
Activity report

JUNE 30, 2019

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

— Euronext Paris
Compartment B



Press release dated September 18, 2019 - 6.00pm CET

First half 2019 earnings

- > Sales €884 million (-3.8% vs. H1 2018)
- > EBITDA €47 million (5.3% of sales)
- > Net income (Group share) €18 million

On September 18, 2019 the Board of Directors chaired by Éric Jacquet examined the consolidated financial statements for the six months ended June 30, 2019, which were subject to a limited review by the statutory auditors.

€m	Q2 2019 ¹	Q2 2018 PF ²	H1 2019 ¹	H1 2018 PF ²
Sales	424	452	884	920
Gross margin	100	114	204	228
% of sales	23.7%	25.2%	23.1%	24.8%
EBITDA³	23	31	47	62
% of sales	5.5%	6.8%	5.3%	6.7%
Adjusted operating income³	15	27	32	54
% of sales	3.5%	6.0%	3.6%	5.8%
Operating income	13	27	31	58
Net income (Group share)	6	18	18	41

¹ In accordance with IFRS 5 – Assets held for sale, the contribution of Abraservice is not included in the sales and operating income of the Group.

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

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

Headlines

Market conditions during first half 2019 were uneven, less favorable than the previous year due to low demand:

- > distribution of engineering steels was impacted by the slowdown in manufacturing activities, particularly in Germany. Accordingly, IMS group volumes fell -10.2% vs H1 2018 (Q2: -9.7%).
- > the STAPPERT and JACQUET divisions recorded a more limited decline in their volumes, respectively down -0.2% (Q2: -2.6%) and -1.5% (Q2: -4.7%).

Under these circumstances, H1 2019 sales came to €884 million (-3.8%; Q2: -6.1%) and EBITDA was €47 million (Q2: €23 million) or 5.3% of sales (Q2: 5.5%).

Market conditions are not expected to improve in Q3 2019 and sales are expected to fall significantly compared to Q3 2018.

In this context, the Group will focus on controlling working capital requirements and operating costs while keeping an eye out for acquisition opportunities arising from current economic conditions.

On July 25, 2019, the Group signed an agreement with SSAB for the sale of 100% of the shares in its subsidiary Abraservice Holding, the holding company of the Abraservice group which specializes in the distribution of wear-resistant steels. Abraservice has 10 distribution centers in 11 countries, mainly in Europe, and has generated €78 million in revenue in 2018. In accordance with IFRS 5 – Assets held for sale, as of June 30, 2019 Abraservice's contribution is no longer recognized under Group sales or operating income. Only Abraservice's net income is included in net income (Group share) under "Net income from discontinued operations". The closing of this transaction, forecasted for the fourth quarter of 2019, remains subject to prior approval of the competent antitrust authorities.

First half 2019 sales and earnings

Group sales totaled €884 million, down -3.8% compared to H1 2018 (Q2: -6.1%), impacted by the following effects:

- > volumes sold: -5.9% (Q2: -6.8%);
- > price: +2% (Q2: +0.7%). The price effect compared to Q1 2019 was +1.3%.

Gross margin amounted to €204 million or 23.1% of sales (Q2: 23.7%) compared to €228 million (24.8% of sales) in H1 2018.

Operating expenses excluding non-recurring items amounted to €172 million, down 1.2% at constant consolidation compared to H1 2018.

EBITDA amounted to €47 million, or 5.3% of sales. The application of *IFRS 16 - Leases* as from January 1, 2019 increased EBITDA by €8.6 million. Adjusted for this impact, EBITDA amounted to €39 million or 4.4% of sales, compared to 6.7% in H1 2018.

Adjusted operating income amounted to €32 million (3.6% of sales) compared to €54 million (5.8% of sales) in H1 2018. The application of IFRS 16 had no material impact on adjusted operating income.

Net income (Group share) amounted to €18 million (2% of sales) compared to €41 million (including a €2.8 million gain on asset disposals) in H1 2018 (4.4% of sales). The application of IFRS 16 had no material impact on net income.

Financial position

First half 2019 Group operating cash flow amounted to a +€51 million inflow.

As of June 30, 2019:



- > Operating working capital amounted to €421 million, including inventories of €446 million, and represented 24.6% of sales, compared to 24.5% as of December 31, 2018 (proforma operating working capital of €428 million including inventories of €478 million);
- > Net debt stood at €158 million (debt to equity ratio 41.9% compared to 56.9% at the end of 2018).

In accordance with *IFRS 16 – Leases* applied as of January 1, 2019, the Group balance sheet at June 30, 2019 carries the following items:

- > a right-of-use asset amounting to €90.7 million, €18.4 million of which was recorded under net non-current assets as of December 31, 2018;
- > a lease liability amounting to €87.7 million, €15.8 million of which was recorded under borrowings as of December 31, 2018.

In accordance with *IFRS 5 – Assets held for sale*, Abraservice group assets (€42 million) and liabilities (€25 million) are reported under separate balance sheet line items (assets and liabilities held for sale).

H1 2019 earnings by division excluding impacts of IFRS 16

	JACQUET		 STAPPERT		 ims	
	Stainless steel quarto plates ³		Stainless steel long products		Engineering steels ³	
€m	Q2 2019	H1 2019	Q2 2019	H1 2019	Q2 2019	H1 2019
Sales	89	179	121	254	218	460
Change vs. 2018	+1.6%	+5.2%	-2.4%	+0.4%	-10.7%	-9%
Price effect	+6.3%	+6.7%	+0.2%	+0.6%	-1.0%	+1.2%
Volume effect	-4.7%	-1.5%	-2.6%	-0.2%	-9.7%	-10.2%
EBITDA^{1,2}	7	13	5	10	6	14
% of sales	7.6%	7.2%	4.5%	4.1%	2.8%	3%
Adjusted operating income²	5	9	5	10	5	12
% of sales	5.5%	5.1%	4.1%	4.0%	2.3%	2.6%

¹ Non-division operation (including Jacquet Metal Service SA) contributed €1.7 million to H1 2019 EBITDA and group EBITDA benefited from a positive impact of €8.6 million due to the application of IFRS 16 – Leases.

² Adjusted for non-recurring items. The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them.

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

JACQUET specializes in the distribution of stainless steel quarto plates. The division generates 69% of its business in Europe and 26% in North America.

Sales amounted to €179 million, +5.2% from €170 million in H1 2018 (Q2: +1.6%):

- > volumes: -1.5% (Q2: -4.7%);
- > price effect: +6.7% (Q2: +6.3% vs Q2 2018 and +3.1% vs Q1 2019).

Gross margin amounted to €53.9 million and represented 30.2% of sales (Q2: 31%) compared to €53.8 million (31.7% of sales) in H1 2018.

EBITDA amounted to €12.8 million (Q2: €6.7 million) or 7.2% of sales, compared to €14.4 million (8.5% of sales) in H1 2018.

STAPPERT specializes in the distribution of stainless steel long products in Europe. The division generates 41% of its sales in Germany, the largest European market.

Sales amounted to €254 million, +0.4% from €253 million in H1 2018 (Q2: -2.4%):

- > volumes: -0.2% (Q2: -2.6%);
- > price effect: +0.6% (Q2: +0.2% vs Q2 2018 and +2% vs Q1 2019).

Gross margin amounted to €50.1 million and represented 19.8% of sales (Q2: 20.8%) compared to €55.3 million (21.9% of sales) in H1 2018.

EBITDA amounted to €10.5 million (Q2: €5.4 million) or 4.1% of sales, compared to €14.9 million (5.9% of sales) in H1 2018.

IMS group specializes in the distribution of engineering steels, mostly in the form of long products. The division generates 46% of its sales in Germany, the largest European market.

Sales amounted to €460 million, -9% from €506 million in H1 2018 (Q2: -10.7%):

- > volumes: -10.2% (Q2: -9.7%);
- > price effect: +1.2% (Q2: -1% vs Q2 2018 and +0.2% vs Q1 2019)

Gross margin amounted to €100.2 million and represented 21.8% of sales (Q2: 21.9%) compared to €118.9 million (23.5% of sales) in H1 2018.

EBITDA amounted to €13.6 million (Q2: €6.2 million) or 3% of sales, compared to €29.6 million (5.9% of sales) in H1 2018.

Key financial information

Income statement

€m	Q2 2019 ¹	Q2 2018 PF ²	H1 2019 ¹	H1 2018 PF ²
Sales	424	452	884	920
Gross margin	100	114	204	228
% of sales	23.7%	25.2%	23.1%	24.8%
EBITDA³	23	31	47	62
% of sales	5.5%	6.8%	5.3%	6.7%
Adjusted operating income³	15	27	32	54
% of sales	3.5%	6.0%	3.6%	5.8%
Operating income	13	27	31	58
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³ Adjusted for non-recurring items. The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them and is available at www.jacquetmetalservice.com.

Cash flow

€m	H1 2019	H1 2018 PF ¹
Operating cash flow before change in working capital	40.7	51.8
Change in working capital	10.2	(63.8)
Cash flow from operating activities	50.9	(12.0)
Capital expenditure	(12.7)	(8.3)
Asset disposals	0.3	4.2
Dividends paid to shareholders of Jacquet Metal Service SA	–	–
Interest paid	(5.9)	(4.6)
Cash flow from assets held for sale	5.5	3.2
Other movements	19.1	(1.8)
Change in net debt	57.0	(19.2)
Net debt brought forward	214.5	183.1
Net debt carried forward	157.5	202.3

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

Balance sheet

€m	30.06.19	31.12.18
Goodwill	66	68
Net non-current assets	132	156
Right-of-use assets ¹	91	–
Net inventory	446	493
Net trade receivables	206	182
Other assets	90	100
Cash	173	119
Assets held for sale	42	–
Total assets	1,246	1,119
Shareholders' equity	376	377
Provisions (including provisions for employee benefit obligations)	94	96
Trade payables	230	228
Total borrowings	330	338
Other liabilities	102	80
Lease liabilities ¹	88	–
Liabilities held for sale	25	–
Total equity and liabilities	1,246	1,119

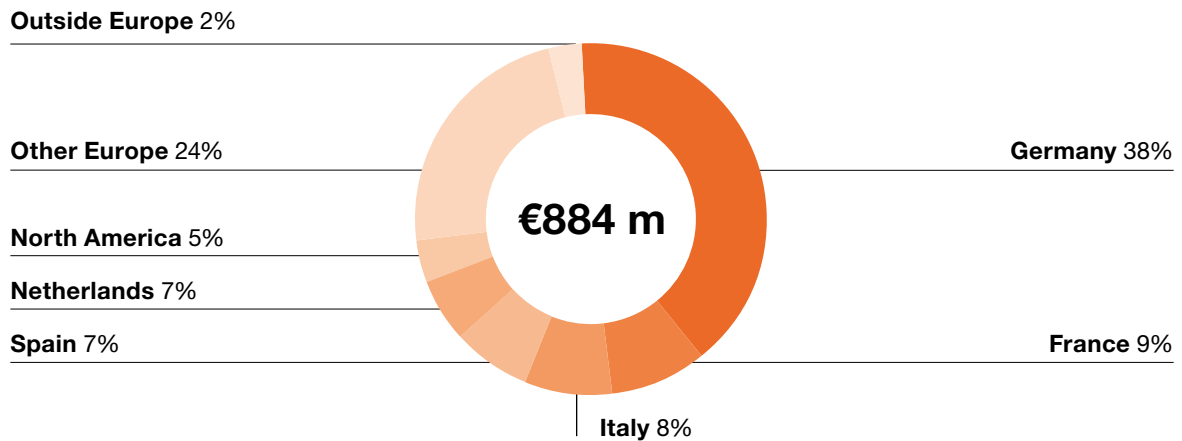
¹ Application of IFRS 16 – Leases as from January 1, 2019.

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1 A leading distributor of specialty steels

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

Breakdown of sales*



A global player*

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



* Data at June 30, 2019 restated for the contribution of Abraservice, currently under disposal

2 Brand management

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

On July 25, 2019, the Group signed an agreement with SSAB on the sale of all shares in its subsidiary Abraservice Holding, the holding company of the Abraservice group which specializes in the distribution of wear-resistant steels. The closing of this transaction, forecasted for the fourth quarter of 2019, remains subject to prior approval of the competent antitrust authorities.

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

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

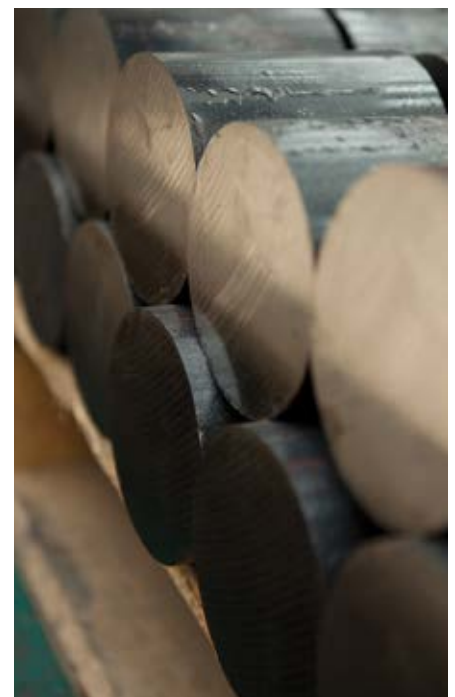
Stainless steel quarto plates



Stainless steel long products



Engineering steels



3 Stock market information

General features of shares and market capitalization

source: Jacquet Metal Service

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

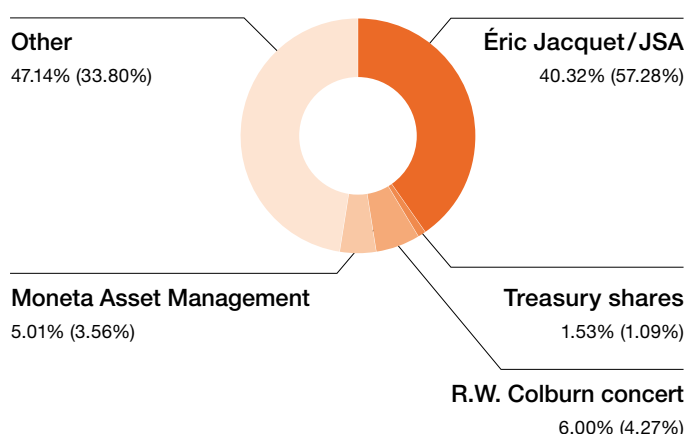
		H1 2019	2018
Number of shares at end of period	number of shares	24,028,438	24,028,438
Market capitalization at end of period	€k	432,512	372,921
High	€	18.46	32.90
Low	€	14.76	13.56
Price at end of period	€	18.00	15.52
Average daily trading volume	number of shares	43,643	27,351
Average daily traded capital	€	719,686	634,980

As of June 30, 2019, the Jacquet Metal Service (JCQ) share price was €18, up from the December 31, 2018 closing price. As of September 17, 2019, the share price stood at €16.90.

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

Shareholder structure at June 30, 2019

% share capital (% voting rights)



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

4 Financial communication schedule

- > **Q3 2019 results** : November 13, 2019
- > **2019 full-year results** : March 2020

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

Investor relations

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Activity report

June 30, 2019

1 Group sales and earnings

Results for the period ended June 30, 2019, which were subject to a limited review by the Statutory Auditors are compared to the results for 2018, which may be consulted in the 2018 Registration Document filed with the Autorité des Marchés Financiers (or AMF, French financial market regulator) on April 11, 2019 (filing no. D.19-0307) and in the H1 2018 activity report.

On July 25, 2019, the Group signed an agreement with SSAB for the sale of 100% of the shares in its subsidiary Abraservice Holding, the holding company of the Abraservice group which specializes in the distribution of wear-resistant steels. Abraservice has 10 distribution centers in 11 countries, mainly in Europe, and has generated €78 million in revenue in 2018. In accordance with *IFRS 5 – Assets held for sale*, as of June 30, 2019 Abraservice's contribution is no longer recognized under Group sales or operating income. Only Abraservice's net income is included in net income (Group share) under "Net income from discontinued operations". The closing of this transaction, forecasted for the fourth quarter of 2019, remains subject to prior approval of the competent antitrust authorities.

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

€k	Q2 2019	Q2 2018 PF	H1 2019	H1 2018 PF
Sales	424,267	451,773	884,447	919,771
Gross margin	100,390	113,742	204,262	228,045
% of sales	23.7%	25.2%	23.1%	24.8%
Operating expenses	(79,267)	(83,882)	(159,164)	(166,858)
Net depreciation and amortization	(8,596)	(4,541)	(16,947)	(9,053)
Net provisions	422	1,632	3,243	1,603
Gains/(losses) on disposals of non-current assets	(7)	81	93	4,046
Operating income	12,942	27,033	31,487	57,783
Net financial expense	(2,903)	(2,150)	(5,834)	(4,677)
Income before tax	10,039	24,882	25,653	53,106
Corporate income tax	(3,713)	(6,875)	(8,296)	(13,765)
Net income from discontinued operations	649	1,055	2,149	2,863
Consolidated net income	6,976	19,062	19,506	42,204
Net income (Group share)	6,223	18,238	17,661	40,639
Earnings per share in circulation (€)	0.26	0.76	0.74	1.69
Operating income	12,942	27,033	31,487	57,783
Non-recurring items and gains/losses on disposals	2,092	(81)	586	(4,046)
Adjusted operating income	15,034	26,952	32,073	53,738
% of sales	3.5%	6.0%	3.6%	5.8%
Net depreciation and amortization	8,596	4,541	16,947	9,053
Net provisions	(422)	(1,632)	(3,243)	(1,603)
Non-recurring items	—	858	1,406	858
EBITDA	23,208	30,718	47,183	62,045
% of sales	5.5%	6.8%	5.3%	6.7%

Headlines

Market conditions during first half 2019 were uneven, less favorable than the previous year due to low demand:

- > distribution of engineering steels was impacted by the slowdown in manufacturing activities, particularly in Germany. Accordingly, IMS group volumes fell -10.2% vs H1 2018 (Q2: -9.7%).
- > the STAPPERT and JACQUET divisions recorded a more limited decline in their volumes, respectively down -0.2% (Q2: -2.6%) and -1.5% (Q2: -4.7%).

Under these circumstances, H1 2019 sales came to €884 million (-3.8%; Q2: -6.1%) and EBITDA was €47 million (Q2: €23 million) or 5.3% of sales (Q2: 5.5%).

Market conditions are not expected to improve in Q3 2019 and sales are expected to fall significantly compared to Q3 2018.

In this context, the Group will focus on controlling working capital requirements and operating costs while keeping an eye out for acquisition opportunities arising from current economic conditions.

Sales

Group sales totaled €884 million, down -3.8% compared to H1 2018 (Q2: -6.1%), impacted by the following effects:

- > volumes sold: -5.9% (Q2: -6.8%);
- > price: +2% (Q2: +0.7%). The price effect compared to Q1 2019 was +1.3%.

€m	Q2 2019	Q2 2018 PF	H1 2019	H1 2018 PF
Sales	424.3	451.8	884.4	919.8
Change	-6.1%		-3.8%	
Price effect	+0.7%		+2%	
Volume effect	-6.8%		-5.9%	

The various effects are calculated as follows:

- > Volume effect = $(V_n - V_{n-1}) \times P_{n-1}$, where V = volumes and P = average sale price converted into euros at the average exchange rate;
- > Price effect = $(P_n - P_{n-1}) \times V_n$;
- > The exchange rate effect is included in the price effect. There was no significant impact in H1 2019;
- > Change in consolidation (current year acquisitions and disposals):
 - > Acquisitions: change in consolidation corresponds to the contribution (volumes and sales) of the acquired entity since the acquisition date;

- > Disposals: change in consolidation corresponds to the contribution (volumes and sales) made by the sold entity in the year preceding disposal from the date falling one year before the disposal date until the end of the previous year;
- > Change in consolidation (previous year acquisitions and disposals):
 - > Acquisitions: the impact of the change in consolidation scope corresponds to the contribution (volumes and sales) of the acquired entity in the current year from January, 1st until the anniversary of the acquisition;
 - > Disposals: the impact of the change in consolidation scope corresponds to the contribution (volumes and sales) of the sold entity from January, 1st the previous year until the date of disposal.

Gross margin

Gross margin amounted to €204 million and represented 23.1% of sales (Q2: 23.7%) compared to €228 million (24.8% of sales) in H1 2018.

€m	Q2 2019	Q2 2018 PF	H1 2019	H1 2018 PF
Sales	424.3	451.8	884.4	919.8
Cost of goods sold	(323.9)	(338.0)	(680.2)	(691.7)
Incl. purchases consumed	(325.9)	(337.0)	(683.1)	(684.8)
Incl. inventory impairment	2.1	(1.0)	2.9	(6.9)
Gross margin	100.4	113.7	204.3	228.0
% of sales	23.7%	25.2%	23.1%	24.8%

Operating income

Operating expenses excluding non-recurring items amounted to €172 million, down 1.2% at constant consolidation compared to H1 2018. Operating expenses include personnel expenses of €86 million in H1 2019 (€89 million in H1 2018).

First-time application of *IFRS 16 – Leases* resulted in a reduction in operating expenses (rent payments) and an increase in depreciation charges amounting to €8.6 million and €8.1 million respectively.

EBITDA amounted to €47 million or 5.3% of proforma sales. The application of *IFRS 16 – Leases* as from January 1, 2019 increased EBITDA by €8.6 million. Adjusted for this impact, EBITDA amounted to €39 million or 4.4% of sales, compared to 6.7% in H1 2018.

Adjusted operating income amounted to €32 million (3.6% of proforma sales) compared to €54 million (5.8% of sales) in H1 2018. The operating income is restated for €0.7 million in non-recurring charges and amounted to €31 million. The application of *IFRS 16* had no material impact on adjusted operating income.

Net financial expense

First half 2019 net financial income came to €5.8 million, compared to €4.7 million net income in H1 2018. This increase is primarily due to application of *IFRS 16 – Leases*. The average gross debt ratio in H1 2019 (excluding *IFRS 16* impact and changes in scope) was 2.4%.

€m	Q2 2019	Q2 2018 PF	H1 2019	H1 2018 PF
Net cost of debt	(2.3)	(1.8)	(4.6)	(3.4)
Expenses related to application of <i>IFRS 16</i>	(0.5)	–	(1.1)	–
Other financial items	(0.6)	(0.3)	(1.3)	(1.3)
Net financial expense	(2.9)	(2.2)	(5.8)	(4.7)

Net income

Net income (Group share) amounted to €18 million (2% of sales) compared to €41 million (including a €2.8 million gain on asset disposals) in H1 2018 (4.4% of sales). The application of *IFRS 16* had no material impact on net income. The increase in tax rate is explained by the lower consumption of the tax loss carry-forward.

€m	Q2 2019	Q2 2018 PF	H1 2019	H1 2018 PF
Income before tax	10.0	24.9	25.7	53.1
Corporate income tax	(3.7)	(6.9)	(8.3)	(13.8)
Income tax rate	37.0%	27.6%	32.3%	25.9%
Net income from discontinued operations	0.6	1.1	2.1	2.9
Consolidated net income	7	19.1	19.5	42.2
Minority interests	(0.8)	(0.8)	(1.8)	(1.6)
Net income (Group share)	6.2	18.2	17.7	40.6
% of sales	1.4%	4.0%	2.0%	4.4%

2 First half 2019 sales and earnings by division excluding IFRS 16 impact

€m	JACQUET Stainless steel quarto plates ³		STAPPERT Stainless steel long products		IMS group Engineering steels ³	
	Q2 2019	H1 2019	Q2 2019	H1 2019	Q2 2019	H1 2019
Sales	89	179	121	254	218	460
Change	+1.6%	+5.2%	-2.4%	+0.4%	-10.7%	-9%
Price effect	+6.3%	+6.7%	+0.2%	+0.6%	-1.0%	+1.2%
Volume effect	-4.7%	-1.5%	-2.6%	-0.2%	-9.7%	-10.2%
EBITDA¹²	7	13	5	10	6	14
% of sales	7.6%	7.2%	4.5%	4.1%	2.8%	3%
Adjusted operating income²	5	9	5	10	5	12
% of sales	5.5%	5.1%	4.1%	4.0%	2.3%	2.6%

¹ Non-division operation (including Jacquet Metal Service SA) contributed €1.7 million to H1 2019 EBITDA and group EBITDA benefited from a positive impact of €8.6 million due to the application of IFRS 16 – Leases.

² Adjusted for non-recurring items. The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them.

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

JACQUET > Stainless steel quarto plates

The division specializes in the distribution of stainless steel quarto plates. The division generates 69% of its business in Europe and 26% in North America.

Sales amounted to €179 million, up 5.2% from €170 million in H1 2018 (Q2: +1.6%):

- > volumes -1.5% (Q2: -4.7%);
- > price effect: +6.7% (Q2: +6.3% vs Q2 2018 and +3.1% vs Q1 2019).

Gross margin amounted to €53.9 million and represented 30.2% of sales (Q2: 31%) compared to €53.8 million (31.7% of sales) in H1 2018.

EBITDA was €12.8 million (Q2: €6.8 million) or 7.2% of sales, compared to €14.4 million (8.5% of sales) in H1 2018.

€m	Q2 2019	Q2 2018 PF	H1 2019	H1 2018 PF
Sales	88.8	87.4	178.5	169.7
Change	+1.6%		+5.2%	
Price effect	+6.3%		+6.7%	
Volume effect	-4.7%		-1.5%	
Gross margin	27.5	28.5	53.9	53.8
% of sales	31.0%	32.6%	30.2%	31.7%
EBITDA	6.7	8.7	12.8	14.4
% of sales	7.6%	9.9%	7.2%	8.5%
Adjusted operating income	4.9	7.1	9.1	11.2
% of sales	5.5%	8.1%	5.1%	6.6%

STAPPERT > Stainless steel long products

This division specializes in the distribution of stainless steel long products in Europe. The division generates 41% of its sales in Germany, the largest European market.

Sales amounted to €254 million, up 0.4% from €253 million in H1 2018 (Q2: -2.4%):

- > volumes: -0.2% (Q2: -2.6%);
- > price effect: +0.6% (Q2: +0.2% vs Q2 2018 and +2% vs Q1 2019).

Gross margin amounted to €50.1 million and represented 19.8% of sales (Q2: 20.8%) compared to €55.3 million (21.9% of sales) in H1 2018.

EBITDA was €10.5 million (Q2: €5.4 million) or 4.1% of sales, compared to €14.9 million (5.9% of sales) in H1 2018.

€m	Q2 2019	Q2 2018	H1 2019	H1 2018
Sales	120.8	123.8	253.9	253.0
Change	-2.4%		+0.4%	
Price effect	+0.2%		+0.6%	
Volume effect	-2.6%		-0.2%	
Gross margin	25.2	27.6	50.1	55.3
% of sales	20.8%	22.3%	19.8%	21.9%
EBITDA	5.4	7.6	10.5	14.9
% of sales	4.5%	6.1%	4.1%	5.9%
Adjusted operating income	4.9	6.9	10.1	14.1
% of sales	4.1%	5.6%	4.0%	5.6%

IMS group > Engineering steels

The division specializes in the distribution of engineering steels, mostly in the form of long products. The division generates 46% of its sales in Germany, the largest European market.

Sales amounted to €460 million, down 9% from €506 million in H1 2018 (Q2: -10.7%):

- > volumes: -10.2% (Q2: -9.7%);
- > price effect: +1.2% (Q2: -1% vs Q2 2018 and +0.2% vs Q1 2019).

Gross margin amounted to €100.2 million and represented 21.8% of sales (Q2: 21.9%) compared to €118.9 million (23.5% of sales) in H1 2018.

EBITDA was €13.6 million (Q2: €6.2 million) or 3% of sales, compared to €29.6 million (5.9% of sales) in H1 2018.

€m	Q2 2019	Q2 2018 PF	H1 2019	H1 2018 PF
Sales	218.4	244.5	460.2	505.6
Change	-10.7%		-9%	
Price effect	-1.0%		+1.2%	
Volume effect	-9.7%		-10.2%	
Gross margin	47.7	57.7	100.2	118.9
% of sales	21.9%	23.6%	21.8%	23.5%
EBITDA	6.2	12.8	13.6	29.6
% of sales	2.8%	5.2%	3.0%	5.9%
Adjusted operating income	5.1	11.8	11.8	26.6
% of sales	2.3%	4.8%	2.6%	5.3%

3 Consolidated financial position

Summary balance sheet

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

In accordance with *IFRS 5 – Assets Held for Sale*, Abraservice group assets (€42 million) and liabilities (€25 million) are reported under separate balance sheet line items (assets and liabilities held for sale).

€m	30.06.19	31.12.18
Goodwill	66	68
Net non-current assets	132	156
Right-of-use assets ¹	91	–
Net inventory	446	493
Net trade receivables	206	182
Other assets	90	100
Cash	173	119
Assets held for sale	42	–
Total assets	1,246	1,119
Shareholders' equity	376	377
Provisions (including provisions for employee benefit obligations)	94	96
Trade payables	230	228
Total borrowings	330	338
Other liabilities	102	80
Lease liabilities ¹	88	–
Liabilities held for sale	25	–
Total equity and liabilities	1,246	1,119

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

Working capital

€m	30.06.19	31.12.18 PF ²	Changes
Net inventory	445.9	478.3	(32.4)
<i>Days sales outstanding</i> ¹	154	165	
Net trade receivables	205.7	171.0	34.7
<i>Days sales outstanding</i>	48	50	
Trade payables	(230.2)	(221.1)	(9.2)
<i>Days payable outstanding</i>	61	64	
Net operating working capital	421.3	428.2	(6.9)
<i>% of sales</i> ¹	24.6%	24.5%	
Other receivables or payables excluding taxes and financial items	(23.1)	(15.6)	(7.5)
Working capital excluding taxes and financial items	398.2	412.6	
Changes in consolidation and other	–	(4.2)	4.2
Working capital before taxes and financial items and adjusted for other changes	398.2	408.4	(10.2)
<i>% of sales</i> ¹	22.1%	23.4%	

¹ Rolling 12 months.

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

As of June 30, 2019, operating working capital amounted to €421 million, including inventories of €446 million, and represented 24.6% of sales, compared to 24.5% proforma as of December 31, 2018 (operating working capital of €428 million including inventories of €478 million). Inventory levels represented 154 days of sales at June 30, 2019, compared to 165 days proforma at December 31, 2018.

Trade receivables amounted to €206 million at June 30, 2019, with an average customer payment term of 48 days sales, stable compared to proforma 2018 (excluding impact of receivables assigned on a non-recourse basis). The Group had assigned trade receivables amounting to €47 million at June 30, 2019 without recourse, compared to proforma €46 million at December 31, 2018.

Trade payables amounted to €230 million at June 30, 2019, with an average payment term of 61 days (compared to 64 days proforma at December 31, 2018).

Provisions for contingencies and charges and employee benefit obligations

Provisions for contingencies and charges and employee benefit obligations amounted to €94.5 million at June 30, 2019 compared to €96.2 million at December 31, 2018. These provisions consist of:

- > provisions for employee benefit obligations (€56.2 million at June 30, 2018 compared to €57.3 million at December 31, 2018) mainly related to pension obligations.
- > current and non-current provisions (€38.3 million at June 30, 2019 compared to €38.9 million at December 31, 2018), which primarily relate to disputes with employees, reorganization costs and disputes with customers and suppliers.

Net debt

At June 30, 2019, Group net debt stood at €158 million, compared to shareholders' equity of €376 million, resulting in a net debt to equity ratio of 41.9% (56.9% as of December 31, 2018).

€m	30.06.19	31.12.18
Fixed rate borrowings	53.1	46.2
Floating rate borrowings	276.9	291.6
Total borrowings	330.1	337.8
Cash, cash equivalents and other	172.5	123.3
Net debt	157.5	214.5
<i>Debt to equity ratio</i>	<i>41.9%</i>	<i>56.9%</i>

At June 30, 2019, interest rate hedging instruments ("swaps") in place amounted to €75 million (€75 million at December 31, 2018).

Financing

The Group had €626.9 million in lines of credit as of June 30, 2019, of which 53% had been used:

€m	Authorized as of 30.06.19	Used as of 30.06.19	% used
Jacquet Metal Service SA	438.3	229.3	52%
Syndicated revolving loan	125.0	—	—
Schuldscheindarlehen (private placement of debt instruments under German law)	150.0	150.0	100%
Lines of credit	163.3	79.3	49%
Subsidiary financing	188.7	100.8	53%
Lines of credit	142.0	83.0	58%
Factoring	30.5	1.6	5%
Asset financing (term and revolving loans)	16.2	16.2	100%
Total	626.9	330.1	53%

In addition to the borrowings shown in the above table, the Group also had €74.5 million in non-recourse receivable assignment facilities, €47 million of which had been used at June 30, 2019.

Financing covenants mainly apply to the syndicated revolving loan and the Schuldscheindarlehen.

These covenants mainly correspond to commitments that must be complied with at Group level.

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

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

- > Date of signature : June 2019
- > Maturity : June, 2022
- > Amount: €125 million (unused)
- > Guarantee: None
- > Change of control clause: JSA must hold at least 40% of Jacquet Metal Service SA's share capital and voting rights.
- > Main covenants:

The Company must meet one of the following criteria:

- > Debt to equity ratio less than 1 **or**
- > Leverage less than 2.

The main terms of the Schuldscheindarlehen are as follows:

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

Cash flow

€m	H1 2019	H1 2018 PF ¹
Operating cash flow before change in working capital	40.7	51.8
Change in working capital	10.2	(63.8)
Cash flow from operating activities	50.9	(12.0)
Capital expenditure	(12.7)	(8.3)
Asset disposals	0.3	4.2
Dividends paid to shareholders of Jacquet Metal Service SA	–	–
Interest paid	(5.9)	(4.6)
Cash flow from assets held for sale	5.5	3.2
Other movements	19.1	(1.8)
Change in net debt	57.0	(19.2)
Net debt brought forward	214.5	183.1
Net debt carried forward	157.5	202.3

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

The Group generated operating cash flow of €51 million during H1 2019.

The "other movements" caption is explained primarily by the cash-in of the disposal of assets in 2018.

Capital expenditures amounted to €12.7 million, mainly related to the construction of a new distribution center in the United States (Philadelphia) for the JACQUET division and new finishing capacities.

Risk factors

Overall risk factors did not change during the first half. They are set out in the 2018 Registration Document on pages 28-32.

Post balance sheet events

None.

4 Summary interim consolidated financial statements

Consolidated statement of comprehensive income

€m	Notes	30.06.19	30.06.18
Sales	4.2.1	884,447	943,767
Cost of goods sold	4.2.1	(680,185)	(709,235)
Gross margin	4.2.1	204,262	234,532
Operating expenses		(74,718)	(80,712)
Personnel expenses		(85,927)	(91,098)
Miscellaneous taxes		(2,107)	(2,040)
Other net income		3,588	2,140
Net depreciation and amortization		(16,947)	(9,357)
Net provisions		3,243	1,631
Gains / (losses) on disposals of non-current assets		93	4,022
Operating income		31,487	59,118
<i>% of sales</i>		<i>3.6%</i>	<i>6.3%</i>
Net cost of debt		(4,555)	(3,324)
Other financial income		85	29
Other financial expenses		(1,364)	(1,367)
Net financial expense		(5,834)	(4,662)
Income before tax		25,653	54,456
Corporate income tax	4.2.2	(8,296)	(14,183)
Net income from continued current operations		17,357	40,273
Net income from discontinued operations	4.1.2	2,149	1,931
Total consolidated net income		19,506	42,204
<i>% of sales</i>		<i>2.2%</i>	<i>4.5%</i>
Minority interests		(1,845)	(1,565)
Of which continuing operations		(1,578)	(1,346)
Of which discontinued operations		(267)	(219)
Net income (Group share)	4.2.3	17,661	40,639
<i>% of sales</i>		<i>2.0%</i>	<i>4.3%</i>
Of which continuing operations		15,779	38,927
Of which discontinued operations		1,882	1,712
Items that may be reclassified to profit or loss			
Translation differences		(294)	(2,878)
Other		(353)	277
Items not reclassified to profit or loss			
Actuarial gains / (losses)		(3,174)	—
Total comprehensive net income (Group share)		13,840	38,038
Minority interests		1,880	1,589
Total comprehensive net income		15,720	39,627
Basic earnings per share (€)		0.75	1.72
Diluted earnings per share (€)		0.75	1.72

The Notes are an integral part of the summary interim consolidated financial statements.

The financial statements for the six months ended June 30, 2019 have been prepared in application of IFRS 16 as from January 1, 2019. Comparative data has not been restated, in accordance with the transition provisions of IFRS 16 (**Note 4.1.1**)

Data at June 30, 2019 as well as 2018 comparative data has been restated for the impact related to the presentation of the Abra-service business in discontinued operations in accordance with application of IFRS 5. Net income from discontinued operations is presented on a separate line of the income statement “Net income from discontinued operations” for the financial years presented. The impact of applying IFRS 5 to data published in 2018 is presented in **Note 4.1.2**.

Statement of financial position

€k	Notes	30.06.19			31.12.18
		Gross	Dep. amort. Prov.	Net	Net
Assets					
Goodwill	4.2.4	66,346	—	66,346	68,251
Intangible assets	4.2.5	30,044	24,009	6,035	5,116
Property, plant and equipment	4.2.5	399,877	273,841	126,036	150,754
Right of use assets		114,317	23,638	90,679	—
Other financial assets		16,410	1,325	15,085	14,522
Deferred tax	4.2.12	43,685	—	43,685	45,788
Non-current assets		670,679	322,813	347,866	284,431
Inventory and work-in-progress	4.2.1, 4.2.6	525,023	79,118	445,905	492,972
Trade receivables	4.2.1, 4.2.7	212,416	6,746	205,670	182,358
Tax assets receivable		3,778	—	3,778	4,216
Other assets		27,329	35	27,294	35,501
Derivatives		36	—	36	146
Cash and cash equivalents	4.2.8	172,533	—	172,533	119,420
Current assets		941,115	85,899	855,216	834,613
Assets held for sale	4.1.2	59,333	16,890	42,443	—
Total assets		1,671,127	425,602	1,245,525	1,119,044
Equity and liabilities					
Share capital				36,631	36,631
Consolidated reserves				322,582	325,086
Shareholders' equity (Group share)				359,213	361,717
Minority interests				16,595	15,042
Shareholders' equity	4.2.9			375,808	376,759
Deferred tax	4.2.12			6,101	6,391
Non-current provisions	4.2.10			5,475	5,578
Provisions for employee benefit obligations	4.2.11			56,233	57,316
Other non-current liabilities				4,474	4,617
Long-term borrowings	4.2.8			203,606	204,220
Long-term lease liability				68,894	—
Non-current liabilities				344,783	278,122
Short-term borrowings	4.2.8			126,447	133,570
Short-term lease liability				18,802	—
Trade payables	4.2.1			230,230	228,254
Current tax liabilities				12,895	12,060
Current provisions	4.2.10			32,777	33,345
Derivatives				1,006	650
Other liabilities				77,440	56,284
Total current liabilities				499,597	464,163
Liabilities held for sale	4.1.2			25,337	—
Total equity and liabilities				1,245,525	1,119,044

The Notes are an integral part of the summary interim consolidated financial statements.

The financial statements for the six months ended June 30, 2019 have been prepared in application of IFRS 16 as from January 1, 2019. Comparative data has not been restated, in accordance with the transition provisions of IFRS 16 (**Note 4.1.1**)

Data at June 30, 2019 has been restated for the impact related to the presentation of the Abraservice business in discontinued operations following application of IFRS 5 (**Note 4.1.2**).

Cash flow statement

€m	30.06.19	30.06.18
Cash and cash equivalents at beginning of period	119,420	102,145
Operating activities		
Net income	19,506	42,204
Net income from discontinued operations	2,149	1,931
Net income from continued current operations	17,357	40,273
Depreciation, amortization and provisions	14,051	6,963
Capital gains on asset disposals	(94)	(4,022)
Change in deferred taxes	1,670	3,188
Other non-cash income and expenses	20	28
Operating cash flow after tax and cost of borrowings	33,004	46,430
Cost of borrowings	5,907	4,735
Current income tax	6,628	10,998
Taxes paid	(4,796)	(9,125)
Operating cash flow before change in working capital	40,743	53,038
Change in inventory and work-in-progress	32,664	(71,634)
Change in trade receivables	(34,674)	(59,726)
Change in trade payables	9,304	68,632
Other changes	2,870	(1,127)
Total change in working capital	10,164	(63,855)
Cash flow from continued current operations operating activities	50,907	(10,817)
Cash flow from discontinued operating activities	5,794	4,339
Cash flow from operating activities	56,701	(6,478)
Investing activities		
Acquisitions of fixed assets	(12,747)	(9,707)
Disposal of assets	278	4,240
Acquisitions of subsidiaries	–	–
Changes in consolidation and other	9,620	(1,306)
Cash flow from continued current operations investing activities	(2,849)	(6,773)
Cash flow from discontinued investing activities	(166)	(948)
Cash flow from investing activities	(3,015)	(7,721)
Financing activities		
Dividends paid to parent company shareholders	–	–
Dividends paid to minority shareholders of consolidated companies	(21)	(41)
New borrowings	18,799	63,863
Change in borrowings	(3,953)	(25,191)
Lease repayments	(9,424)	–
Interest paid	(5,948)	(4,610)
Other changes	(31)	(84)
Cash flow from continued current operations financing activities	(578)	33,937
Cash flow from discontinued financing activities	183	(3,009)
Cash flow from financing activities	(395)	30,928
Change in cash and cash equivalents	53,291	16,729
Translation differences	(178)	(476)
Net cash at end of period	172,533	118,398

The Notes are an integral part of the summary interim consolidated financial statements. Changes are shown at the net book value.

Bank overdrafts are used to finance both short and medium-term investments. Accordingly, they are analyzed as borrowing transactions and classified as such in the cash flow statement.

The financial statements for the six months ended June 30, 2019 have been prepared in application of IFRS 16 as from January 1, 2019. Comparative data has not been restated, in accordance with the transition provisions of IFRS 16 (**Note 4.1.1**)

Data at June 30, 2019 as well as 2018 comparative data has been restated for the impact related to the presentation of the Abraservice business in discontinued operations following application of IFRS 5 (**Note 4.1.2**) excluding the net cash at June 30, 2018 which is stated as previously reported.

Change in consolidated shareholders' equity

€m	Notes	Number of shares	Share capital	Reserves	Translation differences (Group share)	Shareholders' equity (Group share)	Minority interests	Shareholders' equity
At 01.01.18	4.2.9	24,028,438	36,631	281,899	378	318,908	12,941	331,849
Net income		–	–	40,639	–	40,639	1,565	42,204
Translation differences		–	–	–	(2,878)	(2,878)	22	(2,856)
Actuarial gains / (losses)		–	–	–	–	–	–	–
Other		–	–	277	–	277	2	279
Total comprehensive net income				40,916	(2,878)	38,038	1,589	39,627
Change in consolidation scope		–	–	(389)	–	(389)	389	–
Dividend payments		–	–	(16,579)	–	(16,579)	(2,116)	(18,695)
Other		–	–	(550)	–	(550)	(7)	(557)
At 30.06.18	4.2.9	24,028,438	36,631	305,297	(2,500)	339,428	12,796	352,224
At 01.01.19	4.2.9	24,028,438	36,631	327,496	(2,410)	361,717	15,042	376,759
Net income		–	–	17,661	–	17,661	1,845	19,506
Translation differences		–	–	–	(294)	(294)	38	(256)
Actuarial gains / (losses)		–	–	(3,174)	–	(3,174)	–	(3,174)
Hedging instruments		–	–	(353)	–	(353)	(3)	(356)
Total comprehensive net income				14,134	(294)	13,840	1,880	15,720
Change in consolidation scope		–	–	19	–	19	(72)	(53)
Dividend payments		–	–	(16,561)	–	(16,561)	(258)	(16,819)
Other		–	–	198	–	198	3	201
At 30.06.19	4.2.9	24,028,438	36,631	325,286	(2,704)	359,213	16,595	375,808

The Notes are an integral part of the summary interim consolidated financial statements.

Notes to the consolidated financial statements

The consolidated financial statements of Jacquet Metal Service Group for the 6 months ended June 30, 2019 were approved by the Board of Directors on September 18, 2019.

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

4.1 Consolidation principles and methods

In accordance with European regulation 1606/2002 dated July 19, 2002 on international financial reporting standards, the summary interim consolidated financial statements of the Jacquet Metal Service Group for the 6 months ended June 30, 2019 and the 2018 comparative financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in force as of June 30, 2019, as approved by the European Union.

The standards and interpretations applied are those published in the Official Journal of the European Union (OJEU) before June 30, 2019, for compulsory application as from this date.

These guidelines cover all of the standards approved by the International Accounting Standards Board (IASB) and adopted by the EU, i.e. IFRS, International Accounting Standards (IAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). These accounting standards can be consulted on the European Commission website at:

<https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/>

The summary interim consolidated financial statements have been prepared in accordance with *IAS 34 - Interim Financial Reporting*, which allows a condensed presentation of the Notes to the financial statements. The financial statements should therefore be read with reference to the consolidated financial statements for the year ended December 31, 2018 and, in particular, Note 1 "Consolidation principles and methods" and Note 2 "Valuation methods" as contained in the Registration Document filed with the Autorité des Marchés Financiers (AMF) on April 11, 2019 under number D. 19-0307 and available for consultation on the company website at:

www.jacquetmetalservice.com

With the exception of the points described in the paragraph below, the accounting principles applied are identical to those used in the audited consolidated financial statements for the year ended December 31, 2018.

New standards or amendments adopted by the European Union for compulsory application as from January 1, 2019 have been applied in the summary consolidated financial statements for the 6 months ended June 30, 2019. They comprise the following standards:

- > *IFRS 16 – Leases*;
- > *IFRIC 23 – Uncertainty over Income Tax Treatments*.

Application of IFRS 16 is set out in § 4.1.1.

Application of IFRIC 23 has not given rise to any material adjustments.

Use of estimates

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

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

The consolidated half-year financial statements have been established on the basis of rules applied for the 2018 annual financial statements. In this regard, it is appropriate to clarify the treatment of income taxes: for interim financial statements, the current and deferred tax charge is calculated by applying the estimated annual average tax rate for the current financial year to the six-month taxable income for each legal entity or tax group, as adjusted for non-recurring items allocated to the period.

The main estimates at June 30, 2019 involved:

- > Assessment of the recoverability of deferred tax assets: the method followed is based on internal business plans, and takes into account the local legislation in effect at the balance sheet date;
- > The value of goodwill: tested for impairment at least once a year for the annual financial statements and whenever an indication of loss of value arises;

- > Inventory valuation: the method followed to determine the net realizable value of inventory is based on the best estimate, as of the date of preparation of the financial statements, of the future sale price in the normal course of business less any estimated selling costs;
- > Rights of use and rental obligations valuation with the adoption of IFRS 16;
- > Impairment of receivables: reviewed on a case-by-case basis in light of the specific situation of particular customers;
- > Employee benefit liabilities: measured based on actuarial assumptions;
- > Current and non-current provisions: estimated to reflect the best estimate of the risks as of the balance sheet date.

4.1.1 Changes in accounting standards – Impact of the new standard IFRS 16

IFRS 16 which replaces IAS 17 and the related interpretations as of January 1, 2019 removes the distinction between operating leases and finance-lease agreements; it requires, for practically all leases, recognition of an asset (right of use of the asset leased) and a lease liability representing future lease payments discounted for the term of the lease, factoring in lease renewal scenarios if these options are reasonably certain.

The lease expense is replaced by a depreciation expense related to the right-of-use asset and an interest expense related to the lease liability.

The Group holds around 500 leases representing an annual lease expense of around €20 million for 2018.

Adoption of IFRS 16 mainly impacts the recognition of real estate leases relating to distribution centers.

Since January 1, 2019, the Group has applied IFRS 16 according to the modified retrospective approach, in recognizing the cumulative effect of initially applying the new standard under the transitional method at the date of initial application.

The comparative information presented in this document is not restated for the impact of the application of the standard.

The Group has chosen to apply the two exemptions proposed by the standard on the following contracts:

- > short-term leases;
- > leases of low-value items.

The expenses relating to these leases remain under operating expenses.

Future lease payments are discounted by the lessee's incremental borrowing rate, the implicit rate being difficult to determine.

Impact of the transition at January 1, 2019

In application of the modified retrospective method, implementation of the standard at January 1, 2019 is reflected in the recognition of a lease liability amounting to €83.1 million.

Operating lease commitments at 31.12.18 (§ 3.5.2 of the Registration Document)	90.2
Leases not recognized in application of IFRS 16 exemptions	(2.3)
Discounting effect	(6.4)
Difference relating to renewal options	1.8
Other	(0.2)
Lease liability under IFRS 16 as of 01.01.09	83.1

Assets financed by finance leases at December 31, 2018 (under IAS 17), presented on the balance sheet under "Property, plant and equipment", are reclassified as of January 1, 2019 under "Right-of-use assets" (€18.4 million impact). The corresponding liability (classified under long-term and short-term borrowings) is reclassified under long-term and short-term lease liability in an amount of €15.8 million.

Impact on the consolidated financial statements at June 30, 2019

Net right-of-use assets amount to €90.7 million (€4.2 million was deducted following reclassification to assets held for sale) and lease liabilities amounted to €87.7 million (€3.9 million was deducted following reclassification to liabilities held for sale).

Following application of IFRS 5 in relation to the current sale of Abraservice, the depreciation charge amounted to €9.7 million and interest €1.1 million (with respective impacts of €1.2 million and €0.2 million related to leases recognized previously under IAS 17).

Following application of IFRS 5 in relation to the current sale of Abraservice, the depreciation charge amounted to €9.2 million and interest €1.1 million (with respective impacts of €1.1 million and €0.2 million related to leases recognized previously under IAS 17). This first-time application of IFRS 16 – Leases resulted in a reduction in operating expenses (rent payments) and an increase in depreciation charges amounting to €8.6 million and €8.1 million respectively.

4.1.2 Main changes in consolidation scope – Impact of IFRS 5

On July 25, 2019, the Group signed an agreement with SSAB for the sale of 100% of the shares in its subsidiary Abraservice Holding, the holding company of the Abraservice group which specializes in the distribution of wear-resistant steels. In accordance with *IFRS 5 – Assets held for sale*, as of June 30, 2019 Abraservice's contribution is no longer recognized under Group sales or operating income. Only Abraservice's net income is included in net income (Group share) under "Net income from discontinued operations".

Abraservice contribution to the income statement:

€m	30.06.19	30.06.18
Sales	41.7	41.2
Operating income	3.0	2.9
Net income (Group share)	1.9	1.7

The main balance sheet indicators are as follows:

€m	30.06.19
Non-current assets	18.8
Current assets	23.6
Total	42.4
Non-current liabilities	8.3
Current liabilities	17.0
Total	25.3

4.1.2.1 Impact on the first half 2018 income statement

€k	30.06.18 reported	Impacts of IFRS 5 ¹	30.06.18 restated
Sales	983,994	(40,227)	943,767
Operating income	62,050	(2,932)	59,118
Net income (Group share)	40,639	–	40,639

¹ The impact of IFRS 5 includes restatement of cash flows between Abraservice and the Group.

4.1.2.2 Impact on the first half 2018 cash flow statement

€k	30.06.18 reported	Impacts of IFRS 5	30.06.18 restated
Net income (Group share)	40,639		40,639
Cash flow from operating activities	(6,478)	–	(6,478)
Cash flow from investing activities	(7,721)	–	(7,721)
Cash flow from financing activities	30,928	–	30,928
Change in cash and cash equivalents	16,729	–	16,729

4.2 Notes to the Consolidated Statement of Comprehensive Income

4.2.1 Operating segments

The Group is organized on the basis of three divisions:

> JACQUET > STAPPERT > IMS group

At June 30, 2019, KPIs by operating segment, after reclassification of the Abraservice business to income from discontinued operations, are as follows:

€m	Sales	Gross margin	Adjusted operating income ¹	Operating working capital	Operating working capital (% of sales)
JACQUET	178.5	53.9	9.1	101.5	29.8%
STAPPERT	253.9	50.1	10.1	98.9	20.3%
IMS Group	460.2	100.2	11.8	218.5	24.4%
Non-division operations	0.1	0.0	0.5	2.4	n.a
Inter-brand eliminations	(8.3)	–	–	–	n.a
Total	884.4	204.3	32.1	421.3	24.6%

¹ Adjusted for non-recurring items The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them. Adjusted operating incomes of the 3 divisions are presented excluding IFRS 16 impacts.

n.a: not applicable.

At June 30, 2018, KPIs by operating segment, after reclassification of the Abraservice business to income from discontinued operations, are as follows:

€m	Sales	Gross margin	Adjusted operating income ¹	Operating working capital	Operating working capital (% of sales)
JACQUET	169.7	53.8	11.2	105.0	33.1%
STAPPERT	253.0	55.3	14.1	90.6	19.3%
IMS Group	519.4	123.5	27.7	220.9	23.3%
Non-division operations	10.3	1.9	2.1	7.7	n.a
Inter-brand eliminations	(8.6)	–	–	–	n.a
Total	943.8	234.5	55.1	424.1	24.7%

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

n.a: not applicable.

4.2.2 Corporate income tax

Net income includes a €8.3 million tax charge representing 32% of income before tax.

4.2.3 Earnings per share

	30.06.19	30.06.18
Net income (Group share) (€k)	17,661	40,639
Total number of shares	24,028,438	24,028,438
Treasury shares	368,636	339,834
Total number of shares excluding treasury shares	23,659,802	23,688,604
Basic earnings per share (€)	0.75	1.72
Bonus shares ¹	–	–
Total diluted number of shares, excluding treasury shares	23,659,802	23,688,604
Diluted earnings per share (€)	0.75	1.72

¹ Average number of shares during the period

4.2.4 Goodwill - Business combinations

Goodwill stood at €66.3 million at June 30, 2019, after reclassification of goodwill related to the Abraservice business.

The Group analyzed the results of the various cash-generating units (CGU); no indication of impairment was revealed.

4.2.5 Change in PP&E and intangible assets

Net book value at December 31, 2018	155.9
Reclassification of finance leases at 01.01.19	(18.4)
Acquisitions	12.9
Net disposals and scrap	(0.2)
Net depreciation / impairment	(8.4)
Translation differences	0.2
Other	0.7
Reclassification to assets held for sale	(10.6)
Net book value at June 30, 2019	132.1

4.2.6 Inventory and work-in-progress

€m	30.06.19	31.12.18
Gross value	525.0	576.3
Impairment	(79.1)	(83.4)
Net value	445.9	493.0

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

Net inventories have been restated at net realizable value after a provision representing 15.1% of the gross value at June 30, 2019, compared to 14.5% at December 31, 2018.

4.2.7 Trade receivables

€m	30.06.19	31.12.18
Gross value	212.4	189.6
Impairment	(6.7)	(7.3)
Net value	205.7	182.4

All receivables have a maturity of less than one year. The net value of the receivables does not include receivables assigned on a non-recourse basis, which amounted to €47 million in 2019, compared to €48 million in 2018.

4.2.8 Net cash and borrowings

€m	30.06.19	31.12.18
Cash	172.5	119.1
Cash equivalents	–	0.3
Gross value	172.5	119.4

“Cash equivalents” in 2018 primarily consisted of term deposits.

Net borrowings break down as follows:

€m	30.06.19	31.12.18
Fixed rate borrowings	53.1	46.2
Floating rate borrowings	276.9	291.6
Total borrowings	330.1	337.8
Cash and cash equivalents¹	172.5	123.3
Net borrowings	157.5	214.5

¹ Including €3.8 million in long-term loans at December 31, 2018 presented under Other financial assets (not included at June 30, 2019).

4.2.9 Shareholders' equity

In accordance with a resolution of the June 28, 2019 General Meeting, on July 4, 2019 the Group paid out a dividend of €0.70 per share amounting to €16.6 million in total. This amount is recognized under "Other liabilities" on the balance sheet.

4.2.10 Current and non-current provisions

€m	31.12.18	Charges	Reversal (unused)	Reversal (used)	Reclassification	Reclassification to liabilities held for sales	Changes in consolidation scope	30.06.19
Non-current provisions	5.6	0.1	(0.0)	(0.2)	0.0	(0.1)	–	5.5
Current provisions	33.3	0.4	(0.0)	(0.8)	(0.0)	(0.1)	–	32.8
Total	38.9	0.5	(0.1)	(1.0)	0.0	(0.2)	–	38.2

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

4.2.11 Provisions for employee benefit obligations

In accordance with IAS 34 - *Interim Financial Reporting*, the change in employee benefit obligations is based on the annual actuarial projection for December 31, 2019 as estimated at December 31, 2018. The impact on income is accrued straight line over time.

A decrease in the discount rate was recognized in the half-year financial statements.

4.2.12 Deferred tax

The origin of deferred tax is as follows:

€m	30.06.19	31.12.18
Temporary differences	17.2	18.4
Tax losses carried forward	3.8	5.3
Other IFRS restatements ¹	22.7	22.1
Deferred tax assets	43.7	45.8
Temporary differences	–	0.8
Tax losses carried forward	0.0	0.1
Other IFRS restatements ¹	(6.1)	(7.3)
Deferred tax liabilities	(6.1)	(6.4)

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

4.3 Bank covenants

Financing covenants mainly apply to the syndicated revolving loan and the German private placement (Schuldscheindarlehen or SSD) contracted by Jacquet Metal Service SA. These covenants mainly correspond to commitments that must be complied with at Group level. **All financing covenants were in compliance at June 30, 2019.**

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

- > Date of signature : June 2019
- > Maturity : June, 2022
- > Amount: €125 million (unused)
- > Guarantee: None
- > Change of control clause: JSA must hold at least 40% of Jacquet Metal Service SA's share capital and voting rights.
- > Main covenants:

The Company must meet one of the following criteria:

- > Debt to equity ratio less than 1 **or**
- > Leverage less than 2.

The main terms of the Schuldscheindarlehen are as follows:

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

4.4 Post balance sheet events

None.

5 Report of the Statutory Auditors on the half-year financial reporting

> GRANT THORNTON

Commissaire aux comptes
Membre de la Compagnie régionale de Versailles
SA au capital de 2 297 184 €
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> ERNST & YOUNG et Autres

Commissaire aux comptes
Membre de la compagnie régionale de Versailles
SAS à capital variable
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69393 Lyon cedex 03

To the Shareholders of JMS,

In compliance with the assignment entrusted to us by your general assemblies and in accordance with the requirements of article L.451-1-2 III of the French monetary and financial code ("code monétaire et financier"), we hereby report to you on:

- > the review of the accompanying (condensed) half-yearly consolidated financial statements of Jacquet Metal Service, for the period from January 1 to June, 30, 2019,
- > the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

1 Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matter set out in note "1.1 Changes in accounting standards – Impact of the new standard IFRS 16" to the condensed half-yearly consolidated financial statements regarding the impacts of the application of IFRS 16 "Leases" as of January 1st, 2019.

2 Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the (condensed) half-yearly consolidated financial statements.

Lyon, September 18, 2019

The Statutory Auditors

> GRANT THORNTON

Membre français de Grant Thornton International
—
Françoise Mechin

> ERNST & YOUNG et Autres

—
Lionel Denjean

6 Statement by the person responsible for the half-year financial report

I hereby certify that, to my knowledge, Jacquet Metal Service's summary interim consolidated financial statements for the first half of 2019 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and earnings of the company and all companies included in the consolidation scope, and that the activity report for the first half of 2019 gives a true and fair account of the important events that took place in the first six months of the year, their impact on the financial statements and the main transactions between related parties and includes a description of the main risks and uncertainties for the remaining six months of the year.

Saint-Priest, September 18, 2019

> **Éric Jacquet**
Chairman and CEO, Jacquet Metal Service