

Serge Ferrari

Creator of innovative flexible composite materials



World Expo Milano 2015 – Kuwait Pavilion





Half-year Financial Report January 1 - June 30, 2015

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

SergeFerrari Group
Limited liability company with capital of €4,919,703.60
Headquarters: ZI de La Tour du Pin – 38110 Saint Jean de Soudain, France
382 870 277 Vienne Commercial Register

This financial report is related to the six months ended June 30, 2015 and was prepared in accordance with the provisions of Article L. 451-1-2 III of the French Monetary and Financial Code and Articles 222-4 et seq. of the French Financial Markets Authority ("AMF") General Regulation.

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

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

I hereby certify that, to the best of my knowledge, the condensed consolidated financial statements for the six months ended June 30, 2015 have been prepared in accordance with applicable accounting principles and present a fair view of the assets and liabilities, financial position and earnings of the Company and all of the companies included in the consolidation scope. I also certify that the half-year activity report presents a fair view of the main events occurring during the first six months of 2015, the impact thereof on the financial statements and the main related party transactions, as well as a description of the main risks and main uncertainties for the remaining six months of fiscal 2015.

Saint Jean de Soudain
September 2, 2015

Philippe Brun
Chief Financial Officer, Board member

HALF-YEAR ACTIVITY REPORT

Highlights

On January 15, 2015, the Swiss National Bank announced its decision to abolish the 1.20 CHF/EUR exchange rate cap 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). During the first half of 2015, the Swiss franc appreciated by nearly 15% 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 tends to reduce 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.

First half 2015 results

Revenues

First half 2015 revenues came to €79.0 million, up 4.2% on first half 2014 (€75.8 million). Revenue growth was 0.9% in the first quarter and 7.0% in the second quarter. First half revenues were boosted by a 2.7% currency gain, while volumes sold increased by 2.1%.

€'000	Q2 2015	Q2 2014	Ch.	H1 2015	H1 2014	Ch.
Southern Europe (SEUR)	15,845	15,142	4.6%	29,497	28,018	5.3%
Wide Europe (WEUR)	15,188	15,265	-0.5%	27,348	27,198	0.6%
Rest of World (ROW)	10,718	8,650	23.9%	18,234	16,623	9.7%
Total flexible composite materials	41,751	39,057	6.9%	75,079	71,839	4.5%
Other products	1,956	1,809	8.1%	3,917	4,003	-2.2%
Total revenues	43,707	40,866	7.0%	78,996	75,842	4.2%

Revenues per region changed as follows: Southern Europe (SEUR) up 5.3%, Wide Europe (WEUR) up 0.6% and Rest of World (ROW) up 9.7%. Growth in Southern Europe was mainly driven by the increase in volumes, while significant currency gains impacted revenues in Wide Europe (2.7%) and Rest of World (8.0%).

The Group continues to hire sales staff and the headcount increased from 122 at December 31, 2014 to 125 at June 30, 2015. The sales headcount is expected to reach 140 by the end of the year, in line with the development plan.

The showroom launched in February 2015 was warmly welcomed by specifiers, architects and engineering consultants, thus confirming the merits of having a location in Paris for exhibiting and promoting new Serge Ferrari products.

Earnings

The amounts referred to in the following comments have been adjusted in accordance with interpretation IFRIC 21.

The gross margin on standard costs of flexible composite materials sales came to 46.8% in first half 2015 compared to 45.8% in first half 2014. Adjusted for changes in exchange rates, the gross margin fell slightly to 45.3%, mainly due to the increase in the production costs of micro-cables and composite materials manufactured in the Swiss plants due to changes in the EUR/CHF exchange rate.

Personnel expenses increased from €20,734,000 to €21,784,000 due to:

- the hiring of new sales staff: the average half-year headcount increased from 111 in 2014 to 124 in 2015;
- foreign currency movements, in particular the appreciation of the Swiss franc, which had an impact of around €0.7 million on half-year results.

The increase in external expenses was mainly due to expenditure on sales initiatives in relation to the Barcelona sales conference and the R+T trade fair in February 2015.

First half 2015 operating income amounted to €6,461,000 compared to €5,713,000 in first half 2014: net other operating expenses of €622,000 in 2014 mainly included costs related to the Company's IPO.

Net income rose 5.1% from €3,423,000 in first half 2014 to €3,599,000. The 2014 figure has been adjusted in accordance with IFRIC 21.

Net debt and cash and cash equivalents

At June 30, 2015, net cash and cash equivalents amounted to €6.7 million compared to €17.5 million at December 31, 2014.

The €10.8 million change in net cash and cash equivalents was due to:

- capital expenditure for the period, which amounted to €2,901,000 compared to €2,584,000 in first half 2014;
- the change in operating working capital (up €14,396,000 compared to a €6,566,000 increase over the previous period). Changes in the EUR/CHF exchange rate increased working capital by €2.5 million.

Post balance sheet events

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.

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

Outlook

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

SergeFerrari Group continues to hire sales staff with the aim of increasing the sales force from 122 people at December 31, 2014 to 140 people by December 31, 2015. Based on first half 2015 results, SergeFerrari Group targets an increase in 2015 revenue and earnings.

Description of main risks and uncertainties

The Company's market risks

There has been no change in the Company's market risks as described in the Registration Document registered on June 11, 2015 under number R.15-050.

Operational risks

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

Related party transactions

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

There have been no changes to the related party transactions described in the last annual report that could have had a material impact on the issuer's financial position or earnings for the first half of the current fiscal year.

FIRST HALF 2015 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Group consolidated financial statements for the six months ended June 30, 2015 were approved by the Board of Directors on September 2, 2015.

CONSOLIDATED INCOME STATEMENT

Consolidated earnings - €'000	Note	H1 2015	Adjusted (1) H1 2014
Revenues	22	78,996	75,842
Purchases		(31,009)	(29,039)
Change in inventories		3,130	1,138
External expenses	23	(17,783)	(16,433)
Personnel expenses	24	(21,784)	(20,734)
Miscellaneous taxes	30	(1,629)	(1,434)
Depreciation and impairment	25	(3,716)	(3,548)
Net provisions for impairment	26	(181)	(52)
Other recurring income and expenses	27	436	596
EBIT		6,461	6,336
Other operating income and expenses		-	(622)
Operating income		6,461	5,713
Income from cash and cash equivalents		201	-
Gross cost of debt		(314)	(348)
Net cost of debt	28	(113)	(348)
Other financial income and expenses		(461)	(78)
Income before tax		5,887	5,287
Income tax	29	(1,986)	(1,322)
Income after tax		3,901	3,966
Share of earnings of equity affiliates	9	(302)	(543)
Total net income		3,599	3,423
Group share		3,592	3,410
Non-controlling interests		7	13
Earnings per share (€)		0.29	0.37
Diluted earnings per share (€)		0.29	0.37

(1) First half 2014 results adjusted in accordance with IFRIC 21

STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income - €'000	H1 2015	Adjusted (1) H1 2014
Total consolidated net income	3,599	3,423
Other comprehensive income:		
Actuarial gains/(losses) on pension liabilities	(2,992)	(2,113)
Income tax	619	317
Subtotal comprehensive income/(loss) not transferable to earnings	(2,373)	(1,796)
Currency translation differences	2,410	280
Income tax	-	-
Subtotal comprehensive income/(loss) transferable to earnings	2,410	280
Total other comprehensive income/(loss) after tax	35	(1,516)
Total comprehensive income	3,634	1,907
Group share	3,627	1,894
Non-controlling interests	7	13

(1) First half 2014 results adjusted in accordance with IFRIC 21

CONSOLIDATED BALANCE SHEET

Assets - €'000	Note	June 30, 2015	Adjusted (1)
			Dec 31, 2014
Goodwill	6	214	201
Intangible assets	7	7,029	6,501
Property, plant and equipment	8	26,994	25,712
Other financial assets	10	2,705	2,857
Deferred tax assets	11	3,409	3,065
Total non-current assets		40,351	38,336
Inventories and WIP	12	37,368	33,455
Trade receivables	13	39,972	28,716
Tax receivables	14	1,007	2,207
Other current assets	15	11,608	8,051
Cash and cash equivalents	16	39,762	45,178
Total current assets		129,718	117,608
Total assets		170,070	155,944

Liabilities and equity - €'000	Note	June 30, 2015	Adjusted (1)
			Dec 31, 2014
Capital stock	17	4,919	4,621
Additional paid-in capital	17	42,848	42,848
Consolidated reserves and other reserves	17	45,110	42,780
Net income for the period	17	3,592	4,328
Total equity, Group share	17	96,468	94,577
Non-controlling interests		49	39
Total minority interests		49	39
Total equity		96,518	94,616
Borrowings and debt	18	10,384	8,127
Provisions for pensions and similar commitments	19	9,198	6,418
Deferred tax liabilities	11	1,602	807
Total non-current liabilities		21,183	15,352
Borrowings and bank overdrafts (due in less than 1 yr)	18	22,663	19,590
Current provisions	20	1,166	1,166
Trade payables		17,966	15,016
Tax payables	14	408	290
Other current liabilities	21	10,165	9,914
Total current liabilities		52,369	45,977
Total liabilities		73,552	61,329
Total liabilities and equity		170,070	155,944

(1) 2014 full-year financial statements adjusted in accordance with IFRIC 21, which has been applied to the first half 2015 financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

€'000	H1 2015	Adjusted (1) H1 2014
Total consolidated net income	3,599	3,423
Consolidated net income from continuing activities	3,599	3,423
Elimination of earnings of equity affiliates (Note 9)	302	543
Depreciation, amortization and impairment (Note 25)	3,716	3,572
Provisions (Note 26)	182	52
Gains/(losses) due to changes in fair value	(15)	(60)
Other non-cash income and expenses	(279)	436
Free cash flow after net cost of debt and tax	7,506	7,966
Net cost of debt (Note 28)	314	348
Tax charge (Note 29)	1,986	1,322
Free cash flow before net cost of debt and tax	9,806	9,636
Change in operating working capital	(14,396)	(6,566)
<i>of which Change in trade receivables (Note 13)</i>	<i>(11,304)</i>	<i>(2,665)</i>
<i>of which Change in inventories (Note 12)</i>	<i>(4,113)</i>	<i>(1,802)</i>
<i>of which Change in trade payables</i>	<i>2,950</i>	<i>(1,389)</i>
<i>of which Change in other receivables and payables</i>	<i>(1,929)</i>	<i>(710)</i>
Tax paid	281	(594)
Other cash flows from operating activities (Note 19)	(996)	0
Net cash flows from operating activities	(5,305)	2,476
Acquisition of PP&E and intangible assets (Notes 7 & 8)	(2,901)	(2,584)
Change in financial assets (Note 10)	152	(810)
Disposal of PP&E and intangible assets (Notes 7 & 8)	13	0
Dividends received	1	0
Net cash flows from investing activities	(2,735)	(3,394)
Borrowings issued (Note 18)	2,941	500
Borrowings repaid (Note 18)	(3,216)	(2,770)
Net interest paid (Note 28)	(311)	(348)
Dividends paid	(1,472)	0
Factoring (Note 18)	4,956	(1,095)
Other cash flows from financing activities	(1,362)	(3,053)
Share issue (Note 17)	0	38,032
Purchase of treasury shares (Note 17)	(94)	0
Net cash flows from financing activities	1,442	31,266
Impact of changes in foreign exchange rates	1,230	35
Change in cash and cash equivalents	(5,368)	30,383
Cash assets (Note 16)	45,178	7,993
Bank overdrafts (Note 18)	(76)	(3,742)
Opening cash and cash equivalents	45,102	4,251
Cash assets (Note 16)	39,762	45,167
Bank overdrafts (Note 18)	(27)	(10,533)
Closing cash and cash equivalents	39,735	34,634
Change in cash and cash equivalents of discontinued operations		
Change in cash and cash equivalents	(5,368)	30,383

(1) First half 2014 results adjusted in accordance with IFRIC 21

CHANGE IN CONSOLIDATED EQUITY

€'000 - Adjusted (1)	Capital stock	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
Net income for the period			3,409		3,409	13	3,422
Other comprehensive income			0	(1,516)	(1,516)	0	(1,516)
Total comprehensive income for the period	0	0	3,409	(1,516)	1,893	13	1,906
Capital increase	1,268	36,764			38,032		38,032
Capital increase costs after tax		(1,854)			(1,854)		(1,854)
Other items			(71)		(71)	2	(69)
Total transactions with shareholders	1,268	34,910	(71)	0	36,107	2	36,109
Equity at June 30, 2014	4,737	37,965	46,192	227	89,121	48	89,169

(1) First half 2014 results adjusted in accordance with IFRIC 21

€'000 - Adjusted (1)	Capital stock	Capital reserves	Consolidated net income and reserves	Treasury shares	Other comprehensive income	Comprehensive income, Group share	Non-controlling interests	Total
Equity at Dec 31, 2014	4,621	42,848	47,160	0	(52)	94,577	39	94,616
Net income for the period			3,592			3,592	7	3,599
Other comprehensive income					35	35	3	38
Total comprehensive income for the period	0	0	3,592	0	35	3,627	10	3,637
Treasury shares				(94)		(94)		(94)
Parent company dividends			(1,471)			(1,471)		(1,471)
Other items	298		(171)	(298)		(171)		(171)
Total transactions with shareholders	298	0	(1,642)	(392)	0	(1,736)	0	(1,736)
Equity at June 30, 2015	4,919	42,848	49,110	(392)	(16)	96,468	49	96,517

(1) Equity position at December 31, 2014 adjusted in accordance with IFRIC 21

NOTES TO THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The notes form an integral part of the condensed consolidated financial statements for the six months ended June 30, 2015.

SergeFerrari Group SA is a limited liability company under French law, registered on June 10, 1992, whose main subsidiary Serge Ferrari SAS was founded in 1973 with an activity related to the design, manufacture and distribution of flexible composite materials. The Company's headquarters are located at Zone Industrielle de la Tour du Pin, 38110 Saint Jean de Soudain (France). SergeFerrari Group SA and its subsidiaries employed 606 people at June 30, 2015 compared to 594 at June 30, 2014.

NOTE 1 – First half 2015 highlights

The Company implemented the development plan presented at the time of its IPO in June 2014:

- sales and marketing expenditure to expand the sales force and develop new products,
- investment in industrial resources and innovation.

On June 30, 2015, the Company took 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.

NOTE 2 – Valuation and consolidation principles

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

The consolidated financial statements have been prepared pursuant to:

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

The consolidated half-year financial statements have been prepared pursuant to IAS 34 "Interim Financial Reporting". In accordance with IAS 34, the notes to the consolidated half-year financial statements are presented in condensed form. Only material transactions and adjustments to comply with specific interim financial reporting principles have been disclosed in the notes. The half-year financial statements should be read in conjunction with the Group financial statements for the year ended December 31, 2014, which form part of the Registration Document registered with the French Financial Markets Authority (AMF) on June 11, 2015 under number R.15-050 and can be consulted (in French) on the Group website <http://www.sergeferraribourse.com/informations-financieres/documents-financiers>

Changes in accounting principles

The Group refers to the guidelines available for consultation on the EFRAG (European Financial Reporting and Advisory Group) website at:

http://www.efrag.org/Front/c1_306_Endorsement_Status_Report_EN.aspx

Accounting standards, interpretations and amendments of compulsory application by the Group from January 1, 2015 include the following:

- IFRIC 21 Levies, which lays down the rules for recognizing miscellaneous taxes in accordance with the triggering or "obligating" event. In first half 2015, the Company recorded a net tax charge of €158,000 comprising a €58,000 corporate social solidarity (C3S) contribution and €100,000 of property tax (*taxe foncière*); the first half 2014 income statement has been adjusted accordingly for a net tax charge of €163,000 comprising a €73,000 C3S and €90,000 property tax.
- The impact of the application of IFRIC 21 on the H1 2014 financial statements is as follows:

INCOME STATEMENT

Consolidated earnings - €'000	Note	H1 2014 reported	IFRIC 21	Adjusted H1 2014
Revenues	22	75,842	-	75,842
Miscellaneous taxes	30	(1,186)	(248)	(1,434)
EBIT		6,584	(248)	6,336
Other operating income and expenses		(622)	-	(622)
Operating income		5,962	(248)	5,713
Income from cash and cash equivalents		-	-	-
Income before tax		5,536	(249)	5,287
Income tax	29	(1,407)	85	(1,322)
Income after tax		4,129	(163)	3,966
Share of earnings of equity affiliates	9	(543)	0	(543)
Total net income		3,586	(163)	3,423

CONSOLIDATED BALANCE SHEET

Liabilities and equity - €'000	Note	Dec 31, 2014 reported	IFRIC 21	Adjusted Dec 31, 2014
Net income for the period	17	4,355	(27)	4,328
Total equity, Group share	17	94,604	(27)	94,577
Total equity		94,643	(27)	94,616
Deferred tax liabilities	11	821	(14)	807
Total non-current liabilities		15,366	(14)	15,352
Other current liabilities	21	9,873	41	9,914
Total current liabilities		45,935	41	45,977
Total liabilities		61,301	27	61,329
Total liabilities and equity		155,944	0	155,944

STATEMENT OF CASH FLOWS

€'000	Reported	IFRIC 21	Adjusted H1 2014
Total consolidated net income	3,586	(163)	3,423
Free cash flow after net cost of debt and tax	8,129	(163)	7,966
Tax charge (Note 29)	1,409	(87)	1,322
Free cash flow before net cost of debt and tax	9,886	(250)	9,636
Change in operating working capital	(6,816)	250	(6,566)
<i>of which Change in other receivables and payables</i>	<i>(960)</i>	<i>250</i>	<i>(710)</i>
Change in cash and cash equivalents	30,383	0	30,383

CHANGES IN EQUITY

€'000 (reported)	Capital stock	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 June 30, 2014 (reported)	4,737	37,965	46,356	227	89,285	48	89,333
IFRIC 21			(164)	0	(164)	0	(164)
Equity at June 30, 2014 (adjusted)	4,737	37,965	46,192	227	89,121	48	89,169

- IFRS 9 - Financial Instruments
- Annual improvements – 2010-2012 and 2011-2013 cycles.

The Group has not applied any new standards or interpretations.

Significant estimates

Principles applying to estimates and judgments are described under Note 2.6 to the financial statements for the year ended December 31, 2014. In some cases, such principles have been adapted to comply with the specific features of interim reporting.

Specific interim reporting accounting principles

- **Income tax**

The tax charge is computed separately for each company: the estimated effective average tax rate for the current year is applied to income before tax for the first half year.

- **Research tax credit**

The research tax credit is accounted for as a grant and is included under 'Other recurring income and expenses'.

- **CICE**

The French CICE tax credit for employment and competitiveness is accounted for as a deduction from personnel expenses.

- **Employee profit share**

First half 2015 profit share was calculated based on the results for the six months ended June 30, 2015.

- **Post retirement benefits**

Pursuant to IAS 34, provisions for pensions and similar commitments have not been calculated on a detailed basis as required for annual financial statements. Changes to net pension liabilities as of June 30, 2015 have been estimated as follows:

- Interest expense and the cost of services provided have been estimated based on actual 2014 costs in accordance with the accruals concept.
- The effect of the reduction in the discount rate (2.05% at June 30, 2015 vs. 1.8% at December 31, 2014 in respect of French pension liabilities) was not recognized due to its non-material nature, and the reduction from 1.5% at December 31, 2014 to 1% at June 30, 2015 for Swiss pension liabilities was accounted for based on sensitivity tests performed as of December 31, 2014.
- The other actuarial assumptions in relation to the overall pension liability (e.g. salary rises, staff turnover etc.) are updated when the annual financial statements are prepared. No items that could have a material impact on the first half financial statements have been identified.
- Other actuarial gains and losses arising from experience were not calculated as of June 30, 2015 given that no material change is expected for the current fiscal year.
- No adjustments were made to the fair value of plan assets (long-term investments) as of June 30, 2015.

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

- **Impairment tests**

Procedures for performing impairment tests are described in Note 2.12 (Asset impairment) to the 2014 financial statements as shown in the Registration Document.

Impairment tests are only performed for half-year financial statements in respect of material assets where there is an indication of loss of value in the current or prior year. No impairment testing was conducted as part of the preparation of the first half 2015 financial statements.

NOTE 3 – Consolidation scope

The consolidation scope is shown under Note 3 to the 2014 financial statements included in the Registration Document. No changes in consolidation scope took place during first half 2015.

The closing date for all consolidated companies is December 31. Unconsolidated companies are stated at original cost and provisions for impairment are recorded, where applicable.

NOTE 4 – Conversion of foreign currency financial statements

Foreign currency exchange rates applied are as follows:

		Average exchange rate	
	€1 equal to	H1 2015	H1 2014
Swiss franc	CHF	1.05820	1.22130
Chilean peso	CLP	693.23330	757.89820
Yen	JPY	134.28270	140.44120
US dollar	USD	1.11710	1.37090
Brazilian real	BRL	3.30650	3.14990

		Closing rate	
	€1 equal to	June 30, 2015	Dec 31, 2014
Swiss franc	CHF	1.04130	1.20240
Chilean peso	CLP	712.18000	736.36600
Yen	JPY	137.01000	145.23000
US dollar	USD	1.11890	1.21410
Brazilian real	BRL	3.46990	3.22070

NOTE 5 – Revenue breakdown and seasonal effects

In the past the Group has posted some 55% of annual revenues in the first half due to the Architecture business, which has higher sales in the first half than in the second half. Group first half 2015 results should not be taken as an indication of second half results given that fixed costs in the second half will be a higher proportion of earnings on sales.

NOTE 6 – Goodwill

Goodwill - €'000	June 30, 2015	Dec 31, 2014
Net book value b/fwd	201	202
Translation differences	13	(1)
Net book value c/fwd	214	201

NOTE 7 – Intangible assets

€'000	Dec 31, 2014	Acq.	Amortization for the period	Changes in exchange rates	Reclassifications and retirement	June 30, 2015
Research & development costs	5,967	462		171		6,600
Concessions, patents & similar rights	38					38
Intangible assets in progress	961	4		49	(1,010)	3
Other intangible assets	7,819	551		278	1,010	9,656
Total intangible assets	14,786	1,017	0	498	0	16,297
R&D costs amortization/impairment	(2,431)		(534)	(59)	47	(2,977)
Concessions, patents & similar rights amortization/impairment	(38)					(38)
Other intangible assets amortization/impairment	(5,816)		(348)	(93)		(6,249)
Total intangible assets amortization/impairment	(8,284)	0	(882)	(152)	47	(9,264)
Total net book value	6,501	1,017	(882)	346	47	7,029

NOTE 8 – Property, plant and equipment

€'000	Dec 31, 2014	Acq.	Disposals	Depreciation for the period	Changes in exchange rates	Reclassifications and retirement	June 30, 2015
Land	1,700				263		1,963
Buildings	35,563	461			2,821		38,844
Plant and equipment	106,563	894	(429)		8,635	480	116,143
PP&E in progress	1,039	448			55	(512)	1,031
Other PP&E	8,986	82	(4)		688		9,752
Total property, plant and equipment	153,849	1,884	(432)	0	12,462	(32)	167,733
Building depreciation/impairment	(26,184)			(814)	(1,717)		(28,716)
Plant and equipment depreciation/impairment	(94,999)		416	(1,830)	(7,787)		(104,201)
Other PP&E depreciation/impairment	(6,954)		4	(189)	(681)		(7,821)
Total PP&E depreciation/impairment	(128,137)	0	419	(2,833)	(10,186)	0	(140,737)
Total net book value	25,712	1,884	(13)	(2,833)	2,276	(32)	26,994

NOTE 9 – Investments in equity affiliates

Amounts posted to consolidated earnings and balance sheet

Vinyloop - €'000	June 30, 2015	Dec 31, 2014
Investments in equity affiliates	0	0
Consolidated share of earnings	(302)	(1,070)

Financial data of equity affiliates

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

Vinyloop	H1 2015 (est.)	2014 (actual)
Revenues	1,706	3,429
Net income/(loss)	(1,051)	(2,378)
Equity	43	(406)
Total assets	Unknown	14,130

NOTE 10 – Other financial assets

€'000	June 30, 2015	Dec 31, 2014
Held-for-sale financial assets	456	456
Other loans and receivables	2,249	2,401
Total other financial assets	2,705	2,857

NOTE 11 – Deferred tax assets and liabilities

Deferred tax (€'000)	June 30, 2015	Dec 31, 2014
Deferred tax assets related to employee benefits	1,786	1,439
Tax losses carried forward	95	95
Elimination of inter-company gains and losses	501	381
Research tax credit adjustment	390	292
Change in fair value of interest rate and currency hedges	230	195
Non-deductible provision	0	90
Other timing differences	407	574
Total deferred tax assets	3,409	3,065
Non tax-allowable provisions	1,602	807
Total deferred tax liabilities	1,602	807
Total net deferred tax	1,807	2,258

NOTE 12 – Inventories

€'000	June 30, 2015			Dec 31, 2014		
	Gross	Prov.	Net	Gross	Prov.	Net
Raw materials, supplies and other	8,547	(285)	8,262	7,860	(227)	7,634
Work in progress	131	(93)	38	253	(39)	214
Finished goods and components	29,024	(2,795)	26,229	25,437	(2,913)	22,524
Goods for resale	3,286	(446)	2,840	3,323	(239)	3,084
Total inventories	40,988	(3,619)	37,368	36,873	(3,418)	33,455

NOTE 13 – Trade receivables

€'000	June 30, 2015	Dec 31, 2014
Trade receivables and payments on account	19,668	13,792
Receivables sold to the factoring company	22,491	17,079
Trade receivables	42,159	30,872
Trade receivables impairment	(2,187)	(2,155)
Total trade receivables	39,972	28,716

NOTE 14 – Tax receivables and payables

€'000	June 30, 2015	Dec 31, 2014
Tax receivables	1,007	2,207
Tax payables	408	290

NOTE 15 – Other current assets

€'000	June 30, 2015	Dec 31, 2014
Current accounts - assets	5,280	4,180
Tax receivables excl. income tax	1,389	1,721
Staff and related receivables	419	147
Supplier receivable balances	754	279
Other receivables	935	828
Prepaid expenses	2,815	883
Loans receivable, guarantees and other receivables due in less than 1 yr	14	13
Total other current assets	11,608	8,051

NOTE 16 – Cash and cash equivalents

€'000	June 30, 2015	Dec 31, 2014
Marketable securities	45	84
Cash and short-term investments	39,717	45,094
Total cash and cash equivalents	39,762	45,178

NOTE 17 – Capital stock

The capital stock of SergeFerrari Group as of January 1, 2015 and June 30, 2015 comprised 12,299,259 shares with a par value of €0.40 each.

The 42,272 treasury shares held under the liquidity contract were canceled as of June 30, 2015 for an amount of €94,000.

Net proceeds from the sale of treasury shares amounted to a €74,000 loss.

In accordance with economic conditions and changing requirements, the Group may opt to make changes to its capital stock, for example by issuing new shares or by purchasing and canceling existing shares.

The Company has never allocated securities giving future access to capital of any kind whatsoever (stock options, bonus shares, etc.). There are therefore no dilutive instruments.

As of June 30, 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 18 – Borrowings and debt

Dec 31, 2014 - €'000	Current	Non-current	Total	Due in less than 1 yr	Due in 1 to 5 yrs
Bank loans	6,430	8,127	14,556	6,430	8,127
Bank overdrafts	76	0	76	76	0
Factoring	13,084	0	13,084	13,084	0
Total borrowings and debt	19,589	8,127	27,717	19,590	8,127
Cash and cash equivalents	(45,178)	0	(45,178)	(45,178)	0
Net debt	(25,588)	8,127	(17,461)	(25,588)	8,127

June 30, 2015 - €'000	Current	Non-current	Total	Due in less than 1 yr	Due in 1 to 5 yrs
Bank loans (1)	4,585	10,384	14,969	4,585	10,384
Bank overdrafts	27	0	27	27	0
Factoring	18,051	0	18,051	18,051	0
Total borrowings and debt	22,662	10,384	33,047	22,663	10,384
Cash and cash equivalents	(39,762)	0	(39,762)	(39,762)	0
Net debt	(17,099)	10,384	(6,715)	(17,099)	10,384

(1) Including exchange differences amounting to €690,000.

As of June 30, 2015, factoring financing amounted to €18,051,000, of which €13,039,000 had been drawn and €5,012,000 was undrawn, for which an offsetting entry is included under 'Cash and cash equivalents'.

NOTE 19 – Provisions for pensions and similar commitments

The change in the discount rate on post-retirement benefits for French companies (1.8% at December 31, 2014 and 2.05% at June 30, 2015) has not had a material impact on the value of the liability. With regard to the pension liabilities of the Group's Swiss companies, a 1% discount rate (based on the yield of Swiss blue-chip corporate bonds in the industrial sector), as published by the Swiss Actuaries Institute (www.skpe.ch) was applied at June 30, 2015. This discount rate was 1.5% at December 31, 2014.

As of June 30, 2015 no changes were made to the fair value of pension plan assets, which mainly consist of real estate investments, at December 31, 2014.

€'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	6,418
Cost of past services	73	88	(11)	150
Interest expense	19	32	0	51
Actuarial gains/(losses)	(25)	3,017	0	2,992
Payment	(996)	0	0	(996)
Exchange differences	0	585	0	585
June 30, 2015	1,415	7,417	365	9,198

NOTE 20 – Provisions

€'000	Dec 31, 2014	Increase	Reversal		June 30, 2015
			Used	Not used	
Current provision	1,166	214	(94)	(120)	1,166
Provisions for guarantees	652	9	0	0	661
Provisions for employee & admin. disputes	192	205	0	0	397
Provisions for commercial disputes	202	0	(94)	0	108
Provisions related to equity affiliates	120	0	0	(120)	0
Non-current provision	0	0	0	0	0

NOTE 21 – Other current liabilities

€'000	June 30, 2015	Dec 31, 2014
Current accounts - liabilities	11	271
Tax and social security payables	8,765	7,822
Customer accounts payable	556	350
Other payables	165	817
Fair value of derivative financial instruments	669	654
Total other current liabilities	10,165	9,914

NOTE 22 - Information relating to business areas

	Q1 2015	Q2 2015	H1 2015	Q1 2014	Q2 2014	H1 2014
Flexible composite materials	33,328	41,752	75,080	32,782	39,057	71,839
Other products	1,958	1,958	3,916	2,194	1,809	4,003
Total revenues	35,286	43,710	78,996	34,976	40,866	75,842

	Q1 2015	Q2 2015	H1 2015	Q1 2014	Q2 2014	H1 2014
Southern Europe (SEUR)	13,652	15,847	29,499	12,876	15,142	28,018
Wide Europe (WEUR)	12,160	15,185	27,345	11,933	15,265	27,198
Rest of World (ROW)	7,516	10,720	18,236	7,973	8,650	16,623
Total flexible composite materials sales	33,328	41,752	75,080	32,782	39,057	71,839

NOTE 23 – External expenses

€'000	H1 2015	H1 2014
Subcontracting	233	216
Leasing and rental costs	2,832	2,546
Maintenance and repairs	1,814	1,488
Insurance premiums	449	426
Studies, research, documentation and conferences	514	509
Temporary workers' pay and fees	3,626	3,659
Other external expenses	164	216
Non-company staff	705	491
Advertising, publications, public relations	1,810	2,083
Transport	3,565	3,223
Entertaining	1,524	1,284
Mail and telecommunications costs	349	295
Bank charges	198	96
Total external expenses	17,783	16,433

NOTE 24 - Personnel expenses and senior management remuneration

€'000	H1 2015	H1 2014
Staff pay	15,795	15,176
Social security charges	5,014	4,969
Other personnel expenses	686	417
Staff profit share	288	175
Total personnel expenses	21,784	20,734

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 personnel expenses for the period. This reduction amounted to €235,000 in H1 2015 compared to €237,000 in H1 2014.

Headcount	June 30, 2015	Dec 31, 2014
Sales staff	125	114
Production/logistics	374	380
Support functions	107	100
Subtotal	606	594
Temporary staff and other (month-end headcount)	0	0
Total headcount	606	594

Senior management remuneration:

€'000	H1 2015	H1 2014
Ferrari Participations (for services provided)	300	237
Corporate officers' remuneration	71	38
Benefits in kind	4	3
Total senior management remuneration	375	277

The amounts for H1 2014 include:

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

The change in first half 2015 is mainly due to the fact that Mr. Philippe Brun held the office of managing director throughout the period.

NOTE 25 - Depreciation, amortization and impairment

€'000	H1 2015	H1 2014
Intangible assets	(882)	(883)
Property, plant and equipment	(2,833)	(2,666)
Depreciation, amortization and impairment	(3,716)	(3,548)

NOTE 26 - Provision expenses

€'000	H1 2015	H1 2014
Operating provisions	(198)	(172)
Receivables provisions	(471)	(2,135)
Inventory and WIP provisions	(2,623)	(4,754)
Reversals of impairment of RM and goods inventories	2,291	4,315
WIP and finished goods reversals/impairment	295	332
Reversals of receivables provisions	430	2,078
Reversals of operating provisions	95	284
Net impairment and provisions	(181)	(52)

NOTE 27 - Other recurring income and expenses

€'000	H1 2015	H1 2014
Capitalized production	0	308
Operating grants	93	148
Gains/(losses) on disposal of assets	(18)	0
Other	361	141
Other recurring income and expenses	436	596

In accordance with French accounting standards authority (ANC) recommendation no. 2013-03 dated November 7, 2013, the Company reclassified expenses incurred in the production of capitalized intangible assets and property, plant and equipment as a deduction from expenses in the relevant categories.

€310,000 of first half 2015 personnel expenses were reclassified in accordance with this principle.

NOTE 28 – Financial income and expenses

	H1 2015	H1 2014
Net cost of debt	(113)	(348)
Income from cash and cash equivalents	201	0
Interest expense	(314)	(348)
Other financial income and expenses	(461)	(77)
Net currency gains/(losses)	(471)	55
- USD	40	0
- CHF	(359)	69
- Other currencies	(152)	(13)
Change in value of derivative financial instruments	(14)	(112)
- USD exchange rate	(54)	11
- Interest rate	40	(9)
Financial expenses on employee benefits	(51)	(51)
Dividends from non-consolidated entities	1	22
Other	74	9
Net financial expense	(574)	(425)

NOTE 29 – Tax charge

€'000	H1 2015	H1 2014
Deferred tax	949	684
Current tax	1,037	638
Total income tax	1,986	1,322

The notional tax charge 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	H1 2015	H1 2014
Net income	3,599	3,423
Offset:		
=> Share of earnings of equity affiliates	(302)	(543)
=> Tax charge	1,986	1,322
Income before tax	5,887	5,288
French statutory tax rate	34.43%	34.43%
Notional tax charge	2,027	1,821
Reconciliation		
=> Tax credits	(95)	(115)
=> Tax rate differences - France/other countries	(37)	(363)
=> Permanent differences	91	(21)
Actual tax charge	1,986	1,322
Effective tax rate	33.7%	25.0%

NOTE 30 – Miscellaneous taxes

€'000	H1 2015	H1 2014
Other miscellaneous taxes	981	955
Miscellaneous payroll taxes	648	479
Total miscellaneous taxes	1,629	1,434

Miscellaneous payroll taxes include the ongoing training contribution, the 1% housing contribution, apprentice tax and disability tax levied in France. All other miscellaneous taxes are included under 'Other miscellaneous taxes'.

The Company recorded CVAE business value added tax amounting to €417,000 for H1 2015 and €502,000 for H1 2014.

NOTE 31 – Related party transactions

€'000	H1 2015			H1 2014		
	Ferrari Participations	Real estate companies	Vinyloop	Ferrari Participations	Real estate companies	Vinyloop
Operating payables	809	1,736	41	1,021	1,628	
Operating receivables	932	1,465	-	866	147	
Current accounts	4,610	(491)	(17)	(1,932)	1,353	1,768
Purchases of goods and services	945	1,409	345	944	1,377	185
Sales of goods and services	56	52	-	61	71	
Interest expense	-	0	-	11		
Interest income	32	5	22	17		

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.

NOTE 32 – Off-balance sheet commitments

There was no material change in off-balance sheet commitments during first half 2015.

STATUTORY AUDITORS' REPORT ON THE FIRST HALF 2015 FINANCIAL REPORT

To the Shareholders,

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

- performed a limited review of the SergeFerrari Group condensed consolidated financial statements covering the period from January 1 to June 30, 2015, as attached hereto;
- verified the information given in the half-year activity report.

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

I - Opinion on the financial statements

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

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

Without qualifying the foregoing conclusion, we hereby draw your attention to the note entitled "Changes in accounting principles" in the notes to the half-year condensed consolidated financial statements, which explains the first-time application of IFRIC 21 as from January 1, 2015.

II - Specific testing

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

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

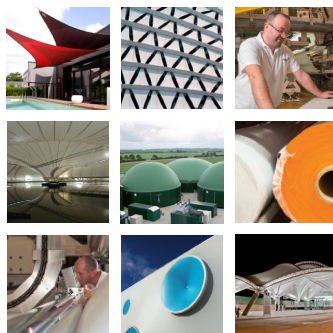
Lyon and Villeurbanne, September 2, 2015,

The Statutory Auditors
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