recurring expenses		
	NET NON-RECURRING ITEMS		
	EMPLOYEE PROFIT SHARING		
	CORPORATION TAX	(26,848)	(937,397)
	TOTAL INCOME	**4,810,547**	**7,655,610**
	TOTAL EXPENSES	**4,993,888**	**4,333,649**
	NET INCOME/(LOSS) FOR THE PERIOD	**(183,341)**	**3,321,962**

	2015	2014
(1) of which income from prior years		
(2) of which expenses from prior years		
(3) of which income from affiliated companies	3,447,223	6,532,341
(4) of which interest from affiliated companies	30,052	827

Accounting methods and rules (financial statements presented in euros)

The balance sheet total at year-end amounted to €76,305,944.

The income statement, presented in the form of a list, includes total income of €4,810,547 and total expenses of €4,993,888, resulting in a net loss of €183,341.

These notes form an integral part of the financial statements for the 12-month period beginning January 1, 2015 and ending December 31, 2015. These annual financial statements were prepared by the Chairman on February 16, 2015.

Accounting principles, valuation methods and comparability of financial statements

The parent company financial statements were prepared and presented in accordance with French accounting standard ANC 2014-03 of June 5, 2014 regarding the French chart of accounts.

Generally accepted accounting principles were applied with respect to the true and fair view principle in accordance with the underlying assumptions and the general rules of preparation and presentation as required for annual financial statements.

Valuation methods and procedures applied to various balance sheet items

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

No change was made to the valuation and presentation methods during the fiscal year.

Highlights of the year

On January 15, 2015, the Swiss National Bank announced its decision to abolish the 1.20 EUR/CHF exchange rate floor that it had defended since September 2011. Fluctuations in the EUR/CHF exchange rate during 2015 resulted in an average rate of CHF 1.0676 to the euro. The Company continues to take steps to mitigate the impact of the strengthening of the CHF on its financial statements.

On March 20, 2015, SergeFerrari Group made an additional €250,000 contribution to the liquidity contract managed by Oddo, increasing the funds allocated to the contract from €500,000 to €750,000.

On April 29, 2015, the general meeting resolved to distribute a dividend of €0.12 per share, amounting to €1,475,911.08 in total, to be paid out on May 21, 2015. This represents a payout ratio of 30%.

On April 29, 2015, the Company received a €2,737,020 dividend from Serge Ferrari SAS.

On May 21, 2015, the Company paid out a dividend of €0.12 per share, amounting to 30% of earnings per share.

On April 28, 2015, the Company subscribed to 16,515 new shares amounting to €1,651,500 issued by Texyloop as part of a capital increase reserved for SergeFerrari Group, via capitalization of its current account.

On July 28, 2015, SergeFerrari Group SA repaid in advance the loans arranged with all of its relationship banks, for a total amount of €8,599 in connection with the Euro Private Placement (Euro PP) contracted with LCL in the form of a €15 million loan, repayable on maturity on July 28, 2021 and fully drawn at the signing of the agreement, and a new €35 million revolving credit facility available but not drawn as of December 31, 2015.

This transaction gave rise to fees totaling €465,000.

Equity investments

Equity investments are recognized at their acquisition cost, excluding ancillary expenses.
An impairment charge is recorded when the fair value of the securities falls below the book value.
Depending on the investment in question and the manner in which the securities were acquired, the fair value is the higher of:
* the market value, which may be obtained by reference to a comparable transaction or recent valuation;
* the company's net assets as of the balance sheet date; and
* the value in use, measured using the discounted cash flow method via calculations analogous to those used for impairment testing on non-current assets during the preparation of the consolidated financial statements.

The equity investments in Texyloop, which amount to €6,437,500, have been fully written off. An additional €1,651,500 impairment charge was recorded in 2015.

Loans to affiliates in respect of the Texyloop equity interests amounted to €1,842,423.46 and were also written off. An additional €1,233,423.46 impairment charge was recorded in 2015.

The impairment charges recorded as of December 31, 2014 in respect of loans to affiliates relating to VR Développement and 2FB2I, amounting to €60,000 and €132,000 respectively, were fully reversed as of December 31, 2015.

Additional information

Statutory auditors' fees amounted to €145,600.

Group

The SergeFerrari Group SA financial statements have been included in the Ferrari Participations consolidated financial statements in accordance with the full consolidation method.

Since July 1, 2007, the cash flows of the companies based at La Tour-du-Pin have been pooled. Serge Ferrari SAS acts as the pooling company. The dedicated current account shows a €34,933,446 receivable against Serge Ferrari SAS as of December 31, 2015.

Remuneration of directors

Net attendance fees of €45,000 were recorded in the accounts.

SergeFerrari Group SA paid annual remuneration totaling €36,000 to three members of corporate bodies in respect of their office.

Taxation

Since January 1, 1992, the Company has headed the tax group. This tax consolidation option is tacitly renewed.

Current tax is determined based on a tax savings re-allotment principle between the parent company and its subsidiaries.

Accordingly, tax re-allotments to subsidiaries are as follows:

- CI2M: €23,168
- TEXYLOOP: €1,007,614

The research tax credit amounted to:

- Serge Ferrari SAS: €614,025

The Serge Ferrari SAS apprenticeship tax credit amounted to €4,267.

The patronage tax credit amounted to:

- Serge Ferrari SAS: €120,000
- SergeFerrari Group: €3,437

The French CICE tax credit for employment and competitiveness amounted to:

- Serge Ferrari SAS: €454,662
- CI2M: €27,700.

Post-balance sheet events

On January 14, 2016, SergeFerrari Group subscribed to 698 new shares with a par value of €286.50, for a total amount of €199,997, issued by VR Développement as part of a capital increase reserved for SergeFerrari Group, via capitalization of its current account. Following this transaction, SergeFerrari Group held 35% of the share capital of VR Développement.

On January 23, 2016, the new subsidiary Serge Ferrari India Limited was registered.

Non-current assets

	Presentation currency: euros	Gross values b/fwd	Changes during the period – Increases – Revaluations	Changes during the period – Increases – Acquisitions	Changes during the period – Decreases – Item transfers	Changes during the period – Decreases – Disposals	Gross values as of Dec 31, 2015
INTANGIBLE	Start-up and development costs						
	Other						
	TOTAL INTANGIBLE ASSETS						
PROPERTY, PLANT & EQUIPMENT	Land						
	Buildings on own land						
	on land owned by third parties						
	fixtures, fittings & equipment						
	Plant, machinery, tools and equipment						
	Other fixtures, fittings & equipment						
	Transport equipment						
	Office equipment and furnishings						
	Recoverable packaging and other items						
	PP&E in progress						
	Advances and down payments						
	TOTAL PROPERTY, PLANT & EQUIPMENT						
FINANCIAL	Interests accounted for by the equity method						
	Other interests	22,305,659		2,884,923			25,190,583
	Other long-term investments						
	Loans and other financial assets						
	TOTAL FINANCIAL FIXED ASSETS	**22,305,659**		**2,884,923**			**25,190,583**
	TOTAL	**22,305,659**		**2,884,923**			**25,190,583**

Acquisitions amounting to €2,884,923 include €1,233,423.46 reclassified from the Texyloop current account to loans to affiliates.

Provisions

Presentation currency: euros		B/fwd	Increase	Decrease	Dec 31, 2015
REGULATED PROVISIONS	Provisions for mineral and oil deposits				
	Provisions for investment				
	Provisions for price increases				
	Provisions for accelerated depreciation				
	Tax provisions for installation loans				
	Other provisions				
	REGULATED PROVISIONS				
PROVISIONS FOR RISKS & CONTINGENCIES	For litigation				
	For guarantees granted to clients				
	For loss of long-term contracts				
	For fines and penalties				
	For foreign exchange losses	293		293	
	For pensions and similar commitments				
	For taxes				
	For renewal of assets				
	For major works and repairs				
	For vacation pay employee & tax charges Other				
	PROVISIONS FOR RISKS & CONTINGENCIES	**293**		**293**	
PROVISIONS FOR IMPAIRMENT	Of fixed assets { tangible / intangible / investments in equity affiliates / equity interests / other financial assets	5,587,000	2,884,923	192,000	8,279,923
	Of inventories and WIP On customer accounts (accounts receivable) Others	32,000			32,000
	PROVISIONS FOR IMPAIRMENT	**5,619,000**	**2,884,923**	**192,000**	**8,311,923**
	OVERALL TOTAL	**5,619,293**	**2,884,923**	**192,293**	**8,311,923**
of which and write-backs	- operating / - financial / - extraordinary		2,884,923	192,293	

Investments in equity affiliates: impairment carried forward calculated according to the rules outlined under Article 39-1 5e of the French General Tax Code

Receivables and payables

Presentation currency: **euros**

RECEIVABLES	Dec 31, 2015	Due in ≤ 1 yr	Due in > 1 yr
Loans to affiliates	2,379,923		2,379,923
Other loans (1) (2)			
Other financial fixed assets			
Doubtful or disputed receivables			
Other trade receivables	32,768	32,768	
Receivables - securities lent			
Personnel and related accounts			
Social security and other welfare organizations			
Income tax	2,051,226	2,051,226	
Value-added tax	176,523	176,523	
Other taxes, duties and levies			
Sundry			
Group and associates (2)	40,155,248	40,155,248	
Miscellaneous debtors			
Prepaid expenses	13,021	13,021	
TOTAL RECEIVABLES	**44,808,710**	**42,428,786**	**2,379,923**

(1) Loans granted during the year	
(1) Repayments received during the year	
(2) Loans and advances granted to associates (natural persons)	

PAYABLES	Dec 31, 2015	≤ 1 year	1 to 5 yrs	> 5 years
Convertible bonds (1)				
Other bonds (1)				
Borrowings from credit institutions	57	57		
Borrowings from credit institutions	15,196,875	196,875		15,000,000
Other loans and borrowings(1) (2)				
Trade payables	318,817	318,817		
Personnel and related payables				
Social security and other welfare organizations	19,149	19,149		
Income tax				
Value-added tax				
Secured bonds				
Other taxes, duties and levies	28,121	28,121		
Payables on fixed assets				
Group and associates (2)	1,237,249	1,237,249		
Other payables				
Borrowed securities				
Deferred income				
TOTAL PAYABLES	**16,800,267**	**1,800,267**		**15,000,000**

(1) Borrowings taken out during the year	15,000,000
(1) Borrowings repaid during the year	8,871,426
(2) Borrowings from associates (natural persons)	6,353

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Items spread across several balance sheet accounts

Presentation currency: **euros** — Dec 31, 2015	Affiliates	Other related parties	Payables and receivables - commercial paper
Balance sheet - Assets			
Subscribed capital not called			
Fixed assets			
Advances and down payments on intangible assets			
Advances and down payments on PP&E			
Equity interests	15,920,789	452,371	
Receivables on equity interests		537,500	
Loans			
Other long-term investments			
Other financial fixed assets			
Current assets			
Advances and down payments on orders			
Trade receivables	768		
Other receivables	39,767,586	122,333	
Subscribed, called-up but unpaid capital			
Marketable securities			
Cash and cash equivalents			
Balance sheet - Liabilities & Equity			
Liabilities			
Convertible bonds			
Other bonds			
Borrowings from credit institutions			
Other loans and borrowings			
Advances and down payments received on orders			
Trade payables	53,099		
Payables for fixed assets			
Other payables	1,230,896		

‘Equity interests’ and ‘Trade receivables’ are carried at net value.

Related party transactions

Name	*Transaction*	*Balance Dec 31, 2015*	*2015 amount*
Receivables			
Serge Ferrari SAS	**Tax current account**	**265,331**	
Ferrari Participations	**Current account**	**4,526,724**	
Ferrari Brasil	**Current account**	**291,521**	
Serge Ferrari SAS	**Cash Pooling**	**34,933,345**	
Payables			
Ci2m	**Tax current account**	**180,093**	
Texyloop	**Tax current account**	**1,050,803**	
Ferrari Participations	**Supplier**	**53,099**	
Income			
Serge Ferrari SAS	**Trademark royalties**		**892,440**
Expenses			
Serge Ferrari SAS	**Rent**		**24,000**
Serge Ferrari SAS	**Management Fees**		**50,665**
Ferrari Participations	**Management Fees**		**251,621**

The amounts indicated include interest incurred and exchange differences, where applicable.

Accrued income

Presentation currency: **euros**		**Dec 31, 2015**
Total accrued income		**192,539**
Other receivables		**192,539**
interest incurred on current account	*17,954*	
accrued income	*174,585*	

Accrued expenses payable

Presentation currency: **euros**		**Dec 31, 2015**
Total accrued expenses payable		**351,463**
Borrowings from credit institutions		**196,932**
interest on borrowings	*196,875*	
interest incurred	*57*	
Trade payables		**152,969**
Pending invoices	*152,969*	
Tax and social security payables		**1,562**
Tax payable	*1,562*	

Prepaid expenses

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Presentation currency: **euros**	Period	Amount	**Dec 31, 2015**
Prepaid expenses - OPERATIONS			**13,021**
Interest on commercial paper			
Other		13,021	
Prepaid expenses - FINANCIAL			
Prepaid expenses - NON-RECURRING			
TOTAL			**13,021**

Share capital

Presentation currency: **euros**	**Dec 31, 2015**	**Number**	**Par value**	**Amount**
HARES	Share capital b/fwd	12,299,259.00	0.4000	4,919,703.60
	Issued during the fiscal year		0.0000	
	Redeemed during the year		0.0000	
	Share capital c/fwd	**12,299,259.00**	**0.4000**	**4,919,703.60**

Currency translation differences

Presentation currency: **euros**	Amount	**Dec 31, 2015**
Unrealized foreign currency LOSSES		
Trade payables		
Unrealized foreign currency GAINS		**50,805**
Current accounts	50,805	
Trade receivables		
TOTAL		**(50,805)**

Financial commitments

Presentation currency: **euros** — **Dec 31, 2015**	**Commitments granted**	**Commitments received**
Discounted bills not yet due		
Endorsements, sureties and guarantees		
First ranking pledge of Serge Ferrari SAS securities: 45,617 shares	15,000,000	
	15,000,000	
Finance lease commitments		
Pension and retirement commitments		
Other commitments		
Interest rate swap June 2012 - December 2018 (Euribor 3 months)	3,428,568	
Interest rate swap June 2012 - December 2018 (1.39% fixed rate)		3,428,568
	3,428,568	**3,428,568**
Total financial commitments (1)	**18,428,568**	**3,428,568**
(1) of which:		
Executive management		
Subsidiaries		
Equity interests		
Other affiliated companies		

Subsidiaries and equity interests

Presentation currency: **euros** **Dec 31, 2015**

A. Detailed information	Share capital	Shareholders' equity	% interest	Book value of shares held – Gross	Book value of shares held – Net
1. Subsidiaries (> 50%)					
Serge Ferrari SAS	14,169,170	39,790,217	99.80	14,690,638	14,690,638
Texyloop	1,101,000	(1,428,980)	100.00	6,437,500	
CI2M	500,000	690,752	100.00	335,245	335,245
Ferfil Multifils (in CHF excluding shares in EUR)	1,000,000	9,815,241	100.00	623,789	623,789
Serge Ferrari Brasil (in BRL excl. shares and advances in EUR)	854,164	860,690	83.12	271,117	271,117
2. Equity interests (10 to 50%)					
Sibac as of Dec 31, 2014 (in TND)	600,000	1,292,122	17.53	102,269	102,269
VR Développement as of Dec 31, 2014 (excluding loans and advances)	1,243,883	700,560	20.10	250,102	250,102

1. Subsidiaries (> 50%)	Loans and advances granted	Sureties and endorsements granted	Revenue	Income for year ended	Dividends received
Serge Ferrari SAS	35,198,777		133,187,525	4,214,990	2,737,020
Texyloop	(1,050,803)		1,260,314	(2,472,660)	
CI2M	(180,093)		1,545,917	(18,634)	
Ferfil Multifils (in CHF excluding shares in EUR)			18,315,893	269,024	
Serge Ferrari Brasil (in BRL excl. shares and advances in EUR)	291,521		4,742,467	40,481	
2. Equity interests (10 to 50%)					
Sibac as of Dec 31, 2014 (in TND)			1,519,721	332,439	
VR Développement as of Dec 31, 2014 (excluding loans and advances)	322,333		300,000	23,578	

B. General information	Subsidiaries not included in A – French	Subsidiaries not included in A – Overseas	Equity interests not included in A – French	Equity interests not included in A – Overseas
Share capital			2,000,000	
Shareholders' equity			6,426,743	
% interest			5.00	
Book value of shares held - gross			100,000	
Book value of shares held – net			100,000	
Loans and advances granted			337,500	
Sureties and endorsements granted				
Revenue			564,250	
Income for the year ended			1,123,769	
Dividends received				

Part B - General information:

The information in Part B relates to 2014, excluding loans and advances.

4.8.2. Results of the last five fiscal years

(€'000)	2011	2012	2013	2014	2015
1. Share capital c/fwd					
a. Share capital	3,469,380	3,469,380	3,469,380	4,919,704	4,919,704
b. No. of existing ordinary shares	173,469	173,469	173,469	12,299,259 [(1)]	12,299,259
c. No. of non-voting preference shares	----	----	----	----	----
d. Max no. of future shares to issue					
d.1 by bond conversion	----	----	----	----	----
d.2 by exercise of subscription right	----	----	----	----	----
2. Transactions and earnings for the year					
a. Gross revenue	1,987,733	849,877	853,511	1,108,728	1,145,769
b. Earnings before tax, employee profit-share, depreciation and provisions	-50,820	8,506,342	538,523	3,198,213	2,482,441
c. Income tax	464,261	128,933	-178,456	937,397	26,848
d. Employee profit share due for period	----	----	----	----	----
e. Earnings after tax, employee profit-share, depreciation and provisions	312,210	8,741,396	-865,472	3,321,962	-183,341
f. Distributed earnings	----	----	----	1,471,142 [(3)]	1,475,911
3. Earnings per share					
a. Earnings after tax and employee profit-share, but before depreciation and provisions	2.38	49.78	2.06	0.34	0.20
b. Earnings after tax, employee profit-share, depreciation and provisions	1.80	50.39	-4.99	0.27	-0.01
c. Dividend per share	----	----	----	0.12	0.12 [(2)]
4. Personnel					
a. Average headcount (full-time equivalent) during the period	5.0	----	----	----	----
b. Total payroll	1,103,108	----	----	24,000	36,000
c. Social security, employee services and benefits, etc.	408,469	----	----	7,236	74,438

(1) Dividend on share par value reduced from 20 euros to 0.40 euros on April 30, 2014

(2) According to resolution put forward at the April 25, 2015 general meeting

(3) After elimination of dividends not paid on treasury shares

4.9. Statutory auditors' report on the parent company financial statements

To the Shareholders,

Pursuant to the assignment entrusted to us by your General Meetings, we hereby submit our report relating to the fiscal year ended December 31, 2015 on:

- our audit of SergeFerrari Group SA's annual financial statements, as appended to this report,
- the justification of our assessments;
- the specific testing and information required by law.

The Company financial statements have been approved by the Board of Directors. It is our responsibility to express our opinion on these financial statements based on our audit.

I - Opinion on the Company financial statements

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we plan and perform the audit so as to obtain reasonable assurance that the Company financial statements are free of material misstatements. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the Company financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made, as well as the overall presentation of the financial statements. We believe that the information we have gathered is sufficient and appropriate to form the basis of our opinion.

We hereby certify, in accordance with French accounting rules and standards, that the Company financial statements give a true and fair view of the results of the transactions performed during the fiscal year ended, as well as of the Company's financial position and net assets at the end of that fiscal year.

II - Justification of our assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code regarding the justification of our assessments, we hereby draw the following matter to your attention:

Your Company's assets mainly consist of equity investments. The accounting rules and methods applicable to such assets are set out in the note entitled "Equity investments" in the Notes to the financial statements. Our work involved assessing the information used to estimate the fair value of these investments. As part of our assessments, we ascertained the merits of the approach selected, as well as the overall consistency of the assumptions used and the resulting valuations.

These assessments formed part of our audit of the Company financial statements, taken as a whole, and therefore contributed to the establishment of our opinion expressed in the first section of this report.

III - Specific testing and information

We also carried out the specific testing required by French law, in accordance with the professional standards applicable in France.

We have no comment to make on the fair presentation of the information provided in the management report of the Board of Directors and in the documents issued to the shareholders with respect to the Company's financial position and financial statements, or on the consistency of such information with the Company financial statements.

As regards the information provided in accordance with Article L. 225-102-1 of the French Commercial Code regarding the compensation and benefits paid to corporate officers, and the commitments made in their favor, we ascertained their consistency with the financial statements or with the data used to prepare these financial statements and, where applicable, with the information gathered by your Company from companies that control it, or are controlled by it. Based on this work, we hereby certify the accuracy and fair presentation of this information.

As required by law, we verified that the information concerning the identity of the holders of share capital or voting rights has been disclosed to you in the management report.

Lyon and Villeurbanne, March 15, 2016

The Statutory Auditors

CABINET MARTINE CHABERT

MARTINE CHABERT

MAZARS

PIERRE BELUZE

4.10. Material contracts

All contracts have been entered into as part of the Group's normal business management.

4.11. Audit of historical financial reporting

See Section 4.7. of the Registration Document registered with the French Financial Markets Authority (AMF) on June 11, 2015 under number R. 15-050.

4.12. Age of latest financial information

The most recent fiscal year for which the financial reporting has been audited is the year ended December 31, 2015.

4.13. Interim and other financial information

Not applicable: as of the date of this Registration Document, no half-year financial reporting after December 31, 2015 has been published.

4.14. Dividend distribution policy

The Company hereby confirms that a dividend of €0.12 per share, corresponding to 30% of net earnings per share for the 2014 fiscal year, was paid out to the shareholders in May 2015; no dividend was paid in fiscal years 2013 or 2014.

Depending on its future earnings and financing requirements, the Company may decide to pay a dividend of around 30% of its consolidated net income. However, this possibility shall not be construed as a commitment on the part of the Group.

5. Shareholder structure and stock market

5.1. Shareholder structure and share capital

5.1.1. Shareholder structure at December 31, 2015 and during the last three fiscal years

Ferrari Participations is ultimately controlled by Sébastien Ferrari and Romain Ferrari.

	31-déc-15			31-déc-14			31-déc-13		
	Shares	% interest	% voting rights	Shares	% interest	% voting rights	Shares	% interest	% voting rights
Ferrari Participations	6,786,200	55.2%	55.4%	6,765,200	55.0%	55.1%	135,304	78.0%	78.0%
Sébastien Ferrari	672,450	5.5%	5.5%	663,650	5.4%	5.4%	13,344	7.7%	7.7%
Romain Ferrari	1,075,525	8.7%	8.8%	1,075,516	8.7%	8.8%	21,350	12.3%	12.3%
Ferrari concert subtotal	***8,534,175***	***69.4%***	***69.6%***	***8,504,366***	***69.1%***	***69.3%***	***169,998***	***98.0%***	***98.0%***
Other directors	17,540	0.1%	0.1%	687,540	5.6%	5.6%	0	0.0%	0.0%
Other shareholders	3,708,663	30.2%	30.2%	3,081,664	25.1%	25.1%	3,471	2.0%	2.0%
Treasury shares	38,881	0.316%	0.0%	25,689	0.2%	0.0%	0	0.0%	0.0%
Total	12,299,259	100.0%	100.0%	12,299,259	100.0%	100.0%	173,469	100.0%	100.0%

To the Company's knowledge, the following non-family shareholders held around 5% of the share capital as of the date of this Registration Document:

- Salvepar: 6.29% of the shares
- FCP ETI 2020 (Bpifrance): 5.45% of the shares
- CM-CIC Investissement 4.80% of the shares

Pledges

Pledges of Company shares

To the Company's knowledge, no pledges had been registered on SergeFerrari Group shares as of the date of this Registration Document.

Pledge of Company assets

As of the date of this Registration Document, a pledge on all Serge Ferrari SAS shares held by SergeFerrari Group had been granted to banks, in relation to the loans contracted by the Company on July 28, 2015. (See Section 4.3.1.1.)

5.1.2. Information on control of the Company's share capital

Sébastien Ferrari, Ferrari Participations, which the former controls, and Romain Ferrari have declared that they are acting in concert within the meaning of the provisions of Article L. 233-10 of the French Commercial Code.

The Company has not implemented any measures to ensure that control is not abused. However, half of the Board members are independent directors.

In the event of a change in the control of SergeFerrari Group, its banks could require the immediate repayment of medium-term credit facilities totaling €50 million at December 31, 2015, of which €15 million had been drawn at the same date.

5.1.3. Share capital

The share capital, fully subscribed and paid up, amounted to €4,919,703.60 at December 31, 2015. It is divided into 12,299,259 shares with a par value of €0.40 each.

Each share grants the right to ownership of the corporate assets and a share in the profits and liquidation surplus in proportion to the amount of share capital that it represents.

As of December 31, 2015 there were no securities granting access to the share capital, shares not representing share capital, options or bonus share allotment programs outstanding.

At its meeting on March 14, 2016, the Board of Directors reviewed the conditions for implementing a bonus share allotment program for the period from April 2016 to April 2018 for a maximum of 200,000 shares. The corresponding draft resolution will be submitted to the shareholders for approval at the General Meeting held on April 25, 2016.

Changes in share capital since the Company's foundation

Date	Nature of the transactions (in euros unless otherwise specified)	Amount of the transaction	Issue premium	Number of shares created	Number of shares comprising the share capital	Par value	Amount of the share capital following the transaction
02/09/1991	Incorporation (in FRF)	17,184,000	---	171,840	171,840	100.00	17,184,000
10/05/1991	Cancellation of shares following merger with SEROM (in FRF)	-5,900,000	---	-59,000	112,840	100.00	11,284,000
10/05/1991	Capital increase (in FRF)	5,650,000	---	56,500	169,340	100.00	16,934,000
25/04/2001	Capital increase by capitalization of reserves (in FRF)	66,000	---	660	170,000	100.00	17,000,000
25/04/2001	Increase in par value by capitalization of reserves (in FRF)	5,302,538	---	0	170,000	131.19	22,302,538
25/04/2001	Translation into euros	---	---	0	170,000	20.00	3,400,000
09/06/2008	Capital increase	69,380.00	1,930,602.57	3,469	173,469	20.00	3,469,380
30/04/2014	50-for-1 par value split	---	---	8,499,981	8,673,450	0.40	3,469,380
24/06/2014	Capital increase (retail public offering and global placement)	1,101,068.80	31,930,995.20	2,752,672	11,426,122	0.40	4,570,448.80
24/06/2014	Capital increase reserved for CM-CIC Investissement	166,666.40	4,833,325.60	416,666	11,842,788	0.40	4,737,115.20
18/07/2014	Capital increase (over-allotment option)	162,198.40	4,703,753.60	405,496	12,248,284	0.40	4,899,313.60
28/07/2014	Capital increase reserved for employees	20,390.00	468,970.00	50,975	12,299,259	0.40	4,919,703.60

5.1.4. Double voting rights

A double voting right was introduced for all shares held in registered form for at least two years as from the admission of the Company's shares for trading on the regulated Euronext Paris market on June 24, 2014. No shares had been granted double voting rights as of the date of this Registration Document.

5.1.5. Memorandum and Articles of Association

5.1.5.1. Corporate purpose

The Company's object is:

- Financial participation by any means, including by contribution, subscription or purchase of shares or units, merger or business combination, in any French or foreign existing or future groups, companies or businesses operating, in particular, in the design, manufacturing and/or distribution of innovative composite materials and associated systems and their recycling;

- The purchase, sale and management of any securities;
- The management, control and coordination of its subsidiaries and equity interests;
- The management and exploitation of intellectual property rights;
- Consulting on sales organization, marketing, public relations, any provision of services in commercial, administrative, financial or information technology fields;
- Acceptance or exercise of any administrative, management, control or consulting mandates, engineering, research, development of all management resources and assistance to businesses related to the Company;
- The management of its financial investments and any interests in any companies.

5.1.5.2. Provisions of the Articles of Association and other arrangements relating to the members of executive and management bodies

See Section 3.1.3 of this Registration Document, "Organization and operation of executive and management bodies".

5.1.5.3. Rights, preferences and restrictions attached to shares in the Company

- Form of shares (Article 10 of the Articles of Association)

Fully paid-up shares may be registered or bearer shares, at the choice of the shareholder, except where the applicable laws and regulations require them to be registered. (…)

- Voting rights (Articles 12.1 and 30.2)

The voting right attached to shares is proportional to the share of capital that they represent. Each share entitles the holder to one vote.

However, a double voting right (i.e. double that conferred on other shares with regard to the percentage of share capital that they represent) is attached to all other fully paid-up shares that can be proven to have been held in registered form for at two (2) years in the name of a given shareholder, counting from the date that the Company shares were first listed on a regulated market or organized multilateral trading facility.

In the event of a capital increase through the capitalization of reserves, profits or issue premiums, the double voting right is conferred, immediately upon issuance, on all registered shares allotted to a shareholder in respect of their existing double voting shares.

- Rights to dividends, profits and liquidation surplus (Articles 12.1, 36 and 37)

Each share confers a right to the Company's profits, assets and liquidation surplus in proportion to the fraction of capital that it represents. (…)

At least five percent (5%) of the profits of a fiscal year, less any retained losses brought forward, must be set aside to form a fund called the "legal reserve". This set-aside ceases to be mandatory when the value of the legal reserve amounts to one-tenth of share capital.

Distributable profit consists of the profit for the fiscal year, minus eligible previous losses and minus the aforementioned set-aside, in accordance with law and the Articles of Association, plus any retained earnings.

The General Meeting may deduct any sums from distributable profit that it considers appropriate to form any optional, ordinary or extraordinary reserves or to allocate to retained earnings.

The balance, if any, is distributed by the General Meeting among all shareholders in proportion to the number of shares held by each one.

The General Meeting can also decide to distribute available sums taken from reserves, specifying the reserve accounts from which such sums are taken. However, dividends are taken, as a priority, from the distributable profit of the fiscal year.

Except in the case of a capital reduction, no distribution may be made to shareholders if shareholders' equity is, or would be after doing so, less than the sum of capital plus reserves that are prohibited by law or the Articles of Association from being distributed. Revaluation gains are not distributable. They may be partly or fully capitalized. (…)

If a statement of financial position prepared during or at the end of the period and certified by a statutory auditor reveals that the Company - since the previous period-end, after constituting the necessary depreciation charges and provisions and after deducting any previous losses as well as the amounts to be posted to reserves, in accordance with the law and Articles of Association - has made a profit, this profit may be distributed as interim dividends before the financial statements for the period have been approved. The interim dividends must not exceed the profit as defined above.

The methods for paying out dividends in cash are set by the General Meeting or, otherwise, by the Board of Directors.

Any dividends payable in cash must be paid out no later than nine months after the end of the fiscal year, unless this deadline has been extended by court order. (…)

- Deadline for claiming dividends (Article 37)

Dividends not claimed within five (5) years of being paid out are barred.

In accordance with Article L. 1126-1 of the French General Public Property Code, the dividend pay-outs affected by the 5-year bar accrue to the State.

- Right to liquidation surplus (Article 12.1)

Each share confers a right to the Company's profits, assets and liquidation surplus in proportion to the fraction of capital that it represents.

- Preferential subscription rights (Article 8)

Shareholders have, in proportion to the number of shares that they hold, preferential rights to subscribe, in cash, for shares issued for the purpose of a capital increase. They may individually waive such rights. An Extraordinary General Meeting can decide, subject to applicable laws, to remove this preferential subscription right.

- Limitation on voting rights

None.

- Identifiable bearer securities (Article 10)

In order to identify the owners of bearer shares, the Company is at all times entitled, at its own expense and in accordance with the conditions and methods laid down by the statutory and regulatory provisions, to request that the central depositary keeping its share issue account disclose the identity (name or corporate name, nationality, year of birth or incorporation, and address) of the owners of shares conferring immediate or future voting rights at General Meetings of Shareholders, as well as the number of shares held by each of them and any restrictions relating to the shares. The Company, having followed the procedure described above and with regard to the list provided by the central depositary, is entitled to request - directly or through the central depositary, under the conditions and subject to the penalties provided in Article L. 228-3-2 of the French Commercial Code - the persons on that list who the Company believes may be registered on behalf of a third party, to disclose information about the owners of the securities. The information obtained by the Company may not be disclosed to third parties, even free of charge, under pain of criminal sanctions.

- Purchase by the Company of its own shares

See section 5.2.3 of this Registration Document.

5.1.5.4. Procedure for modifying shareholders' rights

Only an Extraordinary General Meeting is authorized to amend any provisions of the Articles of Association. It may not, however, increase shareholders' commitments unless resulting from a duly executed reverse stock split.

5.1.5.5. General Meetings of Shareholders

General Meetings are convened and vote under the conditions laid down in applicable laws and regulations.

Shareholders' collective decisions are taken in Ordinary, Extraordinary or Special General Meetings depending on the nature of the decisions they are asked to take.

Special Meetings convene the holders of a given class of shares or securities to approve a change to the rights attached to that class of shares or securities.

The decisions of General Meetings bind all shareholders, including those absent, dissenting or incapacitated.

- **ARTICLE 25 - CONVENING AND LOCATION OF GENERAL MEETINGS**

General Meetings are convened by the Board of Directors, the Statutory Auditors, or by an administrator appointed by court order pursuant to applicable laws.
If not all the shares are in registered form, before starting the procedure to convene a General Meeting the Company must publish a notice in the official gazette (Bulletin des Annonces Légales Obligatoires) containing the text of the resolutions that will be submitted to the meeting thirty-five (35) days before the meeting.
The notice is published fifteen (15) days before the meeting by being inserted in a newspaper authorized to publish legal announcements in the *département* (region) of the registered office and, as the case may be, in the official gazette.
Owners of registered shares who have owned them for at least one month on the date that the notice of meeting is published, are convened by ordinary mail fifteen (15) days before the meeting. The notice of meeting can also be sent by electronic means, subject to applicable laws and regulations, to the address indicated by the shareholder.
Meetings are held at the registered office or at any other place specified in the notice of meeting.
When a meeting cannot validly pass resolutions due to the lack of quorum, a second meeting and if necessary a postponed second meeting shall be convened in the same form as the first and with at least ten (10) days' notice. The notice of meeting or invitation letters for the second meeting shall restate the date and the agenda of the first meeting. If the meeting is adjourned by court order, the judge may set a different date.
Notices of meeting must mention the information required by law, notably the agenda, the Company's email address to which shareholders' written questions can be sent, and, if applicable, a reminder of the requirement to obtain the prior opinion or consent of the owners of securities giving access to capital.

- **ARTICLE 26 - AGENDA - WRITTEN QUESTIONS**

The agenda of the meeting is set by the author of the notice of meeting.
One or more shareholders, acting under the conditions and deadlines set by law, are entitled to request, by registered mail with return receipt or by email, that items or draft resolutions be included in the meeting agenda in accordance with applicable laws and regulations.
The reasons for the inclusion of an item on the agenda must be explained. If the request concerns an amendment to or the inclusion of a draft resolution, the wording of the proposed resolution must be included and may be accompanied by a brief explanation of the reasons why it is being proposed.
The originators of the request must also include proof that they are listed in the shareholder register or a qualifying securities account. The agenda point or resolution will be raised at the meeting only if a further certificate or affidavit is received proving, on the same terms as above, that the requesting persons are shareholders at zero hour (Paris time) on the third business day preceding the date of the General Meeting.

The Works Committee may also demand resolutions to be included on the agendas of General Meetings in accordance with applicable laws and regulations.
The meeting may not vote on any matter that is not included on the agenda. However, it may under any circumstances remove one or more members of the Board of Directors from office and replace them.
Any shareholder may submit written questions to the Board of Directors. Written questions must be sent to the registered office by registered mail with return receipt, addressed to the Chairman of the Board of Directors, or sent electronically to the address indicated in the notice of meeting no later than the fourth business day preceding the date of the General Meeting.
The Board of Directors must answer the written questions during the General Meeting. An answer may cover several questions if they have the same content. In any case, a written question is deemed to have been answered if the question and answer appear on the Company's website under Q&As.

- **ARTICLE 27 - ADMISSION TO MEETINGS - POWERS**

Every shareholder has the right to attend General Meetings and to take part in the voting, in person or by proxy, upon provision of proof of the shareholder's identity, provided the shares are paid up as required.
However, this right is contingent on the shares being registered shares or, in the case of bearer shares, on presentation of proof that, as of zero hour (Paris time) on the third business day preceding the date of the General Meeting, the shares are recorded in a securities account registered in the name of the shareholder or the intermediary acting on his behalf in accordance with Article L. 228-1 para 7 of the French Commercial Code, either in the shareholder register kept by the Company or in a bearer securities account maintained by an intermediary as covered by Article L. 211-3 of the French Monetary and Financial Code. Bearer-share ownership via an intermediary securities account as mentioned in Article L. 211-3 is identified in accordance with the provisions of Article R. 225-85.II of the French Commercial Code.
Any shareholder can be represented by their spouse, common-law partner or another shareholder acting as proxy, but to do so the representative must provide proof of proxy. A shareholder can also be represented, subject to applicable laws, by any natural person or legal entity of his/her choice if the Company shares are admitted for trading on a regulated market or multilateral trading facility. The representative must provide proof of proxy and must provide the grantor of the proxy with the information specified in Article L. 225-106-1 of the French Commercial Code.
Legal representatives of shareholders who are legally incapacitated and natural persons representing shareholders who are legal entities take part in General Meetings whether they are shareholders or not.
Any shareholder can submit a postal vote by using a ballot addressed to the Company under the conditions allowed by applicable laws and regulations. The ballot form must be received by the Company three (3) days before the date of the General Meeting in order to be counted.
Remote voting via an electronic ballot or by electronically signed proxy is governed by applicable laws and regulations, either via secure electronic signature as defined by French Decree no. 2001-271 of March 30, 2001 or via a reliable identification process guaranteeing the provenance of the action.
Two members of the Works Committee, designated by the Works Committee, if there is one, under the conditions set by law, can attend General Meetings regardless of the status and agenda of the meeting. They must, if they so request, be heard in any deliberations on decisions that require shareholder unanimity.

- **ARTICLE 28 - SHAREHOLDERS' RIGHT TO INFORMATION**

Every shareholder has the right to obtain the documents necessary for him to understand and make an informed judgment about the management and running of the Company.
The nature of these documents and the conditions for delivering or making them available are defined by the applicable laws and regulations.

- **ARTICLE 29 - ATTENDANCE SHEET - OFFICERS - MINUTES**

An attendance sheet duly signed by all shareholders present and proxies, to which all proxy and postal voting forms are attached, is certified as accurate by the officers of the meeting.

General Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a Vice Chairman or director specially appointed for the purpose by the Board of Directors. Failing this, the General Meeting itself can elect a person to chair the meeting.
The duties of teller are performed by the two shareholders, present at the start of the meeting and willing to perform such duties, who represent the greatest number of votes both on their own behalf and as proxies.
The meeting officers shall appoint a secretary, who may or may not be a shareholder.
The minutes of the meeting shall be drawn up. Copies or excerpts of these minutes shall be issued and certified in accordance with the law.

- **ARTICLE 30 - QUORUM - MAJORITY**

30.1 Quorum is calculated on the basis of all shares comprising the share capital that carry voting rights, except for Special General Meetings, where quorum is calculated in terms of the shares or securities in the particular class concerned, in all cases after deduction of any shares or securities stripped of their voting rights in accordance with statutory provisions.
In the case of postal voting, the quorum calculation considers only duly completed postal voting forms received by the Company no later than three (3) days before the meeting.
30.2 The voting right attached to shares is proportional to the fraction of capital that they represent. Each share entitles the holder to one vote.
However, a double voting right (i.e. double that conferred on other shares with regard to the percentage of share capital that they represent) is attached to all other fully paid-up shares that can be proven to have been held in registered form for at two (2) years in the name of a given shareholder, counting from the date that the Company shares were first listed on a regulated market or organized multilateral trading facility.
In the event of a capital increase through the capitalization of reserves, profits or issue premiums, the double voting right is conferred, immediately upon issuance, on all registered shares allotted to a shareholder in respect of their existing double voting shares.

5.1.5.6. Provisions for delaying, deferring or preventing a change of control
None.

5.1.5.7. Breach of thresholds established by the Articles of Association (Article 12.4)
In accordance with Article L. 233-7 of the French Commercial Code and the Company's Articles of Association, if the number of shares held by any natural person or legal entity acting alone or in concert exceeds the threshold of one fortieth (2.5%) of the share capital or voting rights, such person or entity must inform the Company within the deadlines applicable to the crossing of statutory thresholds referred to in the previous section, counting from the date on which the total number of shares or voting rights held by the person exceeded the shareholding threshold. This information shall also be disclosed within the same time limits when the number of shares or voting rights falls below the aforementioned thresholds.

In accordance with Article L. 233-7 VI of the French Commercial Code, if a shareholder fails to disclose the fact that they have crossed the threshold of 2.5% of the share capital or voting rights stipulated by the Articles of Association, they may be stripped of the voting rights attached to the undisclosed excess shares for a period of two years counting from the date on which the required disclosure is made. The decision to strip voting rights falls under the jurisdiction of the Chairman of the General Meeting of Shareholders, provided that his/her shareholding represents at least two-and-a-half percent (2.5%) of share capital or that he/she is requested to do so by one or more shareholders satisfying the same condition.

5.1.5.8. Special stipulations governing changes to capital
None.

5.1.6. Related party transactions

5.1.6.1. Significant agreements with related parties

(See Note 32 to the consolidated financial statements in Section 4.2 of this Registration Document.)

- Agreements between Group companies and one of its shareholders

Services agreement between Ferrari Participations and the Group
The role of Ferrari Participations, as holding company, is to implement a globally applicable and consistent policy within the Group and to define the Group's strategic priorities and growth strategies. To this end, an agreement was signed between Ferrari Participations and the Group's direct and indirect operational subsidiaries effective January 1, 2012.

It covered the following direct and indirect subsidiaries: Serge Ferrari SAS, Texyloop, Ferfil Multifils, CI2M, Serge Ferrari Tersuisse, Serge Ferrari AG, Serge Ferrari Asia Pacific, Serge Ferrari North America, Serge Ferrari Japan, Serge Ferrari Brasil and SergeFerrari Group.
The only subsidiaries not included were Vinyloop (40% owned, a joint venture with Solvay) and Ferrari Americo Latina (inactive since 2011).

These services are remunerated on the basis of a provisional annual amount paid quarterly, adjusted at the start of the next fiscal year. This amount corresponds to the re-invoicing of full costs plus a margin.

The amount invoiced to all Group companies for these services by Ferrari Participations for fiscal year 2015 was €2,354,000.

These services include:
- Consulting on strategy and development of beneficiary companies (operating subsidiaries);
- Consulting on financial and cash management issues;
- Assistance in tax administration and insurance management;
- Assistance in human resources management;
- Consulting on business development;
- Consulting on industrial development and quality;
- Consulting on R&D;
- Consulting on sustainable development and environmental matters.
-

The agreement does not include remuneration for services related to executive duties. Corporate officers receive compensation from SergeFerrari Group in respect of their executive duties.

This agreement is automatically renewable annually.

Group central cash management (cash pooling) agreement

A cash pooling agreement between Ferrari Participations, SergeFerrari Group, Serge Ferrari SAS, Texyloop and Ci2M came into effect on January 1, 2012, replacing a previous agreement signed in 2007.

Under this new agreement, Serge Ferrari SAS is the pooling company.

As of December 31, 2015, the outstanding balance of the cash pooling and current accounts opened in the name of SergeFerrari Group on the books of Serge Ferrari SAS was €34,933,000.

- Agreements directly or indirectly binding the Company and one of its corporate officers

Apart from the premises owned by the Group, the main Group company premises are leased from real estate companies owned by the Company's sister company Ferrimmo.

Accordingly, lease agreements exist (standard 3/6/9 commercial leases) between the Group's French entities and the real estate companies controlled by Ferrimmo, a wholly-owned subsidiary of Ferrari Participations, the Company's majority shareholder in which Sébastien Ferrari and Romain Ferrari hold respective stakes of 66.70% and 33.30%.

In 2015, the Group paid Ferrimmo and its subsidiaries (Immobilière Ferrari SAS, SCI La Roche, SCI Clomeca, SCI SRF and SCI SETIMM) total rent of €2.9 million, compared to €2.7 million in 2014. The change in rent from 2014 to 2015 was mainly due to the leasing of additional premises.

As regards the potential conflict of interest that these agreements represent for Sébastien and Romain Ferrari, in 2014 an independent real estate assessor (Galtier Expertises Immobilières et Financières) made an assessment of whether the rents paid by the Group to the SCIs (real estate companies) controlled by the Ferrari family group were consistent with market rates. The assessor estimated the rental value of the relevant premises at €2.7 million per annum excluding VAT. (See Section 23 of the Base Document registered on May 20, 2014 under number I. 14-032.) A rider to the lease agreement was signed in 2015 in respect of additional premises provided for the business development department, which has been expanded in line with the Group's development plan. The related expenses recognized for fiscal 2015 amounted to €67,000. Given the non-material amounts of rent involved, the Group did not commission an independent assessment of the rental value of the additional premises. In the event of a material change in the amount of rent invoiced to the Group, the assessment carried out in 2014 will be reviewed.

5.1.6.2 Statutory auditors' report on regulated agreements and commitments

To the Shareholders,

As the Statutory Auditors for your Company, we hereby present our report on regulated agreements and commitments.
It is our duty to disclose to you, based on the information provided to us, the features and key terms of the agreements and commitments of which we have been informed, or which we have identified during our assignment, as well as the reasons justifying the benefit of such agreements and commitments for the Company, without being required to form an opinion as to their usefulness or appropriateness or to search for undisclosed agreements and commitments. It is your duty, pursuant to the provisions of Article R.225-31 of the French Commercial Code, to assess the advantages of entering into said agreements and commitments for the purpose of granting your approval.

It is also our duty, where applicable, to communicate to you the information provided for in Article R.225-31 of the French Commercial Code regarding the performance and execution, during the year ended, of agreements and commitments previously approved by the General Meeting.

We carried out the investigations that we considered necessary in order to comply with the professional guidelines issued by the French National Institute of Auditors (*Compagnie nationale des commissaires aux comptes*) in respect of this assignment. These investigations involved verifying the consistency of the information provided to us with the underlying documents from which it was taken.

Agreements and commitments submitted to the General Meeting for approval

Agreements and commitments authorized during the fiscal year ended

Pursuant to Article L.225-40 of the French Commercial Code, we have been informed of the following agreements and commitments that have received the prior authorization of your Board of Directors.

1. Services agreement with Ferrari Participations

Service provider: Ferrari Participations

Effective date of agreement: January 1, 2015
Term: one year, thereafter automatically renewable annually.
Purpose: provision of advice and assistance by Ferrari Participations with regard to:
- Strategy and development,
- Finance and cash management,
- Financial reporting and investor relations,
- Assistance in intellectual property management: trademark filing, protection and management,
- Tax administration and insurance management,
- Human resources,
- Business development,
- Industrial development and quality control,
- R&D,
- Sustainable development and environmental matters.

Reasons justifying the benefit for the Company:
Ferrari Participations wishes to implement a globally applicable and consistent policy within the Group and, to that end, to define the Group's strategic priorities and growth strategies whilst coordinating and implementing the ensuing measures and playing a proactive role in the management of the beneficiary, including by streamlining and centralizing certain administrative and organizational departments.
Ferrari Participations possesses sufficient infrastructure and personnel skills for this purpose, given that its main role is to perform administrative tasks, manage human resources, provide assistance to the financial and legal departments, provide assistance with business development, provide assistance to the industrial and quality control department and in terms of sustainable development and R&D, as well as performing other important tasks essential to the proper functioning of the Group.

Fee:
Amount recognized under expenses for fiscal 2015: €251,621 excl. VAT

Directors concerned:

Sébastien Ferrari: Chairman of Ferrari Participations and Chairman and CEO of SergeFerrari Group SA
Romain Ferrari: CEO of Ferrari Participations and Chief Operating Officer of SergeFerrari Group SA.

Agreements and commitments previously approved by the General Meeting

Performance and execution, during the fiscal year ended, of agreements and commitments approved in previous years

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed of the performance and execution, during the fiscal year ended, of the following agreements and commitments approved in previous years by the General Meeting.

1. Operating license agreements covering the "SERGE FERRARI" trademark

Licensor: SergeFerrari Group SA
Licensees: Serge Ferrari Japan and Serge Ferrari Brasil
Effective date of agreements: January 1, 2012

Term: unlimited

Contractual fee: as from January 1, 2014, the contractual fee amounts to 0.8% of annual revenue excluding VAT from sales outside the FERRARI group.

Revenue recognized for 2015
Serge Ferrari Japan ....€10,120 excl. VAT
Serge Ferrari Brasil .... €5,651 excl. VAT

Directors concerned:

Sébastien Ferrari: Chairman of Serge Ferrari Brasil and Serge Ferrari Japan, Chairman and CEO of SergeFerrari Group
Romain Ferrari: Chief Operating Officer of SergeFerrari Group SA.

Lyon and Villeurbanne, March 15, 2016

The Statutory Auditors

CABINET
MARTINE CHABERT

MARTINE CHABERT

MAZARS

PIERRE BELUZE

5.2. Stock market

5.2.1. SergeFerrari Group share price and trading volumes

The SergeFerrari Group share is listed on Euronext Paris (Compartment C).

	High (€)	Low (€)	Closing (€)	Volume (no. of shares traded)	Volume (€'000)	Average price (€)
June 2014	12.44	11.93	12.21	260,370	3,161	12.14
July 2014	13.32	12.16	13.19	123,582	1,588	12.85
August 2014	13.25	12.17	12.71	92,010	1,164	12.66
September 2014	12.90	12.31	12.79	171,458	2,157	12.58
October 2014	12.80	11.00	11.96	40,234	483	12.00
November 2014	11.96	9.98	11.96	102,101	1,074	10.52
December 2014	11.60	10.00	11.60	126,069	1,339	10.62
January 2015	11.60	10.40	10.40	93,308	1,064	11.40
February 2015	11.04	10.15	10.90	32,807	348	10.61
March 2015	11.16	9.66	9.85	61,360	648	10.56
April 2015	9.99	9.58	9.80	74,468	729	9.79
May 2015	9.81	8.65	8.73	74,543	677	9.09
June 2015	9.59	8.20	9.28	76,640	669	8.73
July 2015	9.99	9.01	9.41	59,367	575	9.68
August 2015	9.77	8.70	9.44	26,003	243	9.35
September 2015	9.80	8.31	9.11	106,051	927	8.74
October 2015	10.29	9.10	10.29	21,995	215	9.75
November 2015	10.60	10.00	10.45	40,161	419	10.44
December 2015	10.52	10.21	10.22	49,884	519	10.41

5.2.2. Summary of share trading by directors and connected persons

Directors carried out the following transactions involving the Company's shares during the year:
Sébastien Ferrari: purchase of 10,000 shares at an average price of €8.56 per share; sale of 1,200 shares at an average price of €10.43 per share.
Romain Ferrari: none
Philippe Brun: none

No stock option or performance share plan is currently in place. At its meeting on March 14, 2016, the Board of Directors reviewed the conditions for implementing a bonus share allotment program for the period from April 2016 to April 2018 for a maximum of [•] shares. The corresponding draft resolution will be submitted to the shareholders for approval at the General Meeting held on April 25, 2016.

5.2.3. Share buyback plan: description and 2015 report

The April 29, 2015 General Meeting authorized the Board of Directors, for a period of 18 months as from the date of the General Meeting and under the condition precedent that the Company's shares were admitted for trading on the Euronext regulated market in Paris, to implement a share buyback plan in accordance with Article L. 225-209 of the French Commercial Code and the AMF General Regulation, under the terms and conditions described below:

These shares may be purchased, sold or transferred at any time and by any means, in one or more installments, on or off-market, including by means of block trades or option transactions and during a public tender offer. The total number of shares authorized under the share buyback plan may be purchased or sold by means of block trades.

The net purchase price per share shall not exceed eighteen (18) euros, excluding fees and commissions, subject to any adjustments made in accordance with applicable statutory and regulatory provisions in relation to transactions involving the Company's equity.

The Company shall be entitled to purchase, in one or more installments and at such times as the Board of Directors shall see fit, a number of ordinary Company shares not exceeding:

- Ten per cent (10%) of the total number of shares comprising the share capital as adjusted in accordance with any transactions that may affect it following the date of this decision; or

- Five per cent (5%) of the aforementioned number of shares comprising the share capital if the shares are purchased by the Company to hold for subsequent delivery as consideration or in exchange in relation to a merger, demerger or capital contribution transaction;

The maximum amount of funds required to implement the plan will be set at twenty-two million, one hundred and thirty-eight thousand, six hundred and fifty euros (€22,138,650).

In the event of a capital increase by capitalization of reserves, bonus share allotment, stock split or reverse stock split, the aforementioned prices shall be adjusted by applying a multiplying factor equal to the ratio between the number of shares comprising the share capital before and after the said transaction.

Shares may be purchased for the following purposes, in order of priority:

- to encourage liquidity and boost the Company's share price through the intervention of an Investment Services Provider acting independently under a liquidity contract in compliance with the French Financial Markets Association's ethics charter as recognized by the French Financial Markets Authority (AMF). The Company currently holds 38,881 treasury shares for this purpose;

- to grant shares to employees or corporate officers of the Company and French or foreign companies or groups related to it as defined by statutory and regulatory provisions, primarily as part of profit sharing in the fruits of business expansion, employee shareholding plans or company savings plans, stock option or bonus share plans or on any other terms permitted by applicable regulations;

- to transfer shares as consideration or in exchange, primarily in relation to mergers and acquisitions;

- to grant shares upon the exercise of rights attached to securities conferring the right to existing Company shares via redemption, conversion, exchange, presentation of a warrant or in any other way;

- to cancel repurchased shares as part of a capital reduction, subject to the shareholders in an Extraordinary General Meeting adopting a resolution specifically authorizing such capital reduction.

The number of shares purchased by the Company to hold for delivery as consideration or exchange in a merger, demerger or capital contribution may not exceed 5% of its share capital.

The shares thus repurchased may be canceled, as the Combined General Meeting of April 29, 2015 authorized the Board of Directors to reduce the share capital by canceling the treasury shares resulting from the buyback plan described above.

Treasury shares as of December 31, 2015	
Number of shares	38,881
% of share capital	0.32%
Purchase price value (€)	389,567
Net book value (€)	397,363
Par value (€)	15,552

Authorized capital

The following resolutions passed at the April 29, 2015 and April 25, 2016 General Meetings granted authorization for share issues and set the maximum terms for exercising such authorization:

Resolutions authorizing share issues	Term of authorization Maximum term of exercise	Maximum par value or percentage of share capital	Overall maximum par value
Capital increase with retention of preferential rights to subscribe to shares and/or securities giving access to Company capital	26 months June 25, 2018	Capital increase: €2.5 million Debt securities: €15 million	
Capital increase by way of public offering with removal of preferential rights to subscribe to shares and/or securities giving access to Company capital	26 months June 25, 2018	Capital increase: €2.5 million Debt securities: €15 million	
Capital increase with removal of preferential subscription rights as part of an offering to eligible investors or a restricted circle of investors in accordance with Article L. 411-2 (II) of the French Monetary and Financial Code (private placement)	26 months June 25, 2018	Capital increase: €2.5 million Debt securities: €15 million	
Authorization to set the issue price at up to 10% of the share capital	26 months June 25, 2018	-------	
Increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights	26 months June 25, 2018	15% of initial issue	Capital increase: €2.5 million Debt securities: €15 million
Capital increase with removal of preferential subscription rights in favor of one category of persons: - Companies regularly investing, directly and/or indirectly, in growth shares of "small caps" (i.e. whose capitalization, if they are listed companies, does not exceed €1 billion), in the industrial sector, notably in the composite materials field; - Any person who has been, or whose main shareholder has been, an employee or exclusive commercial agent of the Company or of a related company for at least the past 12 months; - Any person who is, or whose main shareholder is, a corporate officer of a foreign company related to the Company, with the exception of the corporate officers of said companies related to the Company who are also corporate officers of the Company.	18 months October 25, 2017	Capital increase: €2.5 million Debt securities: €15 million	
Capital increase, up to 10% of share capital, as consideration for contributions in kind made in the form of shares or other securities giving access to the share capital of third-party companies, outside the scope of a public exchange offer	26 months June 25, 2018	10% of Company capital	
Capital increase in favor of employees belonging to the group savings plan	26 months June 25, 2018	3% of Company capital	
Issue stock options to purchase or subscribe to shares in the Company to its employees and directors	14 months June 30, 2017	5% of Company capital	
Allocate existing shares or issue shares free of charge to the Company's employees and directors	38 months June 25, 2019	5% of Company capital	

6. Combined General Meeting of April 25, 2016

6.1. Agenda of the General Meeting

Ordinary General Meeting:

- Review of the management and group reports prepared by the Board of Directors;
- Review of the Statutory Auditors' report on the parent company and consolidated financial statements for the fiscal year ended December 31, 2015;
- Review of the special report of the Chairman of the Board of Directors on corporate governance and internal control pursuant to the provisions of Article L. 225-37 of the French Commercial Code;
- Review of the Statutory Auditors' special report on the report of the Chairman of the Board of Directors;
- Review of the Corporate Social Responsibility report and the related Statutory Auditors' report;
- Approval of the parent company and consolidated financial statements for the fiscal year ended December 31, 2015; discharge of the Directors;
- Approval of non-tax deductible expenses;
- Appropriation of earnings for the fiscal year;
- Review of the Statutory Auditors' special report on the agreements referred to in Articles L. 225-38 et seq. of the French Commercial Code; approval of those agreements;
- Setting of an annual attendance fee budget to compensate directors for the current fiscal year and subsequent fiscal years;
- Ratification of Christophe Graffin's appointment as director;
- Renewal of Karine Gaudin's appointment as director;
- Renewal of Sébastien Ferrari's appointment as director;
- Resignation of Max Dumoulin as alternate joint Statutory Auditor; appointment of Philippe Galofaro as new alternate joint Statutory Auditor;
- Authorization of the Board of Directors to implement a Company share buyback plan.

Extraordinary General Meeting:

- Authorization of the Board of Directors to reduce the share capital by canceling treasury shares purchased under the Company share buyback plan;
- Delegation of authority to the Board of Directors to issue ordinary shares or any other securities giving access to the share capital by way of public offering with removal of preferential subscription rights;
- Delegation of authority to the Board of Directors to issue ordinary shares or any other securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities by way of private placement with removal of preferential subscription rights;
- Delegation of authority to the Board of Directors to issue ordinary shares or any other securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities to specific categories of persons with removal of preferential subscription rights;
- Delegation of authority to the Board of Directors to issue ordinary shares or any other securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities with retention of preferential subscription rights;
- Delegation of authority to the Board of Directors to issue ordinary shares or any other securities giving access to the share capital in the event of over-subscription;

- Authorization of the Board of Directors, in the event of an issue of ordinary shares or any other securities giving access to the share capital with removal of preferential subscription rights, to set the issue price, under the terms defined by the General Meeting, up to a maximum of ten per cent (10%) of the share capital;
- Delegation of powers to the Board of Directors to issue shares and any other securities giving access to the share capital as consideration for contributions in kind;
- Authorization of the Board of Directors to grant new or existing bonus shares entailing the shareholders' waiver of their preferential subscription right to any new shares thus issued;
- Delegation of authority to the Board of Directors to carry out share capital increases reserved for employees enrolled in a company savings plan, with removal of preferential subscription rights in favor of said beneficiaries.

Ordinary and Extraordinary General Meeting:

- Powers for formalities.

6.2. Draft resolutions

ORDINARY RESOLUTIONS:

FIRST RESOLUTION *(Approval of the Company financial statements and transactions for the 2015 fiscal year)*

The General Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, and having reviewed:

- The Board of Directors' report on the management of the Company during the fiscal year ended December 31, 2015 and on the management of the subsidiaries included in the consolidation scope,

- The report of the Chairman of the Board of Directors on the conditions for preparing and organizing the Board's work and the internal control procedures, as provided for by Article L. 225-37 of the French Commercial Code, and

- The Statutory Auditors' reports on the execution of their assignment during this fiscal year,

Approves the Company financial statements, namely the balance sheet, the income statement and the notes to the financial statements for the year ended December 31, 2015, as presented to the Meeting, together with all the transactions reflected in those financial statements and summarized in these reports.

The Meeting notes that the financial statements for the fiscal year ended do not include any expenses that cannot be included in tax-deductible expenses under Article 39.4 of the French General Tax Code.

As a result, it discharges all the directors in respect of their management performance for the fiscal year ended December 31, 2015.

SECOND RESOLUTION *(APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2015 FISCAL YEAR)*

The General Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, and having reviewed the reports prepared by the Board of Directors and the Statutory Auditors, approves the consolidated financial statements for the year ended December 31, 2015, as presented to the Meeting.

THIRD RESOLUTION *(APPROPRIATION OF EARNINGS AND DETERMINATION OF THE DIVIDEND)*

The General Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, approves the Board of Directors' recommendation and resolves to appropriate the €183,340.70 loss for the fiscal year as follows:

Net loss for the period:	€183,340.70
To be deducted in full from “Other reserves”, which will accordingly amount to €10,170,781.48	
The amount of €0.12 per share as a dividend to the shareholders Granting entitlement to a dividend on the share ex-dividend date i.e. a maximum dividend budget amounting to:	€1,475,911.08

To be deducted in full from “Other reserves”, which will accordingly amount to €8,694,870.04.

In addition, the General Meeting notes that this dividend budget takes into account the total number of shares outstanding at the date of publication of the draft resolutions that potentially grant entitlement to these dividends, on the understanding that treasury shares held as of the ex-dividend date do not grant any entitlement to dividends; as a result, the amount of said budget is liable to increase or decrease depending on the number of shares potentially granting entitlement to a dividend as of the ex-dividend date.

It is specified that the entire distributed amount, i.e. the maximum sum of €1,475,911.08, is, where applicable, eligible for the forty per cent (40%) tax allowance provided for by Article 158-3-2 of the French General Tax Code for individual shareholders domiciled in France.

The dividend payment date will be May 23, 2016.

A net dividend of €0.12 per share was paid out in respect of the 2014 fiscal year. The entire distributed amount of €1,745,911.08 was, where applicable, eligible for the forty per cent (40%) tax allowance provided for by Article 158-3-2 of the French General Tax Code for individual shareholders domiciled in France.

No dividend was paid in respect of the previous fiscal years.

FOURTH RESOLUTION *(REGULATED AGREEMENTS)*

The General Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, having reviewed the special report of the Statutory Auditors on the agreements referred to in Article L. 225-38 of the French Commercial Code, and deliberating on the basis of that report, notes that one new agreement was entered into during the fiscal year ended and that transactions continued under the agreements previously entered into and authorized.

The General Meeting notes that it has received the special report prepared pursuant to the provisions of Articles L. 225-38 et seq. of the French Commercial Code, and approves the new agreement as well as the findings of this report.

FIFTH RESOLUTION *(SETTING AN ANNUAL ATTENDANCE FEE BUDGET TO COMPENSATE DIRECTORS IN RESPECT OF THE CURRENT FISCAL YEAR AND SUBSEQUENT FISCAL YEARS)*

The General Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, hereby resolves to allocate an annual attendance fee budget of ninety thousand euros (€90,000) on the recommendation of the Board of Directors, in order to compensate the directors in respect of the current fiscal year and subsequent years, until the General Meeting of Shareholders decides otherwise.

SIXTH RESOLUTION *(RATIFICATION OF THE APPOINTMENT OF CHRISTOPHE GRAFFIN AS DIRECTOR)*

The General Meeting, voting under the quorum and majority conditions for Ordinary General Meetings, notes the resignation of BPI France INVESTISSEMENT as director and resolves to ratify the appointment of Christophe Graffin as director for the remaining duration of his predecessor's term of office, i.e. until no later than the close of the General Meeting called to approve the financial statements for the fiscal year ended December 31, 2017.

SEVENTH RESOLUTION *(REAPPOINTMENT OF A DIRECTOR – KARINE GAUDIN)*

The General Meeting, voting under the quorum and majority conditions for Ordinary General Meetings, hereby resolves to renew Karine Gaudin's appointment as a director for a period of three (3) years, subject to the conditions provided for by Article 14 of the Articles of Association, on the recommendation of the Board of Directors. Her office will end following the General Meeting called to approve the financial statements for the fiscal year ended December 31, 2018.

EIGHTH RESOLUTION *(REAPPOINTMENT OF A DIRECTOR – SÉBASTIEN FERRARI)*

The General Meeting, voting under the quorum and majority conditions for Ordinary General Meetings, hereby resolves to renew Sébastien Ferrari's appointment as a director for a period of three (3) years, subject to the conditions provided for by Article 14 of the Articles of Association, on the recommendation of the Board of Directors. His office will end following the General Meeting called to approve the financial statements for the fiscal year ended December 31, 2018.

NINTH RESOLUTION *(RESIGNATION OF MAX DUMOULIN AS ALTERNATE JOINT STATUTORY AUDITOR; APPOINTMENT OF PHILIPPE GALOFARO AS NEW ALTERNATE JOINT STATUTORY AUDITOR)*

On the recommendation of the Board of Directors, the General Meeting, voting under the quorum and majority conditions for Ordinary General Meetings, notes the resignation of Max Dumoulin as alternate joint Statutory Auditor and resolves to appoint Philippe Galofaro, registered at Le Premium 131 Boulevard Stalingrad 69624 Villeurbanne Cedex, as the new alternate joint Statutory Auditor for the remaining duration of his predecessor's term of office, i.e. until the Ordinary Annual General Meeting called in 2021 to approve the financial statements of the fiscal year ended December 31, 2020.

TENTH RESOLUTION *(AUTHORIZATION OF THE BOARD OF DIRECTORS TO IMPLEMENT A COMPANY SHARE BUYBACK PLAN)*

The General Meeting, having reviewed the report prepared by the Board of Directors, and voting under the quorum and majority conditions required for Ordinary General Meetings, hereby authorizes the Board to purchase a number of shares in the Company representing up to ten per cent (10%) of the number of shares comprising the share capital, for a period of eighteen (18) months or until the date of its renewal by the Ordinary General Meeting, in accordance with the provisions of Article L. 225-209 of the French Commercial Code.

These shares may be purchased, sold or transferred at any time and by any means, in one or more installments, on or off-market, including by means of block trades or option transactions and during a public tender offer. The total number of shares authorized under the share buyback plan may be purchased or sold by means of block trades.

The net purchase price per share shall not exceed eighteen (18) euros, excluding fees and commissions, subject to any adjustments made in accordance with applicable statutory and regulatory provisions in relation to transactions involving the Company's equity.
The Company shall be entitled to purchase, in one or more installments and at such times as the Board of Directors shall see fit, a number of ordinary Company shares not exceeding:

- Ten per cent (10 %) of the total number of shares comprising the share capital as adjusted in accordance with any transactions that may affect it following the date of this decision; or

- Five per cent (5%) of the aforementioned number of shares comprising the share capital if the shares are purchased by the Company to hold for subsequent delivery as consideration or in exchange in relation to a merger, demerger or capital contribution transaction;

The maximum amount of funds required to implement the plan will be set at twenty-two million, one hundred and thirty-eight thousand, six hundred and fifty euros (€22,138,650).

In the event of a capital increase by capitalization of reserves, bonus share allotment, stock split or reverse stock split, the aforementioned prices shall be adjusted by applying a multiplying factor equal to the ratio between the number of shares comprising the share capital before and after the said transaction.

Shares may be purchased for the following purposes, in order of priority:

- to encourage liquidity and boost the Company's share price through the intervention of an Investment Services Provider acting independently under a liquidity contract in compliance with the French Financial Markets Association's ethics charter as recognized by the French Financial Markets Authority (AMF);

- to grant shares to employees or corporate officers of the Company and French or foreign companies or groups related to it as defined by statutory and regulatory provisions, primarily as part of profit sharing in the fruits of business expansion, employee shareholding plans or company savings plans, stock option or bonus share plans or on any other terms permitted by applicable regulations;

- to transfer shares as consideration or in exchange, primarily in relation to mergers and acquisitions;

- to grant shares upon the exercise of rights attached to securities conferring the right to existing Company shares via redemption, conversion, exchange, presentation of a warrant or in any other way;

- to cancel repurchased shares as part of a capital reduction, subject to the shareholders in an Extraordinary General Meeting adopting a resolution specifically authorizing such capital reduction.

This authorization cancels and supersedes the authorization granted to the Board of Directors by the General Meeting of April 29, 2015 in its 11th Ordinary Resolution.

The General Meeting hereby grants all powers to the Board of Directors to place any orders, enter into any agreements, complete any formalities, make any representations to any bodies and generally do all that is required, with the option to sub-delegate these powers to the Chief Executive Officer.

EXTRAORDINARY RESOLUTIONS:

ELEVENTH RESOLUTION *(AUTHORIZATION OF THE BOARD OF DIRECTORS TO REDUCE THE SHARE CAPITAL BY CANCELING TREASURY SHARES PURCHASED UNDER THE COMPANY SHARE BUYBACK PLAN)*

The General Meeting, voting under the quorum and majority conditions required for Extraordinary General Meetings, and having heard the report of the Board of Directors and the special report of the Statutory Auditors, and subject to the adoption of the 9th Resolution, hereby authorizes the Board of Directors to perform the following acts, with the option to sub-delegate that authorization to the Chief Executive Officer, in accordance with Article L. 225-209 of the French Commercial Code, for a period of twenty-four (24) months:

- To cancel the shares purchased by the Company pursuant to the implementation of the authorization granted in the 9th Resolution, within a limit of ten per cent (10%) of the share capital, as adjusted in accordance with transactions that may affect it subsequently to this resolution, for each period of twenty-four (24) months;

- To decrease the share capital accordingly by deducting the difference between the purchase value of the canceled shares and their par value from available share premiums or reserves; and

- To amend the Articles of Association accordingly and complete any formalities required.

This authorization cancels and supersedes the authorization granted to the Board of Directors by the General Meeting of April 29, 2015 in its 12th Extraordinary Resolution.

TWELFTH RESOLUTION *(DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS TO ISSUE ORDINARY SHARES OR ANY OTHER SECURITIES GIVING ACCESS TO THE SHARE CAPITAL BY WAY OF PUBLIC OFFERING WITH REMOVAL OF PREFERENTIAL SUBSCRIPTION RIGHTS)*

The General Meeting, voting under the quorum and majority conditions required for Extraordinary General Meetings, and having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of Articles L. 225-129-2, L. 225-135, L. 225-136 and L. 228-92 of the French Commercial Code:

- Delegates authority to the Board of Directors to decide upon one or more share capital increases by issuing ordinary shares in the Company, as well as any securities giving immediate and/or future access to ordinary shares in the Company by any means, by means of a public offering, in France or abroad, in euros or in foreign currencies;

- Resolves that the total par value of share capital increases that may be carried out immediately or in future shall not exceed two million five hundred thousand euros (€2,500,000), and that this cap shall apply to the authority delegated hereunder and under the 13th, 14th, 15th, 16th, 17th, 19th and 21st Resolutions of this General Meeting. Where applicable, the additional amount of shares required to be issued in order to maintain the rights of holders of securities conferring the right to shares, in accordance with the law, shall be added to the aforementioned cap;

- Resolves that the maximum par value of any securities representing debt instruments that may be issued giving immediate or future access to a portion of the Company's share capital pursuant to the authority delegated hereunder and under the 13th, 14th, 15th, 16th, 17th, 19th and 21st Resolutions of this General Meeting shall not exceed a cap of fifteen million euros (€15,000,000) or the equivalent thereof as of the date of the decision to issue said securities;

- Confirms that the price of the ordinary shares issued, or to which the securities issued under this delegation of authority carry entitlement, shall not be lower than the weighted average share price over the three (3) trading sessions preceding the setting of the price, less a discount not exceeding five per cent (5%), if applied;

- Resolves that the issue price of the securities giving access to the share capital shall be such that the amount received immediately by the Company, plus any subsequent amount received by the Company, shall be at least equal to the amount provided for in the previous paragraph in respect of each share issued as a result of the issue of the aforementioned securities;

- Resolves to cancel the shareholders' preferential subscription right to these securities, which shall be issued in accordance with statutory requirements, and to grant the Board of Directors the power to establish a priority period during which shareholders may subscribe to the securities pursuant to the provisions of Article L. 225-135 of the French Commercial Code;

- Notes that the decision to issue securities giving access to the share capital entails the shareholders' waiver of their preferential subscription rights to the equity securities to which the securities issued confer entitlement, pursuant to the provisions of Article L. 225-132 of the French Commercial Code;

- Resolves that the share capital increases may be carried out by way of consideration for securities contributed to the Company as part of a public exchange offer on securities that meet the criteria defined in Article L. 225-148 of the French Commercial Code. The total par value of share capital increases carried out for this purpose shall be deducted from the two million five hundred thousand euro (€2,500,000) cap defined above;

- Resolves that the Board of Directors may, if it sees fit, deduct the costs, disbursements and fees incurred in relation to the issues from the corresponding amount of issue premiums and may deduct from this amount the sums required to bring the legal reserve up to one tenth of the share capital after each issue;

- Resolves that this delegation of authority shall be applicable for a period of twenty-six (26) months as from the date of this General Meeting;

- Notes that this delegation of authority cancels any previous delegation of authority for the same purpose in respect of the unused portion thereof.

- Resolves that the Board of Directors shall have full powers, with the option to sub-delegate those powers to the Chief Executive Officer, pursuant to the statutory and regulatory provisions, to exercise the authority delegated hereunder, on one or more occasions, in such proportions and at such times as it shall see fit, in particular in order to:

  - Set the dates and procedures for the issues, including the manner in which the shares or other securities issued are to be paid up and the form and features of the securities to be issued;

  - Set the price and terms of the issues, provided that:

    - The issue price of the shares shall be at least equal to the average weighted listed price over the three (3) trading sessions preceding its determination, less a discount not exceeding five per cent (5%), if applied, except for issues amounting to no more than ten per cent (10%) of the share capital per year, for which the Board of Directors may set the issue price at its own discretion, subject to the terms provided for under the 18th Resolution below, provided that it is adopted, or, at its discretion, in accordance with the statutory provisions applicable to issues carried out via public offering or private placement, provided that the issue price of the securities giving access to the share capital issued under this delegation of authority shall be such that the amount received immediately by the Company, plus any subsequent amount received by the Company, shall be at least equal to the issue price defined above in respect of each share issued as a result of the issue of the aforementioned securities,

  - Set the amounts to be issued;

- Set the vesting date, including on a retroactive basis, of the securities to be issued and, where applicable, provide for the option of suspending the exercise of rights to the allotment of shares attached to the securities to be issued during a period of no more than three (3) months;

- Define the procedures whereby the rights of holders of securities giving access to the share capital will be maintained in accordance with statutory and regulatory provisions;

- Deduct any amounts required from issue premiums, including costs, disbursements and fees incurred in relation to the issues;

- In general, take all steps required and enter into any agreements to ensure the due completion of the planned issues, procure completion of all formalities required for the issue, trading and admission of the shares or securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities for trading on a regulated market, for the listing and financial servicing of the securities issued under this delegation of authority and for the exercise of the rights attached to these securities;

- Duly note the share capital increases resulting from all issues carried out via the exercise of this delegation of authority and amend the Articles of Association accordingly.

THIRTEENTH RESOLUTION *(DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS TO ISSUE ORDINARY SHARES OR ANY OTHER SECURITIES GIVING ACCESS TO THE COMPANY'S SHARE CAPITAL OR CONFERRING ENTITLEMENT TO AN ALLOTMENT OF COMPANY DEBT SECURITIES BY WAY OF PRIVATE PLACEMENT WITH REMOVAL OF PREFERENTIAL SUBSCRIPTION RIGHTS)*

The General Meeting, voting under the quorum and majority conditions required for Extraordinary General Meetings, and having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of Articles L. 225-129-2, L. 225-135, L. 225-136 and L. 228-92 of the French Commercial Code:

- Delegates authority to the Board of Directors to decide, on one or more occasions, upon the issue via offer, as referred to in Article L. 411-2 (II) of the French Monetary and Financial Code, in France and abroad, of new ordinary shares in the Company or any other securities giving access to ordinary shares in the Company, by any means, immediately or in future, or conferring entitlement to an allotment of Company debt securities, where such securities may be denominated in euros or in a foreign currency, provided that the issue of equity securities via an offer as provided for in Article L. 411-2 (II) of the French Monetary and Financial Code shall be limited to twenty per cent (20%) of the share capital per year;

- Resolves that the total par value of share capital increases that may be carried out immediately or in future shall not exceed two million five hundred thousand euros (€2,500,000), and that this overall cap shall apply to the authority delegated hereunder and under the 12th, 14th, 15th, 16th, 17th, 19th and 21st Resolutions of this General Meeting, subject to compliance with the issue cap of twenty per cent (20%) of the share capital per period of twelve (12) months pursuant to Article L. 225-136 (3) of the French Commercial Code. Where applicable, the additional amount of shares required to be issued in order to maintain the rights of holders of securities conferring the right to shares, in accordance with the law, shall be added to the aforementioned cap;

- Also resolves that the maximum par value of any securities representing debt instruments that may be issued giving immediate or future access to a portion of the Company's share capital pursuant to the authority delegated hereunder and under the 12th, 14th, 15th, 16th, 17th, 19th and 21st Resolutions of this General Meeting shall not exceed a cap of fifteen million euros (€15,000,000) or the equivalent thereof as of the date of the decision to issue said securities, subject to compliance with the issue cap of twenty per cent (20%) of the share capital per period of twelve (12) months pursuant to Article L. 225-136 (3) of the French Commercial Code;

- Resolves to cancel the shareholders' preferential subscription right to any shares and securities issued in accordance with this delegation of authority;

- Notes that the decision to issue securities giving access to the share capital entails the shareholders' waiver of their preferential subscription rights to the equity securities to which the securities issued confer entitlement, pursuant to the provisions of Article L. 225-132 of the French Commercial Code;

- Confirms that the price of the ordinary shares issued, or to which the securities issued under this delegation of authority carry entitlement, shall not be lower than the weighted average share price over the three (3) trading sessions preceding the setting of the price, less a discount not exceeding five per cent (5%), if applied;

- Resolves that the issue price of the securities giving access to the share capital shall be such that the amount received immediately by the Company, plus any subsequent amount received by the Company, shall be at least equal to the amount provided for in the previous paragraph in respect of each share issued as a result of the issue of the aforementioned securities;

- Grants the Board of Directors full powers to deduct the costs of the share capital increases from the corresponding amount of issue premiums and to deduct from this amount the sums required to bring the legal reserve up to one tenth of the share capital after each issue.

- Resolves that this delegation of authority shall be applicable for a period of twenty-six (26) months as from the date of this General Meeting;

- Notes that this delegation of authority cancels any previous delegation of authority for the same purpose in respect of the unused portion thereof.

- Resolves that the Board of Directors shall have full powers, with the option to sub-delegate those powers to the Chief Executive Officer, pursuant to the statutory and regulatory provisions, to exercise the authority delegated hereunder, on one or more occasions, in such proportions and at such times as it shall see fit, in particular in order to:

  - Set the dates and procedures for the issues, including the manner in which the shares or other securities issued are to be paid up and the form and features of the securities to be issued;

  - Set the price and terms of the issues, provided that:

    - The issue price of the shares shall be at least equal to the average weighted listed price over the three (3) trading sessions preceding its determination, less a discount not exceeding five per cent (5%), if applied, except for issues amounting to no more than ten per cent (10%) of the share capital per year, for which the Board of Directors may set the issue price at its own discretion, subject to the terms provided for under the 18th Resolution below, provided that it is adopted, or, at its discretion, in accordance with the statutory provisions applicable to issues carried out via public offering or private placement, provided that the issue price of the securities giving access to the share capital issued under this delegation of authority shall be such that the amount received immediately by the Company, plus any subsequent amount received by the Company, shall be at least equal to the issue price defined above in respect of each share issued as a result of the issue of the aforementioned securities,

- Set the amounts to be issued;

- Set the vesting date, including on a retroactive basis, of the securities to be issued and, where applicable, provide for the option of suspending the exercise of rights to the allotment of shares attached to the securities to be issued during a period of no more than three (3) months;

- Define the procedures whereby the rights of holders of securities giving access to the share capital will be maintained in accordance with statutory and regulatory provisions;

- Deduct any amounts required from issue premiums, including costs, disbursements and fees incurred in relation to the issues;

- In general, take all steps required and enter into any agreements to ensure the due completion of the planned issues, procure completion of all formalities required for the issue, trading and admission of the shares or securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities for trading on a regulated market, for the listing and financial servicing of the securities issued under this delegation of authority and for the exercise of the rights attached to these securities;

- Duly note the share capital increases resulting from all issues carried out via the exercise of this delegation of authority and amend the Articles of Association accordingly.

FOURTEENTH RESOLUTION *(DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS TO ISSUE ORDINARY SHARES OR ANY OTHER SECURITIES GIVING ACCESS TO THE COMPANY'S SHARE CAPITAL OR CONFERRING ENTITLEMENT TO AN ALLOTMENT OF COMPANY DEBT SECURITIES TO SPECIFIC CATEGORIES OF PERSONS WITH REMOVAL OF PREFERENTIAL SUBSCRIPTION RIGHTS)*

The General Meeting, voting under the quorum and majority conditions required for Extraordinary General Meetings, and having heard the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of Articles L. 225-129-2, L. 225-138 and L. 228-92 of the French Commercial Code and Article L. 411-2 (I) of the French Monetary Code,

- Delegates authority to the Board of Directors, for a term of eighteen (18) months as from the date of this General Meeting, to carry out, on one or more occasions, in such proportions and at such times as the Board shall see fit, in France or abroad, in euros or in any other currency or monetary unit established with reference to a basket of currencies, one or more share capital increases by means of private placement, subject to the overall cap defined below, and by issuing new ordinary shares in the Company and/or any other securities giving access by any means, immediately or on a deferred basis, to the share capital (except for preference shares) or conferring entitlement to an allotment of debt securities, to be subscribed in cash and paid up either in cash or by offset against receivables.

- Resolves that the maximum par value of the share capital increases that may be carried out, immediately or on a deferred basis, pursuant to this delegation of authority, shall not exceed a total par value of two million five hundred thousand euros (€2,500,000), (i) provided that the total amount of the aforementioned share capital increases shall be limited to the unused part of the overall two million five hundred thousand euro (€2,500,000) cap applicable to the authority delegated hereunder and under the 12th, 13th, 15th, 16th, 17th, 19th and 21st Resolutions, and (ii) excluding the par value of any additional shares issued in order to maintain the rights of any holders of securities giving access to the share capital, in accordance with the law.

- Resolves that the total par value (or its equivalent in euros as of the date of issue if the securities issued are denominated in a foreign currency or monetary unit established with reference to a basket of currencies) of securities representing debt and giving access to the Company's share capital that may be issued under this resolution shall not exceed fifteen million euros (€15,000,000), within the limit of the unused part of the overall fifteen million euro (€15,000,000) cap applicable to the authority delegated hereunder and under the 12th, 13th, 15th, 16th, 17th, 19th and 21st Resolutions.

- Resolves to cancel the shareholders' preferential subscription right to the ordinary shares and/or securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities to be issued, in favor of the following categories of persons:

  - Companies generally investing, directly and/or indirectly, in growth shares of small caps, i.e. companies whose market capitalization, if they are listed companies, does not exceed one billion euros (€1,000,000,000), operating in the industrial sector, notably in the field of composite materials, which invest an amount (including issue premium) of over one hundred thousand euros (€100,000) in the issue;

- Resolves that if the subscriptions received from the aforementioned persons do not cover an entire issue of shares or securities as defined above, the Board of Directors shall be entitled to implement one or more of the following measures, in whichever order it shall see fit:

  - Cap the issue at the amount of subscriptions received, provided that these subscriptions cover at least three-quarters of the issue decided upon;

  - Allocate some or all of the unsubscribed securities at its own discretion;

  - Make a public offering, on the French or international market, of some or all of the securities issued but not subscribed;

- Notes that this delegation of authority automatically entails the shareholders' waiver of their preferential subscription right to the shares or debt securities to which these securities carry entitlement, in favor of the holders of securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities;

- Resolves that the Board of Directors shall have full powers, with the option to sub-delegate those powers to the Chief Executive Officer, pursuant to the statutory and regulatory provisions, to exercise the authority delegated hereunder, on one or more occasions, in such proportions and at such times as it shall see fit, in particular in order to:

  - Set the dates and procedures for the issues, including the manner in which the shares or other securities issued are to be paid up and the form and features of the securities to be issued;

  - Set the price and terms of the issues, provided that:

    - The issue price of the shares shall be at least equal to the average weighted listed price over the three (3) trading sessions preceding its determination, less a discount not exceeding five per cent (5%), if applied, except for issues amounting to no more than ten per cent (10%) of the share capital per year, for which the Board of Directors may set the issue price at its own discretion, subject to the terms provided for under the 18th Resolution below, provided that it is adopted, or, at its discretion, in accordance with the statutory provisions applicable to issues carried out via public offering or private placement, provided that the issue price of the securities giving access to the share capital issued under this delegation of authority shall be such that the amount received immediately by the Company, plus any subsequent amount received by the Company, shall be at least equal to the issue price defined above in respect of each share issued as a result of the issue of the aforementioned securities,

- Set the amounts to be issued;

- Set the vesting date, including on a retroactive basis, of the securities to be issued and, where applicable, provide for the option of suspending the exercise of rights to the allotment of shares attached to the securities to be issued during a period of no more than three (3) months;

- Define the procedures whereby the rights of holders of securities giving access to the share capital will be maintained in accordance with statutory and regulatory provisions;

- Deduct any amounts required from issue premiums, including costs, disbursements and fees incurred in relation to the issues;

- In general, take all steps required and enter into any agreements to ensure the due completion of the planned issues, procure completion of all formalities required for the issue, trading and admission of the shares or securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities for trading on a regulated market, for the listing and financial servicing of the securities issued under this delegation of authority and for the exercise of the rights attached to these securities;

- Duly note the share capital increases resulting from all issues carried out via the exercise of this delegation of authority and amend the Articles of Association accordingly.

The General Meeting notes that, should the Board of Directors exercise the authority hereby delegated, it shall report to the next Ordinary General Meeting, in accordance with the provisions of Article L. 225-129-5 of the French Commercial Code, on its exercise of the authority delegated under this resolution.

FIFTEENTH RESOLUTION *(DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS TO ISSUE ORDINARY SHARES OR ANY OTHER SECURITIES GIVING ACCESS TO THE SHARE CAPITAL OR CONFERRING ENTITLEMENT TO AN ALLOTMENT OF DEBT SECURITIES TO SPECIFIC CATEGORIES OF PERSONS WITH REMOVAL OF PREFERENTIAL SUBSCRIPTION RIGHTS)*

The General Meeting, voting under the quorum and majority conditions required for Extraordinary General Meetings, and having heard the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of Articles L. 225-129-2, L. 225-138 and L. 228-92 of the French Commercial Code and Article L. 411-2 (I) of the French Monetary Code,

- Delegates authority to the Board of Directors, for a term of eighteen (18) months as from the date of this General Meeting, to carry out, on one or more occasions, in such proportions and at such times as the Board shall see fit, in France or abroad, in euros or in any other currency or monetary unit established with reference to a basket of currencies, one or more share capital increases by means of private placement, subject to the overall cap defined below, and by issuing new ordinary shares in the Company and/or any other securities giving access by any means, immediately or on a deferred basis, to the share capital (except for preference shares) or conferring entitlement to an allotment of debt securities, to be subscribed in cash and paid up either in cash or by offset against receivables.

- Resolves that the maximum par value of the share capital increases that may be carried out, immediately or on a deferred basis, pursuant to this delegation of authority, shall not exceed a total par value of two million five hundred thousand euros (€2,500,000), (i) provided that the total amount of the aforementioned share capital increases shall be limited to the unused part of the overall two million five hundred thousand euro (€2,500,000) cap applicable to the authority delegated hereunder and under the 12th, 13th, 14th, 16th, 17th, 19th and 21st Resolutions, and (ii) excluding the par value of any additional shares issued in order to maintain the rights of any holders of securities giving access to the share capital, in accordance with the law.

- Resolves that the total par value (or its equivalent in euros as of the date of issue if the securities issued are denominated in a foreign currency or monetary unit established with reference to a basket of currencies) of securities representing debt and giving access to the Company's share capital that may be issued under this resolution shall not exceed fifteen million euros (€15,000,000), within the limit of the unused part of the overall fifteen million euro (€15,000,000) cap applicable to the authority delegated hereunder and under the 12th, 13th, 14th, 16th, 17th, 19th and 21st Resolutions.

- Resolves to cancel the shareholders' preferential subscription right to the ordinary shares and/or securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities to be issued, in favor of the following categories of persons:

  - All persons holding the status or whose main shareholder holds the status of employee or exclusive commercial agent of the Company, or of a related company as defined by Article L. 225-180 of the French Commercial Code, as of the date of issue of the shares or securities giving access to the Company's share capital, provided that exclusive commercial agents are required to prove that they have held such status for at least one year in order to be eligible;

  - All persons holding the status or whose main shareholder holds the status of corporate officer of a foreign company related to the Company within the meaning of Article L. 225-180 of the French Commercial Code, as of the date of issue of the shares or securities giving access to the Company's share capital, provided that this category expressly excludes corporate officers of said companies related to the Company who are also corporate officers of the Company.

- Resolves that if the subscriptions received from the aforementioned persons do not cover an entire issue of shares or securities as defined above, the Board of Directors shall be entitled to implement one or more of the following measures, in whichever order it shall see fit:

  - Cap the issue at the amount of subscriptions received, provided that these subscriptions cover at least three-quarters of the issue decided upon;

  - Allocate some or all of the unsubscribed securities at its own discretion;

  - Make a public offering, on the French or international market, of some or all of the securities issued but not subscribed;

- Notes that this delegation of authority automatically entails the shareholders' waiver of their preferential subscription right to the shares or debt securities to which these securities carry entitlement, in favor of the holders of securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities;

- Resolves that the Board of Directors shall have full powers, with the option to sub-delegate those powers to the Chief Executive Officer, pursuant to the statutory and regulatory provisions, to exercise the authority delegated hereunder, on one or more occasions, in such proportions and at such times as it shall see fit, in particular in order to:

  - Set the dates and procedures for the issues, including the manner in which the shares or other securities issued are to be paid up and the form and features of the securities to be issued;

  - Set the price and terms of the issues, provided that:

- The issue price of the shares shall be at least equal to the average weighted listed price over the three (3) trading sessions preceding its determination, less a discount not exceeding five per cent (5%), if applied, except for issues amounting to no more than ten per cent (10%) of the share capital per year, for which the Board of Directors may set the issue price at its own discretion, subject to the terms provided for under the 18th Resolution below, provided that it is adopted, or, at its discretion, in accordance with the statutory provisions applicable to issues carried out via public offering or private placement, provided that the issue price of the securities giving access to the share capital issued under this delegation of authority shall be such that the amount received immediately by the Company, plus any subsequent amount received by the Company, shall be at least equal to the issue price defined above in respect of each share issued as a result of the issue of the aforementioned securities,

- Set the amounts to be issued;

- Set the vesting date, including on a retroactive basis, of the securities to be issued and, where applicable, provide for the option of suspending the exercise of rights to the allotment of shares attached to the securities to be issued during a period of no more than three (3) months;

- Define the procedures whereby the rights of holders of securities giving access to the share capital will be maintained in accordance with statutory and regulatory provisions;

- Deduct any amounts required from issue premiums, including costs, disbursements and fees incurred in relation to the issues;

- In general, take all steps required and enter into any agreements to ensure the due completion of the planned issues, procure completion of all formalities required for the issue, trading and admission of the shares or securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities for trading on a regulated market, for the listing and financial servicing of the securities issued under this delegation of authority and for the exercise of the rights attached to these securities;

- Duly note the share capital increases resulting from all issues carried out via the exercise of this delegation of authority and amend the Articles of Association accordingly.

The General Meeting notes that, should the Board of Directors exercise the authority hereby delegated, it shall report to the next Ordinary General Meeting, in accordance with the provisions of Article L. 225-129-5 of the French Commercial Code, on its exercise of the authority delegated under this resolution.

SIXTEENTH RESOLUTION *(DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS TO ISSUE ORDINARY SHARES OR ANY OTHER SECURITIES GIVING ACCESS TO THE COMPANY'S SHARE CAPITAL OR CONFERRING ENTITLEMENT TO AN ALLOTMENT OF COMPANY DEBT SECURITIES WITH RETENTION OF PREFERENTIAL SUBSCRIPTION RIGHTS)*

The General Meeting, voting under the quorum and majority conditions required for Extraordinary General Meetings, and having heard the supplementary report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of Articles L. 225-129-2 and L. 228-92 of the French Commercial Code,

- Delegates authority to the Board of Directors, for a term of twenty-six (26) months as from the date of this General Meeting, to carry out, on one or more occasions, in such proportions and at such times as the Board shall see fit, in France or abroad, in euros or in any other currency or monetary unit established with reference to a basket of currencies, one or more share capital increases in accordance with one or more of the following procedures, subject to the overall cap defined below:

- Share capital increase via issue of ordinary shares in the Company and any other securities giving access by any means, immediately or on a deferred basis, to the share capital (except for preference shares) or conferring entitlement to an allotment of debt securities, to be subscribed in cash and paid up either in cash or by offset against receivables,

- Share capital increase via capitalization of reserves, profits, additional paid-in capital or any other capitalizable items, either by increasing the par value of existing shares or by issuing new ordinary shares equivalent to existing shares.

- Resolves that the maximum par value of the share capital increases that may be carried out, immediately or on a deferred basis, pursuant to this delegation of authority, shall not exceed a total par value of two million five hundred thousand euros (€2,500,000), (i) provided that the total amount of the aforementioned share capital increases shall be limited to the unused part of the overall two million five hundred thousand euro (€2,500,000) cap applicable to the authority delegated hereunder and under the 12th, 13th, 14th, 15th, 17th, 19th and 21st Resolutions, and (ii) excluding the par value of any additional shares issued in order to maintain the rights of any holders of securities giving access to the share capital, in accordance with the law.

- Resolves that the total par value (or its equivalent in euros as of the date of issue if the securities issued are denominated in a foreign currency or monetary unit established with reference to a basket of currencies) of securities representing debt and giving access to the Company's share capital that may be issued under this resolution shall not exceed fifteen million euros (€15,000,000), within the limit of the unused part of the overall fifteen million euro (€15,000,000) cap applicable to the authority delegated hereunder and under the 12th, 13th, 14th, 15th, 17th, 19th and 21st Resolutions.

- Resolves that issues of Company share warrants may be executed via subscription or via bonus allotment to holders of existing shares, in which case the Board of Directors shall be authorized to decide that fractional allotment rights shall not be tradable and that the corresponding securities shall be sold.

- Resolves that, subject to the conditions provided for by law, the shareholders may exercise their statutory preferential subscription right to the ordinary shares and/or securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities. In addition, the Board of Directors may grant shareholders the right to subscribe to a number of securities in addition to their statutory entitlement, in proportion to the subscription rights they hold and, in any event, up to the number they request.

- Resolves that if the subscriptions received from the aforementioned persons under their statutory entitlement and, where applicable, over and above such entitlement, do not cover an entire issue of shares or securities as defined above, the Board of Directors shall be entitled to implement one or more of the following measures, in whichever order it shall see fit:

  - Cap the issue at the amount of subscriptions received, provided that these subscriptions cover at least three-quarters of the issue decided upon;

  - Allocate some or all of the unsubscribed securities at its own discretion;

  - Make a public offering, on the French or international market, of some or all of the securities issued but not subscribed;

- Notes that this delegation of authority automatically entails the shareholders' waiver of their preferential subscription right to the shares or debt securities to which these securities carry entitlement, in favor of the holders of securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities;

- Resolves that the Board of Directors shall have full powers, with the option to sub-delegate those powers to the Chief Executive Officer, pursuant to the statutory and regulatory provisions, to exercise the authority delegated hereunder, on one or more occasions, in such proportions and at such times as it shall see fit, in particular in order to:

    - Set the dates and procedures for the issues, including the manner in which the shares or other securities issued are to be paid up and the form and features of the securities to be issued;
    - Set the price and terms of the issues, subject to statutory and regulatory conditions;

    - Set the amounts to be issued;

    - Set the vesting date, including on a retroactive basis, of the securities to be issued and, where applicable, provide for the option of suspending the exercise of rights to the allotment of shares attached to the securities to be issued during a period of no more than three (3) months;

    - Define the procedures whereby the rights of holders of securities giving access to the share capital will be maintained in accordance with statutory and regulatory provisions;

    - Deduct any amounts required from issue premiums, including costs, disbursements and fees incurred in relation to the issues;

    - In general, take all steps required and enter into any agreements to ensure the due completion of the planned issues, procure completion of all formalities required for the issue, trading and admission of the shares or securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities for trading on a regulated market, for the listing and financial servicing of the securities issued under this delegation of authority and for the exercise of the rights attached to these securities;

    - Duly note the share capital increases resulting from all issues carried out via the exercise of this delegation of authority and amend the Articles of Association accordingly.

The General Meeting notes that, should the Board of Directors exercise the authority hereby delegated, it shall report to the next General Meeting, in accordance with the provisions of Article L. 225-129-5 of the French Commercial Code, on its exercise of the authority delegated under this resolution.

SEVENTEENTH RESOLUTION *(DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS TO ISSUE ORDINARY SHARES OR ANY OTHER SECURITIES GIVING ACCESS TO THE SHARE CAPITAL IN THE EVENT OF OVER-SUBSCRIPTION)*

The General Meeting, voting under the quorum and majority conditions required for Extraordinary General Meetings, and having heard the supplementary report of the Board of Directors and the special report of the Statutory Auditors, pursuant and subject to the adoption of the 12th, 13th, 14th, 15th, 16th, 19th and 21st Resolutions, in accordance with the provisions of Articles L. 225-129-2 and L. 225-135-1 of the French Commercial Code,

- Delegates to the Board of Directors, for a term of twenty-six (26) months as from the date of this General Meeting, its authority to increase the number of securities issued pursuant to the authority delegated under the 12th, 13th, 14th, 15th, 16th, 19th and 21st Resolutions, in the event of over-subscription;

- Resolves that the amount of the issues that may be carried out pursuant to the authority delegated hereunder shall not exceed fifteen per cent (15%) of the amount of the initial issue decided upon by the Board of Directors, (i) within the limit of the unused part of the overall two million five hundred thousand euro (€2,500,000) cap applicable to the authority delegated hereunder and under the 12th, 13th, 14th, 15th, 16th, 19th and 21st Resolutions, and (ii) excluding the par value of any additional shares issued in order to maintain the rights of any holders of securities giving access to the share capital, in accordance with the law;

- Resolves that the total par value (or its equivalent in euros as of the date of issue if the securities issued are denominated in a foreign currency or monetary unit established with reference to a basket of currencies) of securities representing debt and giving access to the Company's share capital that may be issued under this resolution shall not exceed fifteen million euros (€15,000,000), within the limit of the unused part of the overall fifteen million euro (€15,000,000) cap applicable to the authority delegated hereunder and under the 12th, 13th, 14th, 15th, 16th, 19th and 21st Resolutions.

- Resolves that the securities issued under this resolution shall be subject to the terms and conditions applicable to the issues initially decided upon by the Board of Directors, including with regard to the form and features of the securities to be issued, the price and conditions of the issues, the vesting date of the securities to be issued, the manner in which the securities issued are to be paid up, the option of suspending the exercise of rights to the allotment of shares attached to the securities to be issued during a period of no more than three (3) months, where applicable, and the procedures whereby the rights of holders of securities giving access to the share capital will be maintained in accordance with statutory and regulatory provisions;

- Resolves that the Board of Directors shall be entitled, where applicable, with the option of sub-delegating such powers to the Chief Executive Officer subject to statutory or regulatory conditions, to deduct any amounts required from the issue premium(s), including costs, disbursements and fees incurred in relation to the issues, and, in general, take all steps required and enter into any agreements to ensure the due completion of the planned issues, procure completion of all formalities required for the issue, trading and admission of the shares or securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities for trading on a regulated market or organized multilateral trading facility, for the listing and financial servicing of the securities issued under this delegation of authority and for the exercise of the rights attached to these securities, and to duly note the share capital increase(s) resulting from all issues carried out via the exercise of this delegation of authority and amend the Articles of Association accordingly;

The General Meeting notes that, should the Board of Directors exercise the authority hereby delegated, it shall report to the next General Meeting, in accordance with the provisions of Article L. 225-129-5 of the French Commercial Code, on its exercise of the authority delegated under this resolution.

EIGHTEENTH RESOLUTION *(AUTHORIZATION OF THE BOARD OF DIRECTORS, IN THE EVENT OF AN ISSUE OF ORDINARY SHARES OR ANY OTHER SECURITIES GIVING ACCESS TO THE SHARE CAPITAL WITH REMOVAL OF PREFERENTIAL SUBSCRIPTION RIGHTS, TO SET THE ISSUE PRICE, UNDER THE TERMS DEFINED BY THE GENERAL MEETING, UP TO A MAXIMUM OF TEN PER CENT (10%) OF THE SHARE CAPITAL)*

The General Meeting, voting under the quorum and majority conditions required for Extraordinary General Meetings, and having reviewed the Chairman's report and the special report of the Statutory Auditors, in accordance with the provisions of Article L. 225-136 of the French Commercial Code, delegates authority to the Board of Directors to set the issue price in accordance with the following procedures, notwithstanding the provisions of the 12th, 13th, 14th, 15th and 17th Resolutions:

- the issue price of the ordinary Company shares or shares to which the securities issued under this delegation of authority carry entitlement shall not be lower than the weighted average share price over the five (5) trading sessions preceding the day on which the price is set, less a discount not exceeding fifteen per cent (15%), if applied;

- the issue price of the securities giving access to the share capital shall be such that the amount received immediately by the Company, plus any subsequent amount received by the Company, shall be at least equal to the amount provided for in the previous paragraph in respect of each share issued as a result of the issue of the aforementioned securities;

- the par value of the shares issued or to which the securities issued under this resolution carry entitlement shall not exceed ten per cent (10%) of the share capital per period of twelve (12) months and shall not exceed the caps stipulated under the 12th, 13th, 14th, 15th and 17th Resolutions, from which it shall be deducted.

- The General Meeting also resolves that this authorization shall be granted for a term of twenty-six (26) months as from the date of this General Meeting.

- The General Meeting notes that this delegation of authority cancels any previous delegation of authority for the same purpose.

The General Meeting notes that, should the Board of Directors exercise the authority hereby delegated, it shall report to the next Ordinary General Meeting, in accordance with the provisions of Article L. 225-129-5 of the French Commercial Code, on its exercise of the authority delegated under this resolution.

NINETEENTH RESOLUTION *(DELEGATION OF POWERS TO THE BOARD OF DIRECTORS TO ISSUE SHARES AND ANY OTHER SECURITIES GIVING ACCESS TO THE SHARE CAPITAL AS CONSIDERATION FOR CONTRIBUTIONS IN KIND)*

The General Meeting, voting under the quorum and majority conditions required for Extraordinary General Meetings, and having reviewed the Chairman's report and the special report of the Statutory Auditors, in accordance with the provisions of Articles L. 225-147 et seq. and Article L. 228-92 of the French Commercial Code,

- Delegates its powers to the Board of Directors, for a term of twenty-six (26) months as from the date of this General Meeting, to carry out one or more share capital increases, on the basis of the contribution appraisers' report, by issuing, in France and/or abroad, ordinary shares and any securities giving access by any means, immediately and/or in future, to ordinary shares in the Company, subject to a cap of ten per cent (10%) of its share capital, as consideration for contributions in kind granted to the Company and consisting of equity securities or securities giving access to the share capital, where the provisions of Article L. 225-148 of the French Commercial Code are not applicable;

- Confirms that the issue price of the shares issued as consideration for contributions in kind granted shall be set in accordance with the relevant applicable methods and practices;

- Resolves to cancel the shareholders' preferential subscription right to these securities, which shall be issued in accordance with statutory requirements;

- Resolves that the amount of the share capital increases carried out under this resolution shall be deducted from the two million five hundred thousand euro (€2,500,000) cap provided for under the 12th, 13th, 14th, 15th, 16th, 17th and 21st Resolutions, excluding the par value of any additional shares issued in order to maintain the rights of any holders of securities giving access to the share capital, in accordance with the law;

- Resolves that the Board of Directors shall have full powers, with the option to sub-delegate those powers to the Chief Executive Officer, pursuant to the statutory and regulatory provisions, to exercise the authority delegated hereunder, on one or more occasions, in such proportions and at such times as it shall see fit, in particular in order to:

  - Decide to increase the Company's share capital by way of consideration for the aforementioned contributions in kind and determine the nature of the shares and/or securities to be issued;

  - Approve the valuation of the contributions in kind, define the terms and conditions of the issue of shares and/or securities issued as consideration for the said contributions, determine the amount of any balance payable, approve the grant of special benefits and, subject to the contributors' consent, decrease the valuation of the contributions in kind or the consideration for special benefits;
  - Determine the features of the securities issued as consideration for the contributions in kind and define the procedures whereby the rights of holders of securities effectively or potentially giving access to the Company's share capital will be maintained, where applicable;

  - At its sole discretion, deduct the costs of the share capital increases from the corresponding amount of issue premiums and deduct from this amount the sums required to bring the legal reserve up to the required level;

  - Duly note the completion of each share capital increase decided upon pursuant to this delegation of authority and amend the Articles of Association accordingly;

  - And, in general, enter into any agreement, in particular in order to ensure the due completion of the planned issues, take all steps and decisions and complete all formalities required for the issue, listing and financial servicing of the shares and/or securities issued under this delegation of authority and for the exercise of the rights attached thereto.

- Notes that this delegation of authority automatically entails the shareholders' waiver of their preferential subscription right to the shares or debt securities to which these securities carry entitlement, in favor of the holders of securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities;

The General Meeting notes that, should the Board of Directors exercise the authority hereby delegated, it shall report to the next General Meeting, in accordance with the provisions of Article L. 225-129-5 of the French Commercial Code, on its exercise of the authority delegated under this resolution.

TWENTIETH RESOLUTION *(AUTHORIZATION OF THE BOARD OF DIRECTORS TO GRANT NEW OR EXISTING BONUS SHARES ENTAILING THE SHAREHOLDERS' WAIVER OF THEIR PREFERENTIAL SUBSCRIPTION RIGHT TO ANY NEW SHARES THUS ISSUED)*

The General Meeting, voting under the quorum and majority conditions required for Extraordinary General Meetings, and having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code:

- Authorizes the Board of Directors to make grants of new or existing Company shares, on one or more occasions,

- Resolves that such grants may be made to corporate officers and employees of the Company and of companies or groups directly or indirectly related to it within the meaning of Article L. 225-197-2 of the French Commercial Code,

- Resolves that the Board of Directors shall determine the identity of the beneficiaries of such grants as well as the terms and conditions and any criteria applicable to the grant of the shares,

- Resolves that the total number of bonus shares granted under this resolution shall not exceed five per cent (5%) of the share capital as of the day on which the Board of Directors decides upon the grant,

- Resolves that the grant of the shares to beneficiaries shall be definitive at the end of a vesting period of no less than one (1) year,

- Resolves that the duration of the lock-in period during which the beneficiaries are required to retain their shares shall, where applicable, be set by the Board of Directors, provided that the combined duration of the vesting and lock-in periods shall not be less than two (2) years,
- Resolves that, if a beneficiary suffers second or third-category disablement as defined by Article L. 341-1 of the French Social Security Code, the shares shall be definitively vested before the end of the vesting period and shall be freely disposable immediately upon vesting,

- Duly notes that this decision automatically entails the shareholders' waiver of their rights to the portion of reserves used in the event of an issue of new shares, and

- Notes that this authorization cancels any previous authorization for the same purpose.

This authorization shall be granted for a term of thirty-eight (38) months as from the date of this General Meeting.

The General Meeting grants full powers to the Board, with the option to delegate those powers subject to the limits provided by law, to exercise this delegation of authority, perform all acts, complete all formalities, make all representations, make any necessary adjustments in relation to any transactions involving the Company's share capital, set vesting and lock-in periods longer than the minimum periods defined above, where applicable, set the vesting date of shares issued, where applicable, including on a retroactive basis, increase the share capital via capitalization of reserves or additional paid-in capital in order to issue the shares, duly note any share capital increases carried out pursuant to this authorization, amend the Articles of Association accordingly, complete the formalities required for listing the securities issued and, in general, do all that is necessary.

TWENTY-FIRST Resolution *(DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS TO CARRY OUT SHARE CAPITAL INCREASES RESERVED FOR EMPLOYEES ENROLLED IN A COMPANY SAVINGS PLAN, WITH REMOVAL OF PREFERENTIAL SUBSCRIPTION RIGHTS IN FAVOR OF SAID BENEFICIARIES)*

The General Meeting, voting under the quorum and majority conditions required for Extraordinary General Meetings, and having heard the report of the Board of Directors and the report of the Statutory Auditors, in accordance with the provisions of Articles L. 225-129-6 and L. 225-138-1 of the French Commercial Code and Articles L. 3332-18 et seq. of the French Labor Code:

Authorizes the Board of Directors, for a term of twenty-six (26) months as from the date of this General Meeting, to carry out a cash capital increase, on one or more occasions, amounting to no more than three per cent (3%) of the share capital, via the issue of new shares having a par value of forty euro cents (€0.40) each (subject to the adoption of the 12th, 13th, 14th, 15th, 16th, 17th and 19th Resolutions), to be fully paid up in cash, either by cash payment or by offset against specific, liquid and payable receivables against the Company;

Resolves to cancel the shareholders' preferential subscription right to the new shares to be issued in favor of Company employees enrolled in a company savings plan to be set up by the Company, provided that such employees meet the criteria defined, where applicable, by the Board of Directors in accordance with the provisions of Article L. 225-138-1 of the French Commercial Code and Articles L. 3332-18 et seq. of the French Labor Code.

Delegates full powers to the Board of Directors, for a term of twenty-six (26) months as from the date of this General Meeting, with the option to sub-delegate those powers to the Chief Executive Officer pursuant to the statutory and regulatory provisions, to define the other terms applicable to the securities issue, including, more specifically, to:

- Carry out the share capital increase (following the establishment of the company savings plan in accordance with the provisions of Articles L. 3332-18 et seq. of the French Labor Code), on one or more occasions, at its sole discretion, via an issue of shares reserved for employees enrolled in said company savings plan in favor of whom the shareholders' preferential subscription right will be canceled;

- Set the final issue price of the new shares in accordance with the provisions of Article L. 3332-19 of the French Labor Code, providing its justification for the price adopted;

- Where applicable and in accordance with statutory and regulatory limits, define the seniority criteria that employees are required to meet in order to subscribe to the share capital increase, the exact list of beneficiaries and the number of securities to be allocated to each one in accordance with the aforementioned limit;

- Subject to a cap of three per cent (3%) of the share capital, set the amount of each issue, set the length of the subscription period and set the vesting date of the new shares;

- Set the opening and closing dates for subscriptions and receive said subscriptions;

- Subject to the statutory maximum period of three (3) years following subscription, set the time period within which subscribers are required to pay up their subscriptions, provided that, in accordance with statutory provisions, shares subscribed may be paid up, at the request of the Company or subscriber, either via periodic payments or in regular equal installments deducted from the subscriber's salary;

- Collect the amounts paid up in respect of subscriptions, irrespective of whether they are paid in cash or via offset of receivables; where applicable, balance the subscriber's current account by offset;

- Determine whether the new shares are to be subscribed directly or via a mutual investment fund;

- Note the completion of the share capital increases in the amount of the shares actually subscribed pursuant to this delegation of authority.

In addition, the Board of Directors shall be entitled, where applicable, with the option of sub-delegating such powers to the Chief Executive Officer subject to statutory and regulatory conditions, to deduct any amounts required from the issue premium(s), including costs, disbursements and fees incurred in relation to the issues, and, in general, take all steps required and enter into any agreements to ensure the due completion of the planned issues, procure completion of all formalities required for the issue, trading and admission of the shares or securities giving access to the Company's share capital or conferring entitlement to an allotment of Company debt securities for trading on a regulated market, for the listing and financial servicing of the securities issued under this delegation of authority and for the exercise of the rights attached to these securities, and to duly note the share capital increase(s) resulting from all issues carried out via the exercise of this delegation of authority and amend the Articles of Association accordingly.

ORDINARY AND EXTRAORDINARY RESOLUTIONS:

TWENTY-SECOND RESOLUTION *(POWERS)*

The General Meeting grants full powers to the bearer of copies or extracts of these minutes of proceedings to complete all formalities required by law.

*

The General Meeting of April 25, 2016 approved all draft resolutions submitted to it.

7. Additional information

7.1. Persons responsible for the Registration Document and financial report

Statement by the person responsible for the Registration Document

"I hereby certify, after having taken every reasonable measure to this effect, that the information contained in this Registration Document is, to the best of my knowledge, accurate and does not contain any omission that could affect its scope.

I have obtained a letter of completion from the Statutory Auditors in which they state that they have verified the data regarding the financial position and financial statements contained in this document and have read the Registration Document in its entirety."

Sébastien Ferrari
Chairman and Chief Executive Officer
May 3, 2016

Statement by the person responsible for the financial report

"I hereby certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting principles and present a true and fair view of the assets and liabilities, financial position and earnings of the Company and all of the companies included in the consolidation. I also certify that the management report included in this Registration Document presents a true and fair view of developments in the business activity, earnings and financial position of the Company and all of the companies included in the consolidation and includes a description of the main risks and contingencies with which they are faced."

Philippe Brun
Chief Financial Officer
May 3, 2016
Address: Zone industrielle la Tour-du-Pin 38110 Saint-Jean-de-Soudain
+33 (0)4 74 97 41 33 / investor@sergeferrari.com

7.2. Information regarding the Statutory Auditors

Identity of the Statutory Auditors

The incumbent statutory auditors are:

Cabinet Martine CHABERT (company owned by Martine Chabert)
74 rue Maurice Flandin 69003 Lyon

Cabinet Martine CHABERT was appointed Statutory Auditor to replace Ms. Martine Chabert, who had resigned, at the Extraordinary General Meeting of April 30, 2014 for the remaining duration of her term of office ending at the close of the Ordinary General Meeting called to approve the financial statements for the fiscal year ending December 31, 2018.

MAZARS represented by Pierre Beluze
131 Boulevard Stalingrad - Le Premium - 69624 Villeurbanne Cedex

MAZARS was appointed Statutory Auditor by the General Meeting of April 25, 2007 for the remaining term of office of its predecessor, who had resigned, ending at the close of the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2008. Its appointment was renewed by the General Meeting of April 29, 2015 for a period of six fiscal years ending at the close of the Ordinary General Meeting called to approve the financial statements for the fiscal year ending December 31, 2020.

The alternate statutory auditors are:

Didier VAURY (Alternate Statutory Auditor to Cabinet Martine CHABERT)
115 boulevard Stalingrad - CS 52038 - 69616 Villeurbanne Cedex
Didier Vaury was appointed Alternate Statutory Auditor to replace COGEM Audit, which had resigned, at the Extraordinary General Meeting of April 30, 2014 for the remaining duration of his predecessor's term of office ending at the close of the Ordinary General Meeting called to approve the financial statements for the fiscal year ending December 31, 2018.

Max DUMOULIN
131 Boulevard Stalingrad - Le Premium - 69624 Villeurbanne Cedex
Max Dumoulin was appointed Alternate Statutory Auditor by the General Meeting of April 25, 2007 for the remaining term of office of his predecessor, who had resigned, ending at the close of the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2008. His appointment was renewed by the General Meeting of April 17, 2009 for a period of six fiscal years ending at the close of the Ordinary General Meeting called to approve the financial statements for the fiscal year ending December 31, 2014. His appointment was renewed by the General Meeting of April 29, 2015 for a period of six fiscal years ending at the close of the Ordinary General Meeting called to approve the financial statements for the fiscal year ending December 31, 2020. Max Dumoulin has notified the Company of his resignation as Alternate Statutory Auditor. The shareholders at the General Meeting on April 25, 2016 will be asked to approve the appointment of Philippe Galofaro as Alternate Statutory Auditor to replace the resigning Alternate Statutory Auditor, Max Dumoulin, for the remaining duration of his term of office, i.e. until the close of the Ordinary General Meeting called to approve the financial statements for the fiscal year ended December 31, 2020.

Information regarding resignations and non-reappointment of statutory auditors
During the period covered by the historical financial information, no statutory auditors resigned or were not reappointed, with the exception of Martine Chabert, who resigned, having been statutory auditor since February 25, 1999, and was replaced by Cabinet Martine CHABERT by a decision of the General Meeting of April 30, 2014.

Fees paid to statutory auditors and members of their network

(€'000 excl. VAT)	Mazars 2015 amount	Mazars 2014 amount	Mazars 2015 %	Mazars 2014 %	Cabinet Martine Chabert 2015 amount	Cabinet Martine Chabert 2014 amount	Cabinet Martine Chabert 2015 %	Cabinet Martine Chabert 2014 %
Total fees	**197.3**	**274.5**	**100%**	**100%**	**155.0**	**164.5**	**100%**	**100%**
Statutory audit, certification, review of separate and consolidated financial statements	**187.1**	**178.5**	**95%**	**65%**	**155.0**	**159.5**	**100%**	**97%**
Parent company (recurring assignments)	71.4	56.0			71.4	60.0		
Parent company (2014 - approval of Base Document and **securities note)**	0.0	22.5			0.0	22.5		
Fully consolidated subsidiaries	115.7	100.0			83.6	77.0		
Other assignments and services directly related to the Statutory Auditors' engagement	**10.2**	**96.0**	**5%**	**35%**	**0.0**	**5.0**	**0%**	**3%**
Parent company	10.2	96.0			0.0	5.0		
(2015 CSR - 2014: review of transition to IFRS, CSR report)								
Fully consolidated subsidiaries	0.0	0.0			0.0	0.0		
Other services rendered	0.0	0.0			0.0	0.0		

7.3. Company information

7.3.1. Company history and development

Corporate name of the Company

The Company's corporate name is SergeFerrari Group.

Place of registration and registration number of the Company

The Company is entered in the Vienne Trade and Companies Register (Registre du Commerce et des Sociétés de Vienne) under number 382 870 277.

Date of incorporation and term

The Company was incorporated for a period of 99 years expiring on June 30, 2090, unless wound up early or extended.

Registered office of the Company, legal form, laws governing its activities

Initially incorporated as a French limited company (*société anonyme*), then transformed into a simplified joint-stock company (*société par actions simplifiée*) by unanimous decision of the June 30, 2003 General Meeting of Shareholders, the Company was transformed back into a limited company by decision of the April 30, 2014 General Meeting of Shareholders.

The Company is governed by present and future applicable laws and regulations, notably the French Commercial Code and its amendments, as well as the Company's Articles of Association. Due to the nature of its activity, since 2007 it has also complied with the European "REACH" regulations governing manufacturing safety and the use of chemical substances in European industry.

The Company's registered office is at: Zone industrielle de La Tour-du-Pin - 38110 Saint Jean-de-Soudain.

The Company’s contact details are as follows:
Telephone: +33(0)4 74 97 41 33
Email: investor@sergeferrari.com
Website: www.sergeferrari.com

Key events in the development of the Company

1973	- TESF (Tissage et Enduction Serge Ferrari) is founded by Serge Ferrari, father of Sébastien Ferrari and Romain Ferrari. - Development starts on the Précontraint® process and the first production line is set up.
1977	The first distribution contract is signed, in Italy.
1980	Sébastien Ferrari joins Serge Ferrari Group.
1987	The Batyline® (Taraflex) business is acquired, specializing in coating extruded cables for furniture.
1990	Romain Ferrari joins Serge Ferrari Group.
1991	As part of family succession, Ferrari Participations is formed (corporate name later changed to SergeFerrari Group) by contribution of TESF shares.
1999	A collaboration and license agreement is signed with Solvay to develop an industrial process for recycling PVC materials.
2000	A 50% stake is acquired in Tersuisse (a company based in Lucerne, Switzerland), the main supplier of micro-cables to the Group, as a joint venture with Rhodia Group.
2001	Forbo-Stamoïd, a competitor based in Zurich, Switzerland, is acquired in order to expand the Group’s range of coating technologies and products (yachting and breathable protection mainly for roofs and facades).
2002	A US marketing subsidiary (Serge Ferrari North America) is created in Kentucky, to target the United States and Canada. It is currently the Group’s largest subsidiary (based in Florida, with 15 employees and approximately US$13 million revenue in 2013).
2004	A 10% stake is acquired in a marketing subsidiary in Tokyo, Japan (Serge Ferrari Japan), gradually increased over the following years to 83%.
2005	The remaining 50% stake in Tersuisse is acquired (the Company having owned 50% since 2000).
2007	A marketing subsidiary is created in Hong Kong (Serge Ferrari Asia Pacific Ltd) to target China and Southeast Asia.
2008	A 2% stake is acquired in SergeFerrari Group by Banque de Vizille, later becoming CM-CIC Capital Finance (which owns CM-CIC Investissement). The composite materials collection and recycling business is developed, through the Texyloop subsidiary created in 2003. Texyloop provides the first mechanical stage involved in recycling collected PVC materials, and sells the PET products resulting from the recycling process.

2008 - 2012 SAP systems are installed at the Tour-du-Pin (France) and Eglisau (Switzerland) sites as part of the Group's streamlining and restructuring program.

2009 Précontraint Ferrari SAS merges with weaving firm Sénéclauze Ainé & Fils.

2011 Following a shareholder restructuring initiative (by creating a controlling holding company called Ferrari Participations), former Ferrari Participations SAS changes its corporate name to SergeFerrari Group SAS.

2012 A marketing subsidiary is opened in Sao Paulo, Brazil (Serge Ferrari Brasil), to target South America.

2013 An exclusive distribution agreement for the Stamisol range is signed in December with the German Würth group.
A strategy committee is formed with three independent (non-company) members.

2014 Merger by absorption of Précontraint Ferrari SAS by Serge Ferrari SAS (formerly TESF).
The Company is transformed into a corporation (limited company) with a Board of Directors.

Initial public offering (IPO) on Euronext Paris – Compartment C

2015 Deployment of SAP at Emmenbrücke
Hiring of sales staff
Refinancing and strengthening of credit facilities

7.4. Documents on display

Copies of this Registration Document are available free of charge from the Company's registered office at Zone industrielle la Tour-du-Pin - 38110 Saint-Jean-de-Soudain, France. This Registration Document can also be consulted on the Company's website (www.sergeferrari.com) and on the AMF website (www.amf-france.org).

The Articles of Association, minutes of General Meetings and other Company documents, as well as historical financial information and all assessments and reports issued by an expert at the Company's request that are required to be available to the shareholders, in accordance with applicable laws, can be consulted free of charge at the Company's registered office.
The information required pursuant to the AMF General Regulation will also be available on the Company's website (www.sergeferrari.com).

7.5. Cross-reference tables

Table of cross-references between the Registration Document and Annex I of European Regulation 809/2004.

Table of cross-references with the Management Report of the Board Directors to the Annual General Meeting

This Annex refers to the sections of the Registration Document that contain the information required for the Board's Management Report to the General Meeting as provided for by Articles L.225-100 *et seq.*, Article L.232-1 and Articles R.225-102 et seq. of the French Commercial Code.

Additional documentation

Grenelle II cross-reference table

Section 2.1

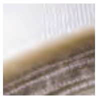
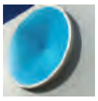
7.6. Glossary

LCA (Life Cycle Analysis):
Life Cycle Analysis adds to the understanding of the sustainability of the system studied. It does not include economic and social factors. The systems studied are considered to be running normally, so accidents are excluded. Impact studies apply to the biosphere and not to the technosphere. What happens in the product environment is therefore not examined.

PET (Polyethylene terephthalate):
A saturated polyester plastic, as opposed to a thermoset polyester. This polymer is obtained by polycondensation of terephthalic acid with ethylene glycol. Despite its name, it shares no similarities with polyethylene and does not contain phthalate. This plastic is mainly used to make bottles, jars, pots, films and sheets, fibers, etc. As part of the thermoplastic family, it is recyclable.
When extruded or drawn under tension, the amorphous polyester produces a film with biaxial semicrystalline properties. This film is very strong under tension, highly stable and transparent and an excellent electrical insulator.

PVC (polyvinyl chloride):
A popular thermoplastic polymer, amorphous or slightly crystalline, generally known as PVC. It is produced from two raw materials, 57% salt and 43% petroleum. PVC is the only widely used plastic comprising over 50% mineral-based raw materials found in abundance in natural sources.

Serge Ferrari





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