2019 Annual Report

Sfpi Group - Spring 2020

2019 Annual Report

We walk hand in hand with technology.

In 2019, once again Sfpi Group capitalised on its existing strong fundamentals: a robust financial position, a sustainable structure spanning all Group business lines, cutting-edge expertise backed by years of experience and a strong identity bolstered this year by new communications, logos and graphics.

2019 also saw the consolidation of our commitment in terms of industrial responsibility. This commitment encompasses four areas of responsibility:

- first and foremost, commercial responsibility. This means supplying products and services of impeccable quality that meet the most stringent standards;

- second, financial responsibility. This means rigorously controlling all operating divisions and steering capital expenditure towards long-term growth;

- managerial responsibility. This means placing our trust in enterprising, independent managers as well as developing their skills and improving the production environment for all those concerned;

- last but not least, environmental responsibility. This is geared towards energy efficiency with the aim of reducing the carbon footprint of our products, services, plants and other locations.

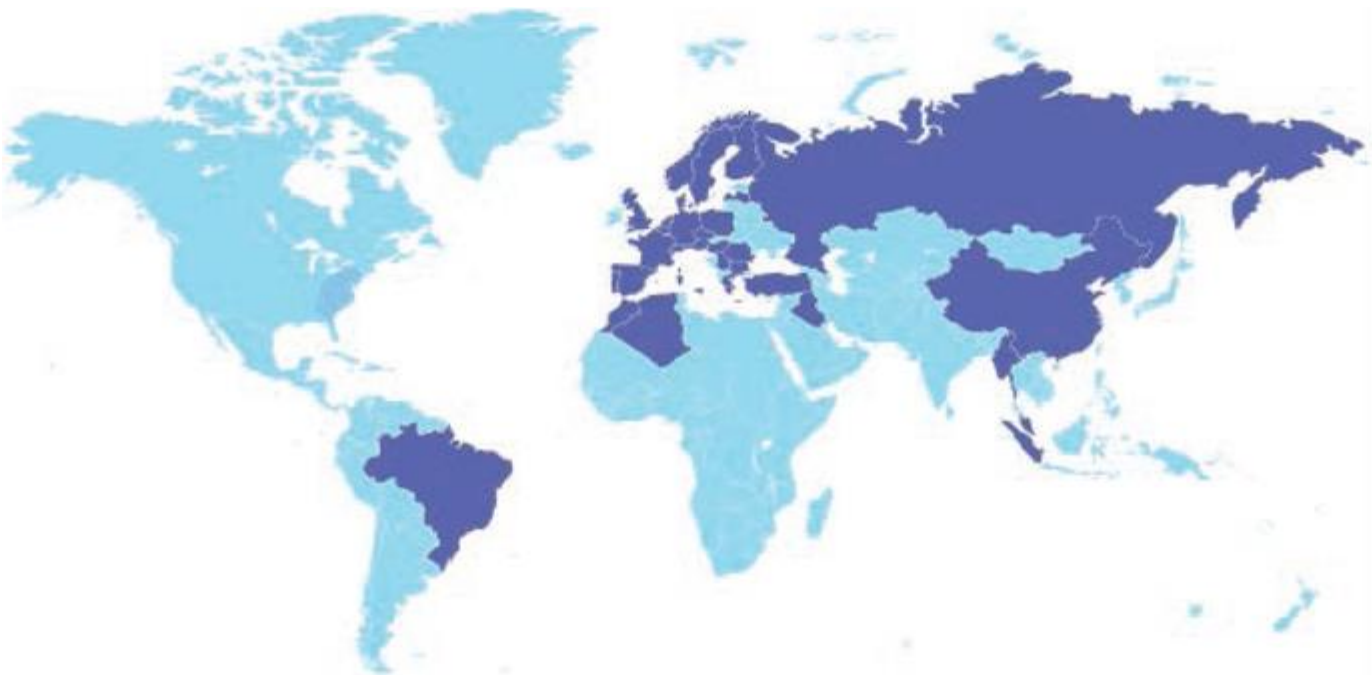
The health crisis that has plagued France and the rest of the world over the last three months has further strengthened our conviction that the Group's long-term viability depends on a symbiotic relationship between these four elements.

Henri Morel
Chairman and CEO

Independent, industrial, international

GROUPE SFPI was created in France in 1985 by a group of entrepreneurs led by Henri Morel committed to taking over and developing industrial companies.
In 2019, GROUPE SFPI generated €562 million in revenues in the safety industry. 40% of these revenues were generated outside France.

GROUPE SFPI has 3,908 employees, of whom 40% are based outside France.



Joinery, shutters, awnings and blinds for housing and stores

MAC

The companies in the MAC division design, produce and sell door and window fittings (windows and joinery, blinds and shutters, awnings, front and garage doors, industrial doors) for housing and industrial buildings on the B2B and B2C markets.

Organised around strong brands such as France Fermetures, Franciaflex, Faber and SIPA Menuiseries, the MAC division is based in France. The MAC companies generate around €200 million in revenues and employ around 1,200 people working in recently restructured departments.

Much like DOM Security, the MAC companies are currently involved in an ambitious innovation plan to completely digitise the value chain, from ordering to customer delivery.

Access and locking solutions for buildings

DOM Security

European leader on the security market, DOM Security designs, manufactures and markets mechanical and electronic access and locking solutions for home-owners and corporate clients. DOM Security has also acquired specialist expertise in integrated locking solutions for industrial groups, providing turnkey solutions developed in coordination with engineering departments. DOM Security spans over 20 companies in Europe, employs 1,700 people and boasts more than 100 million users who use the Group’s products and brands on a daily basis. The Group is focusing its innovation drive on developing connected locking solutions (connected locks, unlocking via smartphone or badge) and access control solutions designed for smart building management. Actively involved in the digital transformation of production and distribution methods, DOM Security’s marketing teams are Sfpi Group’s go-to for expertise.

Thermal processing and sterilisation solutions for industries

MMD

The MMD companies deliver industry solutions (food industry, chemicals, heavy industry, etc.) in thermal processing and sterilisation. Backed by leading brands on their markets such as Barriquand, Steriflow and recently acquired Cipriani (Italy), the division’s companies design, manufacture and distribute products that allow their customers to manage industrial processes including thermal exchange, fulfil strict health standard requirements and control energy consumption. The companies of the MMD division employ around 250 people and generate just under €50 million in annual revenues. On a market experiencing sustained growth, the division’s products benefit from growing interest, arising from the growing complexity and tightening of standards and increasingly demanding requirements to reduce energy consumption.

Firmly established in Europe and distributed worldwide, the division’s thermal processing and sterilisation products are regularly recognised for their excellence and innovative nature.

Air treatment in industrial settings

NEU-JKF

In 2017, the historical NEU division acquired the Danish company JKF and became the NEU-JKF division dedicated to improving air quality in industrial settings.

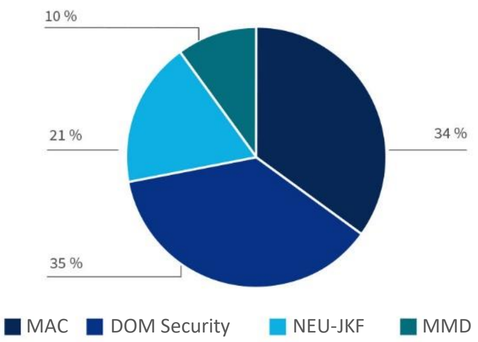
The division's companies design, produce and market systems for dust extraction, air filtration and conditioning, pneumatic conveying and industrial ventilation for large range of sectors (agrifood, milling, woodworking, chemicals, metalworking and minerals, cardboard and paper, nuclear, aviation, etc.).

Aligned with Sfpi Group's international ambitions, the NEU-JKF division generates over half of its revenues outside France.

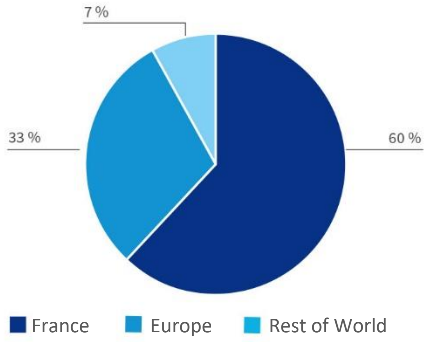
The systems and products distributed by the division meet the strictest regulatory standards and requirements and contribute to protecting the environment, industrial equipment and employee health. They help to improve productivity and performance in industrial facilities.

2019 key figures

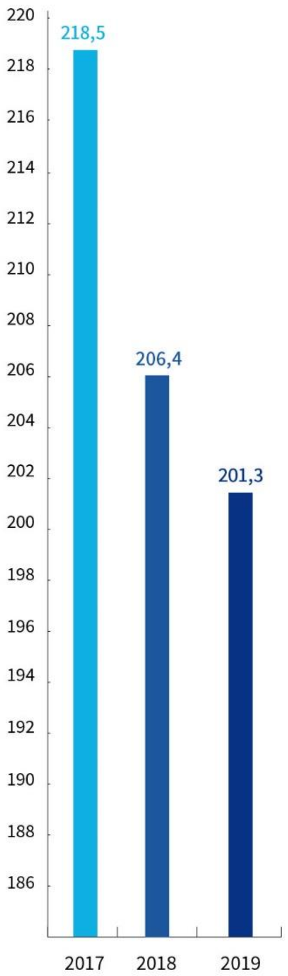
2019 revenues breakdown by division



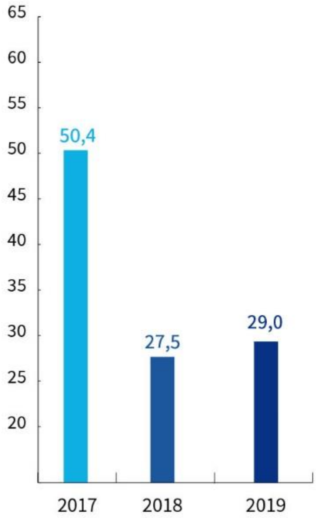
2019 revenues breakdown by region



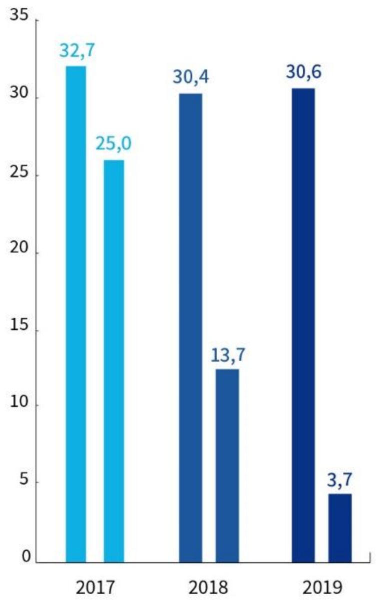
Shareholders' equity
€m



Net cash position
€m

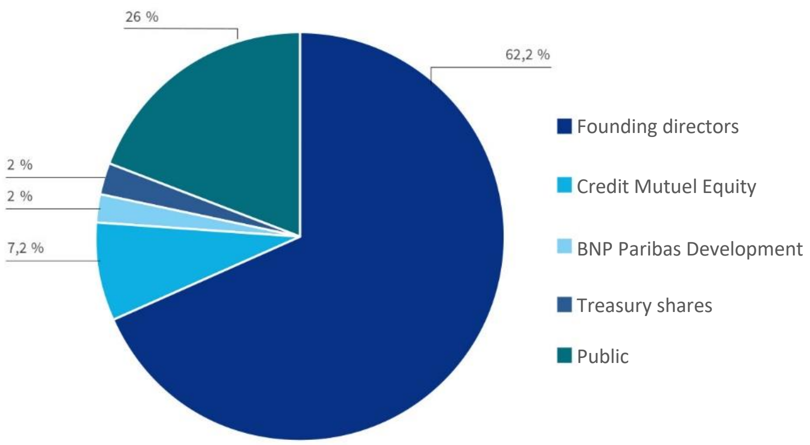


Recurring operating income and net income Group share
€m



2019 stock market information

Capital structure - December 2019



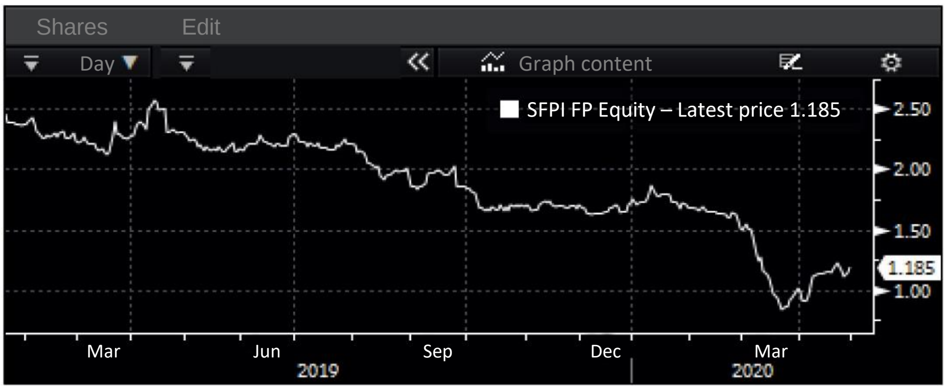
Data per share

In euros	2017	2018	2019
Net earnings per share Group share	€0.28	€0.15	€0.04
Cash flow per share	€0.41	€0.34	€0.40
Net dividend	€0.06	€0.05	—
Number of shares (excl. treasury shares)	**87,871,609**	**97,219,649**	**97,219,649**

Number of shares: 99,317,902
ISIN: FR0004155000
Listing market: Euronext Paris
Compartment: B

Price at 31/12/2019: €1.70

Market capitalisation:
" 31/12/2019: €168m
" 30/04/2019: €118m



Corporate governance

Board of Directors

Henri Morel, Chairman and Chief Executive Officer

Damien Chauveinc, Deputy Managing Director

Spring Management SAS, represented by **Jean-Bertrand Prot**
Arc Management SAS, represented by **Sophie Morel**
Credit-Mutuel Equity SCR, represented by **Thierry Wendling**
Hervé Houdart (independent director)
Valentine Laude
Marie-Cécile Matar (independent director)
Hélène Laplante (employee representative director)

Audit Committee

Hervé Houdart (Chairman of the Audit Committee)
Spring Management SAS, represented by **Jean-Bertrand Prot**
Arc Management SAS, represented by **Sophie Morel**
Credit-Mutuel Equity SCR, represented by **Thierry Wendling**
Valentine Laude
Marie-Cécile Matar
Hélène Laplante

Board advisor (censeur)

BNP Paribas Development, represented by **Patrice Vandenbossche**

Contents

MANAGEMENT REPORT

Parent company financial statements

Dear Shareholders,

We have convened you to a Combined General Meeting pursuant to the articles of association and provisions of the French Commercial Code to:

(1) **Ordinary General Meeting:** provide you with an account of the Company's operations during the financial year ended 31 December 2019, the results of said operations and the outlook for the future, and to submit the Company's balance sheet and financial statements for said financial year for your approval, request that you authorise a new share buyback programme and grant the Board full powers to carry out transactions in the Company's shares;

(2) **Extraordinary General Meeting**: request that you approve the authorisation to be granted to the Board of Directors to reduce the share capital by cancelling treasury shares.

The notices of meeting required by law have been duly sent to you and the documentation required under applicable regulations has been placed at your disposal within the statutory timeframe.

RESOLUTIONS TO BE SUBMITTED TO THE ORDINARY GENERAL MEETING

APPROVAL OF THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

The financial statements for the year ended 31 December 2019 which we are submitting for your approval were prepared in accordance with the rules of presentation and valuation methods provided for by applicable regulations.

The income statement shows net income of €9,710,757 after deduction of amortisation, depreciation and regulated and justified provisions, which we recommend be distributed pursuant to the provisions of the articles of association, as set out below.

COMPANY FINANCIAL RESULTS FOR THE YEAR

Company financial results

- Company revenues are mainly generated from services provided to Group companies.
- The Company posted net operating income of €301,000 compared to a €2,419,000 loss the previous year.
- Net financial income was €10,419,000 versus €20,391,000 the previous year.
- Net non-recurring expenses amounted to €592,000 compared to €2,498,000 the previous year.

The main income and expense accounts for the year ended yielded the results shown below as compared to 2018:

	2019	2018
Revenues	6,696,683	7,975,256
Operating income	6,792,323	7,987,644
Operating expenses	6,490,897	10,406,176
NET OPERATING INCOME/(LOSS)	**301,425**	**(2,418,532)**
Financial income	10,669,919	20,629,511
Financial expenses	250,611	238,640
NET FINANCIAL INCOME	**10,419,307**	**20,390,872**
EARNINGS BEFORE NON-RECURRING ITEMS	**10,970,267**	**18,215,258**
Non-recurring income	424,598	1,025,047
Non-recurring expenses	1,016,847	3,523,067
NET NON-RECURRING INCOME/(EXPENSES)	**(592,248)**	**(2,498,020)**
Employee profit-sharing	—	—
Income taxes	667,260	(964,179)
NET INCOME FOR THE YEAR	**9,710,757**	**16,681,417**

In December 2019 the re-establishment of the DOM division was completed with the transfer of the shares in DOM Sicherheitstechnik GmbH and SECU Beteiligungs GmbH received by GROUPE SFPI following the merger of DOM Security SA in 2018 to DOM Security SAS. The transaction had been deferred pending a reply from the German tax authorities regarding the tax treatment of the capital gain arising from the transfer. As the tax rescript was favourable, Sfpi Group executed the transfer of the DOM Sicherheitstechnik GmbH and SECU Beteiligungs GmbH shares at their net book value of €17,181,980. DOM Security SAS increased its share capital by €17,181,980 by issuing 1,718,198 new shares to GROUPE SFPI SA.

LEGAL MEASURES

Approval of the 2018 financial statements

At your General Meeting on 7 June 2019, you approved the financial statements for the year ended 31 December 2018 showing net income of €16,681,417.27, which you have decided to appropriate as follows:

- 5% to the legal reserve: €834,070.86
- Dividend payments: €4,965,895.10, i.e. €0.05 per share,
- Balance: €10,881,451.31 to 'Other reserves', for which the balance is raised from €31,195,906.31 to €42,077,357.62.

The dividend was paid out in cash on 21 June 2019.

In accordance with law, the treasury shares held on the dividend payment date conferred no dividend entitlement.

Regulated agreements and commitments

We have provided our statutory auditors with all the required information to enable them to draw up their special report on the agreements listed under Articles L. 225-38 et seq. of the French Commercial Code.

Appropriation of earnings for the 2019 financial year

We recommend that you appropriate earnings for the year amounting to €9,710,757 in the following manner:

Source:
- Net income for the year: €9,710,757.

Appropriation:
- 5% to the legal reserve: €485,537.85.
- Balance: €9,225,219.15 to 'Other reserves', for which the balance is raised from €42,077,357.62 to €51,302,576.77.

Dividends distributed during previous financial years.

In accordance with Article 243 bis of the French General Tax Code, we remind you that the amounts distributed as dividends for the three previous financial years were as follows:

Year	Dividend distributed	Dividend per share
2016	€4,498,493.1	€0.05
2017	€5,398,191.72	€0.06
2018	€4,965,895.10	€0.05

Non-tax deductible expenditure on luxuries

In accordance with the provisions of Articles 223 quater and 223 quinquies of the French Tax Code, we inform you that the financial statements for the year ended do not include any expenses that are not deductible from taxable income.

Authorisation for sureties, endorsements and guarantees

In accordance with the provisions of Articles L. 225-35 and R. 225-28 of the French Commercial Code, on 22 April 2020 the Board of Directors authorised the Chairman to grant sureties, endorsements and guarantees in the Company's name, subject to an overall cap of €150,000.

This authorisation was granted for a term of one year, irrespective of the duration of the surety, endorsement or guarantee commitments.

Research and development

The Company has decided not to capitalise any research and development expenses for 2019 under the balance sheet line item 'Research and development costs'.

Results of the Company over the last five financial years

A table detailing the Company's results over the last five financial years is attached in the notes to this report pursuant to Article R. 225-102 of the French Commercial Code.

Information on outstanding trade payables and receivables

Pursuant to the provisions of Articles L. 441-6-1 and D. 441-1 of the French Commercial Code, the aging balance of outstanding trade payables and receivables at the last balance sheet date is shown below:

TRADE PAYABLES						
(€000)	Article D. 441-4 I-1°: Unpaid invoices RECEIVED and overdue at year-end					
	0 days (account 411)	1 to 30 days	31 to 60 days	61 to 90 days	> 90 days	TOTAL (≥ 1 day overdue)
(A) LATE PAYMENTS BY PERIOD OVERDUE						
Number of invoices concerned	48					79
Total amount of invoices concerned (incl. tax)	696	2	12	93	256	363
% of total purchases for the year (incl. tax) (French corporate tax return: FS+FU+FW)	12.33	0.03	0.21	1.64	4.54	6.42
(B) INVOICES EXCLUDED FROM (A) RELATING TO INTERCOMPANY PAYABLES						
Number of invoices excluded	0					
Total amount of invoices excluded (incl. tax)	0					
(C) BENCHMARK PAYMENT TERMS APPLIED (STATUTORY OR CONTRACTUAL - ARTICLE L. 441-6 OR L. 443-1, FRENCH COMMERCIAL CODE)						
Payment terms used to calculate late payments	☐ Contractual terms: (to be specified) ☒ Statutory terms: Application of the French Modernisation of the Economy Act (LME)					

TRADE RECEIVABLES						
(€000)	Article D. 441-4 I-2°: Unpaid invoices ISSUED and overdue at year-end					
	0 days (account 401)	1 to 30 days	31 to 60 days	61 to 90 days	> 90 days	TOTAL (≥ 1 day overdue)
(A) LATE PAYMENTS BY PERIOD OVERDUE (MAINLY INTERCOMPANY RECEIVABLES)						
Number of invoices concerned	68		32			
Total amount of invoices concerned (incl. tax)	2,384	0	0	12	516	528
% of revenues for the year (incl. tax) (corporate tax return: FL)	31.17	0	0	0.15	7.98	8.13
(B) INVOICES EXCLUDED FROM (A) RELATING TO DOUBTFUL OR CONTESTED TRADE RECEIVABLES						
Number of invoices excluded	0					
Total amount of invoices excluded (incl. tax)	0					
(C) BENCHMARK PAYMENT TERMS APPLIED (STATUTORY OR CONTRACTUAL - ARTICLE L. 441-6 or L. 443-1, FRENCH COMMERCIAL CODE)						
Payment terms used to calculate late payments	☐ Contractual terms: (to be specified) ☒ Statutory terms: Application of the French Modernisation of the Economy Act (LME)					

ACQUISITION AND SALE OF EQUITY OR CONTROLLING INTERESTS IN OTHER COMPANIES REGISTERED IN FRANCE.

Equity interests acquired during the year

We remind you that the table of subsidiaries and affiliates is included in the notes to the parent company financial statements.
Our Company acquired no equity interests in other countries registered in France.

Controlling interests acquired during the year

In March 2019, our Company acquired all shares of SCI IMMOBILIERE DUBOIS, whose registered office was transferred to 20 rue de l'Arc de Triomphe, Paris 17th district, Paris Trade and Companies Registry no. 520 477 613.

Equity interests sold during the year

Our Company sold no equity interests in other countries registered in France.

Capital structure and breakdown of voting rights

Identity of individuals and legal entities holding the share capital	% of share capital
Individuals	
Henri Morel 20 rue de l'Arc de Triomphe - 75017 Paris	4.61
Legal entities	
ARC MANAGEMENT SAS 20 rue de l'Arc de Triomphe - 75017 Paris	46.26
SPRING MANAGEMENT SAS 29 rue Bassano - 75008 Paris	11.34
CRÉDIT MUTUEL EQUITY SCR 28 avenue de l'Opéra - 75002 Paris	7.21
BNP PARIBAS DEVELOPPEMENT SA 20 rue Chauchat - 75009 Paris	1.97

We hereby state the identities of the individuals or legal entities below, pursuant to the provisions of Article L. 233-13 of the French Commercial Code and in light of the information received under Articles L. 233-7 and L. 233-12 of said code:

Shares registered in the name of the Company:

As at 31 December 2019, GROUPE SFPI held 2,187,448 treasury shares, including 748,252 (0.75% of the share capital) resulting from the merger with EMME, 1,350,000 (1.36% of the share capital) purchased under the share buyback programme authorised by the Combined General Meeting of 9 June 2017 and 89,196 (0.090% of the share capital) held under the liquidity contract.

Company shares held by employees

Pursuant to the provisions of Article L. 225-102 of the French Commercial Code, we hereby inform you that, as at 31 December 2019, no employee held shares in the Company.

Setting of remuneration awarded to the directors

We propose that you set the annual fixed amount to be divided among directors that are legal entities or non-executive individuals who are not employees of the Group, in consideration for the performance of their duties, at €30,000.00 in respect of the 2019 financial year and that you grant full powers to the Board of Directors to set the conditions for dividing said remuneration among the directors.

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY THE COMPANY

We inform you that GROUPE SFPI refers to the September 2016 edition of the Middlenext Corporate Governance Code for Small and Mid Caps.

As such, the Board of Directors has reviewed the items presented in the watchpoints section of the code.

Furthermore, the Company subscribes to the following recommendations:

RECOMMENDATION		APPLIED		COMMENTS
		YES	NO	
R 1	Code of Ethics for members of the Board of Directors	X		The code of ethics is an essential component of the Board rules of procedure
R 2	Conflicts of interest	X		The Board of Directors ensures that procedures are in place to identify and manage any conflicts of interest.
R 3	Composition of the Board of Directors Presence of independent members	X		The Board of Directors comprises eight (8) members, including two independent members and one employee representative
R 4	Forwarding of information to Board members	X		Before each meeting, the directors receive the necessary information and documentation in sufficient time to prepare for Board meetings.
R 5	Organisation of Board of Directors and Audit Committee meetings	X		The Board of Directors and the Audit Committee meet whenever the financial statements are due to be approved and whenever necessary otherwise. The Board of Directors met five times in 2019.
R 6	Introduction of committees	X		Existing committees: - an Audit Committee whose duties are carried out by the directors under the conditions provided for by law and regulations. The committee also assesses agreements entered into in the ordinary course of business and on arm's length terms, at the recommendation of the Group Chief Financial Officer and the Head of Legal Affairs; - an Executive and Strategic Committee whose composition is indicated in the corporate governance report and whose duties are to review investment decisions above €1 million, the GROUPE SFPI budget, the Group monthly results, any matters relating to strategy, acquisitions, disposals, development policies etc. and hiring of key personnel.
R 7	Implementation of rules of procedure for the Board of Directors	X		The rules of procedure were approved and implemented by the Board of Directors at its meeting on 13 March 2018.
R 8	Director appointments	X		Each director is appointed under a separate resolution; directors are selected according to their skills and expertise.
R 9	Board members' term of office	X		The term of office for Board members is three (3) years.
R 10	Remuneration awarded to directors	X		The Board of Directors allocates an annual fixed amount to be awarded to directors that are legal entities or non-executive individuals who are not employees of the Group, in consideration for the performance of their duties.

R 11	Introduction of a system for assessing the work of the Board of Directors		X	The Chairman believes that it is not necessary to carry out an assessment of the work of the Board of Directors.
R 12	“Shareholder” relations	X		The Chairman meets and talks to shareholders so requesting at the end of each General Meeting.
R 13	Definition and transparency of executive officer remuneration	X		See table included in the Board of Directors’ management report.
R 14	Preparation of “executive officer” succession plans	X		This topic is under review.
R 15	Simultaneous employment contract and corporate office	X		Deputy Managing Director.
R 16	Severance benefits		X	Not applicable.
R 17	Supplementary retirement schemes	X		The information relating to retirement schemes established for the Chairman is disclosed in the corporate governance report.
R 18	Stock options and bonus shares	X		The 14 June 2018 General Meeting authorised the Board of Directors, for a term of 38 months, to allocate bonus shares and stock options to Group executive officers and employees.
R 19	Review of watchpoints	X		Each year the Board of Directors takes note of and reviews the watchpoints set out in the Middlenext Code.

Internal control: definition and objective

Internal control comprises all the control systems established by senior management, the management team and other members of staff to provide reasonable assurance regarding:

- the reality and efficiency of transactions,
- the reliability of reporting,
- compliance with laws and regulations in force,
- protection of assets.

An internal control system designed to meet the various objectives described above does not, however, provide any certainty that the objectives will be achieved, due to the inherent limitations of any procedure.

General organisation of internal control

Internal control is coordinated by the GROUPE SFPI financial control and legal affairs departments.

In order to ensure, as far as possible, rigorous financial management and risk control, and to prepare the information provided to shareholders on the financial position and statements, the GROUPE SFPI financial control department audits each subsidiary’s financial statements before they are audited by the statutory auditors.

This department also supervises and checks the financial reporting sent each month by each subsidiary. It coordinates any changes made to accounting and budgeting procedures as well as the pooling of financial information. It consolidates the division’s reporting and manages insurance policies.

The Chief Financial Controller reports to the Chairman and Chief Executive Officer in the department’s work and results and puts forward recommendations, where applicable.

A code of ethics for controlling financial risks has been signed by all subsidiary directors and their key managers.

The recognition of Group cash transactions and bank reconciliations are also managed by the GROUPE SFPI finance and financial control departments.

The cash management and financing departments report to the treasurer.

Their principal duties are:

- monitoring financial flows and the distribution of funds,
- monitoring investment transactions and borrowings,
- managing credit facilities and commitments.

As part of legal risk control, the GROUPE SFPI legal affairs department handles the drafting of deeds, besides assisting and advising the subsidiaries on legal matters. It manages and monitors disputes in consultation with the Group's lawyers.

Other internal control procedures

With regard to operating processes, the main controls are as follows:

- in the subsidiaries' sales departments, monitoring and controlling sales invoiced, order placements, margins, etc. in order to compare actual performance per business sector with budgeted targets on the basis of monthly dashboards,
- in the subsidiaries' technical departments, monitoring and controlling progress and business volumes in terms of customer service, technical support, product testing and cataloguing and the search for solutions.

With regard to the preparation and processing of financial and accounting information:

- The process falls within the remit of the finance and financial control department.
- The accounting and management system relies on an integrated information system that facilitates verification of the completeness and correct valuation of transactions and the preparation of accounting and financial information in accordance with the accounting methods and rules in force, as applied by the Company for both parent company and consolidated financial statements.
- The senior management team is responsible for the accuracy of the accounting and financial information produced by the finance and financial control department. This information is audited by the statutory auditors, who carry out verifications in accordance with standards in force.

Shareholder information and communication

Information is communicated to shareholders mainly via the Company's website (www.groupe-sfpi.com) under the oversight and control of the Chairman and Chief Executive Officer and the GROUPE SFPI Investor Relations Manager.

Main risks facing the Group and management procedures

The main risk factors are as follows:

- <u>Customer risk</u>

The risk of non-recovery of receivables is managed in advance through sound knowledge of the market and customers. In the case of some new customers, outstanding debt is calculated on the basis of specific financial analyses.

- <u>Interest rate and exchange risk</u>

The Company has not taken out any floating-rate loans.

GROUPE SFPI foreign exchange risk exposure is low.

- <u>Insurance</u>

The Group has taken out insurance policies that duly cover the risks incurred by its business operations.

- <u>Country risk</u>

No business activity has been developed in a country identified as at-risk.

SHARE BUYBACK PROGRAMME

TRANSACTIONS CARRIED OUT BY THE COMPANY IN ITS OWN SHARES IN 2019

Presentation of the authorisation granted to the Board of Directors

At the Combined General Meeting on 7 June 2019 you authorised the Board of Directors to purchase Company shares, over a term of eighteen (18) months, under a share buyback programme. The maximum purchase price was set at €5.00 per share, provided that the number of shares acquired did not exceed 7.89% of the share capital and that the number of shares held by the Company at any given time did not exceed 7.89% of the shares comprising the share capital. At the time of this authorisation, the Company already held 2.11% of its share capital.

The authorisation granted by the General Meeting on 7 June 2019, currently in effect, is due to expire on 7 December 2020. In order to allow an investment services provider to ensure the continued liquidity of the Company's share on the market, you are requested to authorise the Board of Directors to execute transactions in the Company's shares through a new share buyback programme, the terms of which are set out below in the paragraph entitled "Description of new share buyback programme submitted for approval by the Ordinary General Meeting of shareholders".

Summary table at 2019 balance sheet date

Financial position as at 31 December 2019

% of capital held directly or indirectly as treasury shares	2.2
Number of shares held*	2,187,448
Number of shares cancelled over the past 24 months	None

* comprising 748,252 shares resulting from the merger with EMME, 1,350,000 acquired under the share buyback programme authorised by the 9 June 2017 Combined General Meeting and 89,196 under the liquidity contract.

Description of the new share buyback programme submitted for approval by the Ordinary General Meeting of shareholders

The description of this programme presented below, drawn up in accordance with Article 241-3 of the AMF General Regulation, will not be the subject of a separate publication.

Given that the authorisation granted to the Board of Directors by the 7 June 2019 General Meeting to carry out transactions in Company shares expires on 7 December 2020, it is requested that you again authorise the Board of Directors to carry out transactions in Company shares at a maximum purchase price of €5.00 per share excluding acquisition expenses.

This authorisation will enable the Board of Directors to acquire Company shares representing no more than 10% of the Company's share capital. In accordance with law, the Company may at no time hold shares representing more than 10% of its share capital.

Given that the Company may not hold more than 10% of its share capital and in view of the number of shares already held at 31 March 2020, amounting to 2,721,726 shares or 2.74% of the share capital, the maximum number of shares that may be purchased stands at 7,210,044 shares or 7.26% of the share capital, unless existing treasury shares are transferred or cancelled.

The maximum available amount for the requirements of the current programme is €36,050,220 representing 7.26% of the share capital.

This buyback programme will enable the Company to purchase or arrange the purchase of Company shares for the purpose of:

(i.) ensuring the Company share's market liquidity by means of an investment services provider acting independently pursuant to a liquidity contract in accordance with the AMAFI code of ethics and best market practices as recognised by the French Financial Markets Authority (AMF); or

(ii.) holding the shares for subsequent tendering as consideration or in exchange in respect of a potential acquisition, in accordance with market practices admitted by the French Financial Markets Authority (AMF); or

(iii.) allocating or selling the shares to employees and/or executive officers of the Company and/or related companies or companies that will be related under the terms and conditions provided for by law, in particular via allocation of stock options or under an employee profit-sharing scheme; or

(iv.) freely allocating the shares to employees and or executive officers of the Company and/or related companies or companies that will be related to it in the future in accordance with the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code, on the understanding that the shares may by assigned to an employee savings scheme pursuant to the provisions of Article L. 3332-14 of the French Employment Code; or

(v.) cancelling the shares purchased via a capital reduction, in particular in order to increase earnings per share or improve return on equity; or

(vi.) implementing all current and future market practices recognised by the AMF and, more generally, for any other purpose that is authorised under applicable statutory and regulatory provisions.

This programme is also designed to allow the Company to carry out transactions in Company shares for all other current or future purposes authorised by law and regulations in effect.

The Company may purchase treasury shares subject to the following limits:

- the number of shares purchased by the Company during the term of the buyback programme may not exceed 10% of the shares comprising the Company's share capital, at any time, this percentage applying to the share capital as adjusted for any transactions impacting it after this General Meeting; in accordance with the provisions of Article L. 225-209 of the French Commercial Code, when the shares are repurchased to promote share liquidity under the conditions defined by the regulations in force, the number of shares taken into account for the calculation of the 10% cap corresponds to the number of shares purchased less the number of shares sold during the term of the authorisation; and

- the number of shares held by the Company at any given time may not exceed 10% of the Company's total share capital.

The purchase, sale, transfer, tendering or exchange of these shares may be carried out on one or more occasions and by any means whatsoever that are authorised by current or future regulations in force. Such means include over-the-counter transactions, block trading, repurchase agreements and the use of any derivative financial instrument, traded on a regulated market or over-the-counter and the implementation of option strategies (purchase and sale of put and calls options and any combination thereof in compliance with applicable regulations). The portion of the buyback programme that may be implemented via block trades is equivalent to the entire share repurchase programme.

These transactions may be carried out at such times as the Board of Directors shall determine; however, during a public tender offer, the shares may only be repurchased if such buybacks:

- allow the Company to comply with commitments it has undertaken prior to the opening of the offer period;

- are carried out in continuation of a buyback programme already underway;

- fall under the objectives listed above under points (i) to (v); and

- are not liable to thwart the public tender offer.

The Board of Directors may also reallocate previously repurchased shares (including under a previous authorisation) to another objective, in compliance with applicable statutory and regulatory provisions, or sell them on or off the market.

This authorisation is granted for a term of eighteen (18) months from the date of this General Meeting and cancels, from this same date, the unused part of the authorisation granted to the Board of Directors by the 7 June 2019 Combined General Meeting, in its 16th resolution, to carry out transactions in Company shares.

MATERIAL EVENTS OCCURRING BETWEEN THE BALANCE SHEET DATE AND THE DATE OF THE MANAGEMENT REPORT

We hereby inform you that the Company has asked its investment services provider to purchase Company shares in addition to the purchases carried out under the liquidity contract.

Furthermore, the first quarter of 2020 was marked by the spread of the COVID-19 virus. While it is certain that the pandemic will affect the 2020 financial statements, at this stage it is difficult to predict the exact impact it will have on our business. Our Company has taken advantage of the business assistance schemes set up by the French government. There was no notable impact prior to 31 December 2019.

COMPANY OUTLOOK

As a holding company, most our Company's earnings come from dividends paid by subsidiaries, amounts received for services provided to Group companies and any securities disposal transactions. The pandemic is bound to affect the financial statements for 2020.

Consolidated financial statements

At 31 December 2019, the Group consolidation scope covered the companies listed in the notes to the financial statements.

We hereby request, in accordance with Articles L. 225-100 and L. 233-16 of the French Commercial Code, that you approve the consolidated financial statements as presented to you herein.

Article R. 225-102 of the French Commercial Code provides that all of the information listed by said article regarding the content of the management report also applies to the Group management report, which may be included in the Company management report.

CONSOLIDATION SCOPE

Configuration of consolidation scope:

- GROUPE SFPI
- NEU-JKF division (air treatment)
- DOM Security division (locking systems)
- MMD division (heat exchangers)
- MAC Division (industrial doors)
- Other: DATAGROUPE, POINT EST, FRANCE INVESTISSEMENT, SCI AVENUE GEORGES NUTTIN, SCI ALU DES DEUX VALLÉES, SCI VR DES DEUX VALLÉES, SCI STÉRIMMO, SCI NEU, SCI LA CHAPELLE D'ARMENTIÈRES, SCI MANCHESTER, SCI LUZECH, SCI IMMOBILIERE DUBOIS, SCI CIPRIANI.

ELZETT SOPRON, TITAN ZAGREB and SPRINGCARD in the DOM Security division are consolidated under the equity method.

The total workforce of these companies at 31 December 2019 was 3,908 employees.

The financial statements presented below have been prepared in accordance with IFRS.

The main income and expense accounts for the year ended yielded the results shown below as compared to the previous year (€000):

INCOME STATEMENT	2019	% rev.	2018	% Ch. 2019 vs 2018
Revenues	562,450	—	549,805	+2.2
RECURRING OPERATING INCOME	**30,554**	**5.4**	**30,370**	**+0.6**
NET OPERATING INCOME	**12,019**	**2.1**	**26,559**	**—**
Net financial income/(expense)	(526)	—	(535)	—
Corporate income tax	(7,758)	—	(9,747)	—
NET INCOME OF CONSOLIDATED COMPANIES	**3,783**	**0.7**	**16,296**	**—**
Parent company share	3,734	—	13,657	—
Non-controlling interests	**49**	**—**	**2,369**	**—**
Consolidated basic and diluted earnings per share, excluding treasury shares (€)	0.04	—	0.14	—

OPERATIONS AND EARNINGS OF MAIN DIVISIONS

We hereby state that the companies of the following divisions are consolidated at GROUPE SFPI level: NEU-JKF, MMD, MAC and DOM Security. The consolidated financial statements of these divisions, included below for information purposes, have been reviewed by the statutory auditors but are not subject to a statutory publication requirement.

The main consolidated income and expense statements for the year ended yielded the following results for the different divisions (€000):

NEU-JKF DIVISION	2019	2018
Revenues	117,189	122,480
Recurring operating income	3,221	3,949
Net operating income/(loss)	(7,031)	3,281
Net income/(loss)	(8,290)	1,175
Net cash and cash equivalents (i)	(17,094)	(18,886)
Consolidated net assets	9,973	17,725

(i) Net cash and cash equivalents at 31 December 2019 does not include IFRS 16 lease liabilities.

On 31 December 2019, the total workforce of the NEU-JKF division comprised 730 employees.

DOM SECURITY DIVISION	2019	2018
Revenues	198,550	186,366
Recurring operating income	17,072	17,008
Net operating income/(loss)	13,296	15,613
Net income/(loss)	9,461	10,662
Net cash and cash equivalents (i)	690	6,340
Consolidated net assets	92,715	91,838

(i) Net cash and cash equivalents at 31 December 2019 does not include IFRS 16 lease liabilities.

In June 2019, the Company obtained control of HOBERG, REVILO and KEYTEC, registered at Avenue Edison 27, Wavre (1300), Belgium, via its subsidiary DOM Security SAS.

In December 2019 the re-establishment of the DOM division continued with the transfer of the shares in DOM Sicherheitstechnik GmbH and SECU Beteiligungs GmbH received by GROUPE SFPI following the merger of DOM Security SA to DOM Security SAS.

On 31 December 2019, the total workforce of the DOM Security division comprised 1,676 employees.

MMD DIVISION	2019	2018
Revenues	56,405	51,699
Recurring operating income	5,521	6,366
Net operating income/(loss)	5,521	(ii) 10,632
Net income	3,675	(ii) 8,523
Net cash and cash equivalents (i)	10,217	16,445
Consolidated net assets	29,643	32,021

(i) Net cash and cash equivalents at 31 December 2019 does not include IFRS 16 lease liabilities.

(ii) Including the entire consolidated capital gain generated on the sale of SPOMASZ-WRONKI in April 2018.

On 31 December 2019, the total workforce of the MMD division comprised 275 employees.

- Revenues from the design and manufacture of heat exchangers by ASET, BARRIQUAND ECHANGEURS and BATT amounted to €23,805,000 (€34,815,000 including CIPRIANI).
- Revenues from the manufacture of sterilisation autoclaves by STERIFLOW amounted to €21,590,000.

MAC DIVISION	2019	2018
Revenues	190,592	189,361
Recurring operating income	4,441	4,002
Net operating income/(loss)	(251)	673
Net income/(loss)	(1,315)	(1,439)
Net cash and cash equivalents (i)	20,325	16,841
Consolidated net assets	50,068	51,439

(i) Net cash and cash equivalents at 31 December 2019 does not include IFRS 16 lease liabilities.

On 31 December 2019, the total workforce of the MAC division comprised 1,212 employees.

Revenues from the production and sale of indoor and outdoor blinds, PVC joinery and door and window fittings by FRANCIAFLEX and its subsidiaries FABER FRANCE, SIPOSE and SIPA MENUISERIES amounted to €133,822,000.

Revenues from the manufacture and sale of garage doors, domestic shutters and door and window fittings by FRANCE FERMETURES amounted to €56,770,000.

LONG AND MEDIUM-TERM BORROWINGS

(excluding restated finance leases, consolidated operating leases and current bank overdrafts) (€000)
Companies with no short, medium or long-term borrowings have not been taken into account.

Division	Due in < 1 yr	Due in 1-5 yrs	Due in >5 yrs
DOM Security	3,533	14,937	4,719
NEU-JKF	6,743	21,620	821
MAC	2,290	3,620	408
MMD	1,896	6,407	919
GROUPE SFPI & OTHER	7,263	12,369	2,236
TOTAL	**21,725**	**58,953**	**9,103**

The Group has a net cash surplus of €28,984,000.

INTEREST RATE AND EXCHANGE RISK ANALYSIS

Sfpi Group has a surplus cash position. The Group uses no interest rate hedging instruments except where required under the loan agreement.

OUTLOOK

In view of the present COVID-19 health crisis, the Group is reserving judgement on the forecasts for 2020.

TO BE SUBMITTED TO THE EXTRAORDINARY GENERAL MEETING

AUTHORISATION FOR THE BOARD OF DIRECTORS TO REDUCE THE SHARE CAPITAL BY CANCELLING SHARES

If you approve the share buyback programme, we request that you authorise the Board of Directors to cancel the shares acquired under the buyback programme which you have just been asked to authorise, at its sole discretion and on one or more occasions, without exceeding 10% of the share capital.

This authorisation shall apply for a term twenty-six (26) months from the date of this General Meeting.

Table of results for the past five financial years

Item	07/2014-12/2015	2016	2017	2018	2019
1. Closing share capital	18 months	12 months	12 months	12 months	12 months
Share capital	80,972,876	80,972,876	80,972,876	89,386,112	89,386,112
Number of outstanding ordinary shares	89,969,862	89,969,862	89,969,862	99,317,902	99,317,902
Number of outstanding (non-voting) preference shares	-	-	-	-	-
Maximum number of shares to be issued in the future:					
• by bond conversion	-	-	-	-	-
• through the exercise of subscription rights	-	-	-	-	-
2. Revenues and earnings					
Revenues	4,430,368	4,233,239	4,241,912	7,975,256	6,695,684
Income before tax, employee profit-sharing and depreciation, amortisation and provisions	4,239,534	8,455,388	11,413,278	17,492,894	11,591,571
Income after tax, employee profit-sharing, depreciation, amortisation and provisions	6,935,788	14,742,053	17,465,620	16,681,417	9,710,758
Corporate income tax	(590,512)	(55,626)	(3,652,542)	(964,178)	667,261
Distributed earnings	2,625,442	4,498,493	5,398,192	4,965,895	-
3. Earnings per share (EPS)					
Earnings after tax and employee profit-sharing but before depreciation, amortisation and provisions	0.05	0.09	0.13	0.19	0.11
Earnings after tax, employee profit-sharing and depreciation, amortisation and provisions	0.08	0.16	0.19	0.17	0.10
Dividend per share	0.03	0.05	0.06	0.05	-
Employees					
Average employee headcount	9	9	11	13	11
Total payroll for the financial year	901,829	981,872	1,263,061	1,732,242	1,002,499
Social security contributions and benefits	320,735	396,828	517,529	691,596	390,619

Corporate governance report

Pursuant to the requirements of Article L. 225-37 of the French Commercial Code, this report is designed to provide you with an account of:

- membership of the Board of Directors (the "Board") and application of the gender balance principle;
- the conditions for preparing and organising the work performed by the Board;
- any limits imposed on the powers of the Chief Executive Officer; and
- the procedure whereby the Audit Committee assesses agreements entered into in the ordinary course of business and on arm's length terms;
- the internal control and risk management procedures in place at the Company.

It also is designed to present you with:

- the principles and rules for determining remuneration and any benefits granted to Company corporate officers;
- factors liable to have an impact in the event of a public tender offer (Article L. 225-10-3) and the procedures regarding shareholder participation in the General Meeting.

This report has been drawn up following discussions and interviews with the heads of the Company's finance, financial control and legal affairs departments. This report covers the following matters:

(1) Corporate governance procedures
(2) Board of Directors
(3) Conditions for the preparation and organisation of the Board's work
(4) Corporate officer remuneration
(5) Factors liable to have an impact in the event of a public tender offer
(6) Delegations of power and authorisations granted to the Board of Directors
(7) Any other information.

(1) CORPORATE GOVERNANCE PROCEDURES

In 2010, the Company decided to adopt the Middlenext Code (the "Code") published in December 2009 as its reference code for corporate governance, judging that it was the code most suited to the size and structure of its shareholder base. The Code was revised in September 2016. GROUPE SFPI has committed to complying with its recommendations.
The Code may be consulted on the Middlenext website (www.middlenext.com).
Furthermore, over the past few years, the Board has conducted an initiative designed to gradually achieve compliance with the Middlenext Code recommendations. Following the revision of the Code, the Company decided to continue the process in order to comply with the new recommendations. In accordance with Recommendation 19, the Board has taken note of the watchpoints listed by the Code and has committed to reviewing them regularly.

Senior management model

We inform you that your Board has chosen one of the two models of senior management provided for under Article L. 225-51-1 of the French Commercial Code.

The Board opted for the duties of Chairman of the Board of Directors and Chief Executive Officer to be performed by the same person.

Accordingly, Henri Morel is responsible for general management of the Company.

The Chief Executive Officer exercises his powers in accordance with the law and the Company's articles of association.

The Board's rules of procedure stipulate that it must deal with any issues concerning the smooth running of the Company, including:

- appointing executive officers,
- approving the annual and half-yearly financial statements,
- convening and setting the agenda of General Meetings of shareholders,
- carrying out the checks and verifications that it considers appropriate,
- reviewing major operations and transactions envisaged by the Company,
- keeping abreast of any significant events concerning the Company.

(2) BOARD MEMBERSHIP

(2.1) The Board is made up of eight directors of which two are independent and one is an employee representative, namely:

> **Henri Morel**
> Chairman and Chief Executive Officer
> Born 27 May 1957 in Saverne (67 - Bas-Rhin)
> Date of first appointment: 31 March 2015
> End of current term of office: 2021
> Number of Company shares held: 4,576,260

> **SPRING MANAGEMENT SAS**
> Director
> Represented by Mr Jean-Bertrand Prot
> Date of first appointment: 13 November 2018
> End of current term of office: 2021
> Number of Company shares held: 11,259,136

> **Hervé Houdart**
> Independent director
> Born 28 July 1951 in Paris 17th (75 - Paris)
> Date of first appointment: 31 March 2015
> End of current term of office: 2021
> Number of Company shares held: 54

> **Valentine Laude**
> Director
> Born 1 June 1978 in Paris 14th (75 - Paris)
> Date of first appointment: 31 March 2015
> End of term of office: 2021
> Number of Company shares held: 21

> **ARC MANAGEMENT SAS**
> Director
> Represented by Sophie Morel
> Date of first appointment: 7 June 2019
> End of current term of office: 2022
> Number of Company shares held: 45,947,349

> **CRÉDIT MUTUEL EQUITY SCR** (formerly CM-CIC Investissement SCR)
> Director
> Represented by Thierry Wendling
> Date of first appointment: 10 November 2015
> End of term of office: 2021
> Number of Company shares held: 7,159,143

> **Marie-Cécile Matar**
> Independent director
> Born 21 March 1959 in Paris 9th (75 - Paris)
> Date of first appointment: 14 June 2018
> End of term of office: 2021
> Number of Company shares held: 1

> **Hélène Laplante**
> Employee representative director
> Born 8 October 1962 in Hazebrouck (59 - Nord)
> Date of first appointment: 21 November 2018
> End of term of office: three years, non-renewable
> Number of Company shares held: 0

(2.2) Composition of the Board and Audit Committee

Name, title or role of directors	Independent director	Year of first appointment	Term expires	Audit Committee	Background and experience
Henri Morel Director Chairman & Chief Executive Officer	No	2015	2021	No	—
SPRING MANAGEMENT SAS Director, represented by Jean-Bertrand Prot	No	2018	2021	Member	M&A
Hervé Houdart Director	Yes	2015	2021	Chairman	Corporate management
CREDIT MUTUEL EQUITY SCR (formerly CM-CIC Investissement SCR) Director, represented by Thierry Wendling	No	2015	2021	Member	Management and finance
Valentine Laude Director	No	2015	2021	Member	—
ARC MANAGEMENT SAS Director, represented by Sophie Morel	No	2019	2022	Member	Head of CSR, communications and Works Council
Marie-Cécile Matar Director	Yes	2018	2021	Member	—
Hélène Laplante Employee representative director	No	2018	2021	Yes	—

(2.3) List of corporate mandates

In accordance with the provisions of Article L. 225-37-4 of the French Commercial Code, we hereby present you with a list of all positions held in other companies by each of the Company's corporate officers:

Corporate officer / Company	Position
Henri Morel	
NEU-JKF SA - NEU FÉVI SA MAC SAS - SOREMEC SA	Director
NEU-JKF SA - SOREMEC SA	Chairman and Chief Executive Officer
DOM SECURITY SAS - PICARD-SERRURES SAS - DOM RONIS SAS DOM-MÉTALUX SAS - DÉNY SECURITY SAS OMNITECH SÉCURITY SAS - MAC SAS DELTA NEU SAS - NEU PROCESS SAS - LA FONCIÈRE NEU SAS ARC MANAGEMENT SAS - AUBERGE HAZEMANN SAS	Chairman
MP ASSOCIÉS SARL - SCI B.G.M. - SCI NEU - SCI DOM - SCI CIPRIANI SCI AVENUE GEORGES NUTTIN - SCI LA CHAPELLE D'ARMENTIÈRES SCI HÔTEL DU CHAMP DU FEU - SCI 1896 - SCI IMMOBILIERE DUBOIS	Manager
Jean-Bertrand Prot	
NEU-JKF SA - MAC SAS	Director
FRANCE FERMETURES SAS - FRANCIAFLEX SAS - SIPA MENUISERIES SAS FABER FRANCE SAS - MMD SAS - ASET SAS FINANCIÈRE BARRIQUAND SAS - BARRIQUAND ECHANGEURS SAS SPRING MANAGEMENT SAS - LB SAS	Chairman
STORISTES DE FRANCE SA - BAIE OUEST SA	Permanent representative on the Board of Directors
SCI ALU DES DEUX VALLÉES - SCI STÉRIMMO - SCI LUZECH	Manager

Hervé Houdart	
DATAGROUPE SA	Director
H2 CONSULTANT SAS	Chairman
Valentine Laude	
SPRING MANAGEMENT SAS	Chief Executive Officer
Sophie Morel	
MAC SAS - SOREMEC SA	Director
DATAGROUPE SA	Permanent representative
Marie-Cécile Matar	
E4V BEE UP (form. Industries et Finances Partenaires)	Director
Hélène Laplante	
None	
Thierry Wendling	
CAPITAL GRAND EST SAS	Chairman of the Supervisory Committee
CIC CAPITAL (Switzerland)	Member of the Board of Directors
FCPR ALSACE CROISSANCE	Permanent representative CM-CIC INVESTISSEMENT SCR Chairman of the Consultation Committee
FCPR ALSACE CROISSANCE	Permanent representative CM-CIC INVESTISSEMENT SCR Member of the Strategy Committee
GROUPE WATERAIR SAS	Permanent representative CM-CIC INVESTISSEMENT SCR Member of the Exchange Committee
HARMONIE SAS	Permanent representative CM-CIC INVESTISSEMENT SCR Member of the Shareholder Committee
L&D SAS	Permanent representative CM-CIC INVESTISSEMENT SCR Member of the Management Board
PSF - PIERRE SCHMIDT FINANCE SAS	Permanent representative CM-CIC INVESTISSEMENT SCR Member of the Supervisory Board
SDE INVEST SAS	Permanent representative CM-CIC INVESTISSEMENT SCR Chairman of the Supervisory Committee
T3L HOLDING SAS	Permanent representative CM-CIC INVESTISSEMENT SCR Chairman of the Supervisory Committee
Damien Chauveinc	
NEU-JKF SA	Deputy Managing Director
MAC SAS	Chief Executive Officer
NEU-JKF INTERNATIONAL SAS	Chairman
NEU FEVI SA	Director Chairman of the Board of Directors

(2.4) Application of the gender balance principle

The Board of Directors has four female members out of eight in total.

(2.5) Independent directors

A director is considered as independent when they satisfy the following criteria, in application of Recommendation 3 of the Code:

- over the course of the past five years, has not been, and currently is not, an employee or executive officer of the Company or a company belonging to its Group;
- over the course of the past two years, has not been, and currently is not, involved in significant business relations with the Company or its Group (customer, supplier, competitor, service provider, creditor, banker, etc.);
- is not a reference shareholder of the Company and does not hold a significant percentage of voting rights;
- does not have a close relation or family tie with a corporate officer or reference shareholder;
- has not, in the course of the past six years, been an official auditor of the Company.

With regard to the independence criteria, two Board members are classified as independent directors: Marie-Cécile Matar and Hervé Houdart.

(2.6) Term of office

Directors are appointed for a term of three (3) years. This duration is in accordance with Code Recommendation 9. Furthermore, the Company believes that, given its size and the composition of its Board of Directors, the three-year term favours directors' experience over their knowledge of the Company, its markets and its business in their decision-making, without diminishing the quality of their supervisory role.

(2.7) Code of ethics

In compliance with Recommendation 1 of the Code, each director is made aware of the responsibilities they assume upon appointment and is encouraged to respect the code of ethics relating to their appointment. At the beginning of their term of office, each director signs the Board's rules of procedure and commits to complying with the statutory provisions relating to the holding of multiple offices, informing the Board of any conflicts of interest arising after taking office, regularly attending Board and shareholder meetings, ensuring that they have all the required information to make fully informed decisions at Board meetings and observing professional secrecy.

(2.8) Choice of directors

Whenever a director is appointed or reappointed, a description of their experience and skills and a list of other offices held are published in the annual report and communicated at the General Meeting. This information is also posted on the Company website. Each director is appointed under a separate resolution in accordance with Code Recommendation 8.

(3) CONDITIONS FOR THE PREPARATION AND ORGANISATION OF THE BOARD'S WORK

(3.1) Rules of procedure

In accordance with Code Recommendation 7, the Board has adopted a set of rules of procedure which may be consulted on the Company website. These rules of procedure outline:

- the role of the Board and, where applicable, the transactions submitted for prior approval by the Board;
- the composition of the Board and the independence criteria for members;
- members' duties (ethics: loyalty, non-competition, disclosure of conflicts of interest, abstention obligation, ethics, confidentiality, etc.);
- the functioning of the Board (frequency, notice of meetings, self-assessment, use of videoconference and telecommunication technology, etc.) and the specific roles of any committees;
- the means of protection for corporate officers: D&O liability insurance;
- rules for determining directors' remuneration.

The rules of procedure also specify that:

- The Board may only deliberate validly if at least half of its members are present or represented. Any clause to the contrary shall be deemed inapplicable.
- Unless the Board has met for any of the operations referred to in Articles L. 232-1 and L. 233-16 of the French Commercial Code, the rules of procedure stipulate that members who take part in the meeting by videoconference or conference call will be deemed present for the calculation of quorum and majority.
- The Chairman of the meeting has the casting vote in the event of a tied vote.

(3.2) Information for Board members

In accordance with the rules of procedure, the directors receive all the documents and information required to ensure they are fully prepared for meetings. The Chairman seeks to communicate all of these items at least five (5) days before the date of the meeting. Furthermore, the Chairman follows up members' requests for additional information. The Board members assess whether they receive sufficient information to duly perform their duties.

In addition, directors are regularly notified of developments in the Company's affairs between meetings, in accordance with Code Recommendation 4.

(3.3) Establishment of committees

In accordance with Code Recommendation 6, we hereby notify you of the Company's choices regarding specialised committees.

A strategy committee was set up by the Board of Directors on 27 July 2018. This committee was primarily composed of directors and its main purpose was to provide an opinion on external growth opportunities, including acquisitions.

After deliberation, it seemed judicious to set up an executive and strategic committee to replace the existing strategy committee, under the Group's new organisational structure.

This executive and strategic committee was formally established by the Board of Directors on 26 March 2019. It is chaired by SPRING MANAGEMENT SAS represented by Jean-Bertrand Prot. The other members are Sophie Morel, Henri Morel, Damien Chauveinc, Nicolas Loyau and Pierre-Paul Fini.

Its duties are to review investment decisions above €1 million, the GROUPE SFPI budget, the Group monthly results, any matters relating to strategy, acquisitions, disposals, development policies etc. and hiring of key personnel.

In accordance with Article L. 823-19 of the French Commercial Code, on 12 January 2016 the Board of Directors decided not to create a separate audit unit but to perform the duties of the Audit Committee itself in plenary session.

Hervé Houdart, independent director under the Code's criteria, has specific expertise in corporate management. He chairs the Board of Directors when it meets as the Audit Committee.

Given that the Chairman and Chief Executive Officer performs executive duties, he does not attend meetings of the Board in its capacity as the Audit Committee. However, the Chairman & CEO and the CFO may be invited to attend part of the meeting, depending on the topic under discussion, if they are able to fuel the debate with useful additional information and explanations.

An Audit Committee charter was adopted by the Board of Directors on 13 March 2018. This charter specifies the composition and duties of the Audit Committee.

Under this charter, and in accordance with the law, the Audit Committee is responsible for monitoring:

- the financial reporting preparation process;
- the effectiveness of the internal control and risk management systems;
- the auditors' statutory review of the parent company and, where applicable, consolidated financial statements;
- the independence of the statutory auditors.

As part of this audit assignment, the Audit Committee meets prior to each Board meeting called to approve the Company financial statements. Accordingly, the Audit Committee met on:

17 April	• Presentation of the Company and consolidated financial statements for the year ended 31 December 2018 by the finance department and highlights of the year – Statutory auditors' observations; • Presentation of the work of the statutory auditors; • Review of statutory auditor independence and non-audit services carried out in the previous year (including approval of prior year fees); • Review and approval of non-audit services for the year ended.
24 September	• Review and analysis of the first half 2019 consolidated financial statements; • Statutory auditors' report on their audit of the first half 2019 consolidated financial statements.

(3.4) Procedure for assessing agreements entered into in the ordinary course of business and on arm's length terms

On 22 April 2020, in accordance with Article L. 225-39 of the French Commercial Code, the Board of Directors approved an internal procedure for identifying agreements entered into in the ordinary course of business and on arm's length terms. The procedure is designed to distinguish between (i) unrestricted agreements referred to as "agreements entered into in the ordinary course of business and on arm's length terms", which must be periodically assessed in accordance with the provisions of the French PACTE Act, and (ii) agreements subject to the regulated agreements procedure.

The procedure is applied prior to the execution of any agreement that could be classified as a regulated agreement and whenever any agreement is amended, renewed or terminated. It is used to identify agreements entered into in the ordinary course of business and on arm's length terms.

The legal affairs and finance departments review prospective agreements individually to assess whether the agreement is subject to the regulated agreements procedure, is an agreement signed with a wholly owned subsidiary or meets the criteria applicable to agreements entered into in the ordinary course of business and on arm's length terms.

If the aforementioned departments consider that the agreement at issue is a regulated agreement, they notify the Audit Committee, depending on the type of agreement at issue, for review and approval by the Board of Directors.

Every year, before the financial statements for the year ended are approved, the legal affairs department forwards the Audit Committee a list of agreements entered into in the ordinary course of business and on arm's length terms between GROUPE SFPI SA and non-wholly owned subsidiaries, together with any comments it wishes to share.

During this annual review, if the Audit Committee considers that an agreement previously regarded as an agreement entered into in the ordinary course of business and on arm's length terms no longer meets the requisite criteria, it refers the matter to the Board of Directors. Thereupon, the Board reclassifies the agreement, where applicable, as a regulated agreement, approves it and submits it for ratification by the next General Meeting on the basis of the statutory auditors' special report, in accordance with Article L. 225-42 of the French Commercial Code.

Persons having a direct or indirect interest in a given agreement do not take part in its assessment. Furthermore, where applicable, they are required to abstain from discussion and voting on the authorisation of such agreements under the following circumstances:

- self-referral by the Board of Directors regarding the classification of an agreement; or
- reclassification, by the Board of Directors, of an agreement previously regarded as an agreement entered into in the ordinary course of business and on arm's length terms as a regulated agreement.

(3.5) Board meetings

The functioning of the Board (notice of meetings, meetings, quorum, director information) complies with statutory provisions and the Company's articles of association and is specified in its rules of procedure.

The Board determines the strategic orientation of the Company, sees that it is properly implemented and deals with any issues concerning the smooth running of the Company and any important management or investment operations. It also approves the Company financial statements, the consolidated financial statements and management forecasts, convenes the shareholders to the General Meeting and draws up the agenda and draft resolutions. In addition, it carries out a detailed review of the Group's business operations: sales, financial results, borrowings and cash position. Furthermore, the Board conducts the controls and verifications it deems necessary and authorises the agreements listed under Article L. 225-38 of the French Commercial Code.

In addition to the meetings scheduled annually, a Board meeting may be convened on any other topic of significance. The Board is regularly informed on progress in these matters.

In 2019, the Board held five meetings and the attendance rate was 93%. The main items discussed are as follows:

8 January	• Recognition of the designation of an employee representative director on the Board of Directors by the Group Works Council; • Authorisation of the execution of a sublease agreement with DOM Security.
26 March	• Acquisition plan; • Authorisation of intercompany agreements; • Executive and Strategic Committee.

17 April	• Review and approval of the balance sheet and parent company financial statements for the year ended 31 December 2018; • Review and approval of the consolidated financial statements for the year ended 31 December 2018; • Preparation of the management and activity report on the parent company and consolidated financial statements for the year ended 31 December 2018; • Merger premium (additional entries); • Preparation of the corporate governance report; • Regulated agreements and commitments; • Setting directors' fees; • Authorisation of the terms and conditions of remuneration applicable to the assistance and services agreement to be entered into between ARC MANAGEMENT SAS and GROUPE SFPI SA; • Amendment to the strategy assistance agreement entered into on 16 November 2018 between SPRING MANAGEMENT SAS and GROUPE SFPI SA; • Changes to the Board of Directors; • Renewal of the share buyback programme; • Decisions to be made for the preparation and convening of the Annual General Meeting called to approve the annual financial statements; • Sureties, endorsements and guarantees; • Presentation and approval of management forecasts; • Powers for formalities; • Acquisition of SCI IMMOBILIERE DUBOIS shares.
7 June	• Allocation of directors' fees; • Resignation of a director.
24 September	• Presentation and approval of the first half 2018 consolidated financial statements; • Review of regulated agreements and commitments; • Information on the tax rescript regarding the transfer of shares in DOM Sicherheitstechnik GmbH & Co. KG and SECU Beteiligungs-GmbH to DOM Security SAS; • Transfer of shares in DOM Sicherheitstechnik GmbH & Co. KG and SECU Beteiligungs-GmbH to DOM Security SAS; • Approval of the execution of a new commercial lease between SCI B.G.M. and GROUPE SFPI on 30 January 2019; • Authorisation to execute a new sublease agreement with subsidiary DOM Security SAS; • Authorisation to execute a new sublease agreement with ARC MANAGEMENT SAS; • Authorisation to execute Amendment 1 to the assistance and services agreement signed on 2 April 2019 with ARC MANAGEMENT; • Powers to be granted to the Chairman and Chief Executive Officer under the share buyback programme authorised by the 7 June 2019 General Meeting.

Documents were sent prior to each meeting to give directors time to prepare for the topics to be covered. In addition, the directors receive a report on the activity of Group companies at each meeting.

(4) CORPORATE OFFICER REMUNERATION POLICY

(4.1) Remuneration awarded to non-executive directors

Only non-executive individuals who are not Group employees receive directors' fees. These are allocated by the General Meeting and distributed by the Board of Directors, in equal parts, on a flat-rate basis.

(4.2) Remuneration awarded to executive officers

We hereby state that the principles and rules applied for calculating the remuneration and benefits of all kind granted to Company corporate officers are the subject of prior approval by the Board. The Board reviews all of the rules relating to determining the fixed and variable (where applicable) components of remuneration and benefits granted to corporate officers.

In accordance with the provisions of Article L. 225-100 of the French Commercial Code, the fixed, variable and exceptional elements comprising the total remuneration and benefits of all kind paid or allocated to the Company's Chairman and Chief Executive Officer and Deputy Managing Director for the year ended 31 December 2019 are submitted for approval by the shareholders' General Meeting.

Executive officer remuneration includes the following components:

- fixed remuneration;
- variable remuneration;
- benefits in kind.

Executive officers receive no remuneration in respect of their office as directors of the Company.

Corporate officers do not benefit from any deferred compensation, severance payments or retirement commitments, as referred to in Code Recommendations 16 and 17.

The Company has not implemented a policy for the allocation of stock options or bonus shares to executive officers, as referred to under Code Recommendation 18.

The breakdown of remuneration and benefits granted to corporate officers is included in the corporate governance report presented to the General Meeting, in the form of three tables drawn up in accordance with Middlenext recommendations.

In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria for the calculation, breakdown and allocation of fixed, variable and exceptional elements comprising the total remuneration and benefits of any kind attributable to the Company's Chairman and Chief Executive Officer and Deputy Managing Director for the year ended 31 December 2020 are submitted for approval by the General Meeting of shareholders.

(4.3) Remuneration and benefits awarded to executive officers and directors

1. Remuneration awarded to executive officers

The remuneration and benefits of all kind paid in respect of 2019 to corporate officers by the Company, controlled companies and companies that control it are set out in the tables below.

Henri Morel	2019		2018	
	Amount due	Amount paid	Amount due	Amount paid
Chairman of DENY SECURITY SAS				
Fixed remuneration (1)	21,168.00	21,168.00	127,008.00	127,008.00
Annual variable remuneration	—	—	—	—
Exceptional remuneration	—	—	—	—
Remuneration related to the office of director	—	—	—	—
Benefits in kind (2)	—	—	8,793.00	8,793.00
TOTAL 1	21,168.00	21,168.00	135,801.00	135,801.00
Chairman and Chief Executive Officer of GROUPE SFPI SA				
Fixed remuneration (1)	300,000.00	300,000.00	300,000.00	300,000.00
Annual variable remuneration	—	—	—	—
Exceptional remuneration	—	—	—	—
Remuneration related to the office of director	—	—	—	—
Benefits in kind (2)	20,674.16	20674.16	20,021.96	20,021.96
TOTAL 2	320,674.16	320,674.16	320,021.96	320,021.96
Chairman of ARC MANAGEMENT SAS				
Fixed remuneration (1)	154,656.00	154,656.00	59,400.00	59,400.00
Annual variable remuneration	—	—	—	—
Exceptional remuneration	—	—	—	—
Remuneration related to the office of director	—	—	—	—
Benefits in kind (2)	11,620.26	11,620.26	7,330.93	7,330.93
TOTAL 3	166,276.26	166,276.26	66,730.93	66,730.93

(1) On a gross pre-tax basis.
(2) Premiums paid under the executive unemployment insurance policy (GSC)

Damien Chauveinc **Deputy Managing Director of GROUPE SFPI SA**	**2019**		**2018**	
	Amount due	Amount paid	Amount due	Amount paid
Fixed remuneration [1]	200,000.06	200,000.06	190,774.00	190,774.00
Annual variable remuneration	23,000.00	23,000.00	50,000.00	50,000.00
Exceptional remuneration	—	—	—	—
Remuneration related to the office of director	—	—	—	—
Benefits in kind	2,370.00	2,370.00	2,370.00	2,370.00
TOTAL	225,370.06	225,370.06	243,144.00	243,144.00

(1) On a gross pre-tax basis.

2. Equity ratios

Pursuant to Article L. 225-37-3 of the French Commercial Code, the following tables show the ratios between the remuneration due or awarded to each executive officer in respect of each of the past five years and the average and median remuneration due or awarded to the Company's employees, excluding corporate officers, on a full-time equivalent (FTE) basis over the same years.

The first table covers employees of GROUPE SFPI SA, while the second table covers employees of GROUPE SFPI SA and head office employees.

Remuneration has been restated on a full-time equivalent (FTE) basis. Remuneration paid to employees not present for a complete year is excluded from the calculation.

The remuneration awarded to the Deputy Managing Director is fully taken into account in 2019, the year in which remuneration was awarded to this position.

Table covering only employees of GROUPE SFPI SA

Ratio compared to	**2015**		**2016**		**2017**		**2018**		**2019**	
	Average	Median	Average	Median	Average	Median	Average	Median	Average	Median
Chairman and Chief Executive Officer	4.62	5.58	4.78	5.34	4.16	5.47	3.94	5.51	4.88	5.35
Deputy Managing Director	—	—	—	—	—	—	—	—	3.43	3.76

Table covering head office employees

Ratio compared to	**2015**		**2016**		**2017**		**2018**		**2019**	
	Average	Median	Average	Median	Average	Median	Average	Median	Average	Median
Chairman and Chief Executive Officer	3.85	4.95	3.61	4.66	3.92	5.07	3.08	4.84	3.32	4.50
Deputy Managing Director	—	—	—	—	—	—	—	—	2.33	3.17

2. Remuneration paid to non-executive corporate officers

Hervé Houdart **Director, GROUPE SFPI SA**	**Amounts paid in respect of FY 2019**		**Amounts paid in respect of FY 2018**	
	Amount due	Amount paid	Amount due	Amount paid
Remuneration related to the office of director	7,500.00	7,500.00	10,000.00	10,000.00
TOTAL	7,500.00	7,500.00	10,000.00	10,000.00

Valentine Laude **Director, GROUPE SFPI SA**	**Amounts paid in respect of FY 2019**		**Amounts paid in respect of FY 2018**	
	Amount due	Amount paid	Amount due	Amount paid
Remuneration related to the office of director	7,500.00	7,500.00	10,000.00	10,000.00
TOTAL	7,500.00	7,500.00	10,000.00	10,000.00

CREDIT MUTUEL EQUITY SCR (formerly CM-CIC Investissement SCR) **represented by Thierry Wendling Director, GROUPE SFPI SA**	**Amounts paid in respect of FY 2019**		**Amounts paid in respect of FY 2018**	
	Amount due	Amount paid	Amount due	Amount paid
Remuneration related to the office of director	7,500.00	7,500.00	10,000.00	10,000.00
TOTAL	**7,500.00**	**7,500.00**	**10,000.00**	**10,000.00**
Sophie Morel Employee and director, GROUPE SFPI SA	**Amounts paid in respect of FY 2019**		**Amounts paid in respect of FY 2018**	
	Amount due	Amount paid	Amount due	Amount paid
Fixed remuneration as employee (1)	14,769.12	14,769.12	68,307.36	68,307.36
Remuneration related to the office of director	—	—	—	—
TOTAL	**14,769.12**	**14,769.12**	**68,307.36**	**68,307.36**
Employee, CEO and permanent representative of ARC MANAGEMENT SAS on the GROUPE SFPI SA Board	**Amounts paid in respect of FY 2019**		**Amounts paid in respect of FY 2018**	
	Amount due	Amount paid	Amount due	Amount paid
Fixed remuneration (1)	63,245.28	63,245.28	—	—
Annual variable remuneration	—	—	—	—
Remuneration related to the office of director	—	—	—	—
TOTAL	**63,245.28**	**63,245.28**	**—**	**—**

(1) On a gross pre-tax basis.

Marie-Cécile Matar Independent director, GROUPE SFPI SA	**Amounts paid in respect of FY 2019**		**Amounts paid in respect of FY 2018**	
	Amount due	Amount paid	Amount due	Amount paid
Remuneration related to the office of director	7,500.00	7,500.00	—	—
TOTAL	**7,500.00**	**7,500.00**	**—**	**—**

(5) FACTORS LIKELY TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC TENDER OFFER

(5.1) The Company's share capital structure

The share capital ownership structure at 31 December 2018 broke down as follows:

- ARC MANAGEMENT: 46.26% (56% of GROUPE SFPI voting rights)
- SPRING MANAGEMENT: 11.34% (14% of GROUPE SFPI voting rights)
- CRÉDIT MUTUEL EQUITY SCR: 7.34% (8.79% of GROUPE SFPI voting rights)
- BNP PARIBAS DEVELOPPEMENT: 1.97% (1.34% of GROUPE SFPI voting rights)
- Public: 26.19%
- Treasury shares: 2.2%

(5.2) Restrictions pursuant to the articles of association

(i) The voting right attaching to shares is proportional to the share capital they represent. Each equity or dividend share has the same par value and carries one voting right.
However, a double voting right compared to other shares representing the same proportion of the share capital is granted to all fully paid-up shares which can be proved to have been registered in the name of the same shareholder for at least the last two (2) consecutive years.

(ii) The Company has provided for threshold crossing disclosures in the articles of association. Accordingly, any individual or legal entity, acting alone or in concert, that holds or ceases to hold at least 2% of the Company's share capital or voting rights or any multiple of this percentage must notify the Company, within fifteen (15) days of the threshold being crossed, by registered letter with acknowledgement of receipt sent to the Company's registered office and specifying the number of shares and voting rights held.
Failing disclosure according to the conditions stated above, the shares exceeding the fraction that should have been declared shall be stripped of voting rights, pursuant to statutory provisions.

(5.3) Rules applying to the appointment and replacement of members of the Board of Directors and to amendments to the Company's articles of association:

Rules applying to the appointment and replacement of members of the Board of Directors are defined under Article 11 "Board of Directors" of the Company's articles of association. However, the Board also has its own rules of procedure which define the operating rules and procedures applicable to the Board and any related committees, in addition to statutory provisions and the Company's articles of association and by reference to the Middlenext Code.
To amend the articles of association, resolutions may be adopted by an Extraordinary General Meeting if a two-thirds majority is present or represented. The Extraordinary General Meeting exercises its powers in accordance with the conditions laid down by law.

(5.4) The powers of the Board of Directors, particularly in relation to share issues and buybacks

Delegations or authorisations granted by the General Meeting of 7 June 2019

Purpose of resolution	Maximum amount	Period	Exercise of authorisation in 2019
Authorisation for the buyback of Company shares	Maximum amount of programme: 10% of the share capital and €39,180,910 Maximum buyback price: €5.00 euros per share with par value of €0.90	18 months from 7 June 2019 (16th resolution), i.e. until 7 December 2020	Share buybacks are carried out by an investment services provider under a liquidity contract
Authorisation to reduce the share capital by cancelling treasury shares	10% of the share capital over 24 months	26 months from 7 June 2019 (17th resolution), i.e. until 7 August 2021 Accordingly, the authorisation granted by the 14 June 2018 General Meeting in its 12th resolution is cancelled and superseded.	None

(6) DELEGATIONS OF POWER AND AUTHORISATIONS GRANTED TO THE BOARD OF DIRECTORS

At the date of this report, the Board of Directors holds the following delegations, powers and authorisations pursuant to the resolutions adopted by the 14 June 2018 General Meeting of shareholders:

Purpose of resolution	Maximum amount	Period	Exercise of authorisation in 2019
Powers to allow the Board of Directors to make the necessary amendments to the articles of association if the Company is required to comply with new statutory and regulatory provisions, subject to these amendments being ratified by the next Extraordinary General Meeting	Not applicable	Indefinite	None
Authorisation to grant existing or future bonus shares to employees and corporate officers of the Company and its subsidiaries	10% of share capital	38 months from 14 June 2018 (17th resolution), i.e. until 14 June 2021	None
Authorisation to grant existing or future stock options to employees and corporate officers of the Company and its subsidiaries	10% of share capital	38 months from 14 June 2018 (18th resolution), i.e. until 14 June 2021	None

Board of Directors

Henri Morel

Statement of non-financial performance

1. BUSINESS MODEL

Industrial responsibility: creating sustainable value for all Group stakeholders

Since 2017, the Group has coordinated relations with its stakeholders in accordance with the principle of industrial responsibility, which is broken down into four components: commercial, managerial, environmental and financial responsibility.

The principle of industrial responsibility combines a set of management practices strongly anchored across the Group for many years (financial control and reporting culture, entrepreneurial independence, product compliance with the highest standards) with a determination to step up the environmental transition of the Group and its business.

This approach is aimed at creating sustainable value for all of the Group's stakeholders, i.e. customers, employees, investors and the environment. Sfpi Group's ambition to become a leading proponent of industrial responsibility, an ambition fully espoused by the Group's founders and senior executives, is underpinned by the growing pace of global environmental transition, tightening environmental, health and commercial standards and increased demand for safety of goods and services among business and retail customers alike.

The Group's holding company operations are perfused with the principle of industrial responsibility and the transformation of the subsidiaries is underway. Between October 2019 and January 2020, Sfpi Group launched a series of initiatives to define and share the principles of industrial responsibility, record good practices identified among the subsidiaries and identify priority areas to work on in consultation with the Group's 150 top managers. This work is currently being synthesised and will subsequently be transformed into action plans to be implemented from the second half of 2020. These plans will be covered in the Group's next statement of non-financial performance.

Strategy

Sfpi Group aims to become a **leading proponent of industrial responsibility** geared towards sustainable growth.

Commercial responsibility:
provide customers with products and services that meet the highest standards.

Managerial responsibility:
allow managers entrepreneurial independence, develop skills and improve working environments.

Environmental responsibility:
produce and deliver more energy-efficient services with minimal carbon footprint.

Financial responsibility:
rigorous control of all operations and investment geared to sustainable growth.

Industrial responsibility strategy underpinned by the growing pace of environmental transition, tightening standards and increased global demand for safety of goods and persons.

Targets

Create sustainable value for all stakeholders:

Customers:
Increase customer satisfaction
Ensure that customers can meet and obtain the required standards and certification in their sector

Environment:
Reduce waste and the carbon footprint of production operations and facilities

Industry customers:
Reduce the carbon footprint of their operations

Retail customers:
Reduce the energy costs of buildings and housing

Employees:
Improve working conditions and skills

Improve employer attraction and staff retention

Investors:
Generate sustainable long-term growth with minimal risks.

Resources

2
business lines

4
operating divisions

>80
companies worldwide

4,000
employees incl. 40% outside France

20
countries of direct operation, 13 production facilities outside France

€560m
revenues

>60%
of share capital held by founding partners

Our business

The Sfpi Group has two business lines, Building and Industries, dedicated to ensuring the safety of goods, persons and the environment.

BUILDING

DOM SECURITY	MAC
Access and locking solutions for buildings	Joinery, shutters, awnings and blinds for housing and stores

INDUSTRIES

MMD	NEU-JKF
Thermal processing and sterilisation solutions for industries	Air treatment solutions for industries (air conditioning, dust extraction, filtration)

SFPI WORLDWIDE

Overview of Group divisions:

The NEU-JKF division specialises in air treatment technologies:

- dust collection and air conditioning (DELTA NEU and its subsidiaries; JKF Industri and its subsidiaries),
- pneumatic conveying (NEU PROCESS), and
- products dedicated to the railway sector: the design of depot equipment and track and tunnel cleaning vehicles (NEU RAILWAYS).

The division comprises a number of business units coordinated by a single management team with shared support services.

Revenues	€117 million
Headcount	730

The MMD division is organised around three main groups of companies:

- BARRIQUAND, which manufactures brazed plate and tubular exchangers;
- STERIFLOW, which manufactures sterilisation autoclaves; and
- CIPRIANI, which manufactures and sells gasketed plate heat exchangers.

Revenues	€56 million
Headcount	275

The MAC division supplies window fittings and doors for housing, shops and small industries, including shutters, garage doors, blinds, joinery, and more.

This division is organised around the following companies:

- FRANCE FERMETURES manufactures and sells mainly door and window fittings such as roller, folding and louvred shutters, blinds and sectional garage doors, as well as grilles and metal curtains for commercial and industrial sites;
- FABER designs and manufactures interior blinds;
- SIPA designs and manufactures PVC and aluminium joinery and roller shutters;
- SIPOSE works closely with SIPA on major installation operations.
- FRANCIAFLEX is a window fittings specialist offering five product families: PVC windows and doors, aluminium joinery, roller shutters, awnings and blinds.

Revenues	€190 million
Headcount	1,212

The DOM Security division is structured around 29 companies based in Europe, including 12 companies in France and other companies mainly based in Germany, Slovenia, Hungary, England and Spain.

Revenues	€198 million
Headcount	1,727

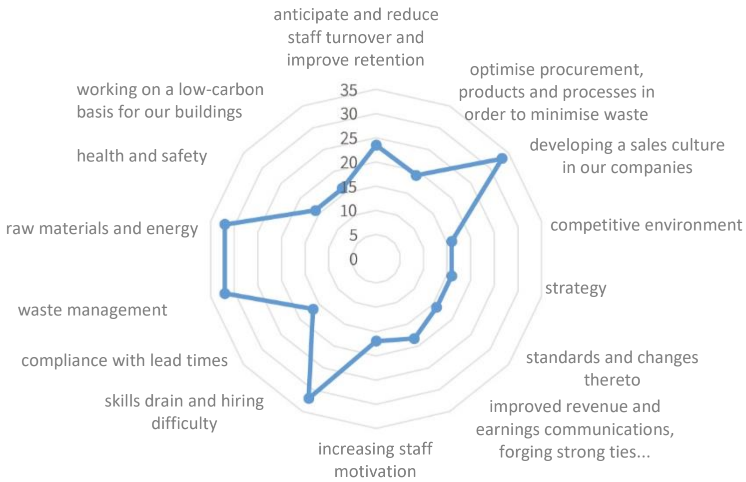
The total Group headcount including holding company employees is 3,959 people.

2. ANALYSIS OF RISKS AND CHALLENGES

In 2019, the work presented in the non-financial report was supplemented on the basis of the medium-term strategic positioning presented in the business model adopted by the Group, as described above.

The list of risks was drawn up in accordance with ISO 26000. These risks are based on the data collected the previous year and the topics covered in working meetings (Group Works Council, Group and subsidiary executive committees, steering committee, analyst meetings, etc.).

In 2019 and early 2020, all Group managers were faced with these challenges, which were identified during various meetings in which they had the opportunity to share their own experiences. The work was summarised internally and the main risks identified are shown on the spider graph below.



The risks shown on the diagram carry scores ranging from 16 to 33.25. The higher the score, the greater the risk. Risks identified by the Group and carrying a score below 16 are not shown on the diagram.

The following table shows cross-references between these risks and ISO 26000 and the correlation with the areas of responsibility developed by the Group:

Risk	Responsibility	ISO 26000
Anticipate and reduce staff turnover and improve retention	Managerial responsibility	Working relations and conditions
Optimise procurement, products and processes in order to minimise waste	Environmental responsibility	Environment
Developing a sales culture in our companies	Commercial responsibility	Consumer issues
Competitive environment	Commercial responsibility	Consumer issues/Fair operating practices
Strategy	Managerial and financial responsibility	Governance
Standards and changes thereto	Commercial responsibility	Fair operating practices
Improved revenue and earnings communications	Financial responsibility	Consumer issues
Increasing staff motivation	Managerial responsibility	Working relations and conditions
Skills drain and hiring difficulty	Managerial responsibility	Working relations and conditions
Compliance with lead times	Commercial responsibility	Consumer issues
Waste management	Environmental responsibility	Environment
Raw materials and waste management	Environmental responsibility	Environment
Health and safety	Managerial responsibility	Working relations and conditions
Working on a low-carbon basis for our buildings	Environmental responsibility	Environment

The following section on risk management is organised in accordance with ISO 26000 categories.

3. RISK MANAGEMENT

Risks related to governance

1. RISKS RELATED TO THE GROUP'S STRATEGY

The Group's long-term success partly depends on the Group's ability to continually improve and expand its range of existing products and services in each business line and to broaden its geographical areas of operation, in order to meet growing market demand in the face of strong competitive and technological pressure.

Implementing this strategy partly depends on the Group's ability to identify attractive acquisition targets, close acquisitions on satisfactory terms and successfully integrate them into its operations or technology.

The Group cannot guarantee that it will be able to identify the best opportunities, complete these acquisitions or successfully integrate the activities and teams resulting from such acquisitions.

If the Group encounters any issues in the integration of other companies or technologies, this may have a material adverse effect on the Group's business, financial position, earnings, development and outlook.

2. RISKS RELATED TO THE GROUPE SFPI HOLDING STRUCTURE AND DEPENDENCY ON KEY PEOPLE

The Group organisation is based on a decentralised management structure and its strategy is to prioritise decision-making and accountability at subsidiary level in order to better adapt to the local needs of stakeholders. So far, the Group's growth has been achieved through acquisitions, which has involved the integration of companies and teams with a wide variety of practices and policies. The Group cannot guarantee that it will always be able to standardise and implement the best practices that it has endeavoured to develop for its activities in France.

Failure by the Group to effectively manage this decentralised structure could have a material adverse effect on its business, financial position, earnings and outlook and could affect its reputation.

The Group owes a large part of its success to the quality and stability of its leaders, in particular Henri Morel, Chairman and CEO, Jean-Bertrand Prot, adviser to the Chairman and former Deputy Managing Director, and Damien Chauveinc, Deputy Managing Director, as well as the managers of the Group's main operating subsidiaries.

In the event that the Company's leaders are no longer able to perform their duties, the implementation of its strategy could be adversely affected.

3. POLICIES APPLIED BY THE GROUP, RESULTS AND PERFORMANCE INDICATORS

Conscious of issues relating to good governance and strategic success, after a period of study and reflection the Group decided to rethink its executive structure and established a matrix structure towards the end of 2018.

Alongside the standard governance bodies, i.e. a Board of Directors with a Chairman & Chief Executive Officer, an Executive and Strategic Committee (EXCOS) and a cross-divisional working committee were set up in early 2019. These two management bodies will meet to discuss separate issues with different periodicity.

The Executive and Strategic Committee meets monthly to cover technical topics primarily focusing on the proper organisation and management of the Group. The Group's executive directors sit on this committee.

The G10 committee is composed of the EXCOS members and the heads of the main subsidiaries. It meets quarterly to discuss Group strategy, the sharing of best practices and issues related to all subsidiaries.

The frequency of meetings, the working subcommittees created and the projects undertaken are the key performance indicators to be tracked on these themes.

Set up in early 2019, the Group Management Committee or G10 met three times (22 May, 25 July and 24 October). Besides the G10 meetings, the Executive and Strategic Committee held four extra meetings in 2019 (15 April, 17 June, 23 September and 28 November).

The Group plans to continue operating this way in 2020 with around 10 EXCOS meetings and at least three G10 meetings.

Risks related to human resources management

Sfpi Group has decided to promote the principle of managerial responsibility as part of its industrial responsibility policy. This means allowing Group managers entrepreneurial independence, developing skills and improving working environments.
Sfpi Group promotes the principle of independence and upskilling among Group executives and entrepreneurs based on mutual trust and adherence to shared values. In order to attract and develop talent, the Group pursues a policy of ramping up human resources functions and encourages the formal establishment of induction programmes, training and personal development within its structures.

Key challenges:
- Anticipate and reduce staff turnover and improve retention
- Introduce shared HR tools across the Group
- Develop skills, encourage hands-on management and improve working areas and conditions

Impact on stakeholders:
- Improvement in working conditions and skills.
- Improve employer attraction and staff retention.

1. RISKS RELATED TO LOSS OF CRITICAL SKILLS AND HIRING DIFFICULTIES

In a competitive market environment, if the managers of the main operating subsidiaries were no longer able to perform their duties or decided to leave the Group, this could have a material adverse effect on the Group's business, financial position, outlook and earnings.

The Group's continued development, particularly on the international market, will require it to hire more staff. Specific profiles are sought in order to drive the Group's growth in its various markets. Fierce competition among companies in the sector, some of which are more prominent than the Group companies, could curtail the Group's ability to attract and retain key employees.

In this case, the Group may no longer be able to achieve its objectives, which would have a material adverse effect on its business, financial position, earnings and development.

<u>Policies applied by the Group, results and performance indicators:</u>

On the basis of these initial observations, Sfpi Group has suggested the following measures to the subsidiaries:
- review human resources management processes,
- work on reputation in order to improve the employer brand,
- brainstorm potential shared management solutions.

At the SFPI holding company, a position for a human resources supervisor was created and filled in October 2018.

Many of the Group companies have reorganised their staff services and set up human resources departments, notably in the NEU-JKF division and holding company.

Furthermore, multiple internet sites have been revamped, mainly in order to improve Group companies' visibility.

The Group-level indicators to be tracked are:

- The ratio between voluntary departures and total departures:

	2017	2018	2019
Total departures	543	550	536
- o/w voluntary departures	222	231	217
%	41%	42%	40%

- The staff turnover rate: 14.17% in 2017
  15.16% in 2018
  14.2% in 2019

2. RISKS RELATED TO HEALTH AND SAFETY

The Sfpi Group companies operate in an industrial environment where health and safety are day-to-day issues. It is not acceptable for occupational accidents, illnesses or an elevated rate of absenteeism to be recorded.

Group operations must be performed in proper working conditions for the sake of employee health and safety and the quality of the products manufactured or assembled.

Policies applied by the Group, results and performance indicators:

In most Group companies, a health, safety and environment officer is responsible for safety issues and improvements.

In all of the structures where this is necessary, specific powers related to safety issues have been granted. The Group decided to closely track changes in absenteeism rates for illness, as well as the frequency and severity rate of occupational accidents and to compare these rates to the national average, at least for France.

The policies will be finalised over the coming years.

The base indicators that the Group intends to track are frequency and severity rates:

Frequency rate 1 (FR1) represents the frequency of lost-time accidents, while frequency rate 2 (FR2) includes all accidents with or without lost time. SR stands for severity rate.

	2017	2018*	2019
FR1	23.16	Not confirmed	22.5
TF2	42.26	Not confirmed	37.5
SR	0.61	Not confirmed	0.76

(*) The figures for 2018 were not published as they were not covered by the audit and therefore not confirmed by the independent third-party body.

Market and consumer risks

Managing these risks involves exercising our commercial responsibility:
provide customers with products and services that meet the highest standards.

The Sfpi Group companies, which operate in highly regulated sectors, design and manufacture products of high value-added that comply with stringent standards. Group companies are increasingly adopting an integrated service-oriented approach covering all operations from product design through to delivery.

Key challenges:

- Develop a customer culture at all levels in all Group companies in order to raise the overall level of satisfaction
- Develop service offerings in addition to Group products in order to enhance satisfaction and generate further revenues
- Maximise quality and meet the highest standards in order to maintain a high value-added positioning on Group markets.

Impact on stakeholders:

- Increased customer satisfaction
- Ensure that customers can meet and obtain the required standards and certification in their sector.

1. RISKS RELATED TO THE COMPETITIVE ENVIRONMENT

The markets in which Group companies operate are relatively fragmented and comprise many suppliers, both general and specialised, involved in the design, manufacture and marketing of specific products and solutions.

In particular, the Group is up against major international companies offering a wide variety of services and products, with adequate financial, technical and marketing resources and capabilities behind them to be able to adopt aggressive pricing policies. In addition, the Group faces independent competitors that specialise in given products and services and enjoy an established local presence and a strong customer relationship.

This competition forces Group companies to work constantly on maintaining their competitiveness in order to convince their customers of the high quality and value-added of their products and services. The Group is also required to regularly develop new products and services in order to maintain or improve its competitive position, while preserving the strong identity of its constituent companies.

2. COMPLIANCE RISK

The Group's activities are subject to various regulations in France and abroad, particularly with regard to industrial standards, health and safety and environmental matters. In particular, its operations in the pressure vessel industry (exchangers and autoclaves, pressure filters, etc.) are subject to highly stringent regulations, the proper application of which is closely monitored.

These standards are complex and liable to change.

Failure by the Group to adapt its business in order to comply with new national, European or international regulations, recommendations and standards could have a material adverse effect on its business, earnings, financial position and outlook.

3. POLICIES APPLIED BY THE GROUP, RESULTS AND PERFORMANCE INDICATORS

These risks, specific to each division or company, are overseen at Group level but monitored locally. To keep abreast of changes in standards and remain competitive on our markets, it is essential that the teams on the ground follow these changes closely.

The Group will encourage companies exposed to high risks in terms of regulatory and other requirements relating to health, safety and the environment to carry out regulatory monitoring.

The notion of customer satisfaction requires attention, whatever the level of certification of Group companies.

The Group plans to set up monitoring of revenues generated by new products.

The relevant key performance indicator is the vitality ratio, i.e. the percentage of revenues generated through new products (less than 5 years old). This should not be lower than 10%. This initiative was not launched in 2019.

Risks related to the environment

The Group is committed to producing and delivering more energy-efficient services with minimal carbon footprint.

Among its business lines and subsidiaries, the Group encourages environmental risk prevention initiatives, adopts processes drawn from the circular economy and organises awareness campaigns for employees. The products developed by Group companies, whether designed for retail customers or manufacturers, are also designed to help customers reduce their carbon footprint and control their energy consumption.

Key challenges:

- Optimise procurement, products and processes in order to minimise waste.
- Reduce the carbon footprint of Group products and production facilities.
- Promote the use of eco-design and circular economy-compatible processes.

Impact on stakeholders:

- Reduce waste and the carbon footprint of production operations and facilities.
- Reduce the carbon footprint of industry customer operations.

Retail customers: reduce the energy costs of buildings and housing.

1. COMMODITY RISKS

The Group is exposed to fluctuations in the price of the energy it consumes and the raw materials needed to conduct its activities.

To reduce its exposure to fluctuations in the price of raw materials, Group companies can hedge part of their purchases using forward purchases from suppliers. However, if Group companies can no longer manage their raw material supplies or if supply costs increase, this could have a material adverse effect on the Group's production costs, business and financial position.

2. RISKS RELATED TO WASTE MANAGEMENT

The Group generates waste due to its industrial nature, as many of its companies perform manufacturing operations.

Waste production management is an issue at different levels for the Group. Effectively, regulations regarding waste management are restrictive in most of the countries in which the Group operates and compliance with regulations is a necessity. Poor waste management could lead to serious financial penalties besides the inevitable adverse impact on the Group's image among employees and customers.

Lastly, waste recycling and the related processing costs cannot be overlooked due to their financial impact.

3. POLICIES APPLIED BY THE GROUP, RESULTS AND PERFORMANCE INDICATORS

For four years now the Group has been monitoring energy consumption (water, electricity and gas) as well as waste production. These measures are aimed at controlling waste production and staying on target.

Locally, depending on the nature of the operations, initiatives to optimise energy consumption and waste management have been set up.

Finally, management is still reviewing the possibility of extending carbon assessments across the Group.

The key performance indicators to be monitored will be:

- Electricity consumption per employee: in 2019, consumption per employee measured across all locations amounted to 7,204 kWh.
- Ratio between waste sorted and waste generated.

Risks related to ethics and best practices

Since its inception, the Group has rigorously controlled all of its operations and has invested in order to achieve sustainable growth.

Finance departments fuel collective decision-making and seek to obtain a tangible impact on Group companies' operations and business development. The Group strictly fulfils the requirements applicable to listed companies and fosters a culture of anticipating risks.

Key challenges:

- Share standards and reference frameworks among all subsidiaries.
- Develop a financial culture at all levels and promote awareness of standards applicable to listed companies.

Impact on stakeholders:

- Sustainable long-term growth with minimal risks.

1. Preventing corruption and tax evasion

The Group has never been convicted for corruption and vehemently rejects any practice that could be considered as such.

However, since the risk of fines is heightened in the event of non-compliance, the Group takes all the necessary steps to reduce this risk by developing Group-wide process improvement measures, engaging external firms to assist it and participating in inter-professional working groups.

2. Policies applied by the Group, results and performance indicators

Sfpi Group has established a Code of Ethics aimed at preventing risks related to corruption and fraud. In addition, the Sfpi Group Board of Directors adopted the Middlenext anti-corruption code in 2017.

A vigilance plan and ethics charter are currently being drawn up and are due to be circulated Group-wide during 2020.

The Group measures this risk through the number of convictions for corruption. No such convictions were recorded in 2019. The target is to maintain this number at 0.

Social risks

The Group companies have developed partnerships with a number of suppliers enabling them to meet the specific raw material and service needs of each of the Group's business divisions. Given the diversification of its companies' suppliers, the risk of Group companies becoming over-dependent on their suppliers is low.

A large number of companies have set up a charter with their service providers. The notion of eco-responsible procurement has yet to be developed.

In addition, the number of activities and sites does not make it possible to identify significant social risks at consolidated level.

4. NOTE ON METHODOLOGY

Since its listing at the end of 2015, the Company has been required to measure its social and environmental responsibility, which since 2018 has been set out in a statement of non-financial performance.

For the sake of clarity and organisation, this report is based on the principles governing the standards of ISO 26000, which is considered to be the most relevant approach.

In view of GROUPE SFPI's role as the coordinating holding company, and in line with previous years, the Company has decided to prepare its report covering the entire Group consolidation scope, which comprised **55 companies with at least one employee at 31 December 2019**. The consolidation scope covers 3,959 employees. NB: DOM TITAN integrated its external workforce (49 people) into the headcount this year. In previous years, these persons were treated as temporary employees.

Since 2019, the Group has been using TOOVALU software for data collection and reporting purposes. TOOVALU processes both qualitative and quantitative data.

Around a third of Group companies entered their 2019 data directly in TOOVALU. Data from the other companies was collected in the form of Excel spreadsheets.

As in previous years, the collection documents were accompanied by a form explaining procedure and methodology. It specifies the definitions and is available in French and in English.

All data presented in this report covers the consolidation scope.

In addition, to date, the analysis conducted by Sfpi Group did not identify any material risks regarding:

- prevention of food waste,
- prevention of food insecurity,
- defence of animal well-being,
- responsible, fair and sustainable food system,
- human rights,
- collective agreements and their impact on economic performance and employee working conditions.

Furthermore, the management of industrial relations, the fight against discrimination and the promotion of diversity, including with respect to disability, are topics which have not been identified as at-risk at Group level. These themes are tackled at most of the Group's subsidiaries in accordance with the specific nature of their operations.

Indicators cover the entire consolidation scope unless specified otherwise.

- Departure rate and staff rotation indicators cover 53 out of 55 companies representing 99.12% of the workforce.
- Frequency and severity rate indicators cover 50 out of 55 companies representing 98% of the workforce.
- The employee electricity consumption KPI covers 46 out of 55 companies representing 97.17% of the workforce.

Lastly, it is worth noting that the Group is currently setting up an operational coordination system which will enable it to fine-tune policies and measures, leading to an improvement in key performance indicators related to priority challenges identified.

PARENT COMPANY FINANCIAL STATEMENTS

BALANCE SHEET AT 31 DECEMBER 2019

ASSETS

€000	Net	Net
	31-12-2019 12 months	31-12-2018 12 months
Intangible assets	102	58
Property, plant and equipment, IT	362	526
Long-term investments	133,134	133,300
Total non-current assets	133,598	133,884
Inventories and work in progress	–	–
Trade receivables	4,750	4,700
Other receivables	12,904	12,495
Cash and cash equivalents	36,435	38,771
Prepaid expenses	362	315
Total current assets	54,451	56,280
Total ASSETS	188,049	190,164

EQUITY & LIABILITIES

€000	31-12-2019 12 months	31-12-2018 12 months
Share capital	89,386	89,386
Additional paid-in capital	5,593	5,593
Reserves and retained earnings	45,726	33,907
Net income	9,711	16,681
Shareholders' equity	150,416	145,567
Provisions for contingencies and charges	–	–
Borrowings	21,862	28,448
Trade payables	1,529	2,706
Other payables	14,242	13,342
Liabilities	37,633	44,597
Total EQUITY & LIABILITIES	188,049	190,164

PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT - FY 2019

€000	31-12-2019 12 months	31-12-2018 12 months
Net revenues	6,697	7,975
Other operating income	74	12
Provision reversals and expense reclassification	21	–
Operating income	6,792	7,988
Purchases of goods and raw materials	(10)	(20)
Change in inventory	–	–
External charges	(4,670)	(7,287)
Taxes and duties	(97)	(125)
Staff costs	(1,393)	(2,424)
Depreciation, amortisation and provisions	(288)	(484)
Other expenses	(33)	(67)
Operating expenses	(6,491)	(10,406)
NET OPERATING INCOME/(LOSS)	301	(2,419)
Joint operations	250	243
NET FINANCIAL INCOME	10,419	20,391
EARNINGS BEFORE TAX AND NON-RECURRING ITEMS	10,970	18,215
NET NON-RECURRING INCOME/(EXPENSES)	(592)	(2,498)
Corporate income tax	(667)	964
NET INCOME	9,711	16,681

Notes to the balance sheet before appropriation of earnings for the year ended 31 December 2019, showing a total of €188,049,000, and the income statement presented in list format and showing net income of €9,711,000.
The reporting period is a 12-month financial year running from 1 January to 31 December 2019.
The notes and tables presented below form an integral part of the company financial statements for the year ended 31 December 2019.

ACCOUNTING PRINCIPLES AND POLICIES

Generally accepted accounting principles have been applied, in accordance with the principle of prudence and the following overriding concepts:

- going concern,
- consistency of presentation,
- accrual basis of accounting,

and in accordance with the accounting rules governing the preparation and presentation of annual financial statements drawn up in accordance with the accounting principles and policies set out in the French chart of accounts as presented in Regulation no. 2016-07 of 4 November 2016 issued by the French accounting standards board (ANC). Accounting entries are measured at historical cost.
Unless otherwise stated, amounts are expressed in euro thousands.

Intangible assets

Acquired patent rights and licences are included under this item. Assets are amortised over the period of legal protection. Trademark registration fees are also included but are not amortised.

Except under exceptional circumstances involving material amounts, research and development costs are expensed as incurred. If capitalised, including patent registration fees where applicable, they are amortised over three years from the beginning of commercial exploitation or use. Provisions are recorded if the criteria for capitalising these amounts are no longer met.

Property, plant and equipment

Property, plant and equipment is carried at acquisition cost (purchase price plus ancillary expenses, excluding broker fees and commissions) or at production cost.

Depreciation charges are calculated in accordance with the expected period of use.

The most commonly applied periods are as follows:

ITEM	Period (years)	Tax depreciation
Buildings	20 to 25	Straight-line
Building fixtures and fittings	10	Straight-line
Other fixtures and fittings	10	Straight-line
Vehicles (new)	3 to 5	Straight-line
IT equipment (new)	3 to 5	Straight-line
IT equipment (used)	3	Straight-line
Office equipment	3 to 5	Straight-line
Office furniture	10	Straight-line

Leasing, long-term rental and finance leases
The company does not use these methods of financing.

Long-term investments
The gross value is the historical purchase cost. Where the value in use of securities falls below the book value, a provision for impairment is recorded for the difference. Value in use is estimated on the basis of multiple criteria, taking into account the portion of shareholders' equity held and profit history and projections.

Trade receivables
Receivables are recognised at face value. A provision for impairment is recorded when the recoverable amount is lower than the book value.

Trade receivables are earmarked for provisions on the basis of their age.
Impairment provisions are calculated as follows:

- Provisions are recorded for the full amount of receivables more than a year overdue that are not covered by credit insurance;
- Provisions are recorded for at least 50% of the amount of receivables more than 6 months overdue that are not covered by credit insurance;
- Provisions are recorded for at least 25% of the amount of receivables more than 3 months overdue that are not covered by credit insurance;
- Provisions are recorded for the full amount of receivables not covered by credit insurance as soon as the deadline for submission to the insurance company expires.

Other receivables and payables
Other receivables and payables are recognised at face value. A provision for impairment is recorded when the recoverable amount is lower than the book value.

Foreign currency receivables and payables are adjusted in accordance with the closing exchange rate, with a matching entry under accruals (assets or liabilities).

A provision for contingencies is recorded in respect of unrealised foreign currency losses that cannot be offset.

Valuation of short-term investment securities
All short-term investment securities are subject to a sale and buyback transaction at year-end. Accordingly, they are measured at the closing price at year-end.

Regulated provisions
Regulated provisions carried on the balance sheet are itemised in the statement of provisions and form part of shareholders' equity.

Provisions for contingencies and charges
Provisions for contingencies and charges are recognised in respect of contingencies and charges corresponding to a precisely defined purpose, the occurrence of which is uncertain but likely in view of past or current events.

Prepaid expenses and deferred income
These items result from the application of the accrual basis of accounting, which involves deducting recognised expenses and income for which the consideration (provision of goods or services) has not yet been received or provided by the company.

Retirement benefits
Retirement benefit obligations are measured using the prospective method allowing for a discount rate of 0.39% and an inflation rate of 2.1% including wage growth. Lump-sum retirement payments have been measured in accordance with a percentage of life expectancy and presence at the company on retirement, as well as probable end-of-career salary. The main assumptions are based on voluntary retirement at 67 for executives and 62 for non-executive staff.

These obligations are not recorded under provisions but are included under off-balance sheet commitments.

Change in measurement method
No change in measurement method was made during the year.

Change in presentation method
No change in presentation method was made during the year.

Tax group
The Company is the head entity of the tax consolidation group. As provided for in the tax consolidation agreement, each subsidiary calculates its own tax charge, disregarding its membership of the tax group.

Only tax loss carryforwards generated by each individual company's prior losses are recognised. Tax savings arising from prior losses of subsidiaries are recognised as future tax liabilities and are reduced as and when the subsidiaries begin to post taxable profits.

The future tax charge related to tax loss carryforwards of consolidated subsidiaries currently stands at €10,711,000, recognised under future tax liabilities.

The following companies are included in the tax group headed by GROUPE SFPI: NEU PROCESS, NEU-JKF SA, NEU RAILWAYS, NEU AUTOMATION, DELTA NEU, NEU-JKF WOOD INDUSTRY, LA FONCIÈRE NEU, MMD, BARRIQUAND SAS, FINANCIÈRE BARRIQUAND, ASET, STERIFLOW, BATT, BARRIQUAND ECHANGEURS, DATAGROUPE, DENY SECURITY, PICARD-SERRURES, DOM-METALUX, DOM RONIS, DOM TSS, OMNITECH SECURITY, DOM SECURITY SAS, FRANCE FERMETURES, FRANCIAFLEX, SIPA MENUISERIES, SIPOSE, FABER, BAIE OUEST, SMVO & MAC.

Consolidation
The Company presents consolidated financial statements in its capacity as the parent company of Sfpi Group.

NOTES TO THE FINANCIAL STATEMENTS

1. HIGHLIGHTS OF THE YEAR

GROUPE SFPI decided to transfer its shares in DOM GmbH and SECU Beteiligungs to its subsidiary DOM Security SAS in order to complete the re-establishment of the DOM division as it existed prior to the merger between GROUPE SFPI and DOM Security SA in 2018. The transaction had been deferred pending a reply from the German tax authorities regarding the tax treatment of the capital gain arising from the transfer. As the tax rescript was favourable, the Company transferred the aforementioned shares at their net book value of €17,182,000 on 9 December 2019 and subscribed to a capital increase carried out by DOM Security SAS via the issuance of 1,718,198 shares. The value of DOM Security SAS shares held by Sfpi Group increased accordingly.

2. INTANGIBLE ASSETS - PROPERTY, PLANT AND EQUIPMENT - LONG-TERM INVESTMENTS

Intangible assets and property, plant & equipment

Gross	31-12-18	Increase	Decrease	31-12-19
Intangible assets	1,213	90	0	1,303
Property, plant and equipment	2,741	55	787	2,010
Total	**3,954**	**145**	**787**	**3,313**
Depreciation, amortisation and impairment	3,371	213	734	2,850
Net	**583**	—	—	**463**

Long-term investments

	31-12-18	Increase	Decrease	31-12-19
Equity investments	128,291	17,182	17,182	128,291
Other long-term securities	42	1,038	—	1,080
Loans and other long-term investments	483	—	240	243
Treasury shares	6,377	—	—	6,377
Total	**135,192**	**18,220**	**17,422**	**135,991**
Provisions	1,893	965	2	2,856
Net	**133,299**	—	—	**133,134**

The increase and decrease in equity investments result from the transfer of DOM GmbH and SECU Beteiligungs shares to DOM Security SAS and the capital increase carried out by the latter for the same amount.

The increase in other long-term securities corresponds to the acquisition of shares in SCI Immobilière Dubois, the holding company for the Faber manufacturing plant.

The €965,000 increase in the provision recorded under non-recurring expenses corresponds to the write-down of treasury shares valued at the 31 December 2019 closing price of €1.70.

3. SHAREHOLDERS' EQUITY

Share capital amounts to €89,386,111.80 divided into 99,317,902 fully paid-up shares with a par value of €0.90.
At 31 December 2019, the Company held 2,098,253 treasury shares.

	31-12-18	**Movements**	**Appropriation of earnings**	**31-12-19**
Share capital	89,336	—	—	89,386
Merger premium	5,593	—	—	5,593
Legal reserve	2,442	—	873	2,442
Regulated reserves	—	833	3,276	20
Other reserves	20	—	—	20
Retained earnings	31,196	—	10,881	42,077
Prior year earnings	249	—	105	354
Net income for the year	16,681	—	(16,681)	—
Shareholders' equity		**9,711**	—	**9,711**
	145,567	**9,711**	**(4,861)**	**150,417**

Excluding treasury shares, GROUPE SFPI distributed €4,861,000 in dividends.

4. LOANS AND BORROWINGS (€000)

Loans and borrowings break down as follows:

Credit institutions	**31-12-19**	**< 1 year**	**1-5 years**	**> 5 years**
Bank loans	21,862	7,258	12,368	2,236

In June 2015 the Company negotiated an €18 million loan repayable in 5 annual instalments of €3.6 million from 2016 to 2020. The loan is subject to two standard covenants based on the following consolidated ratios:

- Net debt/EBITDA
- Net cash flow/Debt service (DSCR).

Other loans consist of loans contracted by former DOM Security SA, which was merged into Sfpi Group in 2018.

These loans consist of the €18.3 million loan contracted for the purposes of the public tender offer, the balance of which amounted to €14.9 million at the closing date, and the balance of the loan taken out to finance the MCM acquisition (€2.4 million).

The Company contracted a new €1 million loan with LCL to finance the acquisition of SCI Dubois, the holding company for the manufacturing plant occupied by MAC subsidiary Faber.

The Company held cash and cash equivalents of €36,436,000 at 31 December 2019.

5. RECEIVABLES AND PAYABLES (€000)

Receivables	**31-12-19**	**< 1 year**	**> 1 year**
Trade receivables	4,750	4,597	153
Staff and related payables	7	7	—
Government – Income tax	1,117	1,117	—
Government - VAT	635	635	—
Other taxes	0	0	—
Group and shareholders	8,764	8,764	—
Other receivables	2,473	2,473	—
Prepaid expenses	361	361	—
Total	**18,107**	**17,954**	**153**

Liabilities	**31-12-19**	**< 1 year**	**> 1 year**
Trade payables	1,529	1,529	—
Staff and related payables	130	130	—
Social security payables	151	151	—
Government – Income tax	4,676	4,676	—
Government - VAT	270	270	—
Government - Other	79	79	—
Group and shareholders	6,429	6,429	—
Other payables	2,504	2,504	—
Total	**15,768**	**15,768**	**—**

Under 'Group and shareholders', GROUPE SFPI:

- holds receivables against subsidiaries totalling €4,424,000 under the tax consolidation scheme, and
- owes subsidiaries €6,172,000 in respect of advance payments made in excess of their final tax liability and uncollected tax credits arising from the inclusion of MAC tax losses.

Receivables and payables with Group companies break down as follows:

Trade receivables	4,705	
Other receivables	8,766	Including €4,424,000 under the tax consolidation scheme
Trade payables	926	
Other payables	8,158	Including €6,172,000 under the tax consolidation scheme

Following retrospective application of the management fees agreement between Sfpi Group and the French subsidiaries, the Company recorded credit notes payable to the operating subsidiaries and issued invoices to the four divisional holding companies.
This led to the recognition of €1,729,000 in accounts payable to the operating subsidiaries, classified under 'Other payables'.

6. PROVISIONS FOR IMPAIRMENT OF RECEIVABLES (€000)

Changes in this item are as follows:

	31-12-18	**31-12-19**
Receivables	129	129
Total	129	129

Most of this provision concerns receivables from former subsidiaries undergoing liquidation.

7. BREAKDOWN OF BALANCE SHEET ACCRUED EXPENSES (€000)

Trade payables	344
Social security and tax payables	231

8. PREPAID EXPENSES AND DEFERRED INCOME (€000)

Changes in prepaid expenses over the year were non-material.

9. SHORT-TERM INVESTMENTS

Opening value	Change	Gain/(loss)	Closing value
34,800	**(2,613)**	**113**	**32,300**

The Company signed a liquidity contract with Gilbert Dupont on 1 July 2017. The Company holds 190,000 shares assigned to the liquidity contract. GROUPE SFPI recorded a capital loss of €53,000.

10. REVENUES

Breakdown by region

France	4,748
EU	1,948
Non-EU	—
Total	**6,697**

Breakdown by business line

	Total	Group share
Provision of services	6,697	6,697
Total	**6,697**	**6,697**

The Company earns revenues from services provided to its subsidiaries. In 2019, a new agreement was signed with the French subsidiaries providing for the following arrangements:

- Remuneration is calculated on the basis of a declining scale applied to monthly revenues, excluding tax and intercompany sales, generated outside the scope of the commission agreement;
- At year-end, where applicable, an additional amount of remuneration is paid if the standard remuneration fails to cover all GROUPE SFPI operating expenses;
- If GROUPE SFPI SA's operating earnings are positive, it refunds the divisional subsidiaries the portion of remuneration paid exceeding €50,000 by means of a credit note. This refund is distributed among the divisional subsidiaries in proportion to the amount of annual remuneration they have paid to GROUPE SFPI;
- GROUPE SFPI invoices the divisional holding companies, which in turn invoice their own subsidiaries.

In 2019 GROUPE SFPI invoiced a total of €5,527,000 under this new agreement.

Following the 2018 merger between GROUPE SFPI and DOM Security SA, GROUPE SFPI assumed the latter's rights and obligations under the agreement with the DOM subsidiaries for cross-charging shared DOM division expenses. While this agreement was terminated on 1 January 2019, in June 2019 GROUPE SFPI was obliged to invoice an additional amount of €360,000 for 2018. This adjustment accounts for most of the operating profit posted in 2019.

In 2017, the Company took out a Group vehicle insurance policy for which it charges €379,000 to the subsidiaries.

11. NET FINANCIAL INCOME (€000)

Dividends	10,539
Merger surplus	113
Income from investments	(198)
Interest expense	(53)
Impairment	18
Total	**10,419**

Dividends were mainly received from the MAC (€998,000), MMD (€5,992,000) and DOM (€3,155,000) companies.

12. NET NON-RECURRING INCOME/(EXPENSES) (€000)

	Expenses	Charges	Income	Reversals	Net
Long-term investments	—	—	—	—	—
Treasury shares	—	965	—	—	(965)
Merger expenses	—	—	—	—	—
Sale of non-current assets	53	—	409	—	356
Social security and tax disputes	—	—	—	—	—
Other	(1)	—	16	—	17
Total	**52**	**965**	**425**	**—**	**(592)**

13. OTHER INFORMATION (€000)

Transactions with related companies recognised in the income statement involved the following amounts:

Provision of services	5,599
Cross-charging of expenses	1,193
Operating income	**7,975**
External charges	1,630
Operating expenses	1,630
SCI earnings	250
Dividends	10,531
Financial income	1

14. CALCULATION OF INCOME TAX (€000)

	Gross	Adjustment	Total	Base at 33%	Income tax
Net operating income/(loss)	301	2	553	553	(184)
Joint operations	250	—	250	250	(83)
Net financial income/(expense)	10,419	(10,465)	(46)	(46)	15
Net non-recurring income/(expenses)	(592)	—	(592)	(592)	197
Additional tax	—	—	—	—	—
Tax credits	—	—	—	—	—
Dividend tax refund	—	—	—	—	(484)
Tax group	—	—	—	—	(128)
Total income tax	-	-	-	-	**(667)**

15. INCREASES AND REDUCTIONS IN FUTURE TAX LIABILITY

None

16. OFF-BALANCE SHEET COMMITMENTS

In accordance with the terms of the €18 million loan, GROUPE SFPI has agreed to retain at least 51% of the shares of its main subsidiaries.

The retirement benefit obligation amounted to €135,000 at 31 December 2019.

17. ADVANCES AND COMPENSATION AWARDED TO DIRECTORS

Pursuant to Article L. 225-43 of the French Commercial Code, no advance or loan has been awarded to the Company's directors.

18. STATUTORY AUDITORS' FEES

Statutory auditors' fees amounted to €122,000.

19. AVERAGE HEADCOUNT

	Employees	**External personnel**	**Secondment**	**Employees**
Managers	5.8	—	—	5.8
Employees	4.1	—	—	4.1
Total	**9.9**	**—**	**—**	**9.9**

At 31 December 2019, the Company had 10 employees.

20. MATERIAL EVENTS OCCURRING BETWEEN THE BALANCE SHEET DATE AND THE DATE OF THE MANAGEMENT REPORT

The first quarter of 2020 was marked by the spread of the COVID-19 virus. The pandemic will affect the financial statements for 2020.
At the present stage, given the range of optimistic to pessimistic forecasts regarding the resumption of normal business, it is difficult to make a reliable estimate of the impact on business.

Our Company has taken advantage of the business assistance schemes set up by the French government. There was no notable impact prior to 31 December 2019.

PARENT COMPANY FINANCIAL STATEMENTS

Subsidiaries and affiliates

ARTICLE L. 233-1, FRENCH COMMERCIAL CODE (€000)

Company	Capital - No. of shares	Equity excluding share capital	Portion of capital held (%) - No. of shares	Gross book value of shareholding	O/w non paid-up capital	Provisions	Loans and advances granted and not repaid	Loans and advances received and not repaid	Net dividends received in 2019	Net income/(loss) for last FY ended	Revenues from last FY ended
Consolidated equity investments											
NEU-JKF SA	6,285 419,036	2,034	99.97% 418,940	20,652	—	—	—	—	0	(5,398)	1,984
DOM SECURITY SAS	73,127 7,312,748	9,445	100.00% 5,594,550	76,727	—	—	31	—	3,155	6,080	4,245
POINT EST SAS	188 12,500	85	99.59% 2,492,547	253	—	—	—	—	—	—	—
MMD SAS	1,798 119,853	9,412	100.00%	6,256	—	—	—	—	—	3,195	579
MAC SAS	4,109 4,325	28,493	99.99% 12,497	24,282	—	—	—	5	998	(3,107)	2,005
DATAGROUPE SA	45 3,000	556	100.00% 119,847	42	—	—	6	245	386	179	1,250
SCI NEU	10 500	51	99.88% 4,320	10	—	—	927	—	—	51	131
SCI LA CHAPELLE D’ARMENTIERES	10 500	37	95.37% 2,861	10	—	—	1,120	—	—	37	283
SCI GEORGE NUTTIN	10 500	109	99.80% 499	10	—	—	714	—	—	109	283
SCI VR des 2 VALLEES	10 500	27	99.80% 499	10	—	—	523	—	—	27	104
SCI ALU des 2 VALLEES	10 500	-	99.80% 499	10	—	—	—	5	—	—	-
SCI STERIMMO	10 500	19	99.80% 499	10	—	—	248	—	—	10	122
SCI LUZECH	10 500	74	99.80% 499	10	—	—	218	—	—	74	155
SCI MANCHESTER	10 500	10	99.80% 499	10	—	—	112	—	—	8	65
SCI CIPRIANI	10 500	4	99.80% 499	10	—	—	67	—	—	4	14
SCI DUBOIS	1 1,000	17	99.80% 499	1,028	—	—	57	—	—	17	117
Other investments Miscellaneous	-	n/a	n/a	41	—	—	—	—	7	n/a	n/a

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET - 31 DECEMBER 2019

€000	Note	31-12-2019	31-12-2018
Goodwill	1	49,432	53,555
Intangible assets	2	6,300	6,823
Property, plant and equipment	3	80,087	83,419
Right-of-use assets	4	18,017	
Investments in associates	5	1,100	1,075
Other non-current financial assets	7.2	5,369	5,161
Deferred tax assets	15	20,316	16,842
Total non-current assets		180,621	166,875
Inventories and work in progress	6	80,542	79,214
Trade receivables	7.1	96,478	102,297
Other current financial assets	8	29,825	35,035
Cash & cash equivalents	9	118,765	127,897
Assets held for sale		8,555	12,377
Total current assets		334,165	356,820
Total assets		**514,786**	**523,695**

€000	Note	31-12-2019	31-12-2018
Share capital		89,386	89,386
Consolidated reserves / Group share		106,439	101,462
Net income / Group share		3,734	13,657
Shareholders' equity / Group share	10	199,559	204,505
Minority interests		1,750	1,868
Total consolidated shareholders' equity	10	201,309	206,373
Non-current provisions	11	64,404	56,449
Long-term borrowings	13	68,056	77,833
Long-term lease liabilities	4	9,621	
Deferred tax liabilities		6,020	5,889
Total non-current liabilities		148,101	140,171
Current provisions	12	14,087	12,952
Short-term borrowings	13	21,725	22,535
Short-term lease liabilities	4	4,385	
Trade payables	14	53,291	62,269
Current tax liabilities	14	2,288	1,750
Other financial liabilities	14	62,730	66,052
Liabilities held for sale		6,870	11,593
Total current liabilities		165,376	177,151
Total equity and liabilities		**514,786**	**523,695**

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT - FY 2019

€000	Note	2019	2018
Net revenues	17	562,450	549,805
Change in inventories		1,619	2,348
Purchases consumed including subcontracting		(233,706)	(231,453)
Gross margin	17	330,363	320,700
as % of production		58.6%	58.1%
as % of revenues		58.7%	58.3%
Other operating income and grants		3,091	6,151
Net provision (charges)/reversals		56	(2,589)
External charges		(86,048)	(87,406)
Taxes, levies and similar payments		(5,474)	(5,443)
Staff costs		(186,064)	(182,603)
Depreciation and amortisation		(22,106)	(15,104)
Other expenses		(3,264)	(3,336)
RECURRING OPERATING INCOME		30,554	30,370
as % of revenues		5.4%	5.5%
Restructuring costs	18	(6,156)	(2,587)
Other non-recurring income and expenses		(186)	1,180
Change in impairment of goodwill and non-current assets	1	(12,193)	(2,404)
NET OPERATING INCOME		12,019	26,559
as % of revenues		2.1%	4.8%
Financial income		1,652	1,753
Financial expenses		(2,178)	(2,288)
NET FINANCIAL INCOME/(EXPENSE)	19	(526)	(535)
EARNINGS BEFORE TAX		11,493	26,024
Corporate income tax	20	(7,758)	(9,747)
Share of earnings of associates		48	19
NET INCOME/(LOSS) OF CONSOLIDATED COMPANIES		3,783	16,296
as % of revenues		0.7%	3.0%
- Parent company share		3,734	13,657
- Minority interests		49	2,639
Basic and diluted net earnings per share (excl. treasury shares) - consolidation scope (€)	21	0.04	0.14

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME - FY 2019

€000	Note	**2019**	**2018**
Net income for the year		3,783	16,296
Items of other comprehensive income subsequently reclassifiable to consolidated income (gross):			
Translation differences arising from foreign subsidiaries' financial statements		(10)	(214)
Financial instruments, revaluation of financial assets available for sale, revaluation surplus		1,048	(905)
Tax on the foregoing items of other comprehensive income			
Items related to discontinued operations			
Items of other comprehensive income finally reclassified outside consolidated income (gross):			
Actuarial gains and losses on retirement benefit obligations		(7,031)	358
Tax on the foregoing items of other comprehensive income		2,189	(62)
Items related to discontinued operations			
Total comprehensive income		(21)	15,473
Attributable to:			
Equity holders of the parent company		(70)	12,885
Minority interests		49	2,588

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS - FY 2019

€000	2019	2018
Earnings before tax	**11,541**	**26,043**
Elimination of non-cash items		
- Depreciation and amortisation of operational assets	16,612	15,104
- Depreciation and amortisation of operational assets under IFRS 16	5,494	
- Change in operating, financial and non-current provisions	1,783	4,114
- Change in provisions for goodwill impairment	12,193	2,404
- Gains or losses on asset disposals	505	(4,970)
Change in working capital (excluding discontinued operations):		
- Change in inventories and work in progress	(1,580)	(4,841)
- Change in trade receivables, advances and down payments and deferred income	5,092	10,992
- Change in trade payables and prepaid expenses	(9,143)	(2,511)
- Change in tax receivables and payables	3,557	(2,003)
- Change in other receivables and payables	(34)	(2,520)
Change in working capital - discontinued operations	5,976	(1,832)
Cash flow from operating activities, before tax	51,996	39,980
Income taxes	(8,974)	(9,377)
Net cash flow from operating activities	**43,022**	**30,603**
Disposal of non-current assets	282	1,359
Disposal of consolidated securities		6,600
Purchase of consolidated securities, net of cash acquired	(7,537)	(16,603)
Purchase of intangible assets and PP&E	(18,586)	(16,141)
Purchase of financial assets	(246)	(532)
Net cash flow from investing activities	**(26,087)**	**(25,317)**
Increase in borrowings from credit institutions	11,501	38,863
Increase in other borrowings	251	596
IFRS 16 lease repayments	(5,412)	(221)
Repayment of borrowings from credit institutions	(19,752)	(10,959)
Repayment of other borrowings	(105)	(322)
Purchase of DOM Security treasury shares		(18,000)
Dividends paid by GROUPE SFPI SA	(4,861)	(5,272)
Dividends paid to minority shareholders of subsidiaries	(181)	(1,325)
Net cash flow from financing activities	**(18,559)**	**3,360**
Change in cash and cash equivalents	**(1,624)**	**8,646**
Opening cash and cash equivalents (1)	125,013	115,747
Impact of changes in exchange rates	68	(36)
Impact of cash from discontinued operations	(6,575)	656
Closing cash and cash equivalents (1)	116,882	125,013
Recorded change in cash and cash equivalents	**(1,624)**	**8,646**
Gross operating cash flow - continuing operations	39,154	33,318
(1) Closing cash and cash equivalents consists of:		
Cash	55,269	52,365
Cash equivalents	63,496	75,532
Cash assets	118,765	127,897
Overdrafts and short-term loans	(1,883)	(2,884)
Cash and cash equivalents	116,882	125,013

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - 31 DECEMBER 2019

	Group share						Minority interests	Total shareholders' equity
	Share capital	Consolidated reserves	Translation differences	Net income	Treasury shares	Total		
Balance at 01-01-2018	80,973	89,725	(734)	25,038	(6,377)	188,625	29,903	218,528
Appropriation of earnings		19,766		(19,766)		0		0
Dividends paid				(5,272)		(5,272)	(1,325)	(6,597)
Share capital increase/reduction	8,413					8,413		8,413
Treasury shares						0		0
Total transactions with shareholders	8,413	19,766	0	(25,038)	0	3,141	(1,325)	1,816
Change in consolidation scope		(146)				(146)	(29,298)	(29,444)
Items of other comprehensive income		(562)	(210)			(772)	(51)	(823)
Net income for the period				13,657		13,657	2,639	16,296
Total income and expenses recognised for the period	0	(562)	(210)	13,657	0	12,885	2,588	15,473
Balance at 31-12-2018	89,386	108,783	(944)	13,657	(6,377)	204,505	1,868	206,373
Appropriation of earnings		8,796		(8,796)		0		0
Dividends paid				(4,861)		(4,861)	(181)	(5,042)
						0		0
Treasury shares						0	0	0
Total transactions with shareholders	0	8,796	0	(13,657)	0	(4,861)	(181)	(5,042)
Change in consolidation scope		(15)				(15)	14	(1)
Items of other comprehensive income		(3,791)	(13)			(3,804)	(1)	(3,805)
Net income for the period				3,734	0	3,734	50	3,784
Total income and expenses recognised for the period	0	(3,791)	(13)	3,734	0	(70)	49	(21)
Balance at 31-12-2019	89,386	113,773	(957)	3,734	(6,377)	199,559	1,750	201,309

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - FY 2019

INTRODUCTION

On 22 April 2020, the Board of Directors of the public limited company (“*société anonyme*”) GROUPE SFPI approved the accounts and authorised the publication of the Sfpi Group consolidated financial statements for the year ended 31 December 2019.

The consolidated financial statements are drawn up in euros. Unless otherwise specified, amounts are stated in thousands of euros.

HIGHLIGHTS

On 5 June 2019, DOM Security acquired the entire share capital of Hoberg, which distributes the DOM cylinder range in Belgium. The company was acquired for a price of €7.8 million via a €6.8 million 7-year loan. Hoberg posted 2019 revenues of €5.3 million and employs 24 people. The company’s contribution to Group revenues amounted to €0.4 million in H1 2019 and €2.7 million in H2 2019.

GROUPE SFPI acquired SCI Immobilière Dubois, the holding company for the plant leased to FABER, for a price of €1.03 million. As this was an isolated property purchase, this investment is shown under cash flows for acquisition of property, plant and equipment.

LIST OF CONSOLIDATED COMPANIES

F.C. - full consolidation; E.M. - equity method

Name	Country	% interest		Siren no.	Activity	Conso. method
		31/12/2019	31/12/2018			
GROUPE SFPI	**France**	**Parent company**		**393 588 595**	**Holding**	**F.C.**
DOM Security (former DOM Participations)	France	100.00	100.00	485 054 860	**Division holding company**	F.C.
Dény Security	France	99.73	99.73	552 105 603	Locking systems	F.C.
Dom-Métalux	France	99.96	99.96	572 020 394	Locking systems	F.C.
Picard-Serrures	France	99.99	99.99	341 148 823	Locking systems	F.C.
Dom Ronis	France	99.99	99.99	345 004 147	Locking systems	F.C.
Dom-UK Ltd	UK	100.00	100.00	/	Locking systems	F.C.
Dom-CR Spa	Italy	100.00	100.00	5988590013	Locking systems	F.C.
Elzett-Sopron	Hungary	50.00	50.00	/	Galvanisation	E.M.
Dom Elzett	Hungary	100.00	100.00	11404006	Locking systems	F.C.
Dom Polska	Poland	100.00	100.00	5730003798	Locking systems	F.C.
Dom Czech Spol	Czech Rep.	100.00	100.00	/	Locking systems	F.C.
Dom-Titan	Slovenia	98.70	98.67	34816712	Locking systems	F.C.
Titan Zagreb	Croatia	30.00	30.00	/	Locking systems	E.M.
Titan-Okovi Doo	Serbia	100.00	100.00	/	Locking systems	F.C.
Dom TSS	France	100.00	100.00	348 541 798	Locking systems	F.C.
Dom Suisse	Switzerland	100.00	100.00	/	Locking systems	F.C.
Dom GmbH & Co KG	Germany	100.00	100.00	/	Locking systems	F.C.
Secu Beteiligungs GmbH	Germany	100.00	100.00	/	Locking systems	F.C.
Dom Romania	Romania	100.00	100.00	/	Locking systems	F.C.
Securidev Hongrie	Hungary	100.00	100.00	/	Locking systems	F.C.
Ucem Sistemas de Seguridad	Spain	100.00	100.00	/	Locking systems	F.C.
Dom MCM	Spain	100.00	100.00		Locking systems	F.C.
Omnitech Security	France	100.00	100.00	482 646 015	Security systems	F.C.
Springcard (former Proactive)	France	33.9	33.9	429 665 482	Security systems	E.M.
Invissys	France	75.0	75.0	802 367 458	Security systems	F.C.
DIS	Austria	66.7	66.7		Locking systems	F.C.
Eliot et Cie	France	70.0	70.0	629 027 899	Locking systems	F.C.
Antipanic Srl	Italy	73.9	73.9		Locking systems	F.C.
SCI DOM	France	100.00	100.00	817 484 405	Real estate	F.C.
Revilo	Belgium	100.00			Locking systems	F.C.
Keytech	Belgium	100.00			Locking systems	F.C.
Hoberg	Belgium	100.00			Locking systems	F.C.

Name	Country	% interest		Siren no.	Activity	Conso. method
		31/12/2019	31/12/2018			
NEU-JKF SA (former NEU SA)	**France**	**99.98**	**99.98**	**454 500 315**	**Division holding company**	**F.C.**
Neu Railways	France	95.01	95.01	351 221 361	Air treatment	F.C.
Neu Inc.	USA	100.00	100.00		Air treatment	F.C.
Delta Neu	France	99.99	99.99	301 468 146	Air treatment	F.C.
Delta Neu Pays-Bas	Netherlands	100.00	100.00		Air treatment	F.C.
Neu JKF Woods Industry (former NEU RLS)	France	99.96	99.96		Air treatment	F.C.
Delta Neu GB	UK	100.00	100.00		Air treatment	F.C.
Neu automation	France	99.85	99.85	329 529 614	Air treatment	F.C.
Delta Neu Benelux	Belgium	100.00	100.00		Air treatment	F.C.
Foncière Neu	France	100.00	100.00	433 336 138	Real estate	F.C.
Neu Process	France	100.00	100.00	479 988 453	Air treatment	F.C.
Fevi SAS	France	100.00	100.00	410 582 134	Air treatment	F.C.
Neu Fevi	France	100.00	100.00	394 466 569	Air treatment	F.C.
Fevi GmbH	Germany	100.00	100.00		Air treatment	F.C.
Lcat Trading	HK	100.00	100.00		Air treatment	F.C.
Delta Neu Shanghai	China	70.00	70.00		Air treatment	F.C.
JKF Industri A/S	Denmark	98.02	98.02		Air treatment	F.C.
JKF Polska Sp Zoo	Poland	100.00	100.00		Air treatment	F.C.
JKF Industri Sdn Bhd	Malaysia	100.00	100.00		Air treatment	F.C.
JKF Solutions PTE Ltd	Singapore	100.00	100.00		Air treatment	F.C.
NEU-JKF International	France	100.00	100.00	834 040 537	Air treatment	F.C.
NEU-JKF Indonesia	Indonesia	67.00	67.00		Air treatment	F.C.
MMD	**France**	**99.99**	**99.99**	**379 575 434**	Division holding company	**F.C.**
Financière Barriquand	France	97.84	97.84	349 967 836	Holding	F.C.
Barriquand SAS	France	99.84	99.84	405 782 590	Holding	F.C.
Steriflow	France	100.00	100.00	352 960 702	Sterilisers	F.C.
Barriquand Echangeurs	France	99.99	99.99	352 960 777	Exchangers	F.C.
Aset	France	98.98	98.98	969 508 217	Exchangers	F.C.
Barriquand Technologies Thermiques	France	100.00	100.00	479 868 853	Sales	F.C.
Steriflow Service Maroc	Morocco	75.00	75.00		Sterilisers	F.C.
Flopam Do Brasil	Brazil	99.50	99.50		Sales	F.C.
Cipriani	Italy	100.00	100.00		Sterilisers	F.C.

Name	Country	% interest		Siren no.	Activity	Conso. method
		31/12/2019	31/12/2018			
MAC	**France**	**99.88**	**99.88**	**327 997 714**	**Division holding company**	**F.C.**
France Fermetures	France	100.00	100.00	329 403 422	Doors	F.C.
Franciaflex	France	100.00	100.00	433 802 147	Doors	F.C.
SMVO	France	100.00	100.00	712 004 076	Foundry	F.C.
Baie Ouest	France	100.00	100.00	383 336 260	Doors	F.C.
Storistes de France	France	96.00	96.00	352 122 675	Network operator	F.C.
Boflex	Belgium	100.00	100.00	436 158 718	Doors	F.C.
Faber	France	100.00	100.00	662 025 345	Doors	F.C.
WELLCOM	France	100.00	100.00	749 811 220	Network operator	F.C.
SIPA	France	100.00	100.00	402 295 174	Doors	F.C.
SIPOSE	France	100.00	100.00	423 015 270	Doors	F.C.
MACAU	Belgium	100.00	100.00		Doors	F.C.
BOSTORE	Belgium	99.46	99.46		Doors	F.C.
VETTENBURG	Belgium	100.00	100.00		Doors	F.C.
Other companies						
Point Est	France	99.97	99.97	382 591 949	Partnership Eastern Europe	F.C.
Datagroupe	France	95.33	95.33	347 812 752	Services	F.C.
France Investissement	Bulgaria	94.68	94.68		Trade consulting Eastern Europe	F.C.
SCI NEU	France	100.00	100.00	789 092 145	Real estate	F.C.
SCI La Chapelle d'Armentières	France	100.00	100.00	789 092 384	Real estate	F.C.
SCI STERIMMO	France	100.00	100.00	752 215 001	Real estate	F.C.
SCI Georges Nuttin	France	100.00	100.00	751 978 172	Real estate	F.C.
SCI VR des 2 Vallées	France	100.00	100.00	752 031 914	Real estate	F.C.
SCI ALU des 2 Vallées	France	100.00	100.00	752 053 595	Real estate	F.C.
SCI Luzech	France	100.00	100.00	812 465 805	Real estate	F.C.
SCI Manchester	France	100.00	100.00	817 464 340	Real estate	F.C.
SCI Dubois	France	100.00		520 477 613	Real estate	F.C.
SCI Cipriani	France	100.00		815 307 360	Real estate	F.C.

ACCOUNTING POLICIES, VALUATION METHODS AND IFRS OPTIONS ADOPTED

1. ACCOUNTING STANDARDS

The consolidated financial statements cover the 12-month periods ended 31 December 2019 and 2018.

The Sfpi Group consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted within the European Union as at 31 December 2019.

These include IAS and IFRS international accounting standards and SIC and IFRIC interpretations of mandatory application as at 31 December 2019.

The IFRS adopted by the European Union as at 31 December 2019 may be consulted in the section entitled "IAS/IFRS Standards and Interpretations" on the following website: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements.

The accounting principles applied in the preparation of the 2019 financial statements are the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2018, except for new standards, amendments and interpretations applicable from 1 January 2019.

The following standards, amendments and interpretations are of mandatory application from 1 January 2019:

- IFRS 16 – Leases
- Amendments to IAS 19: "Employee benefits: plan amendment, curtailment or settlement",
- Amendments to IAS 28: "Long-term interests in associates and joint ventures",
- Amendments to IFRS 9: "Prepayment features with negative compensation",
- IFRS annual improvements - 2015-2017 cycle,
- IFRIC 23: "Uncertainty over income tax treatments".

The amendments to IAS 19, IAS 28 and IFRS 9, the cycle 2015-2017 IFRS annual improvements and IFRIC 23 had no material impact on the Group consolidated financial statements.

<u>Application of IFRS 16 from 1 January 2019:</u>

The Group adopted IFRS 16 from 1 January 2019 using the simplified retrospective approach, which required no restatement of 2018 comparative data in accordance with the specific transition provisions of the standard. The cumulative effect of applying the standard is recognised in opening shareholders' equity.

Application of IFRS 16 resulted in the recognition of right-of-use assets and lease liabilities pertaining to leases previously classified as operating leases under IAS 17.

The Group recognises a lease where the economic benefits attached to the use of an identified asset are substantially transferred to the Group and where the Group has the right to use the asset.

The Group has applied both exemptions provided for by the standard, namely in respect of leases with a residual term of no more than 12 months and leases of underlying assets with a value of $5,000 or less when new. Lease payments under these leases continue to be recognised on the income statement under external expenses under operating income.

In the case of Sfpi Group, most leases falling within the scope of IFRS 16 concern buildings, office premises and vehicles.

As at 1 January 2019, the value of the asset and corresponding lease liability equals the present value of future lease payments. Lease payments make allowance for fixed rent, or variable rent pegged to an index or rate, where this is known at the lease commencement date.

The lease term is defined individually for each lease and corresponds to the non-cancellable period of the lease, including periods covered by extension and termination options that the Group is reasonably certain to exercise or not.

The discount rate applied is based on the Group incremental borrowing rate as at the transition date. Discount rates applied to leases entered into during the year correspond to the weighted average interest rate applicable to borrowings contracted during the same year, adjusted by a country risk coefficient.

Right-of-use assets pertaining to leases are depreciated straight line over the term used to calculate lease liabilities.

On the balance sheet, lease liabilities are separated into non-current (due in over 1 year) and current (due in less than 1 year).

On the income statement, depreciation charges are recognised under depreciation, amortisation and provisions under recurring operating income. Interest payments on leases are included under financial expense.

Impact of first-time application of IFRS 16:

In 2019, Sfpi Group applied IFRS 16 for the first time, with the following impact (see Note 2):

- Under assets, recognition of right-of-use assets totalling €18,017,000 at the balance sheet date, including €5,037,000 of finance-lease assets previously classified under property, plant and equipment;
- Under liabilities, recognition of a €9,621,000 long-term and a €4,385,000 short-term lease liability at the balance sheet date, including €698,000 long-term and €362,000 short-term finance-lease assets;
- Under earnings before non-recurring items, replacement of €4,946,000 lease payments excluding finance leases with €4,987,000 depreciation charges on right-of-use assets;
- Under financial income/expense, recognition of €70,000 interest payments;
- Under cash flow from operating activities and free cash flow, €4,987,000 of additional depreciation charges on right-of-use assets;
- Under cash flow from financing activities, €5,016,000 repayment of lease liabilities excluding finance leases.

The table below shows the impact of first-time application of IFRS 16 on the consolidated balance sheet at 1 January 2019:

ASSETS (€000)	**31/12/2018**	**First-time application IFRS 16**	**01/01/2019**
Goodwill	53,555		53,555
Intangible assets	6,823		6,823
Property, plant and equipment	83,419	(4,247)	79,172
Right-of-use lease assets		12,188	12,188
Investments in associates	1,075		1,075
Other non-current financial assets	5,161		5,161
Deferred tax assets	16,842		16,842
NON-CURRENT ASSETS	**166,875**	**7,941**	**174,816**
Inventories and work in progress	79,214		79,214
Trade receivables	102,297		102,297
Other current financial assets	35,035		35,035
Cash & cash equivalents	127,897		127,897
Assets held for sale	12,377		12,377
CURRENT ASSETS	**356,820**		**356,820**
TOTAL ASSETS	**523,695**	**7,941**	**531,636**

EQUITY & LIABILITIES (€000)	31/12/2018	First-time application IFRS 16	01/01/2019
Share capital	89,386		89,386
Consolidated reserves / Group share	101,462		101,462
Net income - Group share	13,657		13,657
Shareholders' equity - Group share	204,505		204,505
Minority interests	1,868		1,868
SHAREHOLDERS' EQUITY	**206,373**		**206,373**
Non-current provisions	56,449		56,449
Long-term borrowings	77,833	(833)	77,000
Long-term lease liabilities		5,202	5,202
Deferred tax liabilities	5,889		5,889
NON-CURRENT LIABILITIES	**140,171**	**4,369**	**144,540**
Current provisions	12,952		12,952
Short-term borrowings	22,535	(374)	22,161
Short-term lease liabilities		3,946	3,946
Trade payables	62,269		62,269
Current tax liabilities	1,750		1,750
Other financial liabilities	66,052		66,052
Liabilities held for sale	11,593		11,593
CURRENT LIABILITIES	**177,151**	**3,572**	**180,723**
TOTAL EQUITY & LIABILITIES	**523,695**	**7,941**	**531,636**

As at 1 January 2019, the book value of right-of-use lease assets was €12,188,000, equal to the lease liability plus the value of reclassified non-current assets recognised as finance leases as at 31 December 2018 in accordance with IAS 17 (€4,247,000).

Likewise, the finance lease liability carried under borrowings on the 31 December 2018 balance sheet is reclassified as at 1 January 2019 under non-current and current lease liabilities for a total of €1,207,000.

Presentation of the financial statements

Sfpi Group publishes IFRS financial statements for the financial year ended 31 December. The main principles of presentation are as follows:

- Grouping of items: by type;
- Classification of assets and liabilities: in ascending order of liquidity and due date, applying a distinction between current and non-current items depending on whether they will be realised or fall due in more or less than 12 months following the balance sheet date;
- Classification of income and expenses: by type and by inclusion in the cost of an asset or liability in application of a given standard or interpretation;
- Offsetting: in application of a given standard or interpretation for offsetting assets against liabilities and income against expenses.

Accounting policies, errors and estimates

Accounting policies are changed only if required by a standard or interpretation or if the change leads to more reliable and appropriate reporting. Changes in accounting policies are recognised retrospectively, unless a given standard or interpretation provides for transitional measures. The financial statements impacted by a change of accounting policy are restated in respect of all financial years presented, as if the new policy had been applied to all of these years. Errors identified are also corrected retrospectively.

The inherent uncertainty regarding business operations requires the use of estimates in the preparation of the financial statements. Estimates are based on judgements designed to provide a reasonable assessment of the latest available reliable information. Estimates are revised in light of changes in circumstances, new information available and experience. Changes in estimates are recognised prospectively: they impact the year in which they are made and subsequent years.

The main estimates made in the preparation of the financial statements concern the assumptions adopted in order to measure and calculate the useful life of operational assets, intangible assets, property, plant and equipment, right-of-use assets and goodwill and to calculate provisions for staff benefits and other provisions. The consolidated financial statements for the year have been prepared in light of the present market stagnation and on the basis of market financial parameters available at the balance sheet date.

2. CONSOLIDATION SCOPE AND METHODS

The Group consolidates all controlled companies and uses the equity method to account for companies over which it exercises significant influence. The balance sheet date for all companies is 31 December.

3. CHANGE OF METHOD

No change of method was applied to the year ended, except for first-time application of IFRS 16.

4. CHANGE OF PRESENTATION

No change of presentation was applied to the year ended.

5. TRANSLATION OF FOREIGN SUBSIDIARIES' FINANCIAL STATEMENTS

Balance sheet items are translated by applying the exchange rate prevailing on the balance sheet date.

Income and expenses shown in the income statement are translated at the average exchange rate for the year.

Differences arising from this translation method are recognised directly in the statement of comprehensive income and are shown under "Translation differences" on the balance sheet.

The following exchange rates were applied:

	Closing rate 2019	Annual average rate 2019	Closing rate 2018	Annual average rate 2018
CHF (Switzerland)	1.09	1.11	1.13	1.15
GBP (UK)	0.85	0.88	0.89	0.89
HUF (Hungary)	330.53	325.38	320.98	319.23
PLN (Poland)	4.26	4.30	4.30	4.26
RON (Romania)	4.78	4.74	4.66	4.66
RSD (Serbia)	117.74	117.84	118.33	118.21
CZK (Czech Republic)	25.41	25.66	25.72	25.67
HRK (Croatia)	7.44	7.42	7.41	7.42
BRL (Brazil)	4.52	4.42	4.44	4.30
MAD (Morocco)	10.73	10.78	10.96	11.09
CNY (China)	7.82	7.74	7.88	7.81
HKD (Hong Kong)	8.75	8.78	8.97	9.25
USD (USA)	1.12	1.12	1.15	1.18
DKK (Denmark)	7.47	7.47	7.47	7.45
SGD (Singapore)	1.51	1.53	1.56	1.59
IDR (Indonesia)	15,595.60	15,854.31	16,500.00	
MYR (Malaysia)	4.60	4.64	4.73	4.77

6. INTANGIBLE ASSETS

Intangible assets mainly consist of measured development costs, patents and software. They are recognised at acquisition or production cost less accumulated amortisation and impairment.

The main amortisation periods are as follows:

• Software	1-3 years
• Patents	duration of legal protection
• Development costs	3 years from market launch
• Other intangible assets	1-5 years

Development costs are only capitalised if they represent a material investment. The main criteria for capitalisation are whether the project is technically feasible, the market has been identified and profitability can be calculated with reasonable reliability. Prior year development costs are never capitalised in subsequent years.

7. GOODWILL

Business combinations are recognised in accordance with IFRS 3:

- Acquisition costs are expensed;
- IFRS 3 allows an accounting policy choice, available on a transaction by transaction basis, to measure non-controlling interests (minority interests) at fair value, including the proportionate share of goodwill;
- Changes in the percentage of interest in subsidiaries that do not result in a change of control are recognised directly in shareholders' equity, without giving rise to additional goodwill;
- In the case of business combinations achieved in stages (step acquisitions), the acquirer remeasures any previously held interest at fair value on the date control is obtained and recognises the resulting gain or loss, not in shareholders' equity, but directly in profit or loss for the year.

Goodwill is allocated to the acquiree's identifiable assets, liabilities and contingent liabilities at fair value within 12 months following the acquisition date. Cost to sell are deducted from the value of assets held for sale.

Goodwill is measured as the difference between the cost of the business combination and the proportionate share of shareholders' equity received by the acquirer after appropriation of earnings.

Goodwill is not amortised. It is tested for impairment at least once a year and whenever there is an indication of impairment and, where appropriate, an irreversible impairment loss is recognised.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised at acquisition or production cost less accumulated depreciation and impairment, according to the standard method.

The amount to be depreciated is calculated after deduction of a residual value, which is generally zero as the amount in question is non-material.

Generally speaking, depreciation is calculated on a straight-line basis over the useful life of the asset. Generally applied depreciation periods are as follows:

• Buildings	20-25 years
• Furniture, office fittings and equipment	3-10 years
• Production plant and equipment	3-8 years
• Used items	2-3 years

Assets acquired under finance leases are capitalised with a matching entry under financial liabilities calculated on the basis of the lease interest rates. These assets are depreciated over the following periods:

• Buildings	20 years
• Production equipment	3-8 years

Non-vehicle finance leases are restated if the lease term is over two years. The asset is capitalised at the present value of lease cash flows discounted at the lease interest rate or, otherwise, at the annual French TEC 10-year Treasury constant maturity rate plus two percentage points.
The asset is depreciated over the lease term, except in the case of non-IT hardware leases with a term of less than four years, where it is assumed that the lease will be renewed only once.
Surface treatment facilities do not carry a legal obligation to dismantle requiring recognition of a depreciable asset.

9. IMPAIRMENT LOSSES

Goodwill, indefinite life intangible assets and property, plant and equipment are tested for impairment whenever there is an indication of impairment and, in the case of goodwill and indefinite life intangible assets, at least once a year. Impairment testing is conducted on each cash-generating unit (CGU). CGUs correspond to Sfpi Group subsidiaries.
The carrying amount of an asset or CGU is compared to the recoverable amount, which is the higher of an asset's fair value less costs of disposal (net selling price or market value) and its value in use.

Value in use is measured using the discounted cash flow (DCF) method.

The discount rate equals the weighted average cost of permanent capital based on the following assumptions:

- 40% fixed debt bearing interest at the annual average French TEC 10-year Treasury constant maturity rate plus one percentage point, less amounts deductible for tax purposes;
- 60% equity generating interest at the risk-free rate (10-year TEC) plus a published average risk premium augmented by a company beta risk coefficient ranging from 1.3 to 2.5.

Future cash flows are calculated on the basis of the following year's budget multiplied by a probability coefficient based on the ratio between actual and budgeted operating earnings for the previous years.

In the absence of specific forecasts, these cash flows are multiplied by inflation for each of the following four years. The terminal value for the fifth year is obtained by dividing cash flow by the weighted average cost of permanent capital without deduction for inflation to reflect the fact that earnings will be reduced by inflation each year.

Calculated in this manner, value in use should cover the amount of non-current assets including goodwill.

If this is not the case, an irreversible impairment loss is first recognised against goodwill. Thereafter, except for land and buildings whose fair market value is higher than the carrying amount, a reversible impairment loss not exceeding the carrying amount is recognised against the other non-current assets.

10. FINANCIAL ASSETS AND LIABILITIES

The measurement and recognition of financial assets and liabilities are defined by IAS 9 "Financial Instruments: Recognition and Measurement".
Financial assets
Financial assets are initially measured at fair value plus transaction costs. In the case of financial assets measured at fair value through profit or loss, transactions costs are excluded from the balance sheet entry value.

The IFRS 9 approach to classifying and measuring financial assets reflects the economic model according to which they are managed, as well as the related contractual cash flows.

Trade receivables, receivables from non-fully consolidated equity investments, financial advances and security deposits are recognised at amortised cost (financial assets where the related cash flows solely represent principal and interest payments). Income and expenses related to loans and receivables consist of interest income and impairment losses.

Financial assets measured at fair value through profit or loss comprise financial assets that the Group has elected to measure accordingly or where the related cash flows do not solely represent principal and interest payments. Cash equivalents comprise highly liquid investments with no significant risk of impairment. Income and expenses related to cash investments include interest and dividend income and fair value remeasurements.

Financial liabilities
IFRS 9 distinguishes between various categories of financial liabilities subject to specific accounting treatment:

- financial liabilities measured at fair value: borrowings are initially measured at the fair value of the amounts received less transaction costs; they are subsequently measured at amortised cost at the effective interest rate.
- other financial liabilities not held for trading. They are measured at amortised cost.

Income and expenses related to financial liabilities mainly consist of interest payments.

11. CASH AND CASH EQUIVALENTS

Loans and receivables also include cash, which includes cash at hand, cash in bank and cash equivalents. Cash equivalents are highly liquid investments with terms not exceeding three months, indexed to money-market rates and whose amounts are either known or subject to minimal uncertainty. In the statement of cash flows, cash and cash equivalents include the “Current bank overdrafts” item shown under liabilities.

12. INVENTORIES

Goods and raw materials are measured using the first-in first-out (FIFO) method and, by default, at the last purchase cost which, given the fast rotation of these inventories, gives a value close to the FIFO value.

Finished goods and work in progress are measured at production cost.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Furthermore, probable use of inventories is calculated on the basis of the rotation rate of items created since more than one year ago.

If the probable net realisable value is lower than cost, a provision for impairment is recorded.

Impairment is calculated depending on the rate of rotation, as follows:
- Rotation exceeding 4 years of consumption: full write-off;
- Rotation exceeding 3 years of consumption: 75% write-down;
- Rotation exceeding 2 years of consumption: 50% write-down;
- Rotation exceeding 1 year of consumption: 25% write-down;
- No write-downs are recorded for new products less than 12 months old.

The provision amount calculated accordingly is adjusted depending on the probable use of the product in order to arrive at the net realisable value.

13. RECEIVABLES

Receivables are recognised at amortised cost (financial assets where the related cash flows solely represent principal and interest payments). An impairment loss is recorded where the recoverable value falls below the carrying amount, in accordance with the expected loss model prescribed by IFRS 9. Analysis of credit risk is supplemented by a statistical provision calculation method covering all receivables, including non-overdue and 30 days overdue receivables.

Trade receivables are earmarked for provisions on the basis of their age, as follows:

- Provisions are recorded for the full amount of receivables more than a year overdue that are not covered by credit insurance;
- Provisions are recorded for at least 50% of the amount of receivables more than 6 months overdue that are not covered by credit insurance;
- Provisions are recorded for at least 25% of the amount of receivables more than 3 months overdue that are not covered by credit insurance;
- Provisions are recorded for the full amount of receivables covered by credit insurance as soon as the deadline for submission to the insurance company expires;
- Provisions are recorded for the non-insured amount in the case of receivables covered by credit insurance for which a claim has been filed with the insurer.

The provision amount calculated accordingly is adjusted depending on the probability of collecting the outstanding customer debt per individual line.

14. CURRENT AND NON-CURRENT PROVISIONS

A provision is recorded where a legal or constructive obligation towards a third party exists at the balance sheet date, where it is probable that this will result in an outflow of resources to such third party without consideration at least equivalent in terms of economic benefits and where the amount of the obligation can be reliably estimated.

Provisions for guarantees are calculated on the statistical basis of the costs of guarantees assumed during the year, multiplied by the remaining amount of revenues to be guaranteed and divided by the amount of revenues for which the guarantees have expired.

Where there is an obligation to replace a product, the provision is calculated on a statistical basis according to specific estimates for the related product category.

15. RETIREMENT BENEFITS, LONG-SERVICE AWARDS

Termination payments and long-service awards are qualified as defined benefit plans and as such are recognised in non-current provisions. They are measured using a prospective actuarial method that allocates benefits in proportion to years of service (projected unit credit method). The main assumptions are based on voluntary retirement at 67 for executives and 62 for non-executive staff. Top-up pensions for DOM Germany staff are measured by an independent actuary using the same method.
The provision makes allowance for a percentage of life expectancy and presence in the company on the dates of payment-related triggering events.

IAS 19 prescribes application of the yield on AA-class corporate bonds over periods reflecting the payment schedule as the discount rate. Accordingly, the discount rate applied in 2019 ranged from 0.39% to 1.77% for eurozone companies and from 2.1% and 3.3% for other companies. Likewise, allowance was made for 1.1% inflation in 2019 (as in 2018) and wage growth due to promotion excluding inflation, which is country-specific, ranging from 1% in the eurozone to 3% elsewhere.

Actuarial gains and losses arising from changes in assumptions regarding termination benefits are recognised directly in comprehensive income and subsequently classified to balance sheet reserves.

16. TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Income and expenses denominated in foreign currencies are recognised at their equivalent euro value on the transaction date. Foreign currency receivables and payables are stated on the balance sheet at their equivalent euro value at the year-end closing rate.
Goodwill generated on initial recognition of a business combination is recognised in the foreign currency and subsequently translated at the closing rate.

17. INCOME TAX

The amount of tax effectively owed at the balance sheet date is adjusted for deferred tax calculated using the balance sheet method, i.e. based on temporary differences between the carrying amounts derived from the consolidated financial statements and the corresponding tax bases. Net deferred tax assets, including tax loss carryforwards, after deduction of deferred tax liabilities are recognised where it is probable that the relevant tax entity will generate future profits.
French CVAE business value added tax, which meets the IAS 12.2 definition of an income tax ("taxes based on taxable profits"), is included under "Income tax".
On the other hand, the French competitiveness and employment tax credit (*Crédit d'impôt pour la compétitivité et l'emploi* – CICE), which is recognised as and when the corresponding compensation expenses are incurred, is recorded as a deduction from staff costs in accordance with IAS 19.

18. REVENUES

In general, Group revenues are recognised upon transfer of control over the goods and services promised to customers, which generally corresponds to delivery. This fundamental principle is presented in IFRS 15 in the form of a five-step model. The five steps are: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; (v) recognise revenue when (or as) the Group satisfies a performance obligation. IFRS 15 has no impact in this respect. Some Group companies recognise revenue over time as and when control over goods and services passes to the customer under major contracts (former percentage of completion method). These contracts meet IFRS 15 requirements in that they relate to custom goods and confer an enforceable right to payment for performance completed to date in the event of termination.

19. DISTINCTION BETWEEN RECURRING OPERATING INCOME AND NET OPERATING INCOME

Recurring operating income is generated by the operations in which the Company is involved as part of its business affairs, as well as by activities that it performs on an ancillary basis as an extension of its normal business activities.

Restructuring costs are shown on a separate line, as are other material non-recurring income and expenses and asset disposals.

Likewise, the result of comparing the net book values of companies' assets to their recoverable value is recognised separately under "Change in impairment of goodwill and non-current assets", which includes irreversible impairment of goodwill and changes in impairment losses recorded on other non-current assets.

20. OPERATING SEGMENTS

The Group's business activities are divided into a number of divisions:

- DOM SECURITY: locking solutions, security cylinders, access solutions
- NEU-JKF: air-based ventilation systems and solutions, dust extraction and pneumatic conveying
- MMD: heat exchangers and sterilisers
- MAC: windows, shutters, blinds, doors, garage doors, industrial doors
- Other businesses: holding and real estate companies

The real estate holding companies (SCI) owned by SFPI SA are presented under the operating segments whose property they hold.

The chief operating decision maker analyses operating segment reporting in order to prepare an analysis of Group performance.

21. STATEMENT OF CASH FLOWS

The cash flow statement shows cash flows from operating, investing and financing activities restated for all internal Group transactions.

22. CHANGES IN CONSOLIDATION - IFRS 5

Assets held for sale

A non-current asset (or disposal group) is classified as held for sale if its carrying amount is recovered mainly through a sale transaction rather than through continued use. For this purpose, the asset or disposal group must be available for immediate sale in its present state, subject solely to standard market conditions regarding the sale of similar assets, and its sale must be highly probable. Management must be committed to a plan to sell the asset and an active programme to locate a buyer and achieve the plan must be initiated.

In accordance with IFRS 5, assets held for sale, as well as the corresponding liabilities, must be presented separately from other assets and liabilities on the balance sheet. After classification as held for sale, they are measured at the lower of carrying amount and fair value less costs to sell. These assets are no longer subject to depreciation or amortisation.

The Group is currently negotiating the sale of all or part of the shares of Neu Railways to the company's director. Accordingly, the company and its subsidiary Neu Inc. have been reclassified to assets and liabilities held for sale. However, as the company does not constitute a separate operating segment or main and distinct geographical segment, it does not meet the criteria for discontinued operations.

Acquisition of Hoberg

This company made the following contribution to consolidated earnings.

Income statement €000	**2019 contribution**
Net revenues	3,157
Gross margin	2,815
as % of revenues	89.2%
Recurring operating income	469
Net operating income	469
Net income	309

OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise stated, the amounts below are expressed in euro thousands.

NOTE 1 - GOODWILL

The following amounts of goodwill were assigned to each cash-generating unit (CGU) at 31 December 2019:

	Gross value 31-12-2019	Impairment 31-12-2019	Net value 31-12-2019	Net value 31-12-2018
DOM SECURITY	92,578	(48,970)	43,608	38,185
- PICARD-SERRURES	7,525	(2,588)	4,937	4,937
- Dom Participations - Beugnot	1,248	0	1,248	1,248
- DENY Security	27,814	(10,796)	17,018	17,018
- DOM Group	7,435	(333)	7,102	7,435
- OMNITECH Security	2,696	0	2,696	2,696
- ELIOT et Cie	103	0	103	103
- ANTIPANIC SRL	5,081	(181)	4,900	5,081
- HOBERG	5,605	0	5,605	
MMD	4,834	0	4,834	4,834
- Cipriani Phe	4,834		4,834	4,834
NEU-JKF	11,533	(10,543)	990	10,536
- NEU FEVI	1,003	(1,003)	0	0
- JKF Group	10,530	(9,540)	990	10,536
Total	**108,945**	**(59,513)**	**49,432**	**53,555**

Following the acquisition of Hoberg in June 2019, the Group recognised final goodwill of €5,605,000 in 2019.
As a result of impairment testing prompted by indications of impairment, the JKF group and Antipanic CGUs were written down by €9.5 million and €0.2 million respectively.

The following discount rates were used for the main CGUs:

Weighted average cost of capital (WACC) used to calculate impairment		
	2019	**2018**
DOM		
Deny Security	5.51%	6.02%
Dom GmbH	5.49%	6.04%
Dom Participations - Beugnot	5.90%	6.42%
Picard Serrures	5.73%	6.24%
OMNITECH Security	5.90%	6.42%
Dom UK	5.73%	6.11%
Dom Titan	7.57%	8.20%
MAC		
Franciaflex	7.39%	7.63%
NEU-JKF		
JKF	7.30%	7.69%
Neu Fevi	10.19%	10.75%
MMD		
Cipriani	8.66%	7.38%

A 0.5 percentage point increase in these discount rates would have resulted in additional impairment of €1.3 million on goodwill allocated to the main CGUs listed above. A 0.5 percentage point decrease in these discount rates would have resulted in goodwill impairment of less than €1.5 million. A 5% decrease in EBIT over the entire business plan period would have resulted in additional impairment of €0.9 million on goodwill allocated to the main CGUs listed above. A 5% increase in EBIT over the entire business plan period would have resulted in goodwill impairment of less than €0.7 million.

NOTE 2 - INTANGIBLE ASSETS

Intangible assets break down as follows:

	31-12-2019			31-12-2018		
	Gross	**Amortisation & impairment**	**Net**	**Gross**	**Amortisation & impairment**	**Net**
R&D expenditure	1,194	(1,063)	131	1,103	(1,073)	30
Patents, licences & trademarks	61,805	(58,344)	3,461	61,224	(57,241)	3,983
Other non-current assets	4,937	(3,261)	1,676	4,711	(3,061)	1,650
Advances and WIP	1,032		1,032	1,160		1,160
Consolidated total	**68,968**	**(62,668)**	**6,300**	**68,198**	**(61,375)**	**6,823**

Changes in net intangible assets are as follows:

	R&D expenditure	Patents, licences & trademarks	Other	Advances and WIP	Total
1 January 2018	**58**	**3,109**	**221**	**589**	**3,977**
Change in consolidation	10	13	1,563		1,586
Capital expenditure	15	2,010	34	680	2,739
Disposals during the year		(14)	(28)		(42)
Amortisation	(30)	(1,245)	(154)		(1,429)
Impairment (charges)/reversals					0
Foreign exchange gains/(losses)		(1)	4		3
IFRS 5 reclassification		(28)			(28)
Other reclassifications	(23)	139	10	(109)	17
31 December 2018	**30**	**3,983**	**1,650**	**1,160**	**6,823**
Change in consolidation					0
Capital expenditure	90	608	99	434	1,231
Disposals during the year			(314)	(4)	(318)
Amortisation	(32)	(1,263)	(203)		(1,498)
Impairment (charges)/reversals					0
Foreign exchange gains/(losses)	(1)	1	1		1
IFRS 5 reclassification					0
Other reclassifications	43	134	443	(559)	61
31 December 2019	**130**	**3,463**	**1,676**	**1,031**	**6,300**

€6.7 million of research costs and €4.5 million of development costs were recognised under expenses for 2019.

Capital expenditure was mainly incurred in the DOM Security division (€827,000).

Net non-current assets per division break down as follows:

	31-12-2019	31-12-2018
DOM Security	3,308	3,525
NEU-JKF	269	239
MMD	1,467	1,601
MAC	1,146	1,387
Other businesses	110	71
Consolidated total	**6,300**	**6,823**

Net non-current assets per region break down as follows:

	31-12-2019	31-12-2018
France	4,319	5,023
Overseas	1,981	1,800
Consolidated total	**6,300**	**6,823**

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including finance leases break down as follows:

	31-12-2019			31-12-2018		
	Gross	Depreciation & impairment	Net	Gross	Depreciation & impairment	Net
Land and development	17,765	(2,219)	15,546	16,511	(2,303)	14,208
Buildings	108,988	(73,999)	34,989	114,187	(77,736)	36,451
Plant & equipment	221,020	(200,950)	20,070	215,097	(196,157)	18,940
Other non-current assets	36,355	(30,690)	5,665	37,636	(31,765)	5,871
Advances and WIP	4,016	(199)	3,817	8,004	(55)	7,949
Consolidated total	**388,144**	**(308,057)**	**80,087**	**391,435**	**(308,016)**	**83,419**

	Land and development	Buildings	Plant and equipment	Other	Advances and WIP	Total
1 January 2018	**13,353**	**37,560**	**21,143**	**6,328**	**2,690**	**81,074**
Change in consolidation	659	1,629	922	221	38	3,469
Capital expenditure	161	794	5,360	2,007	6,680	15,002
Disposals during the year	(3)	(38)	(11)	(44)	(62)	(158)
Depreciation	(75)	(3,378)	(8,183)	(2,018)	(22)	(13,676)
Impairment (charges)/reversals	(213)	(34)	(1,243)	(581)		(2,071)
Foreign exchange gains/(losses)	10	(78)	(69)	(12)	(6)	(155)
IFRS 5 reclassification			(12)	(37)		(49)
Other reclassifications	316	(4)	1,033	7	(1,369)	(17)
31 December 2018	**14,208**	**36,451**	**18,940**	**5,871**	**7,949**	**83,419**
IFRS 16 reclassification	(601)	(3,275)	(313)	(58)		(4,247)
Change in consolidation	288	907	10	75		1,280
Capital expenditure	1,273	1,849	7,964	2,370	2,855	16,311
Disposals during the year	16	(44)	(125)	(75)	(12)	(240)
Depreciation	(16)	(3,871)	(9,055)	(2,170)		(15,112)
Impairment (charges)/reversals		(8)	(1,945)	(367)	(144)	(2,464)
Foreign exchange gains/(losses)	42	68	(9)	3	(6)	98
IFRS 5 reclassification						0
Other reclassifications	335	2,912	4,603	16	(6,824)	1,042
31 December 2019	**15,545**	**34,989**	**20,070**	**5,665**	**3,818**	**80,087**

Impairment charges recorded in the income statement concern DOM Security (€2,295,000), MAC (€37,000) and NEU-JKF (€133,000).

Net non-current assets per division break down as follows:

	31-12-2019	31-12-2018
DOM Security	34,735	33,322
NEU-JKF	22,000	19,921
MMD	8,739	7,494
MAC	14,268	14,823
Other businesses	345	7,859
Consolidated total	**80,087**	**83,419**

Capital expenditure breaks down as follows:

	31-12-2019	31-12-2018
DOM Security	9,678	9,644
NEU-JKF	1,669	2,525
MMD	2,838	936
MAC	2,088	1,851
Other businesses	38	46
Consolidated total	**16,311**	**15,002**

This expenditure excludes the acquisition of SCI Immobilière Dubois given that it was financed by finance lease (see Note 4).

Net non-current assets per region break down as follows:

	31-12-2019	31-12-2018
France	40,212	40,459
Overseas	39,875	42,960
Consolidated total	**80,087**	**83,419**

NOTE 4 - RIGHT-OF-USE ASSETS AND IFRS 16 IMPACT

First-time application of IFRS 16 had the following impact on non-current assets:

	Real estate lease	Plant and equipment	Office equipment and hardware	Vehicles and transport equipment	Total
Net non-current assets under finance lease at 31-12-2018	3,877	313	58		4,248
Right-of-use assets at 01-01-2019	3,487	88	335	4,031	7,941
New leases signed during the period	7,408	(75)	179	2,664	10,176
o/w finance leases					*0*
Change in consolidation	1,344		(162)	(36)	1,146
Depreciation for the period	(2,518)	(139)	(239)	(2,598)	(5,494)
o/w finance leases	*(381)*	*(126)*			*(507)*
Right-of-use assets at 31-12-2019	**13,598**	**187**	**171**	**4,061**	**18,017**
o/w finance leases	4,840	187	10	0	5,037

Excluding finance leases, first-time application of IFRS 16 had the following impact:

	Impact
Rent	4,946
Depreciation charges	(4,987)
Recurring operating income	**(41)**
Interest expense	70
Net income	**29**

<u>IFRS 16 lease liabilities</u>

	Liabilities 01-01-2019	New liabilities	Repayment	Change in cons. scope	Total 31-12-2019	o/w due in <1yr
Lease liabilities	9,148	10,176	(5,412)	94	14,006	4,385
o/w finance leases	*1,207*	*0*	*(396)*	*249*	*1,060*	*362*

	DOM Security	NEU-JKF	MAC	MMD	SFPI & Others	Total 31-12-2019
Due in <1 yr - operating leases	1,221	830	1,141	175	656	4,023
Due in >1 yr - operating leases	1,785	1,317	1,223	221	4,376	8,922
Due in <1 yr - finance leases	117		86	159		362
Due in >1yr - finance leases	122		446	131		699
Total	**3,245**	**2,147**	**2,896**	**686**	**5,032**	**14,006**
Restated rent	1,581	997	1,572	198	598	4,946
Depreciation recognised	(1,593)	(1,007)	(1,559)	(197)	(631)	(4,987)
Interest	(7)	(1)	1	3	(66)	(70)

NOTE 5 - INVESTMENTS IN ASSOCIATES

These comprise investments in TITAN ZAGREB (€135,000), ELZETT-FEK (€756,000) and SPRINGCARD (€209,000).
These companies' key financial figures are as follows, after consolidation adjustments allowing for a 100% equity interest:

	ELZETT - FEK		TITAN ZAGREB		SPRINGCARD	
	2019	2018	2019	2018	2018	2017
Total assets	3,363	3,736	761	737	1,254	1,423
Shareholders' equity	1,915	1,955	446	411	615	535
Revenues	10,048	10,668	1,550	1,492	2,224	2,700
Net income	17	24	39	22	80	9

Given the late preparation of SPRINGCARD's financial statements, data is provided for the previous two financial years.

NOTE 6 - INVENTORIES

Inventories break down as follows:

	31-12-2019			31-12-2018		
	Gross	Impairment	Net	Gross	Impairment	Net
Raw materials	57,926	(13,666)	44,260	58,579	(12,792)	45,787
Work in progress (goods and services)	20,009	(3,109)	16,900	18,829	(2,949)	15,880
Semi-finished and finished goods	13,755	(1,948)	11,807	14,138	(2,958)	11,180
Trade goods	10,656	(3,081)	7,575	8,976	(2,609)	6,367
Total	**102,346**	**(21,804)**	**80,542**	**100,522**	**(21,308)**	**79,214**

NOTE 7 - FINANCIAL ASSETS AND LIABILITIES - BREAKDOWN OF FINANCIAL ASSETS BY CLASS (IFRS 7) AND CATEGORY (IFRS 9)

NOTE 7.1 - Non-current financial assets

Assets maturing in over 1 year	31-12-2019	31-12-2018
Other financial investments	85	78
Loans, deposits, pension plan assets	4,273	3,953
Other financial assets	1,011	1,130
Consolidated total	**5,369**	**5,161**

NOTE 7.2 - Trade receivables

Trade receivables:

	31-12-2019	31-12-2018
Gross	103,141	108,699
Impairment	(6,663)	(6,402)
Net	**96,478**	**102,297**

Reversals of impairment provisions on trade receivables were offset by impairment charges on bad debt totalling €1,061,000.

	<1 month overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	>12 months overdue	Total
Overdue, not covered by provisions	8,115	5,550	570	474	77	14,786
Overdue, covered by provisions	320	277	888	1,058	3,608	6,151
Total receivables overdue	**8,435**	**5,827**	**1,458**	**1,532**	**3,685**	**20,937**

NOTE 8 - OTHER CURRENT FINANCIAL ASSETS

	31-12-2019	31-12-2018
Operating receivables	26,777	32,393
Prepaid expenses	3,048	2,642
Consolidated total	**29,825**	**35,035**

NOTE 9 - CASH AND CASH EQUIVALENTS

Net cash and cash equivalents break down as follows:

	31-12-2019	31-12-2018
Short-term investments and other cash equivalents	63,496	75,532
Cash	55,269	52,365
Consolidated total	**118,765**	**127,897**

Short-term investments almost entirely consist of certificates of deposit issued by top-tier banks.

NOTE 10 - SHAREHOLDERS' EQUITY AND MINORITY INTERESTS

As at 31 December 2019, the share capital consisted of 99,317,902 shares with a par value of €0.90 each.

The Company holds 2,098,253 treasury shares representing 2.1% of the share capital.

NOTE 11 - NON-CURRENT PROVISIONS

Provisions for contingencies and charges shown on the consolidated balance sheet changed as follows:

	31-12-2019	31-12-2018
Termination payments and long-service awards	62,835	54,883
Representatives' entitlements in Germany	1,569	1,566
Non-current provisions	**64,404**	**56,449**

Changes in provisions for termination and pension payments break down as follows:

	31-12-2019	31-12-2018
Opening provisions for termination and pension payments	**54,883**	**53,498**
Items recognised in the income statement	***968***	***918***
Cost of services provided during the year	2,288	1,774
Financial costs	835	887
Benefits paid/provision reversals	(2,155)	(1,743)
Items recognised in other comprehensive income	***7,031***	***(358)***
Actuarial gains and losses before tax	7,031	(358)
Changes in consolidation	***(47)***	***825***
Closing provisions for termination and pension payments	**62,835**	**54,883**

A 0.3 percentage point increase in the discount rate would have resulted in a €2.7 million reduction in the retirement benefit liability. After tax, this would have been recorded as a €1.9 million increase in other comprehensive income in accordance with Group accounting policies.

A 0.3 percentage point decrease in the discount rate would have resulted in a €3.3 million increase in the retirement benefit liability. After tax, this would have been recorded as a €2.3 million increase in other comprehensive income in accordance with Group accounting policies.

A 0.3 percentage point increase in the inflation rate or promotion rate excluding inflation would have resulted in a €2.5 million increase in the retirement benefit liability. After tax, this would have been recorded as a €1.7 million decrease in other comprehensive income in accordance with Group accounting policies.

A 0.3 percentage point decrease in the inflation rate or promotion rate excluding inflation would have resulted in a €1.6 million decrease in the retirement benefit liability. After tax, this would have been recorded as a €1.1 million increase in other comprehensive income in accordance with Group accounting policies.

NOTE 12 - CURRENT PROVISIONS

	31-12-2018	Change in consolidation	Charges	Reversals (not used)	Reversals (used)	31-12-2019
Trade litigation	1,698		823	(715)	(651)	1,155
Tax litigation	357		169	(20)	(17)	489
Social security litigation	2,075	23	518	(363)	(1,166)	1,087
Provisions for long-term contracts	997		498	(386)	(423)	686
Litigation and provisions for other third parties	396		199			595
Provisions for restructuring	2,800		5,603	(387)	(2,413)	5,603
Consolidated total	**8,323**	**23**	**7,810**	**(1,871)**	**(4,670)**	**9,615**
Provisions for guarantees	4,629		3,250		(3,407)	4,472
Consolidated total	**12,952**	**23**	**11,060**	**(1,871)**	**(8,077)**	**14,087**

NOTE 13 - LOANS AND BORROWINGS

Loans and borrowings are liabilities recognised at amortised cost.
As at 31 December 2019, they break down as follows by maturity and category:

Loans and borrowings	Total at 31-12-2019				Total 31-12-2018
	<1 year	1-5 years	>5 years	Total	
Loans and borrowings	19,608	55,237	9,103	83,948	91,790
Short-term bank loans and overdrafts	1,883			1,883	2,884
Due to credit institutions	21,491	55,237	9,103	85,831	94,674
Other financial liabilities		3,009		3,009	3,747
Employee profit-sharing	234	707		941	740
Due to other organisations	234	3,716	0	3,950	4,487
Total	**21,725**	**58,953**	**9,103**	**89,781**	**99,161**
Total current and non-current borrowings	21,725	68,056			

In application of IFRS 16, finance lease liabilities (mainly real estate leases) have been reclassified as lease liabilities.

Other financial liabilities mainly consist of call options on minority interests.

Liquidity risk:
The foregoing loans and borrowings should be compared against cash and cash equivalents, which amounted to €118,765,000 at 31 December 2019 versus €127,897,000 at 31 December 2018.

Net cash and cash equivalents changed as follows:

	31-12-2019	31-12-2018
Cash and cash equivalents	118,765	127,897
Borrowings from credit institutions	(85,831)	(94,674)
Net cash and cash equivalents held at credit institutions	32,934	33,223
Other financial liabilities	(3,950)	(4,487)
Total net cash and cash equivalents	**28,984**	**28,736**

There are no loans and borrowings denominated in currencies other than the euro.

	DOM Security	NEU-JKF	MAC	MMD	SFPI & Others	Total 31-12-2019
Borrowings due in <1 yr	3,533	6,743	2,290	1,896	7,263	21,725
Borrowings due in 1-5 yrs	14,937	21,620	3,620	6,407	12,369	58,953
Borrowings due in >5 yrs	4,719	821	408	919	2,236	9,103
Total	**23,189**	**29,184**	**6,318**	**9,222**	**21,868**	**89,781**
Cash and cash equivalents	23,879	12,090	26,643	19,439	36,714	118,765
Total net cash at 31-12-2019	**690**	**(17,094)**	**20,325**	**10,217**	**14,846**	**28,984**
Total net cash at 31-12-2018	6,340	(18,886)	16,841	16,445	6,789	27,529

Interest rate risk:
Sfpi Group only uses interest rate hedging instruments where required pursuant to the loan agreement. A number of interest rate cap and swap agreements were outstanding at 31 December 2019. These were valued at (€22,000) recorded under other financial liabilities. Changes in the fair value of hedging instruments are recorded under other comprehensive income.

The average loan interest rate in 2019 was 0.84% versus 0.5% in 2018.

Security interests:
The following amounts of loans and borrowings are secured by pledges:

	31-12-2019	31-12-2018
Borrowings secured by pledges - current portion	5,905	6,052
Borrowings secured by pledges - non-current portion	26,403	30,782

NOTE 14 - TRADE PAYABLES AND OTHER FINANCIAL LIABILITIES

Trade payables and other financial liabilities are liabilities recognised at amortised cost.
They break down as follows by type:

	31-12-2019	31-12-2018
Trade payables	**53,291**	**62,269**
Current tax liabilities	**2,288**	**1,750**
Social security and tax payables	41,244	42,761
Other payables	6,836	7,324
Advances and down payments received on orders	13,753	13,725
Deferred income	897	2,242
Other financial liabilities	**62,730**	**66,052**

Other financial liabilities mature in less than a year, except for advances and down payments received on orders and deferred income, where maturities may vary depending on contractual terms.

NOTE 15 - DEFERRED TAX

Deferred tax assets arise from:

	31-12-2019	31-12-2018
- temporarily non-deductible expenses	3,120	2,480
- provisions related to asset impairment testing	1,187	900
- tax loss carryforwards	1,005	1,121
- the following consolidation adjustments:		
Finance leases	(74)	30
Internal margins	647	542
Pensions and retirement benefits	12,082	9,727
Adjustment of foreign company depreciation/amortisation rates and provision policies to Group standards	2,349	2,042
Consolidated total	**20,316**	**16,842**

Deferred tax liabilities mainly relate to the NEU-JKF (€2,563,000) and DOM Security (€2,876,000) divisions. They arise from the revaluation of intangible assets and property, plant and equipment.

Potential deferred tax related to unrecognised tax loss carryforwards amounted to €3.3 million at 31 December 2019. This item mainly concerns tax groups whose future profits are uncertain. Pursuant to current legislation, most of this amount (€3.2 million) may be carried forward indefinitely.

NOTE 16 - OFF-BALANCE SHEET COMMITMENTS

	DOM Security	NEU-JKF	MAC	MMD	SFPI & Others	Total 31-12-2019	Total 31-12-2018
Guarantees given		5,620		5,859		11,479	13,214
Guarantees received	82	180	785			1,047	1,491

The Company has received a number of liability guarantees in connection with acquisitions.

NOTE 17 - REVENUES, GROSS MARGIN, OPERATING INCOME

Revenues by operating segment break down as follows:

	Change in		2019		2018	
	€000	%	€000	%	€000	%
DOM Security	+12,043	+6.46%	198,365	35.27%	186,322	33.89%
NEU-JKF	-5,276	-4.31%	117,111	20.82%	122,387	22.26%
MMD	+4,706	+9.10%	56,405	10.03%	51,699	9.40%
MAC	+1,223	+0.65%	190,569	33.88%	189,346	34.44%
Other businesses	-51		0	0.00%	51	0.01%
Consolidated total	**+12,645**	**+2.30%**	**562,450**	**100.00%**	**549,805**	**100.00%**

Revenues by region break down as follows:

	2019		2018	
	France	Overseas	France	Overseas
DOM Security	74,270	124,095	70,454	115,868
NEU-JKF	51,922	65,189	55,634	66,753
MMD	24,463	31,942	15,517	36,182
MAC	184,072	6,497	181,657	7,689
Other businesses	0	0	51	
Consolidated total	**334,727**	**227,723**	**323,313**	**226,492**

Income statements per division:

2019	DOM Security	NEU-JKF	MMD	MAC	Others & adjustments	Total
Revenues	198,550	117,189	56,405	190,592	(286)	562,450
Gross margin	137,590	59,613	30,774	102,651	(265)	330,363
as % of production (1)	68.7%	50.8%	54.9%	53.8%		58.6%
as % of revenues	69.3%	50.9%	54.6%	53.9%		58.7%
Recurring operating income	17,072	3,221	5,521	4,441	299	30,554
Net operating income/(loss)	13,296	(7,031)	5,521	(251)	484	12,019
Net financial income/(expense)	(70)	(347)	(31)	(32)	(46)	(526)
Income tax	(3,812)	(911)	(1,816)	(1,032)	(187)	(7,758)
Net income/(loss) of consolidated companies	**9,461**	**(8,290)**	**3,675**	**(1,315)**	**252**	**3,783**

2018	DOM Security	NEU-JKF	MMD	MAC	Others & adjustments	Total
Revenues	186,366	122,480	51,699	189,361	(101)	549,805
Gross margin	129,879	60,925	29,934	99,961	1	320,700
as % of production (1)	69.6%	49.4%	56.2%	52.9%		58.1%
as % of revenues	69.7%	49.7%	57.9%	52.8%		58.3%
Recurring operating income	17,008	3,949	6,366	4,002	(955)	30,370
Net operating income/(loss)	15,613	3,281	10,632	673	(3,641)	26,558
Net financial income/(expense)	(128)	(513)	(7)	(34)	147	(535)
Income tax	(4,843)	(1,593)	(2,102)	(2,077)	868	(9,747)
Net income/(loss) of consolidated companies	**10,662**	**1,175**	**8,523**	**(1,439)**	**(2,625)**	**16,296**

(1) Percentage of production = Gross margin / (Net revenues + Change in inventories)

"Others & adjustments" include:
- Group holding operations;
- Inter-segment eliminations.

Breakdown of assets and liabilities
The following table shows a breakdown of total assets (net value) and liabilities by division:

	Total assets (net value)		Total non-current liabilities		Total current liabilities	
	31-12-2019	31-12-2018	31-12-2019	31-12-2018	31-12-2019	31-12-2018
DOM Security	214,251	198,886	73,856	60,761	47,511	46,515
NEU-JKF	88,824	103,822	30,589	32,432	45,388	53,310
MMD	61,264	65,071	11,389	11,284	20,326	22,302
MAC	106,692	102,240	12,934	11,582	41,658	41,171
Other businesses	43,755	53,676	19,332	24,112	10,494	13,854
Consolidated total	**514,786**	**523,695**	**148,100**	**140,171**	**165,377**	**177,152**

NOTE 18 - NON-RECURRING INCOME AND EXPENSES

Non-recurring income and expenses mainly consist of restructuring costs (€6.2 million) and asset impairment charges (€12.2 million).

Restructuring costs amounted to €4.5 million in the MAC division, following the closure of the Créal aluminium joinery plant, €0.8 million in the DOM Security division, in connection with the transfer of operations from Broglie to the Picard Serrures facility, and €0.7 million in the NEU-JKF division.

Impairment charges recognised following impairment testing (see Note 1) mainly concern the NEU-JKF division (€9.5 million) and DOM Security division (€2.5 million).

NOTE 19 - NET FINANCIAL INCOME/(EXPENSE)

Net financial income/(expense) breaks down as follows:

	2019	2018
Income from investments	265	569
Currency gains	689	555
Other financial income	698	629
Interest and similar expenses	(1,019)	(961)
Interest on finance leases	39	(26)
Currency losses	(395)	(647)
Other financial expenses	(803)	(654)
Consolidated total	**(526)**	**(535)**

NOTE 20 - INCOME TAX

Net consolidated income tax breaks down as follows:

	2019	**2018**
CVAE	(2,363)	(2,359)
Income tax - France	(3,490)	(4,915)
Income tax - overseas	(3,121)	(2,103)
Net deferred tax	1,216	(370)
Consolidated net tax	**(7,758)**	**(9,747)**

Changes in the deferred tax account are analysed as follows:

	Assets	**Liabilities**	**Balance**
Deferred tax at 31-12-2018	**16,842**	**5,889**	**10,953**
Change over the period			
- change in income statement	1,187	(29)	1,216
- change in items of other comprehensive income	2,196	5	2,191
- change in consolidation	91	155	(64)
Deferred tax at 31-12-2019	**20,316**	**6,020**	**14,296**

Corporate income tax breaks down as follows:

	2019	2018
Earnings before tax	11,542	26,044
CVAE (included in income tax)	(2,363)	(2,359)
CICE (competitiveness/employment tax credit, deducted from staff costs)		(3,105)
Tax credit (included under grants)	(733)	(868)
Goodwill impairment	9,728	333
Taxable income	18,174	20,045
Theoretical tax charge (31% rate applicable to consolidating parent company)	**5,634**	**6,682**
CVAE	2,363	2,359
Tax rate differences	(557)	(1,172)
Impact of unrecognised tax losses	231	830
Impact of permanent differences	(357)	(1,080)
Impact of changes in tax rates	(45)	2,128
Impact of prior year adjustments	489	
Other		
Effective tax charge	**7,758**	**9,747**

All foreign tax rates are lower than the French rate and range between 9% (Hungary) and 30.9% (Germany).

NOTE 21 - EARNINGS PER SHARE

	2019	2018
Total number of shares comprising share capital	99,317,902	99,317,902
Treasury shares	2,098,253	2,098,253
Number of shares outstanding (excl. treasury shares)	97,219,649	97,219,649
Earnings per share (basic and diluted) (€)	**0.04**	**0.14**

Earnings per share is calculated by dividing net income Group share by the weighted average number of ordinary shares outstanding, i.e. excluding treasury shares.
The Company has not issued any dilutive securities.

NOTE 22 - HEADCOUNT

Year-end headcount breaks down as follows:

	France		Overseas		Total	
	31-12-2019	31-12-2018	31-12-2019	31-12-2018	31-12-2019	31-12-2018
DOM Security	584	562	1,092	1,071	1,676	1,633
NEU-JKF	361	345	369	368	730	713
MMD	228	220	47	42	275	262
MAC	1,183	1,199	29	35	1,212	1,234
Other businesses	15	16			15	16
Consolidated total	**2,371**	**2,342**	**1,537**	**1,516**	**3,908**	**3,858**

Average Sfpi Group headcount for the year amounted to 3,775 FTE employees.

NOTE 23 - INFORMATION ON RELATED PARTIES

A list of the Group's main subsidiaries and associates is given before the section entitled "Accounting policies, valuation methods and IFRS options adopted".
Transactions between parent and subsidiaries and among subsidiaries are eliminated in the consolidated financial statements and are not presented in these notes.
Transactions and balances with related parties and associates are shown below:

	Income		Expenses		Receivables		Liabilities	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Controlling related parties	8		343	222	12			1
Associates (equity accounted)	998	986	703	754	256	260	59	95
Other related parties			1,450	1,446			80	86
Total	**1,006**	**986**	**2,496**	**2,422**	**268**	**260**	**139**	**182**

Key management personnel as defined by IAS 24 receive short-term compensation in the following amounts:

	2019	**2018**
Short-term compensation excluding employer social security charges	586	591
Employer social security charges	241	238

NOTE 24 - PROPOSED DIVIDENDS

On 22 April 2020, the Board of Directors decided to propose to the General Meeting scheduled for 16 June 2020 that no dividends be paid in respect of the financial year ended.

NOTE 25 - STATUTORY AUDITORS' FEES

2019	**KPMG**	**DELOITTE**
Financial statement certification	348,345	358,005
Other services	15,304	

The services provided in addition to the certification of the financial statements at the request of the controlled entity, primarily including tax services, had no impact on the independence of the statutory auditors.

NOTE 26 - CONTINGENT LIABILITIES

An obligation constitutes a contingent liability if the amount cannot be measured reliably or if payment is not probable. Contingent liabilities are commitments on the part of the Group and are not recognised on the balance sheet unless they have been identified in relation to an acquisition. In such case, they are included among recognised identifiable items.

There were no material contingent liabilities as at 31 December 2019.

NOTE 27 - POST BALANCE SHEET EVENTS

In March 2020 the Group sold 50% of the shares comprising the share capital of Neu Railways. As at 31/12/2019 these are presented under 'Assets held for sale'. The Group retains 45% of this company's shares.

In response to the COVID-19 crisis, the Group set up a Group crisis committee to oversee the suspension of operations in some countries (France, Italy, Spain, etc.) and the continuation of operations in other countries, including Germany, Denmark, the Netherlands and Eastern Europe. Partial operation measures have been implemented and the committee is currently preparing plans for the resumption of business.

STATUTORY AUDITORS' REPORT

ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

To the General Meeting of GROUPE SFPI,

Opinion

In accordance with the engagement entrusted to us by your General Meeting, we have audited the company financial statements of GROUPE SFPI for the year ended 31 December 2019, which are appended to this report. Said financial statements were approved by the Board of Directors on 22 April 2020 on the basis of the information available at that date under changing circumstances related to the COVID-19 health crisis.

We hereby certify that, in accordance with French accounting rules and principles, the company financial statements give a true and fair view of the results of the Company's operations for the financial year ended and the Company's financial position, assets and liabilities at the end of said financial year.

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

Bases of opinion

Terms of reference

We conducted our audit in accordance with professional standards applicable in France. We consider that the evidence that we have gathered is sufficient and appropriate to form the basis for our opinion.

Our responsibilities in accordance with these standards are set out in the section of this report entitled "Statutory auditors' responsibilities regarding the audit of the company financial statements".

Independence

We have performed our audit in compliance with the rules of independence applicable to us, for the period running from 1 January 2019 to the date of issue of our report, and in particular we have not provided services prohibited under Article 5, paragraph 1, of Regulation (EU) No. 537/2014 or the French Code of Ethics for statutory auditors.

Justification of our assessments - Key audit matters

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code on the justification of our assessments, we draw your attention to the key audit matters relating to the risk of material misstatements which, in our professional judgement, have been the most significant for the audit of the company financial statements and to our responses with regard to these risks.

These assessments were made as part of our audit of the company financial statements, taken as a whole, as approved under the circumstances recalled above, and therefore contributed to the formation of the opinion expressed herein. We express no opinion on individual items comprising these company financial statements taken in isolation.

Key audit matter	Audit response
Valuation of equity investments at a net value of €128 million (Paragraph entitled "Long-term investments" in the section entitled "Accounting principles and policies", Note II - Intangible Assets - Property, Plant and Equipment - Long-term Investments" and the table of subsidiaries and affiliates)	
As at 31 December 2019, equity investments are carried on the balance sheet at a net value of €128 million compared to a balance sheet total of €188 million. They are initially recognised at cost and subsequently written down to their value in use, as calculated at each balance sheet date, where this is lower than the carrying amount. Value in use is estimated by management on the basis of historical data (proportionate share of shareholders' equity at the balance sheet date) or forward-looking information, as appropriate. Estimating value in use requires management to exercise judgement in selecting the information to be taken into account for each equity investment. Depending on the investment in question, such information may comprise historical information (shareholders' equity) or forward-looking information (profit forecasts). Given the materiality of equity investments in the company financial statements and the judgements and assumptions required to estimate their value in use, we consider the valuation of equity investments to be a key audit matter.	We have obtained the results of impairment testing conducted by the Company and have reviewed the procedure whereby these tests are conducted. In the case of equity investments in each subsidiary, we: ● verified that the amounts of shareholders' equity adopted for impairment testing matched the amounts recorded in the accounts of the audited entities; ● verified that the profit forecasts adopted for impairment testing were consistent with the operating cash flow forecasts drawn up under the oversight of senior management and approved by the Board of Directors in relation to the operations of the entities in question; ● compared prior year forecasts with the corresponding actual figures in order to assess the achievement of previous targets.

Specific testing

In accordance with professional standards applicable in France, we also carried out the specific testing required by statutory and regulatory provisions.

Information provided in the management report and in the other documents sent to shareholders regarding the Company's financial position and financial statements

We have no matters to report regarding the fair presentation of the information provided in the Board of Directors' management report approved on 22 April 2020 and in the other documents sent to shareholders regarding the Company's financial position and financial statements or on the consistency of this information with the company financial statements.

With regard to events occurring and facts coming to light after the reporting date regarding the effects of the COVID-19 crisis, management has informed us that a statement regarding the foregoing information would be made to the General Meeting called to approve the financial statements.

We hereby certify the fair presentation of the information regarding outstanding payments referred to in Article D. 441-4 of the French Commercial Code and the consistency of such information with the company financial statements.

Information on corporate governance

We hereby certify that the corporate governance section of the Board of Directors' management report contains the information required under Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

We have checked the consistency of the information provided, in accordance with Article L. 225-37-3 of the French Commercial Code, on the compensation and benefits paid or awarded to corporate officers and on the commitments granted in their favour with the financial statements or with the underlying data used to prepare the financial statements and, where appropriate, with the information gathered by your Company from companies controlled by it which are included in the consolidation scope. We hereby certify the accuracy and fair presentation of this information on the basis of this work.

Regarding information concerning factors that your Company has considered liable to have an impact in the event of a public tender or exchange offer, which is provided in application of Article L. 225-37-5 of the French Commercial Code, we have verified the consistency of such information with the documents from which it was derived and which were forwarded to us. On the basis of our work, we have no matters to report regarding this information.

Other information

As required by law, we verified that the management report sent to you contains the requisite disclosures on the acquisition of equity and controlling interests and the identity of holders of equity interests and voting rights.

Disclosures required under other statutory and regulatory obligations

Appointment of statutory auditors

We, KPMG S.A. and Deloitte & Associés, were appointed statutory auditors of GROUPE SFPI by your General Meeting on 18 June 2015.

As at 31 December 2019, KPMG S.A. and Deloitte & Associés were in the fifth consecutive year of their engagement.

Responsibilities of management and persons involved in corporate governance with regard to the company financial statements

It is management's responsibility to prepare company financial statements presenting a true and fair view in accordance with French accounting rules and principles and to establish the internal control procedures it deems necessary for the preparation of company financial statements that are free of material misstatements, whether due to fraud or error.

In preparing the company financial statements, management is required to assess the Company's ability to continue its operations, to present, in these statements, where applicable, the requisite information with regard to continuity of business and to apply the going concern principle, unless there is the intention to liquidate the Company or discontinue its operations.

It is the responsibility of the Audit Committee to monitor the process for the preparation of financial information and the effectiveness of internal control and risk management systems, and, where applicable, of the internal audit system, as regards the procedures relating to the preparation and processing of accounting and financial information.

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

Statutory Auditors' responsibilities regarding the audit of the company financial statements

Audit objective and approach

It is our responsibility to prepare a report on the company financial statements. Our goal is to obtain reasonable assurance that these company financial statements, taken as a whole, are free of material misstatements. Reasonable assurance corresponds to a high level of assurance, without, however, the guarantee that an audit performed in accordance with professional standards enables systematic detection of all material misstatements. Misstatements may result from fraud or error and are deemed material when they may reasonably be expected, when taken either individually or together, to influence economic decisions taken by users of the financial statements on the basis thereof.

As specified in Article L. 823-10-1 of the French Commercial Code, our engagement to certify the financial statements does not consist in guaranteeing the viability or quality of your Company's management.

Within the scope of an audit performed in accordance with professional standards applicable in France, the statutory auditor exercises his or her professional judgement throughout the duration of this audit. In addition:

- the auditor identifies and assesses the risks that the company financial statements contain material misstatements, whether resulting from fraud or error, defines and implements audit procedures to address these risks, and gathers the elements the auditor deems necessary and appropriate upon which to base the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is more serious than the risk of not detecting a material misstatement resulting from error, since fraud may involve collusion, falsification, deliberate omission, false representations or the circumvention of internal control;

- the auditor examines the aspects of the internal control system that are relevant to the audit, in order to define the audit procedures appropriate in the circumstances but not for the purpose of expressing an opinion on the efficacy of the internal control system;

- the auditor assesses the appropriateness of the accounting methods adopted and the reasonableness of the accounting estimates made by management, as well as the related information provided in the company financial statements;

- the auditor assesses the appropriateness of management's application of the going concern principle and, according to the information gathered, the existence or absence of material uncertainty regarding events or circumstances liable to jeopardise the company's ability to continue its operations. This assessment is based on information gathered up until the date of the auditor's report, provided, however, that any subsequent circumstances or events could jeopardise business continuity. If the auditor finds that material uncertainty exists, the auditor draws the attention of the readers of the auditor's report to the information provided in the company financial statements regarding this uncertainty or, if such information is not provided or is irrelevant, issues certification with reservations or refuses to certify;

- the auditor assesses the presentation of the company financial statements, taken as a whole, and assesses whether they reflect the underlying transactions and events in such a way as to give a true and fair view thereof.

Report to the Audit Committee

We submit a report to the Audit Committee defining the scope of the audit work and the audit programme implemented, as well as the findings based on our work. We also draw the Committee's attention to any material internal control deficiencies we have identified, as regards procedures relating to the preparation and processing of accounting and financial information.

The report submitted to the Audit Committee also contains information on the risks of material misstatements that we deemed to have been the most significant for the audit of the company financial statements and which therefore constitute key audit matters, which we are required to set out herein.

We also submit to the Audit Committee the declaration set out in Article 6 of Regulation (EU) No. 537-2014 confirming our independence, within the meaning of the rules applicable in France as defined in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and the French Code of Ethics for statutory auditors.

If necessary, we discuss with the Audit Committee the risks to our independence and the safeguards applied.

Paris - La-Défense, 30 April 2020
THE STATUTORY AUDITORS

Deloitte & Associés	**KPMG S.A.**
Antoine Labarre	Nahid Sheikhalishahi
Partner	Partner

STATUTORY AUDITORS' REPORT

ON REGULATED AGREEMENTS AND COMMITMENTS

To the General Meeting of GROUPE SFPI,

In our capacity as statutory auditors of your Company, we hereby submit our report on regulated agreements.

It is our responsibility to inform you, on the basis of the information provided to us, of the essential terms and conditions of the agreements of which we have been informed or which we have discovered during the course of our audit, as well as the reasons justifying the Company's interest in said agreements and commitments, without having to express an opinion on their usefulness or appropriateness or to seek out the existence of other agreements. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code, to evaluate the interest in entering into these agreements, in order to approve them.

It is also our responsibility to report to you any information specified under Article R. 225-31 of the French Commercial Code relating to the operation, during the year ended, of agreements previously approved by the General Meeting.

We carried out the work we considered necessary pursuant to professional standards of the French National Auditors Association relating to this engagement. This work consisted in verifying that the information provided to us was consistent with the source documents from which it was taken.

AGREEMENTS SUBMITTED FOR APPROVAL BY THE GENERAL MEETING

Agreements authorised and entered into during the year ended
Pursuant to Article L. 225-40 of the French Commercial Code, we have been advised of the following agreements entered into during the year ended that were previously authorised by the Board of Directors.

SERVICE AGREEMENT BETWEEN GROUPE SFPI AND DATAGROUPE

Person concerned:
GROUPE SFPI SA, majority shareholder of DATAGROUPE SA.
Sophie Morel, permanent representative of GROUPE SFPI SA, which is a director of DATAGROUPE, and permanent representative of ARC MANAGEMENT SAS, which is a director of GROUPE SFPI SA.

Nature and purpose:
Service agreement for an indefinite term dated 31 October 2000 and its amendments no. 1 dated 4 April 2001, no. 2 dated 12 March 2002, no. 3 dated 26 June 2005, no. 4 dated 4 July 2007, no. 5 dated 15 February 2008, no. 6 dated 26 July 2016 and no. 7 dated 26 March 2019, whereby DATAGROUPE SA undertook to provide GROUPE SFPI SA with advice and assistance in the following areas: finance and accounting, sales, HR, management and information technology.
Amendment no. 7 dated 26 March 2019 amended the fees paid under the agreement, which were increased to
€1,170,000 excluding tax, or €97,500 excluding tax per month, and the annual flat-rate amount of success fees paid, which increased to €80,000 excluding tax.

Terms:
The expense recognised in respect of this agreement for the year ended 31 December 2019 was €1,250,000 excluding tax.

Value of the agreement for the Company:
Your Board of Directors has explained that the agreement is justified in terms of the assistance provided to the parent holding company, corporate governance and appropriate management of the subsidiaries.

STRATEGY ASSISTANCE AGREEMENT BETWEEN GROUPE SFPI SA AND SPRING MANAGEMENT SAS

Person concerned:
Jean-Bertrand Prot, permanent representative of SPRING MANAGEMENT SAS, director of GROUPE SFPI SA and Chairman of SPRING MANAGEMENT SAS

Nature and purpose:
The agreement governs the assistance provided by SPRING MANAGEMENT SAS to GROUPE SFPI SA, through the Executive Committee, in establishing the acquisitions policy and steering the Group's national and international growth, in order to develop future industrial and commercial synergies, in the organisation and management of the Executive Committee in the role of coordinator, and via active involvement in strategic and financial functions and participation in periodic G10 meetings.

This agreement cancels and supersedes the consultancy agreement entered into on 15 June 1999 including all amendments thereto.

The compensation awarded to SPRING MANAGEMENT SAS amounts to a fixed monthly sum of €40,000 excluding tax, payable from 17 April 2019, identical to the compensation awarded under the previous consultancy agreement.

Terms:
The expense recognised in respect of this new agreement and the previous consultancy agreement for the year ended 31 December 2019 was €480,000 excluding tax.

Value of the agreement for the Company:
Your Board of Directors has explained that the agreement is justified in terms of the assistance provided to the parent holding company, corporate governance and appropriate management of the subsidiaries.

SUBLEASE AGREEMENT BETWEEN GROUPE SFPI SA AND ARC MANAGEMENT SAS

Person concerned:
Henri Morel, director, Chairman and CEO of GROUPE SFPI SA and Chairman of ARC MANAGEMENT SAS.

Sophie Morel, permanent representative of ARC MANAGEMENT SAS, which is a director of GROUPE SFPI SA, and Chief Executive Officer of ARC MANAGEMENT SAS

Nature and purpose:
Sublease by GROUPE SFPI SA to ARC MANAGEMENT SAS of a 55 m^2 office on the first floor of its premises at 20 rue de l'Arc de Triomphe, Paris 17th district.

Commercial lease signed on 25 October 2019 with effect from 1 October 2019. The term of this sublease agreement is equal to the term of the commercial lease entered into between GROUPE SFPI SA and SCI BGM, i.e. until 31 December 2027.

The annual flat-rate rent amounts to €30,000 including charges and excluding tax, payable quarterly in arrear.

Terms:
The income recognised in respect of this new agreement for the year ended 31 December 2019 was €7,500 excluding tax.

Value of the agreement for the Company:
Your Board of Directors has explained that the agreement is justified in terms of the assistance provided to the parent holding company, corporate governance and appropriate management of the subsidiaries.

SERVICE AGREEMENT BETWEEN GROUPE SFPI SA AND ITS SUBSIDIARIES

Persons and companies concerned:
Henri Morel, Chairman and CEO of GROUPE SFPI SA, director of NEU-JKF SA and NEU FEVI SA and Chairman of ARC MANAGEMENT SAS, which is a director of GROUPE SFPI SA and Chairman of DENY SECURITY SAS and DOM-METALUX SAS.

Damien Chauveinc, Deputy Managing Director of GROUPE SFPI SA and Chairman of the Board of Directors of NEU FEVI.

Nature and purpose:
On 15 November 2019 your Company signed an agreement with its direct and indirect subsidiaries, for an indefinite term with effect from 1 January 2019, for the provision of assistance in the following areas: definition, implementation and control of strategy, operational management, management, finance, accounting and taxation, legal affairs, information technology, corporate policy and CSR, human resources, and management and accounting treatment of dividends.

Terms:

- Remuneration is calculated on the basis of a declining scale applied to monthly revenues, excluding tax and intercompany sales, generated outside the scope of the commission agreement;
- Accordingly, on the 5th of each month, the divisional subsidiaries forward their respective division holding company a statement of their revenues, excluding tax and intercompany sales, generated during the previous month outside the scope of the commission agreement;
- The division holding companies such as NEU-JKF SA calculate the amounts owed to GROUPE SFPI SA, setting out on their statement the amounts they have invoiced the divisional subsidiaries in respect of the services, adding 1.5% of their revenues as defined above and subtracting any amounts directly invoiced to them by ARC MANAGEMENT or SPRING MANAGEMENT for the same services;
- At year-end, an additional amount of remuneration may be paid if the contractual remuneration fails to cover all of GROUPE SFPI SA's operating expenses;
- If GROUPE SFPI SA's operating earnings were positive, it would refund the divisional subsidiaries the portion of remuneration paid exceeding €50,000 by means of a credit note. This refund would be distributed among the divisional subsidiaries in proportion to the amount of annual remuneration they have paid to GROUPE SFPI SA.

The income recognised for the year ended 31 December 2019 in respect of this agreement, for the indirect subsidiaries for which the agreement is considered as a regulated agreement, breaks down as follows:

Subsidiary	**Amount (€)**
DENY SECURITY SAS	126,784
DOM-METALUX SAS	192,852
NEU-JKF SA	2,101
NEU FEVI SAS	115,332
Total	437,069

AGREEMENTS NOT PREVIOUSLY AUTHORISED

Pursuant to Articles L. 225-42 and L. 823-12 of the French Commercial Code, we hereby inform you that the following agreements did not receive prior authorisation from your Board of Directors.

It is our responsibility to notify you of the reasons why the authorisation procedure was not followed.

COMMERCIAL LEASE BETWEEN GROUPE SFPI SA AND SCI BGM

Persons concerned:
Henri Morel, Manager of SCI BGM and director, Chairman and CEO of GROUPE SFPI SA.

Nature and purpose:
Lease of an office building located at 20 rue de l'Arc de Triomphe, Paris (75017).

Commercial lease signed on 30 January 2019 cancelling and superseding the agreement dated 29 June 2007, as amended by amendments no. 1 dated 19 December 2012 and no. 2 dated 30 December 2015, the term of which had been rendered indefinite following the 30 June 2016 contractual expiry date.

The new agreement has been entered into for a term of nine full and consecutive years ending 31 December 2027.

Terms:
The expense recognised in respect of this agreement for the year ended 31 December 2019 was €598,000 excluding tax (annual rent excluding taxes and charges).

Value of the agreement for the Company:
Your Board of Directors has explained that the agreement is justified in terms of the assistance provided to the parent holding company, corporate governance and appropriate management of the subsidiaries.

We hereby specify that, by omission, the execution of this agreement was not submitted for prior authorisation by your Board of Directors, as required under Article L. 225-38 of the French Commercial Code.

We hereby specify that, at its meeting on 24 September 2019, your Board of Directors decided to authorise this agreement retrospectively.

Service agreement between ARC MANAGEMENT SAS and GROUPE SFPI

Persons concerned:
Henri Morel, director, Chairman and CEO of GROUPE SFPI SA and Chairman of ARC MANAGEMENT SAS.

Sophie Morel, permanent representative of ARC MANAGEMENT SAS, which is a director of GROUPE SFPI SA, and Chief Executive Officer of ARC MANAGEMENT SAS

Nature and purpose:
On 2 April 2019 your Company signed an agreement for the provision of assistance, services and advice in the following areas: administration, governance structure, and implementation and monitoring of CSR and human resources policies. This agreement was entered into for an indefinite term beginning on 1 April 2019.

The forecast annual base for invoicing is €220,000 for 2020. 2019 invoicing was revised downwards to make allowance for the absence of certain individuals involved in hiring or transfer procedures, plus additional fees for specific services requested by GROUPE SFPI SA.

Subsequently, on 31 October 2019 your Company signed amendment no. 1 to this agreement, with effect from 1 September 2019, which extended the scope of services provided by GROUPE SFPI SA and increased the annual fees from €221,000 to €241,000.

Terms:
The expense recognised in respect of this agreement and its amendment for the year ended 31 December 2019 was €119,936 excluding tax.

Value of the agreement for the Company:
Your Board of Directors has explained that the agreement is justified in terms of the assistance provided to the parent holding company, corporate governance and appropriate management of the subsidiaries.

We hereby specify that, by omission, the execution of the initial agreement was not submitted for prior authorisation by your Board of Directors, as required under Article L. 225-38 of the French Commercial Code.

We hereby specify that, at its meeting on 17 April 2019, your Board of Directors decided to authorise this agreement retrospectively.

Amendment no. 1 was submitted for prior authorisation and authorised by your Board of Directors on 24 September 2019.

SERVICE AGREEMENT BETWEEN GROUPE SFPI SA AND ITS SUBSIDIARY ELIOT ET CIE SAS

Company concerned:
ARC MANAGEMENT SAS, represented by Henri Morel, Chairman of PICARD SERRURES SAS, which holds a 70% equity stake in ELIOT ET CIE SAS.

Nature and purpose:
Service agreement whereby GROUPE SFPI SA undertakes to provide its subsidiary ELIOT ET CIE SAS with assistance and advice in the following areas: management, finance, accounting, legal affairs and information technology.

The agreement was signed on 15 October 2018 for an indefinite term with effect from 1 June 2018 and amended via amendment no. 1 dated 15 November 2019 with effect from 1 January 2019. This amendment modified the services provided by GROUPE SFPI SA. Fee terms remain unchanged.

Terms:
Compensation is calculated by applying a rate of 1% of ELIOT ET CIE SAS's annual revenues excluding tax.

The income recognised in respect of this agreement for the year ended 31 December 2019 was €27,730 excluding tax.

We hereby specify that, by omission, the execution of this agreement was not submitted for prior authorisation by your Board of Directors, as required under Article L. 225-38 of the French Commercial Code.

SERVICE AGREEMENT BETWEEN GROUPE SFPI SA AND ITS SUBSIDIARY JKF INDUSTRI A/S

Persons concerned:
Henri Morel, Chairman and CEO of GROUPE SFPI SA and Chairman of JKF INDUSTRI A/S.

Damien Chauveinc, Deputy Managing Director of GROUPE SFPI SA and Member of the Board of Directors of JKF INDUSTRI A/S.

Nature and purpose:
Service agreement whereby GROUPE SFPI SA undertakes to provide its subsidiary JKF INDUSTRI A/S with assistance and advice in the following areas: marketing strategy, management and finance.

The agreement was signed on 14 December 2017 for an indefinite term with effect from 1 October 2017 and amended via amendment no. 1 dated 15 November 2019 with effect from 1 January 2019. This amendment modified the services provided by GROUPE SFPI SA. Fee terms remain unchanged.

Terms:
Compensation is calculated by applying a rate of 1% of JKF INDUSTRI A/S's annual revenues excluding tax, after deduction of sales of products and services within the NEU-JKF division and to other NEU-JKF division companies.

The income recognised in respect of this agreement for the year ended 31 December 2019 was €245,361 excluding tax.

We hereby specify that, by omission, the execution of this agreement was not submitted for prior authorisation by your Board of Directors, as required under Article L. 225-38 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE GENERAL MEETING

Agreements approved in prior years that continued to operate during the year ended

Pursuant to Article R. 225-30 of the French Commercial Code, we have been notified of the following agreements approved by the General Meeting in prior years that continued to operate during the year ended.

SERVICE AGREEMENT BETWEEN GROUPE SFPI SA AND ITS SUBSIDIARY ANTIPANIC SPA

Persons concerned:
Henri Morel, Chairman and CEO of GROUPE SFPI SA and director of ANTIPANIC SPA.

Sophie Morel, director of ANTIPANIC SPA and permanent representative of ARC MANAGEMENT SAS, which is a director of GROUPE SFPI.

Nature and purpose:
Service agreement whereby GROUPE SFPI SA undertakes to provide its subsidiary ANTIPANIC SPA with assistance and advice in the following areas: marketing strategy, management, finance, accounting, legal affairs and information technology.

The agreement was entered into on 14 December 2018 for an indefinite term with effect from 1 October 2018.

Terms:
Compensation is calculated by applying a rate of 1% of ANTIPANIC SPA's annual revenues excluding tax, after deduction of sales of products and services within the DOM SECURITY division and to other DOM SECURITY division companies.

The income recognised in respect of this agreement for the year ended 31 December 2019 was €70,420 excluding tax.

Paris - La-Défense, 30 April 2020
THE STATUTORY AUDITORS

Deloitte & Associés	**KPMG S.A.**
Antoine Labarre	Nahid Sheikhalishahi
Partner	Partner

STATUTORY AUDITORS' REPORT

ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

To the General Meeting of GROUPE SFPI,

Opinion

In accordance with the engagement entrusted to us by your General Meeting, we have audited the consolidated financial statements of GROUPE SFPI for the year ended 31 December 2019, which are appended to this report. Said financial statements were approved by the Board of Directors on 22 April 2020 on the basis of the information available at that date under changing circumstances related to the COVID-19 health crisis.

We hereby certify that, with regard to IFRS as adopted within the European Union, the consolidated financial statements give a true and fair view of the results of the operations of the group comprising the persons and entities included in the consolidation scope during the year ended and the financial position, assets and liabilities of said group at the end of the year.

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

Bases of opinion

Terms of reference
We conducted our audit in accordance with professional standards applicable in France. We consider that the evidence that we have gathered is sufficient and appropriate to form the basis for our opinion.

Our responsibilities in accordance with these standards are set out in the section of this report entitled "Statutory auditors' responsibilities regarding the audit of the consolidated financial statements".

Independence
We have performed our audit in compliance with the rules of independence applicable to us, for the period running from 1 January 2019 to the date of issue of our report, and in particular we have not provided services prohibited under Article 5, paragraph 1, of Regulation (EU) No. 537/2014 or the French Code of Ethics for statutory auditors.

Observation

Without prejudice to the foregoing conclusion, we draw your attention to the paragraph entitled "Application of IFRS 16 from 1 January 2019" in the section entitled "Accounting policies, valuation methods and IFRS options adopted", which explains the impact of mandatory application of IFRS 16 "Leases" from 1 January 2019.

Justification of our assessments - Key audit matters

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code on the justification of our assessments, we draw your attention to the key audit matters relating to the risk of material misstatements which, in our professional judgement, have been the most significant for the audit of the consolidated financial statements and to our responses with regard to these risks.

These assessments were made as part of our audit of the consolidated financial statements, taken as a whole, as approved under the circumstances recalled above, and therefore contributed to the formation of the opinion expressed herein. We express no opinion on individual items comprising these consolidated financial statements taken in isolation.

Key audit matter	Audit response
Subsequent valuation of goodwill, intangible assets, property, plant & equipment and right-of-use assets at net values of €49 million, €6 million, €80 million and €18 million respectively (Paragraphs 6, 7, 8 and 9 of the section entitled "Accounting policies, valuation methods and IFRS options adopted" and Notes 1 - Goodwill, 2 - Intangible assets, 3 - Property, plant and equipment and 4 - Right-of-use assets)	
As at 31 December 2019, goodwill, intangible assets, property, plant & equipment and right-of-use assets are stated on the balance sheet at a total amount of €154 million and represent 30% of consolidated net assets. These assets are tested for impairment whenever there is an indication of impairment and, in the case of goodwill and indefinite life intangible assets, at least once a year. For the purposes of impairment testing, these assets are allocated to cash-generating unit (CGUs) which correspond to the subsidiaries of GROUPE SFPI. An impairment loss is recorded where the recoverable amount of these assets is less than the carrying amount. Recoverable amount equals the higher of fair value less costs to sell and value in use. Value in use is measured using the discounted cash flow (DCF) method. The calculation of the recoverable amount depends on judgements made by management, particularly with regard to cash flow forecasts and the discount rate applied to them. Accordingly and in view of their materiality in the consolidated financial statements, we consider the measurement of goodwill, intangible assets, property, plant & equipment and right-of-use assets to be a key audit matter.	We have obtained the results of impairment testing conducted by the Group and have reviewed the procedure whereby these tests are conducted. We have verified the compliance of the methods applied by the Group and the model used to value each CGU with applicable accounting standards, with the help of our financial valuation experts. Our work focused on: ● assessing the process of drawing up budget forecasts and procuring their approval by Group management; ● checking the completeness and due allocation of the elements comprising the carrying amount of the assets to be tested to each CGU; ● reconciling future cash flows with management estimates as part of the 2020 financial year budget process; ● assessing the calculation of the probability coefficient applied to future cash flows by reconciling the data used with actual performance and budget forecasts; ● comparing discount rates applied with external sources and our own databases, with the help of our financial valuation experts; ● measuring the sensitivity of impairment test results.

Key audit matter	Audit response
Valuation of retirement benefits and long-service awards at €63 million (Paragraph 15 "Retirement benefits and long-service awards" of the section entitled "Accounting policies, valuation methods and IFRS options adopted" and Note 11 - Non-current provisions)	
As at 31 December 2019, retirement benefits and long-service awards, which are recognised under non-current provisions, are stated on the balance sheet at a value of €63 million compared to a balance sheet total of €515 million. Retirement benefits and long-service awards are measured using the projected unit credit method. Group management enlists the services of an independent actuary to measure the obligations of the German subsidiary Dom GmbH. Meanwhile, the value of other subsidiaries' obligations is measured by the Group. The procedures for carrying out these measurements therefore largely involve estimates and assumptions focusing on: ● wage growth projections excluding inflation; ● the long-term inflation rate; ● life expectancy and the probability of employees' presence at the subsidiary upon retirement and at the date on which termination benefits and pensions are paid; ● the discount rate applied. A change in these assumptions would be liable to have a material impact on the value of recognised liabilities as well as on the Group's consolidated earnings and shareholders' equity. Given the materiality of retirement benefits and long-service awards in the consolidated financial statements, the judgements and assumptions required to estimate their amounts and the corresponding sensitivity, we consider the valuation of retirement benefits and long-service awards to be a key audit matter.	We have ascertained the process whereby the Group measures retirement benefits and long-service awards and defines actuarial and demographic assumptions. We have also analysed the compliance of the methods used with applicable accounting standards, assessed the competency and independence of the independent actuary enlisted to estimate the value of Dom GmbH pensions and assessed the work performed by this person. Furthermore, we carried out sample testing to assess the completeness and validity of the individual databases used for the purposes of these valuations. Drawing on the expertise of our actuarial specialists, we: ● assessed the consistency between the discount rates applied and the corresponding periods as estimated for each subsidiary with regard to the calendar of payments, as well as the reasonableness of these rates in view of market conditions; ● compared the inflation rate and mortality table applied with market benchmark indices; ● assessed the consistency between (i) the assumptions regarding wage growth and probability of presence and (ii) specific conditions applicable to each subsidiary and national benchmarks; ● analysed the compliance of entitlement calculations with the stipulations of the applicable collective bargaining agreements; ● carried out sample testing on the accuracy of the Group's calculations. Lastly, we verified management's analyses of sensitivity to changes in the main assumptions applied.

Specific testing

In accordance with the professional standards applicable in France, we also performed the specific testing required by statutory and regulatory provisions regarding information on the Group contained in the Board of Directors' management report approved on 22 April 2020.

We have no matters to report regarding the fair presentation of said information and its consistency with the consolidated financial statements.

With regard to events occurring and facts coming to light after the reporting date regarding the effects of the COVID-19 crisis, management has informed us that a statement regarding the foregoing information would be made to the General Meeting called to approve the financial statements.

We certify that the consolidated statement of non-financial performance required under Article L. 225-102-1 of the French Commercial Code is included in the management report, on the understanding that, in accordance with Article L. 823-10 of the same code, we have not verified the fair presentation of the information set out in this statement or its consistency with the consolidated financial statements, which must be covered by a report issued by an independent third-party body.

Disclosures required under other statutory and regulatory obligations

Appointment of statutory auditors

We, KPMG S.A. and Deloitte & Associés, were appointed statutory auditors of GROUPE SFPI by your General Meeting on 18 June 2015.
As at 31 December 2019, KPMG S.A. and Deloitte & Associés were in the fifth consecutive year of their engagement.

Responsibilities of management and persons involved in corporate governance with regard to the consolidated financial statements

It is management's responsibility to prepare consolidated financial statements that present a true and fair view, in accordance with IFRS as adopted in the European Union, and to implement the internal control system it deems necessary to ensure the preparation of consolidated financial statements that are free of material misstatements, whether the result of fraud or error.

In preparing the consolidated financial statements, management is required to assess the Company's ability to continue its operations, to present, in these statements, where applicable, the requisite information with regard to continuity of business and to apply the going concern principle, unless there is the intention to liquidate the Company or discontinue its operations.

It is the responsibility of the Audit Committee to monitor the process for the preparation of financial information and the effectiveness of internal control and risk management systems, and, where applicable, of the internal audit system, as regards the procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Statutory auditors' responsibilities regarding the audit of the consolidated financial statements

Audit objective and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our goal is to obtain reasonable assurance that these consolidated financial statements, taken as a whole, are free of material misstatements. Reasonable assurance corresponds to a high level of assurance, without, however, the guarantee that an audit performed in accordance with professional standards enables systematic detection of all material misstatements. Misstatements may result from fraud or error and are deemed material when they may reasonably be expected, when taken either individually or together, to influence economic decisions taken by users of the financial statements on the basis thereof.
As specified in Article L. 823-10-1 of the French Commercial Code, our engagement to certify the financial statements does not consist in guaranteeing the viability or quality of your Company's management.
Within the scope of an audit performed in accordance with professional standards applicable in France, the statutory auditor exercises his or her professional judgement throughout the duration of this audit. In addition:

- the auditor identifies and assesses the risks that the consolidated financial statements contain material misstatements, whether resulting from fraud or error, defines and implements audit procedures to address these risks, and gathers the elements the auditor deems necessary and appropriate upon which to base the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is more serious than the risk of not detecting a material misstatement resulting from error, since fraud may involve collusion, falsification, deliberate omission, false representations or the circumvention of internal control;
- the auditor examines the aspects of the internal control system that are relevant to the audit, in order to define the audit procedures appropriate in the circumstances but not for the purpose of expressing an opinion on the efficacy of the internal control system;
- the auditor assesses the appropriateness of the accounting methods adopted and the reasonableness of the accounting estimates made by management, as well as the related information provided in the consolidated financial statements;

- the auditor assesses the appropriateness of management's application of the going concern principle and, according to the information gathered, the existence or absence of material uncertainty regarding events or circumstances liable to jeopardise the company's ability to continue its operations. This assessment is based on information gathered up until the date of the auditor's report, provided, however, that any subsequent circumstances or events could jeopardise business continuity. If the auditor finds that a material inconsistency exists, the auditor draws the attention of the readers of the auditor's report to the information provided in the financial statements regarding the subject of this uncertainty or, if such information is not provided or is irrelevant, issues certification with reservations or refuses to certify;
- the auditor assesses the presentation of the consolidated financial statements, taken as a whole, and assesses whether they reflect the underlying transactions and events in such a way as to give a true and fair view thereof;
- concerning financial information regarding the businesses or entities included in the consolidation scope, the auditor gathers the information the auditor deems sufficient and appropriate in order to express an opinion on the consolidated financial statements. The auditor is responsible for the management, supervision and performance of the audit of the consolidated financial statements as well as the opinion expressed on said financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee defining the scope of the audit work and the audit programme implemented, as well as the findings based on our work. We also draw the Committee's attention to any material internal control deficiencies we have identified, as regards procedures relating to the preparation and processing of accounting and financial information.

The report submitted to the Audit Committee also contains information on the risks of material misstatements that we deemed to have been the most significant for the audit of the consolidated financial statements and which therefore constitute key audit matters, which we are required to set out herein.

We also submit to the Audit Committee the declaration set out in Article 6 of Regulation (EU) No. 537-2014 confirming our independence, within the meaning of the rules applicable in France as defined in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and the French Code of Ethics for statutory auditors. If necessary, we discuss with the Audit Committee the risks to our independence and the safeguards applied.

Paris - La-Défense, 30 April 2020

THE STATUTORY AUDITORS

Deloitte & Associés	**KPMG S.A.**
Antoine Labarre	Nahid Sheikhalishahi
Partner	Partner

STATUTORY AUDITORS' REPORT

ON THE SHARE CAPITAL REDUCTION

To the General Meeting of GROUPE SFPI S.A.,

In our capacity as statutory auditors of your Company and in execution of the engagement provided for in Article L. 225-209 of the French Commercial Code in the event of a capital reduction by cancellation of shares purchased, we have drawn up this report in order to provide you with our assessment of the causes and conditions of the planned capital reduction.

Your Board of Directors proposes that you grant it full powers, for a 24-month term beginning on the day of this General Meeting, to cancel shares purchased pursuant to the authorisation for your Company to buy back its own shares in accordance with the aforementioned article, subject to a limit of 10% of the share capital per 24-month period.

We carried out the work we considered necessary pursuant to professional standards of the French National Auditors Association relating to this engagement. This work involved reviewing the validity of the causes and conditions of the planned capital reduction, which is not liable to compromise shareholder equality.

We have no matters to report regarding the causes and conditions of the planned capital reduction.

Paris - La-Défense, 30 April 2020

THE STATUTORY AUDITORS

KPMG S.A.	**Deloitte & Associés**
Nahid Sheikhalishahi	Antoine Labarre
Partner	Partner

INDEPENDENT THIRD-PARTY BODY REPORT ON THE STATEMENT OF NON-FINANCIAL PERFORMANCE

Financial year ended 31 December 2019

To the Shareholders,

In our capacity as an independent third-party body authorised by COFRAC under number 3-1055 (the scope of this authorisation may be consulted on www.cofrac.fr), we hereby submit to you our report on the statement of non-financial performance for the year ended 31 December 2019 (the "Statement"), as presented in the management report in accordance with the statutory and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

The Company's responsibility

It is the responsibility of the Board of Directors to prepare a Statement in accordance with statutory and regulatory provisions, including presentation of the business model, a description of the principal non-financial risks, presentation of the policies applied in respect of these risks and the effects of these policies, including key performance indicators.

The Statement has been drawn up by applying the entity's internal procedures.

Independence and quality control

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code. In addition, we have introduced a quality control system including documented policies and procedures designed to ensure compliance with applicable statutory and regulatory provisions.

Responsibility of the professional accountancy practitioner

It is our responsibility, on the basis of our work, to establish a substantiated opinion expressing a conclusion regarding:

- the compliance of the Statement with the provisions of Article R. 225-105 of the French Commercial Code;
- the fair presentation of the information provided in application of Article R. 225-105 I (3) and II of the French Commercial Code, namely the results of the policies, including key performance indicators, and the measures taken in response to the main risks (the "Information").

It is not our responsibility, however, to issue an opinion on the entity's compliance with other applicable statutory and regulatory provisions, including those regarding the vigilance plan and the prevention of corruption and tax evasion, or on whether products and services comply with applicable regulations.

Nature and scope of the work

Our diligences as set out below were conducted in accordance with the provisions of Articles A. 225-1 et seq. of the French Commercial Code:

- We familiarised ourselves with the activity of all the companies included in the consolidation scope and the explanation of the main risks;
- We verified that the Statement covers each category of information referred to in Article L.225-102-1 (III) of the French Commercial Code in terms of social and environmental responsibility as well as human rights and the prevention of corruption and tax evasion;
- We verified that the Statement presents the information provided for in Article R. 225-105 (II) of the French Commercial Code, where relevant with regard to the main risks, and, where applicable, that it includes an explanation of the reasons for the omission of information required under the second paragraph of Article L. 225-102-1 (III);
- We verified that the Statement presents the business model and a description of the main risks related to the activity of all the companies included in the consolidation scope, including, where relevant and proportionate, the risks generated by its business relations, products or services, as well as the policies, measures and effects, including key performance indicators related to the main risks;
- We consulted documentary sources and held interviews to:
  - assess the process of selecting and approving the main risks and the consistency of key performance indicators with regard to the main risks and policies presented;

- corroborate the qualitative information (measures and results) that we deemed to be most significant [1]. In the case of some risks (governance, markets and consumers, ethics and fair business practices), our diligences were conducted at the level of the consolidating entity, while in the case of the other risks, they were conducted at the level of the consolidating entity and a sample of entities:
    - Dom Elzett
    - Le Rheu
    - Dom Titan
    - Barriquand Echangeurs [2]
    - France Fermetures [2]
    - Steriflow [2]

- We verified that the Statement covers the consolidation scope, i.e. all the companies included in the scope of consolidation pursuant to Article L. 233-16 of the French Commercial Code subject to the limits set out in paragraph IV. Note on Statement methodology;
- We reviewed the internal control and risk management procedures applied by the entity and we assessed the Information collection process with regard to its completeness and fair presentation;
- We implemented the following procedures in respect of key performance indicators and a selection of the other quantitative results that we deemed most significant:
  - analytical procedures to verify the due consolidation of the data collected and the consistency of comparative data;
  - sample tests to verify the due application of definitions and procedures and reconcile the data contained in the supporting documentation. This work was carried out on a selection of contributing entities and covers between 16% and 100% of the data selected for these tests;
- We assessed the consistency of the Statement as a whole in light of our knowledge of all of the companies included in the Statement's reporting scope.

Means and resources

Our review was conducted by five people over a total period of 12 weeks between September and April. We held around twenty interviews with the persons responsible for preparing the Statement, most of them representatives of senior management and the administration and finance, human resources and health, safety and environment departments.

Conclusion

Based on our work, we identified no material misstatements liable to call into question the fact that the statement of non-financial performance complies with the applicable regulatory provisions and that the Information, taken as a whole, is fairly presented.

Comments

Without prejudice to the foregoing conclusion and in accordance with Article A. 225-3 of the French Commercial Code, we hereby issue the following comments:

- We draw the reader's attention to the scope set out in paragraph "IV. Note on methodology"
- We also draw the reader's attention to the explanations provided throughout the Statement regarding policies and key performance indicators.

We noted the continuous improvement of SFPI's CSR practices. Operational coordination will enable the Company to fine-tune policies and measures and improve key performance indicators.

Toulouse, 22 April 2020

THE INDEPENDENT THIRD-PARTY BODY
SAS CABINET DE SAINT FRONT
Pauline de Saint Front
Director and Partner

[1] List of information we deemed to be the most significant:
Key performance indicators and other quantitative results:
- Frequency rate 1 (FR1)
- Frequency rate 2 (FR2)
- Electricity consumption per employee

Qualitative information (measures and results):
- Number of Group Management Committee (G10) meetings
- Number of Executive and Strategic Committee (EXCO) meetings

[2] Only for data on occupational accidents and hours worked

COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING OF 16 JUNE 2020

DRAFT RESOLUTIONS

RESOLUTIONS TO BE SUBMITTED TO THE ORDINARY GENERAL MEETING

FIRST RESOLUTION

Approval of the full-year financial statements; discharge of directors

The General Meeting, deliberating in accordance with the quorum and majority requirements applicable to ordinary General Meetings, having reviewed the Board of Directors' management and business report and the statutory auditors' report on the parent company financial statements for the year ended 31 December 2019, hereby approve said financial statements as presented to it, showing net income of €9,710,757, as well as the transactions recorded in said financial statements or summarised in said reports.

Consequently, the General Meeting fully and unreservedly discharged the directors and the Deputy Managing Director for the performance of their work for the year ended.

The General Meeting duly notes that the financial statements for the year ended do not take into account expenses not deductible from taxable earnings with regard to Article 39-4 of the French General Tax Code.

SECOND RESOLUTION

Appropriation of earnings for the financial year

The General Meeting, deliberating in accordance with the quorum and majority requirements applicable to ordinary General Meetings, approved the proposed appropriation of earnings that was presented to it by the Board of Directors.

As a result, the profit for the year amounting to €9,710,757 is appropriated as follows:

<u>Source:</u>

- Net income for the year: €9,710,757.

<u>Appropriation:</u>

- 5% to the legal reserve: €485,537.85
- Balance: €9,225,219.15 to 'Other reserves', for which the balance is raised from €42,077,357.48 to €51,302,576.77.

The General Meeting duly noted that the dividend paid out in respect of the past three financial years was as follows:

Year	Dividend distributed	Dividend per share
2016	€4,498,493.1	€0.05
2017	€5,398,191.72	€0.06
2018	€4,965,895.10	€0.05

THIRD RESOLUTION

Approval of agreements and commitments within the meaning of Articles L. 225-38 et seq. of the French Commercial Code, authorised during past years, which continued to operate during the year ended

The General Meeting, deliberating in accordance with the quorum and majority requirements applicable to ordinary General Meetings, having heard the statutory auditors' special report on agreements and commitments governed by Articles L. 225-38 et seq. of the French Commercial Code which continued to operate during the year ended, approved the findings of said report and the agreements and commitments referred to therein.

The shareholders concerned are not entitled to vote for this resolution and their shares will be excluded from calculation of quorum and majority.

FOURTH RESOLUTION

Approval of agreements and commitments within the meaning of Article L. 225-38 et seq. of the French Commercial Code entered into during the year ended

The General Meeting, deliberating in accordance with the quorum and majority requirements applicable to ordinary General Meetings, having heard the statutory auditors' special report on agreements governed by Articles L. 225-38 et seq. of the French Commercial Code and entered into during the year ended, approved the findings of said report and the agreements and commitments referred to therein.

The shareholders concerned are not entitled to vote for this resolution and their shares will be excluded from calculation of quorum and majority.

FIFTH RESOLUTION

Approval of the full-year consolidated financial statements

The General Meeting, deliberating in accordance with the quorum and majority requirements applicable to ordinary General Meetings, having heard a presentation of the Board of Directors' management and business report and the statutory auditors' report on the consolidated financial statements for the financial year ended 31 December 2019, approves the consolidated financial statements for the financial year ended 31 December 2019 as presented, showing net income of consolidated companies of €3,783,000, as well as the transactions recorded in the said financial statements or summarised in the management and business report. Net income Group share after minority interests amounted to €3,734,000.

SIXTH RESOLUTION

Determination of annual amount of directors' fees to be paid to members of the Board of Directors

The General Meeting, deliberating in accordance with the quorum and majority requirements applicable to ordinary General Meetings, at the recommendation of the Board of Directors, decided to set the overall annual amount of directors' fees to be distributed between the directors in respect of 2019 at €30,000.00.

The General Meeting granted full powers to the Board of Directors to set the conditions for distributing said directors' fees between the directors.

SEVENTH RESOLUTION

Approval of fixed, variable and exceptional items comprising the total remuneration and benefits of all kind paid or awarded to the Company's Chairman and Chief Executive Officer for the financial year ended 31 December 2019

The General Meeting, deliberating in accordance with the quorum and majority requirements applicable to ordinary General Meetings and in accordance with the provisions of Article L. 225-100 of the French Commercial Code, having reviewed the corporate governance report, approves the fixed items comprising the total remuneration and benefits of all kind paid or awarded to Henri Morel, Chairman and Chief Executive Officer of the Company, for the financial year ended 31 December 2019, as described in the corporate governance report (section 4.3).

EIGHTH RESOLUTION

Approval of fixed, variable and exceptional items comprising the total remuneration and benefits of all kind paid or awarded to the Company's Deputy Managing Director for the financial year ended 31 December 2019

The General Meeting, deliberating in accordance with the quorum and majority requirements applicable to ordinary General Meetings and in accordance with the provisions of Article L. 225-100 of the French Commercial Code, having reviewed the corporate governance report, approves the fixed and variable items comprising the total remuneration and benefits of all kind paid or awarded to Damien Chauveinc, Deputy Managing Director of the Company, for the financial year ended 31 December 2019, as described in the corporate governance report (section 4.3).

NINTH RESOLUTION

Authorisation to be granted to the Board of Directors to carry out transactions in the Company's shares

The General Meeting, deliberating in accordance with the quorum and majority requirements applicable to ordinary General Meetings, having reviewed the Board of Directors' report, authorises the Board of Directors, with the option of further delegation, in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code, Articles L. 225-209 et seq. of the General Regulation of the French Financial Markets Authority (AMF) and European Parliament Regulation no. 596/2014 of 16 April 2014 on market abuse, to purchase or arrange the purchase of Company shares for the purpose of:

(i.) ensuring the Company share's market liquidity by means of an investment services provider acting independently pursuant to a liquidity contract in accordance with the AMAFI code of ethics and best market practices as recognised by the French Financial Markets Authority (AMF); or

(ii.) holding the shares for subsequent tendering as consideration or in exchange in respect of a potential acquisition, in accordance with market practices admitted by the French Financial Markets Authority (AMF); or

(iii.) allocating or selling the shares to employees and/or executive officers of the Company and/or related companies or companies that will be related under the terms and conditions provided for by law, in particular via allocation of stock options or under an employee profit-sharing scheme; or

(iv.) freely allocating the shares to employees and or corporate officers of the Company and/or related companies or companies that will be related to it in the future in accordance with the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code, on the understanding that the shares may by allocated to an employee savings scheme pursuant to the provisions of Article L. 3332-14 of the French Employment Code; or

(v.) cancelling the shares purchased via a capital reduction, in particular in order to increase earnings per share or improve return on equity; or

(vi.) implementing all current and future market practices recognised by the AMF and, more generally, for any other purpose authorised by applicable legal and regulatory provisions.

This programme is also designed to allow the Company to carry out transactions in Company shares for all other current or future purposes authorised by law and regulations in effect.

The Company may purchase treasury shares subject to the following limits:

- the number of shares purchased by the Company during the term of the buyback programme may not exceed 10% of the shares comprising the Company's share capital, at any time, this percentage applying to the share capital as adjusted for any transactions impacting it after this General Meeting; in accordance with the provisions of Article L. 225-209 of the French Commercial Code, when the shares are repurchased to promote share liquidity under the conditions defined by the regulations in force, the number of shares taken into account for the calculation of the 10% cap corresponds to the number of shares purchased less the number of shares sold during the term of the authorisation; and
- the number of shares held by the Company at any given time may not exceed 10% of the Company's total share capital.

The purchase, sale, transfer, tendering or exchange of these shares may be carried out on one or more occasions and by any means whatsoever that are authorised by current or future regulations in force. Such means include over-the-counter transactions, block trading, repurchase agreements and the use of any derivative financial instrument, traded on a regulated market or over-the-counter and the implementation of option strategies (purchase and sale of put and calls options and any combination thereof in compliance with applicable regulations). The portion of the buyback programme that may be implemented via block trades is equivalent to the entire share repurchase programme.

These transactions may be carried out at such times as the Board of Directors shall determine; however, during a public tender offer, the shares may only be repurchased if such buybacks:

- allow the Company to comply with commitments it has undertaken prior to the opening of the offer period;
- are carried out in continuation of a buyback programme already underway;
- fall under the objectives listed above under points (i) to (v); and
- are not liable to thwart the public tender offer.

The Board of Directors may also reallocate previously repurchased shares (including under a previous authorisation) to another objective, in compliance with applicable statutory and regulatory provisions, or sell them on or off the market.

The General Meeting set the maximum purchase price per share at €5.00, before acquisition costs.

Pursuant to Article R. 225-151 of the French Commercial Code, the General Meeting set the maximum overall amount set aside for the buyback programme authorised above at €36,050,220, which corresponds to a maximum amount of 7,210,044 shares acquired on the basis of the maximum unit amount of €5.00 authorised above.

The General Meeting grants the Board of Directors, with the option of further delegation in compliance with applicable statutory provisions, in the event of transactions in the Company's share capital, including in the event of a change in the share par value, a capital increase by capitalisation of reserves, an allocation of bonus shares, a share split or reverse share split, the power to adjust the aforementioned maximum purchase price in order to take into account the impact of these transactions on the value of the share.

The General Meeting grants the Board of Directors full powers, with the option of further delegation in accordance with applicable statutory provisions, to decide upon and exercise this authorisation, to set the terms and conditions thereof, where necessary, with the option of further delegating the execution of the buyback programme in accordance with applicable statutory provisions, and in particular to place all trading orders and enter into all agreements for the purpose of keeping registers of share purchases and sales, to make all declarations, in particular to the AMF and any other authority substituted in its place, to complete all formalities and, in general, to do whatever is necessary.

This authorisation is given for eighteen (18) months from the date of this General Meeting, i.e. until 16 December 2021, and cancels the unused part, from this same date, of the authorisation granted to the Board of Directors to carry out transactions in Company shares by the General Meeting of 7 June 2019 under its sixteenth resolution.

RESOLUTIONS TO BE SUBMITTED TO THE EXTRAORDINARY GENERAL MEETING

TENTH RESOLUTION

Authorisation to be granted to the Board of Directors to reduce the share capital through cancellation of treasury shares within the limit of 10% of the Company's share capital

The General Meeting, deliberating in accordance with the quorum and majority requirements applicable to extraordinary General Meetings, having reviewed the Board of Directors' report and the statutory auditors' special report and deliberating in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code:

- authorises the Board of Directors to reduce the share capital via the cancellation, on one or more occasions, without exceeding 10% of the Company's share capital per twenty-four (24) month period, of all or part of the treasury shares held by the Company or acquired by it under the share buyback programme authorised by the General Meeting of shareholders, particularly under the terms of the ninth resolution above, on the understanding that the 10% cap applies to the amount of Company share capital as adjusted to take into account any transactions having an impact on the share capital after this General Meeting;
- decided that the difference between the buyback value of the cancelled shares and the par value shall be appropriated to "Additional paid-in capital" or any available reserve account, including the legal reserve, subject to a cap of 10% of the share capital reduction carried out; and
- granted the Board of Directors, with the option of further delegation within the limits established by law and the articles of association, full powers to carry out the share cancellation transactions, reduce the share capital accordingly and make the foregoing appropriations at its sole discretion, to amend the articles of association accordingly and to complete all necessary formalities.

This authorisation is granted for a term of twenty-six (26) months from the date of this General Meeting and cancels, from this same date, the authorisation granted by the General Meeting of 7 June 2019 under its sixteenth resolution.

ELEVENTH RESOLUTION

Delegation of powers to complete formalities

The General Meeting grants full powers to the bearer of an original, copy or certified true extract of the minutes of this meeting to complete all statutory and administrative formalities and carry out all filings and publications required by applicable legislation.

LET’S CREATE SHARED VALUE.

Sfpi GROUP
Safety for people & industry