Financial statements for the year ended December 31, 2020

Statement of financial position

Assets - €'000	Note	Dec 31, 2020	Dec 31, 2019
Goodwill	4	34,821	10,167
Other intangible assets	5	11,663	13,596
Property, plant and equipment	6	76,713	50,382
Other financial assets	7	2,116	1,274
Deferred tax assets	8	3,836	4,049
Total non-current assets		**129,149**	**79,469**
Inventories and WIP	9	71,705	50,372
Trade receivables	10	46,741	34,405
Tax receivables	11	1,746	3,460
Other current assets	12	9,257	10,009
Cash and cash equivalents	13	45,925	26,720
Total current assets		**175,373**	**124,966**
Total assets		**304,523**	**204,435**

Liabilities and equity - €'000	Note	Dec 31, 2020	Dec 31, 2019
Capital stock	14	4,920	4,920
Additional paid-in capital	14	43,868	43,868
Consolidated reserves and other reserves	14	45,635	43,111
Net income for the period	14	471	4,826
Total equity, Group share		**94,894**	**96,724**
Non-controlling interests		6,413	305
Non-controlling interests		**6,413**	**305**
Total equity		**101,307**	**97,029**
Borrowings and debt	15	87,598	36,643
Provisions for pensions and similar commitments	16	11,015	9,601
Deferred tax liabilities	8	289	449
Other non-current liabilities	17	25,051	5,405
Total non-current liabilities		**123,954**	**52,098**
Borrowings and bank overdrafts (due in less than 1 yr)	15	24,831	12,551
Current provisions	18	1,263	868
Trade payables		26,165	25,219
Tax payables	11	398	321
Other current liabilities	19	26,607	16,349
Total current liabilities		**79,262**	**55,308**
Total liabilities		**203,216**	**107,406**
Total liabilities and equity		**304,523**	**204,435**

Consolidated income statement

€'000	Note	2020	2019
Revenues	**20**	**195,301**	**189,047**
Purchases		(76,094)	(73,598)
Change in inventories		(8,910)	(1,217)
External expenses	21	(35,695)	(39,431)
Personnel expenses	22	(56,183)	(54,107)
Miscellaneous taxes	23	(2,229)	(2,121)
Total depreciation, amortization and impairment	24	(16,126)	(14,581)
Net provisions for impairment	25	180	1,325
Other recurring income and expenses	26	6,526	2,316
EBIT		**6,769**	**7,634**
Non-recurring operating income and expenses	27	(2,096)	
Operating income		**4,673**	**7,634**
Income from cash and cash equivalents		78	125
Gross cost of debt		(2,161)	(1,139)
Net cost of debt	**28**	**(2,083)**	**(1,014)**
Other financial income and expenses	28	(1,660)	65
Income before tax		**931**	**6,685**
Income tax	29	(176)	(1,899)
Income after tax		**754**	**4,786**
Total net income		**754**	**4,786**
Group share		471	4,826
Non-controlling interests		283	(40)
Earnings per share (€)		0.04	0.41
Diluted earnings per share (€)		0.04	0.41

Statement of comprehensive income

Statement of comprehensive income - €'000	2020	2019
Total consolidated net income	**754**	**4,786**
Other comprehensive income:		
Actuarial gains/(losses) on pension liabilities	565	(3,308)
Net change in financial instruments measured at fair value	178	(298)
Income tax	(47)	621
Subtotal - comprehensive income/(loss) not transferable to earnings	**696**	**(2,985)**
Currency translation differences	- 1,704	547
Hedging instruments	(48)	-
Income tax	13	-
Subtotal - comprehensive income/(loss) transferable to earnings	**(1,740)**	**547**
Total other comprehensive income/(loss) after tax	**(1,044)**	**(2,438)**
Total comprehensive income	**(289)**	**2,348**
Group share	(286)	2,364
Non-controlling interests	(3)	(16)

Statement of changes in consolidated equity

€'000	Capital stock	Additional paid-in capital	Consolidated net income and reserves	Treasury shares	Other comprehensive income	Total, Group share	Non-controlling interests	Total
Equity at Dec 31, 2018	**4,920**	**43,868**	**46,156**	**(4,852)**	**1,112**	**91,201**	**319**	**91,520**
Net income for the period			4,826			4,826	(40)	4,786
Other comprehensive income					(2,461)	(2,461)	23	(2,438)
Total comprehensive income for the period	**-**	**-**	**4,826**	**-**	**(2,461)**	**2,364**	**(16)**	**2,348**
Parent company dividends			(592)			(592)		(592)
Other items*			3,754	(3)		3,751	2	3,753
Total transactions with shareholders	-	-	**3,162**	**(3)**	-	**3,159**	**2**	**3,161**
Equity at Dec 31, 2019	**4,920**	**43,868**	**54,143**	**(4,854)**	**(1,349)**	**96,724**	**305**	**97,029**
Net income for the period			471			471	283	754
Other comprehensive income					(758)	(758)	(286)	(1,044)
Total comprehensive income for the period	**-**	**-**	**471**	**-**	**(758)**	**(286)**	**(3)**	**(289)**
Treasury shares				(92)		(92)		(92)
Parent company dividends			(1,427)			(1,427)		(1,427)
Ch. in conso. scope			-			-	6,111	6,111
Other items			(28)			(28)		(28)
Total transactions with shareholders	**-**	**-**	**(1,455)**	**-**	**-**	**(1,547)**	**6,111**	**4,563**
Equity at Dec 31, 2020	**4,920**	**43,868**	**53,159**	**(4,946)**	**(2,107)**	**94,894**	**6,413**	**101,307**

* Changes primarily relating to the valuation of non-current liabilities (Note 17 to the 2019 financial statements)

Consolidated statement of cash flows

€'000	2020	2019
Total consolidated net income	754	4,786
Consolidated net income from continuing activities	**754**	**4,786**
Depreciation, amortization and impairment (Note 24)	17,461	14,581
Provisions (Note 25)	46	(1,325)
Pension provisions	414	171
Gains/losses on disposal	196	-
Other non-cash income and expenses	216	(88)
Free cash flow after net cost of debt	**19,088**	**18,125**
Net cost of debt (Note 28)	2,083	1,014
Free cash flow before net cost of debt	**21,171**	**19,139**
Tax expense	176	1,899
Free cash flow	**21,347**	**21,038**
Tax paid	(772)	(2,266)
Change in operating working capital	*6,022*	*2,652*
Subtotal - Change in operating working capital	***1,732***	***2,621***
of which Change in trade receivables	*986*	*2,568*
of which Change in inventories	*8,160*	*900*
of which Change in trade payables	*(7,414)*	*(847)*
Subtotal - Change in non-operating working capital	***4,289***	***31***
of which Change in other receivables	*5,066*	*(2,087)*
of which Change in other payables	*(476)*	*2,118*
Net cash flow from operating activities	**26,897**	**21,424**
Acquisition of PP&E and intangible assets (Notes 5 and 6)	(7,927)	(8,366)
Earn-out payments indexed to performance of acquired companies	-	(1,362)
Payments received from disposal of PP&E and intangible assets (Notes 5 and 6)	233	285
Payments received from disposal of financial assets	68	-
Dividends received	-	88
Change in consolidation scope	(35,549)	-
Net cash flow from investing activities	**(43,175)**	**(9,355)**
New borrowings (Note 15)	65,216	-
Borrowings repaid (Note 15)	(26,800)	(7,051)
of which Repayment of lease financial liabilities	*(6,338)*	*(5,736)*
Net interest paid (Note 28)	(1,695)	(937)
Dividends paid	(388)	(597)
Factoring (Note 15)	(2,099)	(343)
Other cash flows from financing activities (Note 12)	1,869	(1,832)
Purchase of treasury shares	(92)	-
Net cash flow from financing activities	**36,011**	**(10,760)**
Impact of changes in foreign exchange rates	**(278)**	**47**
Change in cash and cash equivalents	**19,455**	**1,356**
Opening cash and cash equivalents (Note 13)	26,720	25,113
Bank overdrafts at start of period (Note 15)	(250)	-
Net cash at start of period	**26,470**	**25,113**
Closing cash and cash equivalents (Note 13)	45,925	26,720
Bank overdrafts at end of period (Note 15)	(0)	(250)
Net cash at end of period	**45,925**	**26,470**
Change in cash and cash equivalents	**19,455**	**1,357**

Notes to the consolidated financial statements

Note 1 - Information about the Group

1.1 Identification of the Issuer

SergeFerrari Group is a limited liability company (“*société anonyme*”) domiciled in France.
The Serge Ferrari Group designs, manufactures and distributes innovative composite materials.
The consolidated financial statements for the year ended December 31, 2020 were approved by the Board of Directors on March 11, 2021.
The financial statements are presented in thousands of euros unless otherwise indicated. The amounts are rounded to the nearest thousand euros.

1.2 Highlights of the fiscal year presented

COVID-19 pandemic

In 2020, the Group was impacted by measures taken by the government (lockdowns, travel and business restrictions) in response to the COVID-19 pandemic that emerged in January 2020. These measures had an impact both in terms of the decrease in demand for the Group’s products and the Group’s production capacity at its French, Italian and Swiss plants (particularly during the second quarter of 2020, during which production capacity at plants oscillated between 0% and 100%, depending on the site and period). Serge Ferrari Group implemented all the necessary preventive health and safety measures to maintain its essential logistics activities wherever possible, and mobilized its teams to organize the safe resumption of production as soon as conditions allowed, in order to continue meeting customer demand. The Group implemented furlough schemes in France, Switzerland, Italy and Germany. Government grants for furlough schemes are deducted from personnel expenses in the income statement.
The impact of financing measures for furlough schemes received from governments in the Group’s operating countries was estimated at €2,836 at December 31, 2020. The Group has not changed the presentation of its income statement. The costs of the COVID-19 safety measures are recorded under EBIT, as are fixed costs of partially under-operated plants during lockdowns. The Group has not applied for any State-guaranteed loans (PGE) and did not receive any specific rental assistance during the lockdown periods in France and abroad. As of December 31, 2020, all of the Group’s plants had returned to normal operating conditions.

Acquisition by SergeFerrari Group of Verseidag-Indutex GmbH and its subsidiaries from Jagenberg AG

On July 29, 2020 SergeFerrari Group announced the signing of an agreement with the Jagenberg AG Group for the purchase of Verseidag-Indutex, thereby strengthening its global positioning on the fast growing innovative composite materials market.

Based in Krefeld, Germany, Verseidag-Indutex, the world leader in PTFE glass materials, operates on the tensile architecture, solar protection and modular structure markets, as well as the following sectors: industry, biogas, large format digital printing, and solar protection for the building and automotive industries.
Verseidag-Indutex currently employs around 250 people working at its four industrial facilities in and around Krefeld, and has sales subsidiaries covering four regions: Europe, including Germany, the largest European market, the United States, the Middle East and Hong Kong. Verseidag-Indutex and the subsidiaries acquired posted 2020 revenues of €57 million.

This transforming acquisition enables SergeFerrari Group to strengthen its international leadership and strategic positioning in three of its four priority business segments. It forms part of its external growth strategy to integrate complementary companies in terms of sales, products or technologies on its strategic markets.

The acquisition will also help drive growth in the future, given that SergeFerrari Group and Verseidag-Indutex's activities are highly complementary in terms of product range, sales network, marketing and manufacturing. Verseidag-Indutex's strong positioning on the PTFE glass market for tensile architecture in particular, combined with Serge Ferrari's unique, proprietary Précontraint® technology, will enable the Group to develop a comprehensive and diversified commercial offering. Furthermore, the Verseidag-Indutex product offering will strengthen the Group's positioning in other segments such as large format digital printing and solar protection for the building and automotive industries. The plan is to develop both the Verseidag brand and the already well-known Serge Ferrari Group brands.

Under the terms of the transaction, SergeFerrari Group acquired the entire capital stock of Verseidag-Indutex, Verseidag Seemee US and Cubutex GmbH and a 60% stake in DBDS. The €27.8 million transaction includes a cash payment in two tranches (one at closing for €14.1 million, the other in 2021 for €4.4 million after price adjustment), a SergeFerrari Group share-based payment also in two tranches (one in 2021, the other in 2022, each for an amount of approximately €4.7 million) plus an earn-out to be paid in 2023, indexed to EBITDA growth for a fair value of €11.9 million in the 2020 consolidated financial statements. The deferred payments and earn-out are recognized under other non-current and current liabilities at amounts of €17.1 million and €8.3 million respectively (Notes 17 and 19).

The Group has one year following the acquisition to definitively measure the fair value of the acquired companies' assets and liabilities. Goodwill will be definitively valued in the H1 2021 financial statements; goodwill on first consolidation is the difference between the price paid or payable and the net balance of identifiable assets acquired and liabilities assumed on the date of first consolidation. A non-definitive value of €23.6 million is currently assigned to goodwill. Goodwill is allocated to the Group's sole CGU, i.e. innovative composite materials and accessories.

Serge Ferrari acquires 55% stake in F.I.T.

On March 11, 2020, the Group announced the acquisition of a 55% stake in the capital of F.I.T., a Taiwanese company that designs, manufactures and distributes high-tech non-combustible materials, through the purchase of shares from the current family shareholders. This transaction was completed following its approval by the Taiwanese authorities on June 23, 2020.
Founded in 2003, the company was initially involved in the production of glass yarn. It has now developed unrivaled expertise in the manufacture and application of PTFE/glass membranes (non-combustible materials). It employs around 100 people, mainly located at its Chiayi industrial facility in Taiwan. F.I.T. group posted 2020 revenues of around €308 million New Taiwan dollars (around €9 million).
This acquisition will allow the Group to bolster its non-combustible materials offering, a high value-added field of product innovation, intended primarily for the tensile architecture market. It will also provide the Group with new production resources in Asia, a region that plays host to a significant portion of global infrastructure investment.
SergeFerrari Group will make its global specifier and distribution network available to F.I.T. for the delivery of these non-combustible materials.

F.I.T. holds all shares in Taiwan Eden Space Frame & Membrane Engineering Co. Ltd., which specializes in the manufacture of PTFE glass fiber projects using F.I.T. products. F.I.T. holds a 51% stake in F.I.T. HK (Hong Kong), which in turn wholly owns T-more, a company based in Shanghai (China). These two companies have no operations and the Group is looking into ways of streamlining its organizational structure.

The Group acquired a 55% stake in F.I.T. for a total purchase price of NTD 320 million (around €9.5 million), NTD 48.3 million of which will be paid in 2021 and 2022. The liability resulting from this transaction is presented under other current liabilities for the portion due in 2021 and non-current liabilities for the portion due in 2022 (see Notes 17 and 19).
The Group has 12 months as from the purchase date to determine the fair values of F.I.T.'s assets and liabilities; residual goodwill valued at December 31 at NTD 76.9 million (€2.2 million) is not considered definitive, and is allocated to the Group's single innovative composite materials and accessories CGU.

Financing and refinancing contracts

Together with the acquisitions and in order to finance external growth and the 2020-2022 capital expenditure and development program, as well as refinance existing debt, on July 29, 2020 SergeFerrari Group signed loan agreements totaling €75 million with its relationship banks and a €20 million Euro PP financing scheme in the form of a bond issue, which was increased to €30 million on August 6, 2020. These financing arrangements will be used as and when required, with the exception of the Euro PP, which was fully drawn down at closing.
The refinancing of existing debt covers the €15 million Euro PP arranged in July 2015 and the revolving credit facility for an initial amount of €35 million, of which €1 million has been drawn down (both maturing in July 2021), as well as CHF 2 million on short-term lines originally taken out by subsidiaries.

Monitoring the impact of the PRE 3 coating line incident at the Tour du Pin facility

On December 1, 2019, a fire broke out on the main coating line at the La Tour du Pin site: production was immediately halted. No injuries or accidental pollution occurred. The line was back in operation on January 21, 2020, following repairs.
The Company offered its customers alternatives, in an effort to offset the resulting loss of revenues: products with the same Précontraint technology but smaller widths, products using other coating technologies but with larger widths. The Group estimates the impact of this incident on revenues at €7.2 million in total, including €5 million in 2020.

Insurance payments covering the costs of repairing and replacing damaged equipment and property, as well as the operating losses resulting from this incident, were recognized under “Other recurring income and expenses” (Note 26). Insurance payments relating to decontamination and clean-up costs were recognized in the 2019 income statement as a deduction from related operating expenses (see Note 21 “External expenses” to the 2019 consolidated financial statements). No further material expenses of this kind were incurred in 2020.
All insurance payments had been collected by December 31, 2020 and no additional payments are due in 2021 in this respect.

1.3 Post-balance sheet events

None

Note 2 - Accounting and financial principles

The main accounting methods used in the preparation of the consolidated financial statements are explained below. They have been applied consistently to all the fiscal years presented.

2.1 Basis of preparation

The consolidated financial statements have been prepared pursuant to:
- IFRS (International Financial Reporting Standards) as adopted by the European Union. These may be consulted on the European Commission website at:
https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002_en;
- IFRS as published by the IASB and adopted by the EU.

The consolidated financial statements were prepared in accordance with the general principles of IFRS: fair presentation, going concern, accrual basis of accounting, consistency of presentation and materiality.

2.2 Changes in standards

The Group refers to the guidelines available for consultation on the EFRAG (European Financial Reporting and Advisory Group) website at:
https://www.efrag.org/News/Public-213/EFRAG-Endorsement-Status-Report-Update

New standards, amendments and interpretations of mandatory application from 2020 have not had a material impact on the Company's financial statements or their presentation.

The Group has applied the following standards, amendments and interpretations since January 1, 2020:

- Amendment to IFRS 3: "Definition of a business"
- Amendments to IFRS 9, IAS 39 and IFRS 7: "Interest rate benchmark reform"
- Amendments to IAS 1 and IAS 8: "Definition of material"
- Amendments to references to the IFRS conceptual framework
- Amendments to IFRS 16: "COVID-19-Related Rent Concessions" (early application)

In 2020, the Group decided not to apply any other standard, interpretation or amendment early.

Principal accounting standards, amendments and interpretations published but not yet adopted by the European Union:

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current" and "Classification of Liabilities as Current or Non-Current: Deferral of Effective Date"
- Amendments to IFRS 3: "Reference to the conceptual framework"
- Amendments to IAS 16: "Property plant and equipment – Proceeds before intended use"
- Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"
- "IFRS annual improvements, 2018–2020 cycle"

The foregoing standards, interpretations and amendments are not expected to have a material impact on the Group financial statements upon first-time application.
The Group has completed its analyses following the November 2019 IFRIC IC update, which reviewed the ANC interpretation on lease terms and the useful life of leasehold improvements. The Group is mainly concerned by this interpretation with regard to the lease of industrial and office buildings in France.
The Group now applies the following method to determine the lease term.

At each balance sheet date, the Group individually analyses material leases:

- If the remaining lease term at the balance sheet date is less than five years, the Group must determine whether the lease will be renewed. If the Group considers the lease will be renewed, the assets and liabilities are re-entered for a period corresponding to the contractual term of a new lease.
- If the commitment at closing exceeds five years, the remaining contractual term is retained.

This new methodology did not give rise to a material difference compared to the valuation of right-of-use assets and financial liabilities at December 31, 2019, which could have been revalued accordingly with a maximum impact of €2.9 million. As the impact of the revaluation on the balance sheet total and the impact of unwinding the discount on revalued debt on the income statement are considered non-material, the 2019 financial statements have not been restated.

2.3 Consolidation methods

SergeFerrari Group is the consolidating company.

In accordance with IFRS 10 (power over the relevant activities; exposure, or rights, to variable returns; the ability to use its power to affect the amount of returns), companies in which the Group directly or indirectly holds the majority of voting rights at the General Meeting on the Board of Directors or equivalent governing body, giving it the power to direct those companies' operational and financial policies, are generally deemed to be controlled and are fully consolidated.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated.
The financial statements of consolidated companies are all closed on December 31 of each year, with the exception of Serge Ferrari India Private Ltd, whose fiscal year ends on March 31. For Group consolidation purposes, interim statements are prepared on December 31 each year.
The consolidation scope is presented in Note 3.

2.4 Currency translation of financial statements

2.4.1 Operating currency and reporting currency of financial statements

The items included in the financial statements of each Group entity are measured in terms of the prevailing currency in the economic environment in which the entity operates ("operating currency").
The consolidated financial statements are presented in euros, which is the operating and reporting currency of the parent company SergeFerrari Group.

2.4.2 Currency translation of financial statements of foreign subsidiaries

The operating currency of subsidiaries is their local currency, in which most of their transactions are denominated. The financial statements of all Group entities whose operating currency is different from the reporting currency are translated into euros as follows:

- assets and liabilities are translated at the closing exchange rate at the balance sheet date;
- income, expenses and cash flows are translated at the average exchange rate over the reporting period;
- all the resulting differences on translation are recognized in "Items of other comprehensive income", then reclassified under profit or loss at the disposal date of those investments.

Goodwill/badwill and adjustments in fair value resulting from the acquisition of a foreign activity are treated as assets and liabilities of the foreign activity and translated at the closing rate.
The Group does not consolidate any entity that operates in a hyper-inflationary economy.

The exchange rates used for converting foreign currencies into euros are shown below.

2.4.3 Translation of transactions in a foreign currency

		Average rate		Closing rate	
		2020.12	2019.12	2020.12	2019.12
BGN	Bulgarian lev	1.96	1.96	1.96	1.96
BRL	Brazilian real	5.89	4.41	6.37	4.52
CHF	Swiss franc	1.07	1.11	1.08	1.09
CLP	Chilean peso	902.74	787.05	868.89	844.85
CNY	Chinese yuan	7.87	7.73	8.02	7.82
EUR	Euro	1.00	1.00	1.00	1.00
GBP	Pound sterling	0.89	0.88	0.90	0.85
HKD	Hong Kong dollar	7.87	7.73	8.02	7.82
HRK	Croatian kuna	7.54	7.42	7.55	7.44
INR	Indian rupee	84.58	78.85	89.66	80.19
JPY	Japanese yen	121.77	122.06	126.49	121.94
PLN	Polish zloty	4.44	4.30	4.56	4.26
ROL	Romanian leu	4.84	4.75	4.87	4.78
SEK	Swedish krona	10.49	10.59	10.03	10.45
TRY	New Turkish lira	8.04	6.36	9.11	6.68
TWD	Taiwan dollar	34.25	33.78	34.79	33.13
USD	US dollar	1.14	1.12	1.23	1.12

Foreign currency transactions of companies preparing accounts in euros are translated into the operating currency at the average exchange rate in the previous month. Gains and losses on translation resulting from the settlement of these transactions and from the translation, at the closing exchange rate, of monetary assets and liabilities denominated in a foreign currency, are recognized under net financial items.

2.5 Critical accounting estimates and judgments

The preparation of financial statements involves making estimates and assumptions about the valuation of certain assets and liabilities shown on the balance sheet and of certain income statement items. Management is also required to exercise its judgment with regard to the application of the Group's accounting methods, any environmental and dismantling requirements, the impairment of receivables and the accounting treatment of transactions under the factoring agreement.
These estimates and judgments, continually updated, are based partly on historical information and partly on expectations of the future that are considered to be reasonable in light of circumstances. Given the relative uncertainty over assumptions about the future, the accounting estimates may differ from actual results.

Critical accounting estimates and judgments
Assumptions and estimates that may lead to material adjustments in the net carrying value of assets and liabilities mainly relate to the following items:
- Development expenses: development expenses that meet the criteria for capitalization are entered under intangible assets and amortized over their expected useful life. The Group assesses these criteria mainly in light of the business and profitability forecasts applicable to the projects in question;
- The depreciation/amortization periods of non-current assets;
- Deferred tax assets: these result from tax loss carryforwards and the deductible temporary differences between the carrying value and tax value of recognized assets and liabilities. The recoverable value of these assets is measured on the basis of provisional data;

- Measurement of the net realizable value of work-in-progress and finished products (see Notes 2.16 and 9);
- Measurement of post-employment obligations and other long-term benefits. Post-employment obligations and other long-term benefits are estimated on statistical and actuarial bases;
- The structuring assumptions of the business plans used in the impairment tests carried out on Group CGUs at each balance sheet date, or whenever an impairment loss is identified pursuant to IAS 36;
- Fair value measurement of assets and liabilities acquired as part of business combinations and the related valuation of residual goodwill.

When purchase agreements provide for earn-outs indexed to the future performance of the acquired companies or the purchase of minority interests, the Group recognizes these commitments on the balance sheet under current or non-current liabilities. Liabilities are valued subject to estimates, including future cash flows, discount rates, and the settlement horizon. Changes in the fair value of earn-out liabilities are recognized in the income statement.

Subsequent changes in the fair value of liabilities related to options on minority interests are recognized under equity.

2.6 Business combinations

The Group applies IFRS 3 Revised to the purchase of assets and assumption of liabilities constituting a business combination. The acquisition of assets or groups of assets not constituting a business is recognized in accordance with the standards applicable to those assets (IAS 38, IAS 16, IFRS 9).
The Group recognizes business combinations through the acquisition method, which consists of:

- measuring and recognizing goodwill (or badwill if negative) on the acquisition date, this being the difference between:

1 – either, i) the sum of:

- o the consideration transferred, valued in accordance with this standard, which generally requires the use of fair value at the acquisition date,
- o the non-controlling interest in the acquired company measured in accordance with this standard, and
- o in a business combination carried out in stages (step acquisition), the acquisition date fair value of the purchaser's previously held interest in the acquired company,

and ii) the net identifiable assets acquired and liabilities assumed (full goodwill method).

2 – or, i) the purchase price and ii) the purchaser's share of the fair value of net identifiable assets acquired (partial goodwill method).

The initial consolidation date is the date on which the Group obtains effective control of the acquired business. The acquisition price of the acquired business is the fair value, as of the acquisition date, of the components of the remuneration given to the seller in exchange for control of the acquiree, excluding any component that remunerates a transaction separate from taking control.
Where the initial recognition value can only be measured provisionally before the end of the period during which the combination is completed, the acquirer recognizes the combination on the basis of provisional valuations. The acquirer must then recognize any adjustments to those provisional values from the initial recognition value, within 12 months following the acquisition date.

2.7 Goodwill

For each business combination, the Group has the choice of recognizing partial goodwill (corresponding to its percentage holding) or full goodwill (including goodwill on non-controlling interests) as an asset.
When the calculation of goodwill shows that the value of the assets acquired is higher than the price paid for them, the Group recognizes the entire difference (badwill gain) in the income statement.

Goodwill is assigned to the cash generating unit to which the assets concerned belong for the purposes of impairment testing. These tests are performed every year as of December 31, the balance sheet date, and whenever a loss in value is identified. As of December 31, 2020, there was only one cash generating unit, named "innovative composite materials and accessories". The main assumptions used to determine the assets' value in use using the future cash flow method are presented below:

- Forecast: 5 yrs
- Perpetual growth rate of 1.8% to project cash flows beyond the forecast period
- Discount rate of 9% applied to cash flow projections.

The Group analyzed a single scenario when assessing its projected future cash flows. Management has estimated, excluding consolidation scope effects and synergies generated by acquisitions, that the Group will return to 2019 profitability levels (pre-COVID-19) as from 2021.

The sensitivity tests (+/- 0.5%) performed on the discount rate and perpetual growth rate do not alter the findings of the impairment test.

2.8 Intangible assets

2.8.1 Assets acquired separately

These correspond to software, licenses, and patents valued on an amortized-cost basis (historical cost at initial recognition date, plus subsequent amortizable expenses, less accumulated amortization and identified impairment losses). These assets are amortized on a straight line basis over a period ranging from one to eight years, depending on their estimated useful life.

2.8.2 Research and development expenses

The Serge Ferrari Group is engaged in a high-value-added business activity whose products are used in innovative applications. R&D operations are critical factors in implementing the Group's strategy in developing functional uses and chemical formulations of innovative composite materials. The criticality of customers' applications of Group products (mechanical and aerodynamic constraints in tensile architecture, hostile or highly corrosive environments) calls for the implementation of high-level technology.

R&D corresponds to the work of designing products, making industrial prototypes for potential scale-up, and development testing to ensure product compliance with market specifications and applicable regulations (fire ratings, REACH requirements, etc.). To date, many patents have been filed in the names of Serge Ferrari Group companies covering the Group's products and the industrial processes used to manufacture them.

In accordance with IAS 38 "Intangible Assets":

- research expenses are expensed as incurred;
- development expenses are capitalized if the following six conditions can be demonstrated:
    - the technical feasibility of completing the intangible asset so that it will be available for use or sale;
    - the intention to complete the intangible asset and to use or sell it;
    - the capacity to use or sell the intangible asset;
    - expected future economic benefits;
    - the availability of suitable technical, financial and other resources for completing development and using or selling the intangible asset;
    - the ability to reliably estimate the costs attributable to the intangible asset during its development.

These development costs include the gross salaries and social security contributions of the employees who work on these programs and are calculated on a prorated time basis. The expenses related to service providers involved in these projects are also taken into account.

Development costs have been capitalized as assets since January 1, 2011, the year in which project-based cost monitoring and allocation was set up.

The useful life of these development expenses is estimated at four years, while the equipment is depreciated on a straight line basis over the same period after commissioning.

Residual values and useful lives are reviewed at every period-end and adjusted if necessary. Amortized assets are subjected to an impairment test when, due to particular events or circumstances, recoverability may be in question. The recoverable value of an asset is its fair value less selling costs, or its value in use, whichever is higher. Recoverable value at period-end takes into account, in particular, any change in the commercial success of the product as well as technological advances.

2.9 Property, plant and equipment

Property, plant and equipment mainly includes land, structures and technical facilities, as well as re-engineering expenses incurred to upgrade and prolong the lifetime of industrial equipment. Property, plant and equipment is recognized at acquisition cost (purchase price and ancillary expenses or production costs for certain industrial equipment comprising capitalized production) excluding financial expenses, minus accrued depreciation and impairment, if any. It is not revalued. In application of the component method, each component of a single asset is recognized separately for the purpose of establishing the relevant depreciation schedule.
Depreciation is calculated using the straight line method based on the expected useful life of the various categories of assets:

Asset	Depr. method	Term
Buildings	Straight line	10/27 yrs
Building fixtures	Straight line	5/12 yrs
Industrial equipment and machinery	Straight line	3/8 yrs
Transport equipment	Straight line	2/5 yrs
Office equipment/furniture	Straight line	3/7 yrs

Depreciation is calculated on the basis of acquisition price, minus any residual value. Residual values and expected useful lifetimes are reviewed at every period-end.

2.10 Leases

The Group has applied IFRS 16 “Leases” with effect from January 1, 2019 (see section 2.2 “Changes in standards”).
Where a lease agreement gives rise to fixed or substantially fixed payments, the standard requires recognition of (i) a liability corresponding to discounted future lease payments and (ii) a right-of-use asset which is depreciated over the eligible lease term under IFRS 16.

Each lease payment is broken down between the interest expense and amortization of the outstanding debt remaining so as to obtain a constant periodic interest rate on the remaining balance due. The corresponding contractual rents, net of interest expense, are included under “Borrowings and debt”. The corresponding interest expense is recognized in the income statement under “Cost of debt” over the lease term.

The Group recognizes deferred taxes in the accounting treatment for leases eligible for IFRS 16 when the accounting and tax bases are no longer equal.

2.11 Impairment of assets

2.11.1 Impairment of intangible assets

IAS 36 “Impairment of Assets” requires the entity to identify any evidence of impairment whenever financial statements are prepared. If evidence of impairment is found, the entity must estimate the recoverable value of the asset.
An entity must also, even in the absence of evidence of impairment:
- annually test intangible assets with an indefinite useful life;
- test business combinations for goodwill impairment;
- annually test intangible assets in progress at the balance sheet date.

Impairment tests are carried out at the level of the cash generating unit (CGU) to which the assets are assigned. A CGU is the smallest identifiable group of assets that generates cash inflows largely independent of cash inflows generated by other assets or groups of assets.

The Group adopts segmentation per CGU that is consistent with the operational organization of business units, management control, and sector information and reporting. Impairment tests consist of comparing the carrying value and the recoverable value of the CGUs. The recoverable value of a CGU is the higher of its fair value (generally the market price) net of disposal cost and its value in use.

The value in use of a CGU is measured using the discounted future cash flow method:
- estimated flows during an explicit 5-year forecasting period, the first year of this period being derived from the budget;
- flows subsequent to this 5-year period measured by applying a growth rate to infinity reflecting the expected real growth rate of the economy in the long term.

The cash flow forecasts for the explicit period take into account the growth rate of the entity or the relevant sector.

The cash flow is discounted using a discount rate equal to:
- the 10-year risk-free interest rate;
- plus the market risk premium to which a sensitivity coefficient (β) specific to the entity is applied.

If the carrying value of the CGU exceeds its recoverable value, the CGU’s assets are written down to match their recoverable value. An impairment charge is allocated as a priority to goodwill and recorded in the income statement under “Non-recurring operating income and expenses”. The recognition of goodwill impairment is final.

2.11.2 Impairment of investments in equity affiliates

Investments in equity affiliates are a unique asset and are tested for impairment in accordance with IAS 36 “Impairment of Assets”.

The goodwill relating to an equity affiliate is included in the value of the investment in the equity affiliate and must not be tested separately for impairment, as the value of these investments is measured including goodwill.

At each period-end, if there is evidence of impairment of the value of any investments in equity affiliates, the parent company performs an impairment test which consists of comparing the carrying value of the investments with their recoverable value.

According to IAS 36, the recoverable value of an investment in an equity affiliate is the higher of the value in use, measured in terms of future cash flow, and the fair value of the equity interest minus its disposal cost.

If an improvement in the recoverable value of investments in equity affiliates justifies a reversal of the value impairment, the entire impairment loss must be reversed, including the portion relating to goodwill.

2.11.3 Impairment of financial assets

IFRS 9 replaces the incurred loss model of IAS 39 with the expected loss model. Impairment of financial assets through profit or loss applies to financial assets measured at amortized cost and to debt instruments measured at fair value through OCI transferable to earnings. However, this principle does not apply to equity instruments (regardless of how they are measured) or debt instruments measured at fair value through profit or loss.

IFRS 9 applies to all financial instruments and defines the rules for classifying and measuring financial assets and liabilities, the impairment of credit risk on financial assets (including the impairment of trade receivables), and hedge accounting.

2.12 Financial assets

The Group classifies its financial assets under the following categories:
- Financial assets measured at amortized cost
- Financial assets measured at fair value, recognized under other comprehensive income
- Financial assets measured at fair value through profit or loss

Financial assets are not reclassified following their initial recognition unless the Group changes its model for managing financial assets.

Financial assets are measured at amortized cost if both of the following conditions are met and if they are not measured at fair value through profit or loss:
- It is held as part of a business model under which the assets are held with a view to receiving contractual cash flows; and
- The contractual terms generate, on specified dates, cash flows that correspond solely to principal repayments and interest payments on the outstanding principal.

These assets are initially recognized (a) at their nominal value, in the case of short-term trade receivables, and (b) at their fair value net of direct costs. They are subsequently recognized at amortized cost, net of impairment charges recognized on the basis of the probability of recovery, using the expected credit loss model.

The Group has identified in this category:
- (i) long-term loans and receivables classified as non-current financial assets; and
- (ii) short-term trade receivables. As required, impairment is recognized on a case-by-case basis to take into account any payment collection problems. Where the customer is involved in a court-supervised procedure (receivership, liquidation, etc.), except in duly justified circumstances, a provision is recorded for an amount ranging from 75% to 100% of the value of the receivable. Otherwise, the provision is estimated with regard to the likelihood of collection, with the amount ranging from 25% to 100% of the amount owed.

Trade receivables not due that are sold as part of a valid factoring agreement are kept under “Trade receivables and related accounts”. A financial liability is recorded to offset the cash received.

A financial asset is measured at fair value through other comprehensive income with subsequent transfer to profit or loss when:
- it is held as part of a business model whose objective is achieved through (i) the collection of contractual cash flows and (ii) the sale of financial assets; and
- the contractual terms provide for cash flows on specified dates which comprise solely repayments of the principal and payments of interest on the outstanding principal

For these assets, changes in fair value are recognized under items transferable to profit or loss. The Group does not hold any assets in this category.

In the case of equity instruments not held for trading by the Group, changes in fair value are recognized under non-transferable items of comprehensive income. This is specifically the case for non-consolidated holdings analyzed on a line-by-line basis.
As these Group-held equity instruments are not quoted on an active market (unlisted companies) and their fair value cannot be measured reliably, they are held at cost, net of any impairment losses. Their fair value is measured by taking various criteria into account (Group share of net assets, the growth and profitability outlook for the entity in which the Group has invested, etc.).

All financial assets not classified at amortized cost or fair value through other comprehensive income as set out above are measured at fair value through profit or loss. This is the case for all derivative financial assets, with the exception of some derivatives recorded as hedges (see Note 2.14). Upon initial recognition, the Group may irrevocably record at fair value through profit or loss a financial asset that would otherwise qualify for measurement at amortized cost or fair value through other comprehensive income, if this would eliminate or significantly reduce an accounting discrepancy that may otherwise arise.

2.13 Deferred taxes

Deferred taxes are recognized using the liability method for all temporary differences between the tax base of the assets and liabilities and their carrying value in the consolidated financial statements.
Deferred taxes are measured per entity or tax group, using the tax rate adopted or substantially adopted at year-end, in accordance with IAS 12, and expected to be applied when the relevant tax asset is realized or tax liability settled.
Deferred tax assets corresponding to temporary differences and tax loss carryforwards are not recognized unless the probability exists that these tax savings will be realized in the future. They are calculated by applying the tax rate of the country to which the deferred tax assets are attached to the relevant tax base.

To assess the Group's ability to recover these assets, the following elements in particular have been taken into account:

- projected future taxable income;
- the proportion of non-recurring expenses in past losses which are not expected to recur in the future;
- the existence of sufficient taxable differences or tax opportunities;
- historical taxable income in previous years.

2.14 Derivatives

Derivative financial instruments are initially recognized at fair value on the date on which the agreement was entered into. They are subsequently remeasured at fair value. The method for recognizing the resulting profit or loss depends on the designation of the derivative as a hedge instrument and the type of item hedged.
The Group designates hedges as follows:

- a hedge of the fair value of recognized assets or liabilities or of a firm commitment (fair value hedge); or
- a hedge of a specific risk associated with a recognized asset or liability or a highly probable future transaction (cash flow hedge); or
- a hedge of a net investment in a foreign operation (net investment hedge).

The fair value of a hedging derivative is classified as a non-current asset or liability when the residual maturity of the hedged item is longer than 12 months, and as a current asset or liability when the residual maturity of the hedged item is less than 12 months. Depending on whether the hedge is a cash flow hedge or fair value hedge, changes in fair value are recognized in:
- Items of other comprehensive income. In the case of a cash flow hedge, the amount accumulated under other comprehensive income is posted to income as of the date on which the hedged transactions are executed;
- Profit or loss, in the case of fair value hedges.
Derivatives held for trading are classified as current assets or liabilities when they close out within less than a year after the period-end concerned. Otherwise, they are recognized as non-current assets or liabilities. The Group classifies as speculative derivatives that cannot be qualified as designated and effective hedging instruments as defined by IFRS 9. Changes in fair value are recorded in the income statement under "Other financial income and expenses".

2.15 Cash and cash equivalents

This heading includes liquid assets, bank sight deposits, other highly liquid investments with initial maturities of no more than three months, and bank overdrafts. Bank overdrafts are shown under balance sheet liabilities, under “Borrowings and debt - short-term portion”.
The Group uses the analytical approach updated by the French Financial Management Association (AFG), the French Association of Corporate Treasurers (AFTE) and the French Association of Institutional Investors (AF2I) on the classification of UCITS (mutual funds) as cash equivalents:

- UCITS classified by the AMF as “money market” and “short-term money market” automatically satisfy the four eligibility criteria;
- The eligibility of other cash UCITS for classification as “cash equivalents” is not presumed: an assessment of compliance based on the four accepted criteria (short-term investment, highly liquid investment, investment easily convertible into a known amount of cash, and a negligible risk of change in value) is performed.

Cash equivalents are recognized at their fair value in the income statement under “Income from cash and cash equivalents”; changes in fair value of cash equivalents are recognized in the income statement under “Other financial income and expenses”.

2.16 Inventories

Inventories of raw materials and traded goods are valued at the weighted average price.
The gross value of inventories of traded goods and supplies includes the purchase price and ancillary expenses (customs duties and other taxes, as well as handling, shipping and costs directly attributable to the purchase).
Inventories of manufactured products and work-in-progress are valued at their production cost. Production cost includes consumables and direct and indirect production expenses. The cost of under-activity is excluded from inventory value. Intermediate products are components whose cycle of production is completed and which are due to be incorporated into innovative composite materials, which have been classified solely as finished products in these financial statements.
Net realizable value (NRV) corresponds to the expected selling price after deducting the completion and marketing costs.
Inventories are written down to their net realizable value when evidence exists that NRV is below cost; the impairment is reversed as soon as the circumstances that led to the write-down cease to exist.
An impairment charge can also be recognized if the inventories have been damaged, if they have become completely or partially obsolete, or their selling price has fallen.
Estimates of net realizable value take into account fluctuations in price or costs directly linked to events arising after the end of the reporting period if those events confirm conditions existing at the end of the period.

2.17 Employee benefits

2.17.1 Short-term benefits and post-employment defined contribution schemes

The Group recognizes under “Personnel expenses” the value of short-term benefits as well as the contributions payable for general and mandatory pension plans. A provision is recorded under liabilities for the Italian companies corresponding to these companies’ commitments to Italian employees benefiting from the TFR (*Trattamento di fine rapporto*) severance pay scheme.

2.17.2 Post-employment defined benefit schemes

These schemes relate to the payment of contractual retirement benefits (France) and retirement pensions (Switzerland and Germany) under a plan that concerns a limited number of employees and former employees of Verseidag Indutex.

Defined benefit schemes are borne directly by the Group, which provisions the cost of the deliverable benefits as follows.

The Group uses the projected unit credit method to measure the value of its defined benefit obligations: this method stipulates that each period of service gives rise to one additional unit of benefit rights and separately measures each unit to obtain the final obligation.

These calculations incorporate various actuarial assumptions such as the employee's probable future length of service, the level of future compensation, life expectancy, and estimated staff turnover.

The Group makes use of actuaries to assess its commitments in France and Switzerland.

The commitment calculated in this way is then discounted at the interest rate for blue chip corporate bonds, denominated in the currency of payment and whose duration approximates the estimated average duration of the pension obligation concerned.

Changes in these estimates and assumptions may lead to a significant change in the amount of the obligation. The main estimates and assumptions are as follows:

- Discount rate of 0.3% (France), 0.2% (Switzerland) and 0.87% (Germany)
- Salary growth rate 2.5% (France), 1% (Switzerland) and 2.5% (Germany)
- Retirement age of 64 for executives and 62 for non-executives (France), 65 for men and 64 for women (Switzerland)

The amount of the provision set up for pension and similar obligations corresponds to the discounted value of the defined-benefit obligation. Actuarial gains (losses) resulting from the change in value of the discounted defined-benefit obligation include (i) the effects of the differences between the earlier actuarial assumptions and actuals and (ii) the effects of the changes in actuarial assumptions.

Actuarial gains (losses) are recognized in full in shareholders' equity under "Items of other comprehensive income" without subsequent reclassification in the income statement, for all of the Group's defined benefit schemes, in accordance with IAS 19 Revised.

No new benefit or change of scheme resulting from statutory or contractual provisions was introduced during the year ended.

2.17.3 Other long-term benefits

These benefits concern the payment of various long-service awards ("jubilee gifts") in Switzerland.

Other long-term benefits are borne by the Group and are calculated by an independent actuary.

2.18 Borrowings and debt

Borrowings and debt include:

- bank loans, initially recognized at fair value net of transaction costs. Borrowings are subsequently measured at their amortized cost; any difference between the income (net of transaction costs) and the repayment value is recognized in the income statement under "Other financial income and expenses" over the lifetime of the loan using the effective interest rate method;
- bank overdrafts;
- factoring.

The portion of borrowings and debt that must be repaid within 12 months following period-end is classified under current liabilities.

Financial liabilities are classified as measured at either amortized cost or fair value through profit or loss. A financial liability is classified as a financial liability at fair value through profit or loss if it is held for trading, whether it is a derivative or is designated as such upon first-time recognition. Financial liabilities at fair value through profit or loss are measured at fair value and any resulting gains or losses, net of interest expenses, are recognized on the income statement. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the income statement.

2.19 Provisions

A provision is set up when an obligation to a third party arises before period-end and the loss or liability is probable and can be measured reliably.
When the Group expects the provision to be totally or partially reimbursed, for example under an insurance policy, the reimbursement is recognized as a separate asset but only if it the reimbursement is substantially certain. The provision charge is shown in the income statement net of any reimbursement.
If the effect of the time value of money is significant, the provision is discounted at a pre-tax rate that reflects the risks specific to the liability. When the provision is discounted, the provision increase linked to the flow of time is recognized as a financial expense.
When the provision reversal reflects the extinction of the projected risk with or without associated expenditure, the reversal is recognized on the credit side of the provision expense account.
If the loss or liability is not probable or cannot be measured reliably, a contingent liability is mentioned under off-balance sheet commitments.

Provision for warranties
In addition to the product liability insurance subscribed by the Group, a provision for warranties is recognized to cover technical and/or commercial expenses resulting from the partial or total replacement of deliveries of innovative composite materials to customers or the cost of additional or corrective work invoiced to the Group by customers. The expenditures actually recognized in previous years are analyzed by market and extrapolated to sales in the period ended. Depending on how long it takes for the Group to identify the origin of these costs, a provision is recognized and updated at each annual period-end.

2.20 Recognition of revenue

Revenue is recognized once control of the goods has been transferred to the customer. This transfer of control constitutes the transfer of risk of the goods sold; in most cases, this corresponds to the date of shipment.
Revenue includes proceeds from the sale of goods and services after deduction of price reductions and taxes and after elimination of intercompany sales.

The Group recognizes revenue generated by its subsidiary F.I.T.'s PTFE material installation business in Taiwan using the percentage of completion method.

2.21 EBIT

Profit from continuing operations, or EBIT, includes all recurring income and expenses directly relating to the Group's activities, with the exception of income and expenses resulting from one-off decisions or transactions.

2.22 Non-recurring operating income and expenses

This item is populated when a major event occurs during the accounting period that may give a false impression of the Company's performance.

This includes a very limited number of income and expense entries, of unusual frequency, nature or value.

2.23 Operating income

Operating income includes all income and expenses directly relating to the Group's activities, whether recurring or not or resulting from one-off decisions or transactions.

2.24 Segment information

The Group is a "single segment" enterprise within the meaning of IFRS 8, in the "innovative composite materials and accessories" segment (in accordance with IFRS 8, segment reporting is based on internal management data used by the Group's senior management, the Chairman and Chief Executive Officer, and members of senior management), this single-segment presentation being linked to the strongly integrated nature of the Group's business activities.
Geographic regions and fields of application do not constitute segments as defined by IFRS 8.

2.25 Earnings per share

The earnings per share presented with the income statement is calculated from "Net income, Group share" as follows:

- basic earnings per share is calculated using the weighted average number of outstanding shares during the period, after cancellation, where applicable, of treasury shares relating to the liquidity contract and share buyback plan, based on (i) the injection dates of funds from capital increases in the form of cash, and (ii) the date of first consolidation for share issues carried out in connection with external contributions of securities of newly consolidated companies;
- diluted earnings per share is calculated by adjusting "Net income, Group share" and the weighted average number of outstanding shares by the dilutive effect of stock option plans outstanding at period-end and bonus share allocation plans. The share buyback method is applied at the market price based on the average share price throughout the year.

Note 3 - Scope of consolidation

Companies	Activity	Headquarters	Percentage interest			2020 consolidation method
			2020	2019	2018	
Serge Ferrari Group	Holding	La Tour-du-Pin (France)	100%	100%	100%	Parent company
Serge Ferrari SAS	Production and distribution	La Tour-du-Pin (France)	100%	100%	100%	Full consolidation
Serge Ferrari North America	Distribution	Deerfiel Beach (USA)	100%	100%	100%	Full consolidation
Serge Ferrari Asia Pacific	Distribution	Hong Kong (HK)	100%	100%	100%	Full consolidation
Serge Ferrari Japan	Distribution	Kamakura (Japan)	83%	83%	83%	Full consolidation
Ferrari Latino America	None	Santiago (Chile)	-	100%	100%	Liquidated in 2020
Serge Ferrari Brasil	Distribution	Sao Paulo (Brazil)	100%	100%	100%	Full consolidation
Ci2M SAS	Equipment manufacture	La Tour-du-Pin (France)	100%	100%	100%	Full consolidation
Serge Ferrari AG	Production and distribution	Eglisau (Switzerland)	100%	100%	100%	Full consolidation
Serge Ferrari Tersuisse (formerly Ferfil Multifils)	Production	Emmenbrücke (Switzerland)	100%	100%	100%	Full consolidation
Texyloop SAS	Recycling	La Tour-du-Pin (France)	100%	100%	100%	Full consolidation
Vinyloop	Recycling	Ferrara (Italy)	-	-	40%	Not consolidated
Serge Ferrari India Limited	Distribution	Delhi (India)	100%	100%	100%	Full consolidation
Serge Ferrari Shanghai	Distribution	Shanghai (China)	100%	100%	100%	Full consolidation
Serge Ferrari GmbH	Distribution	Berlin (Germany)	100%	100%	100%	Full consolidation
Serge Ferrari AB	Distribution	Veddige (Sweden)	100%	100%	100%	Full consolidation
Serge Ferrari Tekstil	Distribution	Istanbul (Turkey)	100%	100%	100%	Full consolidation
Ferramat Tekstil	Distribution	Istanbul (Turkey)	100%	100%	100%	Full consolidation
Plastitex	Production and distribution	Carmignano di Brenta (Italy)	100%	100%	100%	Full consolidation
Istratextum	Production and distribution	Novigrad (Croatia)	100%	100%	100%	Full consolidation
Giofex Group Srl	Holding	Milan (Italy)	51%	51%	51%	Full consolidation
Giofex France	Distribution	Issoudun (France)	51%	51%	51%	Full consolidation
Giofex UK	Distribution	Dartford (United Kingdom)	51%	51%	51%	Full consolidation
Giofex GmbH	Distribution	Chemnitz (Germany)	51%	51%	51%	Full consolidation
Giofex Slovakia	Distribution	Bratislava (Slovakia)	51%	51%	51%	Full consolidation
Giofex SP ZOO	Distribution	Warsaw (Poland)	51%	51%	51%	Full consolidation
Giofex Bulgaria	Distribution	Plovdiv (Bulgaria)	51%	51%	51%	Full consolidation
F.I.T.	Production and distribution	Chiayi (Taiwan)	55%	-	-	Full consolidation
TAIWAN EDEN	Production and distribution	Chiayi (Taiwan)	55%	-	-	Full consolidation
FIT HK	Holding	Hong Kong (HK)	28%	-	-	Full consolidation
T MORE	Holding	Shanghai (China)	28%	-	-	Full consolidation
VERSEIDAG-INDUTEX GmbH	Production and distribution	Krefeld (Germany)	100%	-	-	Full consolidation
CUBUTEX GmbH	None	Krefeld (Germany)	100%	-	-	Full consolidation
VERSEIDAG-US INC	Distribution	New Jersey (USA)	100%	-	-	Full consolidation
VERSEIDAG-INDUTEX Far East LTD	Distribution	Hong Kong (HK)	100%	-	-	Full consolidation
Deutsche BIOGAS Dach-Systeme GmbH	Manufacture	Kreuzau, Germany	60%	-	-	Full consolidation

SIBAC (18% owned) and MTB Group (5% owned) are excluded from the consolidation scope due to the absence of significant influence over these entities.
The Group holds a 35% stake in VR Développement and does not take part in strategic decision-making regarding the company's operations. The company is therefore not included in the 2020 consolidated financial statements.

Note 4 – Goodwill

Goodwill - €'000	Dec 31, 2020	Dec 31, 2019
Innovative composite materials and Accessories	34,821	10,167

The valuation tests conducted on the cash generating unit (CGU) as of December 31, 2020 and 2019, based on discounted cash flows (DCF), did not show evidence of a need to write down this asset.

The increase in goodwill is mainly due to:

- the acquisition of Verseidag and F.I.T. group entities (see "Highlights of the year"). The provisional goodwill resulting from the first-time consolidation of these entities amounted to 22,730 thousand euros and 2,176 thousand euros respectively;
- fluctuations in the currencies in which goodwill items were recognized under purchase price allocations for the acquired companies.

Note 5 - Intangible assets

Intangible assets break down as follows:

€'000	Dec 31, 2018	Acq.	Disposals	First-time application of IFRS 16	Increases	Changes in exchange rates	Reclassification and retirement	Dec 31, 2019
Research & development costs	12,939	1,689	-			128	(190)	14,565
Concessions, patents & similar rights	485	63	-			-	7	554
Intangible assets in progress	265	16	-			3	(268)	16
Trademark, customers	2,936	-	-			(2)	-	2,934
Right-of-use assets - Software		1,147	-	20		-	-	1,167
Other intangible assets	12,540	908	-			91	(328)	13,211
Total intangible assets	**29,165**	**3,823**	**-**	**20**		**219**	**(780)**	**32,447**
R&D costs amortization/impairment	(5,809)	-	-		(1,311)	(60)	11	(7,169)
Concessions, patents & similar rights amortization/impairment	(175)	-	-		(75)	-	-	(250)
Customers amortization/impairment	(281)	-	-		(271)	1	-	(547)
Amort. of right-of-use assets - Software	-	-	-		(317)	-	-	(317)
Other intangible assets amortization/impairment	(9,253)	-	-		(1,220)	(81)	(11)	(10,569)
Total intangible assets amortization/impairment	**(15,518)**	**-**	**-**	**-**	**(3,193)**	**(140)**	**-**	**(18,851)**
Total net book value	**13,648**	**3,823**	**-**	**20**	**(3,193)**	**80**	**(780)**	**13,596**

€'000	Dec 31, 2019	Acq.	Disposals	Increases	Changes in exchange rates	Ch. in conso. scope	Reclassification and retirement	Dec 31, 2020
Research & development costs	14,565	1,477	(204)	-	16	-	(180)	15,674
Concessions, patents & similar rights	554	17	-	-	-	50	-	621
Intangible assets in progress	16	129	(8)	-	-	8	(9)	136
Trademark, customers	2,934	-	-	-	(40)	-	-	2,894
Right-of-use assets - Software	1,167	71	-	-	-	-	-	1,238
Other intangible assets	13,211	90	-	-	(31)	381	49	13,700
Total intangible assets	**32,447**	**1,783**	**(212)**	**-**	**(55)**	**439**	**(139)**	**34,263**
R&D costs amortization/impairment	(7,169)	-	-	(1,728)	(5)	-	-	(8,902)
Concessions, patents & similar rights amortization/impairment	(250)	-	-	(95)	-	-	-	(345)
Customers amortization/impairment	(547)	-	-	(268)	11	-	-	(804)
Amort. of right-of-use assets - Software	(317)	-	-	(333)	-	-	-	(649)
Other intangible assets amortization/impairment	(10,569)	-	-	(1,341)	5	4	-	(11,902)
Total intangible assets amortization/impairment	**(18,852)**	**-**	**-**	**(3,764)**	**10**	**4**	**-**	**(22,602)**
Total net book value	**13,595**	**1,783**	**(212)**	**(3,764)**	**(45)**	**442**	**(139)**	**11,663**

Development expenses capitalized during the year totaled 1,477 thousand euros.

Research and development projects are amortized as from commissioning. For projects in progress and not yet commissioned, a provision for impairment is recognized when the likelihood of success is uncertain.

Other intangible assets and intangible assets in progress mainly consist of IT solutions and systems used by the Group.

The "Reclassification" item includes 139 thousand euros of assets reallocated between intangible assets and PP&E for accounting purposes.

Note 6 - Property, plant and equipment

Property, plant and equipment breaks down as follows:

€'000	Dec 31, 2018	Acq.	Disposals	Increases	First-time application of IFRS 16	Changes in exchange rates	Reclassification and retirement	Dec 31, 2019
Land	1,814	-	-			69	-	1,883
Buildings	40,450	314	(2,653)			745	348	39,204
Plant and equipment	123,877	1,451	(1,020)			2,446	1,746	128,500
Other PP&E	8,063	257	(167)			184	151	8,487
Right-of-use assets - Buildings		21,876	-		5,018	(14)		26,880
Right-of-use assets - Production facilities		197	(16)		1,419	3		1,603
Right-of-use assets - Other items		677	(115)		1,593	5		2,160
PP&E in progress	2,507	3,696	(35)			24	(2,182)	4,011
Total property, plant and equipment	**176,711**	**28,468**	**(4,006)**	**-**	**8,030**	**3,461**	**64**	**212,727**
Building depreciation/impairment	(32,426)	-	2,650	(1,487)		(566)	-	(31,829)
Plant and equipment depreciation/impairment	(111,612)	-	981	(3,675)		(2,301)	(3)	(116,610)
Depr./imp. of right-of-use assets - Buildings				(4,398)	-	3		(4,395)
Depr./imp. of right-of-use assets - Production facilities			16	(496)				(481)
Depr./imp. of right-of-use assets - Other			100	(911)		(1)		(812)
Other PP&E depreciation/impairment	(7,791)	-	163	(420)		(174)	9	(8,218)
Total PP&E depreciation/impairment	**(151,829)**	**-**	**3,911**	**(11,387)**	**-**	**(3,040)**	**5**	**(162,345)**
Total net book value	**24,882**	**28,468**	**(95)**	**(11,387)**	**8,030**	**419**	**69**	**50,382**

€'000	Dec 31, 2019	Acq.	Disposals	Increases	Changes in exchange rates	Ch. in conso. scope	Reclassification and retirement	Dec 31, 2020
Land	1,883	-	-	-	(175)	3,854	-	5,562
Buildings	39,204	558	(292)	-	(203)	6,128	331	45,726
Plant and equipment	128,500	3,023	(196)	-	218	5,656	1,737	138,937
Other PP&E	8,487	288	(40)	-	(102)	2,546	10	11,190
Right-of-use assets - Buildings	26,880	8,538	(19)	-	(238)	7,061	(3,849)	38,373
Right-of-use assets - Production facilities	1,603	576	(32)	-	(9)	315	534	2,987
Right-of-use assets - Other items	2,160	731	(171)	-	(34)	196	0	2,882
PP&E in progress	4,011	2,346	(76)	-	15	3,071	(2,472)	6,895
Total property, plant and equipment	**212,728**	**16,059**	**(825)**	**-**	**(528)**	**28,826**	**(3,709)**	**252,552**
Building depreciation/impairment	(31,829)	-	136	(1,556)	(62)	-	-	(33,311)
Plant and equipment depreciation/impairment	(116,610)	-	196	(4,220)	(286)	(94)	215	(120,799)
Depr./imp. of right-of-use assets - Buildings	(4,395)	-	19	(4,579)	75	-	-	(8,880)
Depr./imp. of right-of-use assets - Production facilities	(481)	-	32	(535)	3	-	(215)	(1,196)
Depr./imp. of right-of-use assets - Other	(812)	-	171	(987)	12	-	-	(1,617)
Other PP&E depreciation/impairment	(8,218)	-	14	(1,820)	20	(33)	-	(10,038)
Total PP&E depreciation/impairment	**(162,345)**	**-**	**567**	**(13,697)**	**(238)**	**(127)**	**-**	**(175,840)**
Total net book value	**50,383**	**16,059**	**(258)**	**(13,697)**	**(765)**	**28,699**	**(3,710)**	**76,713**

* Includes lease renewals.

The reclassification recorded under “Right of use assets – Buildings” for a total amount of 3,849 thousand euros is the result of amendments to the contractual terms governing leased assets signed during the year. This revaluation recorded under fixed assets and financial liabilities has no impact on profit or loss.

A 534 thousand euros reclassification was recorded between “Plant and equipment” and “Right of use assets - Production facilities” following the reclassification of finance leases under right-of-use assets.

Reclassification under other items of property, plant and equipment amounts to 139 thousand euros net, corresponding to items reclassified between PP&E and intangible assets.

Note 7 - Other financial assets

€’000	Dec 31, 2020	Dec 31, 2019
Non-consolidated investments	1,023	359
Other loans and receivables	1,093	916
Total other financial assets	**2,116**	**1,274**

The increase in non-consolidated investments is mainly due to the first-time consolidation of F.I.T., which holds a 3.3% equity stake in BO-HSN Development LTD valued at NTD 14.3 million (411 thousand euros).

Note 8 - Deferred tax assets and liabilities

Deferred taxes are shown on the balance sheet separately from current tax assets and liabilities and are classified as non-current items.

€’000	Dec 31, 2020	Dec 31, 2019
Deferred tax assets related to employee benefits	1,632	1,432
Tax losses carried forward	2,041	1,079
Elimination of intercompany gains and losses	604	551
Research tax credit adjustment	220	428
Change in fair value of interest rate and currency hedges	13	-
Asset revaluation - first-time consolidation of acquired company	(668)	(584)
Temporary differences	(296)	693
Total net deferred tax	**3,547**	**3,600**

The Group took into account the impact of the French 2020 Finance Act on the valuation of deferred tax assets and liabilities. Interest rate fluctuations have no material impact on the Group’s deferred tax.

Note 9 – Inventories

€'000	Dec 31, 2020			Dec 31, 2019		
	Gross	Provisions	Net	Gross	Provisions	Net
Raw materials, supplies and other	15,751	(358)	15,394	11,743	(620)	11,124
Work in progress	426		426	344	-	344
Finished goods and components	54,410	(4,042)	50,368	39,208	(4,028)	35,179
Goods for resale	5,558	(40)	5,518	3,752	(27)	3,725
Total inventories	**76,144**	**(4,439)**	**71,705**	**55,047**	**(4,675)**	**50,372**

Inventories at December 31, 2020 include €22.7 million relating to Verseidag group companies and €4.3 million relating to F.I.T. group companies.

Note 10 - Trade receivables and related accounts

€'000	Dec 31, 2020	Dec 31, 2019
Trade receivables and payments on account	38,657	26,617
Receivables sold to the factoring company	10,476	9,726
Trade receivables	**49,133**	**36,344**
Trade receivables impairment	(2,391)	(1,939)
Net trade receivables	**46,741**	**34,405**

Impairment of trade receivables is presented under Note 2.12 "Financial assets".
Customer credit risks are presented in Note 30 "Information on financial risk".
Trade receivables at December 31, 2020 include €10.8 million relating to Verseidag group companies and €1.8 million relating to F.I.T. group companies.

Note 11 – Tax receivables and payables

€'000	Dec 31, 2020	Dec 31, 2019
Tax receivables	1,746	3,460
Tax payables	398	321

Note 12 - Other current assets

€'000	Dec 31, 2020	Dec 31, 2019
Current accounts - assets	2,430	2,118
Tax receivables excl. income tax	2,497	3,385
Staff and related receivables	445	274
Supplier receivable balances	429	218
Other receivables	2,068	2,426
Prepaid expenses	754	928
Loans receivable, guarantees and other receivables	24	26
Advances and payments on account to suppliers	343	282
Receivables against suppliers (rebates, discounts, refunds and other credits)	266	352
Total other current assets	**9,257**	**10,009**

Tax receivables excluding corporate income tax mainly include customs duties and VAT receivables.

The change in current accounts is presented in "Other cash flows from financing activities" in the cash flow statement.

F.I.T. and Verseidag recorded current assets of €2 million.
The change versus 2019, excluding changes in consolidation scope, results from the collection of the insurance receivable held at December 31, 2019 in the amount of €1.8 million.

Note 13 - Cash and cash equivalents

€'000	Dec 31, 2020	Dec 31, 2019
Cash equivalents	222	314
Cash	45,702	26,405
Total cash and cash equivalents	**45,925**	**26,720**

As of December 31, 2020 term deposits amounted to €7 million. The valuation methods for cash and cash equivalents are presented in Note 2.15 "Accounting rules and methods".

Note 14 - Capital stock

The capital stock of SergeFerrari Group as of December 30, 2020 comprised 12,299,259 shares with a par value of €0.40 each.

In accordance with economic conditions and changing requirements, the Group may opt to make changes to its capital stock, for example by issuing new shares or by purchasing and canceling existing shares.
As of December 31, 2020, the Group held 485,071 treasury shares. These shares are eliminated via an offsetting entry under equity; the value of treasury shares held and deducted from equity as of December 31, 2020 was 2,876 thousand euros. Gains or losses made under the liquidity contract are removed from the income statement and posted to shareholders' equity. These impacts are recorded under the "Treasury shares" column in the statement of changes in shareholders' equity.

Note 15 – Borrowings and debt

Presentation of net debt

Dec 31, 2019 - €'000	Current	Non-current	Total	Due in less than 1 yr	Due in 1 to 5 yrs	Due in more than 5 yrs
Bank loans and bonds	15	15,076	15,091	15	15,076	-
Finance lease financial liabilities	-	336	336	-	336	-
Operating lease financial liabilities	4,907	21,232	26,139	4,907	13,756	7,475
Bank overdrafts	250	-	250	250	-	-
Factoring	7,379	-	7,379	7,379	-	-
Total borrowings and debt	**12,551**	**36,643**	**49,194**	**12,551**	**29,168**	**7,475**
Cash and cash equivalents	(26,720)	0	(26,720)	(26,720)	0	-
Net (cash)/debt	**(14,169)**	**36,643**	**22,474**	**(14,169)**	**29,168**	**7,475**

Dec 31, 2020 - €'000	Current	Non-current	Total	Due in less than 1 yr	Due in 1 to 5 yrs	Due in more than 5 yrs
Bank loans and bonds	12,991	59,501	72,492	12,991	21,138	38,364
Finance lease financial liabilities	850	1,598	2,448	850	1,598	
Operating lease financial liabilities	6,560	25,649	32,209	6,560	19,231	6,418
Factoring	5,280		5,280	5,280	-	-
Total borrowings and debt	**25,681**	**86,748**	**112,429**	**25,681**	**41,967**	**44,781**
Cash and cash equivalents	(45,925)	-	(45,925)	(45,925)		
Net (cash)/debt	**(20,244)**	**86,748**	**66,504**	**(20,244)**	**41,967**	**44,781**

Current liabilities at December 31, 2020 included €6.2 million in bank loans granted to F.I.T. This debt, which matures in the first half of 2021, will be renewed without repayment on the renewal date.
Non-current liabilities at December 31, 2020 included 691 thousand euros in bank loans held by Verseidag.

To finance acquisitions, implement the 2020-2022 investment plan, and repay existing debt, in 2020 the Group set up:

- a €30 million Euro PP private placement in bond format, serving to refinance the existing €15 million Euro PP;
- a €75 million loan with its relationship banks, including a €15 million revolving credit facility. €34.5 million of this loan had been drawn down at Dec 31, 2020;
- The Group has bilateral lines of credit with local banks for subsidiaries Verseidag-Indutex GmbH, F.I.T. and Plastitex;
- The Group also uses non-deconsolidating factoring for its trade receivables for short-term financing needs;
- As of December 31, 2020, the main balance sheet and income statement items relating to factoring were as follows:
    - Trade receivables (Note 10): 10,476 thousand euros of receivables sold to the factoring company (including 5,380 thousand euros drawn);
    - Borrowings and debt (Note 15): 5,380 thousand euros of financing advanced by the factor. 5,096 thousand euros had not been drawn as of December 31, 2020.

Note 16 - Provisions for pensions and similar obligations

The provisions recognized relate to:

- post-employment benefits relating to defined benefit schemes in France (severance pay on retirement), Switzerland and Germany (pension plan);
- other long-term benefits in Switzerland ("jubilee gifts");
- specific measures (Italy - TFR).

These benefits are calculated by actuaries working in France, Switzerland, Italy and Germany.

The main actuarial assumptions adopted for obligations in France are as follows:

	Dec 31, 2020	Dec 31, 2019
Retirement age	64 years executives / 62 years non-executives	
Collective bargaining agreement	Textile industry	
Discount rate	0.30%	0.70%
Mortality table	TH-TF 14-16	TH-TF 12-14
Salary growth rate	2.5%	2.5%
Staff turnover rate	Turnover inversely proportional to age	
Social security charge rate	49%	49%

The main actuarial assumptions adopted for obligations in Switzerland are as follows:

	Dec 31, 2020	Dec 31, 2019
Retirement age	65 for men, 64 for women	
Discount rate	0.20%	0.30%
Mortality table	BVG2015GT	BVG2015GT
Salary growth rate	1.00%	1.00%
Staff turnover rate	Turnover inversely proportional to age	

The reference discount rate used is the rate of return on "investment grade" corporate bonds in the industrial sector on the Swiss market.

The following table shows changes in provisions for pension and related commitments:

€'000	Retirement compensation - France	Switzerland		Retirement compensation - Italy	Retirement compensation - Germany	Total
		Pension plan	Long service awards			
2018	**1,002**	**3,477**	**422**	**1,000**		**5,903**
Cost of past services	265	973	32	154		1,423
Interest expense	18	35	4			58
Actuarial gains/(losses)	615	2,693				3,308
Benefits paid	(149)	(939)	(17)	(205)		(1,310)
Exchange differences	-	202	16			219
2019	**1,750**	**6,442**	**458**	**948**		**9,601**
Cost of past services	244	937	59	149	57	1,446
Interest expense	(8)	20	1		13	27
Actuarial gains/(losses)	168	(758)				(590)
Benefits paid	(45)	(746)	(104)	(146)	(18)	(1,059)
Ch. in conso. scope					1,552	1,552
Exchange differences	-	36	3			39
2020	**2,110**	**5,931**	**417**	**951**	**1,604**	**11,015**

The following tables analyze the provision for pensions in Switzerland:

€'000	Dec 31, 2020	Dec 31, 2019
Present value of the obligation	40,280	37,602
Fair value of plan assets	34,348	31,159
Recognized net liability	**5,931**	**6,442**

Reconciliation of plan assets and the present value of pension obligations in previous years:

Change in the present value of the obligation

€'000	2020	2019
Benefit obligations at start of period	37,602	31,786
Interest expense	118	327
Cost of services rendered	1,009	956
Members' contributions	539	509
Benefits paid or received	579	(496)
Cost of past services	(90)	-
Administration costs	19	18
Actuarial gains/losses	346	3,174
Currency translation differences	158	1,327

Benefit obligations at end of period	**40,280**	**37,602**

The breakdown of plan assets for the years presented is as follows:

Breakdown of plan assets by asset class

€'000	Dec 31, 2020	Dec 31, 2019
Cash and cash equivalents	653	689
Equity instruments	5,364	4,738
Debt securities	6,345	5,636
Real estate	7,336	6,232
Other	9	0
Other assets from insurance policies	14,640	13,864
Total plan assets	**34,348**	**31,159**

The underlying assets comprising "Other assets from insurance policies" represent the valuation of Serge Ferrari AG's share of the collectively managed assets and break down as follows: 30% real estate, 58% fixed income and 9% mortgages and other claims on nominal value, the remainder consisting of other assets and cash.

Plan assets for Serge Ferrari Tersuisse comprise around 47% real estate, 27% fixed income and 23% equities, the remainder consisting of other assets and cash.

The following table shows the sensitivity to significant changes in actuarial assumptions:

Sensitivity test

€'000	Dec 31, 2020	Dec 31, 2019
Change in present value of the obligation if the discount rate is reduced by 0.50%	4,067	3,774
Change in present value of the obligation if the discount rate is increased by 0.50%	(3,309)	(3,229)
Change in present value of the obligation if the interest rate on the retirement savings plan capital is reduced by 0.50%	(254)	(479)
Change in present value of the obligation if the interest rate on the retirement savings plan capital is increased by 0.50%	997	827
Change in present value of the obligation if the salary growth rate decreases by 0.50%	(264)	(334)
Change in present value of the obligation if the salary growth rate increases by 0.50%	404	284
Change in the present value of the obligation if life expectancy increases by 1 year	1,268	1,045
Change in the present value of the obligation if life expectancy decreases by 1 year	(1,086)	(1,056)

The Company does not expect significant fluctuation in its cash flows in future years, as the flows mainly correspond to premiums paid to insurance companies. The annual premiums paid in respect of 2020 amounted to 799 thousand CHF and the expected premium for 2021 is estimated at 824 thousand CHF.

The estimated weighted average duration of the obligation is 18.3 years. There is no minimum funding requirement.

NOTE 17 - Other non-current liabilities

€'000	Dec 31, 2020	Dec 31, 2019
Commitment to purchase shares from minority shareholders	4,945	4,911
Liabilities to shareholders of acquired companies	17,063	425
Current account - liabilities	3,000	
Other	44	69
Total other non-current liabilities	**25,051**	**5,405**

Liabilities to shareholders of acquired companies relates to earn-outs under the Verseidag and Sunteam purchase agreements, and deferred payments under the F.I.T. and Verseidag purchase agreements.

The current account liability mainly comprises a €3 million debt owed by the Group to one of its family shareholders.

Note 18 – Provisions for risks and contingencies

€'000	Dec 31, 2019	Increases	Reversals		Ch. in conso. scope	Dec 31, 2020
			Used	Not used		
Current provisions	**868**	**648**	**(735)**	**(69)**	**550**	**1,263**
Provisions for guarantees	687	66	(604)	(69)	550	630
Disputes	181	583	(131)			633

Note 19 – Other current liabilities

€'000	Dec 31, 2020	Dec 31, 2019
Current accounts - liabilities	42	10
Tax and social security payables	12,210	12,109
Customers - Advances and down payments received	2,013	1,199
Customers - Credits, rebates, discounts & refunds	929	1,601
Other payables	1,644	1,431
Liabilities to shareholders of acquired companies	9,769	-
Total other current liabilities	**26,607**	**16,349**

The change in current accounts is presented in "Other cash flows from financing activities" in the cash flow statement.

Liabilities to shareholders of acquired companies relates to deferred payments provided for in the Verseidag and F.I.T. purchase agreements.

Note 20 - Information relating to geographic regions

Revenues

(€'000)	**Q4 2020**	Q4 2019	Ch. at current scope and exchange rates	Ch. at constant scope and exchange rates	**2020**	2019	Ch. at current scope and exchange rates	Ch. at constant scope and exchange rates
Europe	**40,963**	32,314	+26.8%	-2.6%	**141,990**	142,476	-0.3%	-11.1%
Americas	**6,715**	4,624	+45.2%	+10.7%	**19,636**	19,349	+1.5%	-10.3%
Asia-Africa-Pacific	**13,990**	7,429	+88.3%	+6.4%	**33,675**	27,222	+23.7%	-11.1%
Total revenues	**61,668**	44,367	+39.0%	+0.3%	**195,301**	189,047	+3.3%	-11.0%

Countries in which the Group has generated more than 10% of its consolidated revenue:

€'000	**2020**	**2019**
Germany	46,215	21,386
France	35,834	44,125
Italy	16,363	20,758
Other countries	96,889	102,778
Total revenue	**195,301**	**189,047**

The Group generated 8% of its revenue in Italy; for the sake of comparison we have stated the amount for the period ended December 31, 2020.

Geographic breakdown of main assets

The Group's main assets are located in France and Germany. For its commercial bases outside Europe, the Group leases its offices and facilities.

Breakdown of non-current assets by main geographic region

€'000	**Dec 31, 2020**	**Dec 31, 2019**
Total consolidated non-current assets	**129,149**	**79,469**
France	44,499	47,175
Germany	42,001	2,801
Taiwan	14,967	-
Switzerland	12,382	14,895
Italy	8,425	7,537
Other countries	6,876	7,061

Note 21 – External expenses

€'000	2020	2019
Bank charges	(558)	(478)
Maintenance and repairs	(4,978)	(4,354)
Leasing and rental costs	(1,171)	(1,150)
Transport	(7,863)	(8,327)
Fees and advertising expenses	(12,028)	(13,577)
Other external expenses	(9,097)	(11,545)
Total external expenses	**(35,695)**	**(39,431)**

The amounts recorded under the leasing line item relate to contracts not eligible for accounting treatment under IFRS 16.

F.I.T. and Verseidag recorded external expenses of €3.5 million during the consolidated period.

The decrease in "Fees and advertising expenses" and "Other external expenses" was due to the reduction in sales staff travel in 2020 and the cancellation of promotional events due to the COVID-19 pandemic.

NOTE 22 - Personnel expenses and executive remuneration

Personnel expenses

€'000	2020	2019
Staff pay	41,070	38,488
Social security charges	12,214	12,265
Pension commitments	1,496	1,423
Other personnel expenses	1,402	1,931
Total personnel expenses	**56,183**	**54,107**

F.I.T. and Verseidag posted total personnel expenses of €5.2 million over the consolidated period.

The headcount at year-end breaks down as follows:

	Dec 31, 2020	Dec 31, 2019
TOTAL	**1,192**	**862**
Commercial	293	247
Production / Logistics	726	495
Support Functions - R&D	173	120

F.I.T. and Verseidag had a combined headcount of 364 as of December 31, 2020.

Executive remuneration

€'000	2020	2019
Ferrari Participations (for services provided)	670	758[1]
Corporate office	132	139
Benefits in kind	11	58
Total executive remuneration	**813**	**955**

(1) Includes Mr. Trellu's remuneration until the end of his term of office.

Ferrari Participations (for services provided)

The amounts shown comprise remuneration paid in respect of corporate officer operational positions.

The total invoiced amount under the management fees agreement, which amounted to 2,280 thousand euros in 2020 and 2,782 thousand euros in 2019, is shown in the table in Note 31 "Related party transactions", and is recorded under "Other external expenses".

Corporate office
All remuneration received by Group corporate officers in respect of Group corporate office positions.

Benefits in kind
Benefits in kind relating to the provision of company vehicles.

Note 23 – Miscellaneous taxes

€'000	2020	2019
Other miscellaneous taxes	(1,597)	(1,679)
Miscellaneous payroll taxes	(632)	(442)
Total miscellaneous taxes	**(2,229)**	**(2,121)**

Miscellaneous payroll taxes include ongoing training, the 1% housing contribution, apprenticeship tax and the disability tax paid in France. All other miscellaneous taxes are included under "Other miscellaneous taxes".
641 thousand euros was recognized in 2020 in respect of the CVAE business value added tax, compared to 748 thousand euros in 2019.
These amounts are included in the calculation of adjusted EBITDA.

Note 24 - Depreciation, amortization and impairment

€'000	2020	2019
Intangible assets	(3,487)	(3,193)
Property, plant and equipment	(12,639)	(11,387)
Total depreciation, amortization and impairment	**(16,126)**	**(14,581)**

The application of IFRS 16 impacted intangible assets by 333 thousand euros in 2020 and 317 thousand euros in 2019, and property, plant and equipment by 6,101 thousand euros in 2020 and 5,805 thousand euros in 2019.

Note 25 - Net provisions for impairment

€'000	2020	2019
Operating provisions	(398)	(413)
Receivables provisions	(590)	(585)
Provisions for inventories, WIP and finished goods	(1,807)	(678)
WIP and finished goods reversals	2,036	2,144
Reversals of receivables provisions	134	491
Reversals of operating provisions	803	366
Net provisions for impairment	**180**	**1,325**

Note 26 - Other recurring income and expenses

€'000	2020	2019
Operating grants	941	1,180
Gains/(losses) on disposal of assets	(234)	(285)
Bad debt losses	(26)	(364)
Other	5,845	1,785
Other recurring income and expenses	**6,526**	**2,316**

Operating grants include 799 thousand euros of income from the research tax credit.

Bad debt losses were offset by reversals of provisions for impairment, as presented in Note 25.

In 2020, the "Other" item includes:

- €3.4 million in compensation for the loss of revenues incurred by SergeFerrari SAS, as well as €1.3 million in compensation for the replacement of fixed assets destroyed during the December 1, 2019 incident;
- 319 thousand euros relating to the settlement of payments linked to future performance.

Note 27 - Non-recurring operating income and expenses

€'000	2020	2019
Non-recurring operating income and expenses	(2,096)	-

Non-recurring operating income and expenses correspond to exceptional expenses primarily relating to the implementation of the integration program for companies acquired in 2020, relating in particular to:

- the costs of rescaling a site in Switzerland (impairment of PP&E and intangible assets not retained at the planned end of use and employee-related costs);
- the costs of transferring the Giofex France business from its Issoudun site to La Tour du Pin (employee costs);
- costs relating to the reorganization of sales and marketing operations as part of the organizational integration of acquired companies (employee costs).

Non-recurring operating income and expenses include €1.8 million of provision charges.

Note 28 – Financial income and expenses

		2020	2019
Net cost of debt		**(2,083)**	**(1,014)**
Income from cash and cash equivalents		78	125
Interest expense on loans and bonds		(1,516)	(567)
Interest on lease liabilities		(645)	(572)
Other financial income and expenses	-	**1,660**	**65**
Net currency gains/(losses)	-	**1,135**	**126**
- USD		(320)	103
- AED		(118)	-
- CHF		22	(40)
- GBP		(11)	5
- INR		(348)	41
- TRY		(142)	1
- BRL		(151)	1
- Other		(67)	16
Financial expenses relating to pension and similar commitments		**(27)**	**(58)**
Dividends from non-consolidated entities		**7**	**87**
Other		**(504)**	**(91)**
Net financial expense		**(3,742)**	**(948)**

The increase in interest expenses on loans and bonds is due to the Group's refinancing arrangements in 2020 (see "Highlights of the year").

Note 29 - Tax charge

The notional tax charge is calculated using the French corporate income tax rates of 28.92% for fiscal 2020 and 32.02% for fiscal 2019. This charge is reconciled with the recognized tax charge as follows:

€'000	2020	2019
Net income	754	4,786
Offset:		
=> Tax charge	176	1,899
Income before tax	**930**	**6,685**
French statutory tax rate	**28.92%**	**32.02%**
Notional tax charge	**269**	**2,141**
Reconciliation		
=> Tax credits	(287)	(285)
=> Tax rate differences - France/other countries	30	(31)
=> Permanent differences	22	(16)
=> Other	142	91
Actual tax charge	**176**	**1,899**
Effective tax rate	**18.9%**	**28.4%**

CVAE business value added tax has been recognized in "Miscellaneous taxes" under operating income.

Note 30 - Information on financial risk

Credit risk

The Group assesses the insolvency risk of its customers. Solvency takes into account items that are purely internal to the Group, as well as contextual items such as geographic location, global economic conditions and sector growth prospects.

An application for cover is submitted to a credit insurer whenever a key account is opened.

Credit risk represents the risk, for the Group, of financial loss in the event that a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group is not exposed to material credit risk, which mainly concerns trade receivables. The net carrying value of identified receivables reflects the net cash flow receivable estimated by management, based on data at year-end. The Group has not taken into account any guarantees or agreements for offsetting liabilities with the same maturity when performing impairment tests on financial assets.
The Group also considers the risk of customer insolvency “moderate”: it has rarely encountered problems with collecting payments or bad debts in the past. However, the unit amount of each customer can be significant when it comes to distributors.

All of the Group’s main relationship banks have complied with EU solvency testing requirements.

• Trade receivables

A credit risk exists when a loss may occur if a customer cannot meet its obligations within the deadlines provided. The Group has set up an internal permanent credit-risk watch on its customers. When a possible credit risk is identified, the Group requires its customers to pay an advance deposit.

• Average payment time by main geographic region

The average collection time for trade receivables depends on the market and financing practices in the economy concerned:

- Europe: from 10 days for discount (German-speaking region) to 120 days (Italy)
- North America and Asia: from 45 to 90 days
- Latin America: from 90 to 180 days

• Provisions for impairment of receivables:

Trade receivables are analyzed on a case-by-case basis and an impairment charge is recognized when the collectibility of the receivable is at risk.

• Importance of main customers

In 2020, the Group’s largest customer accounted for 8% of revenue from innovative composite materials and the top 5 customers accounted for 15% of total revenue. On the other hand, distributor-customers serve dozens or even hundreds of end customers in the countries in which they operate.

Exchange rate risk

The Group is exposed to the risk of exchange rate fluctuations on commercial and financial transactions made in a currency different from the operating currency of the Group entity that records it. Within its historical scope, consolidated revenue is mainly invoiced in EUR (76%), as well as in USD (7%), CHF (6%) and CNY (3%), with the remainder invoiced in other currencies.
Intercompany transactions are usually executed in the same currencies.

• Breakdown of expenditure by currency

Historic consolidation scope expenses are mainly denominated in EUR (80%), with the exception of raw materials (USD) and local expenses of subsidiaries and offices denominated in the local currency. Local expenses in CHF incurred by the Swiss companies amounted to around CHF 25 million in 2020.

Liquidity risk

The Group has no liquidity risk: net debt at December 31, 2020 amounted to 66,504 thousand euros, while net debt excluding financial liabilities relating to the application of IFRS 16 amounted to 34,295 thousand euros. Moreover, the Group has the following financing means:

- a factoring agreement covering up to €10 million, €5.3 million of which had been used as of December 31, 2020;
- a €40.5 million financing agreement, not drawn as of December 31, 2020.

Bank loans taken out by the Group provide for floating interest rates indexed to 3-month Euribor. 60% of the debt (out of a nominal drawn amount of €32 million) was capped via a financial instrument.
The bond issue was subscribed at a fixed rate.

The Group's medium-term financing agreements include covenants requiring compliance with financial ratios. The covenants are tested at each annual balance sheet date:

- Leverage ratio (net debt/adjusted EBITDA): maximum 4.75 as of December 31, 2020;
- Gearing ratio: (net debt/equity): maximum 1 as of December 31, 2020.

The aggregates used to calculate the aforementioned ratios are clearly defined in the borrowing agreements referred to in the IFRS consolidated financial statements with regard to covenant tests conducted as from December 31, 2020.

Non-compliance with these ratios gives the lender concerned the option of requiring the loan to be repaid early and could lead to an increase in the interest rates. As of December 31, 2020, the Group was in compliance with its covenants.

The Group gives its subsidiary managers freedom to incur expenses provided for in the annual budget. As such, the Group is exposed to a financial risk and a risk of non-compliance with its rules on the delegation of powers and separation of duties, which is covered by central management of bank statements and reconciliations. A cash pooling system is gradually being rolled out and the internal audit team is involved in reviewing the separation of duties implemented at subsidiaries in accordance with Group rules.

Note 31 – Related party transactions

€'000	Dec 31, 2020		Dec 31, 2019	
	Ferrari Participations	Real estate companies	Ferrari Participations	Real estate companies
Operating payables	37	3	61	3
Operating receivables	210	187	693	-
Current accounts	2,033	-	1,295	-
Purchases of goods and services	2,280	2,986	2,782	3,356
Sales of goods and services	149	166	149	134
Interest income	21	-	6	-

Income recognized corresponds to services rendered under the services agreement whereby Serge Ferrari SAS provides administrative services (assistance in accounting, human resources management and IT services) to other Group entities and companies related to the Group.

Expenses correspond to:

- Ferrari Participations: re-invoicing under the agreement described in Note 22 "Executive remuneration".
- Real estate companies: rent paid to real estate companies directly or indirectly controlled by the same Ferrari family group, for industrial sites in France.

These agreements were entered into on arm's length terms.

Note 32 – Off-balance sheet commitments

Commitments given

SergeFerrari Group debt is subject to covenants with which the Group has complied in all the fiscal periods presented.
As part of the loans taken out by SergeFerrari Group with financial institutions, 45,617 Serge Ferrari SAS shares held by SergeFerrari Group were pledged to the pool of bank creditors.

The purchase guarantees obtained by SergeFerrari Group under the Verseidag and F.I.T. group purchase agreements (asset and liability guarantees) were pledged to said creditors in connection with loans taken out in 2020.
The same applies to the current account advance granted by SergeFerrari Group to subsidiary Verseidag Indutex GmbH, pledged for an amount of 21,310 thousand euros.

SergeFerrari Group has granted a joint and several guarantee to Giofex Group Srl in the amount of 1,500 thousand euros.

SergeFerrari Group has granted Jagenberg put options over SergeFerrari Group shares, which will be delivered to Jagenberg as part of the payment of the Verseidag group purchase price.
In accordance with Jagenberg AG's choice, SergeFerrari Group has undertaken to buy back its own shares between:

- May 1, 2022 and January 31, 2023 for shares delivered to Jagenberg on July 29, 2021. These shares are subject to a one-year lock-up period from the date of delivery;
- May 1, 2023 and January 31, 2024 for shares delivered to Jagenberg on July 29, 2022. These shares are subject to a one-year lock-up period from the date of delivery.

F.I.T. has pledged the land it owns to the Taiwan Business Bank as security for an NTD 185 million bank loan.

Commitments received

The F.I.T. and Verseidag group purchase agreements contain clauses that guarantee the assets and liabilities granted by the transferors to SergeFerrari Group.
The asset and liability guarantee granted by Jagenberg to SergeFerrari Group is only for a minimum amount of 100 thousand euros and a maximum amount of €4 million.

SergeFerrari Group has a pre-emptive right over the 45% of F.I.T. shares held by minority shareholders, without any obligation to purchase them. The purchase price would be determined under similar terms to the valuation carried out when it acquired its 55% stake.

LCL bank has granted Jagenberg a first demand guarantee on behalf of SergeFerrari Group for the amount of the earn-out set out in the Verseidag group purchase agreement on July 29, 2021 (€4.7 million before price adjustment). In return, Ferrari Participations has frozen a €3.8 million current account with LCL.

Group liability guarantees were provided for under the purchase agreements signed in relation to:

- the acquisition of Milton Ltd shares;
- the acquisition of FERRATEKS assets;
- the acquisition of Plastitex shares;
- the acquisition of SUNTEAM shares.

Note 33 – Statutory auditors' fees

€'000, excl. tax	Mazars				Grant Thornton			
	Amount		%		Amount		%	
	2020	2019	2020	2019	2020	2019	2020	2019
Total fees	**159.4**	**130.7**	**100%**	**100%**	**193.4**	**137.0**	**100%**	**100%**
Statutory audit, certification, review of separate and consolidated financial statements	**153.4**	**124.7**	**96%**	**95%**	**187.4**	**131.0**	**97%**	**96%**
Parent company (recurring assignments)	85.4	57.0	-	-	85.4	57.0	-	-
Fully consolidated subsidiaries	68.0	67.7	-	-	102.0	74.0	-	-
Not-audit services required under statutory and regulatory provisions	**6.0**	**6.0**	**4%**	**5%**	**6.0**	**6.0**	**3%**	**4%**
Parent company	3.0	3.0	-	-	3.0	3.0	-	-
Fully consolidated subsidiaries	3.0	3.0	-	-	3.0	3.0	-	-
Non-audit services			**0%**	**0%**			**0%**	**0%**
Parent company								
Fully consolidated subsidiaries								