SergeFerrari Group

Limited company (SA) with share capital of €3 469 380,00
Registered office: Zone industrielle la Tour-du-Pin – 38110 Saint-Jean-de-Soudain
Vienne Trade and Companies Register (RCS) 382 870 277

BASE DOCUMENT

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GENERAL

Definitions

In this Base Document, unless specified otherwise:

- "Serge Ferrari" or "Group" means the entity consisting of SergeFerrari Group SA and its consolidated subsidiaries and sub-subsidiaries ;
- " SergeFerrari" or "SergeFerrari Group" or the "Company" mean SergeFerrari Group SA.

DISCLAIMER

This Base Document contains statements and information on the objectives of Serge Ferrari Group which are forward-looking in nature, in particular Sections 6.1.3 "Strategy" and 12 "Information on trends" of this Base Document, and may be identified as such by the use of the future or conditional tense, and by terms of a prospective nature such as "estimate", "consider", "have as objective", "intend", "should", "hope", "could", "may" and similar. Such information is based on data, assumptions and estimates considered reasonable by the Company. The forward-looking statements and objectives in this Base Document may be impacted by known and unknown risks, uncertainties surrounding the regulatory, economic, financial and competitive environment, and other factors that may cause the Company's future profits, performance and achievements to be significantly different from the objectives as formulated or suggested. These factors include in particular those described in Section 4 "Risk factors" of this Base Document.

Investors are advised to take into careful consideration the risk factors described in Section 4 "Risk factors" of this Base Document before making an investment decision. Should any or all of these risks materialise, they may have a negative impact on the Company's activity, financial position, profits or objectives. Furthermore, other risks, not yet identified or considered not significant by the Company, may have a similar negative impact and investors may lose all or part of their investment.

This Base Document contains information on the Group's markets and its competitive positions, including information about the size of the markets, notably in Section 6.3 "A specific market with disparate competitors". Due to the lack of market studies in the Group's sphere of activity, this information is drawn from Company estimates and is provided only for indicative purposes. The Group's estimates are based on information obtained from customers, suppliers, professional organizations and other participants in the markets in which the Group operates. Although the Group considers that these estimates are relevant as of the date of this Base Document, it cannot guarantee the completeness or accuracy of the data on which these estimates are based, or that its competitors define the markets in which they operate in the same manner. These estimates, and the data on which they are based, have not been verified by independent experts. The Group gives no guarantee that a third party using different methods to collate, analyse or calculate market data will obtain the same results. To the extent that the data relating to market shares in this Base Document are only Group estimates, they are not official data.

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1 PERSONS RESPONSIBLE

1.1 PERSON RESPONSIBLE FOR THE BASE DOCUMENT

Sébastien Ferrari, Chairman and Chief Executive Officer of Serge Ferrari Group.

1.2 STATEMENT OF THE PERSON RESPONSIBLE FOR THIS DOCUMENT

"I hereby certify, after having taken every reasonable measure to this effect, that the information contained in this Base Document is, to the best of my knowledge, accurate and does not contain any omission that could affect its scope.

I have obtained a completion of work letter from the Statutory Auditors, in which they indicate that they have verified the financial data and the financial accounting information contained in this document and have read the Base Document in its entirety."

Sébastien Ferrari
Chairman and Chief Executive Officer
20 May 2014

1.3 PERSONS RESPONSIBLE FOR THE FINANCIAL INFORMATION

Sébastien Ferrari Chairman and Chief Executive Officer Address: Zone industrielle la Tour-du-Pin – 38110 Saint-Jean-de-Soudain Telephone : +33 (0)4 74 97 41 33 Fax: +33 (0)4 74 97 67 20 Email: investor@sergeferrari.com	**Philippe Brun** Deputy Chief Executive Officer Address: Zone industrielle la Tour-du-Pin – 38110 Saint-Jean-de-Soudain Telephone : +33 (0)4 74 97 41 33 Fax: +33 (0)4 74 97 67 20 Email: investor@sergeferrari.com

2 STATUTORY AUDITORS

2.1 INCUMBENT STATUTORY AUDITORS

- **Cabinet Martine CHABERT (company owned by Madame Martine Chabert)**
  74 rue Maurice Flandin 69003 Lyon

Cabinet Martine CHABERT was appointed Statutory Auditor, to replace Martine Chabert who had resigned, at the Extraordinary General Shareholders' Meeting of 30 April 2014 for the remaining term of its predecessor ending at the close of the Ordinary General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31 December 2018.

- **MAZARS represented by Pierre Beluze**

131 Boulevard Stalingrad – Le Premium – 69624 Villeurbanne Cedex

MAZARS were appointed Statutory Auditors by the General Shareholders' Meeting of 25 April 2007 for the remaining term of its predecessor, who had resigned, ending at the close of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended 2008. Its mandate was renewed by the General Shareholders' Meeting of 17 April 2009 for a six-year term ending at the close of the Ordinary General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31 December 2014.

2.2 ALTERNATE STATUTORY AUDITORS

- **Didier VAURY (Alternate Statutory Auditor to Martine Chabert)**
  115 boulevard Stalingrad – CS 52038 – 69616 Villeurbanne Cedex

Didier Vaury was appointed Alternate Statutory Auditor, to replace SOGEM Audit which had resigned, at the Extraordinary General Shareholders' Meeting of 30 April 2014 for the remaining term of his predecessor ending at the close of the Ordinary General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31 December 2018.

- **Max DUMOULIN**
  131 Boulevard Stalingrad – Le Premium – 69624 Villeurbanne Cedex

Max Dumoulin was appointed Incumbent Statutory Auditor by the General Shareholders' Meeting of 25 April 2007 for the remaining term of his predecessor, who had resigned, ending at the close of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended 2008. His mandate was renewed by the General Shareholders' Meeting of 17 April 2009 for a six-year term ending at the close of the Ordinary General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31 December 2014.

During the period covered by the historical financial information, no statutory auditors resigned or were dismissed, with the exception of Martine Chabert who resigned having been statutory auditor since 25 February 1999 and was replaced by Cabinet Martine CHABERT by a decision of the General Shareholders' Meeting of 30 April 2014.

3 KEY FINANCIAL INFORMATION

The key financial information presented below is drawn from the financial statements prepared to IFRS standards.

This key accounting and operations information should be read in conjunction with Section 9 "Income Statement and Statement of Financial Position", Section 10 "Cash and Capital" and Section 20 "Review of the issuer's assets, financial position and income" of this Base Document.

Key accounting information

Consolidated data IFRS standards (in €K)	Fiscal yr 2013 12 months audited	Fiscal yr 2012 12 months audited	Fiscal yr 2011 12 months audited
Non-current assets	**37 003**	**39 939**	**42 806**
o/w Intangible assets	*4 706*	*4 127*	*3 103*
o/w Property, plant and equipment	*27 592*	*30 855*	*34 697*
o/w Non-current financial assets	*3 021*	*3 134*	*3 106*
Current assets	**78 040**	**86 113**	**89 430**
o/w Inventories and in-process	*35 498*	*33 804*	*37 566*
o/w Trade receivables and related accounts	*23 913*	*25 764*	*31 060*
o/w Cash and cash equivalents	*7 993*	*13 856*	*12 280*
TOTAL ASSETS	**115 044**	**126 052**	**132 235**
Shareholders' equity	**51 153**	**46 299**	**45 878**
Non-current liabilities	**19 759**	**19 343**	**23 763**
o/w Financial debt - Long-term	*15 662*	*13 489*	*19 054*
o/w Provisions and other non-current liabilities	*3 225*	*4 934*	*3 879*
Current liabilities	**44 132**	**60 409**	**62 594**
o/w Financial debt - Short-term	*20 034*	*35 306*	*38 146*
o/w Provisions and other current liabilities	*12 279*	*14 316*	*10 618*
TOTAL LIABILITIES	**115 044**	**126 052**	**132 235**

Consolidated data IFRS standards (in €K)	Fiscal yr 2013 12 months audited	Fiscal yr 2012 12 months audited	Fiscal yr 2011 12 months audited
Revenue	**139 592**	**139 388**	**155 574**
Operating profit (loss)	**8 959**	**3 259**	**6 257**
Financial profit (loss)	**(1 718)**	**(1 219)**	**(2 833)**
Net profit (loss)	**3 817**	**873**	**1 346**

Consolidated data IFRS standards (in K)	Fiscal yr 2013 12 months audited	Fiscal yr 2012 12 months audited	Fiscal yr 2011 12 months audited
Cash flow from operating activities	**16 722**	**12 118**	**11 769**
Cash flow from investing activities	**(5 223)**	**(4 583)**	**(10 862)**
Cash flow from financing activities	**(6 012)**	**(8 053)**	**(618)**

Change in cash in the year	**5 432**	**(454)**	**1 636**

Key indicators

To assess the performance of its activities, the Group monitors three key indicators: gross margin on standard production costs, adjusted EBITDA, and operating working capital requirements, in accordance with the calculation rules explained below.

- **Gross margin**

"Gross margin" is the gross margin in standard production costs, calculated as follows:

Gross margin = Total revenue – standard production costs (standard materials cost + standard personnel expense + standard general expenses).

- **Adjusted EBITDA**

To assess the performance of its activities, the Group uses “adjusted EBITDA”, which is operating profit before deduction of interest, taxes, depreciation and amortisation and includes "Other income and expenses” (income and expenses from previous years as well as profit and loss on unrecoverable receivables, which amounted to a net loss of €141K in 2011 and a net profit of €87K in 2012 and €9K in 2013), as well as “Company value-added contribution” (CVAE) before deduction of income tax (which was a net expense of €714K in 2013, €561K in 2012 and €633K in 2011).

The Group's Management considers adjusted EBITDA to be a pertinent indicator as it measures the performance of the Group's ordinary activities, without taking into account the impact of expenses connected with past expenditures (depreciation and amortisation), or non-recurring items that are not representative of the trends in the Group's results.

Consolidated data IFRS standards (in €K)	Fiscal yr 2013 12 months audited	Fiscal yr 2012 12 months audited	Fiscal yr 2011 12 months audited
Gross margin	**59 916**	**51 212**	**52 725**
Adjusted EBITDA	**16 947**	**9 884**	**14 272**

- **ROCE**

Return On Capital Employed after taxes corresponds to EBIT after taxes divided by the average capital employed (understood as the average capital committed at period end in fiscal years n and n-1). ROCE for fiscal years 2011, 2012 and 2013 are respectively 5.1%, 2.6% and 7.5%, as shown in the table below.

IFRS - in €K	Fiscal yr 2013 12 months	Fiscal yr 2012 12 months	Fiscal yr 2011 12 months
Capital employed (1)	80 058	83 772	92 605
Average capital employed (2)	81 195	88 189	89 124
EBIT after taxes	6 067	2 334	4 523
ROCE (3)	**7,5%**	**2,6%**	**5,1%**

(1) Capital employed = Net assets + operating WCR

(2) Average capital employed in period n = average of the capital employed at period-end n and n-1

For information: the capital employed as at 31/12/2010 was €85,643K

(3) ROCE = EBIT after taxe / Average capital employed

- **Operating working capital requirement**

One of the key operating performance indicators monitored by the Group is "operating working capital requirements" (operating WCR) covering inventories, trade receivables and trade payables.
Operating WCR as well as the working capital requirements related to operating items such as inventories, trade receivable and trade payables (ie., tax and social security debts, adjustment accounts, tax expense other than corporate income tax, etc.) together comprise the activity-related working capital requirement.

Consolidated data IFRS standards (in €K)	Fiscal 2013 12 months	Fiscal 2012 12 months	Fiscal 2011 12 months
Gross margin	**59 916**	**51 212**	**52 725**
ratio of Gross margin / Revenue	*42,9%*	*36,7%*	*33,9%*
Adjusted EBITDA	**16 947**	**9 884**	**14 272**
ratio of EBITDA / Revenue	*12,1%*	*7,1%*	*9,2%*
Operating WCR	**52 436**	**53 235**	**60 536**
ratio of Operating WCR / Revenue	*37,6%*	*38,2%*	*38,9%*

Note: these amounts have been calculated using unaudited data

Consolidated revenue as at 31 March 2014 (1st quarter) and at 30 April 2014 (1st quarter) - Unaudited

in €K - IFRS - Unaudited	Q1 2014	April 2014	T1 2014
Revenue composite materials	32 782	13 091	45 873
Chg. vs. 2013	*-1,3%*	*4,4%*	*0,3%*
Revenue other products	2 194	774	2 968
Total revenue	**34 976**	**13 865**	**48 841**
Chg vs 2013	*-0,7%*	*6,9%*	*1,3%*

in €K - IFRS - Unaudited	Q1 2013	April 2013	T1 2013
Revenue composite materials	33 212	12 537	45 749
Revenue other products	2 017	428	2 445
Total revenue	**35 229**	**12 965**	**48 194**

4 RISK FACTORS

Investors are advised to take into consideration all the information in this Base Document, including the risk factors described in this chapter, before deciding to purchase or subscribe to shares in the Company. In preparing this Base Document, the Company has reviewed the risks that may adversely impact the Group's activity, financial position or income, and considers that no other significant risks exist apart from those presented here.

4.1 RISKS RELATED TO THE MARKET IN WHICH THE COMPANY OPERATES

4.1.1 *Risks related to the price of raw materials and energy*

The risks related to raw material and energy prices (chemical products as well as the transport costs borne by the Group are closely linked to oil prices) are the main risk factor affecting the Group.

The Group uses large quantities of raw materials in its manufacturing processes (approximately 57% of standard production costs in 2013), mainly from petrochemicals (polyvinyl chloride [PVC], polyethylene terephthalate [PET] and plasticisers), which are indirectly impacted by fluctuations in the price of crude oil. The Group is also exposed to changes in the prices of other raw materials essential to its activities, such as dyes, varnishes, antimony (flame retardant), pigments, etc. The rise in raw material prices in 2011, especially of oil and petrochemicals, had a negative impact on the Group's profits in the months before it passed them on in higher selling prices. In the event, operating margins declined between 2010 and 2011. Although the Group was able to recover this increase from its customers in 2011 and 2012, its results were affected by the time required to raise the Group's selling prices following the rise in raw material prices.

Transport costs were also impacted by changes in oil prices and suffered the consequences of oil price volatility.

Since 2011, the Company no longer benefits from framework contracts, as suppliers want to retain as much flexibility as possible in setting their prices. Almost all purchases are transacted at spot prices, negotiated over-the-counter between the Company and its suppliers, generally for one month ahead.

In the fiscal year just gone, a variation of +/-10% in the price of certain "sensitive" raw materials would have the following effect:

		Impact if fluctuation of raw materials sensitive to price changes*	
in thousands of euros	31/12/2013 audited	10% rise	10% fall
Purchases consumed	(53 592)	(47 951)	(46 697)
*Purchases consumed of raw materials sensitive to changes in price**	(6 268)	(627)	627
Operating profit (loss)	8 959	(627)	627
Total net income after tax**	3 817	(418)	418
Total shareholders' equity after tax**	51 153	(418)	418

**This refers to purchases of raw materials consumed and recognised in 2013 which the Company considers to be exposed to potentially strong price fluctuations. With respect to the oil price rises between April 2010 and April 2012, the volumes analysed by the sensitivity study were only a part of the total "Purchases consumed" in the Income Statement as presented in Section 20 of this Base Document. They relate to raw materials whose prices rose faster than the average rise in the previous period and represented €6,268K of the purchases made in fiscal year 2013.*
*** Based on a theoretical tax rate of 33.33%.*

On the commercial level, sales contracts do not include price-review clauses as prices are set when the order is signed. For almost all customer orders, delivery dates are specified in terms of days or at most a few weeks from the date that the order is received. From time to time, in the "Architectural" segment, prices may be quoted as valid for up to 6 or 9 months for longer projects. These price offers incorporate a “review clause” to recover all or part of rises in the cost of materials incurred or exchange rate fluctuations when the offer is expressed in a foreign currency.

For managing the risk of fluctuations in the cost of materials, which mainly affects processed products and not primary raw materials (barrels of oil), the Company cannot use hedging. However, it does have numerous operational measures to minimise and prevent such fluctuations from impacting its results. These measures include reducing production times, bargaining to revise prices, ongoing search for alternative sources of supply, as well as a strong innovation policy focused in particular on the chemical formulations of its products and substituting some of their components.

Should raw material prices rise in the future, and the Group is not able to recover the resulting additional costs immediately or fully from its customers due to the size of the additional costs, or deadlines imposed by agreed purchase orders, or competitive pressures or market conditions, and the Group does not manage to optimise the formulation of its products, it could have a significant adverse impact on the Group’s activity, financial position or results.

4.1.2 *Risks related to the competitive environment*

In each of its markets, the Group has to face active competition from players of various sizes (see Section 6.3.2 of this Base Document). However, the Group believes that it currently enjoys a strong competitive positioning globally, thanks mainly to an innovative and high-added-value range of products recognised in France and internationally. The Group estimates that it has a 4,2% share of the €3,1 billion global market (see Section 6.3.1 of this Base Document). Nonetheless, the Group faces commercial pressure mainly in the form of varying degrees of price competition. The arrival of new players some of whom have much greater financial resources, or of new products or new technologies developed by its competitors, could also affect the Group’s competitive position. The Group cannot guarantee that it will be able to maintain its margins in the face of competition, especially if new entrants penetrate one or more of its markets or if competition intensifies for any other reason. These competitive pressures could lead to a reduction in the demand for the Group's products or force the Company to lower its selling prices or to make additional investments. These factors could have a significant adverse impact on the Group’s financial position, results or outlook. The Group believes that maintaining its proactive R&D policy is the best way to keep its competitive positioning.

4.1.3 *Risks related to technological changes*

The flexible composite materials market in which the Group operates is in permanent competition with traditional materials in some of its application segments (architecture in particular), and may also experience technological changes and see new composite materials appear that are more efficient or less expensive. Since its formation, the Group has therefore devoted a very significant part of its resources to R&D in order to widen its range of products and/or make them more efficient, as well as to develop manufacturing processes and equipment that can maximise the quality of the materials offered (see Section 9.2.2 of this Base Document for details of R&D expenses). Nonetheless, it is imperative that the Group continues its commitment to R&D in order to retain its position as a benchmark in technological innovation and to be able to adapt to any future technological innovations in the sector.

Although the Group believes that the risk from new technology is very limited, should the Company fail to match the pace of technological development or is slow in developing its solutions compared to competitors with more substantial resources, its inability to develop new products or to market them on time would make its commercial offering less attractive, which could have an adverse impact on the Group’s activity, revenue, profits, financial position or growth.

4.1.4 *Risks related to the economic environment and to the Group’s opportunity sectors*

In an economic context that still remains uncertain in France as well as in some of the Group's target countries, the Group may face a deterioration in its financial position or may see its existing and prospective customers having increased financing difficulties themselves. However, the Group believes that the diversity of its application markets and geographical outlets gives it a form of protection against dependency on the economic conditions in any particular country or application segment even though the Group may from time to time see some of its customers and/or distributors having financial difficulties. Furthermore, this uncertain economic environment could exert greater pressure on prices, which would adversely impact the Group's revenue, financial performance and competitive positioning.

In order to limit the impact of economic conditions on its activities and its financial results, the Group devotes a significant part of its sales initiatives to international development especially in regions where it anticipates sustained demand (Asia and the United States in particular) and to diversifying its product offering, its application markets, and its customer base (see Section 6.5 of this Base Document).

4.2 RISKS RELATED TO THE GROUP'S ACTIVITY

4.2.1 *Risks related to industrial safety regulations and changes in them*

See Section 4.3.1 below.

4.2.2 *Risks related to industrial fires and accidents*

The Group's facilities carry a certain number of safety, fire or pollution risks, mainly due to the toxicity or flammability of certain raw materials, finished products or manufacturing or supply processes. In particular, the Group's manufacturing processes that use flammable materials (varnishes, chemical products, PET, PVC, etc.) can create a high risk of fire or explosion.

The Group is therefore diligent in putting in place measures to manage fire and industrial accident risks, specifically:
Regarding fires, in conjunction with the regional fire department (SDIS 38) an plan called ETARE No. 411 has been established which identifies premises in risk areas (with insufficient means) and risks related to their activities. In addition, staff regularly receive training in firefighting (how to use extinguishers, and evacuation drills). The fire control centre is also connected to a telesurveillance PC.

Regarding industrial accidents, in accordance with its ISO 14001 certification, the Group has put in place an annual improvement plan which consists in particular of organising the security of sensitive areas (truck loading/unloading), arranging ATEX (explosive atmosphere) zones, conducting studies and fire scenarios (flow of thermal emissions), as well as training staff to be able to identify explosion-risk areas and monitor (exhaust) air pollution.

Despite these measures, the Group may be pursued for liability in the event of a claim involving the Group's activities or products. If that should occur, the consequences on its activity, financial position, profits and outlook could be significantly adverse.

4.2.3 *Risks related to the marketing network*

Risks related to the portion of revenue achieved through distributors

In addition to its own sales force, the Group in some geographic regions uses distributor partners, usually on a non-exclusive basis (see Section 6.5.2 of this Base Document). To date, the Group estimates that it has no dependency on any one of them, as the largest of them contributed 8% of consolidated revenue in fiscal year 2013. More than 1 500 customers were invoiced in 2013, with the actual number of end-customers being much higher taking into account the sales by distributors who themselves have a large number of regional or local customers. The Group may, however, encounter difficulties in recruiting new distributors, or in renewing or terminating contracts with some of them, or may find that some distributors have solvency problems. Should any of these risks materialise, it could significantly affect the Group's activity, financial position, profits, growth and outlook in the medium and long term.

Risks related to the development of a marketing-partnership policy

In order to develop its marketing opportunities in countries where it has little presence, the Group wanted to set up marketing partnerships with specialised players. Thus, the first of this type of agreement was set up in Germany for the exclusive distribution of a range of products. This partnership, currently in start-up phase, could be extended to other countries depending on the results obtained. The limited success or failure of such partnerships could limit the Group's growth in some geographic regions and/or force it to make marketing investments of a different kind that may affect its results to a greater or lesser extent.

Risk related to international development

For many years, the Group has achieved a significant portion of its consolidated revenue outside France (France accounting for 75,2% of its total composite materials revenue in 2013, 73,7% in 2012, and 74,9% in 2011), thanks to a global distribution network consisting of its distribution subsidiaries (4 subsidiaries and 5 sales offices abroad) as well as a network of largely non-exclusive independent distributors (see Sections 6.5 and 9.2.1 of this Base Document for more details about international development). This direct or indirect local presence has proven particularly important in building knowledge of the local economic fabric, the various players in each opportunity segment, and local practices, specifics and regulatory constraints, to facilitate the marketing of the Group's offering. Accordingly, the Group intends to recruit a large number of sales staff in these three geographical regions (see Section 12.2 of this Base Document). However, despite its local presence in the field, it may take longer than expected for international sales networks to add significantly to Group revenue and may require additional marketing drives in one or more of its markets, which could have a significant adverse impact on the Group's activities, profits, financial position or outlook.

4.2.4 *Risks related to industrial means of production*

Risks related to the adequacy of industrial equipment and current production capacity

The Group currently has three production sites whose unused capacity should allow it to absorb growth in the order of 30% of sales without significant additional investment (see Sections 6.4.5 and 5.2 of this Base Document). The Group will therefore need to watch its order book and the adequacy of its industrial equipment and anticipate any significant change that may force it to accelerate its investment plan. If its industrial capacity is stressed in the future, the Group may not be able to benefit from the growth in one or more of its markets and may be forced to undertake major investments to cope with it. Should the Group not be able to make the necessary investments to meet customer demand or if the cost of such investment proves to be significant and is not offset by orders to match the investment expenditure, such a situation may have an adverse impact on the Group's growth, financial position, profits or outlook.

To minimise the impact of a downturn in business, the Group operates a proactive prospection policy, internationally in particular, and ongoing R&D to develop its products and services for new applications.

Risks related to its recycling activity

Since 2008, the Group has completed developing its recycling service for its own materials (see Section 6.4.7 of this Base Document), which could be a deciding factor in obtaining certain contracts, particularly for architectural projects. This activity has been developed as part of a joint venture with Solvay. Although the Group owns all the intellectual property relating to the process – unique in the world – for recycling PEC-PVC composites under a cost-free license granted by Solvay, valid for the Group's activities and until the last patent covered by the license falls into the public domain, a very large part of the industrial recycling is done by a plant mainly owned and operated by Solvay Group.

If the partner decides for industrial or strategic reasons to shut down the recycling plant, the Group would no longer be able to market this service as the Group does not have its own recycling facilities. Although this activity adds little to Group revenue, it has strong differentiating marketing impact and can be decisive for some customers when choosing the Group's materials. Also, discontinuing its recycling activity could have a more or less significant impact on the Group's business and development mainly in the architectural segment. Furthermore, the joint venture is part of the partner's business unit that was sold in 2013 to a financial group with holdings in the chemical industry: this transaction is currently subject to EU monopolies commission approval. The Company has received no information from the buyer that would lead it to discontinue this activity.

If such a situation were to occur, the benefits of the license would not be called into question. However, the Company would be unable to use if as a new partnership with a player in the chemical industry with suitable facilities had not be signed.

Furthermore, as regards managing the risk of these licensed processes coming out of patent and into the public domain by 2028, the Company believes that the development work it has done since being granted the license gives it a technological lead over third parties who hope to use this technology. The Company estimates that it would take several years to master the process.

4.2.5 *Risks relating to the quality of the Group's products*

The growth in Group sales depends on the quality and reliability of its products and on its customer relationships. The Group, which is ISO 9001 certified, has put in place various measures for quality management. These include: its QSE policy, leadership responsibility, resource management, and production quality. Projects are reviewed based on dashboards that report progress and focus on problems (via internal and external audits).

Should the Group's products repeatedly not meet its customers' requirements, its reputation and sales volumes may be impacted. Sales of materials come with a 30-year warranty. To this effect, the Company has product insurance (covering manufacturing defects) and lays down a provision for warranties, which have proven sufficient to date, to cover customer complaints (see Section 4.5 regarding insurance and Section 9.2.2 on the provisions of this Base Document). The Group cannot, however, guarantee that its customers will not have product quality or reliability problems that may have a significant adverse impact on the Group's profits, reputation, activity, financial position or outlook. The Group also cannot exclude the possibility that its member companies may be held liable under third party liability or contractual provisions for product faults, which could adversely impact the Group's profits, reputation, activity, financial position and outlook.

4.2.6 *Risks related to WCR requirements and business seasonality*

Some Group activities, such as Solar Protection and Microclimatic Facades in the Architecture segment, or Yachting, Outdoor Furniture and Solar Protection in the Consumer Segment, are subject to the extreme seasonality of their customers (see the product presentation in Section 6.3). The relatively greater activity from March to September in the northern hemisphere, where most sales are concentrated, creates organisational constraints for the Group that involves stock control, production planning, deliveries, and the availability of human resources, to manage this period as effectively as possible, as well as working capital requirements that can vary significantly depending on the time of year.
Similarly, international expansion may put financial pressure on working capital requirements.

The Group has therefore set up various measures to, on the one hand, better manage seasonality and, on the other, to reduce it. To do so, the Group has set up a structure with support functions and in particular a procurement department and an industrial department one of whose missions is to identify the requirements of each business line in order to implement industrial synergies such as the optimisation of industrial equipment to ensure that planning and production schedules are met. The development of new application markets with acyclic or divergent cycles, particularly in the southern hemisphere, as well as markets in regions and countries with varying cycles, should also help alleviate seasonality.

However, despite all the measures implemented by the Group, strong seasonal growth that is beyond the Group's ability to absorb it in its various areas, could have a significant adverse impact on the Group's activities, profit, financial position or outlook.

4.2.7 *Risks related to inventory impairment*

As the total value of inventories as at 31 December 2013 and 31 December 2012 were 33,1% and 28,9% of the balance sheet total, the Group's results, financial position and outlook may be impacted by a significant provision for inventory impairment.

Risk management procedures have also been put in place. Purchases and inventories of raw materials are mostly managed by an integrated information system. Orders are prepared based on industrial planning information, in response to manufacturing triggers (orders, forecasts, etc.). To minimise its working capital requirements on these purchases, the Group works on a sale-or-return basis, which ensures that the supplier does not invoice until the material has been used up. In their raw state, the raw materials have a low risk of spoilage. However, in their prepared form (platisols) their shelf life is no more than a few days: which is why these preparations are only ever made to order for an identified process. Intermediate and/or finished products are also unaffected by expiry dates, but are more affected by products or particular colours not selling because they do not meet market needs. This is the reason why a provision for low turnover is set up on these product lines. Lastly, a “lower-of-cost or market” provision is set up for products with aesthetic defects whose selling price will be lower than normal.

This vigilant management results has resulted in a continuous reduction in total provisions on inventories, from 9,8% as at 31 December 2011 to 6,8% at 31 December 2013.

4.2.8 *Risks related to information systems*

The Group uses complex information systems (notably for managing its production, sales and logistics, and for bookkeeping and financial reporting) that are essential for running its commercial and industrial activities. Despite a policy to strengthen its procedures for backing up its information systems and infrastructure, a failure in any of them could have a significant adverse impact on the Group’s activity, financial position, results or outlook.

The Group’s IT systems could be hit by complex and targeted attacks. The IT security systems of a growing number of companies have in fact recently experienced intrusions or attempted intrusions. The techniques used to pirate, interrupt, degrade the quality of or sabotage information systems are constantly evolving, and it is often impossible to identify them before an attack is launched. The Group may therefore not be able to defend itself against such pirating techniques or to quickly install an appropriate and effective response. Any failure or interruption in the Group’s IT services due to such intrusions or other factors, may have a significant adverse impact on the Group's activity, financial position, results or outlook.

4.3 LEGAL RISKS

4.3.1 *Risks related to regulations and regulatory changes*

The Group is subject to a constraining regulatory environment notably covering the environment and safety, in particular as regards industrial safety, emissions or discharges of any kind, the use, production, traceability, handling, transport and storage of products and substances, including disposal and exposure to them, as well as site remediation and environmental depollution. The Group is also subject to regulations governing safety, notably fire-prevention standards applicable to the Group’s products and its manufacturing sites.

Since June 2007, Serge Ferrari Group is in compliance with the REACH regulations (Registration Evaluation and Authorisation of Chemicals). The Group is also engaged in an initiative to anticipate and exceed these European regulatory requirements. Serge Ferrari regularly assesses the health and environmental performance of its composite materials on the basis of five key indicators: Health Precautions, Internal Air Quality, Environmental Footprint, Circular Economy and Renewable Containers. These Eco IDentity System indicators measure the progress made over and above regulatory requirements. The Group is also a member of a number of organisations operating in the field of sustainable development, including the Orée Association and the INSPIRE Institute.

Compliance with these regulations requires the Group to incur regular and large expenditures. Moreover, this regulatory environment frequently changes, making them increasingly stringent. The Group’s failure to comply with these regulations or inability to adapt to future regulatory changes could entail penalties of various kinds including financial, civil, administrative or criminal, and could lead to the withdrawal of the permits and licences needed to pursue its activities (ICPE classification of its industrial sites in France). Changes in these laws and regulations and their interpretation could lead to significant expenditure and/or investment mainly in industrial tooling and/or adaptation of the formulation of its products, which could have a significant adverse impact on the Group’s activity, results and outlook.

4.3.2 *Risks related to the protection of intellectual property rights*

The Group’s future growth depend in particular on its ability to obtain, keep and protect its patents, trademarks and other intellectual property rights as well as its ability to internally retain its know-how in terms of innovation, the engineering of manufacturing processes and the design of industrial equipment. Despite the Group's efforts to protect its intellectual property, it cannot guarantee the level of protection that will be accorded to its portfolio of patents and trademarks, or prevent the risk of counterfeiting of its products, or the illicit appropriate or use of its intellectual property rights.

This is why the Group pays particular attention to retaining and developing its know-how in the design of industrial equipment:

- partly, because it is a non-volatile form of intellectual protection although some patents relating to its Précontraint® technology have now fallen into the public domain ;
- partly, because in the absence of ad hoc equipment that only the Group knows how to design, it would prove extremely difficult to manufacture flexible materials of equal quality.

With respect to Précontraint®, the Group filed a patent in 1974 which has now fallen into the public domain. From now on, the Précontraint® process (which is detailed in Section 6.2.1 of this Base Document) is protected by the Group's know-how, which can be described as "proprietary" in light of the track record of the developments that have been necessary to progressively perfect it. Indeed, since 1974, the Group's teams dedicated to the design and fabrication of machines have continuously developed and improved the Précontraint® technology on the production lines at La Tour-du-Pin. The Group, which designs and makes its own production machines through its subsidiary C12M, also therefore enjoys the protection associated with the production of machines, as well as the protection resulting from the use of the technology. Consequently, the entry barrier is such that a competitor looking to achieve a similar level of quality would find itself unable to launch itself into designing and producing such machines, as the cost of doing so would be disproportionate to the market share it could hope to gain. Competitors therefore generally use standard equipment, which does not allow access to the technology used by Serge Ferrari Group.
As regards risks related to the protection of intellectual property rights on recycling, see Section 4.2.4 of this Base Document.

- **Limits to the protection conferred by patents and other intellectual property rights**

The Group's commercial success and the protection of its innovations depend on its ability to obtain, keep and protect its related patents, trademarks, drawings and designs as well as other rights to intellectual property and similar assets (such as software, trade secrets and its industrial know-how).

The Company devotes serious financial and human effort to protecting its technology takes measures commonly used in the industry to do so (such as filing patent applications for key inventions as well as related development). To the Company's best knowledge, the inventions incorporated in the Company's manufacturing process were or are protected by its patents and patent applications (see Section 11).

However, the Company may not be able to continue adequately protecting its patents, causing it to lose its technological and competitive advantage.

Firstly, the Company cannot guarantee that it will actually be issued patents for the innovations it has filed, as it subject to assessment by the intellectual property agencies concerned before a patent can be issued.

In addition, even if issued, patents may be superseded ("anticipated") by earlier patent applications not yet published or by disclosures of earlier inventions.

Despite researching earlier filings and the constant watch it operates, the Group can therefore never be certain that it has been the first to conceive an invention and to file the patent application, given that, in most countries, patent applications are not published until about 18 months after they are filed.

Lastly, all patents have a time limit. This limit varies by region and country and runs from the date that the patent application is filed (20 years in France and Europe). This is why the Précontraint® process which was filed in 1974 has now fallen into the public domain.

The Company may also find it necessary to file trademarks, drawings and designs.
With respect to trademarks, when filing a trademark in a new country the Company may find that the trademark in question is not available in that country. A new trademark must therefore be sought for that country.

With respect to drawings and designs, the Company in not protected in countries where it has not filed patents because it knows that it will not be protected in those countries if it has filed patents for the same drawing or design in another country more than 12 months ago.

The Group may therefore encounter difficulties in filing patents and securing some of its intellectual property rights (patents, trademarks, drawings or designs).

In addition, the issuance of a patent, or the registration of a trademark or drawing or design does not of and by itself guarantee its validity or that it is enforceable. Indeed, the Company's competitors may at any time successfully challenge the validity or enforceability of the Company's patents, trademarks, drawings, designs or applications before a court or as part of other proceedings, which, depending on the outcome of such challenges, can reduce the scope of protection, render them partially or totally invalid, or allow them to be overturned by its competitors.

Lastly, evolutions, changes and divergent interpretations of the laws governing intellectual property in Europe, the United States or in other countries may allow competitors to use the Company's inventions or intellectual property rights, develop or market the Company's products or technologies with financial compensation. Furthermore, there are still some countries that do not protect intellectual property rights as Europe or the United States do, and the effective procedures and rules necessary to ensure the defence of the Company's rights may not exist in those countries.

Consequently, the Company's rights as regards its patents, trademarks, drawings and designs, the application relating to them and its other intellectual property rights may not confer the expected protection against its competitors. The Company cannot guarantee that:

- The Company will succeed in developing new patentable inventions;
- The Company's patent applications that are currently being assessed will result in actual patents;
- the patents granted to the Group will not be contested, invalidated or circumvented;
- The range of protection conferred by the Company's patents, trademarks and intellectual property rights is and will remain sufficient to protect it from competitors and from the patents, trademarks and intellectual property rights of third parties covering similar devices;
- Third parties will not challenge the Company's patents or other intellectual property rights;
- The Company's employees will not claim rights or additional pay or fair compensation for inventions that they participated in creating.

- **Limits to the protection of the Company's trade secrets and know-how**

It is also important for the Company to protect itself from the unauthorised use or disclosure of its confidential information and trade secrets. The Company may be required to disclose, in various ways, information about technologies, processes, know-how, data and inputs, that may be patented and/or not patentable, to third parties with whom it works (such as public or private entities, its distributors or its subcontractors) regarding product research, development, testing and marketing. In such cases, the Company requires confidentiality agreements to be signed. This is because technologies, processes, know-how and specific data whether patented or not are considered to be trade secrets that the Company strives to protect partly by such confidentiality agreements.

However, these elements offer only limited protection and cannot prevent disclosure or illicit use by third parties of the Company's trade secrets and know-how, despite the precautions, primarily contractual precautions, that the Company takes with these entities.

Nothing can therefore guarantee that third parties involved (i) will keep confidential the Company's non-patented innovations or improvements and know-how, (ii) will not divulge the Company's trade secrets to its competitors or not develop those trade secrets independently, and/or (iii) will not breach such agreements, while the Company has no appropriate solution to counter such breaches.

Consequently, the Company's rights to its trade secrets and know-how may not confer the expected protection against its competitors and the Company cannot with certainty guarantee that:

- its know-how and trade secrets will not be usurped, circumvented, communicated or used without its authorisation;
- the Company's competitors have not already developed technology, products or devices similar in nature or purpose to those of the Company;
- no cocontractor will the benefit of claim intellectual property rights to the Company's inventions, knowledge or profits.

- **Specific risks related to infringement of intellectual property rights**

It is important, for the success of its activity, that the Company be able to freely exploit its products without infringing the patents or other intellectual property rights of third parties, and without third parties infringing Serge Ferrari's intellectual property rights.

Risk of the Company infringing the intellectual property rights of third parties

The Company continues, as it has always done, to conduct the due diligence it considers necessary with respect to the above-mentioned risks before investing in the marketing of its various products. With the aid of its independent intellectual property consultants, it maintains a watch on its competitors (particularly for patent applications).

However, it is difficult to monitor the unauthorised use of products and technology. The Company cannot with certainty guarantee that:

- it will be able to prevent the misappropriation or unauthorised use of its products and technology, particularly in foreign countries where its rights are less well protected due to the territorial scope of its intellectual property rights;
- its products do not counterfeit or infringe patents or other intellectual property rights belonging to third parties;
- there do not exist patents that are complex to interpret, or other intellectual property rights, that may cover certain Company products, processes, technologies, results or activities such that third parties are counterfeiting or infringing its rights for the purpose of launching a claim for damages against the Company or proceedings to stop it manufacturing and/or marketing the challenged products or processes;
- there do not exist earlier trademarks, drawings and designs or other intellectual property rights of third parties that could justify legal proceedings against the Company for counterfeiting;
- that the Company's domain names will not be challenged by a third party with prior rights (for example, trademarks) under the Uniform Dispute Resolution Policy (UDRP) or similar or legal proceedings for counterfeiting.

Litigation against the Company, regardless of its outcome, could entail very substantial costs and compromise its reputation and financial position. If such proceedings were to lead to a ruling against the Company, it could be forced (on pain of penalties) to interrupt or delay its research, development, manufacturing or sale of its products and processes named in those proceedings, significantly affecting its activities. Some competitors with more substantial resources than the Company's could support the costs of such complex proceedings more readily than it could. Any litigation of this type could thus affect the Company's ability to carry on all or some of its activity, should the Company be legally required to:

- stop selling or using any of its products that depend on the contested intellectual property in a given geographical region, thus reducing its revenue;
- obtain a licence from the holder of the intellectual property rights, which it may not be able to obtain or may be able to obtain only on unfavourable terms;
- review its design or, in the case of a claim concerning trademarks, rename its products to avoid infringing third party intellectual property rights, which could prove to be impossible or very long and costly, and could adversely impact its marketing efforts.

Risk of third parties infringing the Company's intellectual property rights

Other companies could use or try to use elements of the Company's technology whether or not protected by intellectual property rights, creating a damaging situation for the Company. The Company cannot with certainty guarantee that it will not launch legal or administrative proceedings to valorise the monopoly conferred by its intellectual property rights (notably its patents, trademarks, software, drawings and designs or domain names), trade secrets or know-how.

The Company may find it necessary to launch legal proceedings to ensure that its intellectual property rights are respected and that its trade secrets and know-how are protected. Any litigation could entail significant expenditure, adversely impact the Company's profits and financial position and potentially may not deliver the protection or sanction sought.

Impact of legal proceedings

Should any of these events occur concerning the Company's intellectual property rights, it could have a significant unfavourable impact on its activity, financial position, profits, growth and outlook. However, as at the registration date of this Base Document, the Company is not faced with any of these situations nor is it involved in any litigation, as plaintiff or defendant, relating to its intellectual property rights or those of a third party.

Lastly, the Group does not foresee, for the time being, making significant investments different from those in previous years to protect its technology for the years to come and for which the Company's management bodies have made firm commitments.

4.4 FINANCIAL RISKS

4.4.1 *Exchange rate risk*

Due to the international character of the Group's activities and sites, it faces fluctuations in the exchange rates of the various currencies, which have direct accounting impact on the Group consolidated financial statements, reflected in a transaction risk on income and expenses denominated in a foreign currency and the unforeseeability of their conversion into euros in the statements of income and financial position of foreign subsidiaries in the eurozone.

In 2013, consolidated revenue in currency terms was as follows: 80% in euros, 12% in US dollars and 7% in Swiss francs, the remainder in Japanese yen, Norwegian krone and other currencies. At the same time, in value terms, approximately 80% of purchases of raw materials and services were committed in euros and 20% in US dollars. Moreover, although the Group benefits from partial automatic backing, some residual exposure remains. Lastly, some of the Group's production is done in Switzerland (PET micro-cables and composite materials) costed in a non-euro currency. These annual intra-group invoices, in the order of CHF 45 million, are partially hedged. For fiscal year 2013, the net effect of currency translation was a loss of €418K.

The Group uses currency hedges for approximately 50% of its net flows in US dollars and Swiss francs: the purpose of these hedges is to protect the prices budgeted for trading. The Group is careful to limit its exposure to the Swiss franc, the currency used internally for operating plants in Switzerland, as its sharp rise in 2011 had a significant impact on the Group's results with an annual loss on currency translation of €1 388K mainly due to the change in the EUR/CHF rate.

A fluctuation of +/-10% in exchange rates would have the following impact on pre-tax profit and shareholders' equity:

	Impact on profit before tax		**Impact on shareholders' equity before tax**	
in thousands of euros	**10% rise**	**10% fall**	**10% rise**	**10% fall**
USD	376	-376	376	-376
CHF	-3006	3006	-3006	3006
Other currencies	marginal	marginal	marginal	marginal
Total	**-2630**	**2630**	**-2630**	**2630**

Further significant and lasting changes in exchange rates could have a significant adverse impact on the Group's financial position or outlook.

4.4.2 *Risks related to customers*

In the fiscal years 2013 and 2012, the Group's main customer accounted for, respectively, 8% and 9% of consolidated revenue, and its top five customers accounted for 17% in each of the two years. The Group therefore considers that it has no dependency on any single customer, all the more so given that its top customers are distributors who themselves address a large number of regional or local end-customers. Note also that of the top 300 customers in 2012, 197 were already customers of the Group 10 years earlier, which demonstrates the lasting nature of its relationships.

The Group also considers the risk of customer insolvency to be low and it has rarely encountered problems collecting payment or bad debts. Thus, for fiscal year 2013, the net change in provisions for customer-related impairment was €2 124K for full-year revenue of nearly €140 million (see also Note 29 "Financial risks" in the notes to the IFRS financial statements in Section 20.1 of this Base Document). Nevertheless, given the weight of certain distributors in the Group's trade receivables, the Company cannot exclude the possibility that provisions or losses on these trade receivables may have a significant adverse impact on the Group's results, financial position or outlook.

4.4.3 *Risks related to suppliers*

Given the extent of its vertical integration (see Section 6.4 of this Base Document), the Group significantly limits its risk of dependency on any single supplier or provider. For most of its procurement, the Group has at least two possible sources.

Like its competitors, the Group has to mobilise resources to ensure sufficient inventories to limit any problems or delay in supply.
The R&D department works continually on projects to develop replacement products for many of the chemical compounds used in the formulation of the Group's flexible composite materials. While waiting for such a product to be developed, any problem or delay in supply could have an impact on the sale of certain ranges of products and could also have a more or less significant impact on the Group's sales, results and outlook.

4.4.4 *Liquidity risk*

The Group regularly reviews its financing sources in order to maintain sufficient liquidity at any given time. As at 31 December 2013, in addition to its available cash and cash equivalents of €7 993K, the Group's main financing sources were:

- confirmed short-term lines of credit in the amount of €9,5 million (of which €6 million drawn down as at 31 December 2013 and maturing 31 March 2015) and €4,5 million unconfirmed credit;
- a factoring contract on French and foreign customers for up to €20 million, of which €10,7 million had been used as at 31 December 2013.

The Company has conducted a special review of its liquidity risk, and believes that it is able to meet its future contractual maturities over the next 12 months, as at the date of this Base Document..

Its bank debt maturity schedule is as follows:

Consolidated (in €K) - IFRS - Audited	**TOTAL**	**< 1 yr**	**1 ≥ 5 yrs**	**> 5 yrs**
Bank borrowing	21 254	5 592	15 662	
Bank overdrafts	3 742	3 742		
Factoring	10 700	10 700		
Total other borrowings and financial debt	35 696	20 034	15 662	0
Available cash and cash equivalents	7 993	7 993		
Net debt	**27 703**	**12 041**	**15 662**	**0**

The Group's bank financing includes covenants to maintain financial ratios, as disclosed in Note 29 of the notes to the 2013 consolidate financial statements in Section 20.1 of this Base Document. Breaching these covenants without obtaining a waiver or prior authorisation from the lending bank could lead to a demand for the immediate repayment of the capital outstanding on the date of the breach, unless the bank pool has explicitly waived early repayment of the balance owing.

These covenants are tested at each annual period end based on the financial statements prepared in accordance with French accounting standard CRC 99-02:

- Leverage ratio (Net debt / EBITDA) with a maximum of 3 to meet as at 31 December 2013;
- Gearing ratio (Debt / Equity) with a maximum of 1,1 to meet as at 31 December 2013.

As at 31 December 2013, these ratios were complied with.

4.4.5 *Rate risk*

This point is developed in Note 29 “Financial Risks” of the notes to the IFRS consolidated financial statements in Section 20.1 of this Base Document.

On 31 December 2013, total borrowing and debt amounted to €35 696K, of which half was at variable interest rates (€17 948K). The financing agreements signed with banks currently require close to 50% of the nominal amount of the contracted variable-rate loan to be hedged.
As at 31 December 2013, €8 156K was hedged (in the form of fixe-rate payer swaps). Exposure to interest rate risk, after hedges, was:

- Fixed-rate borrowing: €25 904K (72,6% of total borrowing and debt);
- Variable-rate borrowing: €9 792K (27,4 % of total borrowing and debt).

As regards the net financial debt for fiscal year 2013 plus the increase in fair value of interest-rate hedges, which was €931K, a +/-10% change in interest rates applicable to the entire financial debt would impact 2013 consolidated net income by less than 1,6% and therefore can be considered marginal.

4.4.6 *Risk related to CIR*

As part of its innovation policy, the Group benefits from the Research Tax Credit (*Crédit d’Impôt Recherche* or "CIR" mechanism) available in France to companies investing significantly in research and development. Research expenses eligible for CIR include salaries and benefits, depreciation of research equipment, services outsourced to public or private research bodies, and intellectual property fees.

The possibility cannot be excluded that the tax authorities may decide to contest the methods adopted by the Group for calculating R&D expenses or that the CIR may be challenged by an amendment to the regulations or by the tax authorities, in spite of the Group complying in every way with the regulations in force at the time. Such a situation, should it occur, would have an adverse impact on the Group’s activity, results, financial position, growth and outlook.

The CIR receivable for fiscal year 2013 amounted to €545K.

4.4.7 *Risks related to access to public advances*

As at 31 December 2013, the Group benefits from an OSEO repayable advance in the amount of €107K granted in January 2013, to be repaid in eight instalments as follows:

- €10,8K to be repaid on each of 31 December 2015, 31 March 2016, 30 June 2016 and 30 September 2016, and

- €16K to be repaid on each of 31 December 2016, 31 March 2017, 30 June 2017 and 30 September 2017.

Should the Group not comply with the contractual terms and conditions specified in the repayable advances agreements, it may be forced to repay the advances early.

4.5 INSURANCE AND RISK COVER

The Group has taken out a policy to cover the main insurable risks, with the insured amounts and deductibles it considers to be compatible with the nature of its activities. Furthermore, the occurrence of one or more major claims for damages, even if they are covered by these insurance policies and/or even if they were caused by a third-party fault in manufacturing or installation, could seriously impact the Group's activities and its financial position given the interruption in its services that could result from such claims, the delays in insurance company payouts in the event that the policy limits are exceeded, and the resulting increase in future premiums.

The Group's main policies, taken out with internationally respected insurance companies, are as follows:

• **Third party liability** covering personal injury, and tangible and intangible property damage, caused to third parties due to the Group's activities. The maximum insured limits are:

- Operational third party liability: €8 million per claim
- Third party liability after delivery: €16 million per insured year
- Legal action and defence: €100K.

Professional third party liability is also included in this policy as additional cover with a separate limit of €800K.

• **Property damage and operating losses,** with the following total limits including a limit of €65 million per claim:

- "Property damage" limited to €136 million covering fire, explosion and special risks, and €2 million for flood – Deductible of €300K per claim;
- "Operating losses" limited to €60 million gross profit – Deductible of 3 working days.

A part of these two policies, the Group has also for many years operated a risk prevention process which involves asking its insurers to provide consulting engineers to carry out annual audits, and implementing any resulting recommendations.

Manufacturing defects, for architectural composite materials and for breathable products. The total limit is €1 524K per year and €762K per claim.

The Group also has policies to cover the following:

- Transport – inventories and transits;
- Key personnel (Sébastien Ferrari and Romain Ferrari) ;
- Automobile fleet;
- Credit insurance.

The Group also has insurance policies for its Swiss entities.

Should one or more of these risks materialise, they would have a significant adverse impact on the Group's its activities, outlook, financial position, income and growth.

The expenses recognised by the Group for all its insurance policies totalled €818K for fiscal year 2013.

4.6 RISKS RELATED TO THE GROUP'S ORGANISATIONAL STRUCTURE

4.6.1 *Risk of dependency on key people and the need to attract and retain key people*

The Group may lose key employees and not be able to attract new skilled people.

The Group's success largely on the involvement and expertise of its executive team as well as on the directors of the operational entities and managers of departments such as R&D. The Group's executives are also significant shareholders in the Company: see Section 18.1 of this Base Document for the composition of shareholding and Section 14.1.4 for the description of the management team.
Despite the structure put in place to secure the Group's development, the prolonged unavailability or departure of one or more of these people or other key employees could entail:

- the loss of know-how and customer relationships and the weakening of certain activities, all the worse if transferred to a competitor;

- a shortage of technical skills, which may slow down certain activity segments and, over time, alter the Group's ability to achieve its objectives.

The Group also needs to recruit new directors, sales staff and skilled staff to develop its activities. Despite the Group's attractiveness in terms of growth prospects, it may not be able to attract or retain these key people on economically acceptable terms. Such a situation could prevent it from achieving its overall objectives and have a significant adverse impact on the its activity, results, financial position, growth and outlook.

Faced with this risk, the Group has put in place contractual provisions specific to its activity and in compliance with labour laws including non-compete, intellectual property and confidentiality clauses. Lastly, the Group strives to create a dynamic and motivating working environment and pay policy.

4.6.2 *Risks related to external growth operations*

As part of its growth strategy, the Group may envisage acquiring complementary companies, activities or technologies to pursue its business development, improve its competitiveness in one or more of its current markets or to penetrate new markets. The Group cannot guarantee that such acquisition opportunities will present themselves, or that its acquisitions will turn out to be profitable.

Despite the structure put in place to this effect and the Group's experience curve in this matter, newly acquired entities may prove difficult to integrate, may temporarily monopolise and divert the management team from the Group's existing activities, dilute existing shareholding or negatively impact the Group's financial results and thereby have a significant adverse impact on the Group.

4.7 LITIGATION AND ARBITRATION

See Section 20.8 of this Base Document.

5 INFORMATION ABOUT THE COMPANY

5.1 COMPANY HISTORY AND DEVELOPMENT

5.1.1 *Corporate name of the Company*

The Company's corporate name is SergeFerrari Group.

5.1.2 *Place of registration and registration number of the Company*

The Company is entered in the Vienne Trade and Companies Register (*Registre du Commerce et des Societes de Vienne*) under number 382 870 277.

5.1.3 *Date of incorporation and duration*

The Company was incorporated for a period of 99 years expiring on 30 June 2090, unless wound up early or extended.

5.1.4 *Registered office of the Company, legal form, laws governing its activities*

Initially incorporated as a limited company (*société anonyme*), then transformed into a simplified joint-stock company (*société par actions simplifiée*) by unanimous decision of the General Shareholders' Meeting of 30 June 2003, the Company was transformed back into a limited company by decision of the General Shareholders' Meeting of 40 April 2014.

The Company is governed by present and future applicable laws and regulations, notably the French Commercial Code and its amendments, as well as the Company's Articles of Association. Due to the nature of its activity, it also complies since 2006 with the European "REACH" regulations governing manufacturing safety and the use of chemical substances in European industry.

The Company's registered office is at: Zone industrielle de La Tour-du-Pin - 38110 Saint Jean-de-Soudain.
The Company's contact details are as follows:
Telephone: +33(0)4 74 97 41 33
Email: investor@sergeferrari.com
Website: www.sergeferrari.com

5.1.5 *Key events in the growth of the Company*

1973	- The company TESF (Tissage et Enduction Serge Ferrari) is founded by Serge Ferrari, father of Sébastien and Romain Ferrari. - Development starts on the Précontraint® process and the 1st production line is set up.
1977	The first distribution contract is signed, in Italy.
1980	Sébastien Ferrari joins Serge Ferrari Group.
1987	The Batyline® (Taraflex) business is acquired, specialising in coating extruded cables for furniture.
1990	Romain Ferrari joins Serge Ferrari Group.
1991	As part of family succession, the Ferrari Participations is formed (its corporate name later changed to SergeFerrari Group) by the contribution of TESF shares.

<u>1999</u>	A collaboration and licence agreement is signed with Solvay to develop an industrial process for recycling PVC materials.
<u>2000</u>	A 50% stake is acquired in Tersuisse (a company based in Lucerne, Switzerland), the main supplier of micro-cables to the Group, as a joint venture with Rhodia Group.
<u>2001</u>	Forbo-Stamoïd is acquired, a company based in Zurich, Switzerland, one of the Group's competitors, in order to expand its range of coating technologies and products (yachting and breathable protection mainly for roofs and facades).
<u>2002</u>	A US marketing subsidiary (Serge Ferrari North America) is created in Kentucky, to target the United States and Canada. It is currently the Group's largest subsidiary (based in Florida, with 15 employees and approximately US$13 million revenue in 2013).
<u>2004</u>	A 10% stake is acquired in a marketing subsidiary in Tokyo, Japan (Serge Ferrari Japan), gradually increased over the following years to 83%.
<u>2005</u>	The remaining 50% stake in Tersuisse is acquired (the Company having owned 50% of it since 2000).
<u>2007</u>	A marketing subsidiary is created in Hong Kong (Serge Ferrari Asia Pacific Ltd) to target China and Southeast Asia.
<u>2008</u>	A 2% stake is acquired in SergeFerrari Group by Banque de Vizille, later to become CM-CIC Capital Finance (which owns CM-CIC Investissement). The composite materials collection and recycling business is developed, through the Texyloop subsidiary created in 2003, which provides the first mechanical stage involved in recycling collected PVC materials, and sells the PET products resulting from the recycling process.
<u>2008 - 2012</u>	A Standard Accounting Program (SAP) is installed at the Tour-du-Pin (France) and Eglisau (Switzerland) sites as part of the Group's rationalisation and restructuring.
<u>2009</u>	Précontraint Ferrari SAS merges with the weaving firm Sénéclauze Ainé & Fils.
<u>2011</u>	Following the restructuring of shareholding (by creating a controlling holding company called Ferrari Participations), the former pre-existing Ferrari Participations SAS changes its corporate name and becomes SergeFerrari Group SAS.
<u>2012</u>	A marketing subsidiary is opened in Sao Paulo, Brazil (Serge Ferrari Brazil), to target South America.
<u>2013</u>	- An exclusive distribution agreement is signed in December for the Stamisol range with the German group Würth. - A strategy committee is formed with three independent (non-company) members.
<u>2014</u>	- Merger by absorption of Précontraint Ferrari SAS by Serge Ferrari SAS (formerly called TESF). - The Company is transformed into a limited company with a board of directors.

5.2 INVESTMENT

5.2.1 *Main investments made in the previous three fiscal years*

The following investments were made in the previous three fiscal years:

Investments Consolidated, IFRS standards, in €K	Fiscal yr 2013 12 months	Fiscal yr 2012 12 months	Fiscal yr 2011 12 months
Intangible assets	2 459	2 113	2 910
Property, plant and equipment	3 119	2 385	6 382
Financial assets	(225)	616	1 758
TOTAL	**5 353**	**5 114**	**11 050**

Intangible assets

For the period presented, intangible investments can be broken down as follows:

Intangible investments Consolidated, IFRS standards, in €K	Fiscal year 2013 12 months	Fiscal year 2012 12 months	Fiscal year 2011 12 months
Activated R&D expenses	1 341	1 324	1 998
Intangible assets under construction	0	353	624
Other intangible assets	1 118	435	289
TOTAL	**2 459**	**2 113**	**2 910**

- ✓ ***Activated R&D expenses***: This relates to capitalised R&D on identified projects with proven chance of success. These projects relate to the development of new products, innovative processes and new chemical formulations.

- ✓ ***Intangible assets under construction***: The relatively major amount recognised in 2011 related to real estate as well as technical studies carried out with a view to investing heavily in capacity

  The cost of upgrading rented industrial buildings are charged to the operating companies who rent them. Accordingly, studies were carried out in 2011 amounting to €435K for the installation of significant capacity equipment and therefore capitalised. After the economic slowdown in 2008 and 2009, conditions began to recover in late 2010. To be able to meet customer demand, the Group undertook relatively significant investments in 2011 in production equipment including projects that had been deferred in 2010 while awaiting economic recovery. Seeing the speed of the upswing, in early 2011 the Group carried out real estate and technical studies with a view to investing heavily in capacity. Then in 2011 the price of chemical materials rose and the Group's resulting refocusing decisions halted this expansion project, as the discontinuation of certain product ranges had freed up production capacity. The studies undertaken, initially adjourned, where then completely abandoned. These cost of these studies was recognised in the income statement and the related provisions were consequently reversed.

- ✓ ***Other intangible assets:*** These investments mainly relate to spending on information systems as part of rolling out the SAP at the Eglisau site (2011-2012), the SAP progress plan at the La Tour-du-Pin sites (2012-2013), rolling out the customer relationship management tool (2013), and integrating new functionalities.

Property, plant and equipment

The following table shows a breakdown of tangible investment by type, for the period presented. In addition to the purchase of parts intended for the maintenance of production equipment and equipment for R&D, the amounts also relate to ongoing re-engineering expenditure on industrial equipment for production lines to retain our technological lead. The purpose of this expenditure is to prolong the lifetime of the industrial equipment by upgrading to the latest available technologies. These are therefore not maintenance but upgrade expenditure to permit production under conditions compatible with the technological evolution while respecting productivity and competitiveness requirements.

Tangible investments (Property, plant & equipment) Consolidated, IFRS standards, in €K	Fiscal year 2013 12 months	Fiscal year 2012 12 months	Fiscal year 2011 12 months
Buildings	249	402	707
Technical installation, equipment & machinery	1 801	1 688	2 463
Tangible assets under construction	206		3 097
Other tangible assets	863	295	115
TOTAL	**3 119**	**2 385**	**6 382**

- ✓ ***Buildings:*** The amounts for the three years mainly relate to outfitting or refitting the buildings leased to the industrial companies by the real estate companies.
- ✓ ***Technical facilities, hardware and tools:*** This relates to capital expenditure to improve productivity and industrial equipment.
- ✓ ***Property, plant & equipment in progress:*** These amounts mainly relate to programs to improve coating lines, undertaken during 2011 and brought into service in 2012.

In total, over the period presented, the Group devoted on average nearly 2,5% of its revenue to investment in technological renewal and adaptation (primarily tangible assets excluding buildings as well as IT spending (information systems, recognised under “Other intangible investments”).

However, in the years 2011 through 2013, no investment was made to increase capacity.

Financial assets

Financial investments mainly relate to financing for the company Vinyloop (40%-owned as a joint venture with Solvay, involved in the chemical stage of the materials recycling process), required to recapitalise that company. The proceeds from depleting the raw materials from regeneration were in accordance with market prices. However, the entry duties paid by materials producers whose manufacturing waste or end-of-life products are recycled, are still insufficient to financially balance Vinyloop. See Note 2.13 in the notes to the consolidated financial statements in Section 20.1 of this Base Document.

See also Section 10.2.2 of this Base Document.

5.2.2 *Main investments in progress*

The investment plan for the current fiscal year amounts to approximately €5 million. This amount includes investments of all kinds acquired from third parties but does not include R&D expenses that could be activated in 2014 to the extent that the criteria for capitalising it cannot be measured or verified until period end. For 2014, the R&D budget is of a similar order of magnitude as for the three last years (see Section 11 of this Base Document) without prejudging the amounts that may be activated at year end.

5.2.3 *Main investments planned*

The Company is not planning, for the moment, to make significant tangible or intangible investments in the foreseeable future for which the Company management bodies have made firm commitments.

6 OVERVIEW OF ACTIVITIES

6.1 OVERVIEW

6.1.1 *A major player in the flexible composite materials market*

Created in 1973 at La Tour-du-Pin in the Rhône-Alpes, Serge Ferrari Group designs, manufactures and distributes high-tech eco-responsible flexible composite materials whose unique characteristics allow them to be used in applications that meet the major technical and societal challenges of today and tomorrow. Energy efficient buildings, shorter construction-deconstruction cycles, energy management, performance and durability of materials, as well as opening up interior living spaces and increasing glazed spaces in living areas are major trends in the Group's markets.

Its main competitive advantage lies in a differentiating technology, Précontraint®[1] and its associated proprietary industrial know-how, combined with the use of specially designed PET (polyethylene terephthalate) micro-cables transformed into flexible woven membrane and covered while under tension with polymers that give the final material numerous physical properties, especially in terms of strength, deformability and lightness, as well as acoustic protection and UV resistance. These materials are delivered in reels or rolls of composite materials and are mainly less than or equal to 2mm thick. Serge Ferrari's Précontraint® technology gives the Group a highly differentiated competitive positioning. The two advantages, which are high dimensional stability and long-term mechanical strength, have proven decisive in winning new market segments for the Group with highly demanding quality requirements and very large glazed projects. This patent has now fallen into the public domain, See Sections 11.2.2 and 4.3.2 of this Base Document.

Serge Ferrari Group markets its offering in three application segments that represent a total market estimated by the Group to be currently approximately €3,1 billion, with each of three main segments covering numerous market niches. The Group offers:

- **innovative composite materials for architecture**: Précontraint® tensioned composite roofs, solar protection and microclimate facades, acoustic solutions, watertight under-roof membranes ;
- **specialty composite materials for professionals**: light modular structures for industry, environmental protection, bioenergy and safety, visual communication; and
- **innovative "consumer" composite** membranes: yachting, indoor and outdoor furniture, solar protection.

The Group's present legal and economic configuration is the result of four major successive phases of development that can be summarised as follows:

- **The creation and development of innovative technology and a corporate economic model (1973 to 1989)**

The first company in the Group (Tissage et Enduction Serge Ferrari) originally specialised in the production of truck tarpaulins. In a relatively competitive market consisting of low added-value products, the founder and father of the two present directors, Serge Ferrari, wanted to implement a differentiated approach founded on innovation. During this period, his efforts were focused on developing and perfecting the technology called Précontraint® which included setting up the first production line completely financed by family shareholders. Sébastien Ferrari, the present Chairman and Chief Executive Officer, joined the Group in 1980.

- **Internationalisation and external growth (1990 to 2001)**

In this second phase, a number of acquisitions were made for the dual purpose of greater vertical integration and broadening the product range. In 1997, the Batyline®[2] business (indoor and outdoor furniture range) was

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[1] The ® indicates that the name is a trademark registered by the Group with the French national industrial property institute (INPI) and covers most of the countries in which it operates.
[2] Batyline® is a Group trademark registered with INPI.

acquired. In 2000, the Group acquired 50% of Tersuisse, a company based in Lucerne, Switzerland, from Rhodia Group, which was the Group's main supplier of micro-cables. In 2001, the Group bought a competitor, Formo-Stamoïd based in Zurich, Switzerland, which expanded its range of coating technologies and products (mainly yachting and breathable protection for roofs and facades). The Group is growing steadily by approximately 10% a year. Romain Ferrari, currently Deputy Chief Executive Officer, joined the Group in 1990 where, an engineer by training, he headed up the Group's technology and environment policy.

- **Acceleration of organic growth and internationalisation of activities (2002 to 2008)**

The Group entered an international deployment phase with the development of two marketing subsidiaries, in Florida in the United States, and in Hong Kong to cover China and Southeast Asia. These bases allowed it to gain knowledge of local markets through not only proximity to end customers but also to specifiers, consultants and potential orderers. At the same time, the Group completed the consolidation of its supplier of PET micro-cables by increasing its stake in Tersuisse to 100%.

- **Structuring the Group and organising for future growth (2009 to 2013)**

Mindful of the environmental challenges connected with its activity, the Group designed and incorporated into its offering a recycling service for its materials (Texyloop®), based on a technology developed internally and operated under an industrial partnership with the Solvay Group. A structuring phase came next, to better consolidate the expanded scope achieved in previous years: an ERP (SAP) was implemented, the patent portfolio rationalised and the management team strengthened with the arrival of Philippe Brun in 2010 (Deputy Chief Executive Officer) and Marc Beaufils in 2013 (International CEO). During this period, the Group experienced the combined effects of the economic slowdown and a very marked risk in raw material prices (more than 40% between April 2010 and April 2012). Drastic measures were taken, by discontinuing unprofitable or low-profit entry-range products due to increased raw material prices which accounted for 20% of sales in 2011, to refocus on higher-margin products. The Group also continued its marketing rollouts with the development of new marketing bases in Brazil and Japan.

With 585 employees led by a very experienced management team and with a strong social model, in 2013 the Group achieved revenue of €139,6 million with an adjusted EBITDA of €16,9 million.

Serge Ferrari Group is today an integrated Group which has achieved industrial maturity and has direct or indirect commercial presence through a distributor network covering nearly 80 countries. With its proven innovation ability, and its growth, structuring and resilience, the Group today has all the advantages to enter a new growth phase.

6.1.2 *Numerous advantages for an ambitious strategy*

With its 40 years of experience, Serge Ferrari's sights are now set on high growth for 2018, the realistic character of which is underscored by its many strengths:

- ✓ ***Proprietary know-how, the* Serge Ferrari *Précontraint®, continuously improved by an engineering team and R&D team working together, and industrial equipment designed and built by a Group subsidiary:*** a differentiating element of its offering, the technology developed by the Group is today protected by integrated know-how in terms of industrial process, design, manufacturing and adaptation of production equipment. This know-how constitutes a non-volatile form of protection that is particularly important in light of the patents, some of which have fallen into the public domain (such as Précontraint®, see Section 4.3.2 of this Base Document);

- ✓ ***An integrated Group:*** through all its industrial sites, the Group covers the entire value chain and is characterised by complete vertical integration: innovation in the formulation of raw materials, engineering processes and machines, spinning special PET micro-cables, production capacity covering all technologies for making flexible composite materials (multiprocess coating, coating with Précontraint®[3] – the Précontraint® patent has now fallen into the public domain; see Sections 11.2.2 and

[3] The ® indicates that the name is a trademark registered by the Group with the French national industrial property institute (INPI) and covers most of the countries in which it operates.

4.3.2 of this Base Document – and extrusion), international logistics and distribution, and the recycling of its products. Thereby avoiding any dependency on third parties, this integration allows it to sustainably ensure optimal high quality;

- ✓ ***An innovation capacity able to expand its commercial openings in the face of fast-changing demand and which alone can maintain or even increase selling prices***: the strategic choice to invest strongly in innovation, implemented since its earliest years as a company, has led the Group to gradually strengthen its position in an increasing number of growing niche markets, meeting and even creating new needs or replacing traditional materials (such as concrete, steel, aluminium, glass, wood, etc.). This innovation capacity as well as its formulation of products and their physical properties, constitute a strong lever not only for commercial growth but also pricing power. This innovation power has been one of the driving factors in restoring margins following the take-off in raw material prices in 2010 and 2011. The R&D department today employs 28 people and had a budget in the order of €4,5 million in 2013.

- ✓ ***A strong international dimension:*** in 2013, close to 75% of sales were made outside France thanks to an international distribution network covering nearly 80 countries, directly (through four subsidiaries and five sales offices) and indirectly (more than 100 local distributors). This international anchoring constitutes a major advantage for growth over the next five years. This geographical presence allows it to make the most of its knowledge of end-customers and specifiers (such as architects and orderers). Furthermore, this broad geographical exposure, which is relatively balanced among the three main regions (Southern Europe, "Wide Europe" and Rest-of-World), constitutes natural protection against regional economic cycles.

- ✓ ***A range of innovative products among the widest in the market:*** the Group's product offering is among the widest in the world. With its three relatively balanced sectors of commercial openings, the Group optimises its development possibilities while arming itself against the cyclicality of certain markets. Its continuing R&D should contribute to expanding the spectrum of potential markets.

- ✓ ***A market worth nearly €3,1 billion (2013 Company estimate) offering growth opportunities, taking into consideration its current market share (Company estimate of market share being 5%):*** in each of its activity sectors, the Group faces competition composed of numerous small- or medium-sized players, with diverse profiles ranging from specialists to generalists who offer commodity products more than high-tech materials. By contrast, few international players dominate the market.

- ✓ ***Sustainable development central to its concerns:*** the Group has always been concerned by the environmental impact of its activities and strives to limit its environmental footprint. In partnership with Solvay, it is the only player in the world that can offer its own service for recycling end-of-life composite products and for producing high-quality 2nd-generation raw materials.

- ✓ ***A social model:*** the Group benefits from a unique range of occupational skills, thanks to a human resources policy that combines demanding standards with special emphasis on productivity, the employability and training of employees, and an attractive pay policy. Staff revenue is low (only 3% in France in 2013), which contributes to keeping know-how within the Group and everyone's commitment to a common project, which are conducive to fast decision-making and operational flexibility.

- ✓ ***A history of growth and profitability:*** the historical financial data (see Section 3 of this Base Document) reflect the Group's capacity to build a long-term growth policy that is both organic and external, without sacrificing profitability (between 1991 and 2007, average annual growth exceeded 13% with EBITDA margin above 15%, based on data drawn from financial statements prepared to French accounting standard CRC 99-02). Despite the sharp drop in revenue in 2009 (-14% in value), consolidated net income amounted to a slight loss (-€1 million), reflecting the Group's relative protection against sharp fluctuations in business activity. In 2011, the Group combined a sharp increase in volumes (partly reflecting restocking in the sales divisions) and a significant rise in raw material prices (plasticisers, resins, antimony, titanium, etc.). The resulting deterioration in margins, combined with heavier working capital requirements, was accompanied by the implementation of measures aimed at restoring the Group's competitiveness by improving industrial performance by reducing the proportion of unchosen and unused inventories, improving commercial performance by organising sales geographically, driving activities based on margins and volumes, and abandoning unprofitable products and markets. Despite revenue equivalent to that in 2012 and 10% lower than 2011, net income in 2013 amounted to €3,8 million versus €0,9 million in 2012 and €1,3 million in 2011, which demonstrates the Group's resilience in the face of the increase in raw material prices which is the main risk factor.

- ✓ ***An experienced management team benefiting from the support of a strategy committee:*** despite its family character, the Group has been able to form, around the two shareholder-directors, an executive committee whose members are experienced and have international backgrounds (see Section 14.1.4 of this Base Document). In setting up a strategy committee in December 2013 composed of three external independent figures, the Group is showing the hallmarks of good governance.

All of these strengths, which constitute barriers to entry, are being put to work in a new phase of development that the Group has now begun.

6.1.3 *A proactive strategy to accelerate growth*

The Group's vision is to become the global benchmark in flexible composite materials in its three broad application sectors currently around the world. This ambition means putting in place an ambitious sales strategy. This does not mean that its innovation policy takes second place as it, on the contrary, is one of the strong drivers for penetrating new markets and improving its margins.

The Group thus intends to base its strategy for growth and for stronger financial performance on the following three main levers: sales development, continuing innovation, and improvement in operational profitability (the latter correlated to the optimisation of industrial efficiency).

- ✓ **An ambitious sales lever to position itself in the most booming markets**

To accelerate its growth and to make the most of the strong development prospects in regions outside its original market (Southern Europe), the Group will strive to:

- In Wide Europe (ie, Europe outside France, Italy, Spain, Portugal and Switzerland): increase its penetration in the region's more mature but still insufficiently developed markets (UK, Northern Europe...) and in developing markets (Turkey...). This will mean measures to strengthen its direct as well as indirect sales force, expanding the number of commercial partners, and continuously improving efficiency and sales performance by implementing BOOSTER, a CRM tool currently being rolled out.

- Accelerate its deployment in the rest of the world (notably the United States and Asia), which are the regions with the strongest growth potential. With this in mind, an experienced international CEO joined the Group in September 2013, tasked with implementing a structured development strategy by region and by country. The sales force will be significantly strengthened and adapted on a case by case basis depending on each country's development potential, as well as on the need to strengthen links with specifiers, for example architects in the United States.

- ✓ **A technological lever in the service of commercial expansion**

The Group's present and future sales force will continue to rely on technological innovation to maintain and develop the Group's differentiation and positioning. The innovation vector is to:

- improve the competitive positioning of the Group's offering in its existing markets by improving the performance of the products' technical properties as well as optimising the formulation of certain raw materials (cost control, matching product formulation to production speed, enhancing pigment combinations for new dyes, etc.);

- create new products or adapt existing ones to new uses to expand the spectrum of commercial openings in new fields such as acoustics;

- continue the technological differentiation pursued since the Group was formed: an internal engineering office designs and develops sensitive technological processes, implemented by a Group company (CI2M) which makes production equipment. Preserving and strengthening know-how is essential for growing revenue and maintaining appropriate margins by strong differentiation.

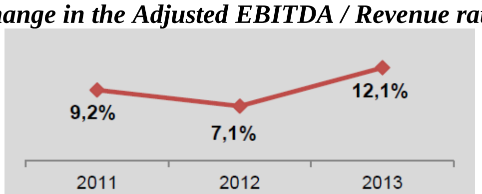
Innovation allows the Group to differentiate itself from manufacturers of commodities and to retain its identity as a specialist manufacturer of high-tech and therefore high-added-value products. These are, for example, flexible composite materials that can be used in new applications such as coating for robotics, materials for aquaculture, new energies or the oil & gas sector. The Group's ability to increase its average per-m^2 selling prices flows directly from this advantage (see Section 6.2.2 of this Base Document).

Serge Ferrari is relying on an acceleration in organic growth thanks to the performance of its commercial as well as R&D teams, combined with the pursuit of commercial, technological and industrial partnerships. However, as and when opportunities present, the Group does not exclude the use of external growth operations like those it has successfully concluded in the past to accelerate certain stages in its development, to support the strategy pursued. In this respect, new technologies or foreign commercial and/or production sites could be potential targets for strengthening its commercial presence.

- ✓ **Financial levers for an expected increase in margins and optimisation of its balance sheet structure**

The Group believes it has the ability to improve its profitability to regain adjusted EBITDA margins (an aggregate explained in Sections 3 and 9.1.6 of this Base Document) approaching its historic highs regularly achieved prior to 2008[4] (of over 15%).

Change in the Adjusted EBITDA / Revenue ratio



To IFRS standards

To this end, a number of levers exist:

- the continuing refocusing of the range on higher-added-value products, initiated in 2011 when raw material prices rose, with per-m^2 selling price increasing under the effect of an increasingly innovative and high-added-value product range;
- the optimisation of the rate of use of a production tool: the decision to stop selling unprofitable products has freed up approximately 30% of the production capacity used in 2011. The addition of weekend shifts, and a better use of capacity, should allow a 40% increase in production volumes, without investments other than for annual renewal and technological adaptation which amounts to 2.5% of revenue;
- the improvement in industrial efficiency thanks to R&D to reduce the rate of unchosen products (products with aesthetic faults);
- a marked reduction in working capital requirements thanks to a number of factors including:
  - the development of equipment intended to reduce the size of production runs;

[4] For years prior to 2011, the Group prepared its financial statements only to French GAAP standards whereas the financial statements presented in Section 20 of this Base Document are prepared to IFRS standards. However, the application of IFRS accounting standards has had no major identifiable impact. The Group therefore considers that, despite minor adjustments, the comparison between the data and aggregates prior to 2011 and those presented in Section 20 of this Base Document remain pertinent.

- the favourable impact of the geographic sales mix on average customer payment times, although longer in Southern Europe than in other regions (United States, Asia...);
- the implementation of the SAP ERP at all the Group's industrial sites to optimise industrial planning and inventories.

The implementation of all these levers allows the Group to post very clear ambitions for 2018-end (see Section 12.2 of this Base Document).

6.2 AN INNOVATIVE OFFERING OF FLEXIBLE COMPOSITE MATERIALS

Note: Most of the illustrations and diagrams in this Section are sourced from the Company. Where this is not the case, the external source is specified.

The Group’s commercial offering consists of a wide range of flexible composite materials, whose properties provided by the structure of the PET micro-cable membrane, by the manufacturing technology used and by the surface treatments applied, open up a large number of fields of application.

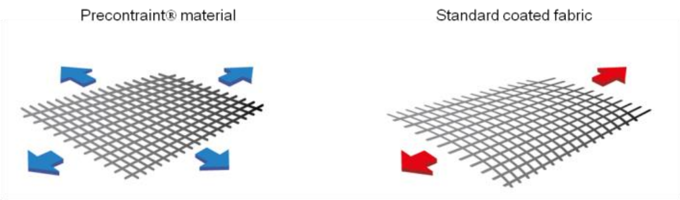
Delivered to customers around the world in the form of reels of various widths or pre-cut pieces, these materials are then incorporated or undergo special transformation operations by the customer or by other service providers.

Group revenue in 2013 can be broken down by segment as: Architecture €54 820K; Specialty materials for professionals €45 447K; and "Consumer” composite membranes €31 008K.

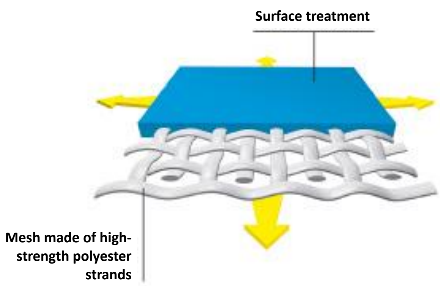
6.2.1 *An innovative industrial technology: Précontraint®*

Choosing a positioning as specialist has led the Group shortly after it was formed, to design a novel production technology allowing the composite materials produced to have unrivalled physical properties.

Précontraint® is a manufacturing technology that consists of applying the coating while keeping the warp and weft threads in tension in both directions throughout the manufacturing cycle.



Précontraint® bi-directional tension



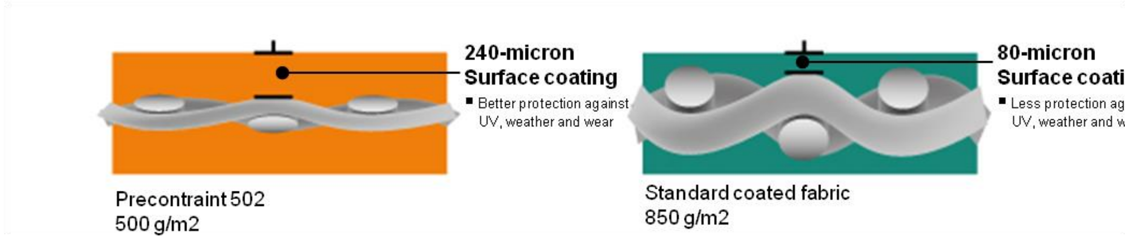
Coating with high-performance polymers

Once it has been made, the flexible, PET (polyethylene terephthalate) micro-cable high-strength membrane is coated with several layers of polymers while still under bi-directional tension: the result is the dual benefit of elimination deformations under load and no need to periodically adjust the tension of the material after its final installation, in contrast to products of lesser quality. The very high dimensional stability of the material is a decisive advantage in most application sectors.

The main characteristics of the materials that use this technology is high durability, perfect uniformity between different product batches and, equally important, greater durability due to thicker membrane protection thanks to the Précontraint® process.

Because of the tension applied, the supporting material is flatter and the polymer coating is uniform across the entire surface produced. In contrast, membranes produced using standard manufacturing technology has a less-uniform thickness as the micro-cables forming the membrane are less flattened. The thickness of the coating thus has greater amplitude (thicker in some places and thinner in others, as shown in the diagram below), which leads to faster deterioration.

Difference in thickness of coating depending on the technique used

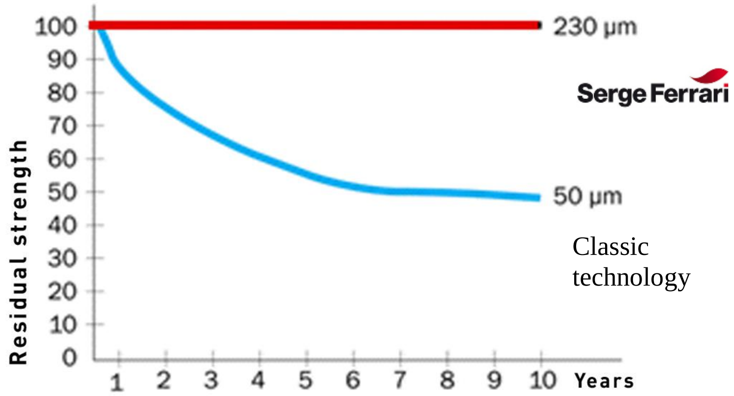


Furthermore, the uniformity of the surface treatment produces a material that is more effective in terms of protection against light and UV, as well as weather and wear.
These characteristics of greater effectiveness and durability will be particularly important for certain application sectors, notably architecture, both at the point of installation and in use throughout the service life of the product (up to 30 years).
The use of Serge Ferrari materials as part of outfitting a building with sun blinds, significantly limits:

- the constraints during the installation stage: thinner future blinds require less bulky headrails; and
- the cost of use as there are fewer after-sales problems due to the absence of deformation and its mechanical properties have a longer life.

These two points are demonstrated in a diagram resulting from a third-party study (study published by ENKA Florida).

Change in the ratio of Residual UV Resistance / Coating thickness

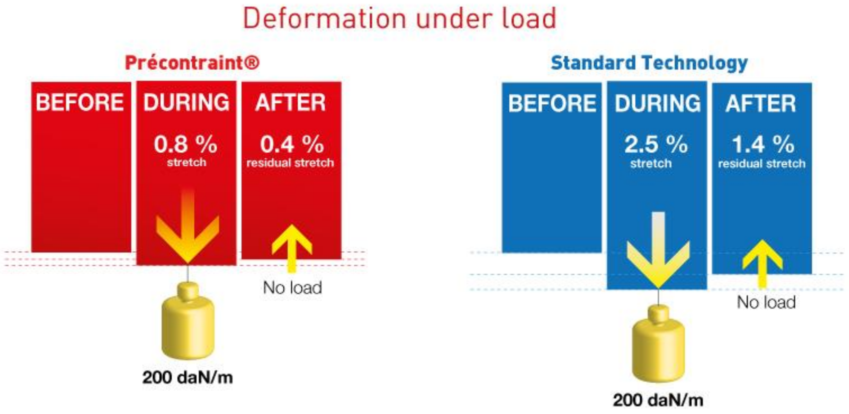


Source: ENKA Florida

Keeping the membranes under tension throughout the coating process also give it very high resistance to tearing. It has very high stretch resistance in the weft direction compared to standard membranes.

<u>Difference in elongation under load and at no load of the Précontraint® material</u>

<u>and a standard coated fabric</u>



(Deformation test under load)

The durability and resistance of Serge Ferrari materials under traction are illustrated by long-term use, along with stability of performance:

6.2.2 *A wide range of flexible composite materials meeting environmental and societal challenges*

- **<u>A range of high-tech products</u>**

The fruit of a proactive and continuous R&D policy, Serge Ferrari's range of composite materials has been enriched over the course of time to meet changes in the demand for flexible composite materials that may come to replace traditional materials or meet as-yet unsatisfied needs.
The following diagram lists the main changes in the ranges to meet problems posed by new lifestyles and new uses:

1974	Précontraint® technology
1990	FluoTop architectural range
1993	Soltis solar protection screen range
2001	Yachting range
	Stamisol range
2005	Sign range (visual communication)
2010	Bioenergy range
2012	Acoustic range
	Civil security and emergency range
2014	TX 30 tensioned roofs

Thanks to industrial tooling that incorporates not only Précontraint® technology but also standard manufacturing technologies such as extrusion and coating (see Section 6.4.5 of this Base Document), the Group currently has one of the largest ranges in the market with nearly 1 200 references (colour / width).
Its total sales in 2013 can be broken down by type of manufacturing technology used, as follows:

- approximately 70% of sales require Précontraint® technology (mainly intended for Architectural and Professional sectors) ;
- approximately 20% use standard coating processes (notably Stamskin®, Stamisol® and "SK" Silicon products mainly intended for the "Consumer" sector and solar and watertightness ranges intended for the Architectural sector) ;
- approximately 10% by extrusion (mainly intended for the "Consumer" sector and for acoustic solutions in the Architectural sector).

- **Properties meeting new environmental and societal challenges**

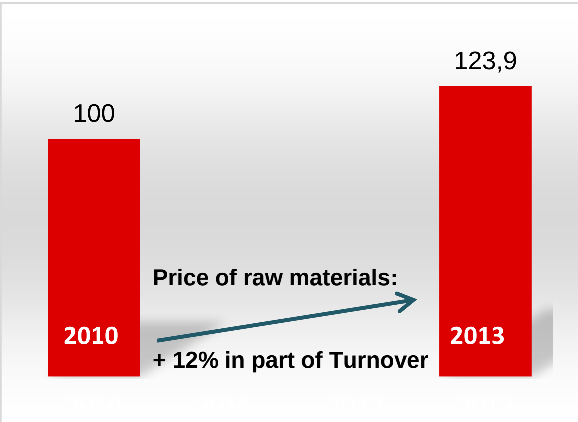
The proposed composite materials offer numerous advantages for all possible field of application and meet the changes in terms of lifestyle and sustainable development:

- thermal performance by using multiple layers;
- earthquake and extreme weather conditions;
- aesthetic quality;
- solar protection while permitting light transmission and limiting thermal transmission;
- modularity;
- no need for tension adjustment;
- prefabrication before deployment;
- environmental performance; LCA (life cycle analysis) and Eco IDentity (measure of progress exceeding regulatory requirements);
- superior durability.

The entire range complies with the requirements of an increasingly stringent regulatory context (see Section 4.3.1 of this Base Document).

All these characteristics are a determining factor in the Group's positioning as a technological player in the specialty markets. Having an innovative range is also a strong lever in exerting pricing power. Thus, in recent years, the Group has succeeded in increasing its average per-m² price despite increases in its manufacturing costs, as shown in the graph below.
Depending on the technicality involved, the price range can vary from 1 to 5.

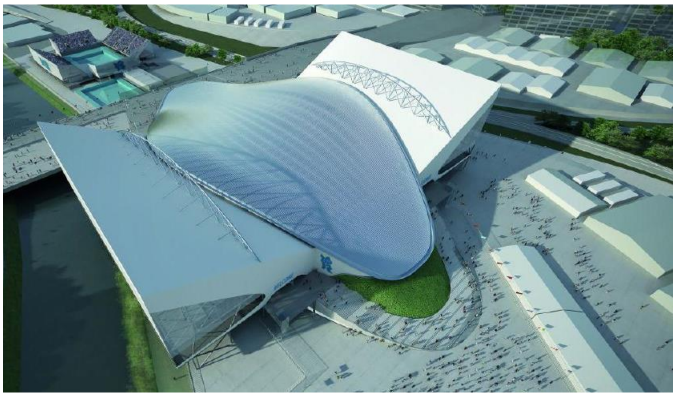
Change in average per-m² selling price of Group products (base 100)



In 2008, this product offering was enriched by an associated integrated service: a composite-material recycling process that only the Group, of all the players in the world, is capable of operating (see Sections 4.2.4 and 6.4.7 of this Base Document). This complementary service is often a deciding factor in being awarded some contracts in architectural projects.

This ability to regenerate high-quality raw materials has, for example, been a decisive advantage in winning the contract for sporting equipment in London, where the organisers needed to create a spectacular effect at certain sites but also wanted to leave a minimal footprint once the events had ended.

The pool built using Serge Ferrari Précontraint® materials included a central part (which was kept and will be used permanently) and two wings intended to cover adjacent spectator stands (as shown in the photo below). These two wings were dismantled and the materials fully recycled into 7 tonnes of PET fibres and 16 tonnes of high-quality R-PVC granules.



The Group also offers associated peripheral systems, such as cleaning agents, adhesives, tensioning systems, waterproofing systems and finishing accessories. These systems, connected with the use of the material during or after installation, are mostly internal products. They represented approximately €6 million revenue in 2013 and strengthen the all-inclusive, comprehensive character of the Group's offering.

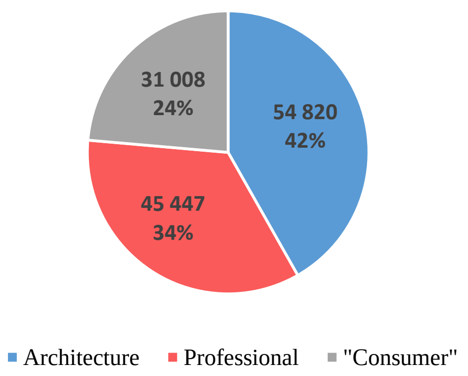
6.2.3 *An offering that addresses three different sectors*

Serge Ferrari Group's offering is organised around three booming sectors focused on different end-customers each with their own distribution networks:

- Innovative composite materials for Architecture;
- Specialty composite materials for professionals;
- "Consumer" composite membranes.

As the chart below shows, the contribution of each of these three main sectors to the Group's consolidated revenue is relatively balanced and arms the Group to a certain degree against the greater or lesser cyclicality of any one sector. This breakdown over the last three fiscal years shows no significant change. See Section 9.2.1 of this Base Document.

Breakdown of 2013 Group revenue* in its three sectors (in €K)



** Excluding revenue from associated accessories ("other products" in the financial statements)*

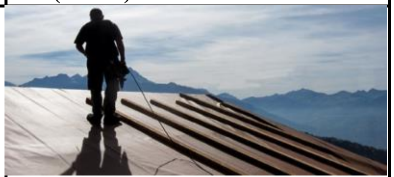
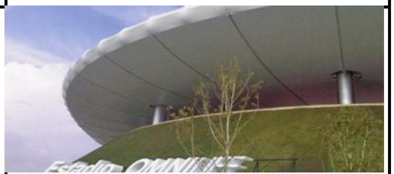
6.2.3.1 Innovative composite materials for Architecture

The offering dedicated to this sector covers the entire set materials used for construction in general, and for erecting large public buildings such as stadiums, airports, etc. For this sector, the influence of specifiers (architects, engineering offices, designers) is decisive, especially for the range of tensioned roofing as it impossible to market them directly to end-users.

The composite materials are delivered in reels to processing firms, sometimes based in countries different from where the project is being built: the materials are then prefabricated, easily shipped anywhere in the world, and installed on site.

In this sector, its end-of-life recycling service is a strong differentiating factor.

The following table shows the various product ranges:

Product range	Characteristics and technology used - Technology used	Illustration
Solar protection and microclimatic facades	Permits massive glazed spaces with no greenhouse effects (energy saving) - Offers openwork membranes for facades - Précontraint - Openwork Soltis	 Gardens by the Bay (Singapore)
Acoustic solutions	Average sound absorption 65% - Very lightweight products - Termofixed - AW Batyline range	 Pool (Mantes)
Watertight screen of under-roof membranes	Roof insulation products - Stamisol range (non-woven material made in Switzerland)	 Stamisol Installation Pack
Tensioned composite roofs (lightweight architecture)	Aimed at large structures (stadiums, museums, airports...)	 Omnilife Stadium (Mexico)

6.2.3.2 Specialty composite materials for professionals

This sector covers industrial or professional-use contracts.

The offering is intended for light and modular structures for industry (intended for industrial storage or for events), in which the Group occupies a dominant position in terms of the technical performance of its materials. Its stable and flame-retardant materials perfectly meet industrial demand for large temporary or permanent structures, and comply with very stringent standards in terms of fire resistance.

The offering also covers the bioenergy and environment markets (the development of methanisation sites and wastewater treatment plants). In this field, Serge Ferrari has developed barrier materials that confine smells, gas releases and liquid flows. Builders' requirements have changed as they are increasing often also the site operator: they have found it ultimately more economic to invest right from the outset in higher-quality and durability materials.

Lastly, in the range dedicated to visual communication, Serge Ferrari materials allow easy display of advertising and can be adapted to any type of ink and the latest digital printing systems.

These product ranges are shown in the following table:

Product range	**Characteristics and technology used - Technology used**	**Illustration**
Lightweight and modular structure for industry	Niche markets - Leaders in materials for lightweight structures (industrial storage, events) more than 20m - Flame retardant materials - Précontraint or Stamoïd	 Hangar for Airbus
Environmental protection, bioenergy and safety	Watertight partition that confines noise, smells and gas - Précontraint	 Bioenergy
Visual communication (display)	Rollup display screens. Materials ideal for digital printing systems with all types of inks. Précontraint - Sign	 Exhibition stands in China

6.2.3.3 "Consumer" composite membranes.

These are product ranges for which the end-user is a private individual. These product ranges are shown in the following table:

Product range	**Characteristics and technology used - Technology used**	**Illustration**
Yachting	Covers, tarps, biminis and tops - Stamoïd - Nanotop technology that limits maintenance	 Tara expedition
Outdoor furniture	Materials that can stay outdoor all year round - Thermofixed - Batyline and Stamskin	 Sun loungers
Solar protection	Similar to the products for architecture but aimed at private individuals as the end-user - Précontraint - Soltis -	 Private home (USA)

6.3 A SPECIFIC MARKET WITH DISPARATE COMPETITORS

The market for flexible composite materials that Serge Ferrari addresses is a relatively recent market populated mainly by medium-sized players with little international presence. This market is very different from the market for traditional materials. However, their specific properties (unalterability, light weight) lead to a gradual replacement of traditional materials with composite materials in an increasing number of advanced applications.

To the Company's best knowledge, there is no study available of the world market for flexible composite materials in the fields of application targeted by the Group. Furthermore, although studies on specialty markets exist (such as technical or aeronautic textiles), they do not cover the Group's application fields.

6.3.1 *A target market worth an estimated €3,1 billion in 2013*

To assess the size of its target market, the Group undertook a detailed review of the markets for which its products can offer an adequate technological solution. On the strength of its close knowledge of final markets (notably, the various calls for tender, its privileged relationships with specifiers, etc.), the Group estimates the size of its target market worldwide at approximately €3,1 billion in 2013.

This internal analysis by the Group estimated its market share at 4,2% of the total world market of €3,1 billion, but with relatively large geographical disparities: 8,0% in Southern Europe, 5,4% in Wide Europe, and 2,0% in Rest of World.

These market share figures show a fragmented competitive environment (presented below) in which Serge Ferrari is one of the technological leaders in the sector. The Group has demonstrated its ability to:

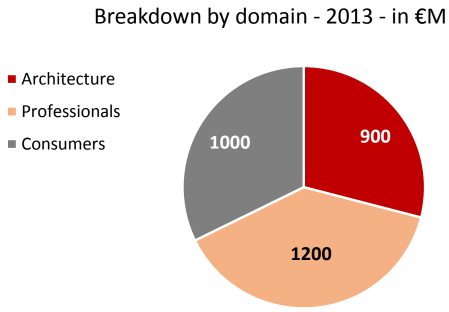
- increase its average selling prices to more than cover the rise in raw material costs, through the combined effects of improved product mix and continuous innovation, and
- to achieve 75% of its growth between 1995 and 2013 through organic growth.

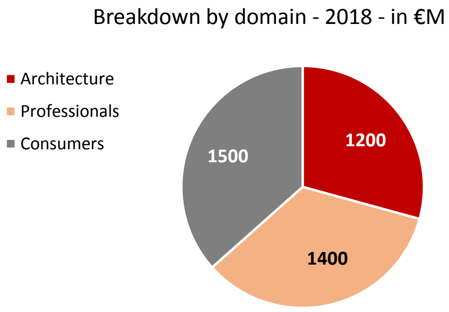
The still-limited size of these market shares is due to the fact that the technology developed by the Group since 1974 addresses a recent demand, and that the replacement of traditional materials by flexible composite materials is gradual and will happen mainly in the years to come.

The Group therefore believes that it can maintain its position among the technological leaders (in this sector which has seen no consolidation and which should remain fragmented in the next few years), to improve its market shares and be able to raise its prices in the medium term thanks to new innovations.

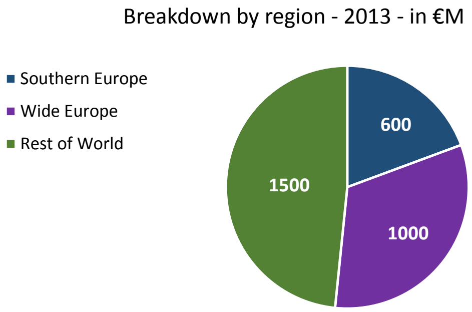
According to Group estimates, its global market should grow to some €4,1 billion by 2018 (5,7% average annual growth over the period) driven steady growth varying by geographical region. The following chart shows the expected changes.

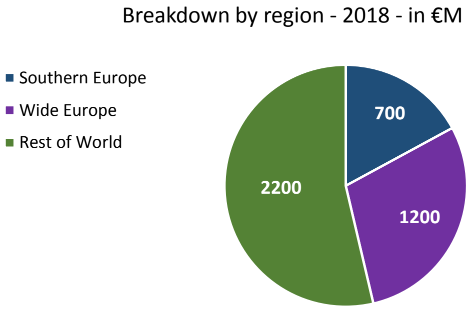
Expected changes in the breakdown of the world market for flexible composite materials per business segment (Company estimates)





Expected change in the breakdown of the world market for flexible composite materials by geographic region (Company estimates)





According to Company estimates, by 2018,

- the three main business segments should grow annually as follows:
  - Architecture: +5,9%
  - Professionals: +3,1%
  - “Consumers”: +8,4%
- the three main geographical markets should grow annually as follows:
  - Southern Europe: +3,1%,
  - Wide Europe: +3,7%,
  - Rest of World: +8,0%.

The Company also expects, in terms of the physical characteristics currently offered by flexible composites and taking into account ongoing R&D, that its products could become substitution products to edge out traditional materials in various new applications. It believes these new market openings could be:

a) New applications in present markets, for example:
- Stainless steel wire membranes for cladding and ceilings;
- Composite architectural cladding;
- Metal plates covered with a protective coating for architectural cladding;
- Corrosion-resistant materials for undersea uses; as well as

b) New application sectors such as aquaculture, new energies, oil & gas, etc.

These substitution markets which constitute growth levers have not, however, been quantified.

6.3.2 *The Group's competitive universe*

Three markets characterised by relatively fragmented competition

Competitor analysis must be based on opportunity sectors:

- Many competitors have product offerings based more on commodities than on high-added-value materials. To stand out from them, Serge Ferrari's distribution network must be organised to continually promote and demonstrate the qualitative advantage of its products.

- No specialist player is present in as many ranges of applications as Serge Ferrari Group, which can use its sales networks with specifiers on a wider range of products.

Main competitors

The Company's main competitors in each of its three markets are as follows (not ranked in by size and without covering the entire competitive environment) :

Key competitors

Architecture	Specialties	Consumers
Verseidag (D)	Mehler (D)	Herculite (US)
Seaman (US)	Sioen (B)	Twitchel (US)
Iraoka (J)	Heytex (D)	Phifer (US)
Chukoh (J)	Hanwha (SK)	Glen Raven (US)
Saint Gobain (US)	SRF (IN)	Parà (I)
Hunter Douglas (NL)	Dickson Coating (F)	Sattler (A)
Phifer (US)		
Dörken (D)		

Market shares per segment per competitor (Company estimates)

A competitive universe in which Serge Ferrari is among the technological leaders in the sector

The Group stands out from its competition by its high degree of innovation in its processes and its unique product advantages, and by its speciality products (at higher average prices but also higher quality).

Where no revenue figures are shown for the players cited it is because:

- they are not listed companies and their data is not published;
- or they are listed companies and are multi-sectoral industrial groups whose sector reporting does not match Serge Ferrari's reporting categories. This relates to SIOEN Industries (Belgian group listed on Euronext Brussels, ticker SIOE), Hanwha Corporation (South Korean conglomerate listed in Seoul, ticker KRX:00080) and SRF (Indian group listed on the Bombay stock exchange, ticker SRF).

6.4 AN INTEGRATED INDUSTRIAL GROUP

6.4.1 *A Group present throughout the entire value chain*

The Group covers the entire value chain with comprehensive vertical integration that includes:

- the fabrication of high-tech production machines: standard components (ovens for example) are bought and not developed internally;
- R&D and engineering departments cover innovation, including the formulation of raw materials, process and machine engineering as well as the fabrication of production tools;
- the supply of PET for micro-cables (with a dedicated subsidiary, avoiding any major dependency on third parties and offering better quality control) as well as the polymers needed for coatings;
- the production process with production capacities incorporating all the technologies involved in manufacturing flexible composite materials (coating including Précontraint® and extrusion) ;
- logistics and order processing, to meet requests of any size using machines dedicated to transforming reels (large format) into customised rolls;
- a direct and indirect international distribution network covering more than 80 countries and structured to be as close as possible to customers, specifiers and orderers (see Section 6.5 below);
- an associated service for recycling its products using Texyloop®, a joint venture with Solvay. Serge Ferrari is the only composite materials Group in the world to have a plant that can recycle them, which is a unique advantage.

This avoids any major dependency on a third party as well as ensuring total control of service quality.

Integration of the entire value chain

Fabrication of machines	R&D	Procurement	Production	Logistics	Distribution	Recycling
Latest line entirely designed in-house	Cross-functional: - New machines - Production optimisation - Product improvement - Procurement optimisation - Product launches	Cost control of raw materials	- Spinning - Weaving - Coating - Extrusion	- Mainly France - Switzerland also ships	- Direct - Indirect	- Plant in Italy - Processing centre in France

6.4.2 *Internally designed production lines*

The Group is unique in designing its production equipment and making its own technological workstations. This know-how is a non-volatile intellectual property factor.

Its subsidiary CI2M designs and makes production lines for the entire Group in close collaboration with the engineering department.

The engineering department dedicated to designing (plans, specifications, definition of necessary part, ...) and improving Serge Ferrari machines focuses on developing the Group's machines but also works on equipment intended for customers and partners, which represents approximately 25% of CI2M's business. The integration of the engineering department creates a real entry barrier as it develops machines that meet very specific demands. It also improves production efficiency by limiting the rate of breakdowns and defects (quality rejections) and by increasing machine productivity.

The engineering department also helped create the recycling equipment at the plant in Ferrare, Italy, with Solvay contributing its equipment for recycling cable jackets and Serge Ferrari for recycling more advanced composite materials.

6.4.3 *R&D at the heart of the Group's integrated business mechanism*

R&D lies at the heart of the integrated business mechanism as it works in close collaboration with:
- marketing (planning new products);
- the engineering department, which designs industrial equipment;
- production (product quality);
- procurement (optimising raw material costs).

It is made up of 28 highly-qualified people, which constitute 5% of the workforce. They people must stay close to the production plants and are split as follows:
- 2 people in Lucerne (spinning);
- 6 people in Eglisau (coating);
- 20 people in Tour-du-Pin (formulations, weaving, coating, extrusion).

Some of the R&D is outsourced via contracts with external laboratories in Germany, Switzerland (EMPA, a research institution focused on materials) and in France.

Projects are organised in terms of:
- search for new developments ranging from new products to new markets for an existing product;
- adjustment of formulations to reduce costs by reducing the cost-mix of the raw materials used;
- improvement of manufacturing processes and production tooling (for example to reduce the rejection rate).

The R&D teams also operate a technology watch and participate in collaborative projects. Several dozens of projects of this type are currently underway. Each project is reported separately to monitor its development and evaluate its cost.

For highly innovative products, the Group works through partnerships with expertise hubs or public bodies such as the CNRS. A program with an initial lifetime of four years with a completion horizon of 2016/2017 at the earliest, is current underway as part of a partnership with competitiveness hubs (such as Techera, Elastopôle, Palstipolis and IAR) in which many private industrial companies are participating as well as university laboratories and the CNRS. As is common with this type of collaborative project, the results, depending on the nature of the subject, could belong to any one of the partners or to several of them depending on their intellectual and financial inputs. It could therefore result in patents solely for the Group or co-owned patents or a patent solely for one or more partners.
Each private partner will benefit from a right of use in its field of activity and will pay the public bodies who run the research laboratories financial compensation, the amount of which and terms and conditions for payment will be defined by joint agreement among the various partners.

The Group files, on average, two or three new patents a year on its products but considers it more prudent not to file a patent in order to achieve better protection (as it will not fall into the public domain when the protection period ends).

6.4.4 *Procurement and cost control of raw materials*

Raw materials, which accounted for 57% of Serge Ferrari's production costs in fiscal year 2013, are a key challenge in the Group's business. Two people are in charge of purchasing, to ensure proper cost control of raw materials.

The main raw materials used by the Group are:
- PET (average cost US$1 700 per tonne in 2013);
- Plasticisers (average €1 800 per tonne in 2013) and PVC resins from the ethylene distillation plant (average cost approximately €1 400 per tonne in 2013);
- Varnishes (average cost €3 300 per tonne in 2013);
- Solvents (average cost €1 300 per tonne in 2013).

The main PET suppliers are located in Asia (Taiwan, Korea and China).
The rest of the raw materials are mostly purchased in Europe, in refined form or after processing, and ores such as antimony (flame retardant) mostly sourced from China.

Its particularly high cost (approximately €9 000 per tonne in processed form as antimony trioxide) is driving the Group to work on developing replacement products, in collaboration with European chemist partners.

Although the Group has not been exposed to significant dependency in sourcing its raw materials, it is nevertheless exposed to the risk of fluctuations in raw material prices (see Section 4.1.1 of this Base Document). Despite having no price indexing clauses in its customer contracts, the Group has succeeded in recovering the 2011 rise in chemical prices by passing them on in its selling prices thanks to the innovative character of its offering.

6.4.5 *Production*

Serge Ferrari's reputation is built on its Précontraint® proprietary know-how (see Section 6.2.1 of this Base Document). However, it has a production tool that also incorporates more traditional production technologies in order to fill orders for materials whose desired characteristics have different specifications.

Sales achieved with Précontraint® materials accounted for approximately 70% of Group revenue in 2013 versus 20% for the standard coating technology and 10% for extrusion, just as in 2012 and 2011.

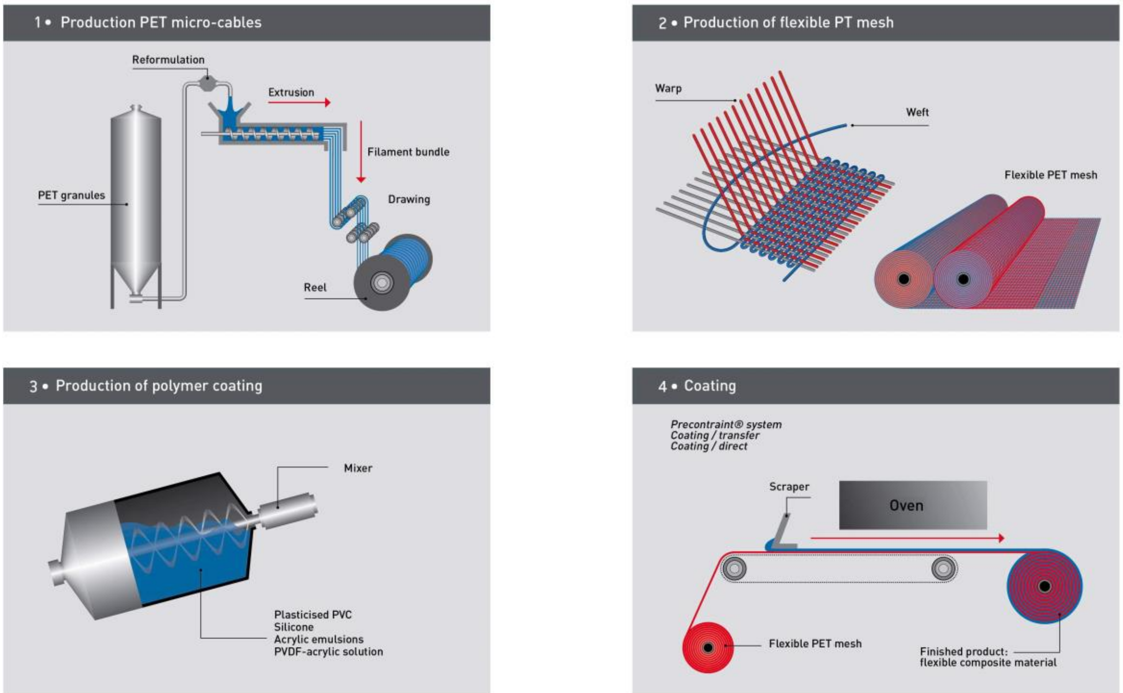
In total, nearly 23 million m^2 of products were produced in 2013 across all the Group's production sites, as shown in the table below:

	Procurement	Fabrication of production tooling	Production			Order preparation	Recycling	Size of facilities
	PET micro-cable spinning		Précontraint Coating	Standard coating	Extrusion			
France								
Serge Ferrari site (La Tour-du-Pin) including CI2M and Texyloop		✓	3 lines		2 lines	✓	Cleaning and crushing recovered materials	50,000 m²
Suisse								
TERSUISSE site (Lucerne)	✓							9,240 m²
Serge Ferrari AG site (Eglisau)				4 lines		Manufacturing rolls from reels		15,926 m²

Overall, the Group believes that its current configuration of industrial tooling allows it to absorb, with no additional investment, an increase in volumes of approximately 30% with a product-mix equivalent to the past three years. The availability rate per site is not pertinent given the degree of integration in the Group and because it has to be assessed in terms of product mix and the order book.

6.4.5.1 Production using the Précontraint® technology

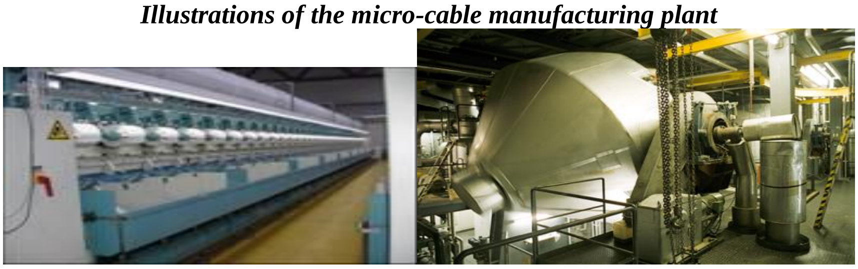
The production stages for Précontraint® materials



➢ <u>Stage 1: Manufacturing micro-cables (in Switzerland)</u>

A bundle of extruded PET strands (polyethylene terephthalate, a common polyester) is extruded to form an super-strong micro-cable made up of 192 strands. The characteristics of this cable can vary depending on the final product.

Illustrations of the micro-cable manufacturing plant



➢ <u>Stage 2: Weaving a sheath for micro-cables in PET (in France)</u>

The weaving process creates a sheath made of Précontraint® materials.

The Group has 100 machines to make every type of weave.

The weave gives the materials their mechanical properties. The size and number of micro-cables can be varied to change the breaking strength.

Illustrations of the weaving plant

➢ <u>Stage 3: Production of coating polymers</u>

This stage consists of preparing the paste consisting of the coating polymers, that will be applied to the PET weave. It contains:

- Plasticised PVC
- Other liquid polymers (acrylic resins, silicone, etc.)
- Solvents
- Dyes
- Flame retardants
- Varnish

This paste is then mixed in a large mixer.

The composition (or "formulation") of this paste is worked on regularly to optimise it, by the R&D teams, to improve its performance in terms of cost/effectiveness/colour.

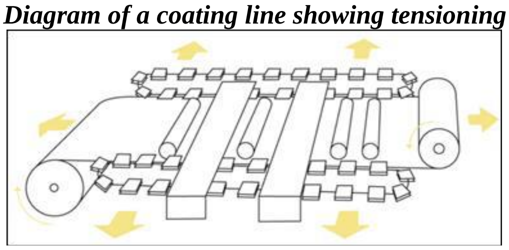
➢ <u>Stage 4: Coating with polymers (in France and Switzerland)</u>

The most important stage in making a Précontraint® or standard material, this consists of covering the PET sheath with a PVC paste (a common thermoplastic polymer) for its plasticising character and adjuvants to provide flame retardant and UV resistance properties. Other liquid polymers such as silicones and acrylic resins are also used. Dye can be added immediately after making this paste by using a heavy mixer. The paste can also be stored in tubs and used later to add colour depending on the customer order.

The PET sheath is placed on a coating line in order to be coated. Once a layer of coating has been applied, the material passes into a baking oven.

The sheath is tensioned in both weft and warp directions throughout the coating operation.
The tensioning process is shown in the following diagram:

Diagram of a coating line showing tensioning



The Group has three Précontraint® production lines in total (see table above), the most recent of them able to handle widths between 1,8 metre and 2,7 metres used mostly in architecture where clients specify large widths to minimise the number of welds.

The finished products are systematically inspected at the end of the line to identify materials with visible defects (rejects) and tests are carried out on samples to verify the properties and quality of the products delivered to customers. Strength and resistance tests are carried out on certain products, and additional tests are sometimes conducted in control laboratories.

Illustration of the coating plant

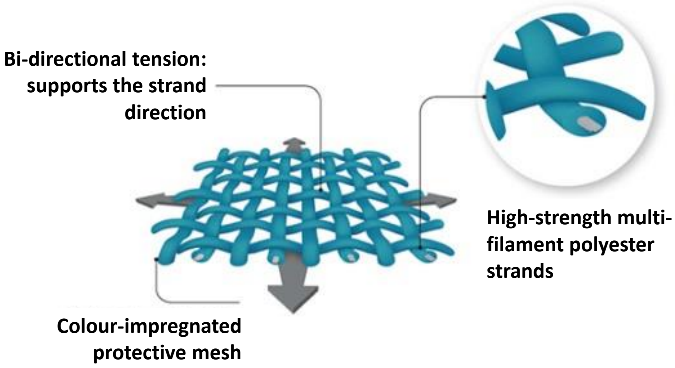
6.4.5.2 Production based on industrial extrusion technology

Extrusion is a standard technology that is particularly appropriate for thermofixed materials. In contrast to Précontraint®, the micro-cables are first sheathed by an extrusion process before being woven.

The polyester micro-cables obtained in this way are high-tenacity strands thanks to the sheath's special formulation.

These micro-cables are then woven while being heated and widened using pins at the sides. This process is called thermofixation. The setting time is optimised depending on the end use of the material.

Thermofixed composite material



This technology allows:

- the use of micro-cables of different colours;
- the production of shorter lengths;
- the creation of flexible products that adapt to shapes, which is useful not only for furniture but also for acoustic solutions and is not possible with Precontraint®.

6.4.5.3 Production based on standard industrial coating technology (not Précontraint®)

- Stamskin materials (produced in Switzerland)

This coating transfer technology guarantees high product elasticity in addition to the performance detailed in Section 6.2.2 of this Base Document. These materials are also very resistant to friction and caustic effects of cleaning products. They are used to make seats for hospitals, airports, restaurants and the general public.

- Stamisol materials (produced in Switzerland)

This technology (direct coating on non-woven substrate) produces lighter-weight materials than via Précontraint®. They are waterproof while allowing water vapour to pass through and are called breathable membranes. They are used for roof and facade underlays especially for old buildings.

- "SK" Silicone materials (produced in Switzerland)

These materials are highly resistant to chemical aggression and have high flame retardant properties.

6.4.6 *Logistics*

Logistics are almost entirely centralised at La Tour-du-Pin, France. It is organised in three parts:

- 1,8 metre to 2,7 metre reels are received from all plants, including those manufactured in Switzerland which does not have its own distribution, with the exception of Stamisol products;
- Reels are cut and processed into smaller rolls while checking that there are no aesthetic defects. Serge Ferrari has the advantage of also being able to prepare and deliver small-size rolls itself and thus satisfy all customers, regardless of size;
- Products are shipped in crates made specially for shipping containers. The Group prepares between 80 and 100 orders per day requiring nearly 10 transits at the truck loading/unloading dock. Carriers are used to despatch and route the products to the various customers.

6.4.7 *The recycling service: a unique environmental approach*

Environmental policy and sustainable development have always been a major concern of Serge Ferrari Group. Since its early days it has been interested in environmental issues to limit its footprint both upstream and downstream in the value chain.

Specified by large international architectural firms, Serge Ferrari's flexible composite materials contribute to the durability of structures by their low physical density and high performance. These materials combine insulation, translucence, lightweightness, strength, resistance and stability. The Précontraint technology offers the best weight/performance ratio and dimensional stability over time and is thus in tune with the challenge of natural resources: to do better with less, longer.

In 1998, Serge Ferrari laid the basis for a recycling technology which now operates at industrial level. This technology called Texyloop® is unique in the world. It gives composite materials a second life by generating high-quality materials and facilitates the implementation of environmental offerings that match the expectations of major clients.

Operationally, the Texyloop recycling system includes a collection network, a sorting plant, an industrial plant and a number of re-use production lines including reincorporation of the material into certain Serge Ferrari ranges. For more information see the website ***www.texyloop.com***.

To contribute to clear, readable information, Serge Ferrari Group has made the following decisions:

- Carry out Life Cycle Assessments[5] (LCA) on all its products,
- Make the LCAs available to the general public;
- Help its customers to prepare their own comprehensive LCAs.

All Serge Ferrari product LCAs are audited by two separate, independent, internationally recognised bodies: EVEA (France) and CIRAIG (Canada).

In September 1999, the ISO published ISO 14021 relating to the self-declaration of environmental issues, called Type II declarations. The main purpose of this standard is to clarify environmental communication but the results are of very variable quality. ISO 14021 requires environmental communication to be: accurate, precise, verifiable, pertinent and not misleading. Serge Ferrari has complied strictly with this requirement for many years.

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[5] Life Cycle Analysis adds to the understanding of the sustainability of the system studied. It ignores economic and social factors. The systems studied are considered to be running normally, so accidents are excluded. Impact studies apply to the biosphere and not to the technosphere. What happens in the product environment is also considered.

The REACH (Registration, Evaluation and Authorization of Chemicals) regulations, which came into effect in June 2007, are European regulations that require manufacturers to use and declare the chemical substances that make up their products. Serge Ferrari Group has complied with these regulations and it now goes further in this initiative to anticipate and exceed these regulatory requirements.

In operational terms, the Group collects the composite materials to be recycled, then in stage 1 mechanically sorts and grinds it at its wholly-owned subsidiary, Texyloop® before shipping this "pre-recycled" material to Italy where it undergoes an industrial process to separate the two components, ie, separate the fibres from the chemical products.

Composite materials collected

JV Vinyloop® industrial site

Materials at the end of the "pre-recycling" stage

See the risk factors relating to this service associated with recycling presented in Section 4.2.4 of this Base Document.

6.5 COMMERCIAL STRUCTURE

6.5.1 *Commercial coverage of nearly 80 countries*

As at 31 December 2013, the Group's commercial network covered nearly 80 countries via a direct sales force of 107 employees and an indirect sales force through a network of over 100 distributors. In analytical terms, this total sales force is structured as three main geographical regions, each under the responsibility of a Business Area Manager:

- Southern Europe (France, Italy, Spain, Portugal and Malta), composed of 23,5 people as at 2013-end;
- Wide Europe (rest of Europe), composed of 34 people at 2013-end;
- Rest of World (excluding Europe), composed of 49,5 people at 2013-end.

This strong international anchoring, reflected in the fact that 75% of total revenue in 2013 came from outside France, is the fruit of a proactive policy to win export market shares launched in 2002 with the creation of the first foreign subsidiary.

Since then, the Group has multiplied its commercial bases and today has four subsidiaries (United States, Hong Kong covering China and Southeast Asia, Japan, and Brazil) and five representative offices (Spain, Turkey, China, Singapore, and Dubai). These foreign bases are shown on the following map:

This physical presence in the field harbours a major challenge:

- on the one hand, to better understand the local economic fabric and the players in those target markets insofar as contact with customers alone is often insufficient and the Group has to mark its presence among all players in the value chain; and
- on the other, through this local knowledge, to be able to recruit the right distributors for the right regions.

Operationally, the sales department works closely with the marketing department which designs many types of sales material and organises training and motivation sessions for the distributor network. Distributors, in general, are not bound by an exclusive relationship and are not linked by any contractual agreement requiring minimum sales. The purpose of the distributors is to deliver smaller-sized end-customers.

Specialist distributors market materials that relate to one or more niche activities. They have their own sales forces with whom the Group continuously interacts (training, information, etc.). These distributors cover from hundreds to over a thousand customers in their sales territory.

Thanks to its partnerships with distributors, the Group has agents who work for Serge Ferrari, no included in the sales workforce figures.

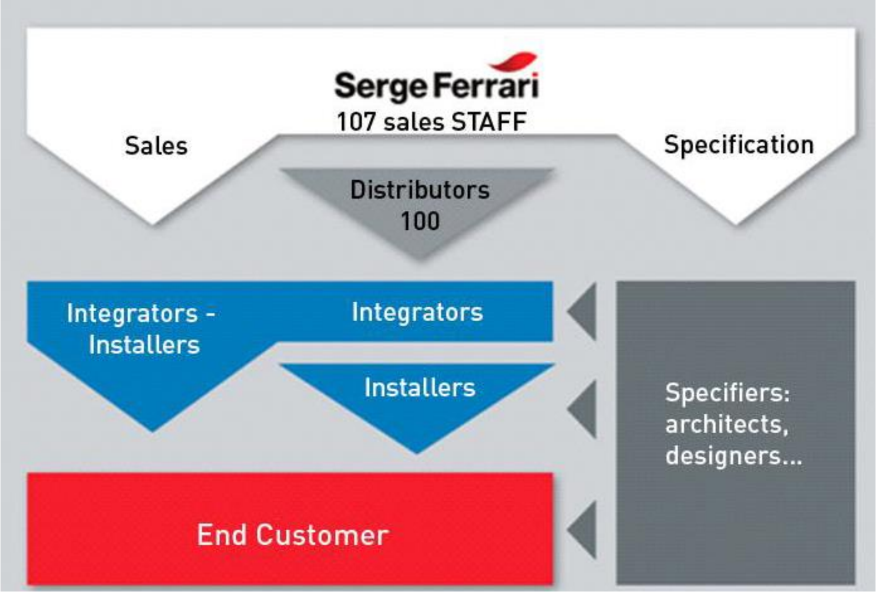
6.5.2 *A commercial approach adapted to the structure of target markets*

The Group develops a commercial approach to suit the characteristics of each application sector. Just like for an "intermediate" product aimed at a specialty market and with specific technical characteristics, it is essential to address the **entire demand** as much as possible. This involves simultaneously:

- visiting, and developing the relationship with, specifiers: in many markets, the decision to buy is usually made by the user-customer based on recommendations by specifiers and professionals;
- approaching end-customers directly, or accompanying distributors in the case of manufacturer-customers.

Thus, the Group has organised its sales network to make itself known at all levels: upstream by addressing product specifiers, as well as downstream by running promotions among professionals who customers of customers; for example, blind merchants (and not blind manufacturers who are the Group's direct customers). Serge Ferrari's direct customers are thus approached upstream by specifiers as well as downstream by professionals.

Serge Ferrari influence network and marketing model



These actions require a larger sales force than for commodity products.

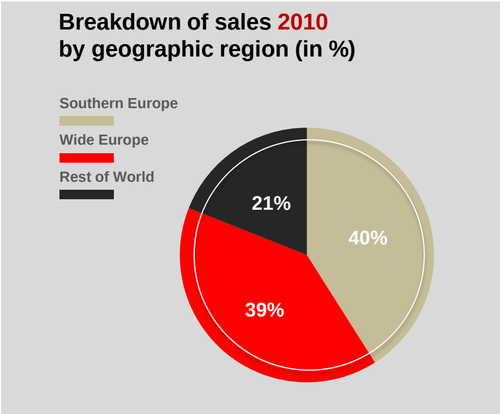
The distribution networks vary depending on the technicality and added value of the products and by country. The Group strives to structure its distribution network in countries where it is least represented in order to apply the same model internationally and to be more effective in its sales approach.

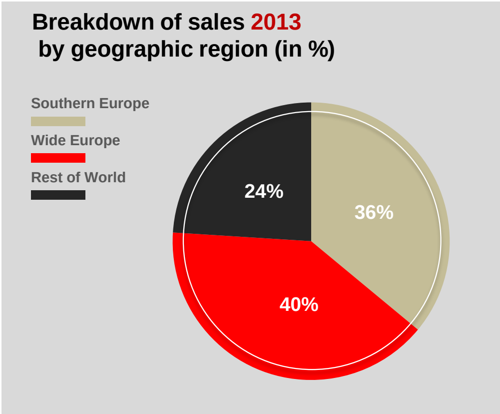
6.5.3 *The new commercial challenges*

Serge Ferrari achieves nearly 75% of its revenue outside France and the brand is recognised globally in the B2B world.

The change in the breakdown of revenue in the following charts shows that the weight of Southern Europe, more mature than the others, is gradually declining to the benefit of the Rest of World region. This trend should continue in future years.

Breakdown of Group revenue by geographic region in 2010 and 2013





The Group is thus looking to accelerate its penetration in the Rest of World region (specifically in the United States, South America and Asia), which represented a total market of €1,5 billion in 2013, according to its estimates.

To benefit from the strongest growth prospects in these regions, it wants to accentuate its presence in countries whose development potential has been verified, but where its market shares are still very small (2% by its own estimates). To accelerate its international penetration, Serge Ferrari has taken the following measures:

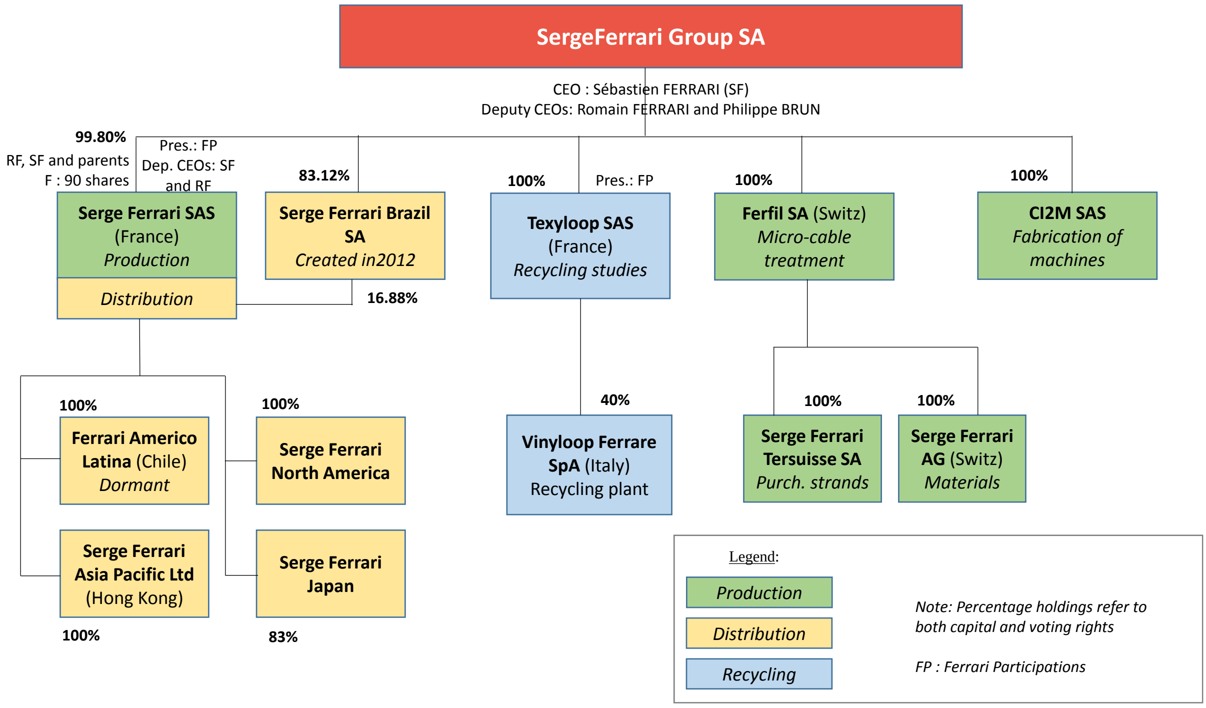
- Focus strategy on countries with strong potential, for which precise business plans have been defined and will be updated annually:
  - in North America, the priority is the United States as it has the greatest potential there;
  - in Latin America, efforts are centred on Brazil, Mexico and Colombia;
  - in the Africa, Middle East and India region, the strongest growth potential is in South Africa where Serge Ferrari sees its sales increasing through a distributor partner, and in India where the architect specifier network has been strengthened;
  - in the Asia-Oceania region, the priorities are China, Indonesia and Australia.
- Lastly, maintain a separate pricing policy per region (at 2013-end, the average per-m2 selling price, with Southern Europe as base 100, was 112 in Wide Europe and 132 in Rest of World).

This commercial strategy should also have a favourable effect on the Group's gross margin on standard costs to the extent that in 2013, it was 44% for Southern Europe, 46% for Wide Europe, and 48% for Rest of World.

7 ORGANISATION CHART

7.1 LEGAL STRUCTURE

As at the date of this Base Document, the Group's legal structure is as follows:



7.2 GROUP COMPANIES

The Group currently consists of the parent company SergeFerrari Group SA and its five subsidiaries and seven sub-subsidiaries, as follows:

<u>Activity dedicated to production of composite materials</u>

SERGE FERRARI SAS (formerly TESF SAS): created in 1973 at the La Tour-du-Pin site in Isère, from the merger by absorption of its subsidiary Précontraint Ferrari SAS approved by the General Shareholders' Meeting of 30 April 2014, this entity weaves the PET sheaths that constitute the substrate of the composite materials and also does the coating and extrusion. It has a total of five material-production lines (three for Précontraint® technology and two for extrusion technology) as well as the logistics department which prepares orders before being shipping around the world.

FERFIL (Switzerland): created in 2000 and based in Eglisau, Switzerland, this wholly-owned subsidiary does the cabling, twisting, warping and packaging of PET micro-cables and has equity interests in two Swiss sub-subsidiaries, Serge Ferrari Tersuisse and Serge Ferrari AG.

SERGE FERRARI TERSUISSE: acquired by the Group in 2000 (initially 50% then increased to 100% in 2005), this wholly-controlled sub-subsidiary based in Emmenbrücke, Switzerland, has industrial tooling for producing all the special micro-cable reels necessary to produce the sheaths for the flexible composite materials marketed by the Group.

SERGE FERRARI AG (formerly STAMOID): acquired in 2001 and based in Eglisau, Switzerland, this entity wholly controlled by the Group has four production lines for coated composite materials (not Précontraint®).

Fabrication of special machines

CI2M: this wholly-owned subsidiary was acquired by the Group to integrate the designing of production tools for composite materials incorporating the Précontraint® technology.

Recycling activity

TEXYLOOP (SAS): created in 2003 (and starting industrial production in 2008), this wholly-owned subsidiary also based at the Tour-du-Pin site carries out studies and research and develops procedures for collecting and recycling flexible coated fabrics. It also does the first mechanical stage in recycling the collected PVC materials. At the end of the second stage, which is an industrial process performed by Vinyloop (see below), Texyloop sells the fibres resulting from the recycling-by-separation performed by the Vinyloop industrial equipment.

VINYLOOP FERRARA SPA: 40%-owned by the Group through its subsidiary Texyloop, this entity is a joint venture whose 60% majority shareholder is Solvay Group. This entity has an industrial facility that is operated by Solvay teams at a site contiguous with Solvin Italia, and is used by the Group to carry out the industrial/chemical stage of the recycling of PVC materials to separate the fibres from the chemical materials. It sells the R=PVC to Solvay and the regenerated fibres to Texyloop which then markets them.

Distribution activity

SERGE FERRARI BRAZIL: created in 2012, this wholly-owned subsidiary distributes the Group's offering in Brazil.

SERGE FERRARI NORTH AMERICA INC.: created in 2000 and based in Florida, this US subsidiary wholly controlled by the Group markets the Group's offerings in the United States and Canada.

SERGE FERRARI ASIA PACIFIC LIMITED: created in 2007 in Hong Kong, this subsidiary wholly controlled by the Group markets the Group's offering in Asia, and serves as the logistics relay for the Group company based in Japan.

SERGE FERRARI JAPAN: created in 2004 in Kamakura, Japan, this sub-subsidiary markets the Group's offering in Japan. Its share capital is 83% controlled by the Group, the balance owned by the local director.

FERRARI LATINOAMERICA S.A.: this company has been inactive since 2011.

The Group also has five non-controlling interests in non-consolidated companies which themselves have companies within the consolidation scope and are mentioned above:

- SIBAC in Tunisia (18,06% stake) which uses composite materials to make tensioned architectural elements and lined ponds;
- VR Développement in France (20,10% stake), a holding company which owns Rovitex, a French lamination specialist, with which the Group has set up industrial partnerships;
- 2FB2I in France (5% stake), a holding company that wholly owns MTB in France with which the Group develops partnerships in the construction of equipment and in grinding up composite materials.

The relationships between the Group and its companies are essentially industrial partnerships: developing new products, manufacturing equipment, providing industrial services within each company's field of activity, etc.

The table below shows the key figures for each of the consolidated subsidiaries and sub-subsidiaries based on their separate company financial statements as at 31 December 2013:

At 31.12.2013 In K€	% Holding	Share capital	Shareholders' equity (incl share capital)	Revenue	Net Income	Workforce
Subsidiaries						
Serge Ferrari SAS	100%	12 965	26 755	122 210	2 840	388
Serge Ferrari Brasil	100%	263	183	521	15	4
Texyloop	100%	1 101	282	1 165	-817	1
Ferfil Multifils	100%	815	13 671	16 031	246	9
CI2M	100%	500	747	1 600	-8	16
Sub-subsidiaries						
Serge Ferrari North America Inc.	100%	436	1 495	10 671	95	13
Serge Ferrari Asia Pacific Ltd	100%	1	672	3 209	148	5
Ferrari Japan	70%	217	169	938	-47	2
Ferrari Latino America	100%	367	-102	-	-	-
Vinyloop	40%	499	-30	2 853	-2 614	-
Serge Ferrari Tersuisse	100%	11 403	12 796	18 262	255	61
Serge Ferrari AG	100%	8 145	9 213	32 501	421	86

Notes:

- *Foreign currency amounts have been converted into euros at the exchange rate on 31 December 2013.*
- *The former subsidiary Précontraint, which was part of the Group on 31 December 2013, is not shown as it was absorbed by Serge Ferrari SAS on 30 April 2014.*

7.3 MAIN INTRA-GROUP CASH FLOWS

As at the date of this Base Document, the main financial flows between the Group's companies relate to the following agreements (see also Section 19.2 of this Base Document for the Special Report of the Statutory Auditors on regulated agreements for the fiscal year ended 31 December 2013):

- **Administrative services agreement**

On 1 January 2012, Serge Ferrari SAS signed an agreement with each of its subsidiaries (to replace a previous agreement signed in 2008) to provide accounting, personnel management and IT services.

This administrative services agreement results in the invoicing, with a margin for management, of the cost of the services used by the benefitting companies (payroll of employees assigned to administrative tasks in each company, office equipment and the use of information systems, accounting costs).

Services are invoiced quarterly based on the annual budget. Calculations are adjusted at year-end.

The resulting total amount invoiced by Serge Ferrari SAS under this agreement for 2013 was €2 489K.

For the fiscal year starting 1 January 2014, the provisional budget is €1 097K taking into account the merger between the entities Précontraint Ferrari and Serge Ferrari SAS from 30 April 2014 (2014 invoicing to Précontraint Ferrari covers only the first 4 months as opposed to 12 months in 2013.

- **Central cash management (cash pooling) agreement**

Under the central cash management (cash pooling) agreement signed on 1 January 2012 (to replace the previous agreements signed in 2007 for an indefinite period), Serge Ferrari SAS manages the cash of some Group companies via a central cash pooling account. This agreement was signed with the following companies: Ferrari Participations, Serge Ferrari Group, Serge Ferrari SAS, Précontraint Ferrari, Texyloop and CI2M.

As at 1 January 2014, the reciprocal advances agreed under this arrangement bear interest at the EURIBOR 3-month rate plus 170 basis points when used for trading and 120 basis points when used for investment.

Intra-group trade debts and receivables not settled within 60 days are reclassified to current accounts.

Thus, at 31 December 2013, the total of cash pool accounts plus current accounts opened in the name of SergeFerrari Group in the books of Serge Ferrari SAS amounted to €5 221K.

- **Operating license agreements covering the “Serge Ferrari” trademark**

On 1 January 2012, SergeFerrari Group granted a license for an indefinite term to use the "Serge Ferrari" trademark, to the following subsidiaries:

- Certain distribution subsidiaries:
  - Serge Ferrari SAS
  - Serge Ferrari North America
  - Serge Ferrari Japan
  - Serge Ferrari Asia Pacific Ltd
- Serge Ferrari AG
- Serge Ferrari Tersuisse AG

As at 1 January 2014, the remuneration per licensed company amounted to 0,8% of pre-tax annual revenue outside the Group versus 0,6% in 2012 and 2013.

In fiscal year 2013, Serge Ferrari Group recognised income of €853K from trademark royalties.

- **Tax consolidation agreement**

Under the tax consolidation agreement, SergeFerrari Group, the Group’s parent company, consolidates its subsidiaries Serge Ferrari SAS, Précontraint Ferrari, Texyloop and CI2M for taxation purposes. Any tax losses are reallocated to the subsidiaries.

As at 31 December 2013, the corresponding corporation tax current accounts showed, including carryforwards from the previous year and taxes for 2013, the following balances:
- Tax current account Serge Ferrari SAS: €779K
- Tax current account Précontraint Ferrari: €187K
- Tax current account Texyloop: €34K
- Tax current account CI2M: €70K

Rent flows are extra-group flows as the real estate companies (SCI's) that rent certain premises to the Group are outside the Group's consolidation scope. These flows are presented in Section 19.1.2 of this Base Document.

8 PROPERTY, PLANT AND EQUIPMENT

8.1 PLANT AND EQUIPMENT

Investors are advised to refer to the detailed table per site in Section 6.4.5 "Production" of this Base Document. The Group estimates that the present configuration of its industrial tooling allows it, without additional investment, to absorb an increase in volume of approximately 30% with a product mix equivalent to the last three years. The availability rate per site is not relevant data taking into consideration the Group's degree of integration, and that it should increase given the product mix in its order book.

As all production site premises in France, with the exception of joint venture Vinyloop which is part of Solvay Group, are leased from real estate companies (SCIs) with the same shareholders as the Company, an independent commercial real estate professional was asked to certify their market rental value. See Sections 19 and 23 of this Base Document.

The leases signed with the SCIs controlled by Sébastien and Romain Ferrari (through Ferrari Participations and Ferrimmo) are standard leases (standard 3-6-9 year rental agreements, automatically renewable, with a security deposit usually equal to three months' rent). The Group paid total rent in 2013 of €2,7 million. This amount is broken down in Section 19.1.2 of this Base Document.

The premises of the three sites in Switzerland are all owned by the Group.

The joint venture Vinyloop also owns its premises and equipment.

All foreign marketing subsidiaries lease their premises from third parties.

8.2 ENVIRONMENTAL ISSUES

Decree 2012-557 of Article 225 of Grenelle 2 sets out the CSR indicators that listed companies must disclose in their management reports.

The Group has taken the necessary measures to ensure it can produce these indicators as from year-end 2014, once the Initial Public Offering (IPO) is successfully completed.

See Sections 6.4.7 and 4.2.1 of this Base Document.

9 REVIEW OF FINANCIAL POSITION AND RESULTS

Investors are advised to read the following information relating to the Group's financial position and results in conjunction with the Group's consolidated financial statements prepared to IFRS standards for the years ended 31 December 2013, 2012 and 2011 as presented in Section 20 of this Base Document.

9.1 INTRODUCTION

The Group is a leading player in the design, manufacturing and distribution of flexible composite materials intended for Architectural, Professional and "Consumer" uses.

The major part of the production sold relies on an industrial technology, Précontraint®, designed and continuously improved by the Group since it was first developed nearly 40 years ago. The patent relating to this technology has fallen into the public domain, but the Group retains proprietary know-how in that it designs and makes production equipment for manufacturing composite materials with Précontraint technology, without which the quality and technical characteristics of the materials cannot be copied by a competitor.

The Group benefits from a very high degree of integration (from procurement to end-of-life recycling) and an international anchoring with production plants in France, Switzerland and Italy as well as distribution subsidiaries in France, the United States, Brazil, Hong Kong and Japan.

Over the period presented (2011 to 2013), the Group's activity and results were marked by the following key events:

- After a sharp drop in revenue in 2009, the Group experienced a strong rise in sales in 2011, partly due to restocking by its distributors;
- A sharp rise in raw material prices which began in 2010 and continued through 2011: the prices of these materials (of mainly chemical origin) rose sharply following the surge in oil prices and the scarcity effect of certain materials sourced mainly in China (antimony). Although the Group was operating at full capacity as indicated above, these price rises could not be passed on to customers in the short term, thus heavily impacting the Group's margins which declined markedly from their long-term historical levels.
- Strong measures to refocus its business: To combat the combined effects of a significant recovery in activity, and the rise in raw material prices which severely narrowed its margins, the Group's Management decided on a set of measures which included:
    - discontinuing unprofitable or low-profit product lines;
    - focusing its sales efforts on the most innovative, and thus the highest-added-value, products;
    - rationalisation measures to help restore operating margins;
    - a proactive innovation policy to support its repositioning onto high-added-value products and to eventually minimise exposure to chemical prices by working on product formulation.

9.1.1 *The main factors impacting Group results*

9.1.1.1 Revenue

Consolidated net revenue breaks down as follows: 94% of total revenue (net of tax) is from the sale of flexible composite materials, with the balance from miscellaneous sales (industrial waste, intermediary services, production machines built by its subsidiary CI2M, and semi-finished products such as PET micro-cables), minus discounts, rebates, returns, and intra-group sales.

Proceeds from goods sold are recognised in the income statement when the significant risks and benefits inherent in the ownership of the goods have been transferred to the buyer, or in most cases on the date that the materials are shipped.
The geographical regions in which the Group operates each have different demand trends, mainly reflecting local economic conditions.

The organic growth in Group revenue (ie, growth due to changes in volumes of products sold and selling prices, excluding the impact of changes in consolidation scope and exchange rates) depends mainly on the following factors:

- The competitive positioning of the Group's offering in its main markets, which relies in particular on: the extent of its offering and the added value of the materials offered, the compliance of its products with regulatory standards, the existence and maintenance of privileged relationships with orderers and specifiers (architects, installers, specialised distributors), the quality of the products and services offered by the Group, and the competiveness of the Group's prices.

- The growth potential and structure of each geographical market in which the Group operates.

- Local economic conditions in that its sales policy which focuses on high-end products may prove unsuitable in slow economic conditions.

9.1.1.2 Factors impacting operating profit

Purchases consumed

Purchases consumed mainly consist of the raw materials used in making the Group's products, in particular plasticisers, PVC resins, flame retardants, PET and pigments. Other expenses include packaging and crating.

External expenses

External expenses cover:
- Rents and related charges at its various sites;
- Remuneration to intermediaries and fees including the cost of non-employee personnel in countries where the Group has no legal structure of its own as well as fees paid under management agreements with the controlling holding company Ferrari Participations which reinvoices all salary costs of the French members of the Executive Committee (see Section 19.1.1) as at the date of this Base Document);
- The cost of shipping products and of logistics, which vary mainly depending on the price of fuel and the Group's operational efficiency (truck fill rates, siting of production and distance from where sold...);
- Preventive maintenance, servicing and repair costs;
- Advertising and marketing expenses which are linked to the release of new products requiring specific sales drives;
- Engineering, R&D and documentation costs;
- Mission costs for international marketing, sales and representation;
- Insurance premiums, postal charges, bank charges.

Tax expense

This is mainly the "company value-added contribution" (CVAE). The Company Added Value Contribution (CVAE) is restated to calculate adjusted EBITDA.

Personnel expense

This includes the total salary cost for Group employees. These expenses change depending on the number of employees, the average pay, and whether employees' annual goals were achieved which affect the variable portion of their pay.
To calculate the total payroll required by its activities, the Group must take not only its own personnel expense into account but also the cost of non-payroll personnel in countries where the Group has no legal structure of its own as well as the fees paid under the management agreement signed with the controlling holding company Ferrari Participations which reinvoices all the salaries of French employees on the Group's executive committee and which are recognised as external expenses.

Amortisation charges and provisions

The level of capital investment affects the size of the amortisation charges recognised under operating expenses. The Group devotes on average 2,5% of its annual revenue to industrial renewal and technological adaptation investment. Investment in capacity will increase amortisation charges, depending on how heavily equipment is used.

Provisions for inventory impairment and receivables reflect:

- the Group's capacity to improve the quality conformity of the materials it produces, as products with aesthetic faults have to sold off at sharply reduced prices;
- the economic environment of the countries in which the Group operates, which directly affects its distributor-customers and their end-customers.

Other operating income and expenses

This relates mainly to miscellaneous proceeds (insurance payouts, capitalised equipment or R&D, etc) and miscellaneous expenses (losses on receivables).

For fiscal year 2013, the main operating expenses were purchases consumed (41%), personnel expense (29,1%) and external expenses (24,5%).

9.1.1.3 Factors impacting Group net income

The three main factors impacting Group net income are:

Net cost of debt

This cost incorporates the financial cost of total debt (investment income minus interest expense) plus the profit or loss from other financial income and expenses which include in particular gains or loss on currency translation, change in the value of derivative financial instruments (interest rate swaps in this case), financial expenses connected with employee benefits and dividends from non-consolidated companies.

Income tax

Income tax in the Group consolidated financial statements consists of the tax on the income of the Group's entities plus any changes in deferred tax balances on the Group's balance sheet.

Share of profit from equity associates

This is the Group's share of profit from companies consolidated on an equity basis, as the size of the Group's equity interest in them does not warrant their full consolidation. In this case, it is the Group's share in the joint venture with Solvin Italia (a Solvay Group subsidiary) on a 40:60 basis. This industrial entity re-generates the 2nd-generation raw materials from the recycling of raw materials (manufacturing waste, end-of-life materials, etc.) which allows the fibres and PVC to be separated.

9.1.2 *Segment information*

The Group is, within the meaning of IFRS 8, a “single sector” company in the “flexible composite materials” segment. (In accordance with IFRS 8, segment information is based on internal management data used by the Group's General Management, the Chairman & CEO and the two general managers, who are the Group's main operational decision-makers), this single-sector presentation being linked to the strongly integrated nature of the activities developed by the Group.

Neither the geographic regions nor the fields of activity constitute segments in the sense of IFRS 8.

The Group has, however, information on revenue and gross margin on standard costs per geographic region and per business segment.
However, the Group does not have key performance aggregates at a more granular level than margin on standard costs (as defined in Section 3 of this Base Document), as the major operational cost components beyond this margin cannot be broken down geographically or segmentally, as these unallocated operating expenses accounted, for fiscal year 2013, over half of total operating expenses (€70,5 million of operating costs not allocatable for 2013).

The availability of gross margin figures does not call into question its single-sectoral character in the sense of IFRS 8.

In accordance with IFRS 8, the breakdown of revenue by geographic region is presented in the consolidated financial statements in Section 20 of this Base Document.

The Notes relating to gross margin on standard costs by geographical region as well as revenue per business segment are presented in Section 9.2.1 and 9.2.2 of this Base Document.

9.1.3 *Exchange rate fluctuations*

Fluctuations in the exchange rates of various currencies had a direct impact on the Group’s consolidated financial statements. This impact was reflected in the contingency risk on translation into euros in the subsidiaries’ balance sheets and income statements.

The main currencies concerned are the Swiss franc (as two production sites are in Switzerland) and the US dollar (as some raw materials are purchased and invoiced in dollars).

9.1.4 *Seasonality*

The diversification of sectors and geographical regions where the Group’s products and services are marketed eases the seasonality resulting from a focus on local and regional markets. However, solar protection products as well as architectural and homeowner products are more important for the Group in the first half of each year than the second. Climatic conditions in the Northern Hemisphere (which is where most of the Group’s sales are concentrated) are less conducive to architectural and homeowner work late in the year. Generally, approximately 55% of annual sales are in the first half of the year and approximately 45% in the second half. This breakdown of sales is reflected in peak working capital requirements (and therefore the need to finance them) between April and September.

9.1.5 *Changes in consolidation scope*

Over the reporting period, there was no significant entry into or exit from the consolidation scope that disrupted the comparability of the accounting information that would have required the preparation of proforma data.

9.1.6 *Presentation of accounting and financial information*

To assess the performance of its activities, the Group monitors two key indicators: gross margin on standard production costs and adjusted EBITDA in accordance with the calculation rules explained below.

Gross margin

Gross margin is the gross profit on standard costs, calculated as follows:
Gross margin on standard production costs = Total revenue – standard production costs (standard materials cost + standard personnel expense + standard general expenses).

Adjusted EBITDA

To assess the performance of its activities, the Group uses Adjusted EBITDA, which is operating profit before deduction of interest, taxes, depreciation and amortisation and includes "Other income and expenses" in the Group's consolidated financial statements (income and expenses from previous years as well as profit and loss on unrecoverable receivables, which amounted to a net loss of €141K in 2011 and a net profit of €87K in 2012 and €9K in 2013), as well as CVAE before deduction of income tax (expense of €714K in 2013, €561K in 2012 and €633K in 2011).

The Group's Management considers adjusted EBITDA to be a pertinent indicator as it measures the performance of the Group's ordinary activities, without taking into account the impact of expenses connected with past expenditures (depreciation and amortisation), or non-recurring items that are not representative of the trends in the Group's results.

9.1.7 *Estimates and assumptions used in the preparation of the financial statements*

The preparation of consolidated financial statements in accordance with international financial reporting standards (IFRS) requires management to make estimates and assumptions that impact the value of assets and liabilities as well as expenses and income. Management regularly reviews the assumptions and estimates used, based on its experience and other reasonable factors that form the basis for measuring its assets and liabilities. Actual results may vary from such estimates.

These assumptions and estimates mainly relate to:

- provisions for company pensions and obligations;
- other provisions for litigation, guarantees and contingencies;
- deferred tax assets and in particular those relating to deferred losses.

9.1.7.1 Provisions for pensions and similar

In accordance with the laws and practices of each country in which it operates, the Group participates in pension schemes, health and disability schemes, severance provisions for eligible employees, former employees, and eligible beneficiaries. As at 31 December 2013, the Group's employee benefit obligations in this respect were mainly in France and Switzerland.

9.1.7.2 Provisions for litigation, guarantees and restructuring charges

Provisions for litigation, guarantees and other contingencies were established at year end. This includes a legal or implicit obligation from a past event which will probably result in a cash outflow to the benefit of a third party and which can be reliably estimated.

9.1.7.3 Deferred tax assets

The Group recognises deferred tax assets and liabilities in its statement of financial position. A deferred tax asset must be adjusted for all future deductible timing differences, tax losses reportable in advance and unused but reportable tax credits, if it is probable that the Group will have taxable benefits in the future against which those future tax savings could be set.

Deferred tax assets are recognised if it is probable that the Group will be able to use them in the future. Management must determine the net tax asset value that can be recognised. Net taxable benefits are estimated based on forecasts and assumptions and models of market conditions. Such assumptions and models can have a significant impact on the asset value recognised on the Group balance sheet. Deferred tax assets relating to deferrable losses and unused tax credits were recognised in the Group financial statements in the total amount of €1 483K as at 31 December 2013.

9.1.7.4 Accounting of joint ventures

IFRS 11 defines the accounting treatment for partnerships in which at least two parties exercise joint control. Under the new provisions, only two types of partnerships are identified: joint ventures and joint operations, the difference depending on the rights and obligations of the partners.

The removal of the proportional consolidation method will have no impact on the Group as the joint venture Vinyloop is currently consolidated as an equity associate.

9.2 COMMENTS ON THE CONSOLIDATED INCOME STATEMENT FOR THE FISCAL YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

9.2.1 *Group revenue*

Total consolidated Group revenue was €139 592K, €139 388K and €155 574K for the fiscal years ended 31 December 2013, 2012 and 2011, respectively.

The main element in the analysis of the change in revenue during the period presented, as well as the change in margins developed below, is the impact of macroeconomic data during 2011 on the Group's activity. It is made of two key factors: restocking by customers (after a marked economic slowdown in 2009 and to a lesser extent in 2010) which led to strong sales in 2011, and the rise in raw material prices (mainly chemicals and therefore to a certain extent indexed in oil price movements).

in €K - IFRS - Audited	**31 December 2013**	**%**	**31 December 2012**	**%**	**31 December 2011**	**%**	**Chg 12-13**	**Chg 11-12**
Flexible composite materials	131 275	94%	131 761	95%	146 105	94%	0%	-10%
Other products	8 317	6%	7 627	5%	9 469	6%	9%	-19%
Total revenue	**139 592**	100%	**139 388**	100%	**155 574**	100%	**0%**	**-10%**

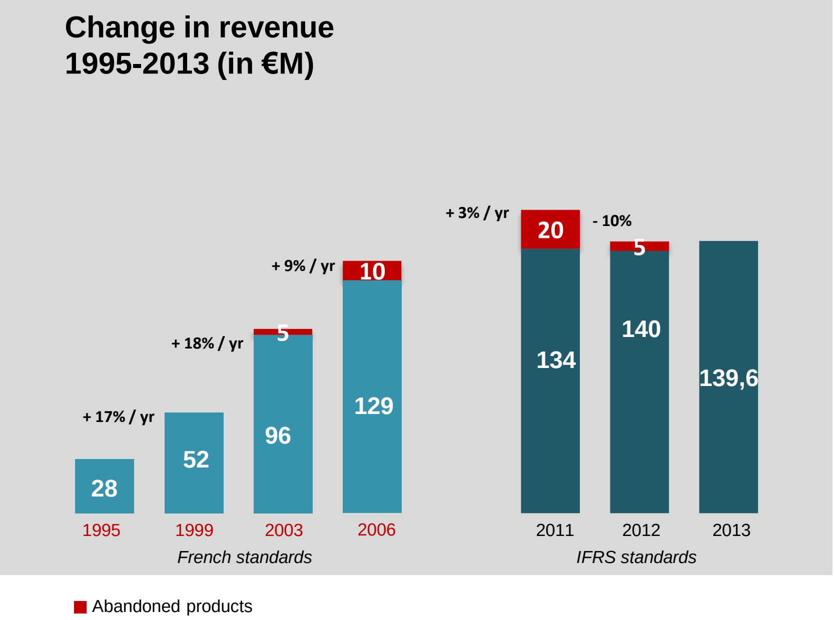
The 10% decline in revenue between 2011 and 2012 was mainly due to two factors:

- exceptionally high revenue in 2011, reflecting both prices and volumes: the rise in the price of raw materials (in the order of 40% between April 2010 and April 2012) which was party recovered through higher selling prices or improvements in product-mix via greater focus on developing and marketing more efficient products as well as exceptionally large order volumes during the year due to restocking by customers;
- the discontinuation in 2012 of low-profit-margin materials, given that the Group saw its margins deteriorate in 2011 following the rise in raw materials prices that could not be fully recovered. These materials, which stopped being marketed in 2012, accounted for €20 million revenue in 2011.

An analysis of the volumes of m^2 sold, shows the impact of the refocusing measures with a 16% decline in m^2 sold between 2011 and 2012, then 4% between 2012 and 2013, which saw the final effects over the full year of the discontinuation of low-profit products. At the same time, the average selling price in €/m^2 increased by an average 8% between 2011 and 2012, then by 4.7% between 2012 and 2013, reflecting the repercussion of the rises in raw material prices and the improvement in product mix. The products discontinued due to their inadequate margins represented an estimated €20 million revenue in 2011 (nearly 20% of the volumes sold in 2013), and €5 million in 2012 (approximately 5% of volumes sold in 2012 while new innovative products with margins consistent with objectives represented an estimated €6 million revenue in 2013 or about 3% of the volumes sold that year.

The chart below shows the contribution to Group revenue of the low-margin activities that it decided to discontinue.

Change in Group revenue between 1995 and 2013 (in €K)



Analysis of sales by type

Revenue is composed of two segments, corresponding to two different types of products:

- **"Flexible composite materials"** (94% of total revenue in 2013): this segment corresponds to goods-production sold, ie, to the sales of reels of flexible composite materials, the Group's core business. It is this segment that the analysis applies to (breakdown by region, breakdown by application sector), as the second segment is not a strategic development vector;
- **Other products** (6% of 2013 revenue): this segment mainly corresponds to sales of accessories (cleaning products, adhesives, installation tools, etc.) amounting to €6 108K in 2013.

The measures taken to discontinue low-profit products took effect immediately and strongly from 2012 with a 9.8% drop in sales (in euro terms) of flexible composite materials.

Breakdown of change in sales of flexible composite materials by geographic region

in €K - IFRS - Audited	31 December 2013	%	31 December 2012	%	31 December 2011	%	Chg 12-13	Chg 11-12
Southern Europe	46 943	36%	50 175	38%	55 048	38%	-6%	-9%
Wide Europe	52 465	40%	52 265	40%	59 132	40%	0%	-12%
Rest of World	31 867	24%	29 321	22%	31 925	22%	9%	-8%
Total revenue from flexible composite materials	**131 275**	100%	**131 761**	100%	**146 105**	100%	**0%**	**-10%**

The regions' contributions to revenue shows a decline in sales in Southern Europe and an increase in sales in Rest of World. Actually, between 31 December 2011 and 31 December 2012, the change in sales by region shows two distinct trends:

- a reduction in the relative contribution of Southern Europe to total sales of flexible composite materials, from 38% to 36%;
- an increase in the relative contribution of Rest of World to total sales of flexible composite materials, from 22% to 24%.

In 2013, in terms of volumes invoiced per broad geographic region, if the volumes sold in Southern Europe are considered base 100, Wide Europe represents 99 and Rest of World 51.

This dual trend, which can be seen since the early 2000s and should continue until at least 2018, is the combined result of:

- one region, Rest of World, which over the period presented posted stronger economic growth than Southern Europe, especially the United States and Asia;
- the ramping up of commercial subsidiaries (Serge Ferrari Asia Pacific created in 2011, and Serge Ferrari Brazil formed in 2012 which in 2013 posted its first local sales in the amount of €108K).

As for the Wide Europe region, in December 2013 the Group signed a partnership with a leading B2B distributor to sell breathable materials for roofing and facades in Germany. The Group expects sales, after a slight downturn in the first year of the partnership, to rise thanks to access to a vast distribution network.

"Other" sales should not change significantly in the next few years: these are miscellaneous proceeds and products that are not a growth vector for the Group.

Movements in exchange rates between 2012 and 2013 slightly penalised revenue, with invoices in euros accounting for 80% of sales, USD denominated sales accounting for 12% of the total, and those in CHF accounting for 7% of consolidated sales.
The average exchange rates for the currencies were as follows:

- EUR/USD: 1,328 in 2013 versus 1,286 in 2012 and 1,392 in 2011 ;
- EUR/CHF: 1,231 in 2013 versus 1,205 in 2013 and 1,234 in 2011.

The rise in the EUR/USD rate negatively impacted revenue in 2013 by approximately €450K. The impact of CHF on 2013 revenue was low, as the EUR/CHF rate fluctuated within a relatively narrow band of 1.21 to 1.23.

Breakdown of change in sales of flexible composite materials by business segment

in €K - IFRS - Unaudited	**31 December 2013**	**%**	**31 December 2012**	**%**	**31 December 2011**	**%**	**Chg 12-13**	**Chg 11-12**
Architecture	54 820	42%	51 806	39%	57 204	39%	6%	-9%
Speciality	45 447	34%	50 185	38%	58 386	40%	-9%	-14%
"Consumer"	31 008	24%	29 770	23%	30 515	21%	4%	-2%
Total revenue from flexible composite materials	**131 275**	100%	**131 761**	100%	**146 105**	100%	**0%**	**-10%**

This breakdown does not appear in the 2013 IFRS financial statements as only geographical segmentation was used, in accordance with IFRS standards.

The breakdown of sales by business segment shows, again, a relatively stable balance between the three main markets (see Section 6.3.1 of this Base Document).

The increase in the contribution of the architectural segment is mainly due to sales drives focused on innovative high-added-value product ranges.

The fields of activity presented above may end up evolving as the markets addressed by the Company grow or they may be broken down differently to better meet and follow market changes.

9.2.2 *Consolidated operating profit*

Group consolidated profit was €8 959K, €3 2458K and €6 257K for the fiscal years ended 31 December 2013, 2012 and 2011, respectively.

in €K - IFRS - Audited	**31 December 2013**	**31 December 2012**	**31 December 2011**	**Chg 12-13**	**Chg 11-12**
Revenue	139 592	139 388	155 574	0%	-10%
Operating profit	**8 959**	**3 258**	**6 257**	175%	-48%
Operating margin	*6,4%*	*2,3%*	*4,0%*		

The sharp drop in operating margin between 2011 and 2012 (-48%) was followed by an initial phase of recovery beginning in fiscal year 2013 which posted a very significantly improved operating margin (+175%). This was due to the strategic decisions taken by Management in 2011 and 2012 faced with the surge in raw material prices. In addition to refocusing on certain product ranges as explained above, these measures included the optimisation of production tooling as well as expense reductions that can be seen in the various items of the income statement presented later in this Base Document.

- **Gross margin**

in €K - IFRS - Unaudited	**31 December 2013**	**31 December 2012**	**31 December 2011**	**Chg 12-13**	**Chg 11-12**
Revenue from composite materials	131 275	131 761	146 105	0%	-10%
Gross margin on standard costs	59 916	51 212	52 725	17%	-3%
Gross margin	**46%**	**39%**	**36%**	**17%**	**8%**

Over the course of 2013, the Group completed its refocusing on the markets, products and customers contributing to achieving its profitability objectives. The gross margin on standard cost of sales of composite materials, which was 36% in 2011, rose from 39% to 46% between 2012 and 2013 under the combined effect of:

- the improvement in product mix;
- the discontinuation of low-margin products;
- the improvements in the chemical formulations of its products;
- measures to improve the industrial performance of companies since 2011.

Gross margin is calculated on the basis of standard costs, ie, in addition to purchases consumed, the portion of personnel expense and overheads incurred by production are also deducted from revenue to obtain the gross margin.

It should be noted that the 46% gross margin on standard costs achieved in 2013 is the average for the Group. The gross margin for 2013 was 44% for Southern Europe, 46% for Wide Europe and 48% for Rest of World.

- **Adjusted EBITDA**

Over the period analysed, profitability rose strongly, the adjusted EBITDA margin on revenue increasing from 9,2% in 2011 to 12,1% in 2013.
The improvement in gross margin can also be seen in adjusted EBITDA.

in €K - IFRS - Unaudited	**31 December 2013**	**31 December 2012**	**31 December 2011**	**Chg 12-13**	**Chg 11-12**
Operating profit	8 959	3 258	6 257	175%	-48%
+ Allocations to amortisation and depreciation	7 215	7 447	7 395	-3%	1%
+ Net allocations to impairment and provisions	68	(1 295)	(154)	-105%	741%
- Other operating income and expenses	9	87	(141)	-90%	-162%
+ CVAE	714	561	633	27%	-11%
Adjusted EBITDA	**16 947**	**9 884**	**14 272**	**71%**	**-31%**
Ratio: Adjusted EBITDA / Revenue	*12,1%*	*7,1%*	*9,2%*		

"Other income and expenses" relate to income and expenses in previous years as well as profit and loss on unrecoverable receivables.
CVAE is a restatement before income tax.

Adjusted EBITDA was €14 272K in 2011 before falling to €9 884K in 2012, then rose in 2013 by 71% to €16 947K.

The improvement in profitability can also be seen in operating profit which rose significantly between 2012 and 2013 to €8 959K whereas it had sharply declined between 2011 and 2012.

- **ROCE**

ROCE (Return On Capital Employed) after taxes corresponds to EBIT after taxes divided by average capital employed (understood as the average capital committed at period end of fiscal years n and n-1). For the fiscal years 2011, 2012 and 2013 it was, respectively, 5,1%, 2,6% and 7,5%, as shown in the following table.

IFRS - in €K	**Fiscal yr 2013 12 months**	**Fiscal yr 2012 12 months**	**Fiscal yr 2011 12 months**
Capital employed (1)	80 058	83 772	92 605
Average capital employed (2)	81 195	88 189	89 124
EBIT after taxes	6 067	2 334	4 523
ROCE (3)	**7,5%**	**2,6%**	**5,1%**

(1) Capital employed = Net assets + operating WCR

(2) Average capital employed in period n = average of the capital employed at period-end n and n-1

For information: the capital employed as at 31/12/2010 was €85,643K

(3) ROCE = EBIT after taxe / Average capital employed

The following factors contributed to this performance:

- **Purchases consumed**

Purchases consumed amounted to €53 592K in 2013 (38,4% of revenue) versus €54 975K in 2012 (39,4% of revenue) and €69 773K in 2011 (44,8% of revenue). The stabilisation of raw material prices in 2013 (plasticisers, PVC resins, flame retardants and pigments), and the optimisation and adjustment of the formulations of plastisols combined with the rise in the EUR/USD exchange rate (US dollars being the purchase currency for the PET used to make micro-cables) are the reasons for this marked improvement.

- **External expenses**

External expenses amounted to €32 009K in 2013 (22,9% of revenue) versus €31 493K in 2012 (22,6% of revenue) and €33 385K in 2011 (21,45% of revenue).

While external expenses are overall in line with the change in revenue, some items changed markedly, as follows:

- Rents and rental expenses (covering the leases on industrial buildings, as well as leases of vehicles and handling machinery) fell in 2012 due to rent reductions agreed by the leaseholding real estate companies, in the amount of €859K. Rents invoiced by real estate companies who own premises, to the operational subsidiaries of Serge Ferrari Group amounted to €3 689K, €1 831 and €2 715K for fiscal years 2011, 2012 and 2013, respectively. Remunerations to intermediaries and fees rose by 11% in 2012 from €5,3 million in 2011 to €7,2 million in 2012 due to invoicing, from 1 January 2012, the services rendered by Ferrari Participations (company created in December 2011 and, from 1 January 2013, paying the salaries of the French members of the Group Executive Committee).
- Transport expenses declined by 9% between 2011 and 2012, partially reflecting the 16% decline in volumes sold. The rise in the cost of fuel and of the proportion of sales outside Europe for which the transport costs per unit are higher, explain the rest of the change in 2012 and 2013, when the 4% decline in sales volumes was accompanied by an 8% increase in transport costs. In 2014, the decision to reduce the Eglisau logistics service to solely Swiss, Austrian and German shipments of breathable products and have all other shipments centralised from the site at La Tour-du-Pin generated a €0,2 million rise in transport costs, offset by the reduction in personnel expense in Switzerland.

- **Personnel expense**

Personnel expense remained relatively controlled over the course of the year, at €38 018K in 2013 versus €37 868K in 2012, down from €40 663K in 2011. Across the entire organisation, the total personnel expense necessary for the Group's activity was as follows:

in €K - IFRS - Audited	31 December 2013	31 December 2012	31 December 2011	Chg 12-13	Chg 11-12
Total personnel expense	38 019	37 868	40 663	0%	-7%
External personnel (1)	613	315	1 149	95%	-73%
Exclusive personnel (2)	1 188	1 447	1 127	-18%	28%
Compensation to French members of Comex	1 514	1 589	581	-5%	173%
Total	**41 334**	**41 219**	**43 520**	**0%**	**-5%**

Workforce at end of period Audited	31 December 2013	31 December 2012	31 December 2011	Chg 12-13	Chg 11-12
Marketing & Sales	107	102	96	5%	6%
Production / Logistics	379	395	399	-4%	-1%
Support Functions	99	110	114	-10%	-4%
Sub-total	585	607	609	-4%	0%
Part-time and other (1)	0	0	11	n/a	-100%
Total Group workforce	**585**	**607**	**620**	**-4%**	**-2%**

(1) The item "External personnel" and "Part-time and other" refers to ad hoc expenses.. The personnel mentioned are period-end figures: in 2012 and 2013, the Group had part-time workers but they were not in service at period-end.
(2) This item, which is part of "Fees and remuneration to intermediaries" under external expenses, refers to non-salaried staff based in countries in which the Group has no legal structure of its own.

This total personnel-related expense includes, in addition to its staff expenses, the reinvoicing of exclusive personnel, the occasional use of part-time staff as well as the reinvoicing of the cost of directors (companies and physical people) of the controlling holding company Ferrari Participations which, for their part, are recognised as external expenses.

The Group's total salaried workforce was 585 in 2013 versus 607 at 31 December 2012 and 620 in 2011. In 2012, workforce reduction measures were implemented at the Swiss industrial sites, which were reflected in 2013 in a decline in the workforce at the Swiss coating site (23 people fewer than the 109 at 31 December 2012) while at the same time the Group's sales workforce increased by 9 employees to 107.

The Group's French companies benefitted from the impact of the competitiveness and job creation tax credit (*Crédit d'Impôt Compétitivité Emploi*) which reduced personnel expense by €326K in 2013.

- **Amortisation and depreciation charges**

Amortisation and depreciation charges remained relatively steady over the period presented but their breakdown changed as shown in the following table:

in €K - IFRS - Audited	31 December 2013	31 December 2012	31 December 2011	Chg 12-13	Chg 11-12
Intangible assets	1 105	665	959	66%	-31%
Property, plant and equipment	6 110	6 782	6 436	-10%	5%
Net allocation to amort & depreciation	**7 214**	**7 447**	**7 395**	**-3%**	**1%**

Amortisation charges for intangible assets changed in response to the following factors:

- Amortisation over 4 years of the cost of deploying the ERP implemented in March 2008. The charge was very low in 2012 due to this amortisation schedule coming to an end. This is the source of the drop in amortisation charges for intangible assets from €959K to €665K;
- Amortisation over 4 years of R&D expenses activated from 1 January 2011. As is customary the Group set the 1st of January of the year following the year they were incurred as the start date of the R&D

expense amortisation schedule. Development expenses, recognised for the first time on 1 January 2011 have been amortised from 1 January 2012. These amortisations amounted to €334K and €486K in 2012 and 2013, respectively, reflecting increasing innovation efforts;
- Amortisation over 4 years from 1 January 2013, of expenses incurred in 2012 under the SAP plan at French sites.

In contrast, depreciation charges on property, plant and equipment decline from €6 782K to €6 110K in 2011 and 2012, respectively, reflecting the slowdown in industrial investments expenditure compared to previous years.

- **Net provisions for impairment**

Net provisions for impairment remained relatively marginal with the exception of 2012 which was strongly impacted by a net reversal in inventory impairment.

in €K - IFRS - Audited	31 December 2013	31 December 2012	31 December 2011	Chg 12-13	Chg 11-12
Net alloc / impairment of receivables	220	195	435	13%	-55%
Net alloc / impairment of inventories & in-process	(110)	(1 494)	(198)	-93%	655%
Net alloc to operating provisions	177	5	(391)	3440%	-101%
Reversal of provisions on prop., plant & equipment	218	-	-	n/a	n/a
Net allocation to impairment and provisions	**68**	**-1295**	**-154**	**-105%**	**741%**

Despite quality controls throughout the production chain, some finished products although having all the technical characteristics required by customers nevertheless has some major aesthetic defects, particularly in the uniformity of transparency of light-coloured materials. Given its upscale positioning, the Group found it impossible to sell these “Silver” products at the same price as its normal range. These products were therefore taken into inventory at their production cost but were provisioned to align their inventory value to their estimated future selling price.

In 2012 the Group therefore began a relatively large destocking of “Silver” products, selling them to a specialised clientele. The counterpart of these sales was a reversal of the provisions constituted earlier. This destocking at downgraded prices therefore had no impact on the margin for the fiscal year in which these materials were sold.

- **Other current income and expenses**

These break down as follows:

in €K - IFRS - Audited	31 December 2013	31 December 2012	31 December 2011	Chg 12-13	Chg 11-12
Capitalised production (R&D expenses)	1 737	2 615	3 334	-34%	-22%
Operating subsidies	99	137	50	-28%	174%
Gain (loss) on disposal of assets	(1)	(15)	34	-93%	-144%
Other	(233)	65	22	-458%	195%
TOTAL	**1 602**	**2 802**	**3 442**	**-43%**	**-19%**

In 2013, a loss of €233K was recognised in "Other expenses" following the discontinuation of an industrial project. See Section 5.

The capitalised production results from the recognition in transfers of operating expenses, of the costs incurred by the Company in producing assets (expenses on R&D and on project management to deploy SAP primarily in Switzerland).

In total, the R&D expenditure made in the period presented can be broken down as follows :

(in €K)	**31 December 2013**	**31 December 2012**	**31 December 2011**
Gross expenditure before CIR financing	4 546	4 208	3 801
IFRS restatement for CIR (*)	(655)	(616)	(403)
Gross expenditure after CIR financing (1)	3 891	3 592	3 398
Of which amount capitalised for the year (2)	1 341	1 324	1 998
Of which uncapitalised R&D expenses (**) (1) - (2)	2 550	2 268	1 400

(*) The restatement for CIR coves the share of CIR related to activated R&D expenses as well as the amortisation of CIR allocated to the activated amounts for previous years ;
(**) This line which presents "non-activated annual R&D expenses" for the period presented includes annual amortisation charges for activated R&D costs for previous years. Excluding the effect of the annual amortisation charge, non-activated R&D expense amounted to €1 649K, €1 935K and €1 400K for fiscal years 2013, 2012 and 2011.

9.2.3 *Composition of net income*

- **Financial income**

The net cost of financial debt was €830K in 2013, versus €1 036K in 2012 and €1 425K in 2011.

in €K - IFRS - Audited	**31 December 2013**	**31 December 2012**	**31 December 2011**
Income from cash and cash equivalents	47	(5)	5
Interest expense	(877)	(1 031)	(1 429)
Net cost of financial debt	**(830)**	**(1 036)**	**(1 425)**
Gain (loss) on translation	(418)	218	(1 388)
Financial expenses on employee benefits	(107)	(104)	(92)
Change in value of derivative financial instruments	(101)	30	(109)
Dividends from non-consolidated entities	21	-	1
Other	(283)	(329)	180
Other financial income and expenses	**(888)**	**(184)**	**(1 408)**
Financial profit (loss)	**(1 718)**	**(1 220)**	**(2 833)**

Its 9,9% reduction between 2012 and 2013 is the result of two effects:

- the decline in the carrying value of net debt (excluding factoring) from €25 011K at 2012-end to €17 003K at 2013-end;
- the decline in interest rates, the average 3-month EURIBOR rate falling from about 60 basis points on average in 2012 to 22 basis points on average in 2013.

Between 2011 and 2012, the cost of debt fell by 27,8%, as a consequence of the decline in the carrying value of net debt (excluding factoring) from €32 442K to €25 011K and the net decline in short-term rates, the average 3-month EURIBOR falling from 140 basis points in 2011 to about 60 basis points in 2012.

Other financial income and expenses which went from -€184K in 2012 to -€888K include notably the loss on currency translation in 2013 (-€41,8K) versus a gain in 2012 (+€212K) mainly due to the rise in the value of the euro against the US dollar and the Japanese yen. In 2011, losses on currency translation amounting to €1 388K (due to the sharp rise in the value of the Swiss franc versus the euro) was the main component of other financial income and expenses amounting to €1 408K in 2011.

After taking financial profit/loss into account, consolidated profit before tax was €7 240K in 2013, €2 039K in 2012 and €3 425K in 2011.

- **Income tax**

Income tax charges (payable + deferred) rose from €578K in 2012 to €2 337K in 2013 reflecting the rise in pre-tax income from €2 039K to €7 240K between 31 December 2012 and 2013, whereas it had fallen between 31 December 2011 and 2012 from €3 425K to €2 039K.
Accordingly, after-tax profit was €4 903K in 2013, €1 461K in 2012 and €2 476K in 2011.

- **Income from equity associates**

Income from equity associates relates to the Group’s share in the joint venture Vinyloop with Solvay which offers composite-materials recycling. The Group’s share amounted to a loss of €1 087K in 2013 versus a loss of €588K in 2012 and a loss of €1 130K in 2011.
This change over the period occurs mainly in 2012, due to the non-recurring income reflecting the abandonment by Vinyls+ (the European PVC manufacturers’ association) of its €2 000K receivable against Vinyloop, 40% of which represents the Group’s share of the joint venture, limiting the net loss from equity associates in 2012.

- **Net income, Group share**

After taking some non-controlling interests into account, the Group’s share of consolidated net income was €3 826K in 2013 versus €905K in 2012 and €1 328K in 2011.

Fiscal year 2013 was thus marked by a clear improvement over 2012 under the effects of all the decisions taken by Management as explained above.
The Group intends to continue all the efforts made to re-establish gross margins on standard costs at the levels seen in 2013 and thus in step with historical margins.

10 CASH AND CAPITAL

10.1 INFORMATION ON CAPITAL FUNDS, CASH AND EQUIVALENTS, AND GROUP FINANCING SOURCES

Note 16 of the notes to the consolidated financial statements as well as the statement of changes in share capital prepared in accordance with IFRS standards and presented in Section 20.1 of this Base Document disclose, respectively, the changes in the Company's share capital and the Group's shareholder equity.

As at 31 December 2013, the Group's share of shareholder equity was €51 120K versus €46 465K at 2012-end and €46 026K at 2011-end.

Shareholder equity investment has not changed since June 2008, the date of the last fund raising in the amount of €2 000K.

The Group self-finances the development of its activities partly through the cash flow generated by its operating activities and partly, as needed, by short- and medium-term debt.

The change in net financial debt over the period presented and its weight relative to Group shareholder equity and adjusted EBIDTA are as follows:

In €K - IFRS - Audited	31 December 2013	31 December 2012	31 December 2011
Medium-term bank borrowing	15 254	23 830	31 715
Revolving credit	6 000		
Bank overdrafts	3 742	15 036	13 007
Factoring	10 700	9 929	12 478
Borrowings and financial debt	**35 696**	**48 795**	**57 200**
Cash and cash equivalents	(7 993)	(13 855)	(12 280)
Net debt	**27 703**	**34 940**	**44 920**
Gearing: ratio of Net debt / Shareholder equity	***54,2%***	***75,2%***	***97,6%***
Leverage*: ratio of Net debt / Adjusted EBITDA	***1,6***	***3,5***	***3,1***

***Unaudited**

The gearing and leverage ratios in the banking documentation for testing the Group's covenants are based on the consolidated financial statements prepared in accordance with the French accounting standard CRC 99-02, and are therefore different from the calculations based on the IFRS financial statements presented above and which the Group satisfies in respect to its covenants on 31 December 2011, 2012 and 2013.

The Group has considerably strengthened its financial structure since 2011 (gearing halved, and substantial improvement in its ability to meet its debt obligations) thanks to:

- continuous and significant improvement in operating profitability (adjusted EBITDA margin on revenue increased from 9,2% in 2011 to 12,1% in 2013) coupled with rigorous and active management of its operating working capital requirements, specifically the inventory levels;
- selective management of its current investments without sacrificing its capacity to innovate and adapt to its various target markets.

These actions taken since 2011 have allowed the Group to:

- generate significant and continuously increasing cash flow from operating activities since 2011 (+€3 437K between 2011 and 2013, with a substantial impact from the reduction in working capital requirements in 2012 following the inventory adaptation and adjustment programmes) which reduced the use of short-term financing (revolving credit, bank overdrafts and factoring declining by €1 743K between 2011 and 2013);

maintain the current level of investment allowing the Group to retain its position among the technological leaders in the sector while limiting the use of financing for investment (via short-term borrowing), bank borrowing having fallen by nearly two-third between 2011 and 2013.

10.1.1 *Information on liquid assets*

As at 31 December 2013, total cash and cash equivalents held by the Group amounted to €7 993K versus €13 856K at 2012-end and €12 280K at 2011-end.

"Cash and cash equivalents" includes liquid assets and short-term investment securities. These liquid assets come mainly from operating cash flows, which are partly used to fund the Group's current activities and investments.

The Group set itself the goal of maintaining its "current investments in renewal and technological adaptation" at approximately 2,5% of consolidated net revenue. "Current investments in renewal and technological adaptation" cover mainly tangible investments excluding buildings as well as IT expenses (information systems, recognised in "Other intangible assets").

The Group's investments in growth (mainly building new production lines and external growth operations) are financed by debt and by mobilising the Group's own resources, as part of a policy aimed at a sound financial structure.

10.1.2 *Information on the Group's financing sources*

In addition to cash flow from operating activities, the Group uses, as needed, short-term financing, mainly to fund its renewal and technological adaptation investments (bank loans set up to cover the costs linked to property, plant and equipment investment budgeted for the following year) and short-term financing (revolving credit, use of factoring, and overdraft facilities).

10.1.2.1 Financing by short-term borrowing

Renewal and technological adaptation investments are financed partly by bank loans from the Group's partner banks ("Club Deal"). These loans are set up based on the investment budget for the next year. This mode of financing allows the Group to secure the financing for the investments needed to maintain its technological performance.

The financing tranches for investments are as follows:

			remaining to be repaid (excluded accrued interest)			
In €K - IFRS - Unaudited	**original amount**	**term**	**at 31 December 2013**	**< 1 year**	**1 ≥ 5 years**	**> 5 years**
Club Deal July 2009	15 000	5 yrs	2 000	2 000		
Club Deal May 2011	6 000	4 yrs	3 600	1 200	2 400	
Club Deal December 2011	8 000	7 yrs	1 000*		1 000	
Club Deal September 2013	6 000**	6,5 yrs	**			6 000
Total	**35 000**		**6 600**	**3 200**	**3 400**	**6 000**

** The financing set up as part of this club deal can be used within these limits until 2016*
***This arrangement signed in September 2013 does not impact the Group's financial structure at 31 December 2013. It is aimed at financing 2014 investments so the funds will not be made available to the Group until 1 January 2014..*

These arranged loans are actioned via drawdown notices, can be used or not, and are repayable monthly, semi-annually or annually depending on the repayment schedule.
Furthermore, the Group through its Swiss subsidiaries has medium-term financing in Swiss francs amounting to CHF 17 800K (~€14 600K), CHF 12 250K (~€10 100K) et CHF 8 650K (~€7 100K) as at 31 December 2011, 2012 and 2013. These arrangements were set up between 2002 and 2011 to finance the Swiss companies' own

investments. As it wants to reduce its exposure to EUR/CHF exchange rate fluctuations, the Group is no longer financing these investments through CHF lines, but through EUR financing in the form of club deals.

The repayment schedules are subject to financial ratio clauses as described in Section 4.4.4 of this Base Document and if they are not met the lenders have the option of requiring early repayment.

10.1.2.2 Other medium-term financing set up with OSEO/BpiFrance

As part of the project to develop a specific machine, in February 2013 the Group obtained an interest-free innovation loan from Oséo in the amount of €1 000K.

As at the date of this Base Document, no repayment has yet been made as, under the terms of the loan, repayment was deferred for two years and the quarterly payments will be spread between June 2015 and March 2019 (quarterly payments of €61,9K).

An innovation loan in the amount of €107K was also obtained from Oséo in January 2013. No repayment has yet been made as, under the terms of the loan, repayment was deferred for two years and the quarterly payments will be spread between December 2015 and September 2017 (quarterly payments between €10,8K and €16K).

10.1.2.3 Short-term financing

Revolving credit

The purpose of the financing agreement signed with the bank pool in 2013 was:

- to allow the Company to fund its 2014 renewal and technological adaptation investments in the amount of €6 000K as indicated above in Section 10.1.2.1 and
- to make available to the Group partial funding of its working capital requirements by setting up revolving credit of up to €9 500K over 18 months maturing 31 March 2015 and replacing unconfirmed bilateral overdraft facilities.

As at 31 December 2013 the Group had drawn down €6 000K of this short-term financing. All sums drawn down must be repaid in full on the maturity date which is 31 March 2015. This revolving credit is subject to financial ratio clauses identical to those applicable to medium-term loans.

Factoring agreement

To optimise the management of working capital requirements, the Company has been using factoring since 2011, to finance its receivables against French or foreign customers. The Group's financing line with the factor is €20 000K, of which €10 700K had been used as at 31 December 2013.

The financing set up under this agreement relies mainly on the existence of the guarantees offered by the Group’s credit insurance company.

As at 31 December 2013, the receivables passed to the factor amounted to €15 961K of which €10 700K was covered by financing classed as current financial debt. The non-financed portion corresponds partly to withholdings by the factor as guarantees, and partly to receivables for which the customer payment terms exceed the contractual limits agreed between the factor and the Company or for which the amount sold exceeds the amount covered by the credit insurer.
The Company is working on optimising these issues (raising ceilings, transmitting the documentation needed to set up credit insurance, etc.) so as to reduce the differential between the receivables sold and the receivables financed.

Short-term cash facilities

In addition to the financing indicated above, the Group supplements the financing of its working capital requirements by the use of short-term financing lines.
As at 31 December 2013, the Group had €9 500K in confirmed and €4 500K in unconfirmed cash facilities.
The use of this type of ad hoc financing allows it to cover seasonal peaks in working capital requirements.

Current accounts of shareholders

As needed, the Group benefits from advances on current accounts by related companies, primarily Ferrari Participations, SergeFerrari Group's holding company which as at the date of this document owns 78% of the Company's share capital. The funds made available to the Group from a shareholder current account mainly result from a participation loan granted by OSEO in January 2012 for a 7-year term but lodged for historical reasons with the holding company Ferrari Participations.

10.1.3 *Off-balance-sheet commitments*

Off-balance-sheet commitments are disclosed in Note 31 of the notes to the consolidated financial statements prepared to IFRS standards and presented in Section 20.1 of this Base Document.

10.2 CASH FLOW

Over the period presented, changes in cash flow by type were as follows:

In €K - IFRS - Audited	31 December 2013	31 December 2012	31 December 2011
Cash flow from operating activities	16 722	12 118	11 769
Cash flow from investing activities	(5 223)	(4 583)	(10 862)
Cash flow from financing activities	(6 012)	(8 053)	(618)
Impact of exchange rate movements	*(55)*	*63*	*112*
Net cash flow in the period	**5 432**	**(454)**	**(1 636)**
Cash and cash equivalents at start of period*	(1 181)	(727)	(2 363)
Cash and cash equivalents at end of period*	(4 251)	(1 181)	(727)
Change in cash & cash equivalents	**5 432**	**454**	**(1 636)**

To reflect the economic rationale used by the Group in financing its customer-related items by factoring, and for purposes of the Notes to the financial statements, the following cash flow table shows the restatement of the receivables financed by factoring as described in Note 17 of Section 20.1 as follows:

In €K - IFRS -	31 December 2013	31 December 2012	31 December 2011
Impact of cash receivables at start of period	(9 929)	(12 478)	(1 576)
Impact of cash receivables at end of period	(10 700)	(9 929)	(12 478)
Impact of change in cash flow	**(771)**	**2 549**	**(10 902)**

The resulting flows are as follows:

In €K - IFRS -	31 December 2013	31 December 2012	31 December 2011
Net cash flow from operating activities	16 722	12 118	11 769
Net cash flow from investing activities	(5 223)	(4 583)	(10 862)
Net cash flow from financing activities	(6 783)	(5 504)	(10 284)
Gain (loss) on currency translation	*(55)*	*63*	*112*
Net cash flow in the period	**4 661**	**2 095**	**(9 265)**
Net cash at start of period	(11 110)	(13 204)	(3 939)
Net cash at end of period	(6 449)	(11 110)	(13 204)
Change in cash and cash equivalents	**4 661**	**2 095**	**(9 265)**

10.2.1 *Cash flow from operating activities*

Cash flow from operating activities in the fiscal years ended 31 December 2013, 2012 and 2011 amounted to €16 722K, €12 118K and €11 769K, respectively.

In €K - IFRS - Audited	31 December 2013	31 December 2012	31 December 2011
Net income for the period	3 817	873	1 346
- Eliminating net income from equity associates	1 087	588	1 130
- Amortisation allowances and provisions	7 282	6 151	7 241
- Other items not impacting cash	(559)	53	413
- of which gain (loss) due to changes in fair value	*(96)*	*232*	*98*
- of which gain (loss) on disposals	*1*	*15*	*(34)*
- of which dividend income	*(21)*	*-*	*-*
- of which other income and expenses not impacting cash	*(443)*	*(194)*	*349*
Self-financing capacity after net financial debt and taxes	**11 627**	**7 665**	**10 130**
- Net cost of financial debt	877	1 031	1 429
- Tax charge	2 337	578	949
Self-financing capacity from operating activities before change in WCR and taxes paid	**14 841**	**9 274**	**12 509**
Change in WCR for operations (a+b)	**3 318**	**3 756**	**1 416**
(a) - Change in "operating" working capital requirements	799	7 302	(2 001)
- of which Impact of change in inventories	*(1 711)*	*5 247*	*(1 147)*
- of which Impact of change in trade receivables	*1 638*	*5 098*	*2 150*
- of which Impact of change in trade payables	*872*	*(3 043)*	*(3 004)*
(b) – Change in working capital requirements for other operating items	2 519	(3 545)	3 417
- Taxes paid	(1 438)	(912)	(2 156)
Net cash flow from operating activities	**16 722**	**12 118**	**11 769**

The increase in operating cash flow between 2011 and 2013 of 34.5% is the result of the operations strategy deployed by the Group since 2011:

- The implementation of rigorous management of supplies and inventories, in difficult market conditions with heavy pressure on business volumes and operating profitability, has allowed a significant reduction in inventory volumes since 2012. This destocking between 2011 and 2012 (€5 246K reduction) very favourably impacted working capital requirements in 2012, an impact accentuated by a reduction in trade receivables (a direct consequence of the decline in sales in the third quarter of 2012 in particular) greater than the reduction in Group debts (trade payables) to its suppliers.

- The strategic decision taken in 2012 to abandon low-margin markets, allowing the Group to free up additional capacity for profitable production, the effects of which were fully reflected in the results for 2013, with the rise in adjusted EBITDA between 2012 and 2013 reflected in the Group’s self-financing capacity (increasing by more than 60% between 2012 and 2013).
  The Group also continued to rigorously manage its working capital requirements, 2013 inventories being €1 711K higher than in 2012, mainly due to stocking raw materials and in-process intermediate goods, while volumes sold declined slightly and raw material prices moderated in 2013.

The strategy implemented by the Group thus allowed it to rationalise its working capital requirements and enter a dynamic growth phase to generate a sustainable operating cash flow.

Change in working capital requirements during the period presented

One of the key operating performance indicators monitored by the Group is "operating working capital requirements" covering inventories, trade receivables and trade payables.
The detailed table of operating cash flow presented above shows the changes in "operating" working capital requirements as well as changes in working capital requirements for operating items other than inventories, trade receivables and trade payables (ie, tax and social security debts, adjustment accounts, tax expense other than corporate income tax...).
All of these requirements together comprise the working capital required for operating activities.

Change in operating working capital requirements

In 2011, the Group was hit by favourable economic conditions in terms of activity, with a sudden resurgence of sales (average increase in volumes of 20% between the second quarter of 2011 and the first quarter of 2012), which caused a deterioration in its operating working capital requirement from €58 535K at 31 December 2010 to €60 536K at 31 December 2011.

In 2012, a proactive policy to tighten purchasing and inventories, combined with a slowdown in activity from the second quarter of 2012 mainly reflecting the decision to discontinue selling low-margin products, produced a sharp improvement in working capital requirements to €53 235K.

In 2013, for revenue that was, overall, comparable to 2012 at close to €140 million, the working capital requirement improved slightly to €52 436K due to the decline in sales (lower in December 2013 than in December 2012) neutralised by the change in inventories and trade payables.

Change in other components of operating working capital requirements

Other tax and social security receivables and payables generated an increase in resources in 2013 (higher tax debt due to growth in profitability), whereas these items remained steady in 2012 and resources grew in 2011 (due to the encashment or allocation of excise and VAT receivables for 2010).

10.2.2 *Cash flow from investing activities*

Cash consumed in investing activities in the fiscal years ended 31 December 2013, 2012 and 2011 amounted to €5 223K, €4 583K and €10 862K respectively.

In €K - IFRS - Audited	**31 December 2013**	**31 December 2012**	**31 December 2011**
Acquisition of tangible and intangible assets	(6 003)	(3 983)	(9 694)
Acquisition of financial assets	225	(1 000)	(1 758)
Disposal of tangible and intangible assets	534	736	590
Dividends received	21	-	-
Net cash flow from investing activities	**(5 223)**	**(4 583)**	**(10 862)**

The Group's main investments in the period are described in Section 5.2 "Investments" of this Base Document. The dividends received in 2013 in the amount of €21K were paid by SIBAC (a company that makes lined ponds and lined ponds), 18%-owned by the Group and not within its consolidation scope.

10.2.3 *Cash flow from financing activities*

Cash flows from financing activities were (€6 012K) in 2013, (€8 053K) in 2012 and 618K in 2011.

In thousands of euros	31 December 2013	31 December 2012	31 December 2011
Borrowings	6 000	396	3 458
Borrowing repayments	(8 576)	(8 282)	(9 074)
Net financing interest paid	(889)	(1 181)	(1 287)
Dividends paid to Group shareholders	-	-	(1 578)
Factoring	771	(2 549)	10 902
Other cash flow from financing activities	(3 318)	3 563	(1 803)
Net cash flow from financing activities	**(6 012)**	**(8 053)**	**618**
Impact of change in exchange rates	-55	63	113

Net cash flows from financing activities mainly reflect the change in financial debt and the factoring used for customer-related components, excluding the dividend paid to shareholders in 2011 for fiscal year 2010. Borrowing-related drawdown and repayment cash flows reflect the use and amortisation (via the gradual reduction of drawing rights) of those borrowings.

Net financial interest paid corresponds to the terms and conditions of banking documentation.

SergeFerrari Group also uses ad hoc or ongoing financing by its majority shareholder Ferrari Participations via advances on current accounts. The funds made available in this way mainly result from a development participation loan granted by OSEO in January 2012 for a 7-year term, which for historical reasons had been lodged with the holding company Ferrari Participations and not with one of the Group's operating subsidiaries.

The net positive cash flow of €618K in fiscal 2011 was due to the strong increase in factoring in the amount of €10 902K.

However, in analytical terms and as explained at the beginning of Section 10.2, the Company uses the cash flows net of financing as follows :

In €K - IFRS -	31 December 2013	31 December 2012	31 December 2011
Bonds issued	6 000	396	3 458
Bond repayments	(8 576)	(8 282)	(9 074)
Net interest expense	(889)	(1 181)	(1 287)
Dividends to Group shareholders	-	-	(1 578)
Other cash flow from financing activities	(3 318)	3 563	(1 803)
Net cash flow from financing activities	**(6 783)**	**(5 504)**	**(10 284)**

The Group believes that factoring, just like using its treasury resources or bank overdrafts, is an appropriate way to finance its current needs (operating working capital requirements including other current operations), the average amortisable term being reserved for financing non current operations (investments, acquisitions...). The exclusion of factoring from current financing would reflect this specialisation in the use of the financing operated by the Company. This is why it prefers an approach that consists of having to consider factoring as a component of cash, just like cash and bank overdrafts, as factoring is considered by the Company as an alternative mode of financing. The result of this approach is that the net cash flow that it considers as "real" financing activities amounted to (€6 783K), (€5 504K) and (€10 284K) at 31 December 2013, 2012 and 2011.
This special approach produces the following net cash flow figures for those years of €4 661K, €2 095K and (€9 265K) whereas the approach used in Section 20.1 below shows €5 432K, (€454K) and €1 636K.

10.3 BORROWING CONDITIONS AND ISSUER'S FINANCING STRUCTURE

This information is detailed in Section 10.1.2 above.

10.4 RESTRICTIONS ON THE USE OF CAPITAL

With the exception of guarantee deposits and current accounts frozen for a period longer than 1 year in the amount of €7K, and recognised under non-current financial assets (totalling €2 431K as at 31 December 2013), the Company faces no restrictions on the availability of its capital.

These current accounts relate to advances and current accounts arranged with non-consolidated subsidiaries in the amount of €200K, the balance relating to cash movements from time to time with Ferrari Participations (financing flows in either direction) or FERRIMMO (see Section 14.2 of this Base Document for FERRIMMO shareholding and Section 19.1.2 for flows from real estate rentals) and their subsidiaries (companies holding leases on premises to the benefit of SergeFerrari Group's French operating companies).
These current accounts allow the possibility of receiving (or paying) interest.

10.5 SOURCES OF FINANCING REQUIRED IN THE FUTURE

Available cash and cash equivalents at 31 December 2013 amounted to €7 993K, of which €6 000K came from drawdowns on short-term lines of credit and included:

- the securing of financing for 2014 renewal and technological adaptation investments set up in September 2013 in the amount of €6 000K, drawable on request in the form of notices limited by the amounts actually used (repayable in full in 2020);
- the expected activity level to generate operating cash flow sufficient to cover the Group's projected loan repayments in 2014 given its factoring capacity, and the unused cash facilities to date of €4 500K, to manage potential working capital requirements at any particular time.

The Company believes it can meet its operating and investment needs, and repay its borrowings (including interest), for the twelve months following the period-end date of the 2013 consolidated financial statements.

11 RESEARCH AND DEVELOPMENT, PATENTS, LICENCES, TRADEMARKS AND DOMAIN NAMES

11.1 THE GROUP'S INNOVATION POLICY

See Sections 6.4.3 and 12.2 of this Base Document.

Total gross expenditure on R&D (regardless of how recognised in accounts and before restatement of CIR) amounted to €4 546K, €4 208K and €3 801K in fiscal years 2013, 2012 and 2011 respectively. This innovation effort will continue in the years to come and will be one of the features of the growth acceleration plan described in Section 12.2 of this Base Document.

11.2 INTELLECTUAL PROPERTY PORTFOLIO

The Group's intellectual property portfolio includes trademarks and patents, as well as license agreements inherent in the composite materials recycling activity.

11.2.1 *Trademark portfolio*

After rationalising its trademarks in 2010 (preferring the Serge Ferrari name over other Group trademarks), the Group now has 32 trademarks. This mainly corresponds to the products ranges dedicated to special applications. Most can be grouped by type of manufacturing process:

- **Précontraint Coating:**
  - 3 brands: Précontraint® (architecture), Soltis® (architecture, solar protection), Fluotop® (architecture, surface treatments).
- **Extrusion**:
  - 3 brands: Batyline® and Canatex® (multicolour micro-cables), Defender® (cutproof, very resistant micro-cables for industry).
- **Non-Précontraint Coating** (products made in Switzerland):
  - "Consumer" products: Stamoïd®, Stamskin®, Stamisol®.
  - Anti-condensation products: Drop Stop®, Nanotop®.
  - Visual Communication range: Decolit®, Sign-it®, and Expolit®.
  - Other: Stamfood® (food-grade film for the industrial market), Stamcoll® (adhesive in the accessories range), Siltop® (hybrid fabric), Texysolar®.

The Group also has other diverse brands such as:

- Flexlight®: a new impregnation process (top of the range fibreglass-based micro-cables) the first deliveries of which were in early 2014.
- Texyloop®: recycling process.
- Eco-Identity®: environmental label (low toxicity, recyclability, etc.).
- Texwork®: name of a composite materials trade fair organised by Serge Ferrari every two years in France with international exhibitors and visitors.
- Zebu®: the name of the Group's internal newsletter.

Certain other trademarks, such as Stam® and Stamolux®, are not used.

All Group trademarks are protected in most of the markets in which the Group operates. The protection accorded to the Group's trademarks relies on them being registered or on them being used. They are registered nationally, in the European community, and internationally for varying periods depending on the country.

11.2.2 *Patent portfolio*

Committed to innovation since it was formed, the Group has full ownership of a portfolio of 33 active patents, of which 18 are used today. The Group's patents are very varied as they cover:

- industrial processes for manufacturing materials;
- formulations of coatings;
- optimisation systems and technologies for using materials;
- accessories associated with sales of materials;
- new products, etc.

These patents are presented in the following table, group by category of fabrication process for the material corresponding to the patent.

Process category of the material corresponding to the patent	Exploitation of patent	Name of patent	Description of patent
Précontraint	Exploited	ATS 1	Air Tension System. Tool for setting up modular structures, using compressed air
		ATS Double skin	Same at ATS 1 but for double layer of material, separated by an air layer
	Not yet exploited	Alarm	Alarm system for cuts, by electrical conduction (connected to Condtext Batyline)
	Not exploited	Crease resistant	Crease resistance system for solar protection
		COMA	"COnnexion Membrane Armature" for modular structures
		Luminous pelmet	For solar protection
		Vario Soltis	For solar protection
		Sign'it window	For visual communication
		Rib Stop	Anti-rip system
Extrusion	Exploited	Anti-Lac	Anti-laceration. For the "Defender" range of products (security)
		Silicord	Elastic system. For yachting, and facades
		Batyline Chanvre	Hemp added to resins to improve the ecological footprint. For outdoors
		Lallemand tile	Self-stable ceiling tile
		Batylux	Optical fibres for illuminating facades. For architecture and facades
		Batyline DB	Sound absorbing material. For architecture, acoustic range
	Not yet exploited	Snake (now Wip)	Solar protection system. Should be exploited in 2014
	Not exploited	Condtext Batyline	Anti-laceration system using electrical conduction (connected to Alarm)
Non-précontraint coating	Exploited	Sign'it	Self adhesive system. For visual communication
		Tex Cable Conduit	System for running electrical cables in a watertight material. Patent developed for a customer (large industrial group) which has the exclusive to it
		Texysolar	Technology for modular photovoltaic structures
		Ferrari F1 N°1	Process for silicone coating on a water based substrate
		RTV impregnation F1 N°2	Process for water based silicone impregnation
	Not exploited	Siltop	Hybrid material made of silicone and PVC
		Hard Top	Mono filament stiffened in weft direction to make it semi rigid
Other	Exploited	Securit Flexible Partition	Partitioning system for inside trucks to separate spaces. Patent registered for a customer to whom the Group has granted an exclusive license
		BASIL	Silicone adhesive
		Bioplast	Formulation of a plant-based raw material, producted by subcontractors. For accessories
		Glass folds	Fold removing liquid. For all uses
		Camouflage net	For security
	Not exploited	FCM	Multispectral Camouflage Net (security)
		SUVIR	Infra Red UV weld. Fast silicone baking process
		Polyplastone	Polymer made from a plant material
		Facade material	Facade incorporating additive systems to add various functionalities: cooling, lighting, vegetalisation...

Total patents exploited: 18 patents
Total patent not exploited / not yet exploited: 15 patents

In addition to regularly filing patents, the Group has through its proprietary know-how developed a type of natural protection that does not rely on patents.

For the manufacturing process using Précontraint® technology, the Group has a patent but as it was filed in 1974 it has now fallen into the public domain. This process is now "protected" by the Group's know-how (see Sections 4.3.2 and 6.2.1 of this Base Document) which is classed as proprietary due to the history of its development needed to perfect this know-how.

Given the extensive R&D required to develop it, the Group believes its activity is not threatened by any patents that may be filed by third parties.

For each of its 33 patents, the following table summarises the references, patent names, priority and expiry dates as well as the country where the patent was obtained and the countries in which the patents are pending.

Ref.	Family	Priority date*	Expiry date	Status	
				Country where patent obtained	Country where application in progress
F2-B-13640	ANTI-PLIS	19/06/96	18/06/17	Belgium, France, Germany	
F2-B-13916	LAMBREQUIN LUMINEUX	07/02/97	05/02/18	France	
F2-B-17875	ANTILAC	02/03/01	12/02/22	Austria, Finland, Portugal, Italy, Netherlands, Ireland, Greece, France Spain, Great Britain, United States, Turkey, Sweden, Denmark, Germany, Belgium, Switzerland	
F2-B-18145	SILICORD	08/03/01	12/02/22	Germany, Austria, Belgium, Spain France, Great Britain, Italy, Netherlands, Switzerland, Australia	
F2-B-18384	CONDTEXT BATYLINE	10/10/01	08/10/22	France	
F2-B-18411	SIGN'IT	27/09/01	26/09/22	Germany, Austria, Belgium, Denmark, Spain, France, Greece Finland, Great Britain, Ireland, Italy, Luxembourg, Monaco, Netherlands, Portugal, Czech Republic, Slovakia, Sweden, Switzerland, United States, Canada	
F2-B-18691	BATYLINE CHANVRE	08/02/02	30/01/23	Germany, Austria, Belgium, Bulgaria, Cyprus (GR), Denmark, France, Spain, Estonia, Finland, Great Britain, Greece, Hungary, Ireland, Italy, Luxembourg, Monaco, Netherlands, Portugal, Czech Republic, Slovakia, Slovenia, Sweden, Switzerland, Turkey, United States, China, India	
F2-B-19855	SILTOP	09/12/02	02/12/23	Germany, Austria, Belgium, Denmark, Spain, Finland, France, Great Britain, Greece, Ireland, Italy, Monaco, Netherlands, Portugal, Sweden, Switzerland	
F2-B-20038	ATS 1	14/01/03	16/12/23	Germany, Austria, Belgium, Spain France, Great Britain, Hungary, Italy, Netherlands, Portugal, Switzerland, Turkey	
F2-B-20039	COMA	07/03/03	07/03/23	France	
F2-B-21059	FCM	16/07/04	16/07/24	France	
F2-B-21060	SUVIR	20/04/04	20/04/24	France	
F2-B-21174	CLOISON SOUPLE SECURIT	16/03/04	16/03/24	France	
F2-B-21273	HARD TOP	11/05/04	11/05/24	France	Europe
F2-B-22380	BASIL	03/10/05	03/10/25	Germany, Austria, Belgium, Denmark, Spain, Estonia, Finland, France, Hungary, Italy, Great Britain, Netherlands, Czech Republic, Sweden, Switzerland	
F2-B-22509	ALARME	17/11/05	09/11/26	Germany, Austria, Belgium, Spain France, Great Britain, Greece, Italy, Netherlands, Poland, Portugal, Slovakia, Slovenia, Turkey	
F2-B-22513	VARIO SOLTIS	24/04/12	24/04/32		France
F2-B-23593	SIGN'IT WINDOW	21/12/07	21/12/27	France	Europe
F2-B-23978	RIBSTOP	10/12/07	10/12/27	France	

Ref.	Family	Priority date*	Expiry date	Status	
				Country where patent obtained	Country where application in progress
F2-B-24071	ATS DOUBLE PEAU	01/08/07	01/08/27	France, Poland, Portugal, Sweden, Switzerland Czech Republic, Europe, Germany, Austria, Belgium, Denmark, Spain, Finland, Great Britain, Italy, Norway, Netherlands, China, United States	
F2-B-27696	PASSE CABLE TEX (TEXEL)	19/06/09	19/06/29	Germany, Austria, Belgium, Denmark, Spain, Finland, France, Great Britain Greece, Ireland, Italy, Luxembourg, Netherlands, Poland, Portugal, Sweden, Switzerland, Turkey	China, India, Brazil, Russia
F2-B-31139	DALLE LALLEMAND	26/01/05	20/01/26	Germany, Austria, Belgium, Denmark, Spain, France, Great Britain, Italy, Netherlands, United States	
F2-B-31858	TEXY SOLAR	04/11/11	04/11/31		France PCT
F2-B-31861	BATYLUX	27/05/11	27/05/31	France	
F2-B-33092	BIOPLAST	16/05/08	16/05/28	France	Europe
F2-B-33586	BATYLINE DB	08/07/11	08/07/31	France	Japan, United States, Europe
F2-B-35697	PLIURE VERRE	23/11/13	23/11/33		France
F2-B-39598	SNAKE	04/04/13	04/04/33		France

**The priority date is the date that the very first patent application was filed for a given invention.*

11.2.3 *License agreements benefitting the Group*

The Group also uses license granted by agreement:

License for the Vinyloop recycling service: Since 1998 the Group has an exclusive worldwide license free of charge to use the Vinyloop® process granted by Solvay Group for the Group's fields of activity (see Section 6.4.7 of this Base Document).
This license is linked to the patent for:

- separating the PVC polyester material using a solvent that dissolves it selectively;
- PVC precipitation.

This license will remain in force until it falls into the public domain in March 2019.

See Section 4.2.4 on the risks related to recycling.

The Group also owns a license in a field (Smart Textiles) that is not part of its core business and is not a growth vector.

The Group has not granted any license, with the exception of those relating to the use of the trademark by its distribution subsidiaries (see Section 7.3 of this Base Document).

11.2.4 *Other intellectual property*

Domain names

The Group has a large number of registered domain names, as shown in the following table. The Group's policy is register, as soon as a trademark is created, the domain names corresponding to that trademark, for preventive purposes. They are managed by a third party (a website hosting company) and are automatically renewable annually.

Domain name	Expiry date	Domain name	Expiry date
architecture-textile.com	2014-09-19	precontraint.eu	2014-06-30
architecture-textiles.com	2015-04-22	precontraint.fr	2014-06-29
batyline.ae	2014-07-03	precontraint.it	2014-06-29
batyline.at	2015-04-21	precontraint.ru	29.06.2014
batyline.ch	2015-04-30	precontraint.us	2014-06-28
batyline.cl	2014-07-03	prilan.com	2014-08-02
batyline.co.uk	2015-04-22	prilan.fr	2014-08-02
batyline.com	2014-07-31	sergeferrari.ae	2014-12-24
batyline.com.au	2014-07-02	sergeferrari.at	2014-12-23
batyline.de	2014-06-29	sergeferrari.ch	2014-12-31
batyline.es	2015-04-22	sergeferrari.cl	2014-12-27
batyline.eu	2015-04-30	sergeferrari.co.uk	2014-12-24
batyline.fr	2015-04-22	sergeferrari.com	2014-12-24
batyline.it	2015-04-24	sergeferrari.com.au	2014-10-25
batyline.us	2015-04-21	sergeferrari.com.br	2014-12-23
ci2m.fr	2014-12-20	sergeferrari.cz	2014-09-03
expobaches.com	2014-12-05	sergeferrari.de	2014-12-24
expo-baches.com	2014-12-05	sergeferrari.es	2014-12-24
facadetextile.ch	2015-04-30	sergeferrari.eu	2014-12-31
facadetextile.com	2015-04-22	sergeferrari.fr	2014-12-24
facadetextile.eu	2015-04-30	sergeferrari.it	2014-12-24
facadetextile.fr	2015-04-22	sergeferrari.pl	2014-06-16
facciatetessile.com	2015-03-17	sergeferrari.ru	2015-01-04
facciate-tessile.com	2015-03-17	sergeferrari.sk	2014-07-05
fluotop.ae	2014-07-03	sergeferrari.us	2014-12-23
fluotop.at	2014-06-28	sergeferrari.xxx	2014-12-21
fluotop.ch	2014-06-30	sergeferrari-clean.com	2014-07-27
fluotop.cl	2014-07-03	sergeferraricleaner.com	2014-10-14
fluotop.co.uk	2014-06-29	sergeferrari-shadesail.com	2014-06-29
fluotop.com	2014-07-30	sergeferrari-textiles.ae	2014-09-19
fluotop.com.au	2014-07-02	sergeferrari-textiles.at	2014-07-26
fluotop.com.br	2014-07-04	sergeferrari-textiles.ch	2014-07-31
fluotop.de	2014-06-29	sergeferrari-textiles.cl	2014-07-27
fluotop.es	2014-06-29	sergeferrari-textiles.co.uk	2014-07-27
fluotop.eu	2014-06-30	sergeferraritextiles.com	2014-07-27
fluotop.fr	2014-06-29	sergeferrari-textiles.com	2014-06-29
fluotop.it	2014-06-29	sergeferrari-textiles.com.au	2014-07-23
fluotop.ru	29.06.2014	sergeferrari-textiles.com.br	2015-02-06
fluotop.us	2014-06-28	sergeferrari-textiles.de	2014-07-27
precontraint.ae	2014-07-03	sergeferrari-textiles.es	2014-08-31
precontraint.at	2014-06-28	sergeferrari-textiles.eu	2014-07-31
precontraint.ch	2014-06-30	sergeferrari-textiles.fr	2014-07-27
precontraint.cl	2014-07-03	sergeferrari-textiles.it	2014-07-27
precontraint.co.uk	2014-06-29	sergeferrari-textiles.ru	2014-07-27
precontraint.com	2014-07-31	sergeferrari-textiles.us	2014-07-26
precontraint.com.au	2014-07-02	sergeferrari-texyloop.ae	2014-09-19
precontraint.com.br	2014-07-04	sergeferrari-texyloop.at	2014-07-26
precontraint.de	2014-06-29	sergeferrari-texyloop.ch	2014-07-31
precontraint.es	2014-06-29	sergeferrari-texyloop.cl	2014-07-27

Domain name	Expiry date
sergeferrari-texyloop.co.uk	2014-07-27
sergeferrari-texyloop.com	2014-06-29
sergeferrari-texyloop.com.au	2014-07-23
sergeferrari-texyloop.com.br	2014-12-31
sergeferrari-texyloop.de	2014-07-27
sergeferrari-texyloop.es	2014-08-31
sergeferrari-texyloop.eu	2014-07-31
sergeferrari-texyloop.fr	2014-06-29
sergeferrari-texyloop.it	2014-07-27
sergeferrari-texyloop.ru	2014-07-26
sergeferrari-texyloop.us	2014-07-26
soltis-stores.com	2014-06-06
soltis-stores.fr	2014-06-06
soltis-textiles.ae	2014-07-22
soltis-textiles.at	2015-04-21
soltis-textiles.ch	2015-04-30
soltis-textiles.cl	2015-09-16
soltis-textiles.co.uk	2015-04-22
soltis-textiles.com	2014-06-12
soltis-textiles.com.au	2014-07-02
soltis-textiles.com.br	2014-09-15
soltis-textiles.de	2015-04-27
soltis-textiles.es	2015-04-22
soltis-textiles.eu	2015-04-30
soltis-textiles.fr	2015-04-22
soltis-textiles.it	2015-05-29
soltis-textiles.ru	2014-06-23
soltis-textiles.us	2015-04-21
soltis-toiles.com	2014-06-06
soltis-toiles.fr	2014-06-06
stamisol.ae	2014-07-03
stamisol.at	2015-04-21
stamisol.ch	2014-12-31
stamisol.cl	2014-07-03
stamisol.co.uk	2015-04-22
stamisol.com	2014-06-21
stamisol.com.au	2014-07-02
stamisol.com.br	2014-07-04
stamisol.es	2015-04-22
stamisol.eu	2014-06-30
stamisol.fr	2015-04-22
stamisol.it	2015-05-29
stamisol.ru	2014-06-23
stamisol.us	2015-04-21
stamoid.ch	2014-12-31
stamoid.com	2014-06-26
stamoidmarine.ae	2014-07-03
stamoidmarine.at	2015-04-21
stamoidmarine.ch	2015-04-30
stamoidmarine.cl	2014-07-03
stamoidmarine.co.uk	2015-04-22
stamoidmarine.com	2014-06-21
stamoidmarine.com.au	2014-07-02
stamoidmarine.com.br	2014-07-04
stamoidmarine.de	2015-04-27
stamoidmarine.es	2015-04-22
stamoidmarine.eu	2015-04-30
stamoidmarine.fr	2015-04-22
stamoidmarine.it	2015-05-29
stamoidmarine.ru	2014-06-23
stamoidmarine.us	2015-04-21
stamoidsign.com	2014-06-21
stamskin.com	2014-06-21
tersuisse.com	2015-03-14
textilefacade.co.uk	2015-04-22
textilefacade.com	2015-04-22
textilefacade.eu	2015-04-30
textilefacade.us	2015-04-21
textilfassade.at	2014-10-07
textilfassade.ch	2014-10-31
textilfassade.com	2014-10-08
textilfassaden.at	2014-10-07
textilfassaden.ch	2014-10-31
textilfassaden.com	2014-10-08
textilfassaden.de	2014-09-15
texwork.eu	2014-07-31
texwork.fr	2014-06-14
texyloop.ae	2014-07-22
texyloop.at	2015-04-21
texyloop.ch	2015-04-30
texyloop.cl	2015-09-16
texyloop.co.uk	2015-04-22
texyloop.com	2014-09-27
texyloop.com.au	2014-07-23
texyloop.com.br	2014-09-15
texyloop.de	2015-04-27
texyloop.es	2015-04-22
texyloop.eu	2015-04-30
texyloop.fr	2015-03-08
texyloop.it	2014-07-23
texyloop.ru	2014-06-23
texyloop.us	2015-04-21
texysolar.com	2015-07-13
texytool.com	2014-10-21
zebu-web.com	2014-08-03

Domain name	Expiry date
ferrari-architecture.co.uk	2014-04-22
ferrari-architecture.com	2014-09-19
ferrari-architecture.de	2014-04-27
ferrari-architecture.es	2014-04-22
ferrari-architecture.fr	2014-04-22
ferrari-architecture.it	2014-07-22
ferrari-architecture.us	2014-04-21
ferrari-clean.com	2014-09-13
ferrari-defender.co.uk	2014-04-22
ferrari-industry.co.uk	2014-04-22
ferrarimexico.com	2015-02-23
ferrari-shadesail.com	2014-09-01
ferrarisign.co.uk	2014-04-22
ferrarisign.com	2014-06-21
ferrarisign.fr	2014-04-22
ferrari-textiles.co.uk	2014-04-22
ferrari-textiles.com	2014-12-22
ferrari-textilie.cz	2014-06-13
ferrari-texyloop.com	2014-10-07
ferrrari-texyloop.fr	2014-06-24

12 TREND INFORMATION

12.1 KEY TRENDS SINCE THE END OF THE LAST FISCAL YEAR

Since 31 December 2013, the Group's development policy has been at the heart of its 2014/2018 strategic development plan, focused on:

- accelerating its organic growth, by:
  - strengthening its existing positions in Southern Europe
  - growing its market shares in Wide Europe
  - strengthening its deployment in high-potential markets outside Europe
- improving margins, by:
  - continuing to improve productivity and yield
  - increasing the occupation rate of its plants
  - reducing working capital requirements
- continuing its innovation policy to generate higher margins.

The following table shows, from 1 January 2012 to 31 March 2014 (1st quarter 2014 was not audited), the quarterly change in revenue and gross margin on standard costs achieved solely by sales of flexible composite materials (excluding "other income"):

in €K - IFRS - Audited	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	TQ1 2014
Revenue Southern Europe	14 669	15 222	10 195	10 109	12 561	14 011	10 341	10 030	12 877
Revenue Wide Europe	12 987	15 173	12 122	10 892	12 550	14 450	13 888	11 578	11 933
Revenue Rest of World	7 577	7 776	6 736	8 304	8 101	9 774	7 062	6 929	7 972
Total revenue composite materials	**35 233**	**38 171**	**29 053**	**29 305**	**33 212**	**38 235**	**31 291**	**28 537**	**32 782**
Chg vs. n-1					*-5,7%*	*0,2%*	*7,7%*	*-2,6%*	*-1,3%*
EBITDA composite materials	**12 991**	**14 981**	**11 911**	**11 328**	**14 501**	**18 071**	**14 939**	**12 404**	**14 760**
Chg vs. n-1					*22,4%*	*69,9%*	*37,0%*	*-14,3%*	*4,6%*

The relative stability of revenue in the first quarter of 2014 is mainly due to the following factors:

- a moderate increase in sales in Southern Europe, in line with expectations;
- a decline in sales in Wide Europe, as a result of the distribution agreement with Germany effective 1 January 2014 relating to the range of breathable materials for roofs and facades. This temporary downturn had been expected, due to the cancellation of previous agreements with former distributors who had not succeeded in providing new business in 2014 and the need to ramp up the distribution agreement with the new exclusive partner;
- stable sales in Rest of World, with the first quarter of 2013 marked by significant deliveries to Mexico and Brazil, in contrast to 2014.

Total Group revenue for April 2014, up nearly 7% on April 2013, was reflected in slightly higher revenue for the first quarter 2014 compared to the same period the previous year, as the following table shows.

in €K - IFRS - Unaudited	Q1 2014	April 2014	T1 2014
Revenue composite materials	32 782	13 091	45 873
Chg. vs. 2013	*-1,3%*	*4,4%*	*0,3%*
Revenue other products	2 194	774	2 968
Total revenue	**34 976**	**13 865**	**48 841**
Chg vs 2013	*-0,7%*	*6,9%*	*1,3%*

in €K - IFRS - Unaudited	Q1 2013	April 2013	T1 2013
Revenue composite materials	33 212	12 537	45 749
Revenue other products	2 017	428	2 445
Total revenue	**35 229**	**12 965**	**48 194**

12.2 KNOWN TRENDS, UNCERTAINTIES, COMMITMENT REQUESTS AND EVENTS REASONABLY LIKELY TO AFFECT THE COMPANY'S OUTLOOK

Serge Ferrari's future outlook and objectives, as presented below, are not forecasts resulting from a budget-setting process, but simply targets resulting from the strategic choices explained in Section 6 "Overview of Activities" and Serge Ferrari's development plan.

These prospects and objectives are based on data and assumptions that the Management of Serge Ferrari considers to be reasonable as at the date of this Base Document. These data and assumptions may evolve or by modified due to uncertainty over the regulatory, economic, competitive, accounting or tax environment or due to other factors that Serge Ferrari is not aware of on the date of this Base Document.

Moreover, the materialisation of certain risks described in Section 4 "Risk factors" could impact Serge Ferrari's activities, financial position, results and outlook and its ability to achieve its objectives. The achievement of its objectives also presupposes the success of its strategy presented in Section 6 "Overview of activities" of this Base Document, which itself may be affected by the materialisation of those risks.

The Company makes no commitment and gives no guarantee that the objectives and forecasts in this Base Document will be achieved.

SergeFerrari Group's goal is to become the global benchmark in flexible composite materials in its three main current application sectors worldwide (see Section 6.1.3 "A proactive strategy to accelerate growth" of this Base Document). To do so, the Group intends to develop the following three levers:

- An ambitious commercial lever to accelerate its growth in regions outside its original market (which is Southern Europe): The Company is thus aiming at approximately 7% annual growth between 2014 and 2018 in the Wide Europe region (ie, Europe excluding France, Italy, Spain, Portugal and Switzerland) and approximately 17% annual growth between 2014 and 2018 in Rest of World, the goal being to achieve 40% of its sales there in 2018 versus 24% in 2013. In recruitment terms, the Group envisages hiring 57 new employees by the end of 2018 for a total workforce of 164, versus 107 at 2013-end.

	Number of sales staff at end 2013	Projected increase in sales staff between end 2013 and end 2018
Southern Europe	23,5	30%
Wide Europe	34	53%
Rest of World	49,5	65%
Total	**107**	**164**
Recruitments in the period		*57*

- A technological lever in the service of commercial expansion; The Group intends to continue its R&D policy until 2018 with an annual budget in the order of €5 million.

- Financial levers to increase margins and optimise its balance sheet structure: the Group believes it has the ability to improve its profitability needed to achieve an adjusted EBITDA margin in the order of 15% by 2018, comparable to pre-2008 levels. The Group also intends to achieve a WCR rate of 35% of revenue in 2015 (operating WCR in 2013 was 37,6%, down 0,6 point from 2012 and down 1,3 point from 2011.

The implementation of all these levers allows the Group to post the following targets for growth and profitability for the end of 2018: Revenue of €215 million and adjusted EBITDA margin in the order of 15% close to historical levels.

As part of this growth acceleration plan, the Group envisages investing some €100 million over the years 2014-2018. This amount would be split as follows:

- Approximately €35 million would be for commercial development (growth in working capital requirements, expanding sales tams, strengthening existing bases);
- Approximately €25 million for investment in innovation (R&D);
- Approximately €40 million for investment in industrial tooling (capex), of which:
  - approximately €25 million for investment in renewal and technological adaptation;
  - approximately €15 million for investment in technological breakthroughs.

The proposed initial public offering form part of the approach for contributing to the financing of this program.

13 PROFIT FORECASTS OR ESTIMATES

The Group does not intend to provide forecasts or estimates of profits.

14 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

14.1 EXECUTIVE MANAGERS AND DIRECTORS

The Company was initially set up as a simplified joint stock company (*société par actions simplifiée*), then on 30 April 2014 a General Shareholders' Meeting approved its transformation into a limited company (*société anonyme*) with a board of directors.

The main provisions of the new status of the Company are presented in Sections 16 and 21.2 of this Base Document.

14.1.1 *Composition of the Board of Directors*

As at the date of this Base Document, the members of the Company's Board of Directors are as follows:

Name	Mandate	Operating functions and other mandates performed in the Group	Date of mandate
Sébastien FERRARI	Chairman	Chairman and Chief Executive Officer Corporate officer of: Ferrari Participations Serge Ferrari North America Serge Ferrari Japan Serge Ferrari Asia Ltd Serge Ferrari AG	First appointed: 30 April 2014 Latest renewal: NA Expiration of mandate: General Meeting called to approve the financial statements for the year ended 31 December 2016
Romain FERRARI	Director	Deputy Chief Executive Officer Corporate officer of: CI2M Serge Ferrari Tersuisse	First appointed: 30 April 2014 Latest renewal: NA Expiration of mandate: General Meeting called to approve the financial statements for the year ended 31 December 2016
Philippe BRUN	Director	Deputy Chief Executive Officer	First appointed: 30 April 2014 Latest renewal: NA Expiration of mandate: General Meeting called to approve the financial statements for the year ended 31 December 2016
Victoire GOTTARDI (formerly Victoire FERRARI)	Director	None	First appointed: 30 April 2014 Latest renewal: NA Expiration of mandate: General Meeting called to approve the financial statements for the year ended 31 December 2016
Karine GAUDIN	Independent Director	None	First appointed: 30 April 2014 Latest renewal: NA Expiration of mandate: General Meeting called to approve the financial statements for the year ended 31 December 2016
Bertrand CHAMMAS	Independent Director	None	First appointed: 30 April 2014 Latest renewal: NA Expiration of mandate: General Meeting called to approve the financial statements for the year ended 31 December 2016
Bertrand NEUSCHWANDER	Independent Director	None	First appointed: 30 April 2014 Latest renewal: NA Expiration of mandate: General Meeting called to approve the financial statements for the year ended 31 December 2016

The Company considers that it now has, in the persons of Karine Gaudin, Bertrand Chammas and Peter Neuschwander, three independent Directors in the sense of the Corporate Governance Code for small and medium sized companies as published in December 2009 by MiddleNext and approved as the reference code by the French Financial Markets Authority (AMF), to which the Company intends to refer upon the completion of the admission of its securities for trading on Euronext Paris, insofar as each of these three individuals:

- is not an employee or corporate officer of the Company or of any of its subsidiaries and has not been one in the last three years;
- is not a significant client, supplier or banker of the Company, or for which the Company represents a significant part of its business;
- is not a major shareholder of the Company;
- has no close family relationship with any corporate officer or major shareholder; and
- has not been an auditor of the Company in the last three years.

Regarding Ms Gaudin in particular who is also a salaried managing director of Lamy-Lexel, the Company considers that Ms Gaudin's independence is not in question in that she is in charge of consulting support functions for which she is not a corporate officer and that she has no direct or indirect contract with the Company as part of the services supplied to the Company by the consultancy.

The business addresses of Sébastien Ferrari, Romain Ferrari and Philippe Brun are the Company's registered office.
The other directors' addresses are as follows:

- ✓ Victoire Gottardi: c/o Victoire & Nous - 277 rue des Alloz – 74120 Megève ;
- ✓ Karine Gaudin: c/o Lamy-Lexel - 91 cours Lafayette – 69455 Lyon Cedex 06;
- ✓ Bertrand Chammas: c/o GERFLOR, 50 cours de la République 69627 Villeurbanne Cédex ;
- ✓ Bertrand Neuschwander: c/o SEB Chemin du Petit Bois I BP 172 - 69134 ECULLY Cedex France.

The management expertise and experience of these individuals is the result of the various employee and management roles they previously exercised (see Section 14.1.3).

Family links exist between the above-named individuals: Sébastien and Romain Ferrari are brothers and Victoire Gottardi (maiden name Ferrari) is the daughter of Sébastien Ferrari. With these exception of these relationships, there are no other family links between the directors.

None of these individuals, in the last five years:

- ➢ was sentenced for fraud;
- ➢ was associated as executive manager or director with a bankruptcy, sequestration or liquidation;
- ➢ was prohibited from being a director;
- ➢ was the object of incriminations or official public sanctions handed down by statutory or regulatory authorities.

14.1.2 *Other mandates currently exercised outside the Group*

Name of Director	Other mandates currently exercised outside the Group	
	Company	Type of mandate
Sébastien FERRARI	None	None
Romain FERRARI	None	None
Philippe BRUN	None	None
Victoire GOTTARDI (formerly Victoire FERRARI)	VICTOIRE ET NOUS	Manager
Karine GAUDIN	THERMADOR GROUPE	Director
Bertrand CHAMMAS	GERFLOR FLOORINGS MANFLOOR MIDFLOOR TOPFLOOR FLOOR'IN GERFLOR SPM INTERNATIONAL GERFLOR MIPOLAM GERFLOR POLSKA BCIC GERFLOR USA	Chairman & CEO Chairman Chairman Chairman Chairman Chairman Chairman Chairman & CEO Chairman & CEO Chairman & CEO Chairman & CEO
Bertrand NEUSCHWANDER	SEB SA SEB ALLIANCE SAS OROSDI MAHARAJA SCI MARCO PAULO INVESTMENT SCI MARCO PAULO IMMOBILIER	Deputy CEO Chairman Director Director Co-manager Co-manager

14.1.3 *Mandates exercised in the last five years but no longer active*

Name of director	Mandates exercised in the last five years but no longer active	
	Company	**Type of mandate**
Sébastien FERRARI	None	None
Romain FERRARI	None	None
Philippe BRUN	IMS International Metal Service Boiron Inc. Boiron Borneman Inc.	Member of the Board Director Director
Victoire GOTTARDI (formerly Victoire FERRARI)	None	None
Karine GAUDIN	None	None
Bertrand CHAMMAS	None	None
Bertrand NEUSCHWANDER	Devanlay SA Comptoir de la bonneterie Montaigne diffusion Tricotages de Saint Louis	Member of the Board Chairman Director Director

14.1.4 *Directors' biographies*

Sébastien Ferrari (age 55), the present Chairman and Chief Executive Officer of the Company, joined the family business in 1980, to take charge of developing its marketing and international business. He was a member of the Supervisory Board of Banque de Vizille (which later became CM-CIC Capital Finance, which owns CM-CIC Investissement) from 2002 to 2011.

Romain Ferrari (age 53), currently a Deputy Chief Executive Officer, joined the family business in 1990, to take charge of industrial processes and projects and sustainable development.
Romain Ferrari is an engineer by training.

Philippe Brun (age 53), currently a Deputy Chief Executive Officer, joined the Group in January 2011, after 20 years as in general and financial management roles in listed companies (Boiron, IMS International Metal Service).
Philippe Brun is a graduate of EM Lyon and SFAF.

Victoire Gottardi (age 29) is a managing partner of the company Victoire et Nous.
Victoire Gottardi holds a Master's degree from ECE in International Marketing.

Karine Gaudin has been CEO of the business law firm Lamy Lexel for over 12 years. Prior to that, Karine was General Secretary of Germain & Maureau, an intellectual property consultancy, for three years. She began her career at Ernst & Young as an auditor, then moved to structuring marketing strategy and coordination in France.
Karine Gaudin is a graduate of Audencia (1989), has a DESS from Dauphine (1990) in Strategy, Planning and Control and is also a Chartered Accountant (1995).

Bertrand Chammas is Chairman and Chief Executive Officer of Gerflor since 2003, after 12 years at the equipment manufacturer Valeo in various operations management roles (sales/marketing director and industrial director) and then in general management. Bertrand Chammas's educational background is in Engineering (Arts et Métiers) as well as Management (ISA/HEC).

Bertrand Neuschwander is Deputy Chief Executive Officer for Strategy and Business at SEB Group since 2010. Prior to that he performed various general management roles at Devanlay / Lacoste and at Aubert Group. Bertrand NEUSCHWANDER has an Engineering degree from INA Paris-Grignon and holds an MBA from INSEAD.

<u>Biographies of the members of the Executive Committee (not on the Board of Directors)</u>

Marc Beaufils (age 52) is Group International Director. He joined the Group in 2013, after holding various international commercial responsibilities at Klockner, Spérian and International Paper.
Marc Beaufils is an HEC graduate.

Hervé Garcia (age 45) is Group Human Resources Director. He joined the Group in 2000, after holding various positions in the field of services to local authorities.
Hervé Garcia has a DESS in HR.

Carlos Saiz (age 59) is Group Innovation Director. He joined the Group in 1994, after performing various roles at companies that use composite materials.
Carlos Saiz is an electronic engineer.

Niklaus Zemp (age 45) is Group Industrial Director. In 1991 he joined the company Viscosuisse (Rhône Poulenc) which became Rhodia, which became part of Serge Group in 2006.
Niklaus Zemp is a graduate of Ecole Polytechnique de Lausanne.

<u>Biographies of the members of the Strategy Committee (not on the Board of Directors or Executive Committee)</u>

Eric VERIN is Chairman and Chief Executive Officer of the consultancy firm CAVOK. Prior to that he was EMEA Marketing Director of a large American consultancy group and before that held marketing, sales and consultancy positions in a large information technology company.

14.2 POTENTIAL CONFLICTS OF INTEREST IN THE COMPANY'S ADMINISTRATIVE AND EXECUTIVE MANAGEMENT BODIES

The Chairman & Chief Executive Officer, the Deputy Chief Executive Officers and one Director, who form part of the management team, are direct or indirect shareholders of the Company as detailed in Section 17.2 of this Base Document.

There are related party agreements as described in Section 19.1 of this Base Document.

A potential conflict of interest exists with respect to the premises leased by the Group's companies from SCI CLOMECA, IMMOBILIERE FERRARI SAS, SRF, LA ROCHE and SETIMM which are owned by certain directors and corporate officers of the Company. These real estate companies (SCIs) are wholly owned by FERRIMO, 66.7% of which is owned by Sébastien Ferrari and 33.30% by Romain Ferrari.

To date, to manage this potential conflict of interest, the Company has asked a real estate assessor to calculate the rental value of the premises leased by these companies to the Group's companies. The investigation concluded that the rents charged are consistent with market conditions. See also Section 19.1.2.4.

To the Company's best knowledge, there are no present or potential conflicts of interest between the duties to the Companies, and the private interests and/or other duties of the individuals comprising management or executive bodies, or member of general management, as stated in Section 14.1 above.

The Board of Directors has adopted an internal rule including an article relating to "Prevention of conflicts of interest" which requires a Director who find himself in such a situation to immediately fully disclose to the Board of Directors any real or potential conflict of interest that he may have in his functions as a Director, in order to determine if he should abstain from debates and/or voting in related deliberations.

The Board of Directors can recommend to a serving Director which it believes to be in a proven and permanent or quasi-permanent conflict of interest to render his resignation.

15 COMPENSATION AND BENEFITS

15.1 COMPENSATION OF DIRECTORS AND EXECUTIVE MANAGERS

This information has been prepared in accordance with AMF recommendations concerning communication of the compensation of corporate officers of listed companies.

In the last two fiscal years ended (2013 and 2012), the corporate officers of SergeFerrari Group were the company Ferrari Participations (66.7% owned by Sébastien Ferrari and 33.3% by Romain Ferrari) represented by its Chairman Sébastien Ferrari as well as by Mrs Sébastien Ferrari and Romain Ferrari appointed Deputy Chief Executive Officers by the Chairman.

All the compensation that they are paid by the Group are of three types:

- Compensation for their various corporate officer roles within the Group in French and Swiss subsidiaries;
- Compensation for their operational roles performed in the Group; and
- Benefits in kind.

These last two compensations are reinvoiced by Ferrari Participations as part of the management agreements described in Section 19.1 of this Base Document.

TABLE 1

Summary of compensation and options allocated to each executive mandataire social		
	Year ended 31 December 2013	**Year ended 31 December 2012**
FERRARI PARTICIPATIONS - Chairman of the company until 30 April 2014		
Represented by Sébastien FERRARI		
Compensation due for the year Value of multi-year variable compensation granted in the year Value of options granted in the year Value of shares granted free of charge in the year	N/A (*)	N/A (*)
TOTAL		
Sébastien FERRARI - Present Chairman & Chief Executive Officer		
Chief Executive Officer of the company until 30 April 2014		
Compensation due for the year (detailed in Table 2)	297 446 €	299 091 €
Value of multi-year variable compensation granted in the year	0 €	0 €
Value of options granted in the year	0 €	0 €
Value of shares granted free of charge in the year	0 €	0 €
TOTAL	**297 446 €**	**299 091 €**
Romain FERRARI - Present Deputy CEO		
Chief Executive Officer of the company until 30 April 2014		
Compensation due for the year (detailed in Table 2)	234 935 €	210 646 €
Value of multi-year variable compensation granted in the year	0 €	0 €
Value of options granted in the year	0 €	0 €
Value of shares granted free of charge in the year	0 €	0 €
TOTAL	**234 935 €**	**210 646 €**
TOTAL	**532 381 €**	**509 737 €**

(*) The amount is reported indirectly in the respective amounts relating to Romain and Sébastien Ferrari.

In addition to the compensation payable to Romain and Sébastien Ferrari for their function exercise in the Group, rents are also paid to real estate companies controlled by Ferrimo, a wholly owned subsidiary of Ferrari Participations, which is the majority shareholder in the Company and is 66,70% owned by Sébastien Ferrari and 33,30% by Romain Ferrari. For the fiscal years ended 31 December 2013 and 2012, these rent payments were €2,7 million and €1,8 million respectively, exclusive of tax. See Section 9.2.1.2 of this Base Document.

TABLE 2

Summary of compensation granted to executive corporate officers				
Name and title of executive corporate officer	Yr ended 31 December 2013		Yr ended 31 December 2012	
	Amount due	Amount paid	Amount due	Amount paid
Sébastien FERRARI - Present Chairman & CEO				
Chief Executive Officer of the company until 30 April 2014				
Annual fixed compensation	295 642 €	295 642 €	296 928 €	296 928 €
of which Corporate officer allowance	*60 000 €*	*60 000 €*	*60 000 €*	*60 000 €*
of which Operating services (reinvoiced by Ferrari Participations)(1)	*235 642 €*	*235 642 €*	*236 928 €*	*236 928 €*
Annual variable compensation				
Multi-annual variable compensation				
Non-recurring compensation				
Attendance fees				
Benefits in kind (2)	1 804 €	1 804 €	2 163 €	2 163 €
TOTAL	**297 446 €**	**297 446 €**	**299 091 €**	**299 091 €**
Romain FERRARI - Present Deputy CEO				
Chief Executive Officer of the company until 30 April 2014				
Annual fixed compensation	232 008 €	232 008 €	208 008 €	208 008 €
of which Corporate officer allowance	*60 000 €*	*60 000 €*	*36 000 €*	*36 000 €*
of which Operating services (reinvoiced by Ferrari Participations)(3)	*172 008 €*	*172 008 €*	*172 008 €*	*172 008 €*
Annual variable compensation				
Multi-annual variable compensation				
Non-recurring compensation				
Attendance fees				
Benefits in kind (3)	2 927 €	2 927 €	2 638 €	2 638 €
TOTAL	**234 935 €**	**234 935 €**	**210 646 €**	**210 646 €**
TOTAL, EXECUTIVE CORPORATE OFFICERS	**532 381 €**	**532 381 €**	**509 737 €**	**509 737 €**

(1) Fixed compensation for management services covered by the agreement described in Section 19.1 ;
(2) Vehicle;
(3) Fixed compensation for management services covered by the agreement described in Section 19.1 ;

Following the transformation of the Company into a limited company with a board of directors on 30 April and the appointment, by a Board of Directors decision of 30 April 2014, of Sébastien Ferrari as Chairman and Chief Executive Officer and Romain Ferrari and Philippe Brun as Deputy Chief Executive Officers, for fiscal year 2014, the compensation received by the Directors will be as follows:

Sébastien Ferrari (Chairman & CEO) : compensation payable for fiscal 2014 will be:

- The same as for fiscal 2013 in the table below, plus
- Compensation as Chairman of the Company of €1 000 per month from 1 May 2014, in the amount of €8 000 for 2014;

Romain Ferrari (Deputy Chief Executive Officer): compensation payable for fiscal 2014 will be:
- The same as for fiscal 2013 in the table below, plus
- Compensation as Deputy CEO of the Company of €1 000 per month from 1 May 2014, in the amount of €8 000 for 2014;

Philippe Brun (Deputy Chief Executive Officer): compensation payable for fiscal 2014 will be:

- Fixed annual compensation of €128K (reduced to an 8 month period from 30 April 2014, the date that Philippe Brun was appointed Deputy CEO);
- Compensation as Deputy CEO of the Company of €1 000 per month from 1 May 2014, in the amount of €8 000 for 2014;

- The use of a company vehicle, all of which reinvoiced under the management agreement described in Section 19.1 of this Base Document.

There are currently no plans for:

- exceptional compensation conditional on the success of the Initial Public Offering (IPO);
- increase in the fixed compensation mentioned above for Sébastien Ferrari, Romain Ferrari and Philippe Brun.

There are currently no plans to pay any variable compensation for fiscal year 2014 but the Company does plan to consider in the next few months how to define objective criteria as a basis for granting variable compensation to the directors beginning in fiscal year 2015.

TABLE 3

As the Company had a simplified legal structure in the last two fiscal years, it had no non-executive corporate officers.

Beginning in the current fiscal year and following the transformation of the Company into a limited company with a board of directors, there will be four non-executive corporate officers, namely Victoir Gottardi, Karine Gaudin, Bertrand Chammas and Bertrand Neuschwander, all unpaid.

The General Shareholders' Meeting of 30 April 2014 has, however, approved in principle an annual "directors' fees" package of up to €60K payable only to Board of Directors members with no operational functions in the Group, directly or through the agreement with Ferrari Participations.

TABLES 4 to 10

Not applicable, as the Company has never issued securities giving access to its capital.

TABLE 11

Executive corporate officers	Employment contract		Supplemental pension scheme		Compensation or benefit due or that may be due because of the cessation or change of role		Compensation relating to a non-compete clause	
	YES	NO	YES	NO	YES	NO	YES	NO
Sébastien FERRARI Chairman & Chief Executive Officer		X		X		X		X
Date of 1st appointment:	30 April 2014							
Mandate expiry date (1) :	At the close of the general meeting called to approve the financial statements for the fiscal year ending 31 December 2016							
Romain FERRARI Deputy Chief Executive Officer		X		X		X		X
Date of 1st appointment:	'30 April 2014							
Mandate expiry date (1) :	At the close of the general meeting called to approve the financial statements for the fiscal year ending 31 December 2016							
Philippe BRUN Deputy Chief Executive Officer		X		X		X		X
Date of 1st appointment:	'30 April 2014							
Mandate expiry date (1) :	At the close of the general meeting called to approve the financial statements for the fiscal year ending 31 December 2016							

(1) The term of office for directors is three years, and end at the close of the ordinary annual general shareholders' meeting called to approve the financial statements for the year elapsed and held in the year in which their mandate expires. A third of the directors will be renewed every year but, as an exception for the first 3-year period, a draw will be held for the first two

renewal periods to determine the order in which the directors are to be renewed. Once the sequence has been established, ie, at the end of the first 3-year period, the renewals will continue in order of length of service in office.

15.2 AMOUNTS PROVISIONED BY THE COMPANY TO PROVIDE PENSION, RETIREMENT AND SIMILAR BENEFITS FOR EXECUTIVES AND DIRECTORS

The Company has not constituted any provisions for the payment of pension, retirement and other benefits to executives and directors

The Company has not granted arrival or departure bonuses to these individuals.

15.3 WARRANTS, ENTRPRENEURIAL WARRANTS AND OTHER SECURITIES GIVING ACCESS TO CAPITAL ALLOCATED TO EXECUTIVES AND DIRECTORS

Not applicable.

16 FUNCTIONING OF ADMINISTRATIVE AND MANAGEMENT BODIES

16.1 BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

By decision of the Extraordinary General Meeting held on 30 April 2014, SergeFerrari Group SAS was transformed into a limited company (*société anonyme*). The composition of the Board of Directors is detailed in Section 14.1 of this Base Document.

16.1.1 *Board of Directors (Article 14 and subsequent of the Articles of Association)*

The Company is administered by a Board of Directors consisting of three (3) members and at most eighteen (18) members, subject to exceptions provided by law in the case of a merger.

During the existence of the Company, the Directors are appointed and their directorships renewed or revoked by the Ordinary General Meeting. They are always eligible for reappointment.

The term of office for directors is three years, and end at the close of the ordinary annual general shareholders' meeting called to approve the financial statements for the year elapsed and held in the year in which their mandate expires.

A third of the directors will be renewed every year but, as an exception for the first 3-year period, a draw will be held for the first two renewal periods to determine the order in which the directors are to be renewed. Once the sequence has been established, ie, at the end of the first 3-year period, the renewals will continue in order of length of service in office, for the term of office and under the conditions indicated in the previous paragraph.

No one can be appointed director if, being older than 70 years of age, his/her appointment has the effect of increasing the number of directors older than 70 to more than a third of Board members. If this limit is reached, the oldest director is deemed to have resigned.

The directors can be natural persons or legal entities. A legal entity must, upon being appointed, appoint a permanent representative who is subject to the same conditions and obligations and assumes the same responsibilities as if he were a Director in his own name, without prejudice to the joint and several responsibility of the entity he represents.

If one or more directors' seats are vacant and unless the number of directors has fallen below the legal minimum, the Board of Directors, in the period between two General Meetings, may make provisional appointments under the conditions in Article L. 225-24 of the French Commercial Code. The director appointed to replace another, remains in office only until the predecessor's term expires.

An employee of the Company cannot be appointed director unless his/her employment contract corresponds to an actual job. The number of directors connected to the Company by an employment contract must not exceed one third of the directors in office.

A director may become an employee of the Company if his/her employment contract corresponds to an actual job and if the Company, at the close of a fiscal year, does not exceed the limits in Article L. 225-21-1 of the French Commercial Code, ie, a workforce of 250 employees and a total balance sheet of €25 million or €50 million revenue net of tax.

Directors may or may not be shareholders in the Company.

Organisation of the Board of Directors (Article 15.1 of the Articles of Association)

The Board of Directors elects from among its members a Chairman who must be a natural person. It decides his (or her) compensation and any benefits.

The Chairman is appointed for a term that must not exceed the term of his directorship. He is eligible for reappointment. The Board of Directors can revoke his appointment as Chairman at any time.

No one over the age of 70 can be appointed Chairman. If he comes to exceed this age, he is deemed to have resigned from office.

The Board can also designate one or two Vice Chairmen and a Secretary who can be non-directors and non-shareholders.

If the Chairman is absent, the Board of Directors meeting is chaired by a Board member, designated by a majority of the votes of the members present or represented.

Observers (Article 15.2 of the Articles of Association)

One or two observers, who can be natural persons or legal entities, can be appointed by the Board of Directors for a renewable term of six (6) years. Observers have a purely consultative role.

The observers are invited to attend the Board of Directors meetings and are convened with the same notice periods and under the same conditions as the members of the Board. The observers can participate in all Board meetings and have the same information available as the Board members. Under no circumstances do observers have the right to vote and, accordingly, they must not participate in voting on Board decisions and their presence must not be taken into account in calculating a quorum.

Deliberations of the Board of Directors (Article 16 of the Articles of Association and Article 2 of the internal rules

The Board of Directors meets as often as the interests of the Company (or its subsidiaries) require, and is convened by its Chairman or at least three (3) of its members. Furthermore, the Chief Executive Officer or, when the Board has not met for more than two (2) months, at least a third of its members, can ask the Chairman, who is bound by this request, to convene the Board of Directors with a set agenda.

The meetings can be convened by any notification process, even orally, subject to eight (8) days' notice except in an urgency situation.

The meetings are held at the registered office or in any other place indicated in the notice of convocation.

The Board of Directors may only validly deliberate when at least half of the directors are present. Directors can be represented by proxy at Board of Directors meetings subject to legal and regulatory conditions, but represented directors are not taken into account in calculating a quorum.

Decisions are taken by a majority vote of its members present or represented.

In the case of a tied vote, the Chairman of the meeting has the casting vote.

An attendance sheet is maintained which is signed by the directors attending the meeting in their own name or as agent.

In accordance with applicable laws and regulations and with Article 16 of the Articles of Association, directors are deemed to be present for quorum and majority decision calculations if they attend the meeting via telephone or video conferencing.

The characteristics of the telecommunications or videoconferencing used must allow the transmission of the pictures or at least voices of the participants simultaneously and continuously to ensure that the directors can be identified and guarantee effective participation in the Board of Directors meeting.

Failing that, the directors concerned cannot be deemed present and if, as a result, there is no quorum the Board of Directors meeting must be adjourned.

Participation by telecommunications or videoconferencing is excluded in cases explicitly specified by law (at the date of adoption of the Internal Rules, this exclusion concerned Board of Directors meetings whose purpose is to approve annual financial statements, consolidated financial statements and related reports).

If the Chairman considers that the telecommunication or videoconferencing system is malfunctioning, the Board of Directors can validly deliberate and/or continue with only the members physically present provided the quorum conditions are satisfied.

The occurrence of any technical incident disrupting the functioning of the meeting, including the interruption and reestablishment of telecommunication or videoconferencing participation, must be reported in the minutes of the Board of Directors meeting.

Furthermore, two members of the works committee, designated by the works committee if it exists, under the conditions set by law, may attend Board of Directors meetings on a non-voting consultative basis.

The deliberations of the Board of Directors are reported in the minutes prepared in accordance with applicable laws and signed by the Chairman of the meeting and at least one Director. If the Chairman of the meeting is unable to sign, the minutes are signed by at least two Directors.

Copies or extracts of the minutes are certified accurate by the Chairman of the Board of Directors, the Chief Executive Officer, the Deputy Chief Executive Officers, the Director temporarily designated to chair the meeting or with power of attorney to do so.

Powers of the Board of Directors (Article 17 of the Articles of Association)

In addition to the powers reserved to it by law, the Board of Directors sets the Company's business strategy and oversees its implementation. Subject to the powers explicitly given to the General Shareholders' Meetings and within the limits of the corporate purpose, it addresses all questions related to the proper functioning of the Company and governs, by its decisions, the affairs that concern it.

In its relations with third parties, the Company is committed even by the acts of the Board of Directors that are not part of the corporate purpose, unless the Company can prove that the third party knew that the act was outside that purpose or that it could not ignore it given the circumstances, excluding the fact that the publication of the Articles of Association alone is sufficient proof.

The Board of Directors carries out the audits and controls that it deems necessary. The Company's Chairman or Chief Executive Officer is required to communicate to all Directors all the documents and information they need to accomplish their missions.

The Board can delegate to any agent of its choice any powers it possesses under applicable laws and the latest Articles of Association.

It can decide to create committees tasked to investigate issues that it or its Chairman submits to it for review.

Only the Board of Directors has the authority to decide or authorise the issuance of ordinary bonds. It can delegate to one or more of its members, to the Chief Executive Officer or, with the latter's consent, to one or more Deputy Chief Executive Officers, the powers needed to accomplish, with a deadline of one year, the issuance of bonds and set their terms and conditions.

Powers of the Chairman of the Board of Directors (Article 18 of the Articles of Association)

The Chairman of the Board of Directors organises and directs the work of the Board of Directors, and reports on this work to the General Meeting. The Chairman oversees the proper functioning of the Company's bodies and ensures, in particular, that directors are capable of fulfilling their duties.

At its meeting on 30 April 2014, the Board of Directors amended the terms of an internal rule specifying the composition and functioning of the Board.

16.1.2 *Executive Management (Article 19 of the Articles of Association)*

Procedures (Article 19.1 of the Articles of Association)

The Company's general management is assumed under the responsibility of either the Chairman of the Board of Directors or another natural person appointed by the Board of Directors and holding the title of Chief Executive Officer.

The Board of Directors has two options for defining the role of Chief Executive Officer.

The decision of the Board of Directors regarding the choice of the manner of conducting executive management is taken on the basis of a majority vote by the directors present or represented. The shareholders and third parties are informed of this choice under the conditions specified in the applicable regulations.

The option adopted by the Board of Directors is valid for six (6) years. At the expiry of this period, the Board must deliberate again on the manner of conducting executive management. A change in the manner of conducting executive management does not entail any change to the Articles of Association.

Exercise of executive management

By a decision dated 30 April 2014, the Board of Directors decided not to separate the functions of Chairman from those of the Chief Executive Officer, by appointing Sébastien Ferrari to be Chairman and Chief Executive Officer. At the same meeting it also appointed Romain Ferrari and Philippe Brun to be Deputy Chief Executive Officers.

Executive Management (Article 19.2 of the Articles of Association)

The Chief Executive Officer is a natural person who is chosen from individuals who may or may not be directors.

The Chief Executive Officer's term of office is set by the Board of Directors at the time of appointment. However, if the Chief Executive Officer is a director, his (or her) term of office as CEO must not exceed that of his (or her) directorship.

No one over the age of 70 can be appointed Chief Executive Officer. When the CEO reaches this age limit he is deemed to have resigned his office.

The Chief Executive Officer may be removed from office at any time by the Board of Directors. If the revocation is decided for no fair reason, it may give rise to a claim for damages, unless the Chief Executive Officer takes on the role of Chairman of the Board of Directors.

The Chief Executive Officer is vested with the broadest powers to act on behalf of the Company in any circumstance. He exercises these powers within the limit of the corporate purpose and subject to those that the law explicitly attributes to the General Meeting and to the Board of Directors.

He represents the Company in its relations with third parties. The Company is bound even by acts of the Chief Executive Officer that are not within the scope of the corporate purpose, unless the Company can prove that the third party knew that the act was beyond the scope of said purpose or the third party could not be unaware of it given the circumstances, although mere publication of the Articles of Association does not suffice as such proof.

Deputy Chief Executive Officers (Article 19.3 of the Articles of Association)

On the recommendation of the Chief Executive Officer, whether the CEO functions are performed by the Chairman or by a different person, the Board of Directors may appoint one or more natural persons as Deputy Chief Executive Officers, tasked with assisting the Chief Executive Officer

The Board of Directors can select Deputy CEOs from among individuals who may or may not be Directors and cannot appoint more than five (5).

The age limit is set at seventy (70). When a Deputy CEO reaches this age limit he is deemed to have resigned his office.
The position of Deputy Chief Executive Officer can be revoked at any time by the Board of Directors on the recommendation of the CEO. If the revocation is decided for no fair reason, it may give rise to a claim for damages.

When the Chief Executive Officer ceases or is prevented from exercising his functions, the Deputy CEOs retain, unless the Board decides otherwise, their functions and their assignments until the appointment of a new CEO.

In agreement with the Chief Executive Officer, the Board of Directors determines the scope and extent of the powers granted to Deputy Chief Executive Officers. Deputy Chief Executive Officers have the same powers in respect of third parties as the Chief Executive Officer.

16.2 SERVICE CONTRACTS BETWEEN THE DIRECTORS AND/OR EXECUTIVE MANAGERS AND THE COMPANY

There are no service contracts between any executive or non-executive Directors and the Company or any of its subsidiaries. However, the Directors are indirectly involved in the management agreement described in Section 19.1 of this Base Document.

The amounts received by the Directors under this agreement are disclosed in Section 15.1 of this Base Document.

16.3 SPECIALISED COMMITTEES — CORPORATE GOVERNANCE

In accordance with applicable regulations and the MiddleNext guidelines, on 30 April 2014 the Board of Directors set up two specialised committees.

Strategy Committee

The Strategy Committee is composed of six members: MM. Sébastien Ferrari, Romain Ferrari and Philippe Brun who are respectively the Chairman & Chief Executive Officer and the Deputy Chief Executive Officers of the Company, Bertrand Chammas and Bertrand Neuschwander, as well as Eric Verin who is Chairman & CEO of CAVOK CONSEIL.

The mission of the Strategy Committee is to give management and shareholders its opinions and recommendations on its work:

- analyse Group strategy, information on market trends, assessments of research, review of the competition and the resulting medium- and long-term outlook; and to approve the 10-year corporate project;
- study Group development projects especially in terms of external growth and, in particular, acquisitions or sales of subsidiaries and equity interests or other assets, investment and debt, relating to amounts exceeding €10 million;
- examine the Group's assets and shareholding.

Under no circumstances does participation in the Strategy Committee for its non-executive members of SergeFerrari Group make them directly or indirectly responsible for the operational management of the Group's activities, nor can they be held liable for the consequences of their opinions and recommendations.

Audit Committee

The two Directors appointed to the Audit Committee are:

- Karine Gaudin, Chair of the Audit Committee ;
- Victoire Gottardi.

The Audit Committee will establish its internal rules at its first meeting. The primary missions of the Audit Committee are as follows:

- to review the interim and annual financial statements, budgets and provisional plans and to report on them to the Board of Directors;
- to review the Group's internal control environment;
- to organise the process of appointing Statutory Auditors for the Group and its subsidiaries.

16.4 CORPORATE GOVERNANCE STATEMENT

In the interests of transparency and public disclosure of information, the Group has engaged in thinking collectively about corporate governance practices, notably with a view to the admission of its shares for trading on the Euronext Paris regulated stock exchange.

The Group intends to refer to the Code of Corporate Governance for companies listed on MiddleNext. Any provisions that may be set up will be adapted to the size and resources of the Group.

MiddleNext Code recommendations	Adopted	Will be adopted (1)	Under consideration	Will not be adopted
I. Executive power				
R1: Combined employment contract and corporate mandate		X		
R2: Definition and transparency of compensation of executive corporate officers		X		
R3: Severance compensation	X			
R4: Supplemental pension plan			X	
R5: Stock options and free shares		X		
II. "Oversight" power				
R6: Establishment of internal Board rules	X			
R7: Ethics charter for Board members	X			
R8: Composition of the Board — Presence of independent members on the Board	X			
R9: Selection of directors	X			
R10: Duration of mandates of Board members	X			
R11: Disclosure of information about Board members	X			
R12: Establishment of Board Committees	X			
R13: Board and Committee meetings	X			
R14: Compensation of directors			X	
R15: Establishment of an evaluation of Board performance	X			

(1) *In general, the recommendations that the Group envisages adopting in the table above will be implemented within 12 months following the date of this Base Document or as soon as the issue materialises for the Company (eg: allocation of stock options or free (bonus) shares).*

16.5 REPORT OF THE CHAIRMAN ON INTERNAL CONTROL

As at the date of this Base Document, its shares at this point not admitted for trading on a regulated stock exchange, the Company is not bound by the obligation to issue a report on the composition, the conditions for the preparation and organisation of the work of the Board of Directors, as well as procedures for internal control and risks management established by the Company pursuant to articles L. 225-37 and L. 225-68 of the French Commercial Code.

For the fiscal year ending 31 December 2014 and provided its shares are admitted for trading a regulated market before the end of this fiscal year:

- The Chairman of the Company's Board of Directors will prepare, pursuant to article L. 225-37 of the French Commercial Code, a report on the composition and conditions for the preparation and organisation of the work of the Board of Directors and of its committees as well as on the internal control and risk management procedures put in place by the Company. This report will be included in the Company's Annual Report or Base Document.
- Once a year, the Chairman of the Board of Directors will ask the members to speak about the functioning of the Board of Directors and the work it has done. This discussion will be reported in the minutes of the meeting.

Nevertheless, as at the date of this Base Document, the Company has an internal control structure and procedures that produces reliable and high-quality accounting and financial information:

- The unified ERP-type information system ensures functional coverage of almost all production sites (a study is underway to extend this coverage to the last site not currently covered) and marketing companies. A new CRM solution is being deployed, primarily to increase sales efficiency and support the Group's development goals:
- The Group has accounting and control teams tasked with producing its accounting and financial control information.
- Management and performance indicators are available on a daily basis (delivery volumes and outstandings), weekly basis (production equipment load plan, cash, overdue customer payments), monthly basis at Group level (results, WCR, workforce, net debt, indices and purchase price index) and quarterly basis (quarterly consolidated financial statements, industrial analyses).

Planning is undertaken, audits performed and financial statements prepared on subsidiaries throughout the year, upstream of semi-annual and annual period-ends to ensure that monthly and period-end reporting is reliable. This audit function is currently performed by the Chief Financial Officer, who is responsible for consolidation and for the Group's management controllers.

The Company regularly uses external experts whenever accounting, organisational, legal or taxation issues require special competence to determine or present reliable, ongoing and pertinent financial information. The Group's main subsidiaries prepare their own financial statements: however, some foreign marketing companies are assisted by local experts in the preparation of their company financial statements.

The Group's internal teams prepare the consolidated financial statements to French GAAP and to IFRS standards. Detailed timelines including the stages and associated controls are distributed to the teams tasked with preparing the financial statements.

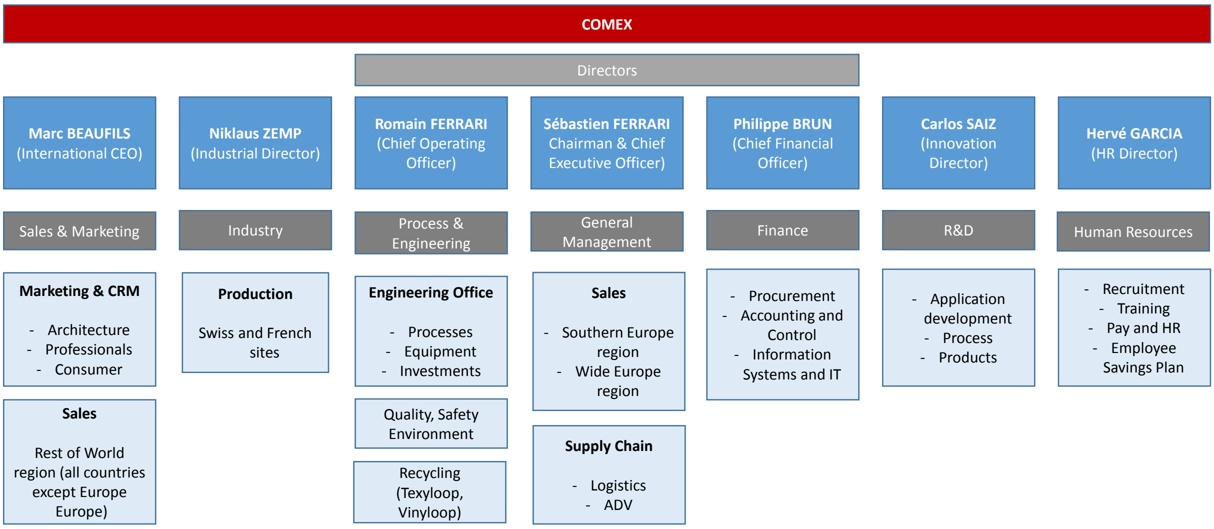
The main closing options for company accounts (France and foreign) and consolidated accounts are discussed and shared with the Statutory Auditors upstream of the annual period-end. A limited review of the semi-annual consolidated financial statements as at 30 June is also carried out by the Group's Statutory Auditors. The conclusions presented by the auditors at the synthesis meeting are shared with the Group's Chairman, Chief Financial Officer and the accounting and control teams. This organisational system is set up at Group, and at French and Swiss subsidiary levels.

17 EMPLOYEES

17.1 HUMAN RESOURCES

17.1.1 *Operational organisation chart as at 1 May 2014*

The chart below shows the Group's operational organisational structure on 1 May 2014:



<u>The Group's human resources policy: a corporate model</u>

The Group's human resources division, which consists of 5 people, is highly committed to maintaining strong values (all the more so given the sharp growth in the workforce in the medium-term) which make Serge Ferrari a model corporation. This human resources policy is based on 4 principles:

<u>Recruitment policy</u>

Matching up 3 givens: the right person, the right job, the right time. The Group's recruitment policy is to ensure that the future employee has not only the expected skills but also the ability to evolve within the Group. To join the Group, a candidate must be able to:

- Perform well: the right profile for the job, looking for talent;
- Feel good: work as part of a team, adhere to shared values, expand/develop;
- Strive to do better: reactivity, innovation.

The Group's staff turnover is below 3% in France and below 5% around the world, which confirms the effectiveness of this recruitment policy.

<u>Training policy</u>

The training policy supports the Group's strategy, transfers know-how, develops and adapts employees' skill sets, boosts the Group's reactivity and sets up resilient structures.
The resources that the Group has mobilised match its ambitions, with a budget three times higher than the minimum required, and an innovative training mechanism (cofinanced by the State and our fund-raising body to replace partial layoffs with qualification-focused training).

<u>Compensation policy</u>

The average pay for a production employee in France is more than 1,9 higher than the Index-Linked Guaranteed Minimum Wage (SMIC), and this high-pay trend continues outside France. This policy attracts real talent, and thus satisfies the recruitment policy to attract people who can "do better".
Between 10% and 25% of total gross pay was variable including for non-supervisory personnel: a monthly bonus, based on quantities and quality produced, split among the staff concerned: an important factor that focuses attention and motivation on productivity, organisation and quality.

Independent labour union

Over five years ago an independent (company) labour union (SSF - Syndicat Salarié Serge Ferrari) was set up. Wanting to ensure the sustainability of its corporate model, this very representative union is the privileged go-between workers and the Group when implementing measures to anticipate, respond to and innovate working practices and procedures.

The proven effectiveness of this policy

To sound out the effects of this policy among its employees, the Group recently had an external consultancy carry out a well-being-at-work survey, whose results testify to the quality of industrial relations in the Group and how it treats its employees. For example, 74% of respondents said they were satisfied or very satisfied in their work, which the consultancy said was an "exceptional" result.

17.1.2 *Size and composition of workforce*

The following table shows the changes in the Group's workforce as at year-end for the periods considered. The totals only include employees paid by local entities, as the Group has no bases of its own in certain countries:

Workforce at end of period *Audited*	**31 December 2013**	**31 December 2012**	**31 December 2011**
Marketing & Sales	107	102	96
Production / Logistics	379	395	399
Support Functions	99	110	114
Sub-total	585	607	609
Part-time and other (1)	0	0	11
Total Group workforce	**585**	**607**	**620**

(1) "Part-time and other" relates to the occasional need for temporary workers. The workforce numbers are period-end figures: in 2012 and 2013, the Group had part-time workers but they were not in service at period-end.

Given the working hours agreement signed in November 2012, the Company can now match its internal resources to its workload and thus have less need of part-time or temporary workers.

17.2 PROFIT-SHARING AND STOCK OPTIONS FOR EXECUTIVES AND DIRECTORS

The following table shows the Company shares directly held by Board of Directors members. Note that no other securities exist giving access to Company capital:

Shareholders	Number of shares	% of capital and voting rights	Securities giving access to capital
Sebastien FERRARI	658 550	7,59%	-
Romain FERRARI	1 058 850	12,21%	-
Philippe BRUN	8 650	0,10%	-
Victoire GOTTARDI-FERRARI	8 650	0,10%	-
Karine GAUDIN	-	-	-
Bertrand CHAMMAS	-	-	-
Bertrand NEUSCHWANDER	-	-	-

Sébastien Ferrari's and Romain Ferrari's shareholdings in the Company include, in addition to their direct holdings as shown in the table above, indirect holdings through Ferrari Participations of which they own 66,7% and 33,3% respectively and which itself holds a 78% controlling interest in the Company (see Section 18.1 of this Base Document).

17.3 EQUITY INTEREST OF EMPLOYEES IN THE CAPITAL OF THE COMPANY

None to date.

17.4 INCENTIVE AND PROFIT-SHARING AGREEMENTS

Serge Ferrari SAS employees benefit from a profit-sharing agreement in effect since 16 December 2004. This was amended on 9 April 2010 to take into account legislative changes passed after it was set up. In December 2011, two new employee savings schemes were set up: a Company Savings Plan and a Group Retirement Savings Plan.

18 MAIN SHAREHOLDERS

18.1 BREAKDOWN OF CAPITAL AND VOTING RIGHTS AS AT 1 MAY 2014

The following table shows shareholding after the 50:1 split ratified by the General Meeting of 30 April 2014.

Shareholders	**Number of shares**	**% of capital and voting rights**
Ferrari Participations (1)	6 765 200	78,00%
Sebastien FERRARI	658 550	7,59%
Romain FERRARI	1 058 850	12,21%
Sub-total concert (2)	8 482 600	97,80%
Serge FERRARI	50	0,00%
Mireille FERRARI	50	0,00%
Victoire GOTTARDI	8 650	0,10%
CM-CIC Capital Finance	173 450	2,00%
Philippe BRUN	8 650	0,10%
TOTAL	**8 673 450**	**100,00%**

(1) Sébastien Ferrari and Romain Ferrari own 66.70% and 33.30% of Ferrari Participations, respectively.

(2) See Section 18.4 below.

18.2 SIGNIFICANT SHAREHOLDERS NOT REPRESENTED ON THE BOARD OF DIRECTORS

The majority shareholder Ferrari Participations is not represented directly but indirectly through Sébastien Ferrari and Romain Ferrari.

18.3 VOTING RIGHTS OF MAJOR SHAREHOLDERS

At present, every shareholder has voting rights equal to the number of shares he holds. Under the Florange Law published in the official gazette (*JO*) on 1 April 2014, once the Company's shares are admitted for trading on the Euronext Paris regulated market, all shares that had been held in registered form for at least two years will be given a double voting right.

18.4 CONTROL OF THE COMPANY

As at the date of this Base Document, Sébastien Ferrari, through Ferrari Participations which he controls, controls the Company and thus the Group (see Sections 17.2 and 18.1 of this Base Document).

Sébastien FERRARI, the company Ferrari Participations which he controls and Romain FERRARI have also declared that they act in concert in sense of Article L.233-10 of the French Commercial Code.

The Company has not put in place measures to ensure that control is not used improperly. However, it should be noted that the Board of Directors includes Independent Directors.

A shareholders' agreement currently exists which will become null and void when the shares are admitted for trading on the Euronext Paris market. This agreement was set up between Sébastien Ferrari, Romain Ferrari, Banque de Vizille (CM-CIC Capital Investissement), and Ferrari Participations.

18.5 AGREEMENT THAT MAY ENTAIL A CHANGE OF CONTROL

There is no particular aspect of any article of association, bylaw, charter or regulation of the issuer that may have the effect of delaying, deferring or preventing a change of control of said issuer.

18.6 PLEDGES

18.6.1 *Pledges of Company shares*

All the Company shares held by Ferrari Participations (78% of share capital in the form of 6,765,200 shares after the nominal 50:1 split) are pledged to the benefit of the following banks: CIC, BNP Paribas, LCL Crédit Lyonnais, BP LL, Société Générale, Caisse d'Epargne Rhône Alpes, to cover bank loans.

Name of registered pure shareholder	Beneficiaries	Start date of pledge	Expiry date of pledge	Conditions for lifting the pledge	Number of issuer's shares pledged	% of issuer's capital pledged
Ferrari Participations	**Bank pool composed of:** CIC-Lyonnaise de banque BNP Paribas Crédit Lyonais Banque populaire Loire et Lyonais Société Générale Caisse d'Epargne Rhône-Alpes *(prorated to their commitments)*	21-déc-11	21-déc-18	Repayment of loan in full (Balance at 31/3/2014: €4.3 M)	6,675,200 shares	78% of capital

The Company has obtained agreement from the bank pool that is the beneficiary of the pledge to release the pledge on the suspensive condition that the Company's Initial Public Offering is consummated. Thus, on the first day that Company shares are traded on Euronext, no pledge will restrict them.

18.6.2 *Pledge of Company assets*

As at the date of this Base Document, the following pledges have been made to banks, as part of borrowings contracted by the Company:

- ✓ 11 270 shares in Serge Ferrari SAS (27% of share capital)
- ✓ 27 198 shares in Précontraint SAS (65% of share capital), now absorbed by Serge Ferrari SAS.

Following the merger of Serge Ferrari SAS and Précontraint SAS, only 27% of Serge Ferrari SAS capital remains pledged.

See the key figures table in Section 7.2 of this Base Document.

There are no pledges other than those mentioned above.

19 RELATED PARTY TRANSACTIONS

19.1 SIGNIFICANT AGREEMENTS WITH RELATED PARTIES

19.1.1 *Agreement between Group companies and one of its shareholders*

Service agreement between Ferrari Participations and the Group

The role of Ferrari Participations, as holding company, is to implement a globally applicable and consistent policy within the Group and define the Group's strategic priorities and growth strategies. To this end, an agreement was signed between Ferrari Participations and the Group's operational subsidiaries (and sub-subsidiaries) effective 1 January 2012.

It covered the following subsidiaries and sub-subsidiaries: Serge Ferrari SAS, Texyloop, Ferfil, CI2M, Serge Ferrari Tersuisse, Serge Ferrari AG, Serge Ferrari Asia Pacific, Serge Ferrari North America and Serge Ferrari Japan.
The only subsidiaries not included were Vinyloop (40% owned, a joint venture with Solvay), Serge Ferrari Brazil (subsidiary created in 2012) and Ferrari Americo Latina (inactive since 2011).

These services are remunerated on the basis of a provisional annual amount paid quarterly, adjusted at the start of the next fiscal year. This amount corresponds to the reinvoicing of comprehensive costs plus a margin.

The amount invoiced for these services by Ferrari Participations for fiscal year 2013 to all Group companies amounted to €1 393K.

These services include:
- Consulting on strategy and development of benefitting companies (the operating subsidiaries);
- Consulting on financial and cash management issues;
- Assistance in tax administration and insurance management;
- Assistance in human resource management;
- Consulting on sales development;
- Consulting on industrial development and quality;
- Consulting on R&D;
- Consulting on sustainable development and environment.

This agreement is automatically renewable annually.

Group central cash management (cash pooling) agreement

A cash pooling agreement between Ferrari Participations, SergeFerrari Group, Serge Ferrari SAS, Precontraint Ferrari, Texyloop, and CI2M came into effect on 1 January 2012, replacing a previous agreement signed in 2007.

Under this new agreement, Serge Ferrari SAS is the centralising company.

As at 31 December 2013, the outstanding balance of the cash pooling and current accounts opened in the name of SergeFerrari Group on the books of Serge Ferrari SAS was: €5 221 080 (€5 821 942.23 as Cash Pooling).

Interest for the year (cash pooling and current account) for SergeFerrari Group to or from Serge Ferrari SAS was:

Interest Income: €167 886,63
Interest Expense: €88 480,82

19.1.2 *Agreements directly or indirectly linking the Company and one of its corporate officers*

Apart from the premises that the Group owns, the main premises of the Group's companies are leased from SCIs owned by the Company's sister company Ferrimmo.

Accordingly, lease agreements exist (standard 3/6/9 commercial leases) between the Group's French entities and the real estate companies controlled by Ferrimmo, a wholly owned subsidiary of Ferrari Participations which is the Company's majority shareholder 66,7%-owned by Sébastien Ferrari and 33,30% by Romain Ferrari.

The Group paid total rent in 2013 of €2,7 million. This amount breaks down as follows:

- SCI Immobilière Ferrari: €1 372K
- SCI La Roche: €931K
- SCI Clomeca: €215K
- SCI SRF: €170K
- SCI SETIMM: €28K.

As regards the potential conflict of interest that these agreements represent for Sébastien and Romain Ferrari, an independent real estate assessor was asked whether the rents paid by the Group to the SCIs controlled by the Ferrari family group was consistent with market rates.

The third party concerned, Galtier Expertises Immobilières et Financières, estimated the rental value of the various sites involved in these leases was €2,7 million before tax per year.

19.2 REPORTS OF THE STATUTORY AUDITORS ON REGULATED AGREEMENTS MADE IN THE FISCAL YEAR ENDING 31 DECEMBER 2013

To the Shareholders,

As the Statutory Auditors for your Company, we hereby present our report on the regulated agreements.

It is our duty to report to you, based on the information provided to us, the key features of the agreements and commitments of which we have been informed, or which we have identified during our assignment, without being required to form an opinion as to their usefulness or appropriateness or to search for undisclosed agreements and commitments. It is your duty to assess the benefits of entering into these agreements and commitments when they are submitted for your approval.

We carried out the investigations that we considered necessary to comply with the professional guidelines issued by the *Compagnie nationale des commissaires aux comptes* in respect of this assignment.

Agreements and commitments submitted to the General Shareholders' Meeting for approval
We have not been informed of any agreement or commitment approved in the period under review that required the approval of the General Meeting pursuant to article L. 227-10 of the French Commercial Code.

Issued in Lyon and Villeurbanne, 10 April 2014.

The Statutory Auditors

MAZARS **Martine Chabert**
Pierre Beluze

20 FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

20.1 CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS STANDARDS FOR THE FISCAL YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

Statement of Financial Position

Statement of Financial Position (Assets) - In thousands of euros	Note	31/12/2013	31/12/2012	31/12/2011	01/01/2011
Goodwill	5	202	257	281	269
Intangible assets	6	4 706	4 127	3 103	1 130
Property, plant and equipment	7	27 592	30 855	34 697	34 427
Interests in equity associates	8	133	20	608	1 738
Other financial assets	9	2 888	3 114	2 498	740
Deferred tax assets	10	1 483	1 567	1 620	2 007
Total non-current assets		**37 003**	**39 939**	**42 806**	**40 310**
Inventories and in-process	11	35 498	33 804	37 566	36 265
Trade receivables and related accounts	12	23 913	25 764	31 060	33 646
Tax receivables	13	1 471	2 453	1 885	-
Other current assets	14	9 165	10 237	6 639	7 843
Cash and cash equivalents	15	7 993	13 856	12 280	6 340
Total current assets		**78 040**	**86 113**	**89 430**	**84 093**
Total Assets		**115 044**	**126 052**	**132 235**	**124 403**

Statement of Financial Position (Liabilities) - In thousands of euros	Note	31/12/2013	31/12/2012	31/12/2011	01/01/2011
Capital	16	3 469	3 469	3 469	3 469
Premiums linked to capital	16	3 055	3 055	2 743	2 433
Consolidated and other reserves	16	40 771	39 037	38 485	38 083
Profit for the year	16	3 825	904	1 329	1 749
Total shareholders' equity, Group share	16	**51 120**	**46 465**	**46 026**	**45 734**
Non-controlling interests	16	33	(166)	(148)	(159)
Total non-controlling interests	16	**33**	**(166)**	**(148)**	**(159)**
Total shareholders' equity		**51 153**	**46 299**	**45 878**	**45 575**
Borrowings and financial debt	17	15 662	13 489	19 054	25 378
Provisions for pensions and similar obligations	18	3 225	4 934	3 879	3 381
Deferred tax liabilities	10	872	922	831	386
Total non current liabilities		**19 759**	**19 343**	**23 763**	**29 145**
Bank borrowing and overdrafts (< 1 yr)	17	20 034	35 306	38 146	22 233
Provisions (< 1yr)	19	803	970	887	1 087
Trade payables		11 651	10 778	13 821	16 825
Tax debts	13	169	8	8	218
Other current liabilities	20	11 476	13 346	9 731	9 321
Total current liabilities		**44 132**	**60 409**	**62 594**	**49 684**
Total liabilities		**63 890**	**79 753**	**86 357**	**78 828**
Total Liabilities		**115 044**	**126 052**	**132 235**	**124 403**

Consolidated Income Statement

Consolidated Income Statement - In thousands of euros	Note	31/12/2013	31/12/2012	31/12/2011
Revenue	**21**	**139 592**	**139 388**	**155 574**
Purchases consumed		(53 592)	(54 975)	(69 773)
Change in inventories of in-process and finished products		974	(6 817)	546
External expenses	22	(32 009)	(31 493)	(33 385)
Personnel expense	23	(38 019)	(37 868)	(40 663)
Tax expense		(2 307)	(1 627)	(2 242)
Allocation to depreciation	24	(7 214)	(7 447)	(7 395)
Net allocation to impairment and provisions	25	(68)	1 295	154
Other current income and expenses	26	1 602	2 802	3 442
Income from continuing operations		**8 959**	**3 259**	**6 257**
Other operating income and expenses		(1)	(1)	(0)
Operating profit		**8 959**	**3 258**	**6 257**
Income from cash and cash equivalents	27	47	(5)	5
Gross cost of financial debt	27	(877)	(1 031)	(1 429)
Net cost of financial debt		**(830)**	**(1 035)**	**(1 425)**
Other financial income and expenses	27	(888)	(184)	(1 408)
Income before tax		**7 240**	**2 039**	**3 425**
Income tax	28	(2 337)	(578)	(949)
Profit after tax		**4 903**	**1 461**	**2 476**
Share of profit (loss) of equity associates	8	(1 087)	(588)	(1 130)
Total net income		**3 817**	**873**	**1 346**
Group share		3 826	905	1 328
Attributable to non-controlling interests		(9)	(32)	17
Earnings per share (euros)	2.26	22	5	8
Diluted earnings per share (euros)	2.26	22	5	8

Statement of Comprehensive Income

Statement of Comprehensive Income - In thousands of euros	31/12/2013	31/12/2012	31/12/2011
Consolidated net income	**3 817**	**873**	**1 346**
Other comprehensive income:			
Actuarial gains (losses) linked to post-employment	1 760	-967	-407
Tax charge	-298	144	74
Sub-total of non-recyclable items in result	***1 463***	***-823***	***-333***
Gain (loss) on currency translation	-431	220	811
Tax charge	-	-	-
Sub-total of recyclable items in result	***-431***	***220***	***811***
Other comprehensive income (net of tax)	**1 032**	**-603**	**478**
Comprehensive income	**4 848**	**270**	**1 824**
Group share	4 857	302	1 806
Attributable to non-controlling interests	(9)	(32)	17

Statement of Changes in Shareholders' Equity

In thousands of euros	Capital	Reserves linked to capital	Reserves and consolidated income	Other comprehensive income	Total Group share	Non-controlling interests	Total
Shareholders' equity at 01/01/2011	**3 469**	**2 433**	**38 988**	**844**	**45 734**	**-159**	**45 575**
Net income for the period			1 328		1 328	17	1 345
Other comprehensive income				484	484	-6	478
Total comprehensive income for the period	**0**	**0**	**1 328**	**484**	**1 813**	**11**	**1 824**
Capital transactions					0		0
Appropriation of N-1 profit		310	-1 889		-1 579		-1 579
Change in consolidation scope					0		0
Other movements			59		59		59
Total transactions with shareholders	**0**	**310**	**-1 830**	**0**	**-1 520**	**0**	**-1 520**
Shareholders' equity at 31/12/2011	**3 469**	**2 743**	**38 486**	**1 328**	**46 027**	**-148**	**45 879**
Net income for the period			905		905	-32	873
Other comprehensive income				-617	-617	14	-603
Total comprehensive income for the period	**0**	**0**	**905**	**-617**	**288**	**-18**	**270**
Capital transactions					0		0
Appropriation of N-1 profit		312	-312		0		0
Change in consolidation scope					0		0
Other movements			150		150		150
Total transactions with shareholders	**0**	**312**	**-162**	**0**	**150**	**0**	**150**
Shareholders' equity at 31/12/2012	**3 469**	**3 055**	**39 229**	**711**	**46 464**	**-166**	**46 299**
Net income for the period			3 826		3 826	-9	3 817
Other comprehensive income				1 032	1032		1032
Total comprehensive income for the period	**0**	**0**	**3 826**	**1 032**	**4 857**	**-9**	**4 848**
Capital transactions					0		0
Distributions of the consolidating company					0		0
Change in consolidation scope					0		0
Other movements			-201		-201	207	6
Total transactions with shareholders	**0**	**0**	**-201**	**0**	**-201**	**207**	**6**
Shareholders' equity at 31/12/2013	**3 469**	**3 055**	**42 854**	**1 743**	**51 121**	**33**	**51 153**

Cash Flow Statement

In thousands of euros	2013	2012	2011
Total consolidated net income	3 817	873	1 346
Consolidated net income from discontinued activities or in process of disposal	-	-	-
Consolidated net income from continuing activities	3 817	873	1 346
Elimination of income from equity associates	1 087	588	1 130
Amortisation allowances and provisions	7 282	6 151	7 241
Gain (loss) due to changes in fair value	-96	232	98
Elimination of income from disposals	1	15	-34
Elimination of dividend income	-21	-	-
Other income and expenses not impacting cash	-443	-194	349
Self-financing capacity after net financial debt and taxes	11 627	7 665	10 130
Net cost of debt	877	1 031	1 429
Tax charge	2 337	578	949
Self-financing capacity before net financial debt and taxes	14 841	9 274	12 509
Change in WCR for operations	3 318	3 756	1 416
of which Change in trade receivables	*1 638*	*5 098*	*2 150*
of which Change in inventories	*-1 711*	*5 247*	*-1 147*
of which Change in trade payables	*872*	*-3 043*	*-3 004*
of which Change in other receivables and payables	*2 519*	*-3 545*	*3 417*
Tax paid	-1 438	-912	-2 156
Cash flow from discontinued activities	-	-	-
Net cash flow from activities	**16 722**	**12 118**	**11 769**
Consolidated net acquisition of treasury securities	-	-	-
Acquisition of tangible and intangible assets	-6 003	-3 983	-9 694
Acquisition of financial assets	225	-616	-1 758
Change in loans and advances granted			
Disposals of tangible and intangible assets	534	16	590
Disposal of financial assets	-	-	-
Dividends received	21	-	-
Cash flow from investment operations of discontinued activities	-	-	-
Net cash flow from investment activities	**-5 223**	**-4 583**	**-10 862**
Borrowings	6 000	396	3 458
Borrowing repayments	-8 576	-8 282	-9 074
Net financing interest paid	-889	-1 181	-1 287
Dividends paid to Group shareholders	-	-	-1 578
Dividends paid to non-controlling interests	-	-	-
Factoring	771	-2 549	10 902
Other cash flow from financing activities	-3 318	3 563	-1 803
Cash flow from financing transactions of discontinued activities	-	-	-
Net cash flow from financing activities	**-6 012**	**-8 053**	**618**
Impact of exchange rate movements	-55	63	112
Impact of exchange rate movements in discontinued activities	-	-	-
Change in net cash	**5 432**	**-454**	**1 636**
Cash at start of period	13 856	12 280	6 340
Bank overdrafts at start of period	-15 036	-13 007	-8 703
Net cash at start of period	-1 181	-727	-2 363
Cash at end of period	7 993	13 856	12 280
Bank overdrafts at end of period	-3 742	-15 036	-13 007
Net cash at end of period	4 251	-1 181	-727
Change in cash of discontinued activities	-	-	-
Change in net cash	**5 432**	**-454**	**1 636**

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 domiciled in France.

Serge Ferrari Group designs, makes and distributes flexible composite materials.

The consolidated financial statements for fiscal years 2011, 2012 and 2013, prepared for the purposes of the Base Document with a view to its shares being listed on Euronext, were approved by the Chairman on 10 April 2014.

These financial statements were the subject of an audit report by the Statutory Auditors dated 11 April 2014.

As part of the approval of the Base Document by the French Financial Markets Authority, a change was requested to the presentation of consolidated cash flow and information was added in the Notes to the financial statements mentioned above. The statement of financial position and the income statement were not modified.

The new consolidated financial statements for fiscal 2011, 2012 and 2013 incorporating these requests were prepared and were approved by the Board of Directors on 16 May 2014, which authorised its publication.

They reflect the accounting position of the Company and its subsidiaries, as well as the Group’s interests in associated companies.

The financial statements are presented in thousands of euros unless otherwise indicated. The amounts are rounded to the nearest thousand euros.

For all entities, the financial statements used for consolidation are the annual financial statements as at 31 December 2013, 2012 and 2011.

1.2 Significant events in the years presented

In fiscal year 2011, the corporate name of the Group’s parent company was changed from Ferrari Participations to SergeFerrari Group.

The composition of shareholding in SergeFerrari Group had also changed at 2011-end, due to the contribution of 78% of the shares held by family shareholders to a holding company created for the purpose called Ferrari Participations (a new company). This holding company controls Serge Ferrari Group, alongside the private shareholders Sébastien Ferrari and Romain Ferrari who together own 20% of the Group’s share capital, and CM-CIC Capital Finance which owns 2%. Since that date, Serge Ferrari Group is consolidated in the accounts of Ferrari Participations Group, which publishes the Group’s consolidated financial statements prepared to French accounting principles and standards (French GAAP).

Since fiscal year 2011, SergeFerrari Group prepares its financial statements according to French GAAP as part of French shareholders' rights to information, and certifies the relevant ratios (the consolidated debt carried by SergeFerrari Group is subordinated to compliance with ratio covenants). These financial statements do not reflect the legal consolidation structure and are not published: they are presented at the Annual General Meeting.

There were no significant events in the fiscal years 2012 and 2013.

1.3 Events after the reporting period

Events after the reporting period are presented as identified at the time that the consolidated financial statements were prepared.

Events after the 2013 reporting period:

- A merger proposal was signed on 18 March 2014 between Serge Ferrari SAS and Précontraint Ferrari (two fully consolidated companies as at 31 December 2013. The merger will not impact the SergeFerrari Group consolidated financial statements. This proposal will be on the agendas of the General Meetings of 30 April 2014.
- After finding that its operating performance indicators had improved in 2013 as a result of actions undertaken in 2011 and 2012, the Group wanted to intensify the next stage in its growth. This meant giving itself the prerequisite long-term resources to do so and therefore decided to apply for listing on the Euronext Paris regulated market.

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 continuously to all the fiscal years presented.

2.1 Basis of preparation

The financial statements have been prepared in accordance with:

- the IFRS standards as adopted by the European Union. These are available on the website of the European Commission:

  http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission ;
- the IFRS standards as published by the IASB.

They have been prepared primarily using the historical cost method, with the exception of employee benefits, financial borrowings and debts, and derivative financial instruments measured at fair value.

2.2 Procedure for first application of IFRS

The Group's consolidated financial statements have been prepared to IFRS standards since 1 January 2013. The fiscal years 2011 and 2012 have been restated to be consistent with the new reporting standards.

Pursuant to European Regulation No. 1606/2002 of 19 July 2002, the SergeFerrari Group consolidated financial statements for fiscal 2013, 2012 and 2011, approved by the Chairman, were prepared in accordance with IFRS accounting principles as adopted by the European Union in force on 31 December 2013, for all the periods presented. They also comply with the standards and interpretations adopted by the IASB (International Accounting Standards Board) on that date.

In the preparation of its opening statement of financial position, SergeFerrari Group complies with IFRS 1 "First-time Adoption of International Financial Reporting Standards" and the retroactive applicability exceptions in the various IFRS standards.

The transition date adopted by the Company is 1 January 2011.

The options for first-time adoption of IFRS are described below:

- Regarding IAS 19 Revised "Employee Benefits", it has opted to recognise under shareholders' equity all accumulated actuarial spreads at the date of transition to IFRS.

- The option to revalue property, plant and equipment at their fair value was not adopted on transition date.
- Business combinations prior to the transition date have not been restated.
- The provisions of IAS 32 and IAS 39 relating to financial instruments have been applied by the Group since 1 January 2011.

2.3 Changes in standards

2.3.1 Standards and interpretations adopted by the European Union and applied early

The Group has opted not to early-apply the following texts which will become mandatory from 1 January 2014, subject to them being definitively adopted by the European Union:

- Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities”;
- IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements”, IFRS 12 “Disclosure of Interests in Other Entities”, IAS 27R “Separate Financial Statements”, IAS 28R “Investments in Associates and Joint Ventures";
- Amendments to transitional provisions of IFRS 10, 11 and 12;
- Amendments to IFRS 10, 12 and IAS 27 regarding investment entities;
- Amendments to IAS 36 regarding the recoverable value of non-financial assets;
- Annual improvements cycle 2010-2012 and 2011-2013 ;
- IFRIC 21 "Taxes (levies)".

The above-mentioned standards and interpretations and their amendments will have no significant impact on the consolidated financial statements.

2.3.2 Standards, amendments and interpretations published by the IASB not yet adopted by the European Union

The Group has not applied standards and interpretations that had been published by the IASB but were not yet adopted by the European Union as at 31 December 2013. These are mainly:

- IFRS 9 *"Financial Instruments" which replaces the older IAS 39 “Financial Instruments: Recognition and Measurement".* The projected effective date of this standard is 1 January 2015, provided it is adopted by the European Union.
- IAS 19 Amendments “Employee Contributions”.

The Group estimates that these texts should have a significant impact on its income or financial position.

2.3.3 Format of financial statements

With respect to the presentation of consolidated financial statements, SergeFerrari Group applies the recommendations of the French accounting standards authority (ANC) No. 2013-R.03 dated 7 November 2013 relating to the format of consolidated financial statements prepared to International Financial Reporting Standards.

2.4 Consolidation methods

SergeFerrari Group is the consolidating company.

The financial statements of companies under the exclusive control of SergeFerrari Group are consolidated fully. Control is assumed to exist when the parent company holds, directly or indirectly through subsidiaries, more than half of the voting rights in an entity, unless in exceptional circumstances it can be clearly demonstrated that this holding does not allow control.

Control also exists when the parent company holding half or less than half of the voting rights in an entity, has:

- power over more than half of the voting rights by virtue of an agreement with other investors;
- power to dictate the entity's financial and operating policies by virtue of a regulation or a contract;
- power to appoint or dismiss the majority of the member of the Board of Directors or of an equivalent management body, if control of the entity is exercised by that Board or body; or
- power to mobilise the majority of votes at meetings of the Board of Directors or of an equivalent management body, if control of the entity is exercised by that Board or body.

Equity interests in companies over which the Group exercises significant control (associates) are measured using the equity method. With the exception of Vinyloop, SergeFerrari Group does not exercise significant or joint control of any other company.

Intra-Group transactions, balances and unrealised profits on transactions between Group companies are eliminated.

The period-end for all annual consolidated financial statements is 31 December. They are, if necessary, restated to ensure the uniformity of the accounting and measurement rules applied by the Group.

The consolidation scope is presented in Note 3.

2.5 Currency translation of financial statements

2.5.1 Operating currency and reporting currency of financial statements

The elements 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 functional and the reporting currency of the parent company SergeFerrari Group.

2.5.2 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 accounts 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 period-end;
- income, expenses and cash flows are translated at the average exchange rate over the reporting period;
- all the resulting differences on translation are recognised in "Other items of 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 an hyper-inflationary economy.

The rates used to translate foreign amounts are presented below.

1 €uro equal to		Average rate		
		Fiscal year 2013	Fiscal year 2012	Fiscal year 2011
Swiss franc	CHF	1.231	1.2053	1.234
Chilean peso	CLP	724.6118	626.074459	680.294737
Yen	JPY	129.6688	102.614	111.0211
US dollar	USD	1.3282	1.2856	1.3917
Brazilian real	BRL	3.2133	2.50971667	2.32591666

1 €uro equal to		Closing rate			
		31/12/2013	31/12/2012	31/12/2011	01/01/2011
Swiss franc	CHF	1.2276	1.2072	1.2156	1.2504
Chilean peso	CLP	722.9196	631.654	671.88	622.277536
Yen	JPY	144.72	113.61	104	108.65
US dollar	USD	1.3791	1.3194	1.2939	1.3362
Brazilian real	BRL	3.2466	2.7036	2.4159	-

2.5.3 Translation of transactions in a foreign currency

Transactions in a foreign currency are translated into the operating currency at the exchange rate on the transaction date. Gains and losses on translation resulting from the settlement of these transactions and those flowing from the translation at the closing exchange rate of monetary assets and liabilities denominated in a foreign currency, are recognised in profit and loss, unless directly allocated to shareholders' equity, or to eligible cash flow hedges.

2.6 Critical accounting estimates and judgments

The preparation of financial statements involves making estimates and assumptions about the valuation of certain assets and labialise shown on the balance sheet and on the income statement. Management also has to exercise its judgment when applying the Group's accounting methods.

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.

2.6.1 Critical accounting estimates and judgments

Assumptions and estimates that may lead to a significant adjustment in the net carrying value of assets and liabilities in the next period relate mainly to:

- Development expenses: Development expenses that meet the criteria for capitalisation are entered under intangible assets and amortised over their expected service life. The Group uses these criteria mainly for forecasting activity and the profitability of the corresponding projects.
- Assets: The amortisation periods of assets.

- Deferred tax assets: Deferred tax assets result from deferrable tax losses and the deductible temporary differences between the carrying value and tax value of recognised assets and liabilities. The recoverable value of these assets is measured on the basis of provisional data.
- measurement of the net realisable value of in-process and finished products (see Notes 2.17 and 11);
- 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.

2.7 Business combinations

The Group applies IFRS 2 Revised to the purchase of assets and assumption of liabilities constituting a business. The acquisition of assets or groups of assets not constituting a business is recognised in accordance with the standards applicable to those assets (IAS 38, IAS 16, IAS 39).

The Group recognises each business combination through the acquisition method which consists of:

- the measurement and recognition at fair value on the acquisition date, of the identifiable assets acquired, the liabilities taken over and all non-controlling equity interests in the acquired business (minority interests). The Group identifies and assigns these elements on the basis of contractual provisions, economic conditions and its management and accounting policies;
- the measurement and recognition on the acquisition date of the difference known as goodwill (badwill if negative) which is the difference between:
    - o the acquisition price of the acquired business plus any non-controlling interests in it; and
    - o the net identifiable assets acquired and liabilities taken over.

The acquisition 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 at 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.

In the case where the initial recognition can only be measured provisionally before the end of the period during which the combination is completed, the acquiror recognises the combination on the basis of provisional valuations. The acquirer must then recognise any adjustments to those provisional values from the initial recognition, within 12 months following the acquisition date.

2.8 Goodwill

For each business combination, the Group has the choice of recognising as asset the partial goodwill (corresponding its percentage holding), or the entire goodwill (including also goodwill for non-controlling interests).

When the calculation of goodwill shows that the value of the assets acquired is higher than the price paid for them, the Group recognises the entire profit in the income statement.

Goodwill is assigned to the cash generating unit to which the assets concerned belong, so that impairment tests can be performed. These tests are performed when a loss in value is identified, and automatically on 31 December, the annual fiscal year end.

2.9 Intangible assets

2.9.1 Separately acquired intangible assets

These correspond to software valued on an amortised-cost basis (historical cost at initial recognition date, plus subsequent amortisable expenses, less accumulated amortisation and identified impairment losses). These assets are depreciated on a straight line basis over eight years as their estimated useful life.

2.9.2 Research and development expenses

Ferrari Group’s activity is a high-added-value activity and the products used by its customers provide high added value in innovating applications. R&D operations are decisive factors in implementing the Group’s strategy in developing functional uses and chemical formulations of flexible composite materials. The criticality of the applications for which the Group's customers use its products (mechanical and aerodynamic constraints in tensioned architecture, hostile or highly corrosive environments, etc.) demands highly technological input.

R&D corresponds to the work of designing products, making industrial prototypes for industrial manufacturing, 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 Ferrari Group companies and cover the Group's products and the industrial processes for manufacturing them.

In accordance with IAS 38 “Intangible Assets”:

- R&D expenses are recognised under expenses in the fiscal year in which they are incurred;
- Development expenses are capitalised 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 use or sell it.
  - The ability to use or sell the intangible asset.
  - How the intangible asset will generate probable future economic benefits.
  - The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
  - Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Research tax credits related to activated projects are considered to be investment subsidies, and are recognised as deductions from the corresponding assets. They are reported in profit and loss in the same way as depreciation of the corresponding assets. Subsidies allocated to an activated project are treated the same way as research tax credit.

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

The useful life of these development expenses is estimated to be 4 years, and equipment is depreciated linearly over that period.

Residual values and useful lifetimes are reviewed at every period-end and adjusted if necessary. Amortised 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 utility value, 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.

The Company for the first time on 31 December 2011 activated its R&D expenses. These expenses are monitored per project and their state of progress is reviewed at periodic meetings with the Group's R&D managers. As is customary and for simplification, taking into account the long time it takes to carry out these programs (sometimes years), the following procedure has been adopted:

- the totality of the work done in a given year, begins being amortised on 1 January of year N+1, whether the project has been completed or is still in progress at 31 December of year n ;

- projects abandoned in the current year are reflected in an exit of assets on 31 December of that year.

Beginning in fiscal 2014, activated R&D projects will be amortised from when they are implemented. Any time discrepancies that may be introduced by the method used until 31 December 2013 are not significant.

2.10 Property, plant and equipment

Property, plant and equipment are tangible assets that mainly include land, structures and technical facilities, as well as expenses for re-engineering to prolong the lifetime of the industrial equipment for the production line and to upgrade with the latest available technologies.

Property, plant and equipment is recognised at acquisition cost (purchase price and ancillary expenses or production costs for certain industrial equipment materialising capitalised production) excluding financial expenses, minus accrued depreciation and value impairment if any. It is not revalued.

Depreciation is calculated using the straight line method based on the expected useful life of the various categories of assets:

Assets	Depreciation method	Term
Buildings	linear	10/27 yrs
Building fixtures	linear	5/12 yrs
Industrial equipment and machinery	linear	3/8 yrs
Transport equipment	linear	2/5 yrs
Office equipment, furniture	linear	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.

2.8 Lease agreements

2.11.1 Finance lease agreements

Lease agreements covering property, plant and equipment under the terms of which the Group retains substantially all the risks and benefits inherent in ownership are classified as finance lease agreements. These contracts are entered in assets at the fair value of the leased item, or the discounted value of the minimum payments due under the lease, whichever is lower.

Each lease payment is broken down between the financial expense and the amortisation 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 financial expenses, are including under "Borrowings and financial debt”. The corresponding financial expenses are recognised in the income statement under “Cost of financial debt” over the lifetime of the lease.

Assets acquired as part of lease finance agreements are depreciated over the useful life of the asset or over the lifetime of the lease, whichever is shorter.

2.11.2 Operating leases

Lease agreements under which the Group retains substantially all the risks and benefits inherent in ownership are classified as operating leases. Payments under these contracts are recognised in expenses linearly over the lifetime of the lease agreement.

2.12 Impairment of assets

2.12.1 Impairment of intangible assets

IAS 36 “Impairment of Assets” requires the entity, whenever financial statements are prepared, to identify any evidence of impairment. 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.

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 organisation of business units, management control, and sectoral 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:

- flows referring to 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 an in growth rate to infinity reflecting the expected real growth rate of the economy in the short term.

The cash flow forecasts for an explicit period take into account the general growth rate of the economy.

The cash flow is discounted at the average legal discount rate:

- the 10-year risk-free interest rate;
- plus the market risk premium attached to a sensitivity coefficient (β) specific to the entity.

If the carrying value of the CGU exceeds its recoverable value, the CGU's assets are written down to match their recoverable value. The value impairment is allocated as a priority to goodwill and recorded in the income statement under "Other operating income and expenses". The statement of an impairment loss is final.

2.12.2 Impairment of equity interests in an associated business

Equity instruments are a unique asset and are tested for impairment in accordance with IAS 36 "Impairment of Assets".

The goodwill relating to an equity associate is included in the value of equity instruments and must not be tested separately for impairment, as the value of the equity instruments is measured with goodwill included.

At each period-end, if there is evidence of impairment of the value of investment interests in the associated business, the parent company performs an impairment test which consists of comparing the carrying value of the equity instruments with their recoverable value.

According to IAS 36, the recoverable value of an equity interest in an associate 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 interests in equity associates justifies a reversal of the value impairment, the entire impairment loss must be reversed, including the portion relating to goodwill.

2.12.3 Impairment of financial assets

IAS 39 (see IAS 39.45 "Impairment and irrecoverability of financial assets") requires the entity to assess at each period-end whether objective evidence exists of impairment of a financial asset or group of financial assets. If such evidence exists, the entity must apply the provisions of IAS 39 relating to each category of financial assets to determine any impairment loss.

2.10 Financial assets

The Group classifies financial assets into the following categories:

- Assets measured at fair value through the income statement;
- Assets held to maturity;
- Loans and receivables;
- Assets available for sale.

How a financial asset is classified depends on the reasons for acquiring it. Management decides how to classify its financial assets when they are initially recognised and reconsiders the classification at every annual or semi-annual period-end.

Financial assets are entered on the balance sheet at their initial fair value. Subsequent valuations, depending on their classification, are either at fair value or at amortised cost.

2.13.1 Assets measured at fair value through the income statement

This category includes financial assets held for trading (assets acquired primarily to be resold in the short term) as well as financial assets initially recognised at fair value through the income statement. Changes in the fair value of the assets in this category are recognised in the income statement.

Investment securities held by the Group are very liquid instruments satisfying the definition of cash equivalents as given in IAS 7. These securities are included in the consolidated statement of financial position under "Cash and cash equivalents".

2.13.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not listed on an active market. They represent the financial assets issued by the Group due to the direct transfer, to a debtor, of money or goods and services. Initially recognised at fair value, loans and receivables are subsequently valued at amortised cost based on the effective interest rate.

The Group has identified in this category:

- (i) long-term loans and receivables classified as non-current financial assets (receivables related to non-consolidated equity interests and guarantee deposits paid on leased premises). Receivables related to non-consolidated equity interests are written-down when their estimated recoverable value is less than their net carrying value; and
- (ii) short-term trade receivables. Short-term trade receivables remain valued at the original invoiced price, the nominal value usually representing the fair value of the receivable counterpart. The discount effect is negligible given the short average invoice payment period. As necessary, an impairment is recognised on a case by case basis to take into account any payment recovery problems.

Trade receivables not due, sold as part of a factoring agreement and not satisfying the derecognition conditions in IAS 39, are kept in “Trade receivables and related accounts”. A financial debt is recorded as counterpart of cash received.

2.13.3 Assets available for sale

These are non-derivative financial assets that do not fall into any of the above categories, that the company may or may not intend to sell. Changes in the fair value of these assets are recognised directly in shareholders’ equity, with the exception of impairment losses and gains (losses) on currency translation recorded in the income statement.

The Group has classified into this category, equity investments in non-consolidated companies over which it has no significant influence or control.

As these equity instruments are not quoted on an active market (unlisted companies) and their fair value cannot be measured reliably, they are held at their cost, net of potential impairment. Their recoverable value is measured by taking various criteria into account (the Group’s share in the net financial position of these companies, the growth and profitability outlook for the entity in which the Group has invested...). Impairment losses recorded in the income statement cannot be reversed.

2.14 Deferred taxes

Deferred taxes are recognized using the liability method for all temporary differences between the tax base of the assets/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 period-end and expected to be applied when the tax asset concerned is realised or the tax liability settled.

Deferred tax assets corresponding to temporary differences and to deferred tax losses are not recognised unless the probability exists that these tax savings will be realised in the future.

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, that will not recur in the future;
- historical taxable income in previous years.

The French Tax Act for 2010, passed on 30 December 2009, removed the requirement for French taxable entities to pay the "*tax professionelle*", effective 2010, and replace it with the Regional Economic Contribution (*Contribution Economique Territoriale* or "C.E.T.") which includes two new contributions:

- The Cotisation Foncière des Entreprises (CFE) levied on the assessed rental value of the real estate in the current Tax Professionelle.
- The Cotisation sur la Valeur Ajoutée des Entreprises (CVAE) levied on the added value resulting from the Company's activities as presented in the financial statements.

The Group recognises both these contributions under operating expenses ("Tax expense").

2.15 Derivatives

Derivative financial instruments are initially recognised at their fair value on the date that the agreement was entered into. They are then remeasured at their fair value. The method for recognising 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 recognised assets or liabilities or of a firm commitment (fair value hedge); or
- a hedge of a specific risk associated with a recognised 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. Changes in the fair value of derivatives that satisfy the hedging compatibility conditions impact shareholders' equity.

Derivatives held for trading purposes are classified as current assets or liabilities when they close out within less than a year after the period-end concerned. Otherwise, they are recognised as non-current assets or liabilities. The Group considers as speculative, derivatives that cannot qualify as designated and effective hedging instruments in the sense of IAS 39. Changes in fair value are recorded in the income statement under "Other financial income and expenses".

2.16 Cash and cash equivalents

This heading includes liquid assets, bank sight deposits, other very liquid investments with initial maturities less than or equal to three months, and bank overdrafts. Bank overdrafts are shown on the liabilities side of the balance sheet, under "Borrowings and financial debt – short-term".

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) and recognised as a reasonable basis by the French Financial Markets Authority (AMF) in its position notice 2011-13 on the classification of UCITS (mutual funds) as cash equivalents:

- UCITS classified by the AMF in as “money market” and “short-term money market” are assumed for practical purposes to automatically satisfy the four eligibility criteria;
- the eligibility of other cash UCITS as “cash equivalents” is not automatically assumed: they must be analysed to see if they meet the eligibility criteria.

Cash equivalents are recognised at their fair value; changes in fair value are recognised in the income statement under “Other financial income and expenses”.

2.17 Inventories

Inventories of raw materials and goods are valued at the weighted average price.

The gross value of inventories of 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 and in-process products are valued at their production cost. Production cost includes consumables and direct and indirect production costs. Financial expenses and the cost of under-activity are excluded from inventory value.

Net realisable value corresponds to the expected selling price after deducting the completion and marketing costs.

Inventories are written-down to their Net Realisable Value when evidence exists that NRV is below cost, and the impairment is reversed as soon as the circumstances that led to the write-down cease to exist.

An impairment can also be recognised if the inventories have been damaged, if they have become completely or partially obsolete, or their selling price has fallen.

Estimates of net recoverable 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.

2.18 Employee benefits

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

The Group recognises under "Personnel expense" the value of short-term benefits as well as the contributions payable for general and mandatory pension plans. As the Group has no obligations in addition to these contributions, it does not lay down a provision for such pension plans.

2.18.2 Post-employment defined benefit schemes

These concern France, for payment of conventional retirement benefits.

Defined benefit schemes are directly supported 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 uses an actuary to measure its commitment in Swiss companies.

The commitment calculated in this way is then discounted at the interest rate for top tier 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 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 recognised in full in shareholders' equity under "Other items of 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 legal, conventional or contractual provisions has been introduced during the fiscal year.

2.18.3 Other long-term benefits

These benefits concern Switzerland, for the payment of bonuses for achieving various levels of seniority ("jubilee gifts").

Defined benefit schemes are directly supported by the Group, which calculates the commitment using the same methods as those presented in Section 2.18.2.

Actuarial gains (losses) resulting from a change in actuarial assumptions are recognised in the statement of consolidated net income.

2.19 Borrowings and financial debt

Borrowings and financial debt mainly include:

- bank borrowings: these are initially recognised at fair value, net of transaction costs incurred. The borrowings are subsequently measured at their amortised cost; and difference between the income (net of transaction costs) and the repayment value is recognised in the income statement over the lifetime of the loan using the effective interest rate method;
- bank overdrafts;
- debts to the factoring firm.

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

2.20 Provisions

A provision is set up when an obligation to a third party is newly identified 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 because an insurance policy exists, the reimbursement is recognised as a separate asset but only if 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 recognised as borrowing cost.

When the provision is used, the provision reversal is recognised on the credit side of the expense account in which the expense covered by the provision was recorded. When the provision reversal reflects the extinction of the projected risk with no associated expenditure, the reversal is recognised on the credit side of the provision expense account.

If the loss or liability is not probably or cannot be measured reliably, a potential liability is mentioned in the Group's obligations.

Provision for warranties

In addition to the product liability insurance subscribed by the Group, a provision for warranties is recognised to cover technical and/or commercial expenses resulting from the partial or total replacement of deliveries of composite materials to customers or the cost of additional or corrective work invoiced to the Group by customers. The expenditures actually recognised in previous years are analysed 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 recognised and updated at each annual period-end.

2.21 Recognition of revenue

Consolidated net revenue breaks down as follows: 94% of total revenue (net of tax) is from the sale of flexible composite materials, with the balance from miscellaneous sales (industrial waste, intermediary services, production machines built by its subsidiary CI2M, and semi-finished products such as PET micro-cables).

Proceeds from goods sold are recognised in the income statement when the significant risks and benefits inherent in the ownership of the goods have been transferred to the buyer, or in most cases on the date that the materials are shipped.

Revenue does not include proceeds from the sale of goods and services after deduction of prix reductions and taxes and after elimination of intra-group sales.

2.22 Profit from continuing operations

Profit from continuing operations 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 operations.

2.23 Other operating income and expenses

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

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

2.24 Operating profit

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

2.25 Segment information

The Group is a "single segment" enterprise in the sense of IFRS 8, in the "flexible composite materials" segment (in accordance with IFRS 8, segment information is based on internal management data used by the Group's General Management, the Chairman and Chief Executive Officer, the two Deputy CEOs, the Group's main operational decision-makers), this single-segment presentation being linked to the strongly integrated nature of the activities developed by the Group.

Geographic regions and fields of activity do not constitute segments in the sense of IFRS 8..

2.26 Earnings per share

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

- basic earnings per share are calculated using the weighted average number of outstanding shares during the period, based on the injection dates of funds from capital increases in the form of cash, and the date of first consolidation for capital increases in the form of external contributions of securities of newly consolidated companies;
- diluted earnings per share are calculated by adjusting the "Net income, Group share" and the weighted average number of outstanding shares by the dilutive effect of share subscription option plans open at period-end and bonus (free) share allocation plans. The share buyback method is applied at the market price based on the average share price throughout the year.

The company has issued no dilutive instruments in the periods presented. Earnings per share are thus equal to diluted earnings per share.

Note 3 – Scope of consolidation

Companies	Registered office	Percentage control			Consolidation method 2013
		2013	2012	2011	
Serge Ferrari Group	La Tour-du-Pin (France)	100%	100%	100%	Parent company
Serge Ferrari sas	La Tour-du-Pin (France)	100%	100%	100%	Full consolidation
Précontraint	La Tour-du-Pin (France)	100%	100%	100%	Full consolidation
Texyloop	La Tour-du-Pin (France)	100%	100%	100%	Full consolidation
CI2M	La Tour-du-Pin (France)	100%	100%	100%	Full consolidation
Serge Ferrari North America	Pompano Beach (USA)	100%	100%	100%	Full consolidation
Serge Ferrari Asia Pacific	Hong Kong (HK)	100%	100%	100%	Full consolidation
Ferrari Latino America	Santiago (Chile)	100%	100%	100%	Full consolidation
Serge Ferrari Japan	Kamakura (Japan)	83%	69%	69%	Full consolidation
Serge Ferrari Brasil	Sao Paulo (Brazil)	100%	100%	100%	Full consolidation
Serge Ferrari AG	Eglisau (Switzerland)	100%	100%	100%	Full consolidation
Ferfil Multifils	Emmenbrucke (Switz)	100%	100%	100%	Full consolidation
Serge Ferrari Tersuisse	Emmenbrucke (Switz)	100%	100%	100%	Full consolidation
Vinyloop	Ferrara (Italy)	40%	40%	40%	Equity associate

The companies SIBAC (18%-owned), VR Développement (20%-owned) and 2FB2I (5%-owned) are excluded from the consolidation scope due to the absence of significant influence on these entities.

Note 4 – Comparability of financial statements

There was no entry into or exit from the consolidation scope in fiscal years 2011, 2012 and 2013 that would require the disclosure of comparative information.

Note 5 - Goodwill

Goodwill - In €K	31/12/2013	31/12/2012	31/12/2011
Net value at start of period	257	281	269
Acquisition	-	-	-
Value impairment	-	-	-
Impact of goodwill	-55	-24	12
Net value at end of period	**202**	**257**	**281**

Goodwill corresponds to the company Serge Ferrari Japan acquired in 2008.

The valuation tests conducted as at 31 December 2011, 2012 and 2013 based on discounted cash flow (DCF) do not show evidence of a need to write-down this asset. The changes in value result exclusively from exchange rate fluctuations.

As at 31 December 2013, Serge Ferrari Group consists of a single Cash Generating Unit, as the activities of the fully consolidated entities are interdependent. Substantially all the materials marketed by the Group and its subsidiaries come from its French or Swiss plants.

Note 6 – Intangible assets

Intangible assets can be analysed as follows:

In thousands of euros	**01/01/2011**	**Acq.**	**Disposals**	**Allocations in the year**	**Exchange rate fluctuation**	**Reclassified or discarded**	**31/12/2011**
R&D expenses	0	1 998			8		2 005
Licenses, patents & similar rights	38						38
Intangible assets under construction		624			9		633
Other intangible assets	4 901	289	-36		11	-10	5 154
Total intangible assets	**4 939**	**2 910**	**-36**		**28**	**-10**	**7 831**
Amort/Impairment R&D expenses				0	0		0
Amort/Impairment licenses, patents & similar rights	-38						-38
Amort/Impairment other intangible assets	-3 771		36	-953	-11	10	-4 689
Total Amort/Impairment intangible assets	**-3 809**	**0**	**36**	**-954**	**-11**	**10**	**-4 728**
Total net value	**1 130**	**2 910**	**0**	**-954**	**17**	**0**	**3 103**

In thousands of euros	31/12/2011	**Acq.**	**Disposals**	**Allocations in the year**	**Exchange rate fluctuation**	**Reclassified or discarded**	31/12/2012
R&D expenses	2 005	1 324	-		3	0	3 333
Licenses, patents & similar rights	38	-	-		-	-	38
Intangible assets under construction	633	353	-		5	-	991
Other intangible assets	5 154	435	-10		2		5 581
Total intangible assets	**7 831**	**2 113**	**-10**		**11**	**0**	**9 943**
Amort/Impairment R&D expenses	0		-	-334	1	-	-334
Amort/Impairment licenses, patents & similar rights	-38		-		-	-	-38
Amort/Impairment other intangible assets	-4 689		10	-763	-2	-	-5 444
Total Amort/Impairment intangible assets	**-4 728**	**0**	**10**	**-1 097**	**-2**	**0**	**-5 816**
Total net value	**3 103**	**2 113**	**0**	**-1 097**	**9**	**0**	**4 127**

In thousands of euros	31/12/2012	**Acq.**	**Disposals**	**Allocations in the year**	**Exchange rate fluctuation**	**Reclassified or discarded**	31/12/2013
R&D expenses	3 333	1 341			-13		4 661
Licenses, patents & similar rights	38						38
Intangible assets under construction	991				-19	-971	2
Other intangible assets	5 581	1 118	-212		-8		6 479
Total intangible assets	**9 943**	**2 459**	**-212**		**-40**	**-971**	**11 179**
Amort/Impairment R&D expenses	-334			-486	8	-425	-1 237
Amort/Impairment licenses, patents & similar rights	-38						-38
Amort/Impairment other intangible assets	-5 444			-907	8	1 144	-5 198
Total Amort/Impairment intangible assets	**-5 816**	**0**	**0**	**-1 392**	**16**	**719**	**-6 473**
Total net value	**4 127**	**2 459**	**-212**	**-1 392**	**-23**	**-252**	**4 706**

Non-activated R&D expenses in fiscal 2011, 2012 and 2013 amounted to €1 400K, €1 935K and €1 649K respectively.

Note 7 – Property, plant and equipment

Property, plant and equipment can be analysed as follows:

In thousands of euros	01/01/2011	Acq.	Disposals	Allocations in the year	Exchange rate fluctuation	Reclassified or discarded	31/12/2011
Land	1 635				47		1 681
Buildings	32 968	707	-210		493	125	34 083
Technical facilities, equipment & machinery	93 593	2 463	-60		1 439	393	97 828
Tangible assets under construction	1 694	3 097	-16		22	-519	4 277
Other tangible assets	5 931	115	-75		119	10	6 101
Total property, plant and equipment	**135 821**	**6 382**	**-361**	**0**	**2 119**	**10**	**143 971**
Dep/Impairment buildings	-18 481		32	-1 906	-216		-20 571
Dep/Impairment tech facilities, equip & mach.	-77 251		26	-4 374	-1 228		-82 827
Dep/Impairment other tangible assets	-5 661		75	-161	-118	-10	-5 875
Total Dep/Impairment prop, plant & equip	**-101 394**	**0**	**132**	**-6 441**	**-1 561**	**-10**	**-109 274**
Total net value	**34 427**	**6 382**	**-229**	**-6 441**	**558**	**0**	**34 697**

In thousands of euros	31/12/2011	Acq.	Disposals	Allocations in the year	Exchange rate fluctuation	Reclassified or discarded	31/12/2012
Land	1 681				12		1 693
Buildings	34 083	402	-5		123		34 603
Technical facilities, equipment & machinery	97 828	1 688	-254		361	1 822	101 446
Tangible assets under construction	4 277				6	-1 822	2 461
Other tangible assets	6 101	295	-1		23		6 418
Total property, plant and equipment	**143 971**	**2 385**	**-260**	**0**	**525**	**0**	**146 621**
Dep/Impairment buildings	-20 571 -		5	-1 766	-56 -		-22 388
Dep/Impairment tech facilities, equip & mach.	-82 827 -		238	-4 445	-310 -		-87 344
Dep/Impairment other tangible assets	-5 875 -		1	-140	-20		-6 034
Total Dep/Impairment prop, plant & equip	**-109 274**	**0**	**244**	**-6 351**	**-385**	**0**	**-115 766**
Total net value	**34 697**	**2 385**	**-16**	**-6 351**	**140**	**0**	**30 855**

In thousands of euros	31/12/2012	Acq.	Disposals	Allocations in the year	Exchange rate fluctuation	Reclassified or discarded	31/12/2013
Land	1 693				-28		1 665
Buildings	34 603	249	-2		-296		34 554
Technical facilities, equipment & machinery	101 446	1 801			-887	-259	102 101
Tangible assets under construction	2 461	206	-79		-83		2 506
Other tangible assets	6 418	863			-9	1 230	8 502
Total property, plant and equipment	**146 621**	**3 119**	**-81**	**0**	**-1 303**	**971**	**149 327**
Dep/Impairment buildings	-22 388		1	-1 886	145	-286	-24 413
Dep/Impairment tech facilities, equip & mach.	-87 344			-4 269	776		-90 837
Dep/Impairment other tangible assets	-6 037		79	-171	79	-433	-6 484
Total Dep/Impairment prop, plant & equip	**-115 769**	**0**	**80**	**-6 327**	**1 000**	**-719**	**-121 735**
Total net value	**30 852**	**3 119**	**-1**	**-6 327**	**-303**	**252**	**27 592**

Substantially all the investments made in fiscal years 2011, 2012 and 2013 were made in Europe.

Note 8 – Investments in equity associates

Investments in equity associates relate to Vinyloop which is 40%-owned by Serge Ferrari Group through its subsidiary Texyloop. The rest of the share capital is held by Solvay Group.

The Group contributed to a recapitalisation of the company Vinyloop in the amount of €1,2 million in fiscal 2013. This recapitalisation was transacted by incorporating an existing receivable dated 31 December 2012 against Vinyloop under "Other financial assets" and specifically "Assets available for sale" (see Note 9 in the notes to the financial statements) in the Group's statement of financial position. This capital increase by incorporation of receivables had no impact on the Group's cash flow in fiscal 2013.

Impacts on consolidated financial position and consolidated net income

Vinyloop - in thousands of euros	31/12/2013	31/12/2012	31/12/2011	01/01/2011
Equity instruments	133	20	608	1 738
Income from equity associates	(1 087)	(588)	(1 130)	N/A

Financial data of equity associates

The data presented below is drawn from the Italian financial statements in the absence of significant IFRS restatement identified for this equity interest.

Vinyloop - En milliers d'euros	31/12/2013	31/12/2012	31/12/2011
Continuing operations	3 597	3 438	3 216
Net income	-2 717	-1 345	-2 961
Shareholders' equity	-28	-416	930
Total balance sheet	14 722	15 712	17 541

Note 9 – Other financial assets

In thousands of euros	31/12/2013	31/12/2012	31/12/2011	01/01/2011
Assets available for sale	457	457	457	256
Other loans and receivables	2 431	2 657	2 041	484
Total other financial assets	**2 888**	**3 114**	**2 498**	**740**

The companies SIBAC (Tunisia; 18%-owned), VR Développement (France; 20%-owned) and 2FB2I (France; 5%-owned) are excluded from the consolidation scope due to the absence of significant influence on these entities.

Other loans and receivables include guarantee deposits or loans signs with non-consolidated companies and the company Vinyloop.

Note 10 – 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.

Deferred taxes (in thousands of euros)	31/12/2013	31/12/2012	31/12/2011	01/01/2011
Deferred tax assets related to employee benefits	666	939	763	889
Deferrable losses	127	148	292	478
Elimination of internal profits	301	181	204	561
Other items temporarily not deductible	389	299	361	79
Total deferred tax assets	**1 483**	**1 567**	**1 620**	**2 007**
Tax-deductible provisions	872	922	831	366
Total deferred tax liabilities	**872**	**922**	**831**	**366**
Total net deferred taxes	**611**	**645**	**789**	**1 641**

Note 11 – Inventories

In thousands of euros	31/12/2013			31/12/2012		
	Gross value	Provisions	Net value	Gross value	Provisions	Net value
Invent. of raw mat, supplies & other	8 303	-2 131	6 172	8 109	-2 124	5 985
Inventories - in-process production	355	-17	338	715	-17	698
Inventories -finished & intemediate	26 570	-302	26 268	25 146	-312	24 833
Inventories of goods	2 873	-154	2 720	2 420	-133	2 288
Total inventory	**38 101**	**-2 603**	**35 498**	**36 390**	**-2 586**	**33 804**

In thousands of euros	31/12/2011			01/01/2011		
	Gross value	Provisions	Net value	Gross value	Provisions	Net value
Invent. of raw mat, supplies & other	8 308	-2 618	5 690	8 789	-2 581	6 208
Inventories - in-process production	1 193	-17	1 176	1 212	-9	1 203
Inventories -finished & intemediate	29 207	-1 299	27 908	27 690	-1 485	26 205
Inventories of goods	2 928	-137	2 790	2 799	-150	2 649
Total inventory	**41 636**	**-4 071**	**37 566**	**40 490**	**-4 225**	**36 265**

Note 12 - Trade receivables and related accounts

In thousands of euros	31/12/2013	31/12/2012	31/12/2011	01/01/2011
Trade receivables and advances paid	10 024	13 932	15 966	32 058
Receivables sold to factoring firm	15 961	13 691	16 755	2 813
Impairment trade receivables & related accounts	-2 073	-1 859	-1 661	-1 225
Total trade receivables	**23 913**	**25 764**	**31 060**	**33 646**

The Company analyses its trade receivables on a case by case basis and recognises impairment on an individual basis taking into account the customer's situation and late payments.
All trade receivables have due dates of less than a year.

Note 13 – Tax receivables and debts

In €K	31/12/2013	31/12/2012	31/12/2011	01/01/2011
Tax receivables	1 471	2 453	1 885	0
Tax payables	169	8	8	218

Tax receivables mainly relate to research tax credits and carryback receivables. Beginning in 2013, tax receivables are also composed of tax credit for competitiveness and employment (*Crédit* *d'impôt compétitivité Emploi* or "CICE"). In 2012, the increase in tax receivables was due to the excess instalments paid for the effective tax expense calculated at 31 December.

Note 14 – Other current assets

In thousands of euros	31/12/2013	31/12/2012	31/12/2011	01/01/2011
Current accounts - assets	2 593	2 041	1 838	4
Tax receivables - excluding corporation income tax	4 705	4 622	2 442	5 378
Receivables on personnel & social bodies	288	403	801	89
Receivables against suppliers	643	1 083	0	336
Other receivables	53	1 056	1 010	322
Prepaid expenses	729	962	502	1 090
Expenses to be allocated	20	24	0	0
Loans, guarantees and other receivables (< 1 yr)	134	46	46	624
Total other current assets	**9 165**	**10 237**	**6 639**	**7 843**

All other current assets have maturities of less than a year.

Tax receivables excluding corporation income tax mainly include customs tax and VAT receivables.

Current account assets include:

- a receivable against a real estate company (in the amount of €937K) resulting from work to extend a property, coordinated and supported initially by a Group operating company and reinvoiced to the lessor in accordance with the lease agreement. This receivable will be settled in 2014.
- ad hoc cash transactions with non-consolidated related companies (Ferrari Participations and real estate companies) in the amount of €1 330K in assets (and current accounts in credit of the same type in the amount of €971K as at 31 December 2013).
- A short-term advance of €200K from a non-consolidated third-party company.

These current accounts lead to a recognition of interest income and expenses.

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

Note 15 – Cash and cash equivalents

In thousands of euros	31/12/2013	31/12/2012	31/12/2011	01/01/2011
Trading securities	67	132	54	54
Cash	7 926	13 724	12 226	6 286
Total cash and cash equivalents	**7 993**	**13 856**	**12 280**	**6 340**

Note 16 – Share capital

The Company's share capital is €3 469K. It is split into 173 469 fully subscribed and paid-up ordinary shares each with a nominal value of €20.

The Company's share capital has not changed in the fiscal years 2010 through 2013. The most recent change is for June 2008.

The Company has never allocated securities giving future access to capital of any kind whatsoever (stock options, free shares, etc.). Therefore no dilutive instrument exists.

Note 17 | Borrowings and financial debt

Presentation of net debt

31/12/2013 - In thousands of euros	Current	Non Current	Total	< 1 yr	1 ≥ 5 yrs	> 5 yrs
Bank loans	5 592	15 662	21 254	5 592	15 662	-
Bank overdrafts	3 742		3 742	3 742	-	-
Factoring	10 700		10 700	10 700	-	-
Total borrowings and financial debt	**20 034**	**15 662**	**35 696**	**20 034**	**15 662**	**0**
Cash and cash equivalents	-7 993		-7 993	-7 993	-	-
Net debt	**12 041**	**15 662**	**27 703**	**12 041**	**15 662**	**0**

31/12/2012 - In thousands of euros	Current	Non Current	Total	< 1 yr	1 ≥ 5 yrs	> 5 yrs
Bank loans	10 341	13 489	23 830	10 341	13 489	-
Dettes liées aux contrats de location-financement	15 036		15 036	15 036	-	-
Bank overdrafts	9 929		9 929	9 929	-	-
Factoring	**35 306**	**13 489**	**48 795**	**35 306**	**13 489**	**0**
Total borrowings and financial debt	-13 855		-13 855	-13 855	-	-
Cash and cash equivalents	**21 451**	**13 489**	**34 940**	**21 451**	**13 489**	**0**
Net debt						

31/12/2011 - In thousands of euros	Current	Non Current	Total	< 1 yr	1 ≥ 5 yrs	> 5 yrs
Bank loans	12 661	19 054	31 715	12 661	19 054	-
Dettes liées aux contrats de location-financement	13 007		13 007	13 007	-	-
Bank overdrafts	12 478		12 478	12 478	-	-
Factoring	**38 146**	**19 054**	**57 200**	**38 146**	**19 054**	**0**
Total borrowings and financial debt	-12 280		-12 280	-12 280	-	-
Cash and cash equivalents	**25 866**	**19 054**	**44 920**	**25 866**	**19 054**	**0**
Net debt						

01/01/2011 - In thousands of euros	Current	Non Current	Total	< 1 yr	1 ≥ 5 yrs	> 5 yrs
Bank loans	11 953	25 378	37 331	11 953	24 698	680
Dettes liées aux contrats de location-financement	8 703		8 703	8 703	-	-
Bank overdrafts	1 576		1 576	1 576	-	-
Factoring	**22 232**	**25 378**	**47 610**	**22 232**	**24 698**	**680**
Total borrowings and financial debt	-6 339		-6 339	-6 339	-	-
Cash and cash equivalents	**15 893**	**25 378**	**41 271**	**15 893**	**24 698**	**680**
Net debt						

The Group funds its activities and its investments by:

- the club deal with its relationship banks for financing its investments. Four deals of this kind were set up in July 2009, May and December 2011 and September 2013 (the latter having no impact as at 31 December 2013 as it was for 2014 investments). These arrangements were signed at variable market interest rates (EURIBOR) plus a spread. These borrowings are contractually subject to mandatory interest rate hedging (fixed rate vs variable rate swap) on a proportion of the total amount by using short-term cash facilities, confirmed or unconfirmed.

- by using financing for R&D operations: innovation aid in the amount of €107K (over five years with repayment deferred for the first two years) and a zero-rate loan for innovation in the amount of €1 000K (over six years with repayment deferred for nine 3-month periods) were set up with OSEO in 2013.
- by factoring the receivables it holds against French and international customers.
- by bilateral lines of financing with local and Swiss banks to finance CAPEX. From 2012, the financing of these investments was arranged by SergeFerrari Group.

Note 18 – Provisions for pensions and similar obligations

The provisions recognised relate to:

- post-employment benefits relating to defined benefit schemes in France (severance pay on retirement);
- other long-term benefits in Switzerland ("jubilee gifts").

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

	31/12/2013	31/12/2012	31/12/2011	01/01/2011
Age at retirement	Voluntary retirement at age 64			
Collective agreement	Textile industry collective bargaining agreement			
Discount rate	3,16%	3,35%	3,90%	4,30%
Mortality table	TH-TF 00-02	TH-TF 00-02	TH-TF 00-02	TH-TF 00-02
Salary revaluation	2%	2%	2%	2%
Turnover	Staff turnover degressive with age			
Welfare deductions	45%	45%	45%	45%

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

	31/12/2013	31/12/2012	31/12/2011	01/01/2011
Age at retirement	Retirement age 65 for men, 64 for women			
Discount rate	2,30%	2,00%	2,40%	2,40%
Mortality table	BVG2010GT	BVG2010GT	BVG2010GT	BVG2010GT
Salary revaluation	1,50%	2%	2%	2%
Turnover	Staff turnover degressive with 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 the change in provisions for pensions and similar obligations:

In thousands of euros	Severance benefits France	Switzerland		Total
		Pension Plan	Jubilee	
At 01/01/2011	**815**	**2 114**	**452**	**3 381**
Cost of past services (recognised in income statement)	61	-98	-34	-71
Financial costs (recognised in income statement)	35	50	0	85
Actuarial gains/losses	65	342	0	407
Gains/losses on currency translation	0	65	12	77
At 31/12/2011	**976**	**2 473**	**430**	**3 879**
Cost of past services (recognised in income statement)	73	-82	-17	-26
Financial costs (recognised in income statement)	37	59	0	96
Actuarial gains/losses	-7	974	0	967
Gains/losses on currency translation	0	15	3	18
At 31/12/2012	**1 079**	**3 439**	**416**	**4 934**
Cost of past services (recognised in income statement)	80	-66	3	17
Financial costs (recognised in income statement)	37	67	0	104
Actuarial gains/losses	-175	-1 586	0	-1 761
Gains/losses on currency translation	0	-62	-7	-69
At 31/12/2013	**1 021**	**1 792**	**412**	**3 225**

The following table shows a breakdown of the provision for pensions in Switzerland:

In thousands of euros	31/12/2013	31/12/2012	31/12/2011	01/01/2011
Present value of the obligation	26 324	29 022	26 361	24 431
Fair value of plan assets	24 532	25 582	23 888	22 317
Recognised net liability	**1 792**	**3 439**	**2 473**	**2 114**

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

Change in the present value of the obligation In thousands of euros	31/12/2013	31/12/2012	31/12/2011
Benefit obligations at start of period	29 022	26 361	24 431
Financial cost	559	644	610
Cost of services rendered	771	784	761
Members' contributions	538	582	578
Benefits paid	(2 531)	(737)	(732)
Past service costs	(51)	-	-
Administration costs	14	13	13
Actuarial gains (losses)	(1 515)	1 190	-
Gain (loss) on currency translation	(482)	184	700
Benefit obligation at end of period	**26 324**	**29 022**	**26 361**

Change in the value of plan assets In thousands of euros	31/12/2013	31/12/2012	31/12/2011
Present value at start of period	25 582	23 888	22 317
Financial income expected from investments	491	586	559
Employer contributions	802	880	874
Members' contributions	538	582	578
Benefits paid	(2 531)	(737)	(732)
Return on plan assets excluding financial income	71	216	(342)
Gain (loss) on currency translation	(421)	168	634
Present value at end of period	**24 532**	**25 582**	**23 888**

The following table shows a breakdown of plan assets in the periods presented:

Breakdown of plan assets by category **In thousands of euros**	**31/12/2013**	**31/12/2012**	**31/12/2011**
Cash and cash equivalents	456	546	1 204
Equity instruments	2 379	2 231	1 641
Debt securities	3 124	3 126	2 801
Real estate	6 182	5 782	5 077
Other	537	567	468
Other assets from insurance policies	11 853	13 330	12 696
Total plan assets	**24 532**	**25 582**	**23 888**

The nature of the underlying assets that constitute the "other assets from insurance contracts" express the valuation of the rights of Serge Ferrari AG in the assets managed collectively by Swiss Life.

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

Sensitivity analysis - In thousands of euros	**31/12/2013**	**31/12/2012**	**31/12/2011**
Change in present value of the obligation if the discount rate is reduced by 0.50%	2 113	2 435	2 164
Change in present value of the obligation if the discount rate is increased by 0.50%	(1 842)	(2 117)	(1 882)
Change in present value of the obligation if salary growth rate decreases by 0.50%	(178)	(179)	(165)
Change in present value of the obligation if the salary growth rate increases by 0.50%	174	157	173
Change in the present value of the obligation if life expectancy increases by 1 year	492	569	475
Change in the present value of the obligation if life expectancy decreases by 1 year	(505)	(582)	(488)

The Company does not expect significant fluctuation in its cash flows in future years, as the flow mainly correspond to the premiums paid to insurance companies. The annual premiums paid are in the order of CHF 1 million and the forecast premium for fiscal 2014 is estimated at CHF 933K. The estimated weighted average duration of the obligation is 14,9 years. There is no minimum financing obligation.

Note 19 - Provisions

Provisions mainly consist of provisions for guarantees and litigation. In fiscal years 2012 and 2013, a provision for risks and contingencies was recognised in the amount of €218K to cover the risk of non-implementation of studies relating to an industrial project that presented a risk of abandonment and had been capitalised. As the project to which the studies related was abandoned, the provision was written back to the income statement.

In thousands of euros	01/01/2011	Change in scope	Addition	Reversal		31/12/2011
				Used	Not used	
Current provision	**1 087**	**0**	**304**	**-504**	**0**	**887**
Provisions for guarantee	484		58			542
Provisions for employee & admin disputes	106		209	-30		285
Provisions for commercial disputes	497		37	-474		60
Non current provision	**0**	**0**	**0**	**0**	**0**	**0**
Total	**1 087**	**0**	**304**	**-504**	**0**	**887**

In thousands of euros	31/12/2011	Variation de périmètre	Augmentation	Reprise		31/12/2012
				Utilisées	Non utilisées	
Current provision	**887**	**0**	**218**	**-78**	**-52**	**970**
Provisions for guarantee	542			-5		537
Provisions for employee & admin disputes	285			-39	-52	194
Provisions for commercial disputes	60			-39		21
Provision for Pre 4 impairment			218			218
Non current provision	**0**	**0**	**0**	**0**	**0**	**0**
Total	**887**	**0**	**218**	**-78**	**-52**	**970**

In thousands of euros	31/12/2012	Variation de périmètre	Augmentation	Reprise		31/12/2013
				Utilisées	Non utilisées	
Current provision	**970**	**0**	**72**	**-239**	**0**	**803**
Provisions for guarantee	537		65			602
Provisions for employee & admin disputes	194		7			201
Provisions for commercial disputes	21			-21		0
Provision for Pre 4 impairment	218			-218		0
Non current provision	**0**	**0**	**0**	**0**	**0**	**0**
Total	**970**	**0**	**72**	**-239**	**0**	**803**

Note 20 – Other current liabilities

In thousands of euros	31/12/2013	31/12/2012	31/12/2011	01/01/2011
Current account liabilities	1 049	3 815	49	18
Tax payables	8 696	7 788	6 465	7 526
Trade receivables	1 418	917	1 824	629
Other debts	133	497	1 283	1 137
Fair value of derivative financial instruments	180	330	109	11
Total other current liabilities	**11 476**	**13 346**	**9 731**	**9 321**

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

Note 21 – Geographic regions

Revenue

	31 Dec 2013	%	31 Dec 2012	%	31 Dec 2011	%	Chg 12-13	Chg 12-11
Flexible composite materials	131 275	94%	131 761	95%	146 105	94%	-0,4%	-9,8%
Other income	8 317	6%	7 627	5%	9 469	6%	9,0%	-19,5%
Total revenue	**139 592**	**100%**	**139 388**	**100%**	**155 574**	**100%**	**0,1%**	**-10,4%**

The table below shows the breakdown by location of the end customer

	31 Dec 2013	%	31 Dec 2012	%	31 Dec 2011	%	Chg 12-13	Chg 12-11
Southern Europe	46 943	36%	50 175	38%	55 048	38%	-6,4%	-8,9%
Wide Europe	52 465	40%	52 265	40%	59 132	40%	0,4%	-11,6%
Rest of World	31 867	24%	29 321	22%	31 925	22%	8,7%	-8,2%
Total revenue	**131 275**	**100%**	**131 761**	**100%**	**146 105**	**100%**	**-0,4%**	**-9,8%**

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

in thousands of euros	31/12/2013	31/12/2012	31/12/2011
France	32 542	34 608	36 692
Switzerland	18 256	18 923	22 566
Other countries*	80 477	78 230	86 847
Total non current consolidated assets	**131 275**	**131 761**	**146 105**

** No country individually contributes more than 10% to consolidated Group revenue*

Geographic breakdown of main assets

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

Breakdown of non-current assets by main geographic region:

in thousands of euros	31/12/2013	31/12/2012	31/12/2011
France	19 146	19 934	21 408
Switzerland	17 616	19 746	21 239
Other countries	241	259	159
Total non current consolidated assets	**37 003**	**39 939**	**42 806**

Note 22 – External expenses

In thousands of euros	31/12/2013	31/12/2012	31/12/2011
Various subcontracting	415	328	358
Rent and other lease expenses	5 297	4 684	5 411
Maintenance and repair	3 505	3 898	2 929
Insurance	818	963	1 103
Studies & research	1 342	1 285	1 513
Professional fees	6 438	7 212	5 323
Other external expenses	522	334	722
Outsourced personnel	613	315	947
Advertising and Public Relations	3 654	3 387	5 100
Transport	5 779	5 352	5 823
Assignments and entertainment	2 464	2 816	3 109
Postal and telecom expenses	646	471	597
Bank services	516	448	450
Total external expenses	**32 009**	**31 493**	**33 385**

Fees and Remuneration to intermediaries includes invoices issued for the cost of non-employee personnel in countries in which the Group has no legal structure of its own, in the amount of €1 188K, €1 447K and €1 127K respectively for 2013, 2012 and 2011.

Note 23 – Personnel expense and executive compensation

Personnel expense

In thousands of euros	31/12/2013	31/12/2012	31/12/2011
Payroll	28 519	28 681	30 439
Social charges	8 628	8 093	9 468
Other personnel expenses	873	1 093	756
Total personnel expense	**38 019**	**37 867**	**40 663**

Personnel expense covers both permanent and fixed-term contracts.

In accordance with the ANC information notice of 28 February 2013, the proceeds from the Tax Credit for Competitiveness and Employment (CICE) has been recognised as a reduction in personnel expense for the period in the amount of €326K.

The workforce can be broken down as follows:

Workforce	31/12/2013	31/12/2012	31/12/2011
Marketing and Sales	107	102	96
Production / Distribution	379	395	399
Support Functions	99	110	114
Subtotal	**585**	**607**	**609**
Part-time and others	0	0	11
Total workforce	**585**	**607**	**620**

Executive compensation

In thousands of euros	31/12/2013	31/12/2012	31/12/2011
Reinvoicing Ferrari Participations (1)	408	409	-
Compensation to corporate officers (2)	120	96	576
Benefits in kind (3)	5	5	5
Total compensation to directors	**533**	**510**	**581**

(1) Since 1 January 2012, the office of Chairman of SergeFerrari Group is filled by the company Ferrari Participations (having itself appointed two general managers – namely Sébastien and Romain Ferrari), which from that date onwards invoices the services provided to the Group's operating companies. In addition to these corporate officers, Ferrari Participations pays the Group's management team and bears the costs relating to missions that it undertakes for the Group. The amounts shown in columns 2012 and 2013 relate only to the proportion of reinvoicing borne by the Group concerning the operational functions of Sébastien and Romain Ferrari. The total invoicing borne under the management fees agreement which amounted to €1 393 994 in 2013 and €1 493 485 in 2012, is partly included in the table in Note 30 "Related party transactions".

(2) All compensation received for mandates within the Group by Sébastien and Romain Ferrari.

(3) Benefits in kind relating to the availability of company vehicles.

Note 24 – Amortisation and depreciation charges

In thousands of euros	2013	2012	2011
Intangible assets	1 105	665	959
Tangible assets	6 110	6 782	6 436
Allocation to amortisation/depreciation	**7 214**	**7 447**	**7 395**

Note 25 – Impairment allowances and provisions

In thousands of euros	2013	2012	2011
Allocation to provisions on operations	1 689	212	115
Allocation to provisions on receivables	2 090	3 729	1 634
Allocation to provisions on inventories and in-process	7	2 250	4 522
Reversal of provisions on property, plant & equipment	-218	-	-
Reversal of provisions on receivables	-1 870	-3 534	-1 199
Reversal of provisions on inventories	-117	-3 744	-4 720
Reversal of provisions on operations	-1 512	-207	-506
Net allocation to impairment and provisions	**68**	**-1 295**	**-154**

Note 26 - Other current income and expenses

In thousands of euros	2013	2012	2011
Capitalised production (R&D expenses)	1 737	2 615	3 334
Operating subsidies	99	137	50
Gain/loss on disposal of assets	-1	-15	34
Other	-233	65	22
Other current income and expenses	**1 602**	**2 802**	**3 442**

Note 27 – Financial income

In thousands of euros	2013	2012	2011
Income from cash and cash equivalents	47	-5	5
Interest expense	-877	-1 031	-1 429
Net cost of financial debt	**-830**	**-1 036**	**-1 425**
Gains/losses on currency translation	-418	218	-1 388
Financial expenses related to employee benefits	-107	-104	-92
Change in value of derivative financial instruments	-101	30	-109
Dividends from non-consolidated entities	21	0	1
Other	-283	-329	180
Other financial income and expenses	**-888**	**-184**	**-1 408**
Financial profit/loss	**-1 718**	**-1 220**	**-2 833**

Note 28 - Tax

In thousands of euros	2013	2012	2011
Deferred tax	-243	234	888
Tax payable	2 580	344	61
Total income tax	**2 337**	**578**	**949**

The theoretical tax charge is calculated using the tax rate on French companies of 34,43% for fiscal years 2011 to 2013. This charge is reconciled with the recognised tax expense as follows:

In thousands of euros	2013	2012	2011
Net income	3 817	873	1 346
Neutralisation :			
=> Share of profit of equity associates	-1 087	-588	-1 130
=> Tax expense	2 337	578	949
Profit before taxes	**7 241**	**2 038**	**3 425**
Theoretical tax rate	**34,43%**	**34,43%**	**34,43%**
Theoretical tax expense	**2 493**	**702**	**1 179**
Reconciliation:			
=> Impact of tax credits	-73	-79	
=> Variance between French and non-French rates	-121	-162	-100
=> Long-term variance	38	117	-130
Actual tax expense	**2 337**	**578**	**949**
Effective tax rate	**32,28%**	**28,35%**	**27,71%**

The Company Added-Value Contribution (CICE) has been recognised in taxes in operating profit/loss.

The Group recognised tax assets in the amount of €127K relating to deferrable losses and has no other tax assets not recognised in the financial statements.

Note 29 – 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 geographical location, global economic conditions and sectoral growth prospects.

An application for cover is submitted to a credit insurer whenever a customer 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 significant credit risk and is mainly focused on trade receivables. The net carrying value of identified receivables reflects the fair value of the net cash flow receivable estimated by Management, based on information at period-end. The Group has not taken into account compensation agreements when performing impairment tests on financial assets.
There are no significant unimpaired past-due financial assets.

- 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 in instalments.

• Average payment time by main geographical region

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

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

• Provisions for impairment of receivables:

Trade receivables are analysed on a case by case basis and an impairment is recognised when the recoverability of the receivable is at risk.

• Weight of main customers

In 2013, the Group's largest customer accounted for 8% of revenue from composite materials and the top 5 customers accounted for 17% of the total. These distributor-customers themselves address dozens, even hundreds, of end-customers in the countries in which they operate.

Interest rate risk

Interest rate risk is handled by the Group's Management working closely with its main bank partners. For several years, the Group's policy has been to set up its debt at variable rates and protect a significant part of it against potential rate rises. The financing agreements signed with the Company's relationship banks currently require 50% of the nominal amount of the contracted loan to be hedged. Accordingly, interest rate swap agreements have been entered into. The Group offers a variable rate and receives a fixed rate.

The rates structure of financial debt before the application of interest-rate derivatives is presented below:

In thousands of euros	**Rate**	**31/12/2013**	**31/12/2012**	**31/12/2011**	**01/01/2011**
Bank loans	Variable	14 206	11 943	10 311	15 359
Bank loans	Fixed	7 048	11 887	21 404	21 292
Bank overdrafts	Variable	3 742	15 036	13 007	8 703
Factoring	Fixed	10 700	9 929	12 478	1 576
Total borrowings and financial debt		**35 696**	**48 795**	**57 200**	**46 930**
Total at fixed rate		**17 748**	**21 816**	**33 882**	**22 868**
Total at variable rate		**17 948**	**26 979**	**23 318**	**24 062**

The exposure to interest-rate risk after taking into account interest-rate derivatives is presented below:

In thousands of euros		**31/12/2013**	**31/12/2012**	**31/12/2011**	**01/01/2011**
Total at fixed rate		17 748	21 816	33 882	22 868
Total at variable rate		17 948	26 979	23 318	24 062
Fixed-rate payer swaps		8 156	9 998	5 755	4 038
Exposure to rate risk after hedging	**Fixed rate**	**25 904**	**31 814**	**39 637**	**26 906**
	Variable rate	**9 792**	**16 981**	**17 563**	**20 024**

Derivatives covering a variable-rate debt are classified as cash flow hedges and recorded at their fair value. As at 31 December 2013, these agreements covered a total notional value of €8,2 million. Their fair value is determined by using the market rates on the period-end date, as provided by financial establishments, and it represents the estimated amount that the Group would have paid or received had it closed out the agreement on the period-end date. The fair value of cash flow hedging instruments represented an unrealised liability in the amount of €155K as at 31 December 2013.

The change in the value of these instruments, posted to profit or loss, represented €77K profit in 2013, €222K loss in 2012, and €54K loss in 2011.

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. Consolidated revenue is mainly invoiced in EUR (80%), USD (12%) and CHF (7%). Internal transactions are usually made in the same currencies.
The exchange rate hedges that are set up are futures. Their purpose is to obtain the budgeted rates for the transactions cited above.

Serge Ferrari Group classifies its exchange rate hedges as cash flow hedges and carries them in the balance sheet at fair value.

Changes in the value of these instruments posted to the income statement represented expenses of €29K and €13K in 2012 and 2011 respectively, and had no impact in 2012.

At 31 December 2013, the amounts were as follows:
- USD: notional USD 3 million
- CHF: notional CHF 16,8 million

The fair value of these instruments has been measured by banks – €25K.

The maturities of hedge instruments are generally less than 3 months.

- Breakdown of expenditure by currency

Expenditure is mainly denominated in euros, with the exception of raw materials (denominated in USD) and the local expenditures of subsidiaries and offices in local currency.

Liquidity risk

The Group shows no liquidity risk, as current assets and especially cash and cash equivalents are much greater than current liabilities. For this reason, maturities of less than a year have not been shown in detail.
The Group has the following financing means:

- Lines of credit amounting to €14,5 million of which €8 million had been drawn down as at 31 December 2013.
- A factoring agreement covering up to €20 million of which €10,7 million had been used as at 31 December 2013.

Risks induced by early repayment clauses in financial ratio covenants

The Group's medium-term financing agreements (in EUR and CHF) include covenants requiring compliance with financial ratios. The covenants are tested at each annual period-end:

- Leverage ratio (Net debt / EBITDA) with a maximum of 3 to meet as at 31 December 2013.
- Gearing ratio: (Debt / Equity) with a maximum of 1,1 to meet as at 31 December 2013.

The aggregates used to calculate the above-mentioned ratios are clearly defined in the borrowing agreements referenced in the consolidated financial statements prepared in accordance with French accounting standard CRC 99-02.

Non-compliance with these ratios gives the lender concerned the option of requiring the loan to be repaid early. At 31 December 2013, the Group was in compliance with the set ratios.

Note 30 - Related party transactions

In thousands of euros	2013			2012		
	Ferrari Participations	Real estate companies	Vinyloop	Ferrari Participations	Real estate companies	Vinyloop
Operating payables	310	246	53	1 160	9	-138
Operating receivables	15	12	-	145	203	-
Current accounts	-951	1 310	1268	-2 867	1 850	1 500
Purchases of goods & serv	1 393	2 912	240	2 248	1 985	332
Sales of goods & services	115	122	-	119	140	-
Interest expense	10	-	-	17	-	-
Interest income	13	9	-	-	12	-

In thousands of euros	2011		
	Ferrari Participations	Real estate companies	Vinyloop
Operating payables	-	-	-
Operating receivables	556	11	-
Current accounts	70	491	500
Purchases of goods & serv	-	2 689	76
Sales of goods & services	434	10	-
Interest expense	-	6	-
Interest income	-	-	-

Recognised income corresponds to:

- the services rendered under the services agreement by which Serge Ferrari SAS provides administrative services (assistance in accounting, human resources management and IT services) to the benefit of other Group entities and companies related to the Group.

Expenses correspond to:

- with Ferrari Participations: the reinvoicing under the agreement described in Note 23 “Executive compensation”.
- with “real estate companies”: the rents paid to real estate companies directly or indirectly controlled by the same Ferrari family Group, for industrial sites in France and Switzerland.

Note 31 - Off-balance-sheet commitments

Commitments given

Off-balance-sheet commitments (in thousands of euros)	31/12/2013	31/12/2012	31/12/2011
CHF-denominated mortgage translated at the closing rate	3 462	4 929	5 882
Commitments on operating leases	5 239	5 796	4 094
Total off-balance-sheet commitments	**8 701**	**10 725**	**9 976**

As part of the borrowing contracted by SergeFerrari Group, 11,270 shares of the company Serge Ferrari SAS (27% of capital) and 27 198 shares of the company Précontraint SAS (65% of capital) have been pledged.

SergeFerrari Group debt includes covenants complied with throughout the fiscal periods presented.

Commitments received

As at 31 December 2013, corporate and personal guarantees given by Ferrari Participations covered:

- Financing agreements of September 2013: €15 500K
- Financing agreement of December 2011: €6 000K
- Financing agreement of May 2011: €5 000K

As part of this, Ferrari Participations pledged to the bank pool all its shares in SergeFerrari Group (78% of capital at 31 December 2013).

Note 32 – Audit fees

In thousands of euros	Mazars			Martine Charbert		
	2013	2012	2011	2013	2012	2011
Statutory Auditors, certification, review of separate and consolidated financial statements						
- Parent company	13	30	30	20	8	19
- Fully consolidated subsidiaries	83	58	82	93	90	86
Other due diligence and services directly related to the Statutory Auditors' mission						
- Parent company	19	20	19	-	12	-
- Fully consolidated subsidiaries	-	-	-	3	-	-
Total fees	**114**	**108**	**131**	**116**	**110**	**105**

Note 33: Reconciliation between the IFRS financial statements and the statements prepared to French accounting standard CRC 99-01

The Group financial statements prepared in accordance with International Financial Reporting Standards (IFRS) differ on certain points from those prepared to French generally accepted accounting principles (French GAAP). The main differences are shown in the following tables:

Transition table of consolidated shareholders' equity to IFRS shareholder's equity

In thousands of euros	31/12/2013	31/12/2012	31/12/2011	01/01/2011	Note
Consolidated shareholders' equity CRC 99-02	**53 814**	**50 260**	**48 753**	**47 631**	
Goodwill	93	62	31	0	A
Subsidies (IAS 20)	-675	-545	-269	0	B
Post-employment benefits - IAS 19 R - France (net of deferred taxes)	-103	-199	-151	-93	C
Post-employment benefits - IAS 19 R - Switz (net of deferred taxes)	-1 523	-2 923	-2 102	-1 611	D
Other long-term benefits - IAS 19 R - Switz (net of deferred taxes)	-277	-280	-323	-344	D
Financial instruments	-120	-53	-73	-7	E
Gain / loss on translation of goodwill in a foreign currency	-55	-24	12	0	F
Shareholders' equity IFRS	**51 153**	**46 299**	**45 878**	**45 575**	

Transition table of consolidated net income to IFRS net income

In thousands of euros	31/12/2013	31/12/2012	31/12/2011	Note
Consolidated income CRC 99-02	**3 982**	**1 098**	**1 766**	
Goodwill	31	31	31	A
Subsidies (IAS 20)	-130	-276	-269	B
Post-employment benefits - IAS 19 R - France (net of deferred taxes)	95	-48	-58	C
Post-employment benefits - IAS 19 R - Switz (net of deferred taxes)	1 346	-808	-426	D
Other long-term benefits - IAS 19 R - Switz (net of deferred taxes)	22	33	41	D
Financial instruments	-67	20	-73	E
Gain/loss on translation presented in Other Comprehensive Income	-431	220	811	G
Statement of Comprehensive Income	**4 848**	**270**	**1 824**	

A/ Goodwill, on the opening date of the IFRS balance sheet, is recognised at fair value and no longer at amortised value.

B/ The research tax credit (CIR) recognised in the CRC 99-02 consolidated financial statements is allocated to projects that are recognised on the assets side of the Group’s balance sheet. Under IAS 20, the CIR, similar to a subsidy, is recognised as a reduction in activated R&D expenses in the period.

C/ Under French standards, Serge Ferrari Group recognises actuarial gains and losses under "Severance pay on retirement" using the corridor method. Under IAS 19 Revised, the total pension benefit obligation is now recognised. Actuarial gains and losses in the period are now recognised in shareholders’ equity. In accordance with IFRS 1, the Group has opted to recognise under shareholders’ equity all accrued actuarial gains and losses at the date of transition to IFRS.

D/ The Group’s Swiss companies show "Pension Plans" that are restated under IAS 19 Revised. These pension plans had not been provisioned under CRC 99-02. The methods for recognising these liabilities are similar to those described in paragraph C.

E/ Under IAS 32 and 39, the Company has recognised at fair value the financial instruments that it holds.

F/ Under IAS 21, goodwill relating to entities whose accounts are kept in a foreign currency is translated at the end of each period at the closing rate of the currency used by the subsidiary. The resulting goodwill is recognised in shareholders’ equity.

G / IFRS 1 recommends reconciling the result of the previously used standard with comprehensive income. Goodwill, presented in comprehensive income, must therefore be presented in the reconciliation.

20.2 PRO FORMA FINANCIAL INFORMATION

Not applicable.

20.3 HISTORICAL FINANCIAL STATEMENTS OF SERGEFERRARI GROUP SA

As the Company has prepared the consolidated financial statements for the reference period, the SergeFerrari Group SA’s historical financial statements have not been included in this Base Document.

20.4 AUDIT OF THE HISTORICAL ANNUAL FINANCIAL INFORMATION

20.4.1 The Statutory Auditor's report on the consolidated financial statements prepared in accordance with IFRS principles as adopted in the European Union for the fiscal years ended 31 December 2013, 2012 and 2011

To the Chairman and Chief Executive Officer,

As Statutory Auditors of SergeFerrari Group and pursuant to Regulation (EC) No. 809/2004 as part of your application for the Company's shares to be admitted for trading on the Euronext Paris market, we have reviewed the consolidated financial statements of SergeFerrari Group covering the financial years ended 31 December 2011, 2012 and 2013 presented in accordance with IFRS principles as adopted in the European Union, attached to this report.

The consolidated financial statements of your company were approved by your Chairman on 10 April 2014. These financial statements were the subject of a first report by us dated 11 April 2014 in which we formulated a favourable opinion with no reservations on the consolidated financial statements for the fiscal years ended 31 December 2011, 2012 and 2013. These financial statements were modified by the Board of Directors on 16 May 2014 to take into account the corrections made to your company's consolidated financial statements pursuant to the review of the Base Document by the French Financial Markets Authority. We have therefore issued a new report which replaces our first report of 11 April 2014.

These consolidated financial statements were prepared under your responsibility. Based on our audit, we have formed the following opinion on the financial statements as modified.

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the items we have gathered constitute a sufficient and appropriate basis on which to form our opinion.

It is our opinion that the financial statements prepared for the purposes of this Base Document provide a fair and true picture in all significant aspects in accordance with the IFRS provisions adopted in the European Union, including assets and financial position as at 31 December 2013, 2012 and 2011 as well as the consolidated profit and loss incorporating the consolidated entities for each of the financial years ended at those dates.

Issued in Lyon and Villeurbanne, 19 April 2014.

The Statutory Auditors

MAZARS	**Martine CHABERT**
Pierre BELUZE	**Cabinet Martine Chabert**

20.4.2 Other information checked by the Statutory Auditors

None.

20.5 DATE OF THE LAST FINANCIAL INFORMATION

31 December 2013.

20.6 CONSOLIDATED INTERIM FINANCIAL INFORMATION

Not applicable.

20.7 DIVIDEND DISTRIBUTION POLICY

20.7.1 Dividends paid in the last three fiscal years

None.

20.7.2 Dividend distribution policy

Depending on its future results and its financing needs, the Company may decide to pay dividends of up to 30% of its consolidated net profit. This dividend payment possibility, which the Group could put in place from 2015 for fiscal year 2014, under no circumstances, however, constitutes a commitment by the Group.

20.8 LITIGATION AND ARBITRATION

As at the registration date of this Base Document, there exists no administrative, criminal, civil court or arbitration proceeding, including any proceeding of which the Company is aware, that is suspended or with which it is threatened, may be threatened, or in progress over the past 12 months that may significantly affect the financial position, activity or profits of the Company and/or any of its subsidiaries.

20.9 SIGNIFICANT CHANGES IN FINANCIAL OR COMMERCIAL POSITION

To the Company's best knowledge, there has been no significant change in the Group's financial or commercial position since 31 December 2013.

21 ADDITIONAL INFORMATION

The attached description takes into consideration certain amendments to the Articles of Association decided by the Combined Ordinary and Extraordinary General Meeting of 30 April 2014, some of them conditional on a successful initial public offering of the shares of the Company on the Euronext Paris regulated market.

21.1 SHARE CAPITAL

21.1.1 Total share capital

As at the date of this Base Document, after taking into account the 50-for-1 nominal value split of shares decided by the Combined Ordinary and Extraordinary General Shareholders' Meeting of 30 April 2014, the Company's share capital amounts to €3 469 480,00 composed of 8 673 450 fully paid-up ordinary shares each with a nominal value of €0,40.

21.1.2 Securities not representing capital

None.

21.1.3 Acquisition by the Company of its own shares

As at the date of this Base Document, the Company does not hold any treasury shares. However, the General Meeting of the Company's shareholders on 30 April 2014 authorised the Board of Directors, for a period of 18 months counting from the date of the General Meeting and under the suspensive condition that the Company's shares are admitted for trading on the Euronext regulated market in Paris, to implement a share redemption plan in accordance with Article L. 225-209 of the French Commercial Code and the AMF General Regulations, under the terms and conditions described below:

Maximum number of shares that can be redeemed: 10% of the share capital on the date that the shares are redeemed. When the shares are redeemed to promote liquidity, the number of shares used for the calculation of this 10% limit corresponds to the number of shares purchased, less the number of shares re-sold over the term of this authorisation.

Objectives of the share redemption plan:

- to encourage liquidity and activity in the Company's share prices through the intervention of an Investment Services Provider acting independently under a liquidity contract in compliance with the ethics charter of the French Financial Markets Association recognised by the French Financial Markets Authority;

- to grant shares to employees or corporate officers of the Company and French or foreign companies or groups related to it, in accordance with legal and regulatory conditions, primarily as part of profit sharing in the fruits of business expansion, employee shareholding plans or company savings plans, share subscription options, share purchase options, or as free bonus shares or on any other terms permitted by applicable regulations;

- to deliver shares in return for payment or in exchange, notably as part of external growth operations;

- to grant shares when rights are exercised attached to securities conferring the right via redemption, conversion, exchange, presentation of a coupon or in any other way, to existing Company shares;

- to cancel the redeemed shares as part of a capital reduction, subject to the shareholders in an Extraordinary General Meeting adopting a resolution specifically referring to that capital reduction.

Maximum purchase price: 300% of the per-share price adopted for admittance to trading on the Euronext regulated market in Paris, excluding fees and commissions and potential adjustments to take into account capital transactions;
Minimum amount of funds that may be allocated to the share redemption: €5 000 000.

The number of shares purchased by the Company to hold for use as payment or exchange in a merger, demerger or capital contribution may not exceed 5% of its share capital;

The shares thus redeemed may be cancelled, as the Combined General Meeting of 30 April 2014 had authorised the Board of Directors to reduce capital by cancelling the treasury shares resulting from the redemption plan described above.

It should be noted that once the shares of the Company are admitted for trading on the regulated NYSE Euronext market in Paris, the Company will be subject to the following communication obligations in respect of any share redemption.

Prior to implementing a share redemption programme authorised by the General Meeting:
- The publication of a description of the share redemption programme (full and effective dissemination by electronic means and on the internet on the Company's website).

While the share redemption programme is in progress:
- Publication of transaction on D+7 via the internet on the Company's website (excluding transactions under a liquidity contract);
- Company monthly statements to the AMF.

Each year:
- Presentation of a report on the implementation of the share redemption programme and on the use of the purchased shares in the Board of Directors Report to the General Meeting.

21.1.4 *Securities giving right to a share of capital*

None.

21.1.5 *Authorised capital*

The issuance Resolutions approved by the Extraordinary General Meeting of 30 April 2014 are summarised below:

<table>
<tr><th>Resolution</th><th>Period of validity
from
30 April 2014</th><th>Maximum nominal value</th><th>Maximum nominal common value</th></tr>
<tr><td>Capital increase with retention of preferential rights to subscribe to shares and/or securities giving access to Company capital</td><td>26 months</td><td>Capital increase:
€2,5 million
Debt securities: €15 million</td><td rowspan="5">Capital increase:
€2,5 million

Debt securities:
€15 million</td></tr>
<tr><td>Capital increase with removal of preferential rights to subscribe to shares and/or securities giving access to Company capital as a public offering</td><td>26 months</td><td>Capital increase:
€2,5 million
Debt securities: €15 million</td></tr>
<tr><td>Capital increase with removal of preferential rights to subscribe as part of an offering to eligible investors or a restricted circle of investors in accordance with Section II of Article L. 411-2 of the French Monetary and Financial Code (private placement)</td><td>26 months</td><td>Capital increase:
€2,5 million
Debt securities: €15 million</td></tr>
<tr><td>Authorisation to set the price of the issue up to 10% of share capital</td><td>26 months</td><td>-</td></tr>
<tr><td>Increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights</td><td>26 months</td><td>15% of initial issue</td></tr>
</table>

Capital increase with removal of preferential subscription rights to the benefit of one category of persons: - Companies investing, directly and/or indirectly, usually in growth shares of "small caps" (ie, whose capitalisation, if they are listed companies, does not exceed €1 billion), in the industrial sector, notably in the composite materials field; - Any person who is, or whose main shareholder is, for at least the past 12 months, an employee or exclusive commercial agent of the Company or of a related company. - Any person who is, or whose main shareholder is, an executive corporate officer of a foreign company related to the Company, with the exception of the executive corporate officers of said companies related to the Company who are also executive corporate officers of the Company.	18 months	Capital increase: €2,5 million Debt securities: €15 million	
Capital increase, up to 10% of share capital, to remunerate contributions in kind made in the form equity instruments or other securities giving access to the capital of third-party companies, outside the scope of a public exchange offer	26 months	10% of Company capital	
Capital increase to the benefit of employees belonging to the group savings plan	18 months	€58K	
Issue options to purchase or subscribe to shares in the Company to the benefit of its employees and directors	38 months	5% of Company capital	
Allocate existing shares free of charge or issue shares to the benefit of the Company's employees and directors	38 months	10% of Company capital	

21.1.6 Disclosures regarding the capital of any member of the Group that is the object of a conditional or unconditional option or agreement to buy

To the best of the Company's knowledge, there exists no option to buy or sell or any other commitment to the benefit of the shareholders of the Company or agreed by them relating to shares in the Company.

21.1.7 Share capital history

21.1.7.1 Change in share capital since the formation of the Company

Date	Type of operation	Capital	Issue premium	Number of shares created	Nbr of shares comprising capital	Nominal value	Share capital
02/09/1991	Constitution (1)	17 184 000 FRF	-	171 840	171 840	100,00 FRF	17 184 000,00 FRF
10/05/1995	Cancellation of shares following merger of SEROM	-5 900 000 FRF	-	-59 000	112 840	100,00 FRF	11 284 000,00 FRF
10/05/1995	Capital increase	5 650 000 FRF	-	56 500	169 340	100,00 FRF	16 934 000,00 FRF
25/04/2001	Capital increasel (capitalisation of reserves)	66 000 FRF	-	660	170 000	100,00 FRF	17 000 000,00 FRF
25/04/2001	Increase in nominal value (capitalisation of reserves)	5 302 538 FRF	-	0	170 000	131,19 FRF	22 302 538 FRF
25/04/2001	Translation into euros			0	170 000	20,00 €	3 400 000,00 €
09/06/2008	Capital increase	69 380,00 €	1 930 602,57 €	3 469	173 469	20,00 €	3 469 380,00 €
30/04/2014	50-for-1 nominal value split	-	-	8 499 981	8 673 450	0,40 €	3 469 380,00 €

(1) *The origins of the Ferrari Group date back to May 1974, when the company TESF was created (Tissus et Enductions Serge Ferrari). In September 1991, there was a capital restructuring as part of a family succession which led to the creation of the Group's present parent company.*

21.1.7.2 Change in the composition of share capital since 1 April 2011

	1 April 2014	1 April 2013	1 April 2012	1 April 2014
Shareholders	% capital and voting rights	% capital and voting rights	% capital and voting rights	% capital and voting rights
Ferrari Participations (1)	78,00%	78,00%	78,00%	-
Sébastien FERRARI	7,59%	7,69%	7,69%	60,54%
Romain FERRARI	12,21%	12,31%	12,31%	37,46%
Sub-total concert (2)	97,80%	98,00%	98,00%	98,00%
Serge FERRARI	0,00%	0,00%	0,00%	0,00%
Mireille FERRARI	0,00%	0,00%	0,00%	0,00%
Victoire GOTTARDI	0,10%	-	-	-
Banque de Vizille (CM-CIC Group)	2,00%	2,00%	2,00%	2,00%
Philippe BRUN	0,10%	-	-	-
TOTAL	**100%**	**100%**	**100%**	**100%**

(1) Sébastien Ferrari and Romain Ferrari own 66,70% and 33,30% of Ferrari Participations, respectively.
(2) See section 18.4 of this Base Document.

The only changes in this period were:

- in November 2011, Sébastien and Romain Ferrari contributed a portion of their securities in a holding company called Ferrari Participations which they together wholly own ;
- in April 2014, several sales between Romain Ferrari and Philippe Brun and a gift by Sébastien Ferrari to his daughter Victoire Gottardi.

21.2 ARTICLES OF ASSOCIATION AND BYLAWS

The attached description takes into consideration certain amendments to the Articles of Association decided by the Combined Ordinary and Extraordinary General Meeting of 30 April 2014, some of them conditional on admittance of Company shares for trading on the Euronext Paris regulated market.

21.2.1 *Corporate Purpose*

The Company's object is:

- Financial participation in any French or foreign existing or future groups, companies or businesses operating in the design, manufacturing and/or distribution of innovative composite materials and associated systems and their recycling, by any means, in particular by contribution, subscription or purchase of shares or units, merger or grouping;

- The purchase, sale and management of any securities;

- The management, control and coordination of its subsidiaries and equity interests;

- The management and exploitation of intellectual property rights;

- Consulting on sales organisation, marketing, public relation, any provision of services in commercial, administrative, financial or information technology fields;

- Acceptance or exercise of any administrative, management, control, consulting, engineering or research mandate including developing in any way management and assistance to the Company's related businesses.

The management of its financial interests and any interests in any companies.

21.2.2 Statutory or other arrangements relating to the members of executive and management bodies

See Section 6.1 “Board of Directors and general management" of this Base Document.

21.2.3 Rights, privileges and restrictions attached to shares in the Company

21.2.3.1 Form of title (Article 10 of the Articles of Association)

Fully paid-up shares may be registered or bearer shares, at the choice of the shareholder, except where the applicable laws and regulations require them to be registered. (…)

21.2.3.2 Voting rights (Articles 12.1 and 30.2 of the Articles of Association)

The voting right attached to shares is proportional to the share of capital that they represent. Each share entitles the holder to one vote.

However, a double voting right (ie, double that conferred on other shares with regard to the percentage of share capital that they represent) is attached to all other fully paid-up shares that can be proven to have been held in registered form for at two (2) years in the name of a given shareholder, counting from the date that the Company shares were first listed on a regulated market or on an organised multilateral trading system.

In the event of a capital increase through the capitalisation of reserves, profits or issue premiums, the double voting right is conferred – immediately upon the issue of any registered shares allocated free of charge – to a shareholder who had old shares benefiting from this same entitlement.

21.2.3.3 Rights to dividends and profits and the surplus from liquidation (Articles 2.1, 36 and 37 of the Articles of Association)

Each share confers a right to the Company's profits and capital in proportion to the percentage of capital that it represents. (…)

At least five percent (5%) of the profits of a fiscal year, minus any eligible previous losses, must be set aside to form a fund called a "legal reserve". This set-aside ceases to be mandatory when the value of the legal reserve amounts to one-tenth of share capital.

Distributable profit consists of the profit for the fiscal year, minus eligible previous losses and minus the set-aside referred to above, plus any retained earnings.

The General Meeting may take any sums from profits that it considers appropriate to form any optional, ordinary or extraordinary reserves, or to retain for future years.

The balance, if any, is distributed by the General Meeting among all shareholders in proportion to the number of shares each owns.

The General Meeting can also decide to distribute the sums taken among reserves available to it, explicitly indicating the reserve items affected. However, dividends are taken, as a priority, from the distributable profit of the fiscal year.

Except in the case of a capital reduction, no distribution may be made to shareholders if shareholders' equity is, or would be after doing so, less than the total capital and reserves that are prohibited by law and the Articles of Association from being distributed. Any gain on re-valuation is not distributable. It can be partly or entirely capitalised. (…)

If a statement of financial position during or at the end of the period and certified by a statutory auditor reveals that the Company – since the previous period-end, after constituting the necessary depreciations and provisions and after deducting any previous losses as well as the amounts to be posted to reserves, in accordance to the law and Articles of Association – has realised a profit, it can be distributed as interim dividends before the financial statements for the period have been approved. The interim dividends must not exceed the reported profit.

The methods for paying out dividends in cash are set by the General Meeting or, if not, by the Board of Directors.

Any dividends payable in cash must be paid out no later than nine months after the end of the fiscal year, unless this deadline has been extended by court order. (…)

21.2.3.4 Deadline for claiming dividends (Article 37 of the Articles of Association)

Dividends not claimed within five (5) years of being paid out are barred.

In accordance with Article L. 1126-1 of the French General Code on Public Property, the dividend pay-outs affected by the 5-year bar accrue to the State.

21.2.3.5 Right to liquidation surplus (Article 12.1 of the Articles of Association)

Each share confers a right to the Company's profits and capital in proportion to the fraction of capital that it represents.

21.2.3.6Preferential subscription rights (Article 8 of the Articles of Association)

Shareholders have, in proportion to the number of shares that they hold, preferential rights to subscribe, in cash, to shares issued for the purpose of a share capital increase, which they can waive at any time. An Extraordinary General Meeting can decide, subject to applicable laws, to remove this preferential subscription right.

21.2.3.7 Limitation on voting rights

None.

21.2.3.8 Identifiable bearer securities (Article 10 of the Articles of Association)

In order to identify the owners of bearer shares, the Company is at all times entitled, at its own expense and in accordance with the conditions and the methods laid down by the legal and regulatory provisions, to request that the central depositary keeping its share issue account, disclose the identity (name or corporate name, nationality, year of birth or incorporation, and address) of the owners of shares conferring immediate or future voting rights at General Shareholders' Meetings, as well as the number of shares held by each of them and, if applicable, any restrictions relating to the shares. The Company, having followed the procedure described above and having seen the list provided by the central depositary, is entitled to request – directly or through the central depositary, under the conditions and subject to the penalties provided in Article L. 228-3-2 of the French Commercial Code – the persons on that list who the Company believes may be registered on behalf of a third party, to disclose information about the owners of the securities. The information obtained by the Company may not be disclosed to third parties, even free of charge, under pain of criminal sanctions.

21.2.3.9 Purchase by the Company of its own shares.

See section 21.1.3 of this Base Document.

21.2.4 Procedure for modifying shareholders' rights

Only an Extraordinary General Meeting is authorised to amend any aspect of the Articles of Association. It may not, however, increase shareholders' commitments unless resulting from a commonly practiced grouping of shares.

21.2.5 General meetings of shareholders

General Meetings are convened and deliberate under the conditions laid down in applicable laws and regulations.

Shareholders' collective decisions are taken in Ordinary, Extraordinary or Special Meetings depending on the nature of the decisions they are asked to take.

Special Meetings convene the holders of a given class of shares or securities to approve a change to the rights of that class of shares or securities.

The decisions of General Meetings bind all shareholdings, including those absent, dissenting or incompetent.

- **ARTICLE 25 - CONVOCATION AND LOCATION OF GENERAL MEETINGS**

General Meetings are convened by the Board of Directors, the Statutory Auditors, or by a corporate officer designated by a court order pursuant to applicable laws.

If not all the shares are in registered form, before starting the procedure to convene a Meeting the Company must publish in the official gazette (Bulletin des Annonces Légales Obligatoires) thirty-five (35) days before the General Meeting a Notice containing the text of the resolutions that will be submitted to the Meeting.

The Notice is published fifteen (15) days before the Meeting by being inserted in a newspaper authorised to receive legal announcements in the *département* of the registered office and, as the case may be, in the *Bulletin des Annonces Légales Obligatoires*.

Owners of registered shares who have owned them for at least one month on the date that the Notice of Meeting is inserted, are convened by ordinary mail fifteen (15) days before the Meeting. The Notice of Meeting can also be sent by electronic means, subject to applicable laws and regulations, to the address indicated by the shareholder.

The meetings are held at the registered office or at any other place specified in the notice of meeting.

When a meeting cannot validly deliberate due to the lack of quorum, a second meeting and if necessary a prorogued second meeting is convened in the same form as the first and with at least ten (10) days notice. The notices of meeting for the second meeting repeat the agenda of the first. If the meeting is adjourned by court order, the judge may set a different deadline.

Notices of meeting must mention the information required by law, notably the agenda, the Company's email address to which shareholders' written questions can be sent, and, potentially, wording stating the obligation to obtain the prior opinions or consent of the owners of securities giving access to capital.

- **ARTICLE 26 - AGENDA – WRITTEN QUESTIONS**

The agenda of the meeting is set by the author of the notice of meeting.

One or more shareholders, acting under the conditions and deadlines set by law, are entitled to demand, by registered mail with return receipt or by email, points or resolutions to be included in the meeting agenda in accordance with applicable laws and regulations.

The reasons for its inclusion must be explained. If it is a request to amend or include a resolution, the wording of the proposed resolution must be included and may be accompanied by a brief explanation of the reasons for it.

The authors of the request must also include proof that they are listed in the shareholder register or a qualifying securities account. The agenda point or resolution will be raised at the Meeting only if a further certificate or affidavit is received proving, on the same terms as above, that the requesting persons are shareholders at zero hour of the third business day preceding the date of the General Meeting, Paris time.

The Works Committee may also demand resolutions to be included in the agendas of general meetings in accordance with applicable laws and regulations.

The Meeting may not deliberate on any matter not on the agenda. However, it may under any circumstances remove one or more members of the Board of Directors from office and replace them.

Any shareholder may submit written questions to the Board of Directors. Written questions must be sent to the registered office by registered mail with return receipt, addressed to the Chairman of the Board of Directors, or sent electronically to the address indicated in the notice of meeting no later than the fourth business day preceding the date of the General Meeting.

The Board of Directors must answer the written questions during the General Meeting. An answer may cover several questions if they have the same content. In any case, a written question is deemed to have been answered if the question and answer appear on the Company's website under Q&As.

- **ARTICLE 27 – ACCESS TO MEETINGS - POWERS**

Every shareholder has the right to attend General Meetings and to participate in the deliberations in person or through a proxy upon providing proof of the shareholder's identity, provided the shares are paid-up as required.

However, this right is contingent on the shares being registered shares, and if the shares are bearer shares is contingent on proof that they are recorded as at zero hour of the third business day preceding the date of the General Meeting (Paris time) in a shareholder or intermediary securities account on the owner's behalf in accordance with Article L. 228-1 para 7 of the French Commercial Code, either in the shareholder register kept by the Company or in a bearer securities account maintained by an intermediary as covered by Article L. 211-3 of the French Monetary and Financial Code. Bearer-share ownership via an intermediary securities account as mentioned in Article L. 211-3 is identified in accordance with the conditions in Article R. 225-85.II of the French Commercial Code.

Any shareholder can be represented by their spouse, common-law partner, or by another shareholder acting as proxy, but to do so the representative must provide proof of proxy. A shareholder can also be represented, subject to applicable laws, by any natural person or legal entity of his/her choice if the Company shares are admitted for trading on a regulated market or multilateral trading system. The representative must provide proof of proxy and must provide to his/her principal the information specified in Article L. 225-106-1 of the French Commercial Code.

Legal representatives of shareholders who are legally incompetent, and natural persons representing shareholders who are legal entities, take part in General Meetings whether they are shareholders or not.

Any shareholder can vote by correspondence by using a ballot addressed to the Company under the conditions allowed by applicable laws and regulations. Ballot must be received by the Company three (3) days before the date of the General Meeting in order to be counted.

Remote voting via an electronic ballot or by electronically-signed proxy is governed by applicable laws and regulations and can use a secure electronic signature in the sense of Decree 2001-271 of 30 March 2001 or a reliable identification process guaranteeing the provenance of the action.

Two members of the Works Committee, designated by the Works Committee, if there is one, under the conditions set by law, can attend General Meetings regardless of their type and agenda. They must, if they request, be heard in any deliberations on decisions that require shareholder unanimity.

- **ARTICLE 28 – SHAREHOLDERS' RIGHT TO COMMUNICATION**

Every Shareholder has the right to obtain communication of the documents necessary for him to understand and make an informed judgment about the management and running of the Company.

The nature of these documents and the conditions for delivering or making them available are established by the applicable laws and regulation.

- **ARTICLE 29 – ATTENDANCE SHEET – OFFICE – MINUTES**

This attendance sheet, which is duly signed by all shareholders present and the proxies, to which is attached the powers given to each proxy plus the correspondence voting forms, if any, is certified accurate by the meeting officers.

General Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a Vice Chairman or Director specially appointed for the purpose by the Board of Directors. Failing which, the General Meeting itself can elect a chairman for its meeting.

The roles of scrutineers are performed by two willing shareholders present at the start of the Meeting who represent the greatest number of votes.

The meeting officers appoint a secretary, who may be chosen from outside the members of the Meeting.

Copies or excerpts of these minutes are issued and certified in conformity with the law.

- **ARTICLE 30 - QUORUM - MAJORITY**

30.1 The quorum is calculated in terms of all the shares making up share capital that carry voting rights, except for extraordinary general meetings where the quorum is calculated in terms of the shares or securities in the particular class concerned, always minus any shares or securities stripped of their voting rights for legal reasons.
In the case of remote voting, the quorum calculation considers only the shares reported in duly completed forms received by the Company no later than three (3) days before the Meeting.

30.2 The voting right attached to shares is proportional to the share of capital that they represent. Each share entitles the holder to one vote.

However, a double voting right (ie, double that conferred on other shares with regard to the percentage of share capital that they represent) is attached to all other fully paid-up shares that can be proven to have been held in registered form for at two (2) years in the name of a given shareholder, counting from the date that the Company were first listed on a regulated market or on an organised multilateral trading system.

In the event of a capital increase through the capitalisation of reserves, profits or issue premiums, the double voting right is conferred – immediately upon the issue of any registered shares allocated free of charge – to a shareholder who had old shares benefiting from this same entitlement.

21.2.6 Provisions to delay, defer or prevent a change of control

None.

21.2.7 Breach of statutory thresholds (Article 12.4 of the Articles of Association)

In accordance with Article L. 233-7 of the French Commercial Code, regarding the legally set threshold, any natural person or legal entity acting alone or in concert that has just acquired shares representing more than a fortieth (2,5%) of capital or voting rights must inform the Company within the deadlines applicable to breaching the legal thresholds referred to in the previous Section, counting from the date that the limits were breached on the value of the stake, or applicable to the total number of shares or voting rights that it possesses. This information is also disclosed within the same time limits when equity interests and share of voting rights fall below the thresholds mentioned above.

In accordance with Article L. 233-7 VI of the French Commercial Code, if a shareholder fails to disclose breaching the statutory threshold of 2,5% of capital or voting rights, the offending shareholder may be stripped of his/her voting rights on the percentage of his/her undeclared excess shares, for two years counting from the date that settlement was notified. The decision to strip voting rights falls under the jurisdiction of the Chairman of the General Shareholders' Meeting, provided that his/her shareholding represents at least two-and-a-half percent (2,5%) of share capital or if he/she is supported by one or more shareholders satisfying this condition.

21.2.8 Special stipulations governing changes to capital

None.

22 SIGNIFICANT CONTRACTS

All contracts have been concluded as part of the Group’s normal business management.

23 INFORMATION FROM THIRD PARTIES, DECLARATIONS OF EXPERTS AND DECLARATIONS OF INTEREST

Conclusion concerning the rental value of the sites leased to Companies with common shareholders and directors

4 SYNTHÈSE

SERGE FERRARI, BP 54 38352 LA TOUR DU PIN

- **Site :** **Sites du Groupe FERRARI**
  Zone industrielle
  38110 LA TOUR DU PIN

VALEUR LOCATIVE TOTALE DES SITES RETENUE :

2 700 000 € HT-HC

(Deux millions sept cent mille Euros hors taxes, hors charges)

Date du rapport : 14 avril 2014
Date de valeur : 10 avril 2014

GALTIER EXPERTISES
IMMOBILIÈRES ET FINANCIÈRES

Expert associé - Délégué régional
Grégory ROURE

24 PUBLICLY AVAILABLE DOCUMENTS

Copies of this Base Document are available free of charge from the Company's registered office, Zone industrielle la Tour-du-Pin – 38110 Saint-Jean-de-Soudain, France. This Base Document can also be consulted on the Company's website () and on the AMF website (www.amf-france.org).

The Articles of Association, minutes of general meetings and other Company documents, as well as historical information and all assessments and reports issued by an expert at the Company's request that are required to be available to the shareholders, in accordance with applicable laws, can be consulted free of charge at the Company's registered office.

Once the shares of the Company are admitted for trading on the regulated Euronext stock exchange in Paris, the regulated information in the sense of the General Regulations of the AMF will also available on the Company's website (www.sergeferrari.com).

25 INFORMATION ON EQUITY INTERESTS

See section 7 of this Base Document.

26 GLOSSARY

LCA (Life Cycle Analysis):
Life Cycle Analysis adds to the understanding of the sustainability of the system studied. It ignores economic and social factors. The systems studied are considered to be running normally, so accidents are excluded. Impact studies apply to the biosphere and not to the technosphere. What happens in the product environment is also considered.

PET (Polyethylene terephthalate):
A saturated polyester plastic, as opposed to a thermoset polyester. This polymer is obtained by polycondensation of terephthalic acid with ethylene glycol. Despite its name, it shares no similarities with polyethylene and does not contain phthalate. This plastic is mainly used to make bottles, jars, pots, films and sheets, fibres, etc. Part of the thermoplastic family, it is recyclable.
When extruded or drawn under tension, the amorphous polyester produces a film with biaxial semicrystalline properties. This film is very solid in tension, very stable and transparent, a very good electrical insulator.

PVC (polyvinyl chloride):
a popular thermoplastic polymer, amorphous or slightly crystalline, generally known as PVC. It is made from two raw materials: 57% salt and 43% petroleum. PVC is the only currently used plastic more than 50% of which consists of mineral-based raw materials found in abundance in nature.