



THERMADOR GROUPE

Private limited company with capital of
€36,439,008.

Head office : SAINT QUENTIN
FALLAVIER (France / Isère).
80 rue du Ruisseau.

339 159 402 companies register of Vienne
**Condensed consolidated half yearly statements
at June 30, 2019**

Condensed consolidated half yearly statements at June 30, 2019

This is a free translation into English of the condensed consolidated half yearly statements issued in the French language and is provided solely for the convenience of English speaking readers. The report must be read in conjunction and construed in accordance with French law and French auditing professional standards.

I.- Financial statement at 30 June 2019

(in thousands of euros)

Assets	30/06/2019	30/06/2018	31/12/2018
<u>Non-current assets:</u>			
Consolidated goodwill	50 804	49 401	50 804
Intangible assets	4 841	860	4 757
Tangible assets:	58 578	50 543	54 758
Land	10 834	9 687	10 834
Buildings	36 267	34 936	36 650
Other tangible assets	5 650	5 042	5 619
Other fixed assets in progress	2 707	878	1 655
Right-of-use assets (see Note 1)	3 120		
Financial investments	296	252	278
Deferred tax assets	1 204	1 389	1 328
Total non-current assets	115 723	102 445	111 925
<u>Current assets:</u>			
Stock (goods)	117 726	111 730	122 782
Trade notes and accounts receivable	84 428	69 757	58 118
Corporate tax	421	229	851
Deferred tax assets	409	427	421
Other receivables	11 433	7 295	10 017
Financial instruments		21	
Cash and cash equivalent	13 672	6 452	24 069
Total current assets	228 089	195 911	216 258
Total assets	343 812	298 356	328 183

Liabilities	30/06/2019	30/06/2018	31/12/2018
Shareholders equity:			
Share capital and reserves	82 897	81 246	81 246
Consolidated reserves	104 455	92 943	92 907
Portion of net profit allocated to the group	16 981	15 455	29 142
Minority interests	175	171	174
Total shareholders equity	204 508	189 815	203 469
Non-current liabilities:			
Loans and long-term financial debt	30 428	20 105	36 096
Lease liabilities over 1 year (see Note 1)	2 289		
Deferred tax liabilities	2 968	1 471	3 026
Provisions for retirement benefits	3 270	2 681	3 225
Total non-current liabilities	38 955	24 257	42 347
Current liabilities:			
Current provisions	565	669	708
Lease liabilities under 1 year (see Note 1)	845		
Short-term loans	1 170	1 855	1 029
Current portion of loans and financial long-term debt	10 538	6 135	10 606
Accounts payable	55 470	50 182	44 268
Equipment supply accounts payable	988	165	417
Tax payable	1 214	1 005	942
Tax and social charges debt	17 304	13 188	11 780
Other liabilities	12 255	11 085	12 617
Total current liabilities	100 349	84 284	82 367
Total liabilities	343 812	298 356	328 183

II.- Global consolidated profit statement (In thousands of euros)

Consolidated profit and loss account	1 st half 2019	1 st half 2018	FY 2018
Net turnover (see note 1)	190 699	166 055	311 190
Other income from activity	418	537	1 000
Purchases consumed	-121 919	-105 132	-196 587
Personnel charges	-21 597	-17 945	-35 048
External costs	-16 636	-15 053	-28 643
Taxes	-2 969	-2 462	-4 033
Depreciation and amortisation	-2 301	-2 015	-4 062
Depreciation and amortisation – IFRS 16 impact	-434		
Net provision allowances and recoveries	-143	-301	107
Other earnings, other operating expenditure	-101	-230	128
Operating profit	25 017	23 454	44 052
Variation of fair value of financial instruments			
Cash earnings and equivalent	-17	28	2
Gross cost of debt	-90	-65	-129
Finance cost – IFRS 16 impact	-23		
Taxes	-7 903	-7 952	-14 771
Net profit	16 984	15 465	29 154
Net profit as a portion of the group	16 981	15 455	29 142
Net profit attributable to minority interests	3	10	12
Net profit as a portion of the group per share in euros *	1,86	1,70	3,20
Net profit per share after dilution in euros **	1,97	1,61	3,03

* Earning per share was calculated on 9,108,552 shares on 31 December 2018: 9,109,752 shares (see note 9) minus 1,200 treasury shares.

** Result per share after dilution is calculated from 9,608,552 shares on 30 June 2019 i.e existing shares minus 1,200 treasury shares plus 500,000 shares corresponding authorised non-issued capital of €2,000,000.

Statement of other elements of net overall consolidated profit	1 st half 2019	1 st half 2018	FY 2018
Net profit	16 984	15 465	29 154
Other elements of overall profit:			
Actuarial difference on retirement provisions			3
Fair value of financial instruments	-10	114	59
Total overall profit	16 974	15 579	29 216
Total overall profit - Portion of group	16 971	15 569	29 204
Total of overall profit allocated to minority interests	3	10	12

III.- Cash flow statement (In thousands of euros)

Cash flow statement	1st half 2019	1st half 2018	FY 2018
Consolidated net profit	16 984	15 465	29 154
Plus or minus latent gains due to fair value variations		-	
Plus or minus net depreciation expense and provisions	2 636	2 013	3 989
Capital gains or losses from disposals	-8	-4	-503
Cash flow from operations before net financial cost and taxes	19 612	17 474	32 640
Taxes	7 903	7 952	14 771
Cash flow from operations before net financial cost and taxes	27 515	25 426	47 411
Taxes paid	-7 990	-8 078	-14 751
Cash flow from operations before net financial cost and after taxes	19 525	17 348	32 660
Change in operating working capital	-5 994	-17 757	-14 315
Net cash flow from operating activities	13 531	-409	18 345
Net cash flow from operations of change in scope			-18 982
Disbursements for property, plant and equipment and intangible assets	-3 131	-3 496	-5 462
Receipts from sale of assets	589	14	15
Due to suppliers of fixed assets (variation)	571	-39	213
Net cash flow from investments	-1 971	-3 521	-5 234
Free cash flow	11 560	-3 930	-5 871
Dividends paid to shareholders of the parent company	-15 940	-15 487	-15 487
Loans subscriptions	0		22 001
Loan repayments	-6 158	-4 589	-6 208
Net cash flow from financing activities	-22 098	-20 076	306
Net cash flow	-10 538	-24 006	-5 565
Opening cash	23 040	28 604	28 605
Closing cash	12 502	4 597	23 040

IV.- Equity variation statement (in thousands of euros)

Equity variation statement	Capital	Reserves linked to capital	Shares held internally	Retained earnings	Profits recorded directly as shareholders' equity	Total group share	Minority shareholder	Total shareholders' equity
Situation on 31/12/2017	36 439	44 453		108 799	-147	189 544	164	189 708
Dividends paid *		354		-15 841		-15 487	-1	-15 488
Fair value on financial instruments					60	60		60
Foreign exchange differential					33	33		33
Other variations					-63	-63	-1	-64
Actuarial gains					66	66		66
Capital increase				29 142		29 142	12	29 154
Situation on 31/12/2018	36 439	44 807		122 100	-51	203 295	174	203 469
Dividends paid**				-15 940		-15 940	-2	-15 942
Fair value on financial instruments					-9	-9		-9
Foreign exchange differential					7	7		7
Other variations					-1	-1		-1
Half Year net profit				16 981		16 981	3	16 984
Situation on 30/06/2019	36 439	44 807	0	123 141	-54	204 333	175	204 508

* 2017 Dividend: €3.40 on 4 554 876 shares, paid in 2018.

**2018 Dividend: €1.75 on 9 108 552 shares the 1,200 treasury shares owned on the dividend payment date were not entitled to receive a dividend.

V- Notes to the condensed financial consolidated statements for the half year

(In thousands of euros)

The condensed consolidated half yearly statements at 30/06/2019 were closed by the Board on July 30, 2019.

1) Major milestones of the financial half year:

None.

2) Accounting reference set:

In application of European regulation 1606/2002 of July 19, 2002, the consolidated financial statements of Thermador Groupe are prepared according to the international financial information standards (IAS/IFRS compliant with IFRS of the IASB) adopted by the European Union on 30/06/2019, in which in compliance with IAS34 standards: interim financial information. In compliance with IAS34 standards, only a selection of explicative notes is including in this condensed present financial statement. With the exception of the points mentioned below, the accounting principles used are identical to those used for the financial statements of 31 December 2018.

In the financial statements presented hereafter, all standards and compulsory application interpretations on January 1, 2019 have been applied. No accounting standard is applied by anticipation.

IFRS 15

The IFRS 15 standard, first applied on January 1, 2018 only concerns the reclassification of advertising expenditure.

- Recognition of our revenue

Our turnovers mainly comprise sales of finished products. Sales are stated net of trade discounts and customer rebates, as well as net of costs relating to trade support and listing or linked to occasional promotional actions invoiced by customers. Turnover recognition applies as of the moment of delivery. Our group is not subject to other performance obligations linked to ancillary services (installation and/or maintenance of merchandise, etc.).

Concerning the guarantees we provide, our group limits its guarantees to what is legally required. The impacts of these guarantees in terms of IFRS 15 are not significant and therefore have not been processed.

- Advertising spending

Advertising spending having given rise to reclassification according to IFRS 15 corresponds to discounts or payment for separate services provided to our customers, the amount of which is calculated as a percentage of turnover. This advertising expenditure was booked as external expenses. This reclassification has no impact on the result. With no impact on equity at the beginning of the financial period, Thermador Groupe applied the so-called 'simplified' retrospective transition method on January 1, 2018 and, as a result, does not reprocess data which had already been brought forward.

The table below gives details of the financial aggregates as they would have been reported had IAS 11 and IAS 18 been continued to be used for the current year.

In thousands of euros	30/06/2019	30/06/2018	31/12/2018
Turnover according to IAS 11 and IAS 18	193 562	168 149	315 233
Impact IFRS 15	(2 863)	(2 094)	(4 043)
Turnover according to IFRS 15	190 699	166 055	311 190
External charges before IFRS 15	(19 499)	(17 147)	(32 686)
Impact IFRS 15	2 863	2 094	4 043
External charges after IFRS 15	(16 636)	(15 053)	(28 643)

IFRS 9

IFRS standard 9 requires application of the depreciation model based on expected losses on all financial assets, including commercial debt, as of January 1, 2018. On the basis of these past five years, irrecoverable losses have represented an average of 0.1% of consolidated turnover. This non-significant impact did not justify an equity-type provision at the beginning of the financial period on June 30, 2018 or for the end-of-year results of December 31, 2018, and of June 30, 2019.

IFRS 16

The 'rental contracts' IFRS 16 standard came into force for financial years beginning as of January 1, 2019. We opted for the simplified retrospective method.

Application of the IFRS 16 standard concerns the presentation and accounting of rental contracts. Rental contracts such as those defined by the 'rental contracts' IFRS 16 standard are booked on the balance sheet which results in the recognition:

- of an asset which corresponds to the right of use of the asset rented throughout the period of the contract,
- of a debt for the lease liabilities.

Assessment of the right-of-use assets

On the starting date of a rental contract, the right of use is assessed at its cost (i.e. the total of rents discounted against the period of the contract) and includes the initial amount of the debt. For rental contracts with a starting date prior to January 1, 2019 the starting date applied was January 1, 2019.

The right-of-use is amortised over the period of use of the subjacent assets (lease term for the rent component).

Assessment of lease liabilities

On the starting date of a rental contract, the lease liability is booked for an amount equal to the discounted value of rents over the period of the contract. The amounts taken into account for rents in the assessment of debt are as follows:

- Fixed rent (including fixed rents in substance, i.e. even if they contain variability in the presentation, they are, in substance, unavoidable),
- Payments to be made by the tenant on account of an option to buy.

Assessment of liabilities linked to the rental contract:

- It is increased to include interest charges determined by implementation of a discount rate to the debt, at the beginning of the period,
- It is reduced by the amount of the payments already made.

Also, the liabilities can be re-valued in the following situations:

- Revision of the rental period,
- Modification linked to an assessment of the reasonable certainty (or otherwise) of exercising an option,
- Revision of the rates or index upon which rents are based when the adjustment of rents takes place.

Typology of capitalised rental contracts

- 'Property' rental contracts

The group has identified rental contracts according to the standard for the buildings rented by its subsidiaries Mecafer, Fginox and Rousseau. Those rental contracts have a duration of 3-6-9 years without a renewal option on the lease term. The duration used to calculate the lease liabilities is 9 years in compliance with the ANC recommendations.

The discount rate used to calculate the rental debt for each asset is determined according to the marginal indebtedness rate on the starting date of the contract. We have used one single rate for all the buildings, the properties being usually purchased by S.C.I. Thely which is 100% held by Thermador Groupe. This rate corresponds to the interest rate that the tenant would, at the beginning of the rental period, obtain to borrow the funds necessary to purchase the asset over a period with a similar guarantee and in a similar economic environment. The rate is obtained by adding the '10-year benchmark lending rate' and the spread that is specific to Thermador Groupe (the rate gap between Thermador Groupe's marginal lending rate and the '10-year benchmark lending rate').

- 'Other assets' rental contracts

The main rental contracts identified in this category cover vehicles and rental contracts for photocopiers. The capitalisation period for rents corresponds to the non-cancellable period of the contract, and the vast majority of contracts do not include renewal options. The discount rate used to calculate the rental debt is determined for each asset according to the marginal rate of indebtedness on the date the contract comes into effect (see paragraph 'property' for an explanation of the marginal indebtedness rate).

Typology of non-capitalised rental contracts

The group uses two exceptions allowed by the IFRS 16 standard which means that they do not need to be booked on the balance sheet: short-period contracts and contracts concerning low-value assets:

- Short-term rental contracts for twelve months or less,
- Rental contracts concerning low-value assets: these contracts concern rents for which the new replacement value of the asset is \$5,000 US or less.

Summary of the financial statement impact of application of IFRS 16

30/06/2019	IFRS 16 impact
<u>Financial statement</u>	
Non-current assets before IFRS 16	112 603
Right-of-use assets	3 120
Non-current assets after IFRS 16	115 723
Non-current liabilities before IFRS 16	36 666
Lease liabilities over 1 year	2 289
Non-current liabilities after IFRS 16	38 955
Current liabilities before IFRS 16	99 504
Lease liabilities under 1 year	845
Current liabilities after IFRS 16	100 349
<u>Global consolidated profit statement</u>	
External costs before IFRS 16	- 17 070
Cancellation of the rental costs	443
External costs after IFRS 16	- 16 627
Depreciation and amortisation before IFRS 16	- 2 301
Depreciation and amortisation - IFRS 16 impact	- 434
Depreciation and amortisation after IFRS 16	- 2 735
Gross cost of debt before IFRS 16	- 90
Finance cost - IFRS 16 impact	- 23
Gross cost of debt après IFRS 16	- 113
Taxes before IFRS 16	- 7 907
Deferred taxes - IFRS 16 impact	4
Taxes after IFRS 16	- 7 903
Total impact on profit	- 10

IFRIC 23

The IFRIC 23 "uncertainty over Income Tax Treatments" standard is effective for annual periods beginning on or after 1 January 2019. On 30 June 2019, its application has no impact on our account or the half yearly statements.

3) Location and Consolidation method

Consolidated subsidiaries are all companies in which Thermador Groupe held directly or indirectly at least 20% of the voting rights on June 30, 2019, without modification vs 31 December 2018:

Name	Location	Ownership interest (%)	Consolidation method
Sferaco / Groupe Valfit	France	99.9975%	Fully consolidated subsidiaries
Thermador	France	99.9975%	Fully consolidated subsidiaries
Jetly	France	99.9972%	Fully consolidated subsidiaries
Dipra	France	97.9933%	Fully consolidated subsidiaries
PBtub	France	99.9800%	Fully consolidated subsidiaries
Isocel	France	99.9000%	Fully consolidated subsidiaries
Sectoriel	France	99.9631%	Fully consolidated subsidiaries
Syveco (former Thermador International)*	France	99.9888%	Fully consolidated subsidiaries
Axelair	France	99.9958%	Fully consolidated subsidiaries
Mecafer	France	100.0000%	Fully consolidated subsidiaries
Domac	France	100.0000%	Fully consolidated subsidiaries
Aello	France	99.9992%	Fully consolidated subsidiaries
Thely	France	99.9999%	Fully consolidated subsidiaries
Opaline	France	100.0000%	Fully consolidated subsidiaries
Tagest	France	99.8000%	Fully consolidated subsidiaries
Deco holding (Sodeco Valves)	Belgium	100.0000%	Fully consolidated subsidiaries
FGinox	France	100.0000%	Fully consolidated subsidiaries
Sanidom / Rousseau	France	100.0000%	Fully consolidated subsidiaries

The consolidation scope concerns all companies of the group. This was modified in 2018: acquisition of 100% of Sanidom/Rousseau's capital on December 31, 2018.

(*) Thermador International changed its name and is now called Syveco.

4) Material accounting rules and methods

The base method used to assess elements entered into the accounts is the historical cost method except for financial instruments (short-terms and derivatives) which are assessed at their actual value.

Note 2 - Goodwill:

Goodwill arising from the acquisition of S.C.I Thely shares by Thermador Groupe in 1987 and 1990 was allocated to Land and Buildings: this adjustment was not applied to minority interests. This goodwill is amortised through income statement in accordance with the accounting principles applying to the related fixed assets. Thus, the spread attributed to land was not amortised and the spread allocated to constructions was amortised according to the forecast residual service life of the constructions.

	Land	Buildings	Total
Gross purchase discrepancy value	39	468	507
Start-of-period depreciations		468	468
End-of-period depreciations		468	468
Net purchase discrepancy value	39		39

With Thermador Groupe's purchase of Sodeco Valves shares on August 31, 2017, a purchase discrepancy of €300,000 was allocated to the construction item. Via the profit and loss statement, this purchase discrepancy was depreciated in compliance with rules applying to the asset concerned. Thus the purchase discrepancy for constructions was written down over 20 years.

	Buildings
Gross purchase discrepancy value	300
Start-of-period depreciations	20
End-of-period depreciations	28
Net purchase discrepancy value	272

At the time of purchase of the Rousseau shares by Thermador Groupe on December 31, 2018, a purchase discrepancy of k€3,536 was allocated to the land & buildings item.

	Land	Buildings	Total
Gross purchase discrepancy value	952	2 584	3 536
Start-of-period depreciations			
End-of-period depreciations		(59)	(59)
Net purchase discrepancy value	952	2 525	3 477

The purchase discrepancy allocated to buildings will be amortised using write-down periods according to items.

Items	Depreciation period (number of years)
Primary works	40
Wall frames and roof frames	25
Electricity	20
Heating and plumbing	15
Paintwork and partitions	10
Roof	20

A purchase discrepancy of €3,700,000 was attributed to the brand for a total of €1,200,000 and customer relations for €2,500,000. The latter will be written down over a period of 10 years starting on January 1, 2019. Thus an allocation to depreciation and provisions of €125,000 was booked on June 30, 2019.

Note 3 - Consolidated goodwill:

The balance sheet includes a 'goodwill' item for €50,804,000:

- €17,617,000 for the purchase discrepancies on Mecafer and Nuair France,
- €24,798,000 for the purchase discrepancies on Sodeco Valves, FGinox and Groupe Valfit,
- €1,428,000 for the unallocated residual value resulting from the acquisition of Sanidom (Rousseau) after allocation of a purchase price to the identifiable assets and liabilities acquired,
- (€25,000) for the sale of the Sodeco Sedin business.

Mecafer / Nuair France :

In thousands of euros	Mecafer	Nuair France	Total
Book value, pre-harmonisation purchase	8 940	741	9 681
Adjustments	(298)		(298)
Book value purchased	8 642	741	9 383
Acquisition cost	24 300	2 700	27 000
Goodwill	15 658	1 959	17 617

When Sodeco Valves, FGinox and Groupe Valfit were included in the scope, in application of the revised version of IFRS 3, a goodwill of €24,798,000 was recorded. This accounts for synergies we would expect from the inclusion of new activities of the new businesses acquired, as well as economies of scale generated by sharing resources. It is attributed to groups of cash generating units (CGU), represented by each acquired company.

The acquisition price of the companies corresponds to the fair value on the date of acquisition of the elements of earnings given to the seller in exchange for the control of the acquired assets, excluding any element which remunerates any transaction separate from the takeover.

This goodwill is valued at €24,798,000 and is wholly allocated to 'goodwill' accordingly.

In thousands of euros	Sodeco Valves	FGinox	Groupe Valfit	Total
Book value, pre-harmonisation purchase	5 922	6 930	2 653	15 505
Adjustments	170	21	-13	178
Book value purchased	6 092	6 951	2 640	15 683
Acquisition cost	10 000	22 881	7 600	40 481
Goodwill	3 908	15 930	4 960	24 798

The adjustments concerned:

Sodeco Valves:

- allocation of part of the goodwill at the fair price of the Sodeco Valves building on August 31, 2017 for a total of €300,000 minus a deferred tax liability of €102,000,
- deferred tax on the pension provision i.e. €3,000,
- business value of €32,000 corresponding to the company Sodeco Sedin, a French subsidiary of Sodeco Valves.

FGinox:

- deferred tax on the provision for retirement benefits, i.e. €21,000.

Groupe Valfit:

- harmonisation of the method for pension provisions brings an additional charge of €29,000 and the deferred tax on the pension provision, i.e. €16,000.

Axelair / Vortice:

Thermador Groupe via its subsidiary Axelair purchased the business Vortice France on December 31, 2017 for €850,000.

Sodeco Valves - 2018:

On October 30, 2018 Sodeco Sedin sold 80% of its business for €550,000. On that date, the net accounting value of the asset was €25,000. The gain of €525,000 was booked as 'other operating incomes' in Sodeco Valves CGU. The purchase price of €10m of Sodeco Valves was not reduced as a result because no portion of this price had been allocated to Sodeco Sedin's goodwill. We would remind you that Sodeco Sedin was in competition with the distributor customers of our subsidiaries Sferaco and Sectoriel and continuing the operation of this business could be unfavourable to them. Furthermore, Sodeco Sedin reported operating losses for the financial years 2017, 2016 and 2015.

Sanidom/Rousseau:

When Sanidom/Rousseau entered the scope in application of the revised IFRS 3 standard, a purchase discrepancy of €1,428,000 was recorded. This purchase discrepancy represents the synergies expected from onboarding this new acquisition and the economies of scale generated by sharing resources.

The purchase discrepancy was valued at €1,428,000 for the brand and client base.

In thousands of euros	Sanidom / Rousseau
Net accounting asset acquired before reprocessing	15 184
Adjustments	5 388
Book value purchased	20 572
Acquisition cost	22 000
Goodwill	1 428

The adjustments concerned:

- Allocation of part of the acquisition at a fair price of the land owned by Sanidom/Rousseau on December 31, 2018 for a total of €952,000 minus a deferred tax debt of €238,000.
- Allocation of a part of the acquisition at a fair price of the Sanidom/Rousseau building on December 31, 2018 for a total of €2,584,000 minus a deferred tax debt of €659,000.
- the allocation of part of the acquisition of the 'Edouard Rousseau' brand on December 31, 2018 for a total of €1,200,000 minus a deferred tax debt of €300,000,
- allocation of part of the acquisition of the clientele at December 31, 2018 for a total of €2,500,000 minus a deferred tax debt of €651,000.

Impairment tests (IAS 36) are performed once a year at least for units generating cash having acquired goodwill in compliance with IAS 8 as per the presentation of sector-based information. These cash generating units were defined according to business sector criteria. Given the group's organisation and the distribution of the different business fields, the cash generating units chosen by the group comprise of the legal entities Jetly, Sferaco/Groupe Valfit, Thermador, Dipra/Rousseau, Isocel, PBtub, Sectoriel, Syveco, Axelair, Mecafer/Domac, Aello, Sodeco Valves, FGinox, and a separate grouping comprising Thely, Opaline, Tagest and Thermador Groupe (see note 18).

The results of impairment tests on this 'goodwill', based in particular on future forecast net cash flows over a period of five years and a subsequent growth rate of 1%, discounted at 7.5%, explain the absence of provisions. The discount rate was calculated according to the 30-year treasury bond rate TEC (Constant Maturity Treasuries), French market risk, and sector risk, i.e. 1.11% and a specific risk premium. A reasonable variation of key hypotheses shows no particular sensitivity.

Note 4 - Deferred taxes:

Deferred taxes were calculated on all items of the balance sheet and P&L and there are no non-activated deferred taxes.

Corporate tax rate on 30/06/2019:

Profits from ordinary activities (1)	30,56%
Social contribution	0,54%
Interest on tax reimbursement on dividends (2)	0,60%
Variation in deferred tax rate (3)	0,02%
Non-deductible charges and impact of non-French rate	0,04%
Rate of corporation tax on profit from ordinary business	31,76%

- (1) The finance law introduced a sliding scale element in the tax rate applicable as of January 1, 2018. Profits up to €500,000 are subject to 28% corporation tax. The tax saving is therefore €320,000. The tax rate in Belgium is 29.58%, that of Spain is 25.0%.
- (2) The finance law fixed the percentage of non-deductible fees and charges on subsidiaries' dividends at 5%. This represents a corporation tax charge on dividends of €510,000 which will be paid to Thermador Groupe in 2020.
- (3) The tax rate of 31% for 2019, 28% for 2020, 26.5% for 2021 and 25% as of 2022 were observed for June 30, 2019 to take into account the programmed changes to the tax rate according to the size of the company in the 2018 finance law (article 84).
The impact of the variation in deferred tax rates is a €7,000 charge. This quantum concerns legal participation, losses carried forward, pension provisions and non-deductible provisions on stock.

Assets and liabilities of deferred taxes are not discounted and are offset when they relate to the same entity and when they have the same pay-back schedules.

Non-current deferred tax assets	30/06/2019	30/06/2018	31/12/2018
Provision for retirement compensation	638	644	636
Axelair and Aello deficit	563	745	692
IFRS 16	3		
Total	1 204	1 389	1 328

Current deferred tax assets	30/06/2019	30/06/2018	31/12/2018
Axelair and Aello deficit			22
Temporary differences	409	427	399
Total	409	427	421

Non-current deferred tax liabilities	30/06/2019	30/06/2018	31/12/2018
Goodwill *	1 429	1 429	1 429
Excess value on buildings and land	916	103	935
Provision on retirement indemnities	(188)	(43)	(187)
Sodeco valves deficit carried over	(91)	(105)	(91)
Gain on building	98	123	102
Brand and customer relations	839		873
Depreciation on building	(35)	(36)	(35)
Total	2 968	1 471	3 026

* Goodwill recorded in the assets of Thermador Groupe are in deferred taxes.

Current deferred tax liabilities	30/06/2019	30/06/2018	31/12/2018
Tax on subsidiaries dividends	143		308
Fair value of financial instruments	(26)	7	(18)
Goodwill of land and construction		154	
Excess value on buildings and land	39	5	41
Brand and customer relations	74		78
Temporary differences	(75)	(65)	(85)
Plus-value on buildings	9	11	9
Total	164	112	333

Note 5 - Operations in foreign currencies, financial instruments and derivatives

Operations in foreign currencies are registered for their value at the date of the operation.

Debt and credit in foreign currency appear on the balance sheet for their value in the course of the financial year or of the financial commitments made. The difference resulting from the reassessment of debt and credit in foreign currency at the most recent rate is included in the P&L account.

Amount of accounts payable on June 30, 2019 in the main foreign currency (US Dollars) : 11,309,000.

Thermador Groupe uses no financial derivatives for speculative purposes.

The derivatives used serve only to cover exchange rate fluctuations corresponding to purchase of merchandise in foreign currencies. Thermador Groupe decided to introduce centralised management of cash in dollars as of January 1, 2018 to cover the requirements of all the group subsidiaries.

In this respect, Thermador Groupe subscribed to USD forward currency purchases for 31,605,000 USD with instalments in the second half of 2019.

The IAS 39.9 criteria are respected, allowing the group to book this hedging according to hedging accounting methods. An effectiveness test was carried out on June 30, 2019.

As a result, the fair value of these financial instruments was included in the accounts for a total of €(73,000) in equity.

There is no compensation between financial assets and liabilities.

Financial assets and liabilities appearing on the balance sheet: ventilation per category of instruments

Assets at 30/06/2019	Balance sheet value	Fair value	Fair value per result	Receivables	Hedging instruments
Customers of commercial activities	84 428	84 428		84 428	
Other debtors	12 263	12 263		12 263	
Cash	13 672	13 672	13 672		
Total assets	110 363	110 363	13 672	96 691	

Liabilities at 30/06/2019	Balance sheet value	Fair value	Fair value per result	Receivables	Hedging instruments
Non-current financial liabilities	30 428	30 428		30 428	
Current financial liabilities	2 289	2 289		2 289	
more than 1 year lease obligations	6 238	6 238		6 238	
Current financial liabilities	12 553	12 553		12 553	
Suppliers	55 470	55 470		55 470	
Supplier fixed assets	988	988		988	
Instruments financiers	73	73			73
Other creditors	31 265	31 265		31 265	
Total liabilities	139 304	139 304		139 231	73

Note 6 - Bank loans and debts

Au 30/06/2019 In thousands of euros	Current	Non current	Total	Under one year	Over one year and under five years late	Over five years
Bank loans	11 708	30 428	42 136	11 708	30 128	300
Lease liabilities (IFRS 16)	845	2 289	3 134	845	2 289	
Cash and equivalent	13 672		13 672	13 672		
Net cash	1 119	(32 717)	(31 598)	1 119	(32 417)	(300)

Cash and cash equivalents for €13,672,000 include bank accounts for €11,857,000 and term deposits for €1,815,000 with a maturity of one month or less.

5) Notes on the balance sheet

Fixed assets (in thousands of euros) (note 7)	Gross value at the opening of the period	IFRS 16 impact	Increases	Decreases	Gross value at the end of the period
Goodwill on consolidation	50 804		0	0	50 804
Other intangible assets	8 517		338	18	8 837
Total intangible assets	59 321	0	338	18	59 641
Land	10 834		0	0	10 834
Buildings on own property	64 079		831	0	64 910
Machinery and equipment	9 380	-69	1 463	5	10 769
General equipment, fixtures and fitments	5 783		-1 283	39	4 461
Other equipment and furniture	238		188	32	394
Office and IT equipment, furniture	4 401		564	110	4 855
Other tangible assets in progress	1 655		1 052	0	2 707
Right-of-use assets	0	3 262	293	0	3 555
Total tangible assets	96 370	3 193	3 108	186	102 485
Other financial assets	278		47	28	297
Total financial assets	278	0	47	28	297
Grand total	155 969	3 193	3 493	232	162 423

Sferaco building: In 2015, the extension to the Sferaco building was completed on a previously-purchased 12,500m² plot. The overall cost was €9.4m. The building has a surface area of 14,350m² with the possibility of an additional extension of 3,000m².

Sectoriel building: in August 2014, we purchased land and a building next to the land on which Sectoriel's current building stands, for €872,000. We extended the Sectoriel building to allow the installation of a 650m² motorization workshop. Works began in January 2015 and were completed in September 2016 for an overall cost of €4.6m. Depreciation began on October 1, 2016. The building's surface area is 7,900m², with the possibility of a further extension of 2,000m². This meant that Sectoriel could physically accommodate Nuair France as of July 2016.

In 2018, we purchased a 7,307 m² building on a 16,000 m² plot for €2,022,000. This building will be used for temporary storage.

In 2019, we started works to renovate the building used by Dipra to improve conditions for those working in the warehouse, and to optimise occupation of the building. We also refurbished the offices in the building occupied by Syveco and Isocel over the first half of 2019.

Our real estate has a total surface area of 296,166 m². The buildings represent 121,452 m² of warehouse and office space.

The value of the group's property was assessed in December 2016 for buildings in Saint-Quentin-Fallavier, in April 2017 for our Domac subsidiary's building, in August 2018 for our Sodeco Valves subsidiary's building, and in December 2018 for our Sanidom/Rousseau subsidiary's building, at approximately €60.8m (valuation performed by Expertise Galtier, Chemin Moulin Carron-69 Ecully and CBRE in Brussels). This valuation does include built and unbuilt land.

Note 8 – Amortisation

Amortisation (note 8)	Gross value at the opening of the period	IFRS 16 impact	Increases	Decreases	Gross value at the end of the period
Goodwill on consolidation					
Other intangible assets	3 760		254	18	3 996
Total intangible assets	3 760		254	18	3 996
Land					
Buildings on own property	27 429		1 213		28 642
Machinery and equipment	6 729		1 256	5	7 980
General equipment, fixtures and fitments	3 879	-5	-970	46	2 858
Other equipment and furniture	135		158	31	262
Office and IT equipment, furniture	3 439		390	100	3 729
Right-of-use assets			434		434
Total tangible assets	41 611	-5	2 481	182	43 905
Grand total	45 371	-5	2 735	200	47 901

Note 9 – Equity

Share capital is €36,439,008 divided up into 9,109,752 shares with a nominal value of €4 each. There is no stock-options.

Thermador Groupe purchased 1,200 of its own shares during 2018, representing a purchase cost of €62,000. These treasury shares were valued during closing at €57.20. The cost price of the shares was lower than the closing valuation.

Note 10 – Commitments or operations with associated parties

The associated parties concern all board members of Thermador Groupe who are usually directors of the Group's main subsidiaries.

There is no commitment or operation with the associated parties apart from elements of earnings and pension commitments. The Group does not use any assets which belong directly or indirectly to directors or members of their families.

Total gross earnings and benefits for each Corporate Officer of the Group (including consolidating and controlled companies according to Article 357-1 of the law on commercial companies) paid for the financial year to members of the Board on account of their functions total €378,800 distributed as follows:

Operational Board members Chairman & CEO and Deputy CEO	Earnings fixed and variable (due and paid)								
	Fixed part			Variable part			Total earnings		
	1st half 2019	1st half 2018	2018	1st half 2019	1st half 2018	2018	1st half 2019	1st half 2018	2018
Christophe Arquillière, Board member	71	70	139			78	71	70	217
Jean François Bonnefond, Board member, audit committee member and Deputy CEO	95	93	186			82	95	93	268
Patricia Mavigner , secretary of the Board of Directors and Deputy CEO since May 1, 2016	71	70	139			88	71	70	227
Guillaume Robin , Chairman & CEO	98	97	194			108	98	97	302
Subtotal	335	330	658			356	335	330	1,014
External Board members									
Hervé Le Guillerme ⁽¹⁾		4	4.1					4	4.1
Guy Vincent	4.1	6	12.2				4.1	6	12.2
Janis Rentrop	6.2	6	12.2				6.2	6	12.2
Independent Board members									
Karine Gaudin, audit committee chairman	8.7	8	17.4				8.7	8	17.4
Caroline Meignen	6.2	6	13.8				6.2	6	13.8
Laurence Paganini	6.2	6	12.2				6.2	6	12.2
Laurence Verdickt ⁽²⁾	-	6	12.2					6	12.2
Olivier V. de la Clergerie, audit committee member	8.3	4	12.2				8.3	4	12.2
Mathilde Yagoubi ⁽³⁾	4.1						4.1		
Subtotal	43.8	46	96.3				43.8	46	96.3
Total	378.8	376.1	754.3			356	378.8	376.1	1,110.3

The variable part paid is explained on page 23 of 2018 annual report.

Corporate officers receive no fringe benefit or stock options based on performance. There are no golden parachutes or golden handshakes for corporate officers. Corporate officers have no special retirement plan. They do not receive any compensation linked to non-competition clauses or termination compensation.

The amounts appearing above do not include Marylène Boyer's attendance fees. Her mandate as board member ended during the annual general meeting of April 4, 2016.

- (1) The mandate of board member Hervé Le Guillerme was not renewed at the annual general meeting of April 9, 2018.
- (2) The mandate of board member Laurence Verdickt was not renewed at the annual general meeting of April 8, 2019.
- (3) Mathilde Yagoubi was appointed board member at the end of the annual general meeting of April 8, 2019.

Commitments to executives:

The retirement commitment concerns the payment of a retirement bonus authorised by the Board Meeting of December 19, 2003. This bonus is calculated in the same way as that paid to a manager according to the conventions of article 5 of amendment I of the industry-wide agreement for the wholesale business.

On June 30, 2019, the total of the commitment corresponding to this bonus for board members and corporate representatives was €310,000.

Note 11 – Significant events occurring after the closing statements

No significant change to the Group's financial or commercial structure has occurred since the end of the financial half year.

Note 12 – Risk assessment

The nature of principal risks was not modified for the first half of 2019, these risks are mentioned in the annual financial report for 2018.

We specify that our group's business in the UK is not significant. We do not anticipate any impact or risk linked to Brexit.

Note 13 - Legal risks

Over the past 12 months, there has been no governmental, judiciary, arbitration or administrative procedure (including any that may have come to our attention, that may be pending or that may come in the future) which could have or might recently have had a significant effect on the financial situation or profitability of the Group.

On April 3, 2017, Thermador Groupe and its subsidiaries Aello and Jetly were brought before the Commercial Tribunal of Rennes by the companies Diffusion Equipements Loisirs – D.E.L. and Multifija on the grounds of unfair competition and parasitism on the swimming pool equipment and accessories market. We contest this legal action and wholly reject their accusations. On June 26, 2018, our lawyer made our case before the Court of Appeal against the decision handed down by the Commercial Tribunal of Rennes on March 20 2018 to throw out our application for lack of jurisdiction and refer it to the Court of Arbitration.

Further to deliberations, the Court of Appeal rejected our appeal on October 2, 2018. We are taking the case to the court of cassation. A hearing is planned for September 2019 before the commercial tribunal of Rennes on the unfair competition charge. The applicants are asking for €1.8 million. Thermador Groupe has not been found guilty thus far. Management remains confident about the outcome of this procedure. No provision was entered on June 30, 2019 because at that point we were not subject to any obligation, and any provision cannot be reliably estimated.

Note 14 - Balance sheet provisions (in thousands of euros)

Provisions (note 14)	Value at the opening of the period	Increases	Decreases	Value at the end of the period
<u>Non-current provision</u>				
Provision for deferred tax	3 026		58	2 968
Provisions for retirement benefits	3 225	100	56	3 269
Total non-current provision	6 251	100	114	6 237
<u>Current provision</u>				
Other current provision	708	52	196	564
Total current provision	708	52	196	564
<u>Loss provisions</u> <i>(recorded as deductions from assets)</i>				
Provisions for stocks losses	3 222	548	336	3 434
Provision for bad debt	1 121	76	46	1 151
Total loss provision	4 343	624	382	4 585
Grand total	11 302	776	692	11 386

Note 15- Receivables (in thousands of euros)

Receivables (note 15)	30/06/2019	30/06/2018	31/12/2018
Trade receivables	84 095	69 456	57 862
Bad debts	332	301	256
Corporate tax	421	229	851
Deferred corporate tax assets	409	427	421
Other debt			
VAT receivables	5 510	3 383	3 244
Other receivables	4 504	2 961	6 079
Prepaid expenses	1 419	951	694
Total other creditors	11 433	7 295	10 017
Total receivables	96 700	77 708	69 407

Note 16- Debts (in thousands of euros)

Debts (note 16)	30/06/2019	30/06/2018	31/12/2018
Current provisions	565	669	708
Lease liabilities under 1 year	845		
Short-term loans	1 170	1 855	1 029
Current component of loans and debts	10 538	6 135	10 606
Trade payables	55 470	50 182	44 268
Corporate tax	1 214	1 005	942
Equipment supply accounts payable	988	165	417
Tax and social liabilities			
Salaries and social security liabilities	9 819	8 350	9 424
Deferred corporate tax liabilities	164	112	333
VAT payables	6 127	3 856	1 069
Other tax liabilities	1 194	870	954
Total fiscal and social debts	17 304	13 188	11 780
Other debtors	12 255	11 085	12 617
Total debts	100 349	84 284	82 367

6) Notes on the P&L

Note 17 - Explanation concerning turnover for the first half of 2019:

The turnover is made up primarily of sales of merchandise which are accounted for upon delivery.

Distribution of turnover by geographical area: France €156,655,000 and foreign sales: €34,044,000 including Syveco €13,918,000 and Sodeco Valves €9,226,000.

	30/06/2019	2019 constant scope	30/06/2018	2018 constant scope
Turnover (according to IFRS 15)	190 699	172 671	166 055	164 511

To constant scope 2019 turnover is €172,671,000 compared to constant scope 2018 turnover of €164,511,000. 2019 turnover includes that of the company Rousseau, acquired on December 31, 2018. As for 2018 turnover to constant scope, it includes the sale of the Sodeco Sedin business, a French subsidiary of Sodeco Valves.

Note 18 – Explanation of operating income and net profit of the first half of 2019:

	30/06/2019	2019 constant scope	30/06/2018	2018 constant scope
Current operating income	25 017	23 762	23 454	22 679
Net profit as a portion of the group	16 981	16 076	15 455	14 695

To constant scope operating income for 2019 was €23,762,000 compared to 2018 operating income to a constant scope of €22,679,000. Again to constant scope, the net profit as a portion of the group for 2019 was €16,076,000 compared to a net profit for 2018 to constant scope of €14,695,000. Operating income and net profit as a portion of the group at June 30, 2019 includes Rousseau's results, a company acquired on December 31, 2018. Operating income and net profit for 2018 to constant scope includes the sale of the Sodeco Sedin business, a French subsidiary of Sodeco Valves.

7) Information per business area

Note 19 - (in thousands of euros)

Profit and loss account:		2019					2018				
		Sales	Inter-company sales	IFRS 15 (2)	Net sales	Profit before tax	Profit before tax	Inter-company sales	Net sales	Profit before tax	Sales
Sferaco / Groupe Valfit (4)	Valve, connectors and meters	37 635	-7 565	-90	29 980	5 868	36 939	-8 607	-77	28 255	5 771
Jetly	Pumps	26 831	-241	-78	26 512	5 968	25 638	-259	-21	25 358	5 698
Thermador	Central heating	23 367	-857	-276	22 234	4 418	21 743	-792	-228	20 723	3 980
Mecafer / Domac (1)	Equipment tools in DIY	15 460	-56	-823	14 581	864	16 175	-29	-960	15 186	1 556
Pbtub	Pipework for distribution	13 992	-303	-166	13 523	1 148	13 964	-239	-141	13 584	1 299
Syveco	International	13 926	-1		13 925	1 825	12 402	-1		12 401	1 545
Dipra / Rousseau (5)	Pumps, plumbing and taps	30 336	-177	-1 312	28 847	1330	12 243	-176	-576	11 491	598
Sodeco Valves (2)	Industrial valves	9 535	-142		9 393	502	10 867	-16		10 851	736
Sectoriel	Motorised valves, air compressors	12 711	-1 775	-71	10 865	1 693	11 855	-1 661	-61	10 133	1 605
FG Inox (3)	Connectors, flanges and accessories	8 515	-78		8 437	1066	8 106	-7		8 099	952
Aello	Swimming pool equipment	5 923	-60		5 863	479	4 605	-80		4 525	252
Isocel	Component for boilers	3 058	-1		3 057	394	3 011	-2		3 009	366
Axelair	Ventilation	3 407	-40	-47	3 320	-4	2 327	-16	-30	2 281	-169
Other structures		7 059	-6 897		162	20 912	6 531	-6 372		159	19 056
Eliminations						-21 446					-19 791
Total		211 755	-18 193	-2 863	190 699	25 017	186 406	-18 257	-2 094	166 055	23 454

Cash generating units were defined according to activity sector criteria. Given the organisation of the group and the way the different professions are divided out, cash generating units retained by the group concern the following legal entities: Jetly, Sferaco including Groupe Valfit since December 31, 2017, Thermador, Dipra and Rousseau (since December 31, 2018), Isocel, Pbtub, Sectoriel including Nuair France since July 1, 2015, Syveco, Axelair, Mecafer (July 1, 2015) including Domac since March 1, 2017, Aello, Sodeco Valves, FGinox since December 31, 2018 and a separate group comprising Thely, Opaline, Tigest and Thermador Groupe.

- (1) With the acquisition of Domac on March 1, 2017.
- (2) With the acquisition of Sodeco Valves on September 1, 2017
- (3) With the acquisition of FGinox on October 1, 2017.
- (4) With the acquisition of Groupe Valfit on December 31, 2017.
- (5) With the acquisition of Sanidom/Rousseau on December 31, 2018
- (6) According to IFRS 15.

8) Employees

Note 20

	30/06/2019 (*)	30/06/2018	31/12/2018
By category			
Management	185	157	163
Supervisory staff	50	32	39
Employees	336	267	274
Total	571	456	476

(*) Headcount on June 30, 2019 includes employees of Rousseau company, acquired on December 31, 2018. Headcounts reported at 31/12/2018 and 30/06/2018 do not include Rousseau's employees.
On June 30, 2019 Rousseau company employed 94 people.

	30/06/2019 (*)	30/06/2018	31/12/2018
By age			
From 18 to 29	59	45	56
From 30 to 39	160	138	151
From 40 to 49	182	149	150
Over 50	170	124	119
Total	571	456	476

VI.- Half yearly management Report at 30/06/2019

1/ BUSINESS

Business growth over the 2nd quarter was along the lines of that of the 1st quarter, with a few exceptions that require explanation. Our retail activity has recovered with better performances for Mecafer, Domac and Dipra in Q2. Rousseau reported the forecast level of turnover for its first six months within the group.

Our subsidiary based in Brussels and specialised in the sale of industrial valves to industry, Sodeco Valves, is back on the path to growth to constant scope, which is an encouraging sign for the new director appointed at the beginning of the year.

Axelair has produced an effective response to high demand on the market for mobile air conditioners and fans, whilst continuing its development on ventilation equipment for construction. It is about to hit the breakeven point 5½ years after it started up from scratch, very close to the commitments made at the outset.

Aello has made the most of a buoyant swimming pool market and confirms the suitability of its business model, just 4 years after its launch.

Finally, Thermador International continues to grow, and has adopted a new name that better corresponds to its identity. The subsidiary, created in 2006, is now be called SYVECO. The explanation for this choice of name can be found at www.syveco.com.

2/ RESULTS AND FINANCIAL SITUATION

Including Rousseau's results, consolidated operating profit grew 6.7%. To constant scope, it increased 4.8% in spite of a less favourable euro-dollar exchange rate, and a dip in profitability for Dipra and Mecafer. The growth is mainly due to good performances from Thermador, Syveco, Jetly, Aello, FGinox, Sferaco and Sectoriel. We should note Dipra's mark-down provision on inventory of €0.3 million further to our decision to concentrate all the bathroom and kitchen tap retail range from 2020 onwards on the Rousseau logistics platform.

Our stock levels have fallen by 4.1% since 31/12/2018. This is due to very dynamic sales during the months of May and June and the thorough work done on our sourcing processes. Our net cash position has benefited from that and is now €12.5 million. Our financial debt of €41 million remains very reasonable compared to our equity of €204.5 million.

3/ MAIN RELATED-PARTY

The main transactions are detailed in note 10 of the notes to the half-year financial statements.

4/ MAIN RISKS AND UNCERTAINTIES

Main risks are those related to economic activity. Their type has not been modified during the first half year. These risks are mentioned in the 2018 annual report.

5/ PROSPECTS FOR 2019

Unsurprisingly, the number of new building starts continues to fall (-6.1% for the quarter). Our wholesale customers from the heating-sanitation and electricity sectors are however reporting sales growth thanks to peak demand for heat pumps and air conditioning. This phenomenon should slow during the 3rd quarter, especially as heat pump manufacturers are finding it very difficult to honour wholesalers' orders. Thermador, our subsidiary specialising in heating accessories, could therefore see its growth decelerate.

This will not affect our peace of mind as we head into the 2nd half of the year, given that the last quarter of 2018 returned growth of only 1.5%. The base effect therefore seems more favourable. Also, the trend remains positive for our export and industrial valves businesses.

Having focused our attention on the integration of companies having recently joined the group, we have not been active on the market for new businesses to acquire over the past 2 years. However, recent proposals and continued work on a project started at the end of 2016 have led us to submit three suitable external growth opportunities to the Board. In all, these companies would bring additional turnover to our pro channels of a little under €40 million. As always, we will be sure to keep you informed of any developments on these projects.

VII. Certification of the author

To my knowledge I certify that the condensed consolidated half yearly statements have been drawn up in compliance with prevailing accounting standards and reliably reflect the assets, financial situation and profits of the company and all the companies in the consolidated accounts, and the half yearly management report presents a reliable account of the business trends of the first six months of the year as well as a description of the main risks and uncertainties which those companies face for the six remaining months of the year.

Saint Quentin Fallavier, July, 30 2019
Guillaume Robin
The Chairman

VIII.- Statutory auditors' report on the interim financial statements

To the shareholders,

In accordance with our appointment as statutory auditors by your ordinary General Meeting, and in application of article L.451-1-2 III of the French monetary and financial code (Code monétaire et financier), we have performed:

- a limited review of the accompanying interim condensed consolidated financial statements of THERMADOR Groupe for the period from 01/01/2019 to 30/06/2019;
- verifications on the information provided in the half-yearly management report.

These condensed interim consolidated financial statements were prepared under the responsibility of your Board of Directors. Our role is to express our conclusion on these financial statements, based on our limited review.

1) Conclusion on the financial statements

We have conducted our limited review in accordance with professional standards applicable in France.

A limited review mainly consists of interviewing management in charge of accounting and financial matters and applying analytical procedures. These procedures are less broad in scope than those required for an audit performed in accordance with French auditing standards. Accordingly, a limited review only provides moderate assurance, which is less assurance than that provided by an audit, that the financial statements taken as a whole are free of material misstatements.

Based on our limited review, we did not identify any material misstatements that would cause us to believe that the interim condensed consolidated financial statements did not comply with IAS 34, the IFRS standard relating to interim financial reporting adopted by the European Union.

Without prejudice to the conclusion expressed here-above, we would draw your attention to the note 'accounting reference set' of the appendix to the summary of the consolidated interim accounts which explains the impacts of the change to the accounting method used, linked to the implementation of the IFRS 16 standard 'rental contracts' on January 1, 2019.

II - Specific verification

We have also verified the information presented in the group's progress report, and its observations on the summary of the consolidated half-year accounts, which was the subject of our limited inspection.

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

Saint-Etienne and Villeurbanne, on July 30, 2019

The Statutory Auditors:

Cabinet Royet
Stéphane Guichard

Mazars
Frédéric Maurel