Serge Ferrari
lightweight + durable

Press release

Saint Jean de Soudain, September 11, 2018

An excellent first half 2018:

Revenues up 10.7% at constant exchange rates

Operating income up 21.6%

Net income up €0.9 million after €2.0 million of non-recurring expenses arising from the shutdown of Vinyloop operations

SergeFerrari Group (FR0011950682) designs, manufactures and distributes innovative flexible composite materials and is listed on Euronext Paris - Compartment C.

On September 11, 2018 the Board of Directors approved the first half 2018 condensed consolidated financial statements. The Statutory Auditors have conducted a limited review of these consolidated financial statements.

First half results (audited)

(€'000)	H1 2018	H1 2017	Change (€'000)
Revenues	96,648	89,030	+7,618
Adjusted EBITDA	9,734	9,162	+572
EBIT	4,817	3,960	+857
Share of earnings of equity affiliates and income/(loss) from operations held for sale	(2,043)	(427)	-1,616
Net income, Group share	903	2,548	-1,645

Revenues up 10.7% at constant exchange rates

First half 2018 performance was boosted by the impact of the organizational investment program launched by the Group in 2014 to drive international development and improve operating efficiency.

At constant exchange rates, all regions (Europe, the Americas and Asia-Africa-Pacific) contributed to the period's results.

At constant exchange rates, revenue growth was 10.7%: after allowing for the impact of a €1.8 million loss due to adverse currency movements during the period, revenues at current exchange rates rose by 8.6%.

Improvement in operating income

Adjusted EBITDA came to €9.7 million, i.e. 10.1% of revenues**,** versus €9.1 million in first half 2017.

EBIT rose 21.6%, mainly due to change in consolidation, an increase in the composite materials gross margin and tight control of net sales costs. The first half operating margin rose from 4.4% in 2017 to 5.0%, despite an exceptional €0.5 million provision charge for inventory impairment applied to components of a product undergoing re-industrialization.

As announced, net income was impacted by the results of equity affiliates and non-recurring expenses of €2 million arising from the sale of Vinyloop Ferrara SpA.

As mentioned previously, Inovyn Italia, 60% majority shareholder in Vinyloop Ferrara SpA, decided to discontinue all recycling operations at the Ferrara facility. On July 16, 2018, Texyloop sold its 40% equity stake in Vinyloop Ferrara SpA to Inovyn Italia. Having acquired the entire capital stock of Vinyloop Ferrara SpA, Inovyn Italia has assumed all of the consequences of shutting down the facility and liquidating the company, thereby releasing the Group from all liability regarding the implementation of these procedures and their financial consequences.

As a result, the upcoming fiscal years will be positively impacted by i) the disappearance of Vinyloop Ferrari SpA's losses from the Group financial statements (in 2017, the inclusion of 40% of Vinyloop's earnings resulted in a €1 million loss recorded under 'Share of earnings of equity affiliates') and ii) a reduction in the costs incurred by Texyloop for waste collection and reuse of products derived from the recycling process under its previous organizational system.
As announced, the Group now offers an alternative solution which, albeit less environmentally efficient than Texyloop technology, allows the Group to continue the service. The Group has also commissioned a feasibility study on the Texyloop 4.0 "smart factory" process, which is expected to generate operating expenses of around €0.3 million in 2019 compared to €1.0 million for Texyloop in 2017. Project expenditure, which will be calculated more precisely once the feasibility study has been completed, is expected to be limited in comparison with previous investments in Vinyloop Ferrara SpA.

As of June 30, 2018, the Group had a strong financial structure with shareholders' equity of €89.2 million and net debt of €7.1 million.

During the period, the Company purchased 3% of its shares for €3.9 million.

Outlook

The Group's priority for the second half of 2018 is to increase the efficiency of its industrial units in order to improve operating margins and step up the pace of international business development.

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It is aiming to increase EBIT before non-recurring items over the full year.

Serge Ferrari is confirming its goal of combining organic growth with acquisitions as part of its SF 2020 Plan.

2018 half-year financial report
In accordance with the Transparency Directive, the Company hereby confirms that it has published its first half 2018 financial report and filed it with the French Financial Markets Authority (AMF). The report may be viewed at www.sergeferrari.com under the heading Investors/Informations financières.

Diary dates

Q3 2018 revenues, October 25, 2018 after market close

Glossary

Adjusted EBITDA: EBIT +/- change in depreciation, amortization and provisions +/- other income and expenses + CVAE

TEXYLOOP (SAS): a wholly owned subsidiary of SergeFerrari Group, TEXYLOOP carries out studies, research and developments of processes for the collection and recycling of flexible composite materials. In relation to its 40% equity interest in VINYLOOP Ferrara SpA, TEXYLOOP carried out operations involving the collection of end-of-life and production waste composite membranes and reuse of PET fibers derived from the recycling process.

VINYLOOP FERRARA SpA: Controlled by INOVYN Italia SpA, this company was consolidated under the equity method until June 2018. An agreement was signed on June 28, 2018 whereby TEXYLOOP sold its equity stake in VINYLOOP to INOVYN.

ABOUT SERGE FERRARI

The Serge Ferrari Group designs, makes and distributes high-tech eco-responsible flexible composite materials in a global market with an estimated medium-term value of €6 billion. The unique characteristics of these products make them ideal for technical applications in three fields: architecture, specialties for industry professionals, and composite membranes for the consumer market. Its main competitive advantage is based on the implementation of differentiating proprietary technologies and know-how. The Group has three production sites: one in France and two in Switzerland. Serge Ferrari operates in 80 countries via eight subsidiaries (USA, Japan, Hong Kong, Brazil, India, China, Turkey and Germany), two sales offices (Spain and Dubai), the distribution business of the Giofex Group in Europe, and a network of over 100 independent distributors world-wide.

At the end of 2017, Serge Ferrari posted consolidated revenues of €172 million of which 75% was achieved outside France. The company SergeFerrari Group is listed on Euronext Paris – Compartment C (ISIN code: FR0011950682). The SergeFerrari Group share is eligible for PEA-SME and FCPI Investment.

www.sergeferrari.com

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