2018 Annual report

Sfpi Group - Spring 2019

Sfpi GROUP Safety for people & industry

We walk hand in hand with technology.

What comes to mind when you hear the word “safety”? Do you believe that feeling safe is an essential need?

Against the grain of more general ways of thinking, safety is not only a matter of security. Beyond physical safety, to be safe is also to breathe clean air, consume reliable products, be at ease in a secure and comfortable building - needs that we meet through the activities of SFPI Group’s four business divisions.

Within the Group we believe that safety and technology form two parts of an indivisible whole. For example, at DOM Security, mechanical locks industry comes up against the advent of new technology daily. Instead of shying away from these innovations, we exploit this technology and produce constantly evolving solutions for electronic security, establishing stricter standards for the security industry.

Between now and 2025, our target is for more than 50% of our revenues to come from international sales. This target can only be achieve by working together, by continuing to invest in innovation, digitalisation and by involving all of our stakeholders - our suppliers, our customers and, of course, our employees.

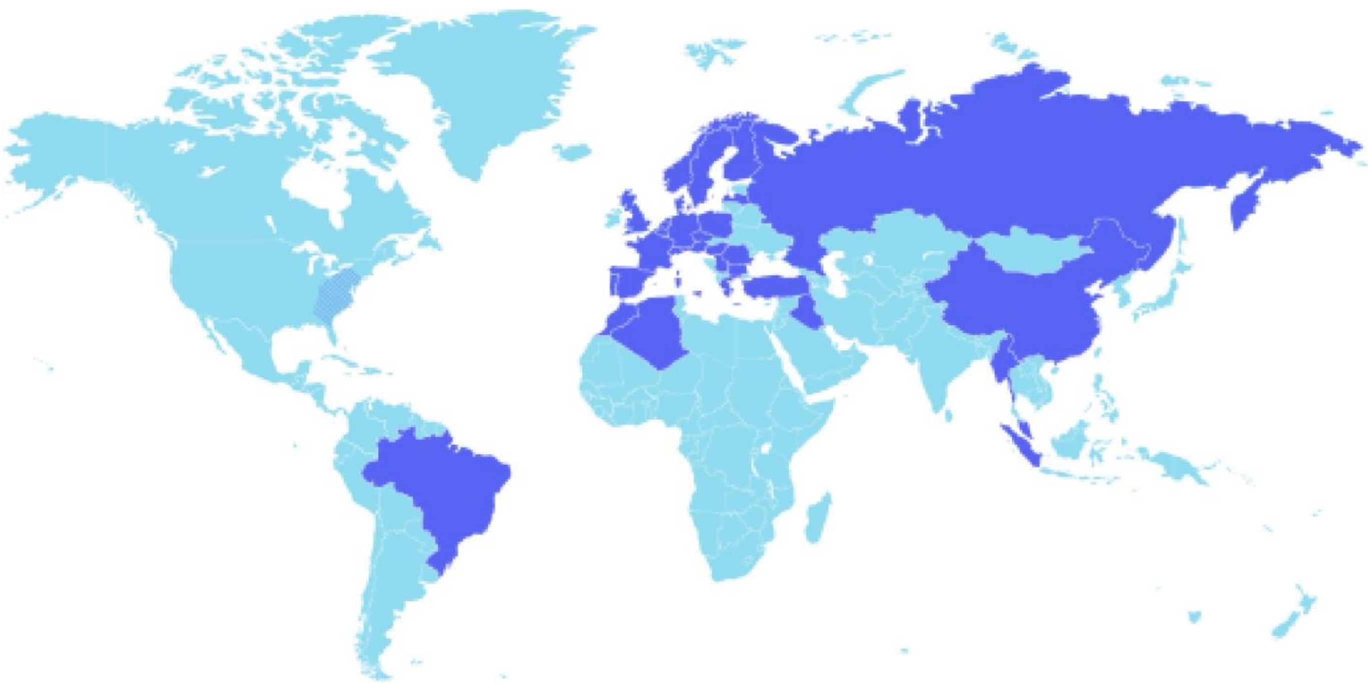
Henri Morel
Chairman and CEO

Independent, industrial, international

GROUPE SFPI was created in France in 1985 by a group of entrepreneurs, led by Henri Morel, who desired to re-imagine industrial companies and expand their development.

In 2018, GROUPE SFPI generated €550 million in revenues in the safety and protection industry.
41% of these revenues are generated outside France.

GROUPE SFPI has 3,858 employees, 39% based internationally.



Carpentry, shutters, awnings and blinds for housing and stores

MAC

Companies under the MAC operating division design, produce and distribute opening and closure systems (windows and carpentry, blinds and shutters, awnings, front and garage doors, industrial closures) for housing and industrial buildings.

Marketed through strong brands such as France Fermetures, Franciaflex, Faber or SIPA Menuiseries, the MAC division operates out of France. The companies of the MAC division generate nearly €200 million in revenues and bring together 1200 employees around recently restructured departments.

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

Equipment and locking and access control systems for buildings.

DOM Security

European leader on the security market, DOM Security designs, manufactures and markets mechanical and electronic access 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 our and their engineering departments. DOM Security brings together more than 20 companies in Europe, employs 1,500 employees and more than 100 million users that use the Group's products and brands on a daily basis. The Group is focussing its efforts in innovation on developing connected locking solutions (connected locks, unlocking via smartphone or badge) and access control, for intelligent building management. Actively involved in the digital transformation of production and distribution methods, DOM Security's marketing teams are the SFPI Group's go-to for expertise.

Thermal processing and sterilization solutions for industries

MMD

MMD's companies deliver industry solutions (food industry, chemistry, heavy industry...) in thermal processing and sterilisation. Around the leading brands on their markets such as Barriquand, Steriflow or the recently acquired Cipriani (Italy), the division's companies design, manufacture and distribute products that allow their customers to manage industrial processes including thermal exchanges, to fulfil strict requirements of sanitary standards and to control energy consumption. The companies of the MMD division bring together nearly 250 employees and generate just under €50 million in revenues annually. On a market experiencing sustained growth, the division's products benefit from growing interest, arising from the growing complexity and heightened security of standards and the more demanding requirements to reduce energy consumption.

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

Air processing in industrial settings

NEU-JKF

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

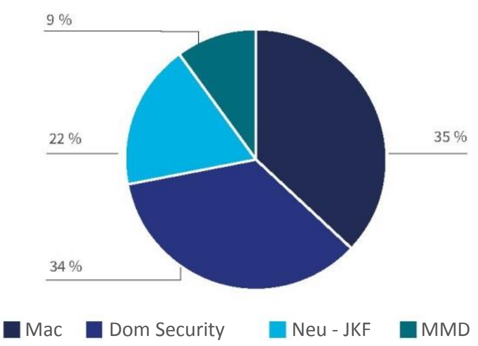
The division’s companies design, produce, and market systems for dust extraction, air filtration and conditioning, pneumatic conveying and industrial ventilation for large range of sectors (agrifood, milling, woodworking, chemical, metalworking and minerals, cardboard and paper, nuclear, aviation, etc.).

Aligned with the international ambitions of the SFPI Group, the NEU-JKF division generates more than half of its revenues outside France.

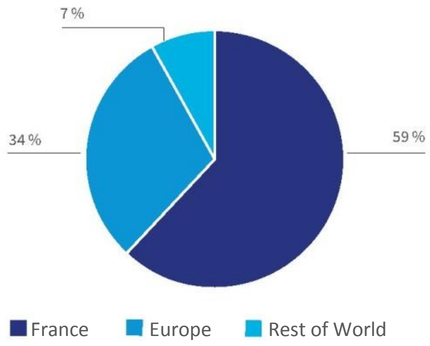
The systems and products distributed by the division meet the strictest regulatory standards and requirements, and contribute to protecting the environment, industrial equipment and employee health. They enable improved industrial productivity and performance on the sites they are deployed in.

2018 Key figures

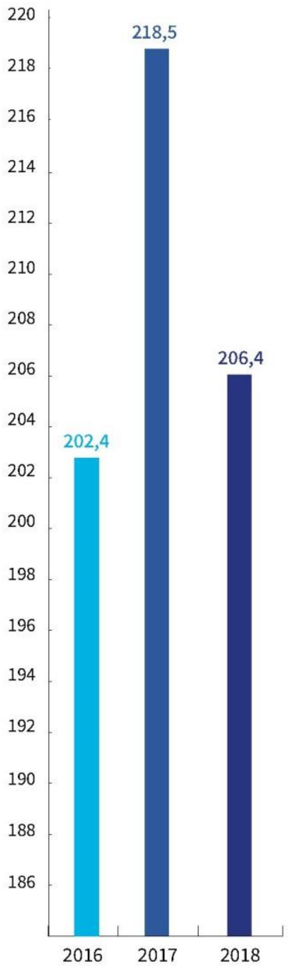
2018 revenues breakdown by division



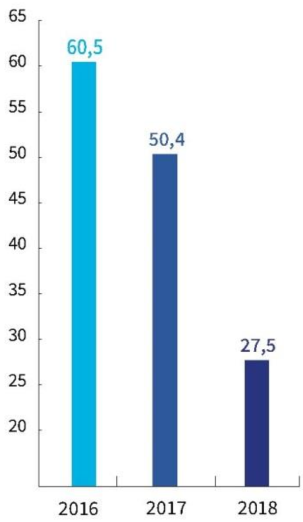
2018 revenues breakdown by region



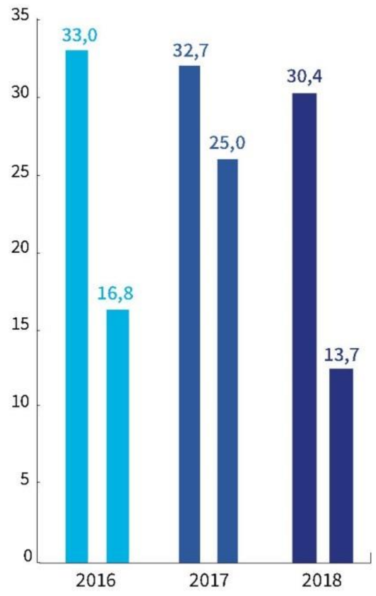
Change in shareholders' equity
in euro millions



Change in net cash position
in euro millions

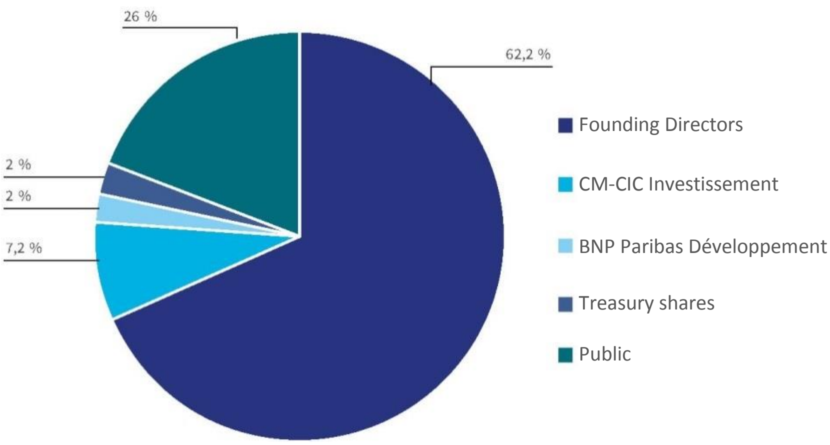


Change in EBIT and net profit Group share
in euro millions



2018 stock market information

Breakdown of shareholders - April 2019



Data per share

In euros	2016	2017	2018
Net earnings per share Group share	€0.19	€0.28	€0.15
Cash flow per share	€0.37	€0.41	€0.34
Net dividend	€0.05	€0.06	€0.05
Number of shares (excl. treasury)	**87,514,729**	**87,871,609**	**97,219,649**

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

Price at 31/12/2018: €2.16

Market capitalisation:
" 31/12/2018: €215 million
" 15/04/2019: €247 million

Corporate governance

Board of Directors

Henri Morel, Chairman and Chief Executive Officer

Damien Chauveinc, Chief Operating Officer

Spring Management SAS, represented by **Jean-Bertrand Prot**
Hervé Houdart (independent director)
Valentine Laude
Sophie Morel
CM-CIC Investissement SCR, represented by **Thierry Wendling**
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**
Valentine Laude
Sophie Morel
CM-CIC Investissement SCR, represented by **Thierry Wendling**
Marie-Cécile Matar
Hélène Laplante

Board advisor (censeur)

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

Contents

MANAGEMENT REPORT

AND THE ACTIVITY OF THE BOARD OF DIRECTORS AT THE GENERAL MEETING

Dear Shareholders,

We convened you to a combined general meeting pursuant to the articles of association and provision of the French Commercial Code to:

(1) with regard to resolutions to be submitted to the ordinary general meeting: (i) provide you with an account of the Company's operations during the financial year ended 31 December 2018, 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, (ii) request that you appoint a new director and authorise a new share buyback programme for treasury shares and to delegate to the Board full powers to carry out transactions on the Company's shares;

(2) with regard to resolutions to be submitted to the extraordinary general meeting: request that your approve the authorisation to be granted to the Board of Directors to reduce the share capital by cancelling treasury shares.

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

Parent Company Financial Statements

RESOLUTIONS TO BE SUBMITTED TO THE ORDINARY GENERAL MEETING

APPROVAL OF THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018.

The financial statements for the year ended 31 December 2018 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 reveals a net profit of €16,681,417.27, after deduction of amortisation, depreciation and regulated and justified provisions, that we recommend be distributed pursuant to the provisions of the articles of association, as will be outlined below.

COMPANY RESULTS FOR THE FINANCIAL YEAR.

Company financial results

Company revenues are mainly generated through amounts received through the services provided to Group companies.

Operating income came to €2,419,000 compared to €1,006,000 a year earlier.

Net financial income was €20,391,000, up from €10,547,000 a year earlier. This increase is partly related to dividends received from DOM SECURITY SA under the merger-absorption and partly from the merger premium resulting from said merger.

There was a net non-recurring expense of €2,498,000 compared to income of €4,070,000 the previous year. This negative result is essentially related to the following items:

- Provision writeback DOM RONIS: €1,000,000
  (From the accounts of DOM SECURITY SA)
- Provisions DOM-UK: €(400,000)
  (From the accounts of DOM SECURITY SA)
- Impairment of treasury shares: €(1,845,000)
- Merger costs: €(1,258,000)

The main income and expenditure statements for the year ended resulted in the following net income and changes in comparison to the 2017 financial year:

	2018 Financial Year	2017 Financial Year
Revenues	7,975,256	4,241,912
Operating income	7,987,644	4,247,677
Operating expenses	10,406,176	5,253,940
NET OPERATING INCOME/(LOSS)	(2,418,532)	(1,006,263)
Financial income	20,629,511	10,756,503
Financial expenses	238,640	209,232
NET FINANCIAL INCOME	20,390,872	10,547,271
EARNINGS BEFORE NON-RECURRING ITEMS	18,215,258	9,743,069
Non-recurring income	1,025,047	13,620,656
Non-recurring expenses	3,523,067	9,550,646
NET NON-RECURRING INCOME/(EXPENSES)	(2,498,020)	4,070,010
Employee profit-sharing	--	--
Income taxes	(964,179)	(3,652,541)
NET INCOME FOR THE YEAR	16,681,417	17,465,620

LEGAL MEASURES.

Approval of the 2017 financial statements

During your General Meeting of 14 June 2018, you approved the financial statements for the year ended 31 December 2017 which revealed a net profit of €17,465,620.05 which you have decided to appropriate as follows:

- 5% to the legal reserve, i.e. €873,281
- Dividends: €5,398,191.72, i.e. €0.06 per share,
- The remainder of the year's net profit, i.e. €11,194,147.33 to the Other reserves account, for which the balance of €20,001,758.98 was brought up to €31,195,906.31.

The dividend was paid out in cash on 21 June 2018.
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 all of the useful indications 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.

We hereby state that the regulated agreements were reviewed by the Board of Directors meeting held on 16 November 2018.

We otherwise remind you that during the year ended, regulated agreements gave rise to the procedure provided for in Articles L. 225-38 et seq. of the French Commercial Code. These were (i) the tax consolidation agreement entered into on 10 December 2018 between the Company and the subsidiaries and sub-subsidiaries of its MAC division (ii) the tax consolidation agreement entered into on 21 December 2018 between the between the Company and the subsidiaries and sub-subsidiaries of its DOM Security division and (iii) the service provision agreement entered into on 14 December 2018 between the Company and ANTIPANIC SPA.

These agreements were not previously approved by the Board of Directors and we duly request for you to ratify them.

Appropriation of income for the 2018 financial year

We recommend that you appropriate the earnings from the year ended, amounting to €16,681,417.27 in the following manner:

Source:

- Net profit for the year: €16,681,417.27.

Appropriation:

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

We hereby inform you that as of 1 January 2018, the dividends received by an individual taxpayer are automatically taxable by a once-off withholding tax (*prélèvement forfaitaire unique* or PFU) of 30% (12.80% for income tax and 17.20% for social contributions). However, the taxpayer may expressly request for their dividends to be taxed on the income tax sliding scale.

The cash dividend will be paid on Friday, 21 June 2019.

Company dividends and treasury share holdings

In the event that, on dividend payment, the Company holds a certain amount of its own shares, the distributable profit corresponding to dividends not paid in respect of said treasury shares held by the Company, will be appropriated to Retained Earnings.

Reminder of dividends distributed during previous financial years.

In accordance with provisions of 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:

Financial Year	Dividend distributed	Dividend per share
2015	€2,699,095.86	€0.03
2016	€4,498,493.10	€0.05
2017	€5,398,191.72	€0.06

Merger premium

In addition, we hereby inform you that the implementation of the merger agreement relating to the absorption of DOM SECURITY SA by GROUPE SFPI, which set the merger premium at €4,614,979.82 has been completed with the following additional accounting entries:

First accounting entry under the merger agreement:

> Cancellation of treasury shares in the assets of the absorbed company, DOM SECURITY SA: €(3,162,375.00);

Additional accounting entries:

> Cancellation of the share of treasury shares: €1,175,293.90

> Cancellation of the dividends paid in 2018 by the absorbed company, DOM SECURITY SA: €2,965,173.75

The definitive merger premium therefore amounts to €5,593,072.47.

On this basis, we request that you ratify these additional accounting entries setting the definitive amount of the merger premium relating to the merger-absorption of DOM SECURITY SA by GROUPE SFPI.

Non-tax deductible expenditure and charges 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 take into account expenses that are not deductible from taxable income.

Authorizing sureties, endorsements and guarantees

In accordance with the provisions of Articles L. 225-35 and R. 225-28 of the French Commercial Code, the Board of Directors at its meeting of 17 April 2019 has authorised the Chairman to grant, in the name of the Company, sureties, endorsements and guarantees with an upper limit of €150,000.

This authorisation was given for a duration of one year, whatsoever the duration of commitments made as securities, endorsements or guarantees.

Research and development

The Company did not wish to capitalise such expenses during 2018 and has posted "Research and development fees" to balance sheet assets.

Results of the Company over the last five financial years

A table detailing the results of the Company 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 relating to due dates of trade payables and receivables

Pursuant to the provisions of Articles L. 441-6-1 and D. 441-1 of the French Commercial Code, I include the breakdown, at the last financial year-end, of the trade payables and receivables debt balance by due date:

TRADE RECEIVABLES

(in €000)	Article D. 441-4 I-2°: Unpaid invoices ISSUED and overdue at year-end					
	0 days (411 account)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	TOTAL (≥ 1 day overdue)
(A) LATE PAYMENTS BY PERIOD OVERDUE (MAINLY INTRAGROUP RECEIVABLES)						
Number of invoices concerned	80					18
Total amount of invoices concerned (incl. tax)	1,314	12	43	5	207	268
% of revenues for the financial year (incl. tax) (French corporate tax report: FL)	13.73	0.13	0.45	0.06	2.17	2.80
(B) INVOICES EXCLUDED FROM (A) RELATING TO DOUBTFUL OR CONTESTED CUSTOMER ACCOUNTS						
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 specify) ☒ Statutory terms: Application of the French Law of Modernisation of the Economy (LME) 45 days end of month or 60 days net					

TRADE PAYABLES						
(in €000)	Article D. 441-4 I-1°: Unpaid invoices RECEIVED and overdue at year-end					
	0 days (401 account)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	TOTAL (≥ 1 day overdue)
(A) LATE PAYMENTS BY PERIOD OVERDUE						
Number of invoices concerned	109					133
Total amount of invoices concerned (incl. tax)	43	40	89	142	751	1,022
% of total amount of purchases for the financial year (incl. tax) (French corporate tax report: FS+FU+FW)	0	0.46	1.02	1.62	8.56	11.65
(B) INVOICES EXCLUDED FROM (A) RELATING TO INTRAGROUP DEBTS						
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 specify) ☒ Statutory terms: Application of the French Law of Modernisation of the Economy (LME) 45 days end of month or 60 days net					

ACQUISTION AND SALE OF EQUITY OR CONTROLLING INTERESTS IN OTHER COMPANIES WHOSE REGISTERED OFFICE IS LOCATED IN FRANCE.

Equity acquired during the year

We remind you that the table of subsidiaries and shareholdings is attached in the notes to the parent company financial statements.

In addition to the effect of the merger-absorption of DOM SECURITY SA, our Company has acquired no new equity interests.

Controlling interest acquired during the year

In May 2018, our Company took control of Eliot et Cie SAS, whose registered office is located in Torcy (Seine-et-Marne), via its subsidiary Picard Serrures SAS.

Equity interests sold over the year

Under an internal reclassification of equity securities, our Company sold its investment in SCI Dom (99.98%) to DOM Security SAS (previously DOM Participations).

In addition, following the merger absorption of DOM SECURITY SA and in order to reconstitute the DOM division, GROUPE SFPI has contributed the equity securities it received to DOM Security SAS (excluding the equity securities from the companies DOM Sicherheitstechnik Gmbh and SECU Beteiligungs GmbH).

Shareholder structure and breakdown of voting rights

Identity of individuals or 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
CM-CIC INVESTISSEMENT SCR 31 rue Jean Wenger Valentin - 67000 STRASBOURG	7.21
BNP PARIBAS DEVELOPPEMENT SA	1.97

20 rue Chauchat - 75009 PARIS

We hereby state the identities of the individuals or legal entities hereafter, pursuant to 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:

GROUPE SFPI holds 2,098,252 of its own shares, including 748,252 (0.75% of total share capital) resulting from the merger with EMME and 1,350,000 (1.36% of total share capital) issuing from the buyback programme for treasury shares authorised by the Combined General Meeting of 9 June 2017.

Company shares held by employees

Pursuant to the provisions of Article L. 225-102 of the French Commercial Code, we hereby inform you that on the last day of the 2018 financial year, no employee held shares in the Company.

Appointment of ARC MANAGEMENT SAS as director

Under the reorganisation of the GROUPE SFPI Group, we recommend that you appoint ARC MANAGEMENT as director, French simplified joint stock company (SAS) with share capital of €21,564,075 whose registered office is located at 20 rue de l'Arc de Triomphe, 75017 Paris and registered with the Paris Trade and Companies Register under number 423 186 485, represented by Sophie Morel, for a duration of three (3) years, expiring at the end of the general meeting in 2022 called to approved the financial statements for the year ended in 2021.

At the end of ARC MANAGEMENT SAS's term as director, Sophie Morel will resign from her duties as individual director.

We request for you to kindly approve this appointment.

Setting directors' fees

We recommend for you to set the total annual overall amount of directors' fees at €30,000.00, to be distributed between the individual, non-executive and non-employee Group directors for the 2018 financial year and to give full powers to the Board of Directors to decide on the conditions for distribution of these directors' fees between the directors.

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY THE COMPANY

We inform you that GROUPE SFPI has referenced 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 under the section "Points to be watched".

Furthermore, the Company subscribes to the following recommendations:

RECOMMENDATIONS		APPLIED		COMMENTS
		NO	YES	
R 1	Code of Ethics for members of the Board of Directors	X		The code of ethics is an essential component of the internal rules
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 is comprised of eight (8) members, including two independent members and one employee representative
R 4	Information regarding members of the Board of Directors	X		Before each meeting, the directors receive the necessary information and documentation within 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 at the closing of each financial year and whenever necessary to approve financial statements. The Board of Directors met ten times in 2018.
R 6	Introduction of committees	X		Existing committees: - an Audit Committee whose duties are carried out by the directors under the conditions provided for in law and regulations; - an Executive and Strategic committee whose composition is indicated in the 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, sales, development policies etc., and recruitment of key personnel.
R 7	Implementation of a 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 of 13 March 2018.
R 8	Director appointments	X		The appointment of each director is the subject of a separate resolution and they are selected according to their competencies.
R 9	Term of office for members of the Board of Directors	X		The term of office for Board members is three (3) years.
R 10	Director remuneration	X		The directors’ fees are allocated by the Board of Directors to individual, non-executive and non-employee Group directors.
R 11	Introduction of evaluations of the Board of Directors' work		X	The Chairman believes that it is not necessary to carry out an assessment of the functioning of the Board of Directors
R 12	Relationship with “shareholders”	X		The Chairman meets with the shareholders who so request and discusses with them at the end of each general meeting.
R 13	Definition and transparency of corporate officers' remuneration	X		Refer to the table included under the Board of Directors’ management report.
R 14	Preparation of “director” succession plans	X		This topic is under review
R 15	Simultaneous employment contract and corporate office	X		Chief Operating Officer.
R 16	Severance benefits		X	Not applicable.
R 17	Supplementary retirement schemes	X		The information relating to retirement schemes approved by the Chairman is communicated in the corporate governance report.
R 18	Stock options and bonus shares	X		Since the general meeting of 14 June 2018, the Board of Directors has been authorised, for a period of 38 months, to allocate bonus shares and share options to Group directors and employees.
R 19	Review of watchpoints	X		Each year the Board of Directors takes note of and reviews the watchpoints 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 for:

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

The internal control of our Company is coordinated by GROUPE SFPI's management and legal control departments.

In order to ensure (insofar as possible) rigorous financial management and risk control, and for the purposes of increasing the information given to shareholders on the financial situation and accounts, the management control department of GROUPE SFPI audits each of the subsidiary's accounts prior to the intervention of the statutory auditors.

This department also supervises and checks the financial reporting sent each month by each subsidiary. It pilots any modifications to accounting and budgeting procedures as well as the streamlining of financial information. It consolidates the division's reporting and manages insurance.

The Director of management control reports to the Chairman and Chief Executive Officer of its department's work and results and puts forward recommendations, where applicable.

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

The accounting for the Group's treasury operations and bank reconciliations is also managed by GROUPE SFPI's Finance and Management Control Department.

The cash management and financing departments report to the treasurer.
Their principal duties are:

- monitoring financial flows and fund distribution,
- monitoring of investment transactions or financial loans,
- managing overdraft facilities and commitments.

As part of legal risk control, GROUPE SFPI's Legal Management Team handle the drafting of deeds as well as assisting and advising subsidiaries with regard to legal matters. It manages and follows up on disputes in communication with Group lawyers.

Other internal control procedures

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

- in subsidiaries' sales departments, using the monthly dashboards, to monitor and control the sales invoiced, order placements, margins, etc. in order to compare the reality for each business sector with the budgeted targets set,
- in subsidiaries' technical departments, to monitor and control the advancement and business volumes in terms of after-sales services, 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 Management Control department.
- The accounting and management system relies on an integrated information system that facilitates verification of the completeness, the correct valuation of transactions, and the drafting of accounting and financial information in accordance with the accounting methods and rules in force and applied by the Company for both corporate and consolidated statements.
- The senior management team is responsible for the accuracy of the accounting and financial information produced by the Finance and Management Control department. This information is audited by the statutory auditors who carry out verifications in accordance with the standards in force.

Shareholder information and communication

Essential information for shareholders is carried out via the Company's website (www.groupe-sfpi.com) under the oversight and management of the Chairman and Chief Executive Officer and the Investor Relations Supervisor of GROUPE SFPI.

Main risks facing the Group and management procedures

The main risk factors are as follows:

- Customer risk

The risk of non-recovery of receivables is controlled upstream with a sound knowledge of the market and client base, and for some new clients by calculating outstanding debt based on specific financial analyses.

- Interest-rate and exchange risk

There is no variable-rate loan.
GROUPE SFPI foreign exchange risk exposure is low.

- Insurance

The Group is subscribed to insurance policies that properly cover the risks incurred by its business operations.

- Country risk

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

COMPANY SHARE BUYBACK PROGRAMME

TRANSACTIONS CARRIED OUT BY THE COMPANY ON ITS OWN SHARES DURING 2018.

Presentation of the authorisation granted to the Board of Directors

During your combined general meeting of 14 June 2018, you have authorised the Board of Directors to purchase Company shares, over a period of eighteen (18) months, through implementing a share buyback programme. The maximum purchase price had been set at €5.00 per share, with the number of shares acquired not exceeding 7% of the share capital and that the number of shares held by the company, at any moment whatsoever, not exceeding 7% of the shares comprising the share capital. At the time of this authorisation, the Company already held 2.33% of its share capital.

The authorisation granted by your general meeting of 14 June 2018, currently in effect, will expire on 14 December 2019. In order to enable the continued liquidity of the Company's share on the market by an investment services provider, you are requested to authorise the Board of Directors to act on the Company shares through a new share buyback programme for which the procedures are described below in the paragraph "Description of new share buyback programme submitted for approval at the ordinary general meeting of shareholders".

Summary table at 2018 balance sheet date

Financial position as at 31 December 2018

% of capital held directly or indirectly as treasury shares	2.11
Number of shares held*	2,098,252
Number of shares cancelled over the past 24 months	None

*including 748,252 shares resulting from the merger with EMME and the balance, i.e. 1,350,000 resulting from the share buyback programme authorised by the combined general meeting of 9 June 2017.

Description of new share buyback programme submitted for approval at the ordinary general meeting of shareholders

The description of this program presented below, established in accordance with Article 241-3 of the general regulations of the AMF, will not be the subject of a separate publication.

Authorisation granted to the Board of Directors by the general meeting of 14 June 2018 to carry out transactions on Company shares, expiring on 14 December 2019, it is requested that you again authorise the Board of Directors to carry out transactions on Company shares at a minimum purchase price set at €5.00 per share before acquisition expenses.

This authorisation will enable the Board of Directors to acquire a certain amount of Company shares within the limit of 10% of the Company's share capital. In accordance with law, the Company may not at any 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 December 2018 amounting to 2,098,522 shares (2.11% of share capital), the maximum number of shares that may be purchased stands at 7,836,182 shares (7.89% of share capital) unless existing treasury shares are transferred or cancelled.

The maximum available amount for the requirements of the current program is €39,180,910, representing 7.89% 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 an investment services provider intervening independently under the framework of a liquidity contract in accordance with AMAFI's code of ethics and the best market practices recognised by the French Financial Markets Authority (AMF); or

(ii.) holding the shares for the purposes of subsequently tendering them 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 corporate officers and directors of the Company and/or related companies or companies that will be related in the terms and conditions provided for by law, in particular by allocation of bonus 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, it being specified that the shares may by appropriated to an employee savings scheme pursuant to the provisions of Article L. 3332-14 of the French Employment Code; or

(v.) cancelling via by capital reduction the shares purchased, in particular for maximising the result per share or improving the profitability of shareholder's equity; or

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

This programme is also be designed to allow the Company to carry out transactions on Company shares for all other current or future purpose 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 over the course of the buyback programme may not exceed 10% of the shares comprising the Company's share capital, at any time, this percentage applying to share capital adjusted according to any transactions impacting it subsequent to this general meeting; in accordance with the provisions of Article L. 225-209 of the French Commercial Code, when the shares are repurchased to favour the liquidity of the security 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, minus the number of shares sold during the term of the authorisation; and
- the number of shares that the Company holds at any time whatsoever may not exceed 10% of the Company's total share capital.

The purchase, sale, transfer, reissue or exchange of these shares may be carried out, on one or several occasions and by any means whatsoever that authorised by the current or future regulations in force. These means include over-the-counter transactions, block trading, repurchase agreements and the use of any derivative financial instrument, negotiated on a regulated market or over-the-counter and the implementation of optional strategies (purchase and sale of options to purchase or sell any combination thereof in compliance with applicable regulation). The portion of the buy-back programme that may be carried out by block trade negotiation is equivalent to the entire share repurchase program.

These transactions may be carried out at such times as the Board of Directors shall determine; however, during a public offering, 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 the continuation of a buyback programme already underway;
- fall under the objectives listed above in points (i) to (v); and
- are not liable to negatively impact the offering.

The Board of Directors may also carry out, in compliance with the applicable legal and regulatory provisions, the reallocation of previously repurchased shares (including under a previous authorisation) to another objective, as well as their sale (on or off the market).

This authorisation is granted for a duration of eighteen (18) months as from the date of this General Meeting which cancels, as from this same date, the unused part of the authorisation granted to the Board of Directors to carry out transactions on Company shares by the combined general meeting of 14 June 2018 in its twelfth resolution.

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

During its Board Meeting of 26 March 2019, the Company authorised the acquisition by its wholly-controlled subsidiary DOM Security SAS of all of the shares and voting rights in the Belgian company HOBERG SA, subject to performance of usual conditions precedent. Furthermore, under its acquisition policy for ownership of the site housing operations for Group subsidiaries, in April 2019 GROUPE SFPI acquired the shares of SCI IMMOBILIERE DUBOIS which holds, under a real estate finance-lease agreement, the site used by its sub-subsidiary Faber France in Saint-Valérien (89). This acquisition was carried out at the cost of €979,020.

COMPANY OUTLOOK

As a holding company, most our Company’s earnings are the result of dividends paid by subsidiaries, amounts received as part of the services provided to Group companies, and any securities disposal transactions.

Consolidated financial statements

At 31 December 2018, the consolidation scope of the Group 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 in the Notes.

The provisions of Article R. 225-102 of the French Commercial Code specify that all of the information referenced by said Article, on the content of the management report, also apply 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.

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

The total workforce of these companies at 31 December 2018 was 3,858 employees.

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

The main income and expense accounts of the financial year ended resulted in the following net income and changes compared to the previous year (in €000):

RESULTS	**2018**	**% of revenues**	**2017 restated** (i)	**% Ch. 2018 vs 2017**
Revenue	549,805	--	504,498	8.9
CURRENT OPERATING INCOME	**30,370**	**5.5**	**32,671**	**(9.0)**
OPERATING INCOME/(EXPENSE)	**26,559**	**4.8**	**33,867**	**(23.4)**
Net financial income/(expense)	(535)	--	(628)	--
Corporate income tax	(9,747)	--	(10,292)	--
NET INCOME/(EXPENSE) FROM CONTINUING OPERATIONS	**16,296**	**3.0**	**23,006**	**(31.0)**
Net income from discontinued operations	--	--	6,207	--
NET INCOME/(EXPENSE) FROM CONSOLIDATED BUSINESSES	**16,296**	**2.9**	**29,213**	**(45.7)**
Parent company share	13,657	--	25,038	--
Non-controlling interests	2,369	--	4,175	--
Basic and diluted net earnings per share (excl. treasury shares) for the consolidated scope, in euros	0.15	--	0.28	--

(i) During the first half of 2018, the Group finalised, in accordance with IFRS 3, an assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group on 31 July 2017. Consequently, the statements at 31 December 2017 were adjusted.

OPERATIONS AND EARNINGS OF MAIN DIVISIONS

We hereby state that the companies of the following divisions are consolidated at GROUPE SFPI level: NEU JKF, M.M.D., MAC and DOM Security. The consolidated financial statements of these divisions, included below for information purposes, have been reviewed by the statutory auditors, but have not been formally published.

The main consolidated income and expense statements for the year ended gave rise to the following results for the different divisions (in €m):

NEU JKF DIVISION	2018	2017
Revenue	122,480	92,216
Current Operating Income	3,949	3,470
Operating Income	3,281	2,769
Net profit	1,175	1,028
Net cash and cash equivalents	(18,886)	(16,478)
Consolidated net assets	17,725	17,566

Under the internal reclassification of securities, NEU JKF acquired from its subsidiary DELTA NEU, in June 2018, 25,830 shares (i.e. 90% of the share capital) from the company FEVI SAS, for €824,231.

On 31 December 2018, the total workforce of the NEU JKF division was 713 employees.

DOM SECURITY DIVISION	2018	2017
Revenue	186,366	174,436
Current Operating Income	17,008	15,951
Operating Income	15,613	16,144
Net profit	10,662	11,000
Net cash and cash equivalents	6,340	21,012
Consolidated net assets	91,838	94,469

In order to strengthen its portfolio, the DOM Security Division acquired, in May 2018, via its subsidiary PICARD-SERRURES, 70% of the share capital and voting rights (i.e. 210 shares) in the company ELIOT ET CIE SAS, whose registered office is located at Torcy (Seine-et-Marne) for €2,100,000. This company is specialised in the manufacture of metal and sheet metal products related to locking systems and armoured doors.

In the financial year ended 30 September 2018, ELIOT ET CIE SAS generated revenues of €2,393,705.

The listed company DOM Security SA, carried out, between 13 and 26 July 2018, a simplified public tender offer (OPAS) involving 240,000 shares, i.e. 10% of its share capital, for €75.00 per share. Through this offer, the Company acquired 240,000 shares for a total cost of €18 million. This transaction was fully financed by a fixed-rate loan repayable over seven years.

The Italian company DOM-CR acquired, at the end of September 2018, 74% of the share capital and voting rights of the Italian family company ANTIPANIC SRL for €5.3 million. This company specialises in the manufacture of anti-panic locks for the European market. In the 2018 financial year, ANTIPANIC SRL generated revenues of around €7 million.

In November 2018, PICARD-SERRURES sold a building plot with surface area of 2 hectares 7 ares and 96 centiares, located at Feuquières-en-Vimeu (80) for €250,000.00 before tax. SCI DOM will construct an industrial building on this land with surface area of around 5,000 m2 as well as parking spaces which will be leased out to PICARD-SERRURES.

Following the merger-absorption of DOM Security SA by GROUPE SFPI SA on 16 November 2018, GROUPE SFPI contributed, on 19 December 2018, the equity investments of DOM division companies to its subsidiaries DOM Security SAS (previously named DOM Participations), with the exception of the equity investments in DOM Sicherheitstechnik Gmbh and SECU Beteiligungs GmbH;

The Company received 5,494,550 new ordinary shares, issued at a price of €10.64 per share.

On 30 January 2019, DOM-METALUX acquired, via decision handed down by the Créteil Commercial Court, the business assets of UNITECNIC SASU located in Alfortville (94140), specialising in the sale of locking systems and solutions for secure access for the total once-off price of €281,000.00. The latter company was under receivership since 24 October 2018.

Under this acquisition, DOM-METALUX gained ownership of the trademarks UNITECNIC and ANELEC.

This business generated sales of around €2.5 million.

On 31 December 2018, the total workforce of the DOM SECURITY division was 1,633 employees.

M.M.D. DIVISIONS	**2018**	**2017**
Revenue	51,699	48,777
Current Operating Income	6,366	5,756
Operating Income (i)	10,632	5,796
Net profit (i)	8,523	3,872
Net cash and cash equivalents	16,445	16,247
Consolidated net assets	32,021	24,573

Including all of the consolidated capital gains generated on the sale of SPOMASZ-WRONKI in April 2018.

On 31 December 2018, the total workforce of the M.M.D. division was 262 employees.

- The sales revenues from business operations in the design and manufacture of heat exchangers by ASET, BARRIQUAND ECHANGEURS and BATT, amounted to €20,760,000.
- The sales revenues from business operations in the manufacture of autoclaves for sterilisation by STÉRIFLOW, amounted to €24,353,000.

In April 2018, MMD sold the equity interest it held in its Polish subsidiary, SPOMASZ-WRONKI to FERRUM AG. This sale generated company profit of €5,394,197 and consolidated capital gains of €4,604,000.

On 14 June 2018, MMD subscribed to the capital increase of its subsidiary BaTT for €1,500,000 through the issue of 75,000 new shares with a par value of €20.00 each, which it paid out in cash.

Also in June 2018, MMD acquired the shares of the Italian company CIPRIANI PHE SRL, manufacturer of heat exchangers, for €7,893,733.

In the 2018 financial year, CIPRIANI PHE SRL generated revenues of €10.8 million.

At the same time, the subsidiary BaTT purchased the patents operated by CIPRIANI for €1,500,000

MAC DIVISION	**2018**	**2017**
Revenue	189,361	189,256
Current Operating Income	4,002	8,769
Operating Income	673	9,840
Net profit	(1,439)	7,516
Net cash and cash equivalents	16,841	11,906
Consolidated net assets	51,439	55,855

On 31 December 2018, the total workforce of the MAC division was 1,234 employees.

The sales revenues from business operations in the production and manufacture of indoor and outdoor blinds and P.V.C. joinery and locking materials by FRANCIAFLEX and its subsidiaries, FABER FRANCE, SIPOSE and SIPA MENUISERIES amounted to €130,144,000.

The sales revenues from business operations in the manufacture of garage doors and domestic shutters, operations related to window and locking equipment by FRANCE FERMETURES amounted to €59,217,000.

The restructuring costs following the shutdown of the Toulouse sites for FRANCIAFLEX and the Rousset sites for FRANCE FERMETURES, whose operations were transferred to existing sites, came to a total of €2.6 million.

LONG AND MEDIUM TERM BORROWINGS

(excluding finance-leases adjusted for consolidation and current bank overdrafts) (in €000)
The companies without short, medium and long-term borrowings have not been taken into account.

Divisions	Borrowings	Borrowings	Borrowings
	Less than 1 year	1 to 5 years	> 5 years
DOM Security	3,847	13,107	2,484
NEU JKF	6,523	24,989	944
MAC	1,888	4,190	659
MMD	1,669	6,090	1,607
GROUPE SFPI & OTHER	8,608	20,914	2,849
TOTAL	**22,535**	**69,290**	**8,543**

The Group will maintain a surplus cash position of €27,530,000.

RISK AND EXCHANGE RATE ANALYSIS

The GROUPE SFPI group has a surplus cash position. It doesn't make use of any rate hedging instrument except for when contract clauses so require.

FUTURE OUTLOOK

For the 2019 financial year, the Group's target is to achieve revenues of approximately €570 million.

TO BE SUBMITTED TO THE EXTRAORDINARY GENERAL MEETING

AUTHORISATION TO GRANT TO THE BOARD OF DIRECTORS TO REDUCE THE SHARE CAPITAL THROUGH SHARE CANCELLATION

If you approve the treasury share buyback programme, we request for you to authorise the Board of Directors to cancel, where applicable, and at its sole discretion, on one or several occasions, and without exceeding 10% of the company's share capital, the shares acquired under the buyback programme which you have just been requested to authorise.

This authorisation will be valid for twenty-six (26) months as from the date of this general meeting.

Table of results for the past five financial years

Item	07/2013 06/2014	07/2014 12/2015	2016	2017	2018
1. Closing share capital	12 months	18 months	12 months	12 months	12 months
Share capital	2,516,990	80,972,876	80,972,876	80,972,876	89,386,112
Number of existing ordinary shares	2,516,990	89,969,862	89,969,862	89,969,862	99,317,902
Number of existing (non-voting) preference shares	-	-	-	-	-
Maximum number of shares to be issued in the future:					
• by bond conversion	-	-	-	-	-
• through the exercise of subscription rights	-	-	-	-	-
2. FY results and appropriation					
Revenue	1,097,685	4,430,368	4,233,239	4,241,912	7,975,256
Income before tax, employee profit-sharing and depreciation, amortisation and provisions	214,033	4,239,534	8,455,388	11,413,278	17,492,894
Income after tax, employee profit-sharing and impairment	(450,172)	6,935,788	14,742,053	17,465,620	16,681,417
Corporate income tax	-	(590,512)	(55,626)	(3,652,542)	(964,178)
Distributed earnings	-	2,625,442	4,498,493	5,398,192	
3. Earnings per share (EPS)					
Earnings after tax, employee profit-sharing but before depreciation, amortisation and provisions	0.09	0.05	0.09	0.13	0.19
Earnings after tax, employee profit-sharing and depreciation, amortisation and provisions	(0.18)	0.08	0.16	0.19	0.17
Dividend per share	-	0.03	0.05	0.06	
<u>Employees</u>					
Average employee headcount	0	9	9	11	13
Total payroll for the financial year	0	901,829	981,872	1,263,061	1,732,242
Total amount paid for social contributions and benefits	26	320,735	396,828	517,529	691,596

Governance report

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

- membership of the Board of Directors (the "Board") and application of the gender equality principle for balanced representation of men and women;
- 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 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 offering (Article L. 225-10-3) and the procedures regarding shareholder participation in general meetings.

This report has been drawn up following discussions and interviews with the heads of the Company's financial services, management control and legal departments.

This report covers the following matters:

(1) Corporate governance procedures

(2) Board of Directors

(3) Conditions of the preparation and organisation of the Board's work

(4) Remuneration of corporate officers

(5) Factors liable to have an impact in the event of a public offering

(6) Delegations and authorisations granted to the Board of Directors

(7) Any other information

(1) CORPORATE GOVERNANCE PROCEDURES

Since 2010, the Company has decided to adopt the Middlenext Code (the "Code") published in December 2009 and revised in September 2016 as its reference code for corporate governance, judging that it is the most adapted to the size and structure of its shareholder base. GROUPE SFPI is committed to complying with its recommendations.

This Code is available on the Middlenext site (www.middlenext.com).

Furthermore, over the past few years, the Board has initiated proceedings to comply progressively with the Middlenext Code recommendations. The Code's revision has led to said proceedings in order for the Company to comply with the new recommendations.

The Board, in accordance with recommendation no. 19, has made itself familiar with the matters identified as requiring vigilance and is 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 shall be responsible for general management of the Company.

The Chief Executive Officer exercises their 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, and in particular:

- appointing corporate officers,
- approving the annual and quarterly accounts,
- convening and setting the agenda of general shareholders' meetings,

- carrying out the checks and verifications that it considers appropriate,
- examining major operations/transactions envisaged by the Company,
- keeping abreast of any significant events concerning the Company.

(2) MEMBERSHIP OF THE BOARD

(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 mandate: 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 mandate: 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 mandate: 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 mandate: 2021

Number of Company shares held: 21

> **Sophie Morel Director**

Born 16 July 1985 in Strasbourg (67 - Bas-Rhin)

Date of first appointment: 3 March 2015

End of current mandate: 2021

Number of Company shares held: 21

> **CM-CIC INVESTISSEMENT SCR**

Director

Represented by Thierry Wendling

Date of first appointment: 10 November 2015

End of mandate: 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 mandate: 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 mandate: three years, non-renewable

Number of Company shares held: 0

(2.2) Composition of the Board and Audit Committee

First name, SURNAME, title or role of directors	Independent director	Year of first appointment	End of mandate	Audit Committee	Background and experience
Henri MOREL Director and Chairman & Chief Executive Officer	No	2015	2021	No	--
SPRING MANAGEMENT SAS Director, represented by PROT Jean Bertrand	No	2018	2021	Member	Merger and acquisition
Hervé HOUDART Director	Yes	2015	2021	Chairman	Company management
CM-CIC INVESTISSEMENT SCR Director, represented by Thierry WENDLING	No	2015	2021	Member	Management and finance
Valentine LAUDE Director	No	2015	2021	Member	--
Sophie MOREL Director	No	2015	2021	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 corporate office held and duties performed in other companies for each of the Company's corporate officers:

Corporate officer / COMPANY	Position and/or duties
Henri Morel:	
NEU JKF SA - FÉVI FAS - NEU FÉVI SA MAC SAS - SOREMEC SA	Director
NEU 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 AVENUE GEORGES NUTTIN - SCI LA CHAPELLE D'ARMENTIÈRES SCI HÔTEL DU CHAMP DU FEU - SCI 1896	Manager
Jean-Bertrand Prot	
NEU 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	
None	Director
Sophie Morel	
MAC SAS - SOREMEC SA	Director
DATAGROUPE SA	Permanent representative
Marie-Cécile Matar	
E4V - 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
DINAMIC EMBALLAGES SAS	Permanent representative CM-CIC INVESTISSEMENT SCR Chairman of the Supervisory Committee
FCPR ALSACE CROISSANCE	Permanent representative CM-CIC INVESTISSEMENT SCR Chairman of the Advisory 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
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

(2.4) Application of the gender equality 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 no. 3 of the Code:

- over the course of the past five years, has not been, and currently is not, an employee or executive corporate officer of the Company or of a company within 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, debtor, 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 a reference shareholder;
- has not, in the course of the past six years, been an official auditor of the Company.

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

(2.6) Term of office

The duration of a director's term of office is also set at three (3) years. This duration is in accordance with Code recommendation no. 9. Furthermore, the Company believes that given the size and composition of its Board of Directors, the three-year appointments term favour directors' intimate knowledge of Company matters, its markets and business activities in their deliberations, without diminishing the quality of their supervisory role.

(2.7) Code of ethics

In compliance with recommendation no. 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 exercise of multiple mandates, informing the council of any conflicts of interest arising after taking office, regularly attending Board and shareholder meetings, ensuring that they possess all of the information necessary to make fully informed decisions at Board meetings and respecting professional secrecy.

(2.8) Choice of directors

On appointment or renewal of each director's mandate, notice of their experience, competencies and the list of other offices held is published in the annual report and at the general meeting. This information is made available from the Company website. The appointment of each director is made by separate resolution, in accordance with Code recommendation no. 8.

(3) TERMS AND CONDITIONS REGARDING THE PREPARATION AND ORGANISATION OF THE BOARD'S ACTIVITIES

(3.1) Rules of procedure

In accordance with Code recommendation no. 7, the Board has adopted rules of procedure which are available on the Company's website. These rules of procedure outline:

- the role of the Board and, where applicable, the transactions submitted for prior approval of the Board;
- the composition of the Board, the independence criteria for members;
- members' duties (ethics: loyalty, non-competition, disclosure of conflicts of interest and the obligation to abstain, ethics, confidentiality, etc.);
- the functioning of the Board (frequency, convocation, self-assessment, use of videoconference and telecommunication means, etc.) and specifying the role of any committees;
- the means of protection for corporate officers: civil liability insurance for corporate officers (RCMS);
- rules for determining the remuneration of directors.

The rules of procedure otherwise specify that:

The Board may only deliberate validly if at least one 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 transactions referred to in Articles L. 232-1 and L. 233-16, the rules of procedure stipulate that members who take part in the meeting via videoconference and telecommunications systems will be deemed present for the calculation of the 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 documents and information necessary to enable them to be fully prepared for meetings. The Chairman strives to communicate all of these elements at least five (5) days before the meetings are held. Furthermore, the Chairman follows up members' requests for additional information. The Board members assess whether they receive sufficient information to properly carry out their duties.

In addition, directors are regularly notified between meetings when Company business dictates the need, in accordance with Code recommendation no. 4.

(3.3) Establishment of committees

In accordance with Code recommendation no. 6, we inform you of the Company's choices regarding specialised committees.

A strategy committee has been set up by the Board of Directors, in its meeting of 27 July 2018. This committee is primarily comprised of directors and its essential purpose is 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 organisation.

This executive and strategic committee was implemented by the Board of Directors in its meeting of 26 March 2019. It is chaired by SPRING MANAGEMENT SAS represented by Jean-Bertrand Prot and is comprised of Sophie Morel, Henri Morel, Damien Chauveinc, Nicolas Loyau and Pierre-Paul Fini.
Its purpose is to review investment decisions over €1 million, GROUPE SFPI's budget, the Group's monthly results, any matters regarding strategy, acquisitions, sales, development policies etc., and the recruitment of key personnel.

In accordance with the provisions of Article L. 823-19 of the French Commercial Code, the Board of Directors decided, during its meeting of 12 January 2016, to not create a separate internal audit unit and to carry out the functions of the audit committee as a full board.

Hervé Houdart, independent director under the Code's criteria, has specific expertise in corporate management. He will chair the Board of Directors when it meets as audit committee.

The Chairman and Chief Executive Officer, when performing executive duties, will abstain from the Board when it meets as the audit committee. However, as financial director, they may be invited to participate in one part of the meeting depending on the nature of the topic and the information and further details for which their contributions may prove useful and enrich the debates.

An audit committee charter was adopted by the Board of Directors' meeting of 13 March 2018. This charter specifies the composition as well as the duties of the audit committee.

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

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

As part of this audit assignment, the audit committee shall meet before the approval of the Company's financial statements. Accordingly, the Audit Committee met on:

24 April	• Presentation of the company and consolidated financial statements at 31 December 2017 and any important events of the period; • Presentation of the work of the statutory auditors.
25 September	• Review and analysis of the consolidated financial statements at 30 June 2018; • Statutory auditors' report on their audit of the consolidated financial statements as at 30 June 2018.

(3.4) Board meetings

The functioning of the Board (convocation, 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, oversees 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 meetings, and establishes 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 authorisation of 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 kept informed regularly of the progress of these matters.

In 2018, the Board held five meetings and the attendance rate was 97%. It voted, inter alia, on the following matters:

13 March	• Adoption of the Board of Directors' rules of procedure. • Adoption of the audit committee charter. • Reorganisation of GROUPE SFPI SA governance. • Amendment of the articles of association to approve of the conditions for nominations of employee representative directors. • Balanced representation of women on the Board of Directors. • Update on the Sapin II law (anti-corruption). • Group reporting.

24 April	• Review and approval of the balance sheet and parent company financial statements for the year ended 31 December 2017; • Review and approval of the consolidated financial statements for the year ended 31 December 2017; • Preparation of the management and activity report on the parent company and consolidated financial statements for the year ended 31 December 2017; • Regulated agreements and commitments; • Status of director appointments; • Status of non-voting member (censeur) appointment; • Sureties, endorsements and guarantees; • Employee share ownership; • Directors' fees; • Delegation of authority to render the articles of association compliant with statutory and regulatory provisions; • Amendment of the articles of associations to determine the conditions under which the employee representative directors are appointed; • Renewal of the treasury share buyback programme; • Decisions to be made for the preparation and convocation of the annual general meeting called to approve the annual financial statements; • Presentation and approval of management forecasts.
14 June	• Allocation of directors' fees.
20 June	• Share buyback programme (OPAS) carried out by DOM Security; • Principle of a merger-absorption of DOM Security by the company GROUPE SFPI
27 July	• Merger-absorption of DOM Security by the company GROUPE SFPI; • Establishment of a strategy committee.
17 September	• Approval of the accounting statement as at 30 June 2018 of the company financial statements, as provided for by Article R. 236-3 (4) of the French Commercial Code.
25 September	• Presentation and approval of the consolidated financial statements as at 30 June 2018 of the company financial statements, as provided for by Article R. 236-3 (4) of the French Commercial Code.
25 September	• Appointment of a new director; • Review and approval of the plan for the merger of DOM Security (absorbed company) with GROUPE SFPI; • Preparation and convocation of the combined general meeting called to approve the merger; • Powers to be granted to the Chairman and Chief Executive Officer under the treasury share buyback programme.
2 October	• Change of date of the extraordinary general meeting called to approve the merger-absorption of DOM Security by GROUPE SFPI.
16 November	• Recognition that the conditions precedent of the Merger Agreement have been met; • Setting of the completion date for the Merger and recognition of the merger's definitive completion through DOM Security being absorbed by GROUPE SFPI; • Statement of the definitive completion of the capital increase in consideration for contributions under the Merger on the Merger completion date; • formal acknowledgement of the dissolution without corresponding liquidation of DOM SECURITY; • powers to be granted to the Chairman and Chief Executive Officer to take all necessary or useful measures for the creation of new GROUPE SFPI shares issued in consideration of the Merger and their admission to trading on the Paris Euronext regulated market. • Resignation of Jean-Bertrand Prot from his mandate as director; • Authorisation of the transfer of equity investments from GROUPE SFPI to DOM Participations; • Review of the regulated agreements and commitments; • Amicable termination of the consultancy contract with SPRING MANAGEMENT; • Signing of a new agreement with SPRING MANAGEMENT.

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

(4) REMUNERATION POLICY FOR CORPORATE OFFICERS

(4.1) Remuneration of directors that are not senior executives

Only directors that are natural persons, not senior executives nor Group employees receive directors' fees. These are allocated by the General Meeting and distributed by the Board of Directors, in equal parts, on a fixed-rate basis.

(4.2) Remuneration of executive corporate officers

We hereby state that the principles and rules applied for calculating the remuneration and benefits of any kind granted to Company corporate officers are the subject of prior approval by the Board. It reviews all of the rules relating to determining the fixed and variable (where applicable) component, 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 the benefits of any kind paid or allocated to the Company's Chairman and Chief Executive Office and Chief Operating Officer, for the year ended 31 December 2018, are submitted for approval of the shareholders' general meeting.

Executive corporate officer remuneration includes the following components:
- fixed remuneration;
- variable remuneration;
- benefits in kind.

Executive corporate officers do not receive directors' fees under their corporate mandates within the Company.
Corporate officers do not benefit from any deferred remuneration, severance payment or retirement commitment, as referred to in Code recommendations no. 16 and 17.

The Company has not implemented a policy for the allocation of stock-options or bonus shares to executive corporate officers, as referred to under Code recommendation no. 18.

The breakdown of the remuneration and benefits granted to corporate officers is included in the corporate governance report presented to the general meeting, in the format of three tables established in accordance with Middlenext recommendations.

In accordance with 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 Chief Operating Officer for the year ended 31 December 2019, are submitted for approval to the shareholders' general meeting.

(4.3) Remuneration and benefits of corporate officers and directors

1. Remuneration of corporate executive officers

The remuneration and benefits of any kind paid in respect of 2018 to corporate officers by the Company, controlled companies and companies that control it are detailed in the tables below.

Henri Morel	**FY 2018**		**FY 2017**	
Chairman of DENY SECURITY SAS	Amount due	Amount paid	Amount due	Amount paid
Fixed remuneration (1)	127,008.00	127,008.00	127,008.00	127,008.00
Annual variable remuneration	--	--	--	--
Exceptional remuneration	--	--	--	--
Directors' fees	--	--	--	--
Benefits in kind (2)	8,910.00	8,910.00	8,793.00	8,793.00
TOTAL 1	135,918.00	135,918.00	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	--	--	--	--
Directors' fees	--	--	--	--
Benefits in kind (2)	20,290.04	20,290.04	20,021.96	20,021.96
TOTAL 2	320,290.04	320,290.04	320,021.96	320,021.96
Chairman of ARC MANAGEMENT SAS				
Fixed remuneration (1)	59,400.00	59,400.00	59,400.00	59,400.00
Annual variable remuneration	--	--	--	--

Exceptional remuneration	--	--	--	--
Directors' fees	--	--	--	--
Benefits in kind (2)	7,412.58	7,412.58	7,330.93	7,330.93
TOTAL 3	66,812.58	66,812.58	66,730.93	66,730.93

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

Damien Chauveinc	FY 2018		FY 2017	
Chief Operating Officer of GROUPE SFPI SA	Amount due	Amount paid	Amount due	Amount paid
Fixed remuneration (1)	190,774.00	190,774.00	180,010.00	180,010.00
Annual variable remuneration	50,000.00	50,000.00	--	--
Exceptional remuneration	--	--	--	--
Directors' fees	--	--	--	--
Benefits in kind	2,370.00	2,370.00	198.00	198.00
TOTAL	243,144.00	243,144.00	180,208.00	180,208.00

(1) On a gross pre-tax basis.

2. Directors' fees and other remuneration paid to non-executive corporate officers

Hervé Houdart **Director of GROUPE SFPI SA**	**Amounts paid in respect of FY 2018**		**Amounts paid in respect of FY 2017**	
	Amount due	Amount paid	Amount due	Amount paid
Directors' fees	10,000.00	10,000.00	7,500.00	7,500.00
TOTAL	10,000.00	10,000.00	7,500.00	7,500.00

Valentine Laude **Director of GROUPE SFPI SA**	**Amounts paid in respect of FY 2018**		**Amounts paid in respect of FY 2017**	
	Amount due	Amount paid	Amount due	Amount paid
Directors' fees	10,000.00	10,000.00	7,500.00	7,500.00
TOTAL	10,000.00	10,000.00	7,500.00	7,500.00

CM-CIC INVESTISSEMENT SCR, represented by Thierry Wendling **Director of GROUPE SFPI SA**	**Amounts paid in respect of FY 2018**		**Amounts paid in respect of FY 2017**	
	Amount due	Amount paid	Amount due	Amount paid
Directors' fees	10,000.00	10,000.00	7,500.00	7,500.00
TOTAL	10,000.00	10,000.00	7,500.00	7,500.00

Sophie Morel Employee and director of GROUPE SFPI SA	Amounts paid in respect of FY 2018		Amounts paid in respect of FY 2017	
	Amount due	Amount paid	Amount due	Amount paid
Fixed remuneration [(1)]	68,307.36	68,307.36	66,248.22	66,248.22
Directors' fees	--	--	--	--
TOTAL	68,307.36	68,307.36	66,248.22	66,248.22

(1) On a gross pre-tax basis.

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

(5.1) The Company's share capital structure

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

- ARC MANAGEMENT: 46.26% (56% of GROUPE SFPI voting rights)
- SPRING MANAGEMENT: 11.34% (14% of GROUPE SFPI voting rights)
- CM-CIC INVESTISSEMENT: 7.34% (8.79% of GROUPE SFPI voting rights)
- BNP PARIBAS DEVELOPPEMENT: 1.97% (1.34% of GROUPE SFPI voting rights)
- Public: 26.20%
- Treasury: 2.11%

(5.2) Statutory restrictions

(i) The voting right attaching to shares is proportional to the capital stock they represent. All equity share or dividend shares have the same par value and they therefore all carry one voting right.
However, a double voting right compared to other shares with the same proportion of the equity 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 plans to cross the thresholds specified in the articles of association. Effectively, any individual or legal entity, acting alone or in concert, that holds or ceases to hold at least 2% of the Company's shares 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 declaration according to the conditions stated above, the shares exceeding the fraction that should have been declared are 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" in the Company's articles of association. However the Board also has its own rules of procedure, defining the operating rules and procedures of the Board and any related committees, as supplement to legal provisions and the Company's articles of association and with reference to the Middlenext Code.

To amend the articles of association, decisions at the extraordinary general meeting may be taken if a two-thirds majority is present or represented. It 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 issue or repurchase

Delegations or authorisations granted by the General Meeting of 14 June 2018

Purpose of the resolution	Maximum amount	Period	Use in 2018
Authorisation for buyback of treasury shares by the Company	Maximum amount of the program 10% of the Company's share capital and €44,984,930 Maximum repurchase price: €5.00 euros for a share with par value of €0.90	18 months as from 14 June 2018 (12th resolution), i.e. until 14 December 2019	This authorisation is used by an investment services provider under a liquidity contract
Authorisation to reduce the share capital by cancelling treasury shares	10% of the Company's share capital over 24 months	26 months as from 14 June 2018 (13th resolution), i.e. until 14 August 2020. Accordingly, the authorisation granted by the General Meeting of 9 June 2017 in its 10th resolution was stripped of effect.	None

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

At the date of this report, the Board of Directors, pursuant to the resolutions approved by the shareholders' general meeting of 14 June 2018, holds the following delegations, powers or authorisations:

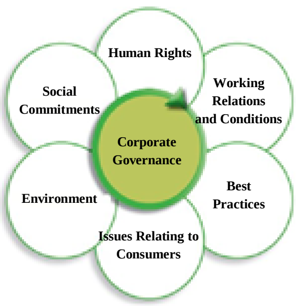
Purpose of the resolution	Maximum amount	Period	Use in 2018
Powers in order to allow the Board of Directors to make the necessary amendments to the articles of association if new statutory and regulatory dispositions require the Company to comply with new provisions, subject to these amendments being ratified by the next extraordinary general meeting	Not applicable	Indeterminate	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 as 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 as from 14 June 2018 (18th resolution), i.e. until 14 June 2021	None

Board of Directors

Henri Morel

Statement of non-financial performance

PRESENTATION AND METHODOLOGY



Since its listing at the end of 2015, our company has been required to measure its social and environmental responsibility, which since 2018 has been reflected in a declaration of extra-financial performance.

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

In view of GROUPE SFPI's role as a leading holding company, and in line with previous years, the company has decided to prepare its report covering the Group's entire consolidation scope. Accordingly, for 2018 no company exclusions were recorded.

As a reminder, in 2017, data was collected from 40 companies, excluding companies with 4 or fewer employees. **In 2018, data from 54 companies was collected**, the consolidation criteria being changed to 1 or more employees.

Collection of data considered 'quantitative', essentially relating to social and environmental data, is done via an Excel spreadsheet to be filled in. This document is addressed, in priority order, to the heads of Human Resources, Administration and Finance, Accounting, depending on the size and organisation of the structure concerned. The nature of the information collected is identical to the previous year.

In 2018, no 'qualitative' data collection was carried out, but an analysis of the qualitative data for 2017 made it possible to collect relevant information on the CSR commitments of a significant number of companies. Accordingly, a materiality matrix was able to be established following a risk analysis. A new model for qualitative collection will be made available for the next collection drive.

Collection of information took place between 15 January 2019 and 20 March 2019.
It should be noted that contributors had better support and follow up in data entry this year, which meant that contributors were made more aware of the importance of the collection.
The collection documents were accompanied by a form explaining the approach and methodology. It specifies the definitions and is available in French and in English.

All of the data presented in this report refers to the consolidated scope.

The definition of risks was established on the basis of the Group's materiality matrix, which is based on the data collected the previous year and the topics covered in working meetings (Works Council, Group and subsidiary executive committees, steering committee, analyst meetings...).

After analysis, the main risks are consolidated and defined by chapter in the document below.

In addition, to date, the analysis conducted by the 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

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

2019 key figures

- 54 consolidated companies
- 19 countries
- 8016 data items collected
- 3858 employees
- more than 50 contributors

BUSINESS MODEL

GROUPE SFPI organises its business operations around two sectors, industry and construction, which are organised through 4 divisions, as presented hereafter.

Business line: Industry

The Group's 'Industry' business line includes the following two divisions:

- NEU JKF which specialises in air treatment,
- MMD specialised in the manufacture of heat exchangers and autoclaves.

Because these activities are fundamentally different, the business and markets of these two divisions are described separately in the paragraphs below.

PRESENTATION OF THE NEU-JKF DIVISION

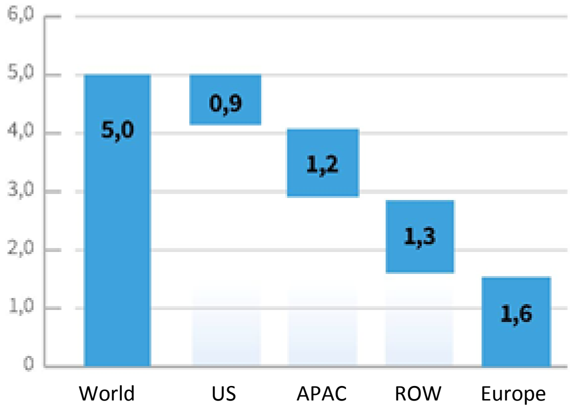
The NEU JKF group is made up of several entities. It is, however, led by a single management team with shared support services.
The group NEU JKF specialises in particular in activities related to technical aerodynamics, listed below:

- 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).

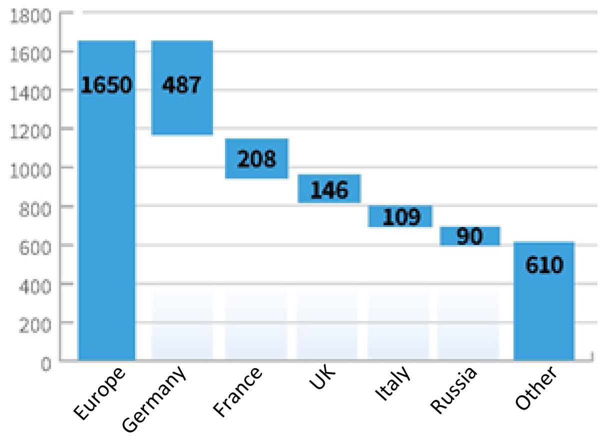
Financial data for the NEU JKF division
The NEU JKF division has consolidated sales of around €121 million, half of which was generated outside France.
The NEU JFK division has almost 700 employees, almost 52% of which are based outside France.

NEU JKF Market Data[1]
NEU JKF's main market is the industrial air treatment and filtration market, estimated at more than 5 billion euros worldwide in 2016.
Europe, the world's largest market, is also the most important for this division:

Global market for air treatment in industrial environments
€ billion - 2016

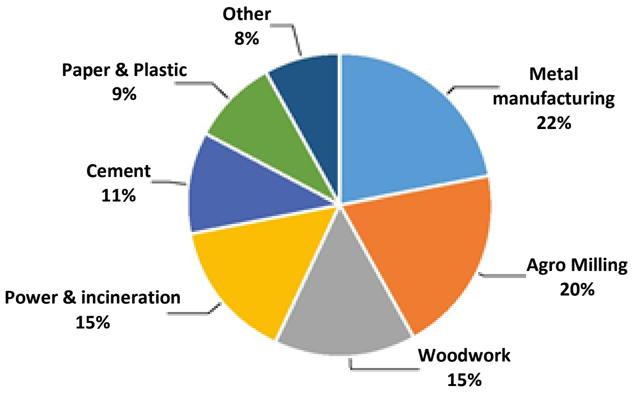


European market for air treatment in industrial environments
€ million - 2016



The main areas of use are:

[1] Source: SFPI Group internal studies



PRESENTATION OF THE MMD DIVISION

The MMD division is organised around three main companies:

- The BARRIQUAND group (BATT, Barriquand Echangeurs, ASET, Barriquand do Brasil, Financière Barriquand, Barriquand SAS), which manufactures brazed plate and tubular exchangers;
- STERIFLOW, which manufactures autoclaves for sterilisation; and
- CIPRIANI, a company acquired on 29 June 2018 that specialises in the manufacture and sale of brazed plate heat exchangers.

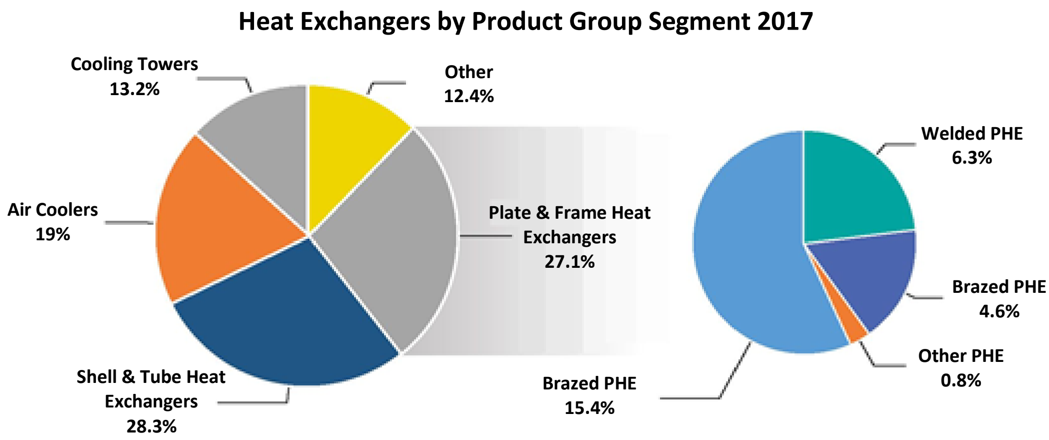
Financial data for the MMD division

The MMD division has consolidated sales of around €51 million, more than 65% of which was generated outside France.
In 2018, the division employed 260 people, 42 of which were based in Italy (16% of the division's workforce).

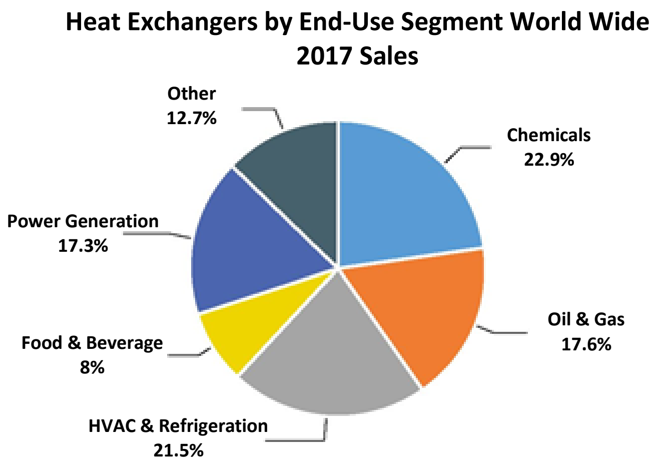
MMD Division Market Data[2]

In 2018, the global market for heat exchangers has been estimated at $20 billion, which can be broken down by technology type as follows:

- Welded exchangers: 6.3% ($1.2bn - Barriquand Echangeurs)
- Shell and tube exchangers: 28.3% ($5.6bn - ASET)
- Brazed plate heat exchangers: 15.4% ($3bn - Cipriani)



2 Source: Heat exchangers: Global Strategic Business report, October 2017, Global Industry Analyst Inc.



The main sectors of use are:

- HVAC (Heating- Ventilation - Air Conditioning): 21.5%
- Chemical Industries: 23%
- Oil and gas Industries: 17.6%
- Energy Industries: 17.3%
- Agrifood industries: 8%

Europe alone accounts for 30% of the world market. The annual growth of the market is estimated at 5%, the growth being index-linked to the increase in energy consumption.

Business line: Building

The Group's 'Building' business line includes the following two divisions:

- DOM SECURITY specialised in locking systems,
- MAC specialised in window equipment and industrial doors.

PRESENTATION OF THE MAC DIVISION

The MAC division is dedicated to window equipment 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 markets mainly door and window products 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 in close connection with SIPA; SIPOSE is dedicated to handling large installation sites.
- FRANCIAFLEX is a window equipment specialist offering five product families: PVC windows and doors, aluminium joinery, roller shutters, awnings and blinds.

Of the 16 companies in the division, all but four are located in France.

Financial data for the MAC division

The MAC division has consolidated sales of around €190 million, for the most part generated in France by the two companies Franciaflex and France Fermetures.
The division employs more than 1,200 people primarily in France (97%).

MAC Division Market Data[3]

The MAC division's income is in direct correlation with the building sector's business activity, renovations in particular. After years of structural decline, the building market has picked up again as part of an overall improvement in the business climate, which is mainly due to continued low interest rates and tax incentives on energy savings.

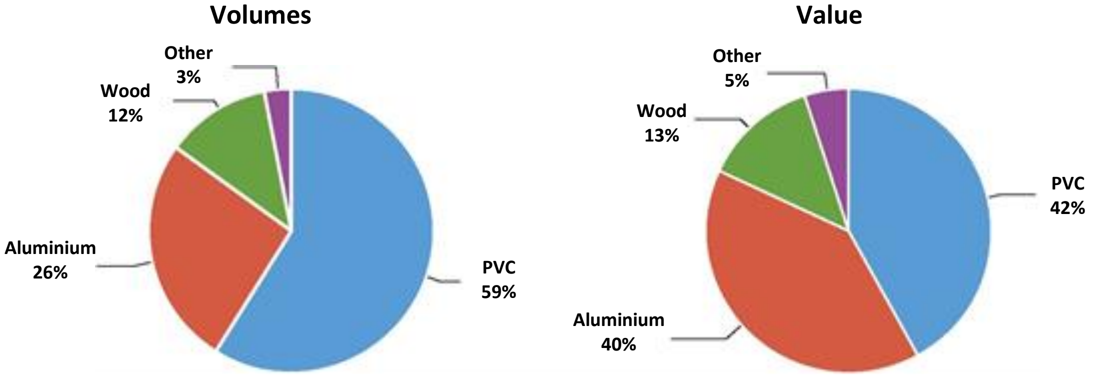
3 MSI Market Study

The MAC division generates more than 90% of its sales in France. Its main markets are:

- **Windows**

In 2017, the French window market was estimated at 9.9 million units, an increase of 3% compared to 2016, for a total value of 46 billion euros. PVC accounts for around 60% of volumes compared with 26% for aluminium.

French window market - 2017

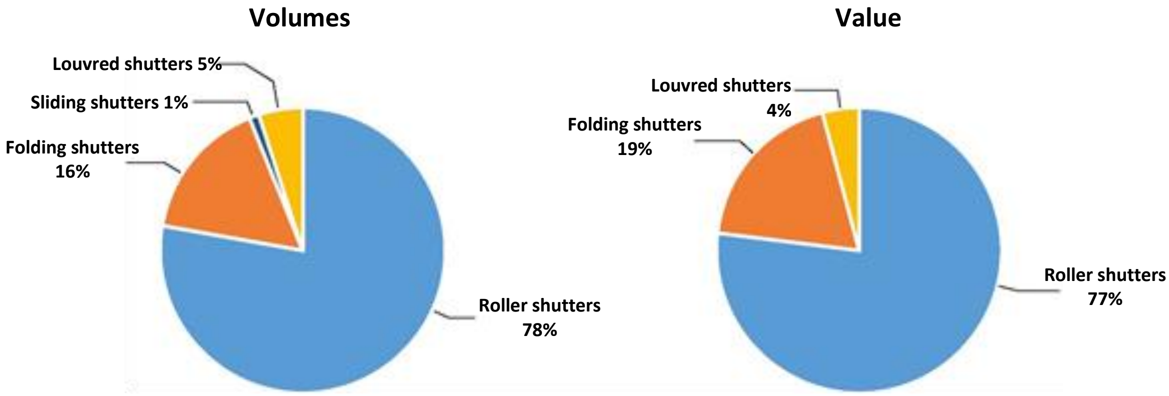


78% of volumes are supplied for individual homes, mainly for renovation.

- **Shutters**

In 2017, the French shutter market was estimated at 5.4 million units, an increase of 3% compared to 2016, for a total value of 1.2 billion euros. Roller shutters represent 78% of volumes.

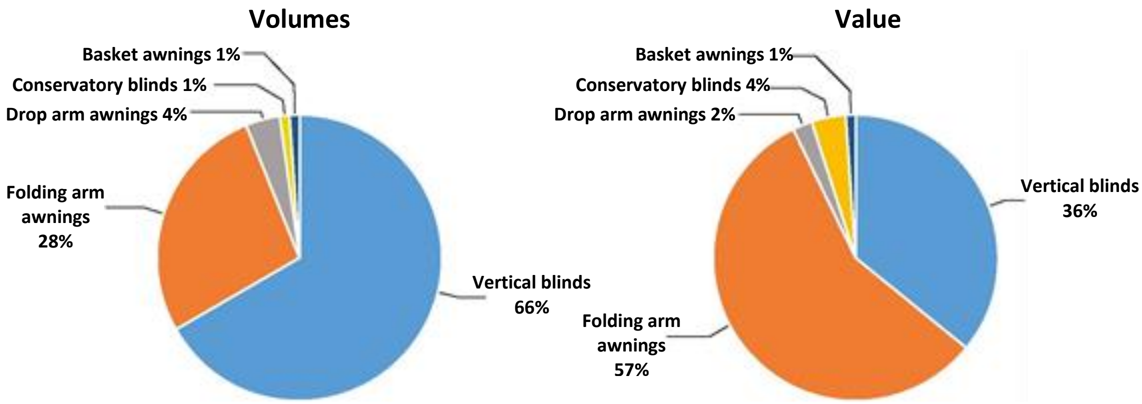
Shutter market in France - 2017



- **Awnings**

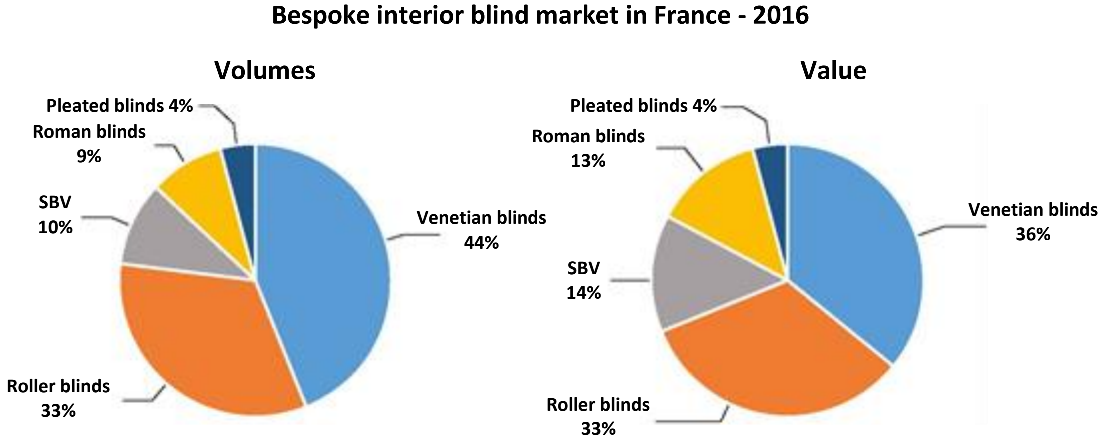
In 2016, the French awnings market was estimated at 580,000 units, stable compared to 2015, for a total value of 300 million euros.

Outdoor awning market in France - 2016



- **Bespoke interior blinds**

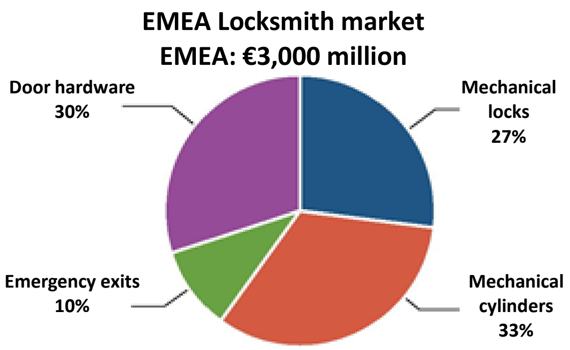
In 2016, the French market for bespoke interior blinds was estimated at 1.1 million units, down 1.4% from 2015, for a total value of €110 million.



There is also a standard indoor blinds market of more than 4 million units but they are sold by large retailers and the MAC division is not exposed to this market.

PRESENTATION OF DOM SECURITY.

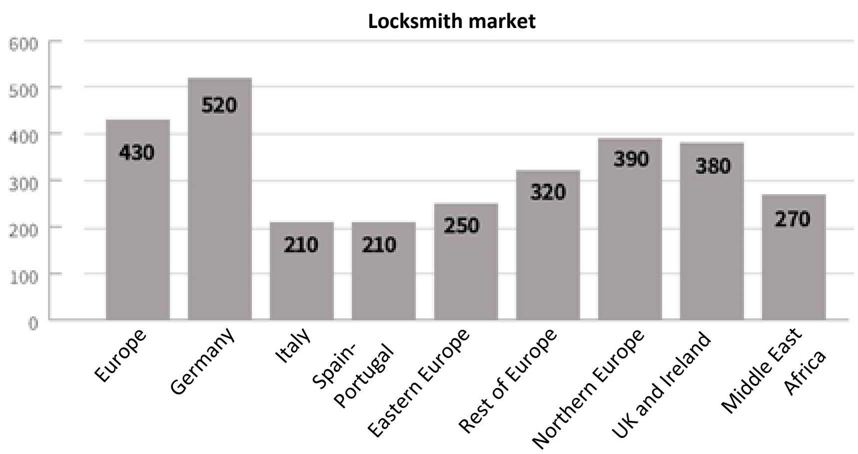
DOM Security Group is structured around 29 companies based in Europe, including 12 companies in France, as well as companies based in Germany, Slovenia, Hungary, England and Spain, in particular.



Economic environment

Today, the Europe/Middle East market for mechanical security devices in which the DOM Security Group operates is estimated at 3 billion euros.
In the specific market for mechanical and electronic cylinders, DOM Security Group accounts for around 10% of the market and is the fourth largest player in this market.
DOM Security Group has a commercial presence in all professional distribution channels.

Source: Mechanical and Peripherical Locking Devices Report-2015 by HIS Technology



Source: Mechanical and Peripherical Locking Devices Report-2015 by HIS Technology

Key figures of DOM Security and its subsidiaries
DOM Security generated sales of €186 million and employs more than 1600 employees, of which two-thirds are based outside France.

Risks related to governance

1. RISKS RELATED TO THE GROUP'S STRATEGY

The Group's long-term success depends in part 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 the growing demands of the market against a backdrop of significant competitive and technological pressure.

The implementation of this strategy depends, in part, on the Group's ability to identify attractive targets, to make such acquisitions on satisfactory terms, and to successfully integrate them into its operations or technology.

The Group cannot guarantee that it will be able to identify the best opportunities or to make 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 other technologies, this may have a material adverse effect on the Group's business, financial position, results, 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 responsibility at subsidiary level in order to better adapt to the local needs of its customers. 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.

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

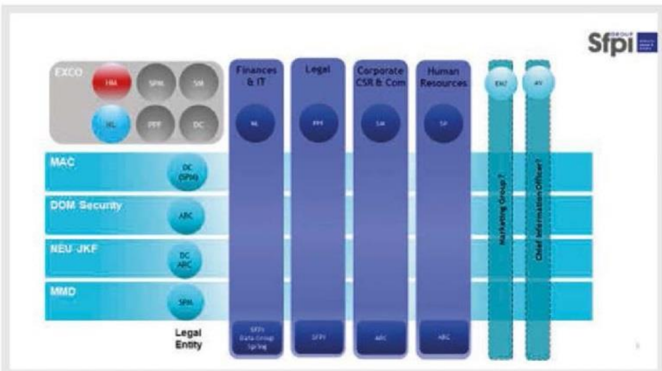
The Group owes a large part of its success to the quality and stability of its leaders, and in particular Henri Morel, Chairman and CEO of the Company, Jean-Bertrand Prot, advisor to the Chairman and former COO of the Company, and Damien CHAUVEINC, Chief Operating Officer, as well as the managers of 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 re-evaluation, the Group decided to re-imagine its executive structure and to formalise a matrix organisation.

Alongside the “classic” governance bodies, i.e. a Board of Directors with Chairman & Chief Executive Officer, an executive and strategic committee (EXCOS) and an auxiliary working committee were set up. These two management bodies will meet to discuss separate issues with different regularity.



The executive committee (EXCOS) meets monthly to cover technical topics primarily focussing on the proper organisation and management of the Group.

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

A CSR policy memo will be drafted and circulated widely, summarising the main elements of this statement of non-financial performance.

The regularity of meetings, the working subcommittees created and the projects undertaken are the key indicators to follow on these themes. Launched at the beginning of 2019, these measures will begin to produce their effects over the financial year, to be monitored as of the next statement of non-financial performance.

Risks related to working conditions and relations

1. RISKS RELATED TO LOSS OF CRITICAL SKILLS AND RECRUITMENT 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 results.

The Group's continued development, particularly internationally, will require it to recruit 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's companies, could reduce 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, results and development

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

In light of this reality, the SFPI Group suggested that its subsidiaries' review their human resources management processes.

Accordingly, the NEU-JKF division hired a Human Resources Director in May 2018.

At the SFPI holding company, a position for a Human Resources supervisor was open and filled in October 2018.

At multiple Group companies, the Group implemented a restructuring plan for staff services.

Implementation of a digitalised Human Resources Information System will enable the Group to supplement these actions with support adapted for relevant and efficient human resources management.

Otherwise, important work was carried out on the Group and its companies' reputation. Multiple internet sites were revamped, aiming in particular to improve the visibility of Group companies by creating an employer brand.

The Group-level indicators to follow are:

- The number of voluntary departures out of the total number of departures:
  - 550 departures in 2018 of which 42% were voluntary (231)
  - 543 departures in 2017 of which 41% were voluntary (222)
- The staff turnaround rate: 14.17% in 2017
  15.16% in 2018

With regard to recruitment difficulties, an indicator is currently being defined.

2. RISKS RELATED TO HEALTH AND SAFETY

The companies of the SFPI GROUP are operating 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 as much for the health and safety of employees as for the quality of the products manufactured or assembled.

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

In most of the Group companies, a Health Safety and Environment officer is responsible for safety-related issues and their improvement.

In all of the structures where this is necessary, delegations of power specific to safety-related topics were granted. The Group decided to closely follow the change 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 in the upcoming financial years.

In 2018, 462,984 absent hours were recorded, compared to 452,886 the previous year.

The base indicators that the Group intends are frequency and severity rates:
In 2017, the indicators were as follows:

FR1	23.16
FR2	42.26
SR	0.62

For 2018, since the audit did not cover these figures, they were not published due to lack of approval by an independent third-party body.

Risks related to ethics and best practices

1. THE FIGHT AGAINST 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 of the measures necessary to reduce this risk in developing Group-wide process-improvement measures, by retaining external firms to assist it or in participating in inter professional work groups.

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

The SFPI GROUP has established a Code of Ethics in the aim of preventing risks related to corruption and fraud. In addition, the SFPI GROUP Board of Directors has adopted the Middlenext anti-corruption code since 2017.

A vigilance plan and ethics charter are currently being drawn up and should be circulated Group-wide during 2019.

The Group measures this risk through the number of convictions for corruption. The target is to maintain this number at 0.

Business Environment and Consumer Risks

1. COMPETITIVE RISKS

The markets in which the Group's companies are positioned are relatively fragmented, with many active players, both general and specialised, in the design, manufacture and marketing of certain products and equipment.

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 also faces independent competitors, specialised in products and services, with an established local presence and a strong customer relationship.

This competition forces the Group's companies to work constantly on their competitiveness in order to convince their customers of the high quality and added value of their products and services. The Group is also required to regularly develop new products and services in order to maintain and improve its competitive position, while maintaining 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, hygiene and environmental matters. In particular, its activities in the pressure vessels industry (exchangers and autoclaves, pressure filters, etc.) are subject to very strict regulations, the proper application of which is closely monitored.

These standards are complex and subject to change.

The failure of the Group to comply with and adapt its activities to new regulations, recommendations, national, European or international standards could have a material adverse effect on its business, results, 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 a Group level but are the focus of local monitoring. To adhere as best as possible to legislative and regulatory developments and remain competitive on our markets, it is imperative that the teams on the ground follow these changes closely.

The Group will encourage companies with elevated risk in terms of regulatory and other requirements relating to environment and health and safety to carry out regulatory monitoring.

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

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

The key performance indicator retained is the vitality ratio, i.e. the percentage of sales generated through new products (less than 5 years). This should not be lower than 10%.

Risks related to the environment

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 the materials it consumes, Group companies can cover part of their purchases using forward purchases from suppliers. However, if the Group's companies can no longer manage their raw material supply or if this supply had to be procured at a higher cost, this could have a material adverse effect on the Group's production costs, its business and its financial situation.

2. RISKS RELATED TO WASTE MANAGEMENT

Its industrial nature, in that many Group companies produce equipment assets, means that waste production is a reality.

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, beyond the inevitably negative impact for the Group’s image among its employees and clients.

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

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

For three years now the Group has been monitoring its energy consumption (water, electricity and gas) as well as its waste production. Through these measures, the objective is to control waste production and keep on target.

Locally, depending on the nature of the activities, initiatives to optimize energy consumption and waste management have been created.

At the consolidated level, energy consumption was measured.

Finally, an evaluation is being carried out for future financial years on the generalisation of carbon assessments. In 2017, 5 companies had carried out assessments.

The key performance indicators to be monitored will be:

- Amount of investments in reduction and energy comfort / total amount of investments.
- 5% reduction in commonplace industrial waste (DIB)

Societal risk

The Group's companies have developed partnerships with various 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 the Group's companies becoming over-dependent on its suppliers is low.

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

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

Human rights risks

The risks related to Human Rights are limited within the Group and are mainly in relation to the risks associated with new technologies. The SFPI Group's resources for compliance with the European General Regulation for the Protection of Personal Data (GDPR) are as follows:

- A SFPI Group DPO
- An operational steering committee with one contact person per division.
- An action plan to monitor the progress of all relevant companies, with the following priorities for 2019:
    - A transparent RGPD policy
    - Implementation of data registers
    - A focus on digital data protection

COMPANY FINANCIAL STATEMENTS - FY 2018

Balance sheet

€000	Net	Net
	31-12-2018 12 months	31-12-2017 12 months
Intangible assets	58	99
Property, plant and equipment, IT	526	545
Long-term investments	128,290	95,020
Total non-current assets	133,300	95,664
Inventories and work in progress	-	-
Trade receivables	4,700	1,304
Other receivables	12,495	5,676
Cash and cash equivalents	38,771	33,050
Prepaid expenses	315	222
Total current assets	56,280	40,252
Total ASSETS	190,164	135,915

EQUITY & LIABILITIES

€000	31-12-2018 12 months	31-12-2017 12 months
Share capital	89,386	80,973
Additional paid-in capital	5,593	-
Reserves and retained earnings	33,907	21,713
Net income	16,681	17,466
Shareholders' equity	145,567	120,151
Provisions for contingencies and charges	-	-
Borrowings	28,448	10,800
Trade payables	2,706	1,227
Other payables	13,342	3,737
Liabilities	44,597	15,764
Total EQUITY & LIABILITIES	190,164	135,915

Income statement

€000	31-12-2018 12 months	31-12-2017 12 months
Net revenues	7,975	4,242
Other operating income	12	6
Provision reversals and expense reclassification	-	-
Operating income	7,988	4,248
Purchases of goods and raw materials	(20)	-
Change in inventory	-	-
External charges	(7,287)	(3,083)
Taxes and duties	(125)	(56)
Staff costs	(2,424)	(1,781)
Depreciation, amortisation and provisions	(484)	(282)
Other expenses	(67)	(53)
Operating expenses	(10,406)	(5,254)
NET OPERATING INCOME/(LOSS)	(2,419)	(1,006)
Joint operations	243	202
NET FINANCIAL INCOME	20,391	10,547
EARNINGS BEFORE TAX AND NON-RECURRING ITEMS	18,215	9,743
NET NON-RECURRING INCOME/(EXPENSES)	(2,498)	4,070
Income tax	964	3,653
NET INCOME	16,681	17,466

Notes

Notes to the balance sheet before appropriation of earnings for the year ended 31 December 2018, showing a total of €190,740,000, and the income statement presented in list format and showing net income of €16,681,000.
The reporting period is a 12-month financial year running from 1 January to 31 December 2018.
The notes and tables presented below form an integral part of the company financial statements for the year ended 31 December 2018.

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)	Depreciation method
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 1.40% 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 €10,197,000, recognised under future tax liabilities.

Following the merger between GROUPE SFPI and Dom Security, the companies previously included in the Dom Security tax group joined the GROUPE SFPI tax group.

The buy-up of MAC SAS minority interests in 2017 also led to the inclusion of the former MAC tax group companies in the GROUPE SFPI tax group.

The following companies are included in the tax group headed by GROUPE SFPI: NEU PROCESS, NEU SA, NEU RAILWAYS, NEU AUTOMATION, DELTA NEU, NEU RLS, MMD, BARRIQUAND SAS, FINANCIÈRE BARRIQUAND, ASET, STÉRIFLOW, BATT, BARRIQUAND ECHANGEURS, DATAGROUPE, DÉNY SECURITY, PICARD SERRURES, DOM METALUX, DOM RONIS, DOM TSS, OMNITECH SECURITY, DOM SECURITY (former DOM PARTICIPATIONS), FRANCE FERMETURES, FRANCIAFLEX, SIPA MENUISERIES, SIPOSE, FABER, BAIE OUEST, SMVOET MAC.

Consolidation

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

NOTES TO THE FINANCIAL STATEMENTS.

1. HIGHLIGHTS OF THE YEAR

At the general meeting held on 14 June 2018, the shareholders of GROUPE SFPI decided to merge with its subsidiary Dom Security, a company listed on the C market.
The merger was approved by the combined ordinary and extraordinary general meeting held on 13 November 2018 and implemented by the Board of Directors on 16 November 2018.
The transaction resulted in the delisting of the Dom Security share under the following terms:

- One Dom Security share exchanged for 20 GROUPE SFPI shares
- Merger backdated to 1 January 2018
- Waiver of consideration for Dom Security shares held by GROUPE SFPI
- Likewise, waiver of consideration for treasury shares held by Dom Security

The transaction resulted in a capital increase of €8,413,236 via the issuance of 9,348,040 new shares with a par value of €0.90, subject to a total merger premium of €4,614,979.82.

The transaction also generated a merger surplus of €10,394,343.48 recorded under financial income.

Transaction costs totalling €1,030,000 were recognised under non-recurring expenses.

Prior to the merger, Dom Security initiated a simplified public tender offer on its shares capped at 10% of the share capital. This buyback offer priced at €75 per share gave rise to a non-recurring expense of €228,000, which was carried over to GROUPE SFPI's accounts following the merger.

The combined general meeting held on 19 December 2018 approved a transfer transaction with a view to setting up a DOM division. All of Dom Security's subsidiaries were transferred to Dom Security (former Dom Participations) except for the shares of Dom GmbH and Securidev Beteilgung. Given the uncertainty surrounding the tax implications of the capital gain arising from the transfer of Dom GmbH shares, this transfer was deferred pending a reply from the German tax authorities.

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

Intangible assets and property, plant & equipment

Gross	31-12-17	Increase	Decrease	Merger	31-12-18
Intangible assets	850	155	0	208	1,213
Property, plant and equipment	1,264	75	38	1,440	2,741
Total	**2,114**	**230**	**38**	**1,648**	**3,954**
Depreciation, amortisation and impairment	1,470	463	25	1,463	3,371
Net	**644**				**583**

Long-term investments

	31-12-17	Increase	Decrease	Merger	31-12-18
Equity investments	88,408	58,462	58,472	39,892	128,290
Other long-term securities	41				41
Loans and other long-term investments	240	26		217	483
Treasury shares	6,377				6,377
Total	**95,067**	**58,488**	**58,472**	**40,109**	**135,192**
Provisions	48	1,845			1,893
Net	**95,019**				**133,299**

The increase and decrease in equity investments are the result of the merger with Dom Security and the subsequent transfer of these shares, excluding Dom GmbH, to Dom Security (former Dom Participations). Decreases also include the sale of SCI Dom shares to Dom Security (former Dom Participations) at a price of €10,000.

The merger impact corresponds to the difference between the value of the Dom Security shares and the net value of its subsidiaries' shares.

The €1,845,000 increase in the provision recorded under non-recurring expenses corresponds to the write-down of treasury shares valued at the 31 December 2018 closing price of €2.16.

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 2018, the Company held 2,098,253 treasury shares.

	31-12-17	Movements	Appropriation of earnings	31-12-18
Share capital	80,973	8,413		89,386
Merger premium		5,593		5,593
Legal reserve	1,569		873	2,442
Regulated reserves	20			20
Other reserves	20,002		11,194	31,196
Retained earnings	123		126	249
Prior year earnings	17,466		(17,465)	-
Net income for the year		16,681		16,681
Shareholders' equity	**120,151**	**17,466**	**(4,376)**	**145,567**

Excluding treasury shares, GROUPE SFPI distributed €5,272,000 in dividends.

The merger generated a merger premium of €4,615,000, reduced by €1,987,000 in respect of the net value of treasury shares held by Dom Security and increased by €2,965,000 due to the cancellation of dividends received from Dom Security.

Following these accounting adjustments, the merger premium amounted to €5,593,000.

4. LOANS AND BORROWINGS (€000)

Loans and borrowings break down as follows:

Credit institutions	**31-12-18**	**< 1 year**	**1-5 years**	**> 5 years**
Bank loans	28,442	7,536	16,483	4,423

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).

Following the merger, the loans contracted by Dom Security increased GROUPE SFPI debt by €21,242,000.

These loans consist of the €18.3 million loan contracted for the purposes of the public tender offer, the balance of which amounted to €17.5 million at the closing date, and the balances of the loans taken out to finance the OMNITECH (€0.4 million) and MCM (€3.4 million) acquisitions.

The Company held cash and cash equivalents of €38,771,000 at 31 December 2018.

5. RECEIVABLES AND PAYABLES (€000)

Receivables	**31-12-18**	**< 1 year**	**> 1 year**
Trade receivables	4,828	4,675	153
Staff and related payables	10	10	-
Government – Income tax	1,065	0	-
Government - VAT	1,109	1,109	-
Other taxes	24	24	-
Group and shareholders	7,840	7,840	-
Other receivables	2,376	2,376	-
Prepaid expenses	315	315	-
Total	17,567	17,414	153

Liabilities	**31-12-18**	**< 1 year**	**> 1 year**
Trade payables	2,706	2,706	
Staff and related payables	283	283	
Social security payables	280	280	
Government – Income tax	0	0	
Government - VAT	548	548	
Government - Other	66	66	
Group and shareholders	11,472	11,472	
Other payables	767	767	
Total	**16,122**	**16,122**	

GROUPE SFPI holds a €4,560,000 receivable from its subsidiaries under the tax consolidation scheme.
Conversely, the Company owes €7,914,000 to its subsidiaries. This corresponds to excess down payments made by subsidiaries over and above their final income tax liability, plus the CICE competitiveness and employment tax credit deductible upon payment of income tax in May.

Receivables and payables with Group companies break down as follows:

Trade receivables	4,829	
Other receivables	7,837	Including €4,560,000 under the tax consolidation scheme
Trade payables	1,312	
Other payables	11,472	Including €7,914,000 under the tax consolidation scheme

6. PROVISIONS FOR IMPAIRMENT OF RECEIVABLES (€000)

Changes in this item are as follows:

	31-12-17	31-12-18
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	1,641
Social security and tax payables	426

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
30,350	**4,323**	**127**	**34,800**

The Company entered into a liquidity agreement with Gilbert Dupont on 1 July 2017, which generated an unrealised loss of €54,000 in relation to the last closing share price.

10. REVENUES

Breakdown by region

France	4,956
EU	3,019
Non-EU	
Total	**7,975**

Breakdown by business line

	Total	Group share
Provision of services	7,975	7,975
Total	**7,975**	**7,975**

The Company earns revenues from services provided to its subsidiaries.

In 2017, the Company took out a Group vehicle insurance policy for which it charges €381,000 to the subsidiaries.

GROUPE SFPI revenues have been impacted by the Dom Security merger, which generated additional revenues of €3,090,000. Likewise, expenses include €3,932,000 of expenses related to the locking solutions business.

11. NET FINANCIAL INCOME (€000)

Dividends	10,056
Merger surplus	10,394
Income from investments	179
Interest expense	(192)
Impairment	(46)
Total	**20,391**

Dividends are received mainly from the MAC companies (€3,304,000) and Dom Security subsidiaries (€6,604,000) due to the backdating of the merger.

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

	Expenses	**Charges**	**Income**	**Reversals**	**Net**
Long-term investments	-	400	-	1,000	600
Treasury shares	-	1,845			(1,845)
Merger expenses	1,258	-		-	(1,258)
Sale of non-current assets	11		13		2
Social security and tax disputes	-	-	12		12
Other	9	-			(9)
Total	**1,278**	**2,245**	**25**	**1,000**	**2,498**

As a result of backdating the merger to 1 January, the share transfer carried out in December led to a net provision reversal of €600,000.

13. OTHER INFORMATION (€000)

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

Provision of services	4,276
Cross-charging of expenses	3,699
Operating income	**7,975**
External charges	1,745
Operating expenses	1,745
Dividends	10,056
Financial income	33

14. CALCULATION OF INCOME TAX (€000)

	Gross	Adjustment	Total	Base at +33%	Income tax
Net operating income/(loss)	(2,419)	32	(2,387)	(2,387)	(796)
Joint operations	243	-	243	243	81
Net financial income	20,391	(20,265)	126	126	42
Net non-recurring income/(expenses)	(2,498)	-	(2,498)	(2,498)	(833)
Additional tax	-	-	-	-	
Tax credits	-	-	-	-	(54)
Dividend tax refund					(234)
Tax group	-	-	-	-	830
Total income tax	**-**	**-**	**-**	**-**	**(964)**

14. INCREASES AND REDUCTIONS IN FUTURE TAX LIABILITY

None

15. 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 loan granted by LCL for the purchase of Omnitech shares is subject to a €400,000 guarantee in respect of these shares.
The retirement benefit obligation amounted to €163,000 at 31 December 2018.

16. 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.

17. STATUTORY AUDITORS' FEES

Statutory auditors' fees amounted to €336,000.

Average headcount

	Employees	External personnel	Secondment	Total
Managers	7.9	-	-	7.9
Employees	4.8	-	-	4.8
Total	**12.7**	**-**	**-**	**12.7**

Average headcount includes, from 1 January to 31 October 2018, the Dom Security employees transferred from Dom Security (former Dom Participations) on 1 November 2018.
At 31 December 2018, the actual headcount of the company comprised 11 people.

18. POST-BALANCE SHEET EVENTS

No material events occurred between the balance sheet date and the date of this report.

Subsidiaries and affiliates

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

Company	Share capital - Number of shares	Equity excluding share capital	Portion of capital held (%) - Number 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 2016	Net income/(loss) for last FY ended	Revenues from last FY ended
Consolidated equity investments											
NEU JKF SA	6,285 419,036	7,311	99.97% 418,940	20,652		-	-	-	0	2,893	1,220
DOM SECURITY SAS	55,946 5,594,550	3,365	100.00% 5,594,550	59,545		-	10	-	20	(343)	316
DOM GMBH	2,503 2,502,773	6,031	99.59% 2,492,547	17,157				3,311	1,989	3,168	67,642
Secu Beteiligungs GmbH	25,000	165	100.00%	25,000						4	-
POINT EST SAS	188 12,500	83	99.99% 12,497	253		-	-	-	-	(28)	1
MMD SAS	1,798 119,853	12,196	100.00% 119,847	6,256		-	-	-	-	7,963	433
MAC SAS	4,109 4,325	32,598	99.88% 4,320	24,282		-	-	5	3,305	1,392	1,001
DATAGROUPE SA	45 3,000	780	95.37% 2,861	42		-	-	236	140	428	1,490
SCI NEU	10 500	31	99.80% 499	10		-	714		-	31	125
SCI LA CHAPELLE D'ARMENTIERES	10 500	18	99.80% 499	10		-	1,092	-	-	18	253
SCI GEORGE NUTTIN	10 500	100	99.80% 499	10		-	628	-	-	100	238
SCI VR des 2 VALLEES	10 500	23	99.80% 499	10		-	467	-	-	23	103
SCI ALU des 2 VALLEES	10 500	-	99.80% 499	10		-	-	5	-	-	-
SCI STERIMMO	10 500	14	99.80% 499	10		-	147	-	-	14	93
SCI LUZECH	10 500	-	99.80% 499	10		-	72			56	152
SCI MANCHESTER	10 500	8	99.80% 499	10			94			8	65
Other investments Miscellaneous		n/a	n/a	41			-	-	7	n/a	n/a

CONSOLIDATED FINANCIAL STATEMENTS - FY 2018

Balance sheet

€000	Note	31-12-2018	31-12-2017 (*)
Goodwill	1	53,555	43,902
Intangible assets	2	6,823	3,977
Property, plant and equipment	3	83,419	81,074
Investments in associates	4	1,075	1,162
Other non-current financial assets	6.1	5,161	5,363
Deferred tax assets	11	16,842	16,976
Total non-current assets		166,875	152,454
Inventories and work in progress	5	79,214	72,361
Trade receivables	6.2	102,297	119,147
Other current financial assets	6.3	35,035	33,416
Cash & cash equivalents	6.4	127,897	119,049
Assets held for sale		12,377	4,400
Total current assets		356,820	348,373
Total assets		523,695	500,827

€000	Note	31-12-2018	31-12-2017 (*)
Share capital		89,386	80,973
Consolidated reserves / Group share		101,462	82,614
Net income / Group share		13,657	25,038
Shareholders' equity / Group share	7	204,505	188,625
Minority interests		1,868	29,903
Total consolidated shareholders' equity	7	206,373	218,528
Non-current provisions	8	56,449	55,032
Long-term borrowings	10	77,833	55,111
Deferred tax liabilities	11	5,889	4,901
Total non-current liabilities		140,171	115,044
Current provisions	9	12,952	10,822
Short-term borrowings	10	22,535	13,515
Trade payables	11	62,269	64,150
Current tax liabilities	11	1,750	610
Other financial liabilities	11	66,052	76,976
Liabilities held for sale		11,593	1,182
Total current liabilities		177,151	167,255
Total equity and liabilities		523,695	500,827

(*) During the first half of 2018, in accordance with IFRS 3 the Group finalised the assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group on 31/07/2017. The 2017 financial statements were restated accordingly.

Income statement

€000	Note	2018	2017 (*)
Net revenues	14	549,805	504,498
Change in inventories		2,348	3,394
Purchases consumed including subcontracting		(231,453)	(204,397)
Gross margin	14	320,700	303,495
as % of production		58.1%	59.8%
as % of revenues		58.3%	60.2%
Other operating income and grants		6,151	3,102
Net provision (charges)/reversals		(2,589)	(1,206)
External expenses		(87,406)	(81,178)
Taxes, levies and similar payments		(5,443)	(5,315)
Staff costs		(182,603)	(168,827)
Depreciation and amortisation		(15,104)	(14,103)
Other expenses		(3,336)	(3,297)
EBIT		30,370	32,671
as % of revenues		5.5%	6.5%
Restructuring costs	15	(2,587)	404
Other non-recurring income and expenses	15	1,180	31
Change in impairment of goodwill and non-current assets		(2,404)	761
OPERATING INCOME		26,559	33,867
as % of revenues		4.8%	6.7%
Financial income		1,753	1,887
Financial expenses		(2,288)	(2,515)
NET FINANCIAL INCOME/(EXPENSE)	16	(535)	(628)
EARNINGS BEFORE TAX		26,024	33,239
Corporate income tax	17	(9,747)	(10,292)
Share of earnings of associates		19	59
NET INCOME/(LOSS) FROM CONTINUING OPERATIONS		16,296	23,006
as % of revenues		3.0%	4.6%
Earnings before tax from discontinued operations			6,586
Corporate income tax on discontinued operations			(379)
Net income/(loss) from discontinued operations		0	6,207
NET INCOME/(LOSS) OF CONSOLIDATED COMPANIES		16,296	29,213
as % of revenues		3.0%	5.8%
- Parent company share		13,657	25,038
- Minority interests		2,639	4,175
Basic and diluted net earnings per share (excl. treasury shares) from continuing operations (€)		0.15	0.21
Basic and diluted net earnings per share (excl. treasury shares) - consolidation scope (€)	18	0.15	0.28

(*) During the first half of 2018, in accordance with IFRS 3 the Group finalised the assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group on 31/07/2017. The 2017 financial statements were restated accordingly.

Statement of comprehensive income

€000	Note	2018	2017 (*)
Net income for the year		16,296	29,213
Items of other comprehensive income subsequently reclassifiable to consolidated income (gross):			
Translation differences arising from foreign subsidiaries' financial statements		(214)	108
Financial instruments, revaluation of financial assets available for sale, revaluation surplus		(905)	928
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		358	(3,763)
Tax on the foregoing items of other comprehensive income		(62)	977
Items related to discontinued operations			
Total comprehensive income		15,473	27,463
Attributable to:			
Equity holders of the parent company		12,885	23,840
Minority interests		2,588	3,623

(*) During the first half of 2018, in accordance with IFRS 3 the Group finalised the assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group on 31/07/2017. The 2017 financial statements were restated accordingly.

Statement of cash flows

€000	2018	2017 (*)
Earnings before tax from continuing operations	26,043	33,298
Earnings before tax from discontinued operations		6,586
Elimination of non-cash items related to continuing operations		
- Depreciation and amortisation of operational assets	15,104	14,103
- Change in operating, financial and non-current provisions	4,114	(2,458)
- Change in provisions for goodwill impairment	2,404	(862)
- Gains or losses on asset disposals	(4,970)	
Gain on disposal of Eryma division		(5,752)
Elimination of non-cash items related to discontinued operations		391
Change in working capital - continuing operations:		
- Change in inventories and work in progress	(4,850)	(3,350)
- Change in trade receivables, advances and down payments and deferred income	9,311	(2,065)
- Change in trade payables and prepaid expenses	(2,861)	4,051
- Change in tax receivables and payables	(1,817)	(8,370)
- Change in other receivables and payables	(2,498)	1,507
Change in working capital - discontinued operations		3,099
Change in working capital related to disposal of Eryma division		8,644
Cash flow from operating activities, before tax	39,980	48,822
Income tax on continuing operations	(9,377)	(8,781)
Income tax on discontinued operations		(463)
Net cash flow from operating activities	30,603	39,578
Disposal of non-current assets	1,359	105
Disposal of consolidated securities	6,600	5,506
Purchase of consolidated securities, net of cash acquired (**)	(16,603)	(26,412)
Purchase of intangible assets and PP&E	(16,141)	(14,264)
Purchase of financial assets	(532)	(101)
Net cash flow from investing activities - discontinued operations		(336)
Net cash flow from investing activities	(25,317)	(35,502)
Increase in finance leases		
Increase in borrowings from credit institutions	38,863	29,726
Increase in other borrowings	596	287
Finance lease repayments	(221)	(143)
Repayment of borrowings from credit institutions	(10,959)	(9,684)
Repayment of other borrowings	(322)	(332)
Purchase of treasury shares		(4,255)
Purchase of Dom Security treasury shares	(18,000)	
Dividends paid by GROUPE SFPI SA	(5,272)	(4,376)
Dividends paid to minority shareholders of subsidiaries	(1,325)	(1,529)
Net cash flow from financing activities - discontinued operations		
Net cash flow from financing activities	3,360	9,694
Change in cash and cash equivalents	8,646	13,770
Opening cash and cash equivalents (1)	115,747	103,770
Impact of changes in exchange rates	(36)	(119)
Impact of cash from discontinued operations	656	(1,674)
Closing cash and cash equivalents (1)	125,013	115,747
Recorded change in cash and cash equivalents	8,646	13,770
Gross operating cash flow - continuing operations	33,318	38,135
Gross operating cash flow - discontinued operations		(2,073)
(1) Closing cash and cash equivalents consists of:		
Cash	52,365	43,182
Cash equivalents	75,532	75,867
Cash assets	127,897	119,049
Overdrafts and short-term loans	(2,884)	(3,302)
Cash and cash equivalents	125,013	115,747

(*) During the first half of 2018, in accordance with IFRS 3 the Group finalised the assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group on 31/07/2017. The 2017 financial statements were restated accordingly.

(**) including intangible assets purchased from the vendors as part of the Cipriani acquisition

Statement of changes in shareholders' equity

	Group share						Minority interests	Total shareholders' equity
	Share capital	Consolidated reserves	Translation differences	Net income	Treasury shares	Total		
Balance at 01-01-2017	80,973	79,572	(890)	16,833	(6,972)	169,516	32,901	202,417
Appropriation of earnings		12,457		(12,457)		0		0
Dividends paid				(4,376)		(4,376)	(1,529)	(5,905)
Share capital increase/reduction						0		0
Treasury shares					595	595		595
Total transactions with shareholders	0	12,457	0	(16,833)	595	(3,781)	(1,529)	(5,310)
Change in consolidation scope		(950)				(950)	(5,226)	(6,176)
Other items of comprehensive income		(1,354)	156			(1,198)	(552)	(1,750)
Net income for the period				25,212		25,212	4,179	29,391
Total income and expenses recognised for the period	0	(1,354)	156	25,212	0	24,014	3,627	27,641
Balance at 31-12-2017	80,973	89,725	(734)	25,212	(6,377)	188,799	29,773	218,572
Balance at 31-12-2017 (*)	80,973	89,725	(734)	25,038	(6,377)	188,625	29,903	218,528
Appropriation of earnings		19,766		(19,766)		0	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	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

(*) During the first half of 2018, in accordance with IFRS 3 the Group finalised the assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group on 31/07/2017. The 2017 financial statements were restated accordingly.

Notes

INTRODUCTION

On 17 April 2019, 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 2018.
The consolidated financial statements are drawn up in euros. Unless otherwise specified, amounts are stated in thousands of euros.

HIGHLIGHTS

Between 13 and 26 July 2018, the listed company Dom Security performed a simplified public tender offer (OPAS) for 240,000 shares representing 10% of its share capital, at a price of €75 per share. Through this offer, the Company acquired 240,000 shares for a total cost of €18 million. This transaction was fully financed by a fixed-rate loan repayable over seven years.

On 16 November 2018, the Boards of Directors of GROUPE SFPI and DOM Security noted the completion of the merger by absorption of Dom Security SA by GROUPE SFPI. This transaction resulted in the winding up of Dom Security SA without liquidation. The new GROUPE SFPI shares were admitted to trading on Euronext Paris Compartment B from 21 November 2018.

The main terms of the merger were as follows:

- Merger backdated to 1 January 2018
- 1 Dom Security share exchanged for 20 SFPI shares
- GROUPE SFPI share capital increased by €8,413,236 through issuance of 9,348,040 new shares
- €5,593,072 merger premium recorded after cancellation of treasury shares
- €10,394,343 merger surplus recorded in the company financial statements

The minority share in Dom Security's earnings for the period ended 16 November 2018 amounts to €2.6 million.

<u>Change in consolidation</u>

Dom Security division

- <u>Acquisition</u>: In late May 2018, Picard Serrures acquired 70% of the share capital of French company Eliot et Cie SAS at a price of €2.1 million. This company manufactures metal and sheet metal products for locking systems and armoured doors. The company posted 2018 revenues of around €3 million.
  This acquisition was partly financed by a €1.4 million bank loan. The final goodwill allocation was €0.1 million.
- <u>Acquisition</u>: In late September 2018, Italian company DOM-CR acquired 74% of the share capital and voting rights of Antipanic SRL, a family business based in Italy, for €5.3 million. This company manufactures anti-panic locks for the European market. The company posted 2018 revenues of around €7 million.
  This acquisition was financed by a €5.2 million bank loan. Provisional goodwill was recognised at €5.1 million.

MMD division

- <u>Acquisition</u>: On 29 June 2018, MMD acquired the entire share capital of Italy-based Cipriani Phe for €9.5 million, including the purchase of shares for €7.9 million and intangible assets for €1.6 million. Cipriani Phe manufactures brazed plate heat exchangers. The company posted 2018 revenues of around €10.7 million. This acquisition was financed by equity and a €7.5 million bank loan. The final goodwill allocation was €4.8 million.
- <u>Disposal</u>: In late April 2018, MMD sold its entire equity interest in Poland-based Spomasz Wronki for €6.6 million. This company, which designs and manufactures separation solutions for industry, had been a member of the SFPI Group since 2006. It posted 2017 revenues of €5.6 million. The consolidated gain net of disposal costs amounted to €4.4 million.

Acquisitions and disposals in 2018 had the following impact on the 2018 income statement:

Contributory income statement (€000)	Eliot et Cie	Antipanic	Cipriani	Total	Spomasz
Net revenues	1,435	2,068	5,379	8,882	1,207
Gross margin	1,013	706	2,667	4,386	578
as % of revenues	70.6%	34.1%	49.6%	49.4%	47.9%
EBIT	(64)	175	693	804	(177)
Operating income/(loss)	(64)	175	693	804	(177)
Net income/(loss)	(36)	129	475	568	(142)

In 2017, Spomasz Wronki generated a gross margin of €3,340,000 (59%), EBIT and operating income of €112,000 and net income of €7,000.

Changes in consolidation scope in 2018 had a limited impact on gross margin (down 0.1%). The full-year impact will be a 0.3% reduction. Over a five-month period in 2017, JKF contributed €16.3 million to revenues and €8.3 million to gross margin. In 2018 it contributed €40.8 million to sales, €1 million to work in progress and €21.4 million to gross margin. This resulted in a 0.4% decrease in gross margin.

LIST OF CONSOLIDATED COMPANIES

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

Name	Country	% interest		Siren no.	Activity	Conso. method
		31/12/2018	31/12/2017			
GROUPE SFPI	France	Parent company		393.588.595	Holding	F.C.
Dom Security SA	France		69.33	378.557.474		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	GB	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	98.67	98.63	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.
Securidev Iberica	Spain		52.00		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	-	629,027,899	Locking systems	F.C.
Antipanic Srl	Italy	73.9	-		Locking systems	F.C.
SCI DOM	France	100.00	100.00	817.484.405	Real estate	F.C.

Name	Country	% interest		Siren no.	Activity	Conso. method
		31/12/2018	31/12/2017			
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	GB	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.
Fonciere 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 Tranding	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			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.
Barriquand Do Brasil	Brazil	99.50	99.50		Sales	F.C.
Spomasz Wronki	Poland	-	100.00		Centrifuges	F.C.
Cipriani	Italy	100.00			Sterilisers	F.C.

Name	Country	% interest		Siren no.	Activity	Conso. method
		31/12/2018	31/12/2017			
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.
OPEN B	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.
VETTENGURG	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.

ACCOUNTING POLICIES, VALUATION METHODS AND IFRS OPTIONS ADOPTED

1. ACCOUNTING STANDARDS

The consolidated financial statements cover the 12-month periods ended 31 December 2018 and 2017.

The SFPI Group consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted within the European Union as at 31 December 2018.

These include IAS and IFRS international accounting standards and SIC and IFRIC interpretations of mandatory application as at 31 December 2018.
The IFRS adopted by the European Union as at 31 December 2018 may be consulted in the section entitled “IAS/IFRS Standards and Interpretations” on the following website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

The accounting principles applied are the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2017, except for standards and interpretations adopted by the European Union of mandatory application in financial years beginning on or after 1 January 2018:

- IFRS 15 “IFRS 15 – Revenue from Contracts with Customers”, as amended;
- IFRS 9 “Financial Instruments”;
- Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”;
- Amendments to IFRS 2 “Clarifications of classification and measurement of share-based payment transactions”;
- Amendments to IAS 40 “Transfers of Investment Property”;
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration”;
- IFRS annual improvements - 2014-2016 cycle.

The amendments to IFRS 4, IFRS 2 and IAS 40, IFRIC 22 and the IFRS annual improvements had no material impact on the Group consolidated financial statements.

Application of IFRS 15 and IFRS 9 from 1 January 2018:

First-time application of IFRS 15 and IFRS 9 from 1 January 2018 had no material impact on the Group consolidated financial statements.

IFRS 15 lays down the principles for recognising revenue and provides for a single model for this purpose. It introduces new concepts and principles for revenue recognition, particularly with regard to identifying performance obligations and allocating the transaction price in the case of contracts providing for multiple performance obligations.

In general, Group revenues are recognised upon transfer of risks and rewards, which generally corresponds to delivery. IFRS 15 has no impact in this respect. Some Group companies recognise revenues received under major contracts over time. 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. Existing Group practice was to break down contracts involving distinct obligations for revenue recognition purposes. Accordingly, IFRS 15 has had only a limited impact on revenue recognition since 1 January 2018.

IFRS 9 lays down the principles for recognising financial instruments. IFRS 9 changes the model for calculating impairment of financial assets and prescribes a model based on expected losses rather than actual losses.

First-time application of IFRS 9 has had a minimal impact: In particular, GROUPE SFPI did not carry out debt renegotiation prior to 1 January 2018.

The Group adopted IFRS 9 as at 1 January 2018 and elected to apply the simplified retrospective approach. Analyses focused on the potential impact on the impairment of trade receivables. Accordingly, the Group concluded that there would be no material impact on the financial statements and no adjustments were made to the prior year financial statements.

Other new standards not applicable from 1 January 2018 or not applied optionally:

IFRS 16 "Leases" has been published and must be applied from 1 January 2019. The Group has compiled a list of all outstanding leases to date. Leases lying within the scope of IFRS 16 mainly concern commercial premises, vehicles, office equipment and plant. The Group has elected to apply the modified retrospective approach. Calculation of the impact is nearing completion.

Presentation of the financial statements

The 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 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 9 and IFRS 15.

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 2018	Annual average rate 2018	Closing rate 2017	Annual average rate 2017
CHF (Switzerland)	**1.13**	**1.15**	**1.17**	**1.11**
GBP (UK)	**0.89**	**0.89**	**0.89**	**0.87**
HUF (Hungary)	**320.98**	**319.23**	**310.33**	**309.35**
PLN (Poland)	**4.30**	**4.26**	**4.18**	**4.26**
RON (Romania)	**4.66**	**4.66**	**4.66**	**4.57**
RSD (Serbia)	**118.33**	**118.21**	**118.21**	**121.20**
CZK (Czech Republic)	**25.72**	**25.67**	**25.54**	**26.35**
HRK (Croatia)	**7.41**	**7.42**	**7.44**	**7.47**
BRL (Brazil)	**4.44**	**4.30**	**3.97**	**3.63**
MAD (Morocco)	**10.96**	**11.09**	**11.22**	**10.97**
CNY (China)	**7.88**	**7.81**	**7.80**	**7.63**
HKD (Hong Kong)	**8.97**	**9.25**	**9.37**	**8.81**
USD (USA)	**1.15**	**1.18**	**1.20**	**1.13**
DKK (Denmark)	**7.47**	**7.45**	**7.44**	**7.44**
SGD (Singapore)	**1.56**	**1.59**	**1.60**	**1.59**
MYR (Malaysia)	**4.73**	**4.77**	**4.85**	**4.94**

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 IFRS 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 2018 ranged from 1.00% to 2.23% for eurozone companies and from 2.8% and 3.3% for other companies. Likewise, allowance was made for 1.1% inflation in 2018 (as in 2017) 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 entity satisfies a performance obligation. First-time application of the standard by the Group 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 EBIT AND OPERATING INCOME

EBIT or 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 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.

As such, it has contributed to different levels of consolidated earnings.

As IFRS 5 prescribes the reclassification of assets and liabilities as held for sale solely for the current financial year, no adjustments have been made to the 31/12/2017 balance sheet.

On the other hand, the Polish company Spomasz Wronki is included under assets and liabilities held for sale as at 31/12/2017. The sale was completed in April 2018 (see “Highlights”).

In 2017 the Group sold ERYMA Holding and its subsidiaries, which formed a division in their own right. Accordingly, the results of this division are shown under discontinued operations in the 2017 financial statements.

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 2018:

	Gross value 31 -12 -2018	Impairment 31 -12 -2018	Net value 31 -12 -2018	Net value 31-12-2017 (*)
DOM SECURITY	**86,974**	**(48,789)**	**38,185**	**33,334**
- 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**	
- ANTIPANIC SRL	**5,081**	**0**	**5,081**	
MMD	**4,834**	**0**	**4,834**	**0**
- Cipriani Phe	**4,834**		**4,834**	**0**
NEU JKF	**11,539**	**(1,003)**	**10,536**	**10,568**
- NEU FEVI	**1,003**	**(1,003)**	**0**	**0**
- JKF Group	**10,536**	**0**	**10,536**	**10,568**
Total	**103,347**	**(49,792)**	**53,555**	**43,902**

(*) During the first half of 2018, in accordance with IFRS 3 the Group finalised the assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group. Accordingly, the goodwill initially recognised for the JKF Group upon acquisition in July 2017 has been partly reallocated to the assets of the various JKF Group companies in Denmark, Poland and Malaysia. Land and buildings have been revalued at a total of €4.4 million. Plant and equipment has been revalued at a total of €4.3 million.

Three new goodwill items were recognised in 2018 (see “Highlights”):

- Eliot et Cie: final goodwill of €103,000
- Cipriani Phe: final goodwill of €4,834,000
- Antipanic Srl: provisional goodwill of €5,081,000

Goodwill allocated to Dom UK was fully written off in an amount of €333,000 following impairment tests on the CGU.

The following discount rates were used for the main CGUs:

Average weighted cost of capital (AWCC) used to calculate impairment		
	2018	2017
DOM division		
Deny Security	6.02%	6.06%
Dom GmbH	6.04%	6.08%
Dom Participations - Beugnot	6.42%	6.45%
Picard Serrures	6.24%	6.28%
OMNITECH Security	6.42%	6.45%
Dom UK	6.11%	6.15%
Dom Titan	8.20%	8.23%
MAC division		
Franciaflex	7.63%	7.97%
NEU JKF division		
JKF	7.69%	
Neu Fevi	10.75%	12.18%
MMD division		
Cipriani	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 not have had a material impact on impairment of goodwill and non-current assets allocated to the main CGUs listed above.

A 5% decrease in EBIT over the entire business plan period would have resulted in additional impairment of €1 million on goodwill allocated to the main CGUs listed above. A 5% increase in EBIT over the entire business plan period would not have had a material impact on impairment of goodwill and non-current assets allocated to the main CGUs listed above.

NOTE 2 - INTANGIBLE ASSETS

Intangible assets break down as follows:

	31-12-2018			31-12-2017		
	Gross	Amortisation & impairment	Net	Gross	Amortisation & impairment	Net
Research and development expenditure	1,103	(1,073)	30	760	(702)	58
Patents, licences and trademarks	61,224	(57,241)	3,983	60,396	(57,289)	3,107
Other non-current assets	4,711	(3,061)	1,650	3,166	(2,943)	223
Advances and WIP	1,160		1,160	589		589
Consolidated total	68,198	(61,375)	6,823	64,911	(60,934)	3,977

Changes in net non-current assets are as follows:

	Research and development expenditure	Patents, licences & trademarks	Other	Advances and WIP	Total
1 January 2017	9	3,716	3,679	174	7,578
Change in consolidation	54	(75)	(3,409)		(3,430)
Capital expenditure		799	129	505	1,433
Disposals during the year		(16)			(16)
Amortisation	(5)	(1,359)	(319)		(1,683)
Impairment (charges)/reversals					0
Foreign exchange gains/(losses)		2	(1)		1
IFRS 5 reclassification		(28)	100		72
Other reclassifications		70	42	(90)	22
31 December 2017	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

€7.6 million of research costs and €3.1 million of development costs were recognised under expenses for 2018.

Capital expenditure was incurred mainly by the MMD division, which purchased €1,500,000 in patents under the terms of the Cipriani acquisition, and the Dom Security division, which incurred €626,000 of development expenses on electronics.

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

	31-12-2018	31-12-2017
Dom Security	3,525	1,636
NEU JKF	239	382
MMD	1,601	17
MAC	1,387	1,825
Other businesses	71	117
Consolidated total	6,823	3,977

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

	31-12-2018	31-12-2017
France	5,023	2,729
Overseas	1,800	1,248
Consolidated total	6,823	3,977

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

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

	31-12-2018			31-12-2017 (*)		
	Gross	Depreciation & impairment	Net	Gross	Depreciation & impairment	Net
Land and development	16,511	(2,303)	14,208	15,410	(2,057)	13,353
Buildings	114,187	(77,736)	36,451	112,196	(74,636)	37,560
Plant and equipment	215,097	(196,157)	18,940	207,978	(186,835)	21,143
Other non-current assets	37,636	(31,765)	5,871	36,250	(29,922)	6,328
Advances and WIP	8,004	(55)	7,949	2,724	(34)	2,690
Consolidated total	391,435	(308,016)	83,419	374,558	(293,484)	81,074

(*) During the first half of 2018, in accordance with IFRS 3 the Group finalised the assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group on 31/07/2017. The 2017 financial statements were restated accordingly.

	Land and development	Buildings	Plant and equipment	Other	Advances and WIP	Total
1 January 2017	11,096	31,378	14,522	6,501	2,279	65,776
Change in consolidation (*)	1,688	8,235	5,342	336		15,601
Capital expenditure	627	1,476	7,593	1,571	1,603	12,870
Disposals during the year				(26)		(26)
Depreciation	(64)	(3,105)	(7,075)	(1,948)		(12,192)
Impairment (charges)/reversals	27	116	108	(31)	37	257
Foreign exchange gains/(losses)	(21)	83	51	13		126
IFRS 5 reclassification		(644)	(482)	(152)	(38)	(1,316)
Other reclassifications		21	1,084	64	(1,191)	(22)
31 December 2017 (*)	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

(*) During the first half of 2018, in accordance with IFRS 3 the Group finalised the assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group on 31/07/2017. The 2017 financial statements were restated accordingly.

Impairment charges recorded in the income statement concern Dom Security (€1,168,000 increase), MAC (€559,000) and NEU JKF (€344,000).

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

	31-12-2018	31-12-2017 (*)
Dom Security	33,322	30,655
NEU JKF	19,921	20,049
MMD	7,494	4,801
MAC	14,823	17,146
Other businesses	7,859	8,423
Consolidated total	83,419	81,074

(*) During the first half of 2018, in accordance with IFRS 3 the Group finalised the assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group on 31/07/2017. The 2017 financial statements were restated accordingly.

Capital expenditure breaks down as follows:

	31-12-2018	31-12-2017
Dom Security	9,644	7,789
NEU JKF	2,525	747
MMD	936	1,081
MAC	1,851	3,118
Other businesses	46	135
Consolidated total	15,002	12,870

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

	31-12-2018	31-12-2017 (*)
France	40,459	39,596
Overseas	42,960	41,478
Consolidated total	83,419	81,074

(*) During the first half of 2018, in accordance with IFRS 3 the Group finalised the assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group on 31/07/2017. The 2017 financial statements were restated accordingly.

NOTE 4 - INVESTMENTS IN ASSOCIATES

These comprise investments in TITAN ZAGREB (€123,000), ELZETT-FEK (€770,000) and SPRINGCARD (€181,000).
These companies' key financial figures are as follows, after consolidation adjustments allowing for a 100% equity interest:

	ELZETT - FEK		TITAN ZAGREB		SPRINGCARD	
	2018	2017	2018	2017	2017	2016
Total assets	3,736	4,632	737	1,346	1,423	1,448
Shareholders' equity	1,955	1,565	411	630	535	555
Revenues	10,668	11,178	1,492	1,504	2,700	2,879
Net income	24	26	22	66	9	94

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

NOTE 5 - INVENTORIES

Inventories break down as follows:

	31-12-2018			31-12-2017		
	Gross	Impairment	Net	Gross	Impairment	Net
Raw materials	58,579	(12,792)	45,787	52,979	(12,413)	40,566
Work in progress (goods and services)	18,829	(2,949)	15,880	16,332	(2,517)	13,815
Semi-finished and finished goods	14,138	(2,958)	11,180	15,644	(3,063)	12,581
Trade goods	8,976	(2,609)	6,367	8,042	(2,643)	5,399
Total	100,522	(21,308)	79,214	92,997	(20,636)	72,361

NOTE 6 - FINANCIAL ASSETS AND LIABILITIES - BREAKDOWN OF FINANCIAL ASSETS BY CLASS (IFRS 7) AND CATEGORY (IFRS 9)

NOTE 6.1 - Non-current financial assets

Assets maturing in over 1 year	31-12-2018	31-12-2017
Other financial investments	78	78
Loans, deposits, pension plan assets	3,953	3,601
Other financial assets	1,130	1,684
Consolidated total	5,161	5,363

NOTE 6.2 - Trade receivables

	31-12-2018	31-12-2017
Gross	108,699	125,239
Impairment	(6,402)	(6,092)
Net	102,297	119,147

All trade receivables more than a year overdue have been written down.
Reversals of impairment provisions on trade receivables were offset by impairment charges on bad debt totalling €1,185,000.

Trade receivables aging at 31 December 2018:

	<1 month overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	>12 months overdue	Total
Overdue, not covered by provisions	12,171	4,709	977	2,040		19,897
Overdue, covered by provisions	100	292	437	1,059	5,614	7,502
Total receivables overdue	12,271	5,001	1,414	3,099	5,614	27,399

NOTE 6.3 - Other current financial assets

	31-12-2018	31-12-2017
Operating receivables	32,393	30,958
Prepaid expenses	2,642	2,458
Consolidated total	35,035	33,416

NOTE 6.4 - Cash and cash equivalents

Net cash and cash equivalents break down as follows:

	31-12-2018	31-12-2017
Short-term investments and other cash equivalents	75,532	75,867
Cash	52,365	43,182
Consolidated total	127,897	119,049

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

NOTE 7 - SHAREHOLDERS' EQUITY AND MINORITY INTERESTS

As at 31 December 2018, 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.

Following the merger transactions between GROUPE SFPI and Dom Security, a former subsidiary in which the Company held a 69.33% interest, minority interests (€1.9 million) concern only a few Group subsidiaries.

NOTE 8 - NON-CURRENT PROVISIONS

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

	31-12-2018	31-12-2017
Termination payments and long-service awards	54,883	53,498
Representatives' entitlements in Germany	1,566	1,534
Non-current provisions	56,449	55,032

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

	2018	2017
Opening provisions for termination and pension payments	53,498	50,635
Items recognised in the income statement	918	723
Cost of services provided during the year	1,774	1,708
Financial costs	887	877
Benefits paid/provision reversals	(1,743)	(1,862)
Items recognised in other comprehensive income	(358)	3,763
Actuarial gains/(losses)	(358)	3,763
Changes in consolidation	825	(1,623)
Closing provisions for termination and pension payments	54,883	53,498

A 0.3 percentage point increase in the discount rate would have resulted in a €2.2 million reduction in the retirement benefit liability. After tax, this would have been recorded as a €1.6 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 €2.4 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 increase in the inflation rate or promotion rate excluding inflation would have resulted in a €2.0 million increase in the retirement benefit liability. After tax, this would have been recorded as a €1.4 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 €1.8 million decrease in the retirement benefit liability. After tax, this would have been recorded as a €1.3 million increase in other comprehensive income in accordance with Group accounting policies.

NOTE 9 - CURRENT PROVISIONS

	31-12-2017	Change in consolidation	Charges	Reversals (used)	Reversals (not used)	31-12-2018
Trade litigation	1,238		1,356	(212)	(684)	1,698
Tax litigation	427		17		(87)	357
Social security litigation	2,128	84	919	(297)	(759)	2,075
Provisions for long-term contracts	645		997	(610)	(35)	997
Litigation and provisions for other third parties	540		15	(65)	(94)	396
Provisions for restructuring	1,220		2,800	(1,037)	(183)	2,800
Consolidated total	6,198	84	6,104	(2,221)	(1,842)	8,323
Provisions for guarantees	4,624		4,605	(4,600)		4,629
Consolidated total	10,822	84	10,709	(6,821)	(1,842)	12,952

NOTE 10 - LOANS AND BORROWINGS

Loans and borrowings are liabilities recognised at amortised cost.
As at 31 December 2018, they break down as follows by maturity and category:

Loans and borrowings	Total at 31-12-2018				Total 31-12-2017
	Due in <1 yr	Due in 1-5 yrs	Due in >5 yrs	Total	
Loans and borrowings	19,063	64,184	8,543	91,790	63,871
Finance leases	374	833		1,207	543
Short-term bank loans and overdrafts	2,884			2,884	3,302
Due to credit institutions	22,321	65,017	8,543	95,881	67,716
Other financial liabilities	120	3,627		3,747	253
Employee profit-sharing	94	646		740	657
Due to other organisations	214	4,273	0	4,487	910
Total	22,535	69,290	8,543	100,368	68,626
Total current and non-current borrowings	22,535	77,833			

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 €127,897,000 at 31 December 2018 versus €119,049,000 at 31 December 2017.

Net cash and cash equivalents changed as follows:

	31-12-2018	31-12-2017
Cash and cash equivalents	127,897	119,049
Borrowings from credit institutions	(95,881)	(67,716)
Net cash and cash equivalents held at credit institutions	32,016	51,333
Other financial liabilities	(4,487)	(910)
Total net cash and cash equivalents	27,529	50,423

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

	Dom Security	Pôle NEU JKF	MAC	MMD	SFPI & Others	Total 31-12-2018
Borrowings due in <1 yr	3,847	6,523	1,888	1,669	8,608	22,535
Borrowings due in 1-5 yrs	13,107	24,989	4,190	6,090	20,914	69,290
Borrowings due in >5 yrs	2,484	944	659	1,607	2,849	8,543
Total	19,438	32,456	6,737	9,366	32,371	100,368
Cash and cash equivalents	25,778	13,570	23,578	25,811	39,160	127,897
Total net cash at 31-12-2018	6,340	(18,886)	16,841	16,445	6,789	27,529
Total net cash at 31-12-2017	21,012	(16,478)	11,906	16,247	17,736	50,423

Interest rate risk:

The SFPI Group does not use interest rate hedging instruments unless required under the terms of a loan agreement. A number of interest rate cap and swap agreements were outstanding at 31 December 2018. These were valued at (€47,000) 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 2018 was 0.5% versus 1.1% in 2017.

Security interests:

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

	31-12-2018
Borrowings secured by pledges - current portion	6,052
Borrowings secured by pledges - non-current portion	30,782

NOTE 11 - 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:

	31-12-2018	31-12-2017 (*)
Trade payables	62,269	64,150
Tax payables	1,750	610
Social security and tax payables	42,761	46,967
Other payables	7,324	7,625
Advances and down payments received on orders	13,725	21,248
Deferred income	2,242	1,136
Other financial liabilities	66,052	76,976

(*) During the first half of 2018, in accordance with IFRS 3 the Group finalised the assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group on 31/07/2017. The 2017 financial statements were restated accordingly.

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 12 - DEFERRED TAX

Deferred tax assets arise from:

	31-12-2018	31-12-2017
- temporarily non-deductible expenses	2,480	3,949
- provisions related to asset impairment testing	900	429
- tax loss carryforwards	1,121	1,551
- the following consolidation adjustments:		
Finance leases	30	93
Internal margins	542	613
Pensions and retirement benefits	9,727	8,242
Adjustment of foreign company depreciation/amortisation rates and provision policies to Group standards	2,042	2,099
Consolidated total	16,842	16,976

Deferred tax liabilities mainly relate to the NEU JKF (€2,876,000) and DOM Security (€2,443,000) 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 €2.4 million at 31 December 2018. This item mainly concerns tax groups whose future profits are uncertain. Pursuant to current legislation, most of this amount (€2.3 million) may be carried forward for an indefinite period.

NOTE 13 - OFF-BALANCE SHEET COMMITMENTS

	Dom Security	Pôle NEU JKF	MAC	MMD	SFPI & Others	Total 31-12-2018	Total 31-12-2017
Guarantees given	26	8,615		4,573		13,214	19,123
Guarantees received	530	195	766			1,491	547

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

NOTE 14 - REVENUES, GROSS MARGIN, OPERATING INCOME

Revenues by operating segment break down as follows:

	Change		2018		2017	
	€000	%	€000	%	€000	%
Dom Security	12,102	6.95%	186,322	33.89%	174,220	34.53%
NEU JKF	30,219	32.79%	122,387	22.26%	92,168	18.27%
MMD	2,937	6.02%	51,699	9.40%	48,762	9.67%
MAC	95	0.05%	189,346	34.44%	189,251	37.51%
Other businesses	(46)	(47.42%)	51	0.01%	97	0.02%
Consolidated total	45,307	8.98%	549,805	100.00%	504,498	100.00%

Revenues by region break down as follows:

	2018		2017	
	France	Overseas	France	Overseas
Dom Security	70,454	115,868	64,154	110,067
NEU JKF	55,634	66,753	48,877	43,291
MMD	15,517	36,182	17,238	31,525
MAC	181,657	7,689	181,340	7,911
Other businesses	51		94	1
Consolidated total	323,313	226,492	311,703	192,795

Income statements per division:

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%
EBIT	17,008	3,949	6,366	4,002	(955)	30,370
Operating income	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) from continuing operations	10,662	1,175	8,523	(1,439)	(2,625)	16,296

2017	Dom Security	NEU JKF (*)	MMD	MAC	Others & adjustments	Total (*)
Revenues	174,436	92,216	48,777	189,256	(187)	504,498
Gross margin	123,877	46,241	29,799	103,691	(113)	303,495
as % of production (1)	70.2%	50.2%	59.6%	54.7%		59.8%
as % of revenues	71.0%	50.1%	61.1%	54.8%		60.2%
EBIT	15,951	3,242	5,756	8,769	(1,047)	32,671
Operating income	16,144	2,540	5,796	9,840	(453)	33,867
Net financial income/(expense)	(243)	(311)	(11)	(36)	(27)	(628)
Income tax	(4,961)	(1,380)	(1,913)	(2,287)	249	(10,292)
Net income/(loss) from continuing operations	11,000	850	3,872	7,516	(232)	23,006

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

(*) During the first half of 2018, in accordance with IFRS 3 the Group finalised the assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group on 31/07/2017. The 2017 financial statements were restated accordingly.

"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 current liabilities by division:

	Total assets (net value)		Total non-current liabilities		Total current liabilities	
	31-12-2018	31-12-2017 (*)	31-12-2018	31-12-2017 (*)	31-12-2018	31-12-2017 (*)
Dom Security	198,886	186,629	60,761	50,954	46,515	40,672
NEU JKF	103,822	104,695	32,432	34,785	53,310	52,598
MMD	65,071	50,562	11,284	4,158	22,302	22,056
MAC	102,240	115,590	11,582	13,733	41,171	44,263
Other businesses	53,676	43,351	24,112	11,414	13,854	7,666
Consolidated total	523,695	500,827	140,171	115,044	177,152	167,255

(*) During the first half of 2018, in accordance with IFRS 3 the Group finalised the assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group on 31/07/2017. The 2017 financial statements were restated accordingly.

NOTE 15 - OTHER NON-RECURRING INCOME AND EXPENSES

Other non-recurring income and expenses

Other non-recurring income comprises a €4.4 million consolidated gain generated by MMD from the sale of Spomasz.

Other non-recurring expenses comprise:
- €1.3 million of expenses related to the share buyback programme, Document E and the merger;
- €1.4 million of real estate transfer costs in Germany related to the re-establishment of the Dom Security division under its new holding company, Dom Participations;
- €0.5 million of acquisition fees.

Restructuring costs

Restructuring costs were incurred by the MAC division for the closure of the Toulouse and Rousset facilities, whose operations were transferred to other facilities (€2.6 million).

NOTE 16 - NET FINANCIAL INCOME/(EXPENSE)

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

	2018	2017
Income from investments	569	597
Currency gains	555	565
Other financial income	629	725
Interest and similar expenses	(961)	(854)
Interest on finance leases	(26)	(5)
Currency losses	(647)	(629)
Other financial expenses	(654)	(1,027)
Consolidated total	(535)	(628)

NOTE 17 - INCOME TAX

Net consolidated income tax breaks down as follows:

	2018	2017 (*)
Income tax - France	7,274	6,544
Income tax - overseas	2,103	2,187
Net deferred tax	370	1,561
Consolidated net tax	9,747	10,292

(*) During the first half of 2018, in accordance with IFRS 3 the Group finalised the assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group on 31/07/2017. The 2017 financial statements were restated accordingly.

In 2017, income tax in France was reduced after the Constitutional Council abolished the measure to increase CVAE business value added tax for corporate tax groups. 2017 income tax was reduced by €597,000 as a result. The 2018 French Budget Act however reintroduced the previous calculation methods, thereby eliminating this saving.
Given the gradual reduction in French corporate income tax, a tax charge of €1,451,000 was recorded for 2018.

Changes in the deferred tax account are analysed as follows:

	Assets	Liabilities	Balance
Deferred taxes at 31-12-2017 (*)	16,976	4,901	12,075
Change over the period			
- change in income statement	(142)	228	(370)
- change in items of other comprehensive income	(62)		(62)
- change in consolidation	70	760	(690)
Deferred tax at 31-12-2018	16,842	5,889	10,953

(*) During the first half of 2018, in accordance with IFRS 3 the Group finalised the assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group on 31/07/2017. The 2017 financial statements were restated accordingly.

Corporate income tax breaks down as follows:

	2018	2017
Profit/(loss) before tax	26,044	33,526
CVAE (included in income tax)	(2,359)	(1,841)
CICE (competitiveness/employment tax credit, deducted from staff costs)	(3,105)	(3,587)
Tax credit (included under grants)	(868)	(813)
Goodwill impairment	333	163
Taxable income	20,045	27,448
Theoretical tax charge (33.33% rate applicable to consolidating parent company)	6,682	9,149
CVAE	2,359	1,841
Tax rate differences	(1,172)	(990)
Impact of unrecognised tax losses	830	(104)
Impact of permanent differences	(1,080)	213
Impact of changes in tax rates	2,128	382
Impact of prior year adjustments		(149)
Other		
Effective tax charge	9,747	10,342

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

NOTE 18 - EARNINGS PER SHARE

	2018	2017 (*)
Total number of shares comprising share capital	99,317,902	89,969,862
Treasury shares	2,098,253	2,098,253
Number of shares outstanding	97,219,649	87,871,609
Earnings per share (basic and diluted)	0.15	0.28

(*) During the first half of 2018, in accordance with IFRS 3 the Group finalised the assessment of the acquisition price of assets acquired and liabilities assumed from the JKF Group on 31/07/2017.

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 weighted average number of ordinary shares outstanding in 2018 was 89,096,672.
The Company has not issued any dilutive securities.

NOTE 19 - HEADCOUNT

Year-end headcount breaks down as follows:

	France		Overseas		Total	
	31-12-2018	31-12-2017	31-12-2018	31-12-2017	31-12-2018	31-12-2017
Dom Security	562	548	1,071	1,031	1,633	1,579
NEU JKF	345	346	368	326	713	672
MMD	220	225	42	131	262	356
MAC	1,199	1,172	35	30	1,234	1,202
Other businesses	16	12			16	12
Consolidated total	2,342	2,303	1,516	1,518	3,858	3,821

Average SFPI Group headcount amounts to 3,748 FTE employees.

NOTE 20 - 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		Payables	
	2018	2017	2018	2017	2018	2017	2018	2017
Controlling related parties		1	222	228		1	1	1
Associates (equity accounted)	986	1,038	754	1,033	260	213	95	99
Other related parties			1,446	1,299			86	106
Total	986	1,039	2,422	2,560	260	214	182	206

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

	2018	2017
Short-term compensation excluding employer social security charges	591	522
Employer social security charges	238	229

NOTE 21 - PROPOSED DIVIDENDS

A dividend of €0.05 per share will be proposed for approval by the general meeting of shareholders on 7 June 2019.

NOTE 22 - STATUTORY AUDITORS' FEES

2018	KPMG	DELOITTE
Financial statement certification	368	416
Other services	85	70

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

NOTE 23 - 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 2018.

NOTE 24 - POST BALANCE SHEET EVENTS

On 3 April 2019, GROUPE SFPI announced a plan for its subsidiary Dom Security to acquire Hoberg, a Belgian company specialising in the distribution of high-end building industry hardware for the Belgian and Luxembourg markets. The company generates annual revenues of around €5.3 million and employs 24 people. The deal is expected to be closed in early June 2019.

Furthermore, in April 2019 GROUPE SFPI purchased all shares of SCI Immobilière Dubois, a real estate company that holds under finance lease the premises used by its indirect subsidiary Faber France.

STATUTORY AUDITORS' REPORT

Company financial statements

Financial year ended 31 December 2018

To the General Meeting of GROUPE SFPI S.A.,

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 2018, which are appended to this report.

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

<u>Terms of reference</u>

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".

<u>Independence</u>

We have performed our audit in compliance with the rules of independence applicable to us, for the period running from 1 January 2018 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, 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.

<table>
<tr><th>Key audit matter</th><th>Audit response</th></tr>
<tr><td colspan="2">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)</td></tr>
<tr><td>As at 31 December 2018, equity investments are carried on the balance sheet at a net value of €128 million compared to a balance sheet total of €190 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.</td><td>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.</td></tr>
</table>

<table>
<tr><th>Key audit matter</th><th>Audit response</th></tr>
<tr><td colspan="2">Merger of subsidiary DOM SECURITY by absorption
(Note 1 “Highlights of the year” in the notes to the financial statements)</td></tr>
<tr><td>On 16 November 2018, your Board of Directors executed the merger between GROUPE SFPI S.A. and DOM SECURITY S.A. as approved by the General Meeting of 13 November 2018.

This merger resulted in an €8.4 million capital increase and the recognition of a €4.6 million merger premium and a €10.4 million merger surplus.

Given the materiality of the merger transaction in the company financial statements, we consider the accounting treatment of this transaction to be a key audit matter.</td><td>We:
● reviewed the merger agreement and the reports issued by the business appraiser;
● recalculated the merger premium and merger surplus;
● verified recognition of the impact of the merger in the company financial statements;
● checked that the notes to the company financial statements presented the appropriate information.</td></tr>
</table>

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 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. 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 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 that control it or are controlled by it. 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

<u>Appointment of statutory auditors</u>

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

As at 31 December 2018, KPMG S.A. and Deloitte & Associés were in the fourth 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

<u>Audit objective and approach</u>

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.

THE STATUTORY AUDITORS

Paris La Défense, 29 April 2019
KPMG S.A.
Nahid Sheikhalishahi
Partner

Paris La Défense, 29 April 2019
Deloitte & Associés
Philippe Soumah
Partner

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 commitments and 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 and commitments 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 and commitments. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code, to evaluate the interest in entering into these agreements and commitments, 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 and commitments 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 AND COMMITMENTS SUBMITTED FOR APPROVAL BY THE GENERAL MEETING

Agreements and commitments 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 and commitments entered into during the year ended that were previously authorised by the Board of Directors.

CONSULTANCY AGREEMENT BETWEEN GROUPE SFPI SA AND SPRING MANAGEMENT SAS

Person concerned:

Jean-Bertrand Prot, Chairman of SPRING MANAGEMENT SAS and permanent representative of SPRING MANAGEMENT SAS, Director of GROUPE SFPI SA.

Nature and purpose:

Consultancy agreement dated 15 June 1999 and its amendments no. 1 dated 20 May 2003, no. 2 dated 11 February 2005, no. 3 dated 13 May 2008, no. 4 dated 12 May 2011, no. 5 dated 27 July 2016 and no. 6 dated 13 March 2018, whereby SPRING MANAGEMENT SA undertakes to provide services to GROUPE SFPI SA.
Amendment no. 6 signed on 13 March 2018 amended:

- the areas in which SPRING MANAGEMENT SAS was able to provide advice and assistance: corporate organisation, sales and marketing strategy, overall policy, industrial investments, financial policy, M&A transactions;
- the fixed monthly fee excluding tax, which was raised from €30,000 to €40,000 as of 1 January 2018.

Terms:

The expense recognised in respect of this agreement for the period from 1 January to 15 November 2018 is €420,000 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, Chairman of SPRING MANAGEMENT SAS and permanent representative of SPRING MANAGEMENT SAS, Director of GROUPE SFPI SA.

Nature and purpose:

The strategy assistance agreement dated 16 November 2018 cancels and supersedes the consultancy agreement dated 15 June 1999, as amended. By application of this agreement, SPRING MANAGEMENT SAS undertakes to GROUPE SFPI SA to carry out assignments related to business management and strategy and to provide GROUPE SFPI SA with advice and assistance in the following areas: corporate organisation, sales and marketing strategy, expert assistance regarding the optimisation of manufacturing costs, financial policy and the preparation of annual budgets.

The compensation awarded to SPRING MANAGEMENT SAS will amount to a fixed monthly sum of €40,000 excluding tax, payable from 16 November 2018.

Terms:

The expense recognised in respect of this agreement for the period from 16 November 2018 to 31 December 2018 is €60,000 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.

Agreements and commitments 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 and commitments have not received prior authorisation from your Board of Directors.
It is our responsibility to notify you of the reasons why the authorisation procedure was not followed.

TAX CONSOLIDATION AGREEMENT BETWEEN GROUPE SFPI SA AND THE DIRECT AND INDIRECT SUBSIDIARIES OF THE MAC DIVISION

Persons concerned:

Henri Morel, Director, Chairman and CEO of GROUPE SFPI SA and Chairman and Director of MAC SAS.

Jean-Bertrand Prot, Chairman of SPRING MANAGEMENT SAS and permanent representative of SPRING MANAGEMENT SAS, Director of GROUPE SFPI SA and Director of MAC SAS.

Damien Chauveinc, Chief Operating Officer of GROUPE SFPI SA and CEO of MAC SAS.

Sophie Morel, Director of GROUPE SFPI SA and Director of MAC SAS.

Companies concerned:

GROUPE SFPI SA and the direct and indirect subsidiaries of its MAC division: MAC SAS, FRANCE FERMETURES SAS, FRANCIAFLEX SAS, SMVO SAS, BAIE OUEST SA, SIPA MENUISERIES SAS, SIPOSE SARL and FABER FRANCE SAS.

Nature and purpose:

Tax consolidation agreement entered into on 10 December 2018 for a 5-year tax consolidation period, effective 1 January 2018, subject to tacit renewal for further 5-year periods.

Terms:

The purpose of this agreement is to:

- apportion the tax owed by the parent company on consolidated earnings between the Group companies,
- appropriate any loss or gain arising from the tax consolidation regime,
- provide for a potential dividend distribution,
- avoid awarding the companies compensation if they leave the Group.

The main terms of the agreement are as follows:

- the companies included in the tax group pay your Company the amount of tax they would have paid if they had been taxed separately, in accordance with the schedule applicable to your Company for the payment of corporate income tax incurred by Group companies, including advance payments, to the French treasury,
- excess advance payments are repaid by your Company to the tax group companies,
- the tax loss or gain will constitute a non-taxable loss or gain for your Company, to be recognised in its financial statements,
- in the event that a company leaves the Group, the option is not renewed or the Group ceases to exist, any gains generated by your Company in terms of direct taxation shall not give rise to any reimbursement or payment, meaning that the companies belonging to the tax group are not entitled to claim any compensation.

TAX CONSOLIDATION AGREEMENT BETWEEN GROUPE SFPI SA AND THE DIRECT AND INDIRECT SUBSIDIARIES OF THE DOM SECURITY DIVISION

Persons concerned:

Henri Morel, Director, Chairman and CEO of GROUPE SFPI SA and Chairman of DOM SECURITY SAS.

Companies concerned:

GROUPE SFPI SA and the direct and indirect subsidiaries of its DOM SECURITY division: DOM SECURITY SAS, DENY SECURITY SAS, PICARD SERRURES SAS, DOM RONIS SAS, DOM TSS SAS, DOM-METALUX SAS and OMNITECH SECURITY SAS.

Nature and purpose:

Tax consolidation agreement entered into on 21 December 2018 for a 5-year tax consolidation period, effective 1 January 2018, subject to tacit renewal for further 5-year periods.

Terms:

The purpose of this agreement is to:

- apportion the tax owed by the parent company on consolidated earnings between the Group companies,
- appropriate any loss or gain arising from the tax consolidation regime,
- provide for a potential dividend distribution,
- avoid awarding the companies compensation if they leave the Group.

The main terms of the agreement are as follows:

- the companies included in the tax group pay your Company the amount of tax they would have paid if they had been taxed separately, in accordance with the schedule applicable to your Company for the payment of corporate income tax incurred by Group companies, including advance payments, to the French treasury,
- excess advance payments are repaid by your Company to the tax group companies,
- the tax loss or gain will constitute a non-taxable loss or gain for your Company, to be recognised in its financial statements,
- in the event that a company leaves the Group, the option is not renewed or the Group ceases to exist, any gains generated by your Company in terms of direct taxation shall not give rise to any reimbursement or payment, meaning that the companies belonging to the tax group are not entitled to claim any compensation.

SERVICE AGREEMENT BETWEEN GROUPE SFPI SA AND ITS SUBSIDIARY ANTIPANIC SPA

Persons concerned:

Henri Morel, Director, Chairman and CEO of GROUPE SFPI SA and Director of ANTIPANIC SPA.

Sophie Morel, Director of GROUPE SFPI SA and Director of ANTIPANIC SPA.

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, effective 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 2018 was €21,603 excluding tax.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE GENERAL MEETING

Agreements and commitments 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 and commitments approved by the General Meeting in prior years that continued to operate during the year ended.

SERVICE AGREEMENT BETWEEN GROUPE SFPI SA AND THE SUBSIDIARIES TRANSFERRED TO GROUPE SFPI SA FOLLOWING THE MERGER WITH ITS SUBSIDIARY DOM SECURITY SA IN NOVEMBER 2018

Persons concerned:

Henri Morel, Chairman of DENY SECURITY SAS, Chairman of DOM-METALUX SAS, Chairman of PICARD-SERRURES SAS, Chairman of DOM RONIS SAS which holds the entire share capital of DOM TSS, Chairman of OMNITECH SECURITY SAS, Manager of SECU Beteiligungs-GmbH, itself Manager of DOM SICHERHEITSTECHNIK GmbH & Co KG, Director of DOM-CR, Member of the Supervisory Board of DOM-ELZETT, Director of DOM-MCM, CEO of DOM-UK, Director of UCEM, Member of the Supervisory Board of DOM-POLSKA and Director, Chairman and CEO of GROUPE SFPI SA.

Sophie Morel, Director of GROUPE SFPI SA, Member and Chairman of the Supervisory Board of DOM-TITAN D.D.
GROUPE SFPI SA, majority shareholder of DOM SECURITY SAS, which holds the entire share capital of DOM SUISSE.

Nature and purpose:

Service agreement dated 5 December 2001 and its amendments no. 1 dated 26 November 2013, no. 2 dated 21 December 2015 and no. 3 dated 25 July 2016, whereby DOM SECURITY SA undertakes to provide advice and assistance to its subsidiaries. This agreement and its amendments were transferred to GROUPE SFPI SA following the merger with DOM SECURITY SA in November 2018.

Terms:

Calculation methods are as follows:

- Insurance: services invoiced at cost,
- Export: services invoiced on the basis of revenues generated directly or indirectly over the region,
- Trade fairs and similar events: services invoiced at 50% of cost,
- Accounting and HR: services invoiced at cost in the case of assignable costs and at 50% for non-assignable costs,
- Sales: services invoiced on a time spent basis in the case of assignable costs and based on the relevant business unit's contribution to consolidated production revenues for non-assignable costs,
- Communications: services invoiced on a time spent basis in the case of assignable costs and based on the relevant region's contribution to consolidated revenues for non-assignable costs.

The income recognised in respect of this agreement for the year ended 31 December 2018 was €2,867,900 excluding tax, broken down as follows.

Subsidiary	Amount (€)
DENY SECURITY SAS	265,490
DOM-METALUX SAS	241,980
PICARD-SERRURES SAS	344,130
DOM RONIS SAS	174,980
DOM TSS	40,220
OMNITECH SECURITY SAS	94,430
DOM SICHERHEITSTECHNIK GmbH & Co KG	610,470
DOM NEDERLAND	131,760
DOM-TITAN D.D.	262,640
DOM-CR	170,210
DOM-ELZETT	66,970
DOM-MCM	181,410
DOM-SUISSE	30,050
DOM-UK	125,330
UCEM	71,020
DOM-POLSKA	56,810
TOTAL	**2,867,900**

As required by law, we hereby inform you that the Board of Directors did not conduct the annual review of these agreements and commitments entered into and authorised in prior years, which continued to be performed during the year ended, as provided for by Article L. 225-40-1 of the French Commercial Code.

SERVICE AGREEMENT BETWEEN GROUPE SFPI SA AND ITS SUBSIDIARIES

Persons and companies concerned:

Henri Morel, Chairman of DENY SECURITY SAS, Chairman of DOM-METALUX SAS, Chairman of PICARD-SERRURES SAS, Chairman of DOM RONIS SAS, Chairman of OMNITECH SECURITY SAS, Manager of SECU Beteiligungs-GmbH, itself Manager of DOM SICHERHEITSTECHNIK GmbH & Co KG, Director of DOM-CR, Member of the Supervisory Board of DOM-ELZETT, Director of DOM-MCM, CEO of DOM-UK, Director of UCEM, Director, Chairman and CEO of NEU JKF SA, Director and Chairman of the Board of Directors of MAC SAS and Director, Chairman and CEO of GROUPE SFPI SA.

Jean-Bertrand Prot, Chairman of MMD SAS, Director of NEU JKF SA, Director of MAC SAS, Chairman of FRANCE FERMETURES SAS, Chairman of FABER FRANCE SAS, Chairman of FRANCIAFLEX, permanent representative of FRANCIAFLEX SAS, Director of BAIE OUEST SA, sole shareholder of SMVO SAS and majority shareholder of BOFLEX, Chairman of SIPA MENUISERIES SAS, Chairman of SPRING MANAGEMENT SAS and permanent representative of SPRING MANAGEMENT SAS, Director of GROUPE SFPI SA.

Damien Chauveinc, Chief Operating Officer of GROUPE SFPI SA and CEO of MAC SAS.

Sophie Morel, Director of GROUPE SFPI SA, Member and Chairman of the Supervisory Board of DOM-TITAN D.D, Director of MAC SAS.

GROUPE SFPI SA, majority shareholder of DOM SECURITY SAS, which holds the entire share capital of DOM SUISSE, and majority shareholder of POINT EST SAS.

Nature and purpose:

Service agreement whereby GROUPE SFPI SA undertakes to provide its subsidiaries with assistance and advice in the following areas: management, finance, administrative organisation, accounting and legal affairs, information technology, sales and marketing, industrial strategy, research and development (patents).

The amendments signed on 25 July, 26 July and 30 August 2016 in respect of subsidiaries DENY SECURITY SAS, DOM-METALUX SAS, PICARD SERRURES SAS, DOM RONIS SAS, OMNITECH SECURITY SAS, DOM SICHERHEITSTECHNIK GmbH & Co KG, DOM-TITAN D.D, DOM-CR, DOM-ELZETT, DOM-MCM, DOM SUISSE, DOM-UK, UCEM, DOM-NEDERLAND, MMD SAS, NEU JKF SA, MAC SAS, FRANCE FERMETURES SAS, FABER FRANCE SAS, BAIE OUEST SA, SMVO SAS, BOFLEX SA and POINT EST SAS amended the term of the agreement, which is henceforth indefinite.

The agreement with subsidiary SIPA MENUISERIES was entered into on 25 August 2016 for an indefinite term, effective 1 October 2016.

Terms:

Compensation is calculated by applying a percentage of each company's annual revenues excluding tax or a percentage of the consolidated revenues of the Company and its subsidiaries:

- 1% for DENY SECURITY SAS, DOM-METALUX SAS, PICARD SERRURES SAS, DOM RONIS SAS, OMNITECH SECURITY SAS, FRANCE FERMETURES SAS and SIPA MENUISERIES SAS,
- 0.6% for NEU JKF SA,
- 0.7% for DOM SICHERHEITSTECHNIK GmbH & Co KG, DOM-TITAN D.D, DOM-CR, DOM-ELZETT, DOM-MCM, DOM SUISSE, DOM-UK, UCEM, DOM-NEDERLAND, MAC SAS, FABER FRANCE SAS, BAIE OUEST SA, SMVO SAS and BOFLEX SA,
- 0.35% for MMD SAS.

POINT EST SAS receives fixed monthly compensation of €1,524.

The income recognised in respect of this agreement for the year ended 31 December 2018 breaks down as follows:

Subsidiary	**Amount (€)**
DENY SECURITY SAS	232,540
DOM-METALUX SAS	132,220
PICARD-SERRURES SAS	184,440
DOM RONIS SAS	145,120
OMNITECH SECURITY SAS	107,810
DOM SICHERHEITSTECHNIK GmbH & Co KG	425,313
DOM-TITAN D.D.	79,079
DOM-CR	33,922
DOM-ELZETT	39,564
DOM-MCM	77,791
DOM-SUISSE	25,214
DOM-UK	26,208
UCEM	27,041
DOM-NEDERLAND	94,437
MMD SAS	168,341
NEU JKF SA	490,025
MAC SAS	700,959
FRANCE FERMETURE SAS	606,730
FABER FRANCE SAS	49,679
BAIE OUEST SA	27,398
SMVO SAS	14,091
BOFLEX SA	35,518
SIPA MENUISERIES	144,440
POINT EST SAS	0
TOTAL	**3,867,970**

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 DATAGROUPE SA

Person concerned:

GROUPE SFPI SA, majority shareholder of DATAGROUPE SA.

Nature and purpose:

Service agreement 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 and no. 6 dated 26 July 2016, whereby DATAGROUPE SA undertakes to provide GROUPE SFPI SA with advice and assistance in the following areas: finance and accounting, sales, HR, management and information technology.

Amendment no. 6 dated 26 July 2016 amended the term of the agreement, which is henceforth indefinite.

Terms:

The expense recognised in respect of this agreement for the year ended 31 December 2018 was €1,490,000 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.

TAX CONSOLIDATION AGREEMENT BETWEEN GROUPE SFPI SA AND ITS SUBSIDIARIES

Companies concerned:

GROUPE SFPI SA and its direct and indirect subsidiaries: DATAGROUPE SA, NEU JKF SA, DELTA NEU, NEU RAILWAYS, NEU PROCESS, NEU AUTOMATION, NEU JKF WOOD INDUSTRY, LA FONCIERE NEU, NEU JKF INTERNATIONAL SAS, MMD, BARRIQUAND, FINANCIERE BARRIQUAND, BARRIQUAND ECHANGEURS, ASET, STERIFLOW and BATT.

Nature and purpose:

Tax consolidation agreement dated 30 September and 30 December 1999 and its amendments no. 1 dated 16 May 2011, no. 2 dated 19 and 20 September 2016, no. 3 dated 27 and 28 October 2016, tax consolidation agreement dated 22 December 2017.

Terms:

The purpose of this agreement is to:

- apportion the tax owed by the parent company on consolidated earnings between the Group companies,
- appropriate any loss or gain arising from the tax consolidation regime,
- provide for a potential dividend distribution,
- avoid awarding the companies compensation if they leave the Group.

The main terms of the agreement are as follows:

- the companies included in the tax group pay your Company the amount of tax they would have paid if they had been taxed separately, in accordance with the schedule applicable to your Company for the payment of corporate income tax incurred by Group companies, including advance payments, to the French treasury,
- excess advance payments are repaid by your Company to the tax group companies,
- the tax loss or gain will constitute a non-taxable loss or gain for your Company, to be recognised in its financial statements,
- in the event that a company leaves the Group, the option is not renewed or the Group ceases to exist, any gains generated by your Company in terms of direct taxation shall not give rise to any reimbursement or payment, meaning that the companies belonging to the tax group are not entitled to claim any compensation.

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.

COMMERCIAL LEASE BETWEEN GROUPE SFPI SA AND SCI BGM

Person 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).
Agreement signed on 29 June 2007, amended by amendments no. 1 dated 19 December 2012 and no. 2 dated 30 December 2015.

Terms:

The expense recognised in respect of this agreement for the year ended 31 December 2018 was €578,000 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.

THE STATUTORY AUDITORS

Paris La Défense, 17 May 2019

KPMG S.A.
Nahid Sheikhalishahi
Partner

Paris La Défense, 17 May 2019

Deloitte & Associés
Philippe Soumah
Partner

Consolidated financial statements

Financial year ended 31 December 2018

To the General Meeting of GROUPE SFPI S.A.,

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 2018, which are appended to this report.

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 2018 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 15 and IFRS 9 from 1 January 2018” in the section of the notes to the consolidated financial statements entitled “Accounting policies, valuation methods and IFRS options adopted”, which explains the impact of the mandatory application of IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” from 1 January 2018.

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, 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.

<table>
<tr><th>Key audit matter</th><th>Audit response</th></tr>
<tr><td colspan="2">Subsequent valuation of goodwill, intangible assets and property, plant & equipment at net values of €53 million, €7 million and €83 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 and 3 - Property, plant and equipment)</td></tr>
<tr><td>As at 31 December 2018, goodwill, intangible assets and property, plant and equipment are stated on the balance sheet at a total amount of €144 million and represent 27% 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 and property, plant & equipment to be a key audit matter.</td><td>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 2019 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.</td></tr>
</table>

<table>
<tr><th>Key audit matter</th><th>Audit response</th></tr>
<tr><td colspan="2">Valuation of retirement benefits and long-service awards at €55 million
(Paragraph 15 “Retirement benefits and long-service awards” of the section entitled “Accounting policies, valuation methods and IFRS options adopted” and Note 8 - Non-current provisions)</td></tr>
<tr><td>As at 31 December 2018, retirement benefits and long-service awards, which are recognised under non-current provisions, are stated on the balance sheet at a value of €55 million compared to a balance sheet total of €524 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.</td><td>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.</td></tr>
<tr><th>Key audit matter</th><th>Audit response</th></tr>
<tr><td colspan="2">Merger of subsidiary DOM SECURITY by absorption (Paragraph entitled “Highlights of the year”)</td></tr>
</table>

On 16 November 2018, your Board of Directors executed the merger between GROUPE SFPI S.A. and DOM SECURITY S.A. as approved by the General Meeting of 13 November 2018. This merger resulted in an €8 million capital increase and a reduction in DOM SECURITY S.A. minority interests. Given the materiality of the merger transaction in the consolidated financial statements, we consider the accounting treatment of this transaction to be a key audit matter.	We: ● reviewed the merger agreement and the reports issued by the business appraiser; ● verified recognition of the impact of the merger in the consolidated financial statements, including: - calculation of the Group and minority shares of shareholders' equity and earnings; - calculation of earnings per share; ● checked that the notes to the consolidated financial statements presented the appropriate information.

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.

We have no matters to report regarding the fair presentation of said information and its consistency with the consolidated 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 S.A. by your General Meeting on 18 June 2015.
As at 31 December 2018, KPMG S.A. and Deloitte & Associés were in the fourth 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.

<u>Report to the Audit Committee</u>

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.

THE STATUTORY AUDITORS

Paris La Défense, 29 April 2019
KPMG S.A.
Nahid Sheikhalishahi
Partner

Paris La Défense, 29 April 2019
Deloitte & Associés
Philippe Soumah
Partner

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 26-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, in one or more instalments, 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.

THE STATUTORY AUDITORS

Paris La Défense, 29 April 2019
KPMG S.A.
Nahid Sheikhalishahi
Partner

Paris La Défense, 29 April 2019
Deloitte & Associés
Philippe Soumah
Partner

INDEPENDENT THIRD-PARTY BODY REPORT ON THE STATEMENT OF NON-FINANCIAL PERFORMANCE

FINANCIAL YEAR ENDED 31 DECEMBER 2018

To the Shareholders,

In our capacity as a professional accounting practitioner appointed to act as 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 2018 (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 guidelines (the "Guidelines").

Independence and quality control

Our independence is defined by regulations and by the professional code of ethics set out in the French decree of 30 March 2012 on the accountancy profession and takes into account the provisions of Article L.822-11 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 rules of ethics, professional standards, legislation and regulations.

Responsibility of the professional accountancy practitioner

It is our responsibility, on the basis of our work, to establish a substantiated opinion 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").

We are not, however, required to express an opinion regarding:

- the Company's compliance with other applicable statutory and regulatory provisions, including those related to the vigilance plan and the prevention of corruption and tax evasion;
- compliance of products and services with applicable regulations.

We performed the tasks set out below in accordance with professional standards applicable in France and with the ministerial order of 14 September 2018 amending the order of 13 May 2013, which lays down the procedure to be followed by the independent third-party body in executing its engagement.

Nature and scope of the work

We performed such operations as to allow us to assess the compliance of the Statement with regulatory provisions and the fair presentation of the Information:

- We familiarised ourselves with the activity of all the entities included in the consolidation scope, the explanation of the main social and environmental risks related to this activity and, where applicable, the impact of this activity with regard to human rights and the prevention of corruption and tax evasion, as well as the resulting policies and their effects;
- We assessed the appropriateness of the Guidelines in terms of relevance, completeness, reliability, objectivity and comprehensibility, taking industry best practices into consideration, where applicable;

- 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 business model and the principal risks related to the activity of all the entities included in the consolidation scope, including, where relevant and proportionate, the risks generated by its business relations, products or services, with regard to the information provided for in Article R. 225-105 (I) of the French Commercial Code, as well as the policies, measures and effects, including key performance indicators;
- We verified, where relevant with regard to the principal risks or policies presented, that the Statement presents the information provided for in Article R. 225-105 (II) of the French Commercial Code;
- We assessed the process of selecting and approving the principal risks;
- We ascertained the existence of internal control and risk management procedures implemented by the entity;
- We verified that the Statement includes a clear and substantiated explanation of the reasons for the lack of a policy regarding one or more of these risks;
- 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 the Statement;
- We assessed the information-gathering process adopted by the entity in order to ensure the completeness and fair presentation of measures, policy results and key performance indicators requiring mention in the Statement;
- 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 15% and 40% of key performance indicators and the results selected for these tests;
- We consulted documentary sources and conducted interviews to corroborate the qualitative information (measures and effects) that we deemed most significant;
- We assessed the consistency of the Statement as a whole in light of our knowledge of the company.

Means and resources

Our review was conducted by five people over a total period of five months between July 2018 and April 2019.

Conclusion

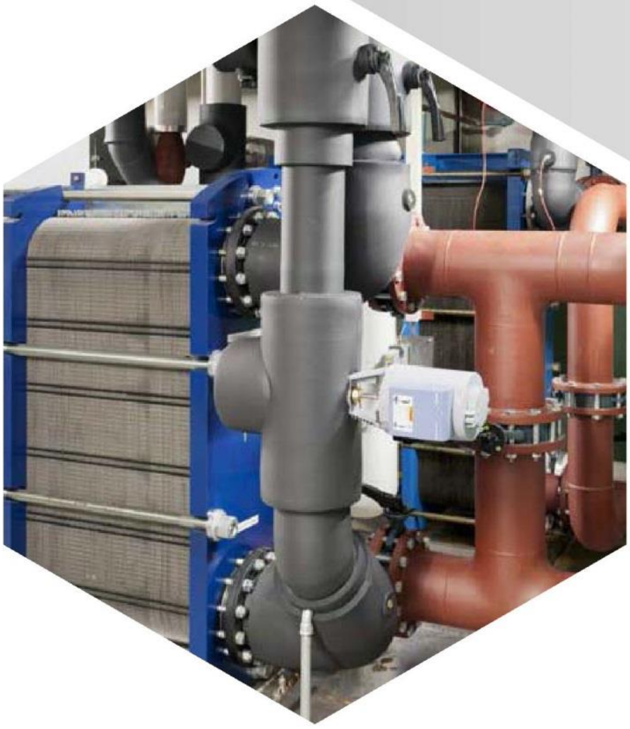
Based on our work, we identified no material misstatements liable to call into question the fact that the statement of non-financial performance complies with the applicable regulatory provisions and that the Information, taken as a whole, is fairly presented in accordance with the Guidelines.

Observations

Without prejudice to the foregoing conclusion, we draw the reader’s attention to the scope defined in the paragraph entitled: “I. Presentation and 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. The operational management system currently being rolled out will enable the Group to fine-tune its policies and improve key performance indicators.

Toulouse, 26 April 2019

THE INDEPENDENT THIRD-PARTY BODY
SAS CABINET DE SAINT FRONT
Jacques de Saint Front
Chairman



COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING OF 07 JUNE 2019

Draft resolutions

RESOLUTIONS TO BE SUBMITTED TO THE ORDINARY GENERAL MEETING

FIRST RESOLUTION

Ratification of additional accounting entries setting the definitive amount of the merger premium relating to the merger-absorption of DOM Security SA by GROUPE SFPI.
The general meeting, deliberating in accordance with the quorum and majority requirements applicable to ordinary general meetings, having reviewed the business and management report of the Board of Directors, hereby ratifies the following additional accounting entries.

- First accounting entry under the merger agreement:
  - Cancellation of treasury shares held in the assets of the absorbed company, DOM Security SA: €3,162,375.00;
- Additional accounting entries:
  - Cancellation of the portion of treasury shares: €1,175,293.90
  - Cancellation of the dividends paid in 2018 by the absorbed company, DOM Security SA: €2,965,173.75

These accounting entries set the final amount of the merger premium at €5,593,072.47.

SECOND 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 2018, hereby approve the said financial statements as presented to it, which reveal a net profit of €16,681,417.27, as well as the transactions recorded in the said financial statements or summarised in said reports.
Consequently, the General Meeting fully and unreservedly discharged directors and the Chief 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 the non deductible expenses of the tax result with regard to Article 39-4 of the French General Tax Code.

THIRD RESOLUTION

Appropriation of earnings; dividend payment

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 €16,681,417.27 is appropriated as follows:

Source: • Net profit for the year: €16,681,417.27. Appropriation:

- 5 % to the legal reserve: €834,071
- Dividend payments: €4,965,895.10, i.e. €0.05 per share,
- Remainder: €10,881,451.17 to the Other reserves account, which increases the balance from €31,195,906.31 to €42,077,357.48.

The general meeting duly notes that since the 2018 French Finance Act, the dividends received by a individual taxpayer are automatically taxed at a single withholding rate of 30% (12.80% for income tax and 17.20% for social contributions) However, the taxpayer may expressly request for their dividends to be taxed on the income tax sliding scale.

The cash dividend will be paid on Friday, 21 June 2019.

It is specified that in the event that, at the time the dividend is paid, the Company holds some of its treasury shares, the distributable profit corresponding to the unpaid dividends due to said shares being held by the company, will be appropriated to the retained earnings account.

The general meeting duly noted that the dividend paid out in respect of the past three financial years was as follows:

Financial Year	Dividend distributed	Dividend per share
2015	€2,699,095.86	€0.03
2016	€4,498,493.10	€0.05
2017	€5,398,191.72	€0.06

FOURTH RESOLUTION

Approval of agreements and commitments within the meaning of Article L. 225-38 et seq. of the French Commercial Code, authorised during past years and which remained in effect during the year ended

The general meeting, deliberating in accordance with the quorum and majority requirements applicable to ordinary general meetings, having heard the special report of the Statutory Auditors on agreements and commitments governed by Articles L. 225-38 et seq. of the French Commercial Code and which remained in effect during the year ended, approved the content of this report and the agreements and commitments referred to therein.
This resolution is subject to a voting right to which the shareholders concerned will not participate, it being specified that their shares are excluded from calculation of quorum and majority.

FIFTH RESOLUTION

Approval of agreements and commitments within the meaning of Article L. 225-38 et seq. of the French Commercial Code and 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 special report of the Statutory Auditors on agreements entered into governed by Articles L. 225-38 et seq. of the French Commercial Code, and entered into during the year ended, approved the content of this report and the agreements and commitments referred to therein.
This resolution is subject to a voting right to which the shareholders concerned will not participate, it being specified that their shares are excluded from calculation of quorum and majority.

SIXTH RESOLUTION

Approval and ratification of the agreement within the meaning of Article L. 225-38 et seq. of the French Commercial Code and 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 special report of the Statutory Auditors on agreements governed by Articles L. 225-38 et seq. of the French Commercial Code, approved and ratified the tax consolidation agreement entered into on 10 December 2018 between the Company and its subsidiaries and its sub-subsidiaries of the MAC division that were not the subject of prior authorisation by the Board of Directors.
This resolution is subject to a voting right to which the shareholders concerned will not participate, it being specified that their shares are excluded from calculation of quorum and majority.

SEVENTH RESOLUTION

Approval and ratification of the agreement within the meaning of Article L. 225-38 et seq. of the French Commercial Code and 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 special report of the Statutory Auditors on agreements governed by Articles L. 225-38 et seq. of the French Commercial Code, approved and ratified the tax consolidation agreement entered into on 21 December 2018 between the Company and its subsidiaries and its sub-subsidiaries of the DOM Security division that were not the subject of prior authorisation by the Board of Directors.

This resolution is subject to a voting right to which the shareholders concerned will not participate, it being specified that their shares are excluded from calculation of quorum and majority.

EIGHTH RESOLUTION

Approval and ratification of the agreement within the meaning of Article L. 225-38 et seq. of the French Commercial Code and 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 special report of the Statutory Auditors on agreements governed by Articles L. 225-38 et seq. of the French Commercial Code, approved and ratified the tax consolidation agreement entered into on 14 December 2018 between the Company and its Italian subsidiary ANTIPANIC SPA that were not the subject of prior authorisation by the Board of Directors.

This resolution is subject to a voting right to which the shareholders concerned will not participate, it being specified that their shares are excluded from calculation of quorum and majority.

NINTH 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 2018, approves the consolidated financial statements for the financial year ended 31 December 2018 as they were presented revealing a net profit for consolidated companies of €16,296,000 as well as the transactions recorded in the said financial statements or summarised in the business or activity reports.

Net income Group share after minority interests amounted to €13,657,000.

TENTH RESOLUTION

Appointment of ARC MANAGEMENT SAS as director

The general meeting, deliberating in accordance with the quorum and majority requirements applicable to ordinary general meetings, decided to appoint ARC MANAGEMENT SAS, company with share capital of €21,564,075 whose registered office is at 20 rue de l'Arc de Triomphe, 75017 Paris and registered in the Paris Trade and Companies register under number 423 186 485, as director, for a term of three (3) years, which shall expire at the end of the general meeting in 2022 called to approve the financial statements for the year ended 2021.

The general meeting duly noted that the permanent representative of ARC MANAGEMENT SAS on the GROUPE SFPI SA Board of Directors is Sophie Morel, residing at 7 rue Cavallotti, 75018 Paris.

The general meeting, also duly noting that at the end of ARC MANAGEMENT SAS's appointment as director, Sophie Morel will resign from her natural person director mandate at GROUPE SFPI SA.

This resolution is subject to a voting right to which the shareholders concerned will not participate, it being specified that their shares are excluded from calculation of quorum and majority.

ELEVENTH 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 director's fees to be distributed between the directors in respect of 2018 at €30,000.00.
The general meeting granted full powers to the Board of Directors, which empowers it to decide on the conditions for distribution of these directors' fees between the Directors.

TWELFTH RESOLUTION

Approval of fixed, variable and exceptional items comprising the total remuneration and advantages of any kind paid or allocated to the Company's Chairman and Chief Executive Officer, for the financial year ended 31 December 2018

The general meeting, deliberating in accordance with the quorum and majority requirements applicable to ordinary general meetings, and deliberating in accordance with the provisions of Article L. 225-100 of the French Commercial Code, having reviewed the corporate governance report, approves the fixed elements, comprising the total remuneration and benefits of any kind paid or allocated to Henri Morel, Chairman and Chief Executive Officer of the Company, for the financial year ended 31 December 2018, as described in the corporate governance report (§4.3).

THIRTEENTH RESOLUTION

Approval of fixed, variable and exceptional items comprising the total remuneration and advantages of any kind paid or allocated to the Company's Chief Operating Officer, for the financial year ended 31 December 2018

The general meeting, deliberating in accordance with the quorum and majority requirements applicable to ordinary general meetings, and deliberating 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 elements, comprising the total remuneration and benefits of any kind paid or allocated to Damien Chauveinc, Chief Operating Officer of the Company, for the financial year ended 31 December 2018, as described in the corporate governance report (§4.3).

FOURTEENTH RESOLUTION

Approval of principles and criteria for the calculation, breakdown and allocation of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated 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 deliberating in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, having reviewed the corporate governance report and specifically the last paragraph of Article L 225-37 of the French Commercial Code, approves the principles and criteria for the calculation, breakdown and allocation of all of the items comprising the total remuneration and benefits of any kind allocated to the Chairman and Chief Executive Officer of the Company for 2019, as described in the corporate governance report.

These principles and criteria are as follows:

- payment of gross fixed annual remuneration of €300,000;
- contribution under the executive unemployment insurance policy (GSC); and
- no other items of remuneration or benefit of any kind whatsoever, including directors' fees.

FIFTEENTH RESOLUTION

Approval of principles and criteria for the calculation, breakdown and allocation of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated to the Company's Chief Operating 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 deliberating in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, having reviewed the corporate governance report and specifically the last paragraph of Article L. 225-37 of the French Commercial Code, approves the principles and criteria for the calculation, breakdown and allocation of all of the items comprising the total remuneration and benefits of any kind allocated to the Chief Operating Officer of the Company for 2019, as described in the corporate governance report.

These principles and criteria are as follows:

- payment of gross fixed annual remuneration of €190,774;
- payment of annual variable remuneration;
- provision of a company car representing a benefit in kind; and
- no directors' fees.

SIXTEENTH RESOLUTION

Authorisation to be granted to the Board of Directors for carrying out transactions on Company 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. 241-2 et seq. of the General Regulations 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 an investment services provider intervening independently under the framework of a liquidity contract in accordance with AMAFI's code of ethics and the best market practices recognised by the French Financial Markets Authority (AMF); or

(ii.) holding the shares for the purposes of subsequently tendering them 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 corporate officers and directors of the Company and/or related companies or companies that will be related in the terms and conditions provided for by law, in particular by allocation of bonus 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, it being specified that the shares may by appropriated to an employee savings scheme pursuant to the provisions of Article L. 3332-14 of the French Employment Code; or

(v.) cancelling via by capital reduction the shares purchased, in particular for maximising the result per share or improving the profitability of shareholder's equity; or

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

This programme is also be designed to allow the Company to carry out transactions on Company shares for all other current or future purpose 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 over the course of the buyback programme may not exceed 10% of the shares comprising the Company's share capital, at any time, this percentage applying to share capital adjusted according to any transactions impacting it subsequent to this general meeting; in accordance with the provisions of Article L. 225-209 of the French Commercial Code, when the shares are repurchased to favour the liquidity of the security 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, minus the number of shares sold during the term of the authorisation; and
- the number of shares that the Company holds at any time whatsoever may not exceed 10% of the Company's total share capital.

The purchase, sale, transfer, reissue or exchange of these shares may be carried out, on one or several occasions and by any means whatsoever that authorised by the current or future regulations in force. These means include over-the-counter transactions, block trading, repurchase agreements and the use of any derivative financial instrument, negotiated on a regulated market or over-the-counter and the implementation of optional strategies (purchase and sale of options to purchase or sell any any combination thereof in compliance with applicable regulation). The portion of the buy-back programme that may be carried out by block trade negotiation is equivalent to the entire share repurchase program.

These transactions may be carried out at such times as the Board of Directors shall determine; however, during a public offering, 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 the continuation of a buyback programme already underway;
- fall under the objectives listed above in points (i) to (v); and
- are not liable to negatively impact the offering.

The Board of Directors may also carry out, in compliance with the applicable legal and regulatory provisions, the reallocation of previously repurchased shares (including under a previous authorisation) to another objective, as well as their sale (on or off the market).

The general meeting set the maximum purchase price per share at €5.00, before acquisition expenses.

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 to €39,180,910, which corresponds to a maximum amount of 7,836,182 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 on the Company's share capital, particularly in the event of a change to the share nominal value, a capital increase through the capitalisation of reserves, an allocation of bonus shares, a share split or a reverse split, the power to adjust the aforementioned maximum purchase price in order to take into account the impact of these transactions on the share price.

The general meeting grants the Board of Directors full powers, with the option of further delegation in compliance with applicable statutory provisions, to set the terms and conditions, where necessary, with the option of further delegating in compliance with applicable statutory provisions, for the performance of the buyback programme, and in particular to place all trading orders and enter into all agreements, for the purpose of keeping registers of share purchases and sales and making any declarations in particular with the AMF and any other authority required, complete all formalities and, in general, do whatever is necessary.

This authorisation is given for eighteen (18) months as from the date of this meeting, i.e. until 7 December 2020, and cancels the unused part, as from this same date, of the authorisation that it had granted to the Board of Directors for carrying out transactions on Company shares at its meeting of 14 June 2018 under its twelfth resolution.

RESOLUTIONS TO BE SUBMITTED TO THE EXTRAORDINARY GENERAL MEETING

SEVENTEENTH 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 ordinary general meetings, having reviewed the Board of Directors' report and the statutory auditors' special report and deliberating in accordance with the provisions of Article L. 225-209 et seq. of the French Commercial Code:

- authorised the Board of Directors to reduce the capital stock via the cancellation, on one or more occasions, and 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 sixteenth resolution above, it being specified that the 10% limit applies to an amount of Company share capital that will be, where applicable, adjusted to take into account 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 nominal value shall be appropriated to "Additional paid in capital" or any available reserve account, including the legal reserve, for up to 10% of the share capital reduction carried out; and
- granted the Board of Directors, with the option of further delegation in compliance with applicable statutory provisions, full powers to carry out, at its sole discretion, the cancellation or reduction of share capital with the aforementioned appropriation, 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 as from the date of this general meeting and cancels, as from this same date, the authorisation granted by the general meeting of 14 June 2018 under its twelfth resolution.

EIGHTEENTH RESOLUTION

Delegation of powers to complete formalities

The meeting grants full powers to Lucie Hoppeley, bearing an original, a copy, or extract certified to be the minutes of proceedings of this meeting in order to complete all statutory or administrative formalities and make all filings and publications required by applicable legislation.

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