

October 14, 2022

Dear Shareholder,

Here are the main indicators on the current situation of our group.

TURNOVER AT SEPTEMBER 30, 2022: + 10.8%

In thousands of euros	2022	2021	Variation 2022/2021
Total at 30 September - according to IFRS 15	417,721	376,836	10.8%
1 st quarter	142,682	127,007	12.3%
2 ^d quarter	144,871	135,742	6.7%
3 rd quarter	130,168	114,087	14.1%

Breakdown by business:

Mecafer and Domac, equipment tools	27,445	27,165	1.0%	
Dipra / Rousseau, pumps, technical plumbing accessories and taps	54,607	54,589	0.0%	
Isocel, supply of components to OEM	8,034	6,434	24.9%	
Aello, equipment for swimming pools	17,760	16,852	5.4%	
Jetly, pumps	47,061	45,197	4.1%	
Thermador, central heating and domestic water accessories	73,463	54,651	34.4%	
PBTub	Heating - cooling surfaces and piping systems	22,307	21,780	2.4%
Thermacome		17,806	17,362	2.6%
Axelair, ventilation equipment and accessories	5,563	4,551	22.2%	
Sferaco, valves, meters and connectors *	57,176	53,447	7.0%	
Sectoriel, motorised valves and air compressors	22,383	19,882	12.6%	
Distrilabo, measure and control	4,902	4,655	5.3%	
FGinox, stainless steel connectors, flanges, valves and accessories	13,834	12,679	9.1%	
Syveco, international	25,489	22,489	13.3%	
Sodeco Valves, industrial valves	19,588	14,864	31.8%	
Other structures	303	239	26.8%	

* AFY's business, acquired by Sferaco on July 1, 2022, generated turnover of €817,000 in Q3.

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BUSINESS

The growth rate for Q3 2022 vs Q3 2021 (14.1%) is as flattering as Q2 was disappointing (6.7%). Adjusting for the base effect of the 2021 figures skewed by our customers' advance purchases before the end of June 2021, growth over the last two quarters has averaged 10.1%. This is a complicated combination of 11% average inflation passed on to our customers, a spectacular increase in sales of some of our ranges linked to energy optimisation (Thermador), exceptional circumstances (popularity of Mecafer and Domac generators) and substantial industrial projects delivered by Sodeco, but also confirmation of the drop in product volumes for new housing (PBtub and Thermacome) and lower stocking orders from wholesaler customers who are expecting a recession.

This apparent overall stability is due to the diversity of our product ranges and market segments, but it would be remiss not to mention our employees' remarkable efforts to steer us through these periods of highly volatile demand.

SUPPLIES, STOCKS AND WORKING CAPITAL REQUIREMENTS (WCR)

To date, 1,000 items are not immediately available (out of 75,000), equal to approximately 1.4% of our turnover. In other words, this no longer a big priority.

Contrary to all expectations, we note that supply lead times are getting markedly shorter, while demand and sales forecasts for certain product ranges are on the decline. Our purchasing departments have the delicate task of managing this situation as carefully as possible, avoiding penalising our industrial partners, who cooperated so well when the markets were showing high demand just a few months ago. This explains the relatively high stock level for this time of year, i.e. 200 days of purchases consumed.

If we were to get back to business as usual, we estimate that the stock level at the end of December could be 190 days of purchases consumed. Unfortunately, "normality" is somewhat in doubt due to geopolitical, macroeconomic and climate issues. By extension, we estimate that the group's consolidated operating WCR should eventually be around 35% of turnover to medium-term.

PROSPECTS

Additional costs triggered by gas and electricity hikes are expected to be somewhere near €750,000 in 2023 (4 times 2022 costs). We are still in the discussion phase on this topic and of course await the findings of European consultations. At the same time, our subsidiaries are working together to face up to the difficulties linked to possible energy shortages in the coming months.

Like all other players on the construction market, we are predicting a significant drop in new housing starts in the very near future. Fortunately, less than 10% of our group's turnover relies on this sector, which is very promising in the longer term given the housing shortages our country faces. As you know, we mainly sell repair and renovation products that meet primary needs such as heating, hot water, drinking water and fluid circulation in industry. Our business model is therefore inherently resilient, as we demonstrated during the 2009 crisis, when our turnover fell by only 5.5%. We are therefore prepared for all eventualities, counting on the strong development of equipment for the energy renovation of buildings in the medium term and in the longer term on the probable reindustrialisation of Europe. We also expect inflation to remain high in 2023 as a result of energy costs and wage rate pressures in Europe.

There is a strong possibility of a significant acquisition before the end of the year. We will keep you informed as we have always done.

COMMUNICATIONS

We are organising a webconference (in French and English) on October 14 at 6pm to comment on these results and answer your questions. You can register for the live coverage or replay on our website: <https://www.thermador-groupe.fr/videos/>

On November 29 in Paris (Carrousel du Louvre), we will be there to meet you at the Investir Day trade fair. You can already register on the event's website: <https://event.investirday.fr/>

Yours sincerely,

The Chairman
Guillaume Robin