6.4 Auditors' report on the consolidated accounts

To the Annual General Meeting of the company Thermador Groupe.

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Thermador Groupe for the year ended December 31, 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Observation

Without qualifying our conclusion above, we draw your attention on the paragraph 2 to the notes regarding the new mandatory standards, in particular IFRS 16 "Leases", whose effect at December 31, 2019 is presented in the same note.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Assessment of goodwill

Identified risks

During its development, the group made several acquisitions and recognized significant amounts of goodwill.

In 2019, the group acquired Distrilabo.

In these conditions, the goodwill recognized went from €50,8m in 2018 to €53,3m in 2019 with the acquisition of Distrilabo.

These goodwill correspond to the difference between the price paid and the fair value of the assets and liabilities acquired in the context of external growth operations. They are described in the Note 3 as the synergies expected from the integration of new activities and the economies of scale generated by the pooling of resources. The goodwill have been allocated to cash-generating units represented by each acquired company.

The allocation of the price paid given the identified assets and liabilities was made by the management.

The management shall ensure at each closing, or more frequently in the case of a loss of value index, that the net book value of goodwill is not greater than the recoverable amount. Any unfavorable evolution of the expected returns from activities linked to the allocated goodwill, because of internal or external factors, has a significant impact on the recoverable amount of goodwill which needs to be impaired. Such an evolution implies a new estimation of the assumptions made for the determination of the goodwill.

The terms of the impairment test implemented and the details of the assumptions selected are described in Note 2 of the consolidated financial statements.

The recoverable amount of goodwill is the highest value between its fair value and its utility value. The determination of this utility value incorporates a significant portion of management's estimation and assumptions as it is based on the foreseeable future net cash flows of each UGT over a five-year period and the discount rate applied. A variation of these assumptions may change the recoverable amount of goodwill.

So we considered the valuation and the allocation of goodwill as a key audit matter because of the necessary level of management judgement to conduct these value-loss tests.

Audit procedures implemented in the face of identified risks

We examined the conformity of the methodology applied by the company to the current accounting standards.

We also carried out a critical review of how to implement this methodology. As such, our work has consisted in:

- assessing the appropriateness of the hypotheses and terms retained to evaluate assets and liabilities acquired in view of the accounting standards concerned.
- analyzing the completeness of the elements composing the carrying value of UGT ;

- examining the modalities to calculate the utility value obtained from the projections of cash flows, in particular:
  - to appreciate the reasonableness of these projections in relation to the economic and financial context in which the activities and the reliability of the estimation process are carried out by examining the causes of the differences between the forecasts and the achievements;
  - appreciate the coherence of these cash flow projections with the latest management estimates as presented in the context of the budget processes;
- assessing the coherence of the growth rate selected for the projected flows with market analyses and the consensus of the main actors ;
- verifying the calculation of the discount rate applied to the estimated cash flows of the activities by ensuring that the different discount parameters composing the weighted average cost of the capital of the UGT allow to approach the rate of pay that Market participants would currently require for such activities;
- checking the arithmetic accuracy of the sensitivity analysis of the utility value carried out by the management to a variation of the main assumptions selected.

Inventory assessment

Identified risks

The inventory of goods appears on the consolidated balance sheet as at 31 December 2019 for a net amount of EUR 123 million and represents one of the most important items of the consolidated balance sheet.

As indicated in note 5 to the consolidated accounts, they are recorded using the weighted average cost method and a provision for depreciation is applied when the inventory value is less than the carrying value.

The inventory value is determined, reference by reference, depending on the turnover, based on the quantities in stock and the past sales, the probability of flow, and, where applicable, the realization course in force for the scrap metal. The depreciation rates retained are tailored to suit each situation.

In this context, we have considered this subject to be a key audit matter because any provisions resulting therefrom are inherently dependent on assumptions, estimates or appraisals made by the group management.

Audit procedures implemented in the face of identified risks

Our work has been to assess the data and assumptions retained by management to determine the inventory value and identify the items that must be accounted for at this value.

We have in particular:

- taken cognizance of the internal control procedures established to identify the items to be depreciated;
- tested the effectiveness of key controls related to these procedures;
- compared the cost of items in stock with the net selling price used, by sampling, to confirm the amount of depreciation found in the consolidated accounts;
- Identified, from a computer query, the slow-rotating items and verified their correct valuation to the inventory value when it is less than their weighted average unit cost, or validated the consistency of the absence of depreciation by interviews with the management.

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the annual general meeting.

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

We certify that the consolidated extra financial performance statement is provided for in Article L. 225-102-1 of the French Commercial Code, which is included in the Group Management Report, in accordance with the provisions of Article L 823-10 of the Code. The information recorded in this statement were not verified by us and must be certified by an independent third party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Thermador Groupe by the annual general meeting held on 2nd October 1986 for Mazars and on 4th April 2005 as substitute for Cabinet Royet and on April 17, 2015 as titular.

As at December 31, 2019, Mazars is in the 33rd year of total uninterrupted engagement, which is the 32st year since securities of the Company were admitted to trading on a regulated market. Cabinet Royet is in the 15th year of engagement which is the 5th as titular statutory auditor.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

6.4 Auditors' report on the consolidated accounts

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Saint-Etienne and Villeurbanne, February 19, 2020

The statutory Auditors

CABINET ROYET	MAZARS
Stéphane Guichard	Frédéric MAUREL