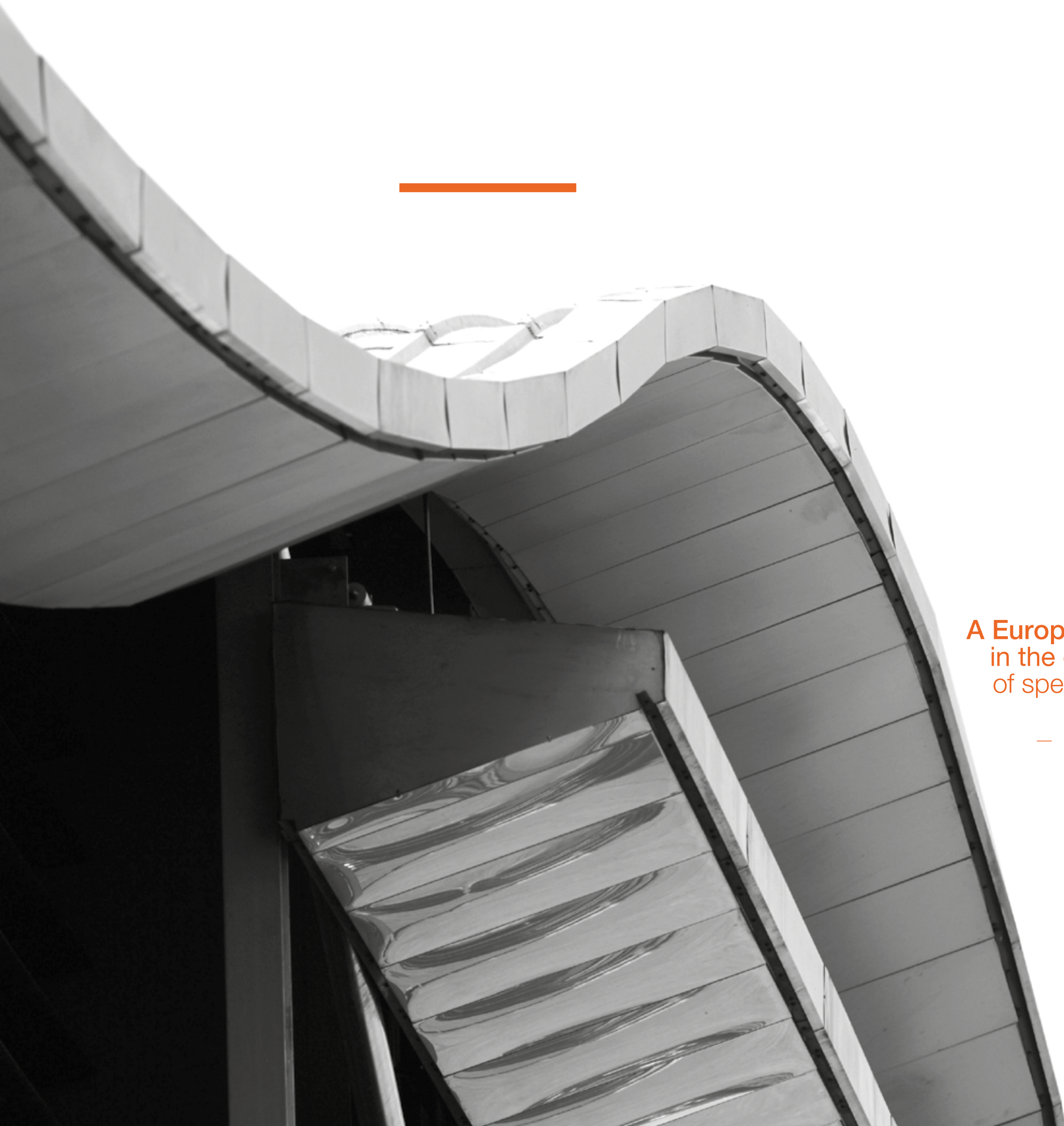
Activity report

DECEMBER 31, 2019



A European leader
in the distribution
of specialty steels

— Euronext Paris
Compartment B

2019 Annual results

> **Sales** — **€1,615 million** (-7.5% vs. 2018)
> **EBITDA** — **€73 million** (4.5% of sales)
> **Net income (Group share)** — **€25 million**

On March 11, 2020 the Board of Directors, chaired by Éric Jacquet, approved the consolidated financial statements for the period ended December 31, 2019, which have been audited by the Statutory Auditors.

€m	Q4 2019[1]	Q4 2018 PF[2]	2019[1]	2018 PF[2]
Sales	**355**	**399**	**1,615**	**1,745**
Gross margin	86	94	374	422
% of sales	*24.3%*	*23.6%*	*23.2%*	*24.2%*
EBITDA[3]	**11**	**15**	**73**	**102**
% of sales	*3%*	*3.8%*	*4.5%*	*5.9%*
Adjusted operating income[3]	**4**	**14**	**43**	**88**
% of sales	*1%*	*3.5%*	*2.7%*	*5.0%*
Net income (Group share)	**5**	**9**	**25**	**62**

[1] In accordance with *IFRS 5–Discontinued operations*, the contribution of the Abraservice group, which was sold on October 31, 2019, is not included in the Group sales and operating income.
[2] For the sake of comparison with 2019 figures, the 2018 financial statements have been restated by removing the results of the Abraservice group, sold on October 31, 2019, and the results of the businesses sold in 2018 (proforma data "PF").
[3] Adjusted for non-recurring items The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them.

Headlines

Market conditions in 2019 were mainly distinguished by an erosion of the demand, particularly from the second half onwards.

In this context, the Group generated sales of €1.6 billion, EBITDA of €73 million and operating cash flow of €59 million.

IMS group, the division specializing in the distribution of engineering steels, was particularly impacted by the slowdown in the European manufacturing sector, especially in Germany, its main market. As a result, sales were down 13% versus 2018 (Q4: -19%).

STAPPERT, which specializes in the distribution of stainless steel long products, posted a more moderate decline in its business, with sales down 3.9% versus 2018 (Q4: -3.2%).

JACQUET, which distributes stainless steel quarto plates and is active in more diversified markets than the other Group divisions, posted business growth (+3.5% in 2019; Q4: +2.1%).

Meanwhile, the Group pursued a sustained capital expenditure policy (€30 million) mainly aimed at strengthening its market positioning, particularly in North America.

Operating cash flow generated over the year and the October 2019 sale of the Abraservice group (sales of €78 million) improved the Group's financial position, resulting in a year-end debt to equity ratio (or gearing) of 46.1% versus 56.9% at 2018 year-end.

In 2020, market conditions have been challenging at the start of the first half and the Group does not expect to see the economic situation improve during the first half.

Group's business in China, which represents 1% of consolidated sales, was affected by the measures taken in face of the coronavirus crisis. Regarding the steel supply chain, the potential impact of production shutdowns should be limited, as less than 20% of Group purchases come from China.
In Italy (8% of consolidated sales and 20% of purchases), the Group has not noticed any business interruption and is unable at this stage to assess the potential impact of the coronavirus.
This also applies to the other markets in which the Group operates.

In this context, the Group will focus on improving operating efficiency and pursuing the capital expenditure and growth policy adapting it to the economic situation.

2019 sales and earnings

Sales amounted to €1,615 million, -7.5% compared to 2018 (Q4: -10.9%), including the following effects:

- volumes sold: -8% (Q4: -11.1%);
- prices: +0.5% (Q4: +0.2%). Q4 2019 prices were up +1% from Q3 2019.

Gross margin amounted to €374 million and represented 23.2% of sales (Q4: 24.3%) compared to €422 million in 2018 (24.2% of sales; Q4: 23.6%).

Operating expenses excluding non-recurring items amounted to €331 million compared to €334 million in 2018 (-0.8%).

EBITDA amounted to €73 million representing 4.5% of sales. The application of *IFRS 16 – Leases* as from January 1, 2019 increased EBITDA by €17 million. Adjusted for this impact, EBITDA amounted to €56 million representing 3.5% of sales, compared to 5.9% in 2018.

Adjusted operating income amounted to €43 million (2.7% of sales) compared to €88 million (5% of sales) in 2018. The application of *IFRS 16 – Leases* had no material impact on adjusted operating income.

After accounting for €9 million in capital gains on the sale of Abraservice, net income (Group share) came to €25 million (1.5% of sales), compared to €62 million in 2018 (3.5% of sales). The application of *IFRS 16 – Leases* had no material impact on net income.

Financial position

The Group generated operating cash flow of €59 million in 2019.

As of December 31, 2019:

- operating working capital amounted to €417 million (including inventories of €442 million) and represented 25.8% of sales, compared to 24.5% as of December 31, 2018 (proforma operating working capital of €428 million including inventories of €478 million);
- net debt stood at €175 million compared to shareholders' equity of €379 million, resulting in a net debt to equity ratio or gearing of 46.1% compared to 56.9% as of December 31, 2018.

In December 2019, the Group signed a €70 million Schuldscheindarlehen (SSD) repayable at maturity in 5 years, thereby increasing cash and cash equivalents to €206 million at 2019 year-end.

Pursuant to *IFRS 16 – Leases*, applied as from January 1, 2019, the Group balance sheet as of December 31, 2019 carries the following items:

- a right-of-use asset amounting to €84.9 million, €18.4 million of which was recorded under net non-current assets as of December 31, 2018;
- a lease liability amounting to €85.8 million, €15.8 million of which was recorded under borrowings as of December 31, 2018.

2019 earnings by division excluding IFRS 16 impacts

	JACQUET Stainless steel quarto plates[3]		STAPPERT Stainless steel long products		IMS group Engineering steels[3]	
€m	**Q4 2019**	**2019**	**Q4 2019**	**2019**	**Q4 2019**	**2019**
Sales	**80**	**343**	**104**	**467**	**174**	**818**
Change vs. 2018	**+2.1%**	**+3.5%**	**-3.2%**	**-3.9%**	**-19.3%**	**-13.1%**
Price effect	+ 2.3%	+3.6%	+1.7%	-0.4%	-1.1%	-0.1%
Volume effect	-0.3%	-0.1%	-4.9%	-3.5%	-18.2%	-13.1%
EBITDA[1][2]	**4**	**23**	**2**	**14**	**(1)**	**14**
% of sales	*5.5%*	*6.8%*	*1.6%*	*3%*	*-0.5%*	*1.8%*
Adjusted operating income[2]	**3**	**16**	**1**	**12**	**(1)**	**11**
% of sales	*3.7%*	*4.8%*	*0.7%*	*2.6%*	*-0.7%*	*1.4%*

[1] Non-division operations (including Jacquet Metal Service SA) contributed €4 million to EBITDA in 2019 (Q4 2019: €2 million) and Group EBITDA benefited from a positive impact of €17 million due to the application of *IFRS 16–Leases*.
[2] Adjusted for non-recurring items. The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them.
[3] For the sake of comparison with 2019 figures, the 2018 financial statements of JACQUET have been restated by removing the results of the Abraservice group, sold on October 31, 2019, and the IMS group businesses sold off in 2018.

JACQUET specializes in the distribution of stainless steel quarto plates. The division generates 67% of its business in Europe and 26% in North America.

Sales amounted to €343 million, up +3.5% from €332 million in 2018 (Q4: +2.1%):

- volumes: -0.1% (Q4: -0.3%);
- prices: +3,6 % (Q4: +2.3% vs. Q4 2018 and +2.8% vs. Q3 2019).

Gross margin amounted to €105 million and represented 30.6% of sales (Q4: 32%) compared to €106 million in 2018 (31.9% of sales; Q4: 31.5%).

EBITDA amounted to €23 million (Q4: €4 million) representing 6.8% of sales compared to €28 million in 2018 (8.4% of sales; Q4: 6.4%).

STAPPERT specializes in the distribution of stainless steel long products in Europe. The division generates 41% of its sales in Germany, the largest European market.

Sales amounted to €467 million, down -3.9% from €487 million in 2018 (Q4: -3.2%):

- volumes: -3.5% (Q4: -4.9%);
- prices: -0.4% (Q4: +1.7% vs. Q4 2018 and +2.9% vs. Q3 2019).

Gross margin amounted to €92 million and represented 19.6% of sales (Q4: 21.2%) compared to €104 million in 2018 (21.3% of sales; Q4: 21.1%).

EBITDA amounted to €14 million (Q4: €2 million) representing 3% of sales compared to €26 million in 2018 (5.3% of sales; Q4: 3.8%).

IMS group specializes in the distribution of engineering steels, mostly in the form of long products. The division generates 46% of its sales in Germany, the largest European market.

Sales amounted to €818 million, down -13.1% from €941 million in 2018 (Q4: -19.3%):

- volumes: -13.1% (Q4: -18.2%);
- prices: -0.1% (Q4: -1.1% vs. Q4 2018 and -0.8% vs. Q3 2019).

Gross margin amounted to €177 million and represented 21.7% of sales (Q4: 22.1%) compared to €213 million in 2018 (22.6% of sales; Q4: 21.6%).

EBITDA amounted to €14 million (Q4: -€1 million) representing 1.8% of sales compared to €41 million in 2018 (4.4% of sales; Q4: 1.2%).

Key financial information

€m	Q4 2019 [1]	Q4 2018 PF [2]	2019 [1]	2018 PF [2]
Sales	**355**	**399**	**1 615**	**1 745**
Gross margin	**86**	**94**	**374**	**422**
% of sales	*24.3%*	*23.6%*	*23.2%*	*24.2%*
EBITDA [3]	**11**	**15**	**73**	**102**
% of sales	*3%*	*3.8%*	*4.5%*	*5.9%*
Adjusted operating income [3]	**4**	**14**	**43**	**88**
% of sales	*1%*	*3.5%*	*2.7%*	*5.0%*
Operating income	**1**	**14**	**40**	**91**
Net financial expense	(2)	(3)	(11)	(11)
Corporate income tax	(3)	(3)	(13)	(20)
Net income from discontinued operations	9	2	12	5
Minority interests	(0)	(1)	(3)	(3)
Net income (Group share)	**5**	**9**	**25**	**62**

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[2] For the sake of comparison with 2019 figures, the 2018 financial statements have been restated by removing the results of the Abraservice group, sold on October 31, 2019, and the results of the businesses sold in 2018 (proforma data "PF").
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Cash flow

€m	2019	2018 PF [1]
Operating cash flow before change in working capital	54	83
Change in working capital	4	(65)
Cash flow from operating activities	**59**	**19**
Capital expenditure	(30)	(21)
Asset disposals	25	15
Dividends paid to shareholders of Jacquet Metal Service SA	(17)	(17)
Interest paid	(12)	(11)
Other movements	14	(17)
Change in net debt	**40**	**(31)**
Net debt brought forward	**215**	**183**
Net debt carried forward	**175**	**215**

[1] For the sake of comparison with 2019 figures, the 2018 financial data have been restated by removing the results of the Abraservice group, sold on October 31, 2019, and the other businesses sold in 2018, excluding the net debt carried forward as of December 31, 2018, stated as previously reported (proforma "PF" data).

Balance sheet

€m	31.12.19	31.12.18
Goodwill	66	68
Net non-current assets	143	156
Right-of-use assets [1]	85	—
Net inventory	442	493
Net trade receivables	152	182
Other assets	91	100
Cash & cash equivalents	206	119
Total assets	**1,186**	**1,119**
Shareholders' equity	379	377
Provisions (including provisions for employee benefit obligations)	99	96
Trade payables	178	228
Borrowings	381	338
Other liabilities	63	80
Lease liabilities [1]	86	—
Total equity and liabilities	**1,186**	**1,119**

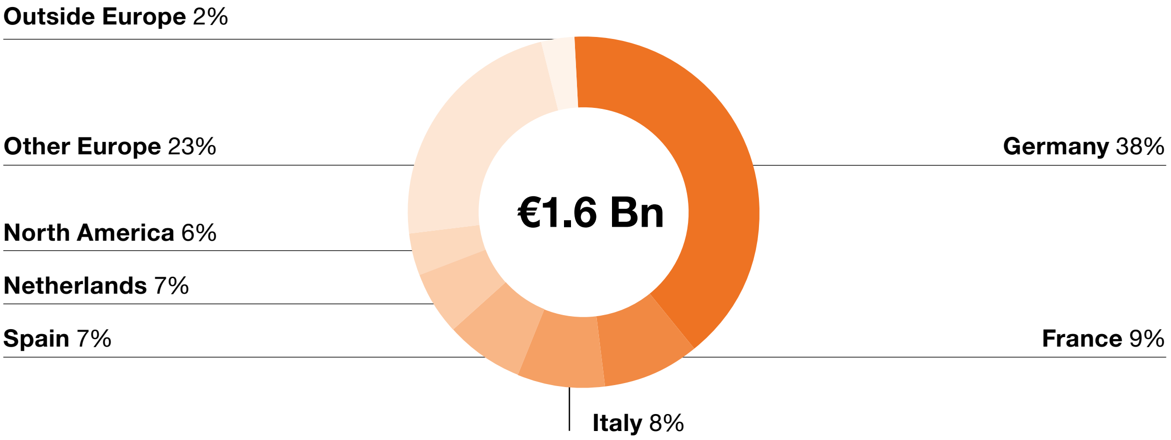
[1] Application of *IFRS 16–Leases* as from January 1, 2019

Activity report December 31, 2019

1 A leading distributor of specialty steels

Jacquet Metal Service is a European leader in the distribution of specialty steels and is also active in Asia and North America.

Breakdown of sales



A global player

- Countries of operation 25
- Distribution centers 103
- Staff 3,039

2 History of the Group

Jacquet Metals

1962 > **Foundation of Établissements JACQUET**, a company specializing in custom metal cutting, by Michel Jacquet in Lyon.

1993 > Éric Jacquet becomes the majority shareholder (51%) in JACQUET SA, the Group's parent company.

1994 > Éric Jacquet founds JACQUET Industries, which controls 100% of the Group.

1997 > **JACQUET Industries is listed on the Paris Stock Exchange second market on October 23.**

1991-2006 > The Group expands into Europe (Netherlands, Poland, UK, Italy and Finland).

2006 > JACQUET Industries becomes Jacquet Metals.

2006-2010 > JACQUET establishes its first operations in Asia (Shanghai, China) and the United States (Philadelphia, Houston, Chicago and Los Angeles).

2008-2009 > **Éric Jacquet and Jacquet Metals acquire a 33.19% stake in IMS.**

IMS

1977 > **Foundation of "International Metal Service",** which includes the Creusot-Loire steel manufacturer's "commercial companies".

1983 > Usinor acquires full control of IMS.

1987 > **IMS listed on the Paris Stock Exchange second market, June 11.**

1996-2002 > IMS group expands into Europe (Poland, Italy, Spain, France).

2004 > Arcelor sells its interest and the Chequers Capital Fund acquires control of IMS.

2005 > Acquisitions in Central Europe (Hungary, Czech Republic and Slovakia).

2006 > Acquisition of Hoselmann (Germany); Chequers Capital sells its interest: market placement of the IMS shares.

2007 > Acquisition of the Cotubel Group.

2008 > Sale of the Astralloy subsidiary in the United States.

03.02.2010 > Jacquet Metals launches a public exchange offer (PEO) for IMS (including the IMS group, STAPPERT and Abraservice businesses).

20.07.2010 > **Merger by absorption between Jacquet Metals and IMS.**

2011-2012 > IMS becomes Jacquet Metal Service. Disposal of IMS France's aluminum and non-ferrous metals businesses and of Euralliage (France), Produr (France), Venturi (Italy) and Breccia Acciai (Italy)

2013 > Acquisition of Finkenholl (Germany) by the IMS group division.

2014 > Acquisition of Rolark (Canada) by the JACQUET division.

2015-2017 > Acquisition and integration of Schmolz+Bickenbach Distribution (Germany, Netherlands, Belgium and Austria) by the IMS group division.

2018 > Sale of IMS TecPro (Germany) and Calibracier (France).

2019 > Sale of the Abraservice group specializing in the distribution of wear-resistant steels (10 distribution centers located in 11 countries).

3 Governance

3.1 Board of Directors

On June 30, 2010, Jacquet Metal Service SA (" the Company ") adopted a governance model based on a Board of Directors.

The General Meeting of June 29, 2018 appointed the following individuals as directors for a two-year term of office expiring at the end of the General Meeting called to approve the financial statements for the financial year ended December 31, 2019:

Éric Jacquet > a French national, 61, has been Chairman and Chief Executive Officer of Jacquet Metal Service SA since July 20, 2010. He was previously Chairman and Chief Executive Officer of Jacquet Metals SA (formerly JACQUET Industries SA) from its foundation in 1994. Éric Jacquet was also Vice-Chairman of the Supervisory Board and a member of the Strategy Committee of IMS International Metal Service SA from June 16, 2009 to February 3, 2010.
Éric Jacquet has spent his entire career in the Jacquet Metal Service Group, where he has held positions including Sales Manager (1980-1985) and Marketing and Export Development Manager (1986-1993).
Éric Jacquet is also a member of the Lyon Commercial Court Association of Judges and Former Judges.
He was first appointed to the Board of Directors on
> *June 30, 2010*

Françoise Papapietro > (who is considered as an independent director), a French national, 55, spent most of her career in investment banking (Paribas and Barclays), where she gained expertise in financial transactions (mergers & acquisitions, equity capital transactions and tax engineering). She has also served as Head of Institutional and Financial Communications for Infogrames, Chief Executive Officer of Henri Germain and Chief Executive Officer of Loze Partners & Vostok.
Françoise Papapietro is a graduate of EM Lyon business school and speaks four languages. She is currently the representative of Christie's auction house for the Rhône-Alpes region.
She was first appointed to the Board of Directors on
> *June 29, 2012*

Gwendoline Arnaud > (who is considered as an independent director), a French national, 47, has been a lawyer since 1998. In 2003 she set up her own firm specializing in family and business law. Gwendoline Arnaud holds a Master's Degree in Private Law and a Certificate of Legal Proficiency (CAPA).
She was first appointed to the Board of Directors on
> *June 26, 2014*

Jean Jacquet > (who is considered as an independent director), a French national, 87, served as Chairman of Faïence et Cristal de France until 2012, Chairman and Chief Executive Officer of SOMERGIE (the Metz urban public-private waste management company) until 2011 and Chairman and Chief Executive Officer of TCRM (Metz area public transport system) until 2010.
Jean Jacquet represented JSA as a member of the Supervisory Board and a member of the Appointment and Compensation Committee of IMS International Metal Service from June 16, 2009 to February 3, 2010.
Jean Jacquet began his career at the Renault Group, where he worked until 1984. He was then Chairman and Chief Executive Officer of Unimetal/Ascometal from 1984 to 1988 and Chairman of the Special Steel Dealers' Union (UNAS) from 1988 to 1999. He has also served as Chairman of the Supervisory Board of Winwise, Director of the Metz National Engineering School, Chairman of the Inter-Ministerial Development Mission for the development of the Longwy European Hub, Chairman of the Board of Directors of the Metz Power Plant, Deputy Vice-Chairman of the French National Association of Electricity Concessions and Vice-Chairman of the Metz Urban District (now the Metz Metropolitan Urban District Grouping). We would remind you that Jean Jacquet is not related to Éric Jacquet.
Jean Jacquet holds a law degree and is a graduate of the Paris Institute of Political Studies.
He was first appointed to the Board of Directors on
> *June 30, 2010*

Henri-Jacques Nougein > (who is considered as an independent director), a French national, 72, is an arbitration expert, mediator, amicable liquidation expert and insurance broker (specializing in corporate risk and liability).
He is also the Honorary President of the Lyon Commercial Court, former Chairman of the Inter-Professional Mediation and Arbitration Center and Joint Manager of the European Arbitration and Mediation Network. He is the founder and Joint Manager of the Franco-Argentinian Mediation and Arbitration Center, the Franco-Chinese Mediation Center (in partnership with the Shanghai government authorities) and the Franco-Indian Mediation and Arbitration Center (in partnership with the Indian Federation of Chambers of Commerce and Industry). Henri-Jacques Nougein was a lecturer at Lyon III University (Economic Procedural Law) and is the author of a number of legal and technical research publications.
He holds a degree in Private Law and a higher doctorate in law (1976) and is a graduate of the Lyon Legal Studies Institute and the French Advanced School of Private Law.
He was first appointed to the Board of Directors on
> *June 30, 2010*

Jacques Leconte > (who is considered as an independent director), a French national, 75, was the Director of the Crédit Agricole Sud Rhône-Alpes Business Center. He was primarily in charge of the financing activities for large companies, cooperatives and institutional investors for the Rhône-Alpes regional districts at the Crédit Agricole Regional Development Agency.
He has been a director of Jacquet Metals since 2009 and is also a member of the Strategy Committee of Thermcross SA. Jacques Leconte studied geography at university and is a graduate of the Lyon Institute of Political Studies.
He was first appointed to the Board of Directors on
> *June 30, 2010*

Wolfgang Hartmann > a German national, 65, spent most of his career at STAPPERT Deutschland (formerly STAPPERT Spezial Stahl), a company specializing in the distribution of stainless steel long products.
He joined STAPPERT Spezial Stahl's procurement department in 1977 and became a member of the Management Committee in 2004, CEO in 2005 and STAPPERT Group COO from 2010 to 2015.
He was first appointed to the Board of Directors on
> *May 5, 2015*

JSA > a limited liability company governed by Belgian law, controlled by Éric Jacquet and represented by his son, Ernest Jacquet. Ernest Jacquet, a French national, 22, is currently studying for a Bachelor's Degree in Business Administration at the Lyon European Business School (INSEEC).
JSA was first appointed to the Board of Directors on
> *June 30, 2010*

Séverine Besson-Thura > (who is considered as an independent director), a French national, 45, is the founding chairman of Ork-ID, an HR management consultancy firm serving manufacturing companies. She has spent most of her career in management in an industrial and international environment. She has held positions as a marketing consultant, International Sales and Marketing Director then Chairman and CEO of a small business operating in the chemicals industry. Séverine Besson-Thura holds a Master's Degree in Sales and Marketing, an Executive MBA from EM Lyon business school and a PhD in HR Management from Paris-Dauphine University. She is also the founding chairman of the ACT4 TALENTS Academy and a Board member of INSA Lyon and Handicap International.
She was first appointed to the Board of Directors on
> *June 30, 2016*

Alice Wengorz > (who is considered as an independent director), a German national, 53, is a corporate management consultant at her own firm. She specializes in corporate strategy, organization and processes, and human resources. She has also worked in this profession at Deloitte & Touche GmbH and Arthur Andersen & Co. GmbH. Alice Wengorz is also an Honorary Judge at the Frankfurt District Court, with responsibility for criminal matters. She holds a Degree in Economics.
She was first appointed to the Board of Directors on
> *June 30, 2016*

To the Company's knowledge, no member of the Board of Directors has been the subject of an official public sanction, sentenced for fraud during the past five years, involved in any receivership, sanctioned by any statutory or regulatory authorities, including designated professional bodies, or the subject of any measure preventing them from directing, managing, administering or controlling a company during the past five years.

To the Company's knowledge, there is no potential conflict of interest between the private interests of the members of the Board of Directors and their duties to Jacquet Metal Service SA.

There are no arrangements or agreements with the main shareholders, or with customers or suppliers, pursuant to which a member of the Board of Directors might have been appointed as a director of the Company.

3.2 Board committees

Appointment and Compensation Committee

Since June 29, 2018 the Appointment and Compensation Committee has comprised the following members:

- **Henri-Jacques Nougein**, Chairman
- **Alice Wengorz**
- **Gwendoline Arnaud**

Audit and Risk Committee

Since June 29, 2018 the Audit and Risk Committee has comprised the following members:

- **Jean Jacquet**, Chairman
- **Jacques Leconte**
- **Wolfgang Hartmann**

3.3 The Chief Executive Officer and the Deputy Chief Executive Officer

At its meeting on June 29, 2018, the Board of Directors reappointed Éric Jacquet as Chief Executive Officer and Philippe Goczol as Deputy Chief Executive Officer. Both individuals were appointed for the first time on July 20, 2010:

- Information regarding Éric Jacquet is provided in **§ 3.1**;
- Philippe Goczol, a Belgian national, 53, is the Deputy Chief Executive Officer of Jacquet Metal Service. He holds several mandates as a legal representative within the Group.

Philippe Goczol was a member of IMS International Metal Service's Supervisory Board from June 16, 2009 to February 3, 2010.

He was Chief Development Officer for Jacquet Metals from 2001 to 2004 and Chief Executive Officer from 2004 to 2008. Before joining Jacquet Metals, he was CEO and a member of the Executive Board of Anysteel (2000-2001), and held positions as Sales Director (1999-2000), Proxy (1992-2000), and Commercial Engineer (1988-1992) at Industeel (formerly CLI-Fafer and Fafer). Philippe Goczol is a commercial engineer and holds a degree from Mons University (Belgium).

3.4 Senior management

Éric Jacquet	Chairman & Chief Executive Officer
Philippe Goczol	Deputy Chief Executive Officer
Thierry Philippe	Chief Financial Officer
David Farias	Chief Executive Officer, JACQUET division
Marc Steffen	Chief Executive Officer, STAPPERT division
Hans-Josef Hoss	Chief Executive Officer, IMS group division
Patrick Guien	Chief Organization and Process Officer
Cédric Chaillol	Brand Communications and Corporate Identity Manager

4 Information on the Group's business

The market

In 2019, the global steel market amounted to around 1.9 billion tons, of which specialty steels accounted for around 5%.

As the specialty steels market covers a large number of product niches, geopolitical situations and types of distribution role, the Group has relatively little quantified information of an official nature.

The business

Jacquet Metal Service is a European leader in the distribution of specialty steels.

Specialty steels have chemical and mechanical properties suited to environments such as corrosion and changes in temperature and pressure and engineering specifications. Delivery times are longer than for general usage steels and generally range from 2 to 12 months.

The Group's main business activity consists in purchasing specialty steels in large quantities from producers, storing them and serving a very broad industrial customer base (60,000 active customers in 60 countries) within very short deadlines (below 1 week).

Jacquet Metal Service provides the following value-added between the producer and the end-customer:

- a wide range of products stored and delivered within short timeframes (order books rarely exceed a few weeks);
- security of supply and product traceability;
- managing requirements on a just-in-time basis (customized inventory, defined supply strategies);
- competitive sale prices;
- managing price fluctuations on the customer's behalf;
- cutting and finishing services.

In addition to selling its standard product range, the Group also offers a range of customized initial processing operations designed to meet end-user specifications. These services, which are performed at the Group's distribution centers, vary according to the products sold but usually involve light cutting, straightening and bending, folding or drilling operations. They provide a major commercial advantage, which enables the Group to increase customer loyalty by positioning itself as a single contact point, thereby avoiding the use of a sub-contractor.

The Group buys large quantities of steel from specialty steel producers:
> **20 suppliers account for 45% of Group purchases**
with lead times ranging from 2 to 12 months, and sells them to a fragmented customer base:
> **60,000 active customers, average invoice less than €3,000.**

The value chain

Suppliers

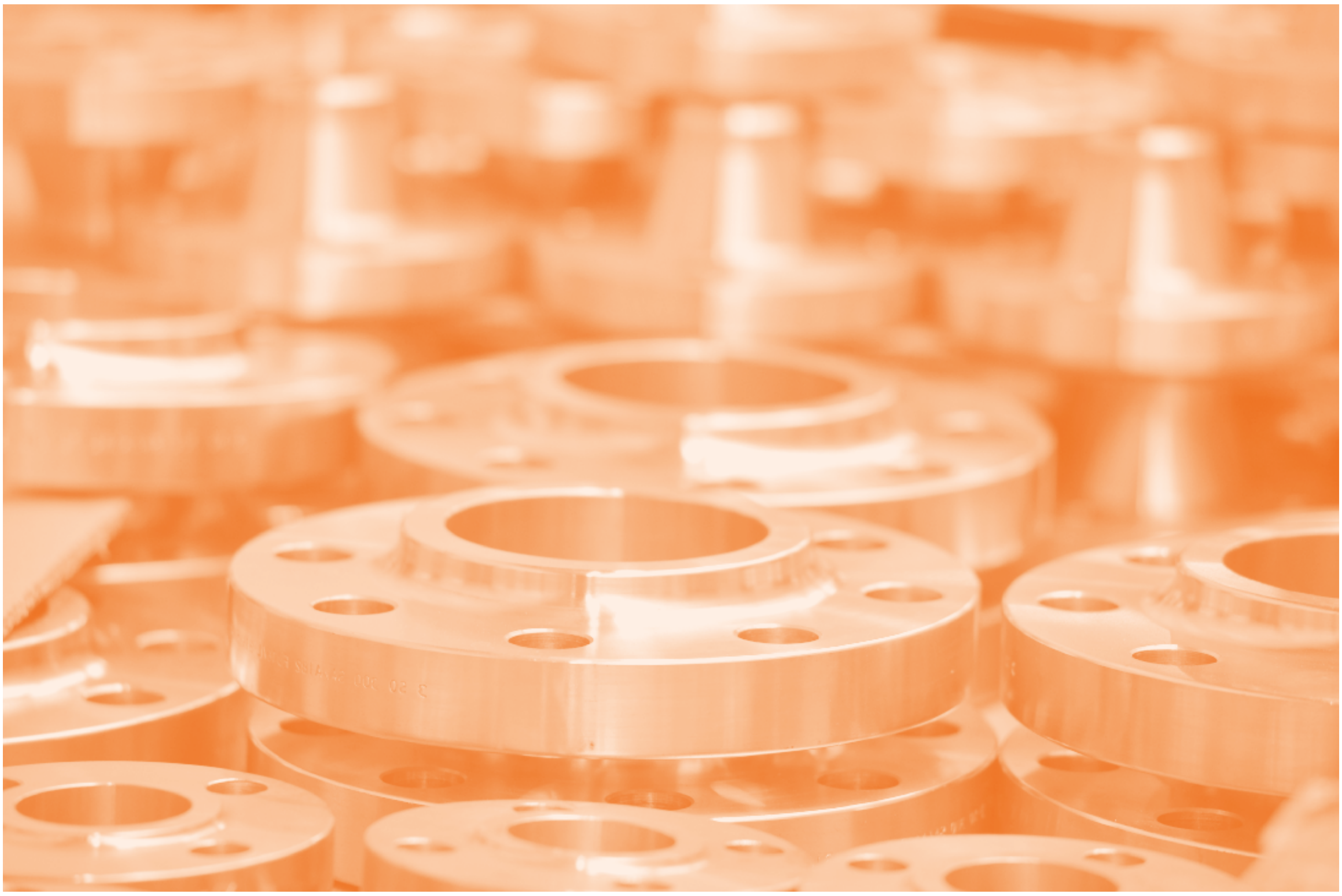
- 20 suppliers: 45% of purchases
- Delivery time: 2 to 12 months

Jacquet Metal Service

- Purchase prices
- Storage of specialty steels
- Managing price fluctuations
- Finishing services

Customers

- 60,000 customers
- Average invoice: < €3,000
- Delivery time: ± 1 week



Purchases

Purchasing terms and conditions are negotiated between the main specialty steel producers' management teams and the Jacquet Metal Service SA managers, working together with the division managers.

By aggregating the volumes for each division, Jacquet Metal Service provides producers with greater visibility on their business volumes and on the organization of their production schedule. The Group benefits from optimal purchasing terms and conditions in return. The " framework terms and conditions " obtained in this way are passed on to the subsidiaries involved, which place their orders with the producers directly.

The Group is not dependent on a specific supplier and only uses sub-contractors on an occasional basis. A given supplier is only in a position to provide a limited number of stock items. In the case of so-called specialty products distributed on niche markets, the number of suppliers is also limited.

For certain niche products, the Group purchases its supplies primarily from producers with which it has a close relationship (VDM for nickel alloys, etc.). The Group also has exclusive agreements for some products and in certain countries.

Customers

Specialty steels are used for specific applications by a wide variety of industries. Larger end-users such as automotive manufacturers are supplied directly by producers.

Conversely, Jacquet Metal Service's core target market consists of a local network of small businesses operating in a wide variety of industrial sectors.

The Group supplies over 60,000 active customers operating in around 100 countries, while its commercial relationships are based on a large quantity of small orders (less than €3,000 on average). Accordingly, the Group is not dependent on any specific customer. Customers place their orders directly with the Group companies, with no call for tender process. Every customer order is invoiced once the products have been dispatched. Over 90% of sales are insured by various credit insurance companies.

The commercial relationships are recurring and involve a large quantity of small orders, which account for most of the Group's sales. The order book represents around one month's sales.

Brand management

Jacquet Metal Service markets its products through a portfolio of **three brands organized into three divisions,** each of which targets specific customers and markets.

Each division is run by a Chief Executive in charge of developing the division in accordance with the strategic options and goals defined by Jacquet Metal Service.

Central functions, the negotiation of steel purchasing terms, financial and legal affairs, information technology, credit insurance and communications are managed by Jacquet Metal Service SA, in close collaboration with the specialists from each division.

Stainless steel quarto plates

JACQUET

Stainless steel long products

STAPPERT

Engineering steels

ims GROUP

JACQUET > Stainless steel quarto plates

The stainless steel market

Stainless steels are characterized by their strong resistance to corrosion and their stability when treated with fluids or gas. The main consumers of stainless steels are industries operating in the following sectors:

- chemicals;
- food processing;
- gas treatment and storage;
- water treatment;
- environment and decontamination;
- energy sector
  (hydraulic, nuclear and thermal power plants, etc.).

The stainless steel sector is characterized by regular adaptation of alloys to the increasingly stringent requirements of the various industrial sectors. JACQUET currently stocks several dozen varieties of stainless steel, in addition to nickel alloy varieties, whose corrosion resistance is even higher than that of stainless steel.

The stainless steel quarto plates market

The annual global stainless steel quarto plate market represents just over 1.49 million tons, i.e. around 3.3% of the global stainless steel market. As such, it is a classic niche market. This market is usually equally divided between projects (direct supply from the producer to the end-customer) and distribution. JACQUET is the leading global distributor of stainless steel quarto plates.

The competition

JACQUET makes most of its sales in the cut plate market, where it faces two types of competitor:

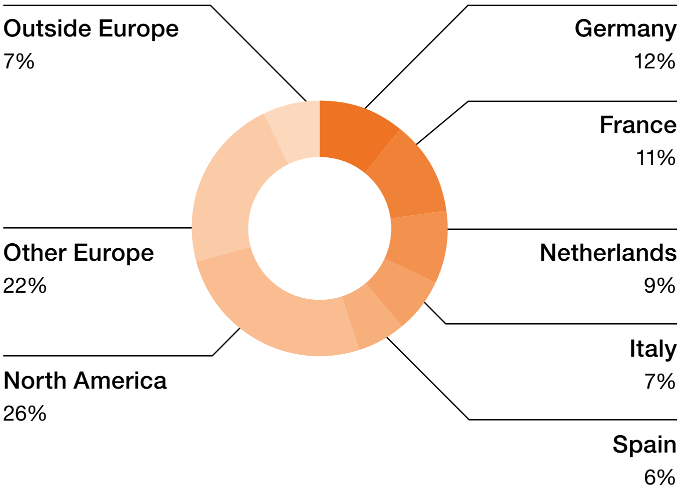
- in-house departments of large European steel groups (e.g. Outokumpu), which operate in several countries;
- family type businesses operating in a single country.

In the trade segment (sale of unprocessed plates), JACQUET implements an opportunistic policy depending on market conditions. Given that product availability, and therefore inventory, is a key factor in this business, there are few competitors in the trading segment. They also fall into two categories:

- stainless steel producers with their own in-house distribution network (Acerinox, Outokumpu, Daekyung);
- companies independent from producers, such as Nichelcrom (Italy) and HW Inox (Germany).

Geographical breakdown of sales

JACQUET operates in Europe, North America and Asia.



STAPPERT > Stainless steel long products

The stainless steel market

Stainless steels are characterized by their strong resistance to corrosion and their stability when treated with fluids or gas. The main consumers of stainless steels are industries operating in the following sectors:

- chemicals;
- food processing;
- gas treatment and storage;
- water treatment;
- environment and decontamination;
- energy sector
  (hydraulic, nuclear and thermal power plants, etc.).

The stainless steel sector is characterized by regular adaptation of alloys to the increasingly stringent requirements of the various industrial sectors. STAPPERT currently stocks several dozen varieties of stainless steel.

The stainless steel long products market

The annual global stainless steel long products market amounts to around 6.4 million tons. The global stainless steel rod market, which comprises most of STAPPERT's business activity, represents around 3.2 million tons, of which the European market represents around 800,000 tons. Distribution accounts for around 50% of the long stainless steel product market in Europe. STAPPERT is one of the leading European operators on the distribution market.

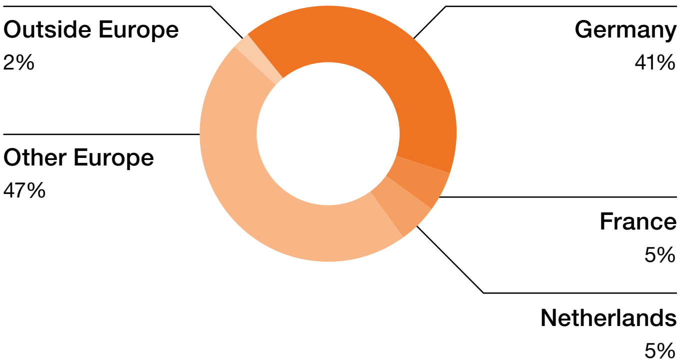
The competition

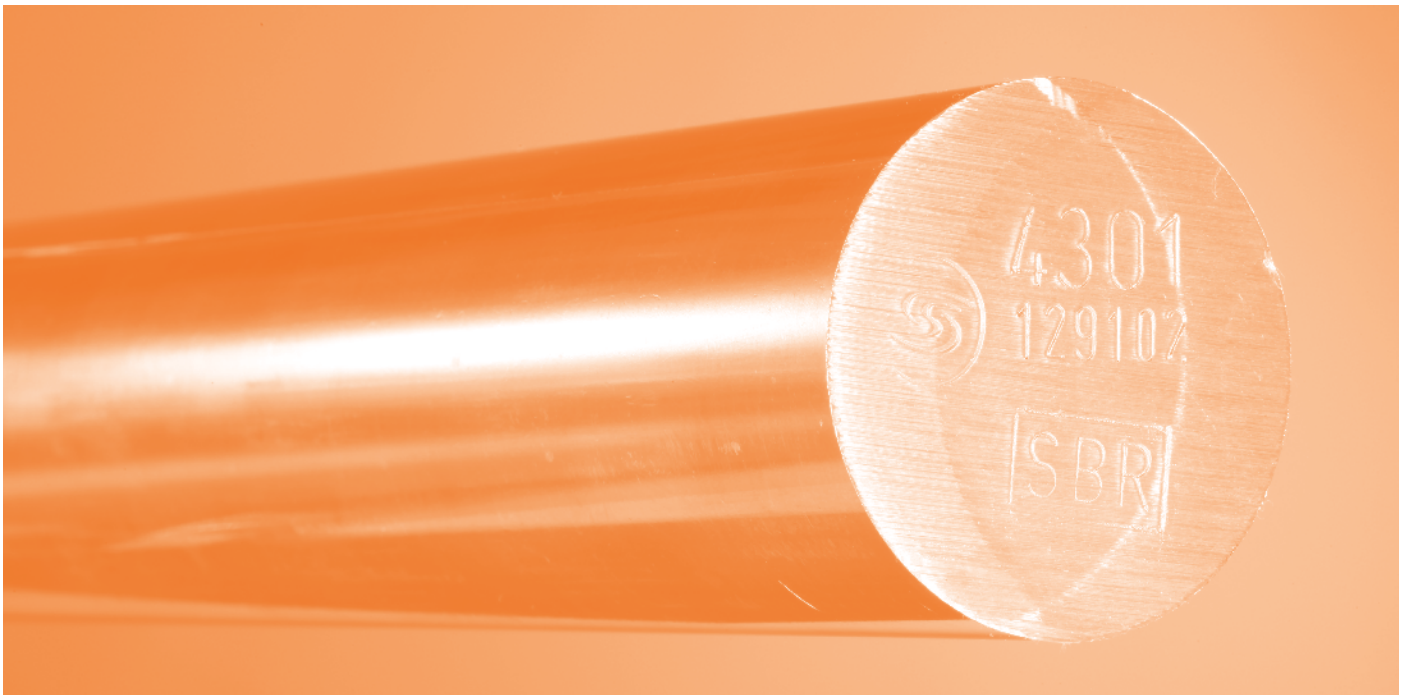
STAPPERT's competition breaks down between the following types of operator:

- operators established at European level, including stainless steel long product manufacturers who distribute their products via their own distribution network (Cogne, Valbruna, etc.) or distributors who are independent from the producers (Amari, Damstahl, ThyssenKrupp Materials);
- Independent distributors, whose size may be significant at a regional or national level, but who do not operate on a European scale.

Geographical breakdown of sales

STAPPERT operates mainly in Europe and generates 41% of its sales in Germany, the largest European market.





IMS group > Engineering steels

The market

These steels are used to manufacture parts that are subject to stringent engineering specifications. Engineering steels are distributed by IMS group, primarily in the form of seamless rods and tubes, and are produced in accordance with specific standards and specifications that guarantee their suitability for processing by the customer (forging, machining, folding, welding, heat treatment), so as to achieve specific engineering features following their treatment.

They are used in many industrial sectors, including:

- general engineering;
- yellow goods;
- green goods;
- transportation (engines, automotive drives, heavy goods vehicles and the railway sector);
- lifting machinery;
- oil and gas;
- energy (wind turbines, etc.);
- machining plants.

The engineering steels market includes many forms and categories of products. The annual European engineering steel alloy market is estimated at around 8 million tons. The two largest geographical markets are Germany and Italy, which together account for 60% of the market, followed by France and Spain, which account for 20% of the European market. The distribution sector's share of the engineering steel rod market is estimated at 50%. IMS group is a leading European distributor of engineering steels.

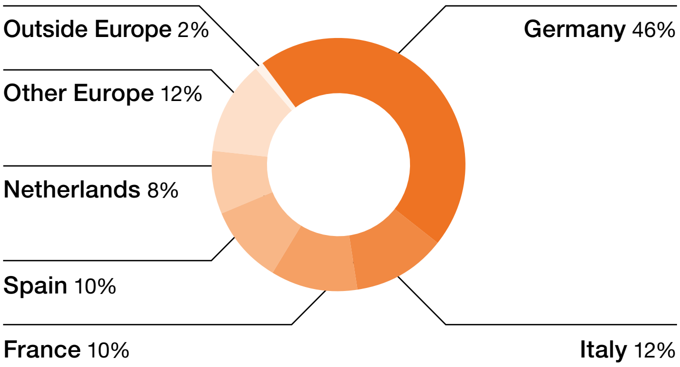
The competition

The engineering steel distribution market includes a small number of major international operators at European level (ThyssenKrupp Materials, etc.).
The rest of the market is divided between a large number of independent distributors, whose size may be significant at regional or national level, but who do not operate on a European scale.

Competition in the engineering steel distribution segment rarely stems from the producers themselves. A large number of those producers do not hold any inventory. The different varieties are often not produced on an ongoing basis and are sold through the order book as soon as they leave the plant. This means that the producers only target major end-users directly.

Geographic breakdown of sales

IMS group operates throughout Europe. It generates 46% of its sales in Germany, the largest European market.



5 Other information

5.1 ESG (Environmental, Social and Governance criteria)

Compliance with Environmental, Social and Governance criteria (ESG) is a top priority for the Jacquet Metal Service Group. It is committed to managing its business in a responsible manner.

Environment

The Group regularly invests in energy transition programs such as the installation of solar panels and/or LED lighting at its distribution centers. These investments will continue over the coming years.

The Group also seeks to minimize the impact of its business operations on the environment:

- waste metal (offcuts from finishing operations) is from now on systematically recovered and recycled by specialist firms, then re-injected into the steel production cycle;
- the quantities of water and oils used by certain cutting machines is systematically collected and recycled.

Drachten, Netherlands

Social

The Group focuses on the quality of management and industrial relations, which underpins the stability of its workforce and organization.

Each subsidiary is responsible for its own human resources management, taking into account local needs, specificities or regulations and to ensure:

- the organization of working hours, training and industrial relations;
- health and safety at work;
- respect for human rights and children's rights and the elimination of discrimination.

The Group performs handling and finishing operations for steel products. As such, it is committed to protecting employee health and safety and has implemented a training and prevention policy, aiming to reduce the frequency and severity of workplace accidents.

Measures to improve safety are implemented regularly, including:

- dissemination of safety rules and instructions;
- regulatory checks of machines and equipment by external organizations;
- identifying, monitoring, and assessing industrial accidents;
- improvement of plant workstations.

Governance

The Company applies primarily the AFEP-MEDEF code of corporate governance for listed companies.

It also pays close attention to:

- maintaining a diverse range of experiences, backgrounds, and generations and a balanced gender mix on its Board of Directors and committees. As such, the Board of Directors comprises ten directors: seven independent directors, two German nationals, six men, and four women;
- ensuring transparent communication on criteria for variable remuneration paid to executive officers, as detailed in the " Corporate Governance Report " section of the annual report;
- compliance with ethics in the Group's business operations. A Group-wide Anti-Corruption Policy has been rolled out, defining the behavior to be adopted by each company with all of its partners, as well as an internal whistle-blowing procedure at each company, enabling situations or behaviors that contravene the Anti-Corruption Policy to be reported. The anti-corruption policy is presented in **§ 5.6.1.4.3**.

5.2 IT systems

The Group develops its own business applications (Jac ERP) tailored to the different types of distribution (depending on whether the division distributes quarto plates or long products). These include the Finance V10 accounting application.

The companies belonging to the JACQUET division and most companies in the STAPPERT and IMS group divisions use the Jac ERP. All group entities should use the Jac ERP by the end of 2021.

These centralized tools are among the keys to an effective management of inventories and responsive management control process.

The dedicated IT tool provides solutions aimed at simplifying the sales process. It is also an essential tool for implementing purchasing systems based on pooled negotiations. The user interface benefits from the user-friendliness of full web mode. Every user can access all their division's inventories in real time. " Intra-group" sales are processed automatically. Commercial documents are published in the local language and comply with national presentation specifications.

The business application has been developed using state-of-the-art technologies (full web mode on a LAOP Linux-Apache platform, Oracle databases, PHP), while all Group websites are connected to the central website via an MPLS and VPN IPsec network. The chosen solution's high degree of scalability ensures that in-house developments are supported, regardless of the number of users or volumes handled.

5.3 Developments

Founded in Lyon in 1962, the Group has developed through organic growth but primarily through acquisitions, including the acquisitions of IMS and STAPPERT in 2010 (14 countries, 1,500 employees, sales of €1.2 billion) and SCHMOLZ+BICKENBACH DISTRIBUTION in 2015 (6 countries, 1,000 employees, sales of €600 million).

Regarding organic growth, the Group generally develops the operations of its divisions primarily via a business model that is unusual in the metals distribution sector. Subsidiaries are set up with a local partner, who is usually the manager of the subsidiary. This partner invests and receives an equity interest in the subsidiary ranging from 10 to 49%; in the event of losses, the partner commits to recapitalizing the subsidiary at least up to the amount initially invested. The subsidiary has an exclusive right to exploit the brand and can therefore market the full range of brand products in a specified area.

All Group subsidiaries benefit from a set of resources placed at their disposal, including terms and conditions of purchase, a product/market information system tailored to their business, staff training and access to an information network. Every effort is made to enable them to focus on their main goal, i.e. generating profitable sales.
Local managers manage their inventories in accordance with their own marketing policy.
The compensation paid to subsidiary managers is largely based on the subsidiary's results.
The Group invoices the subsidiary for services performed, primarily management and IT services. Where applicable, managers also receive dividends in proportion to the shares they hold.

5.4 Capital expenditure policy

This information is provided in the section entitled **Consolidated financial position and cash flow.**

5.5 Infrastructure

Group assets largely consist of distribution centers and finishing capacity (cutting and folding machines, etc.)

The Group operates buildings with a total surface area of 655,689 sqm, of which 44% are fully owned.

in sqm	Wholly-owned property			Rented property			Property under finance lease		
Country	Building surface area	Land surface area	Number of warehouses	Building surface area	Land surface area	Number of warehouses	Building surface area	Land surface area	Number of warehouses
Germany	87,191	137,101	15	118,774	26,218	9	22,603	32,856	2
Austria	1,363	30,350	1	10,047	–	1	5,000	17,200	1
Belgium	17,946	33,133	1	3,414	9,700	1	–	–	–
Canada	–	–	–	7,493	9,772	3	–	–	–
China	5,459	20,118	1	2,142	–	1	–	–	–
Korea	–	–	–	227	1,778	1	–	–	–
Spain	2,259	10,295	1	59,430	38,954	9	–	–	–
United States	9,772	36,381	1	13,838	6,907	3	–	–	–
United Arab Emirates	–	–	–	27	–	–	–	–	–
Finland	2,333	23,064	1	39	–	–	20	–	–
France	70,552	299,228	7	38,414	74,585	7	–	–	–
Hungary	4,080	22,602	1	409	–	–	–	–	–
Italy	17,561	40,880	3	53,562	39,503	8	–	–	–
Netherlands	32,550	44,137	4	4,396	2,910	1	–	–	–
Poland	11,152	66,203	2	12,663	18,882	3	–	–	–
Portugal	1,700	4,960	1	7,084	13,625	2	–	–	–
Czech Republic	8,753	42,164	1	2,164	974	3	–	–	–
United Kingdom	2,900	17,000	1	–	–	–	45	–	–
Slovakia	3,828	20,974	1	–	–	–	–	–	–
Slovenia	4,747	7,402	1	–	–	–	–	–	–
Sweden	4,169	27,927	2	788	–	1	–	–	–
Switzerland	1,395	1,500	1	–	–	–	–	–	–
Turkey	–	–	–	3,400	6,514	1	–	–	–
Total	**289,710**	**885,419**	**46**	**338,311**	**250,322**	**54**	**27,668**	**50,056**	**3**

Number of warehouses	**31.12.19**
Wholly-owned sites	46
Rented sites	54
Sites under finance lease	3
Total	**103**

There are no environmental constraints that could impact the Group's use of its property, plant and equipment.

5.6 Risk factors

5.6.1 Main risk factors

In consultation with the division managers, the Company regularly reviews the main risks that could have a material adverse effect on its business activities, financial position and results (or on its ability to meet its targets).

The primary purpose of their quarterly meetings is to review results, monitor targets and identify growth opportunities and risks.

In addition, a half-yearly report on risks identified is issued by the subsidiary managers.

5.6.1.1 Operational risks

5.6.1.1.1 Risks of supplier dependence

The very nature of Jacquet Metal Service's business allows the Company to avoid being dependent on any given supply contract. The diversified procurement policy and supplier selection process are aimed at avoiding dependence on one or more suppliers.

Transactions with third parties such as customers and suppliers are approved by a manager of appropriate seniority and are formalized via contracts or orders that comply with applicable local legislation. The negotiation of purchase term and conditions with the main producers is conducted by Jacquet Metal Service SA management, working together with the Chief Operating Officers of each division. These terms and conditions are then passed on to the subsidiaries of the various divisions.

By way of illustration, the Group's 20 main suppliers account for less than 50% of Group purchases.

5.6.1.1.2 Purchase price elasticity risk

The Group's main business is the purchase, storage, and delivery of various categories of products to a primarily local customer base consisting of small and medium-sized industrial companies.

Purchase prices for stainless steels (JACQUET and STAPPERT) and engineering steels (IMS group) may generally be broken down into two separate components:

- the base price, which is the outcome of negotiations at the time when the order is placed with each producer;
- a more variable portion which depends on the trend in commodity prices. This includes, for example, the scrap surcharge for engineering steels or the alloy surcharge for stainless steels. The alloy surcharge is usually determined at the time of delivery, in accordance with a calculation formula specific to each producer, which factors in the cost of nickel, chromium, titanium, molybdenum and scrap metal, the euro-US dollar exchange rate, etc.

Furthermore, delivery lead times are a major factor when determining the price. In fact, lead times are usually not adhered to and generally range from 1 to 12 months.
Given the fluctuations in commodity prices that affect the value chain, purchase prices may therefore be subject to adjustment clauses depending on compliance with delivery lead times. Some agreements may also provide for the final price to be adjusted depending on the actual rather than theoretical delivery date, while the base price may be revised ex post facto by the producer, etc.

Lastly, annual price reductions may be provided for in accordance with volumes purchased and the producer's overall performance.

The Group's gross margin ratios as a percentage of sales vary in accordance with the following factors:

- changes in the business mix (relative contributions of divisions to sales, in view of differences between individual division margin rates);
- price level (absolute value);
- impact of price changes on inventory drawdown.

Changes in base steel prices and the prices of certain metals used in alloys (nickel, molybdenum, chromium, etc.) also impact the gross margin as a percentage of sales.

Accordingly, Group policy and industry practice tend to pass on any purchase price increases directly to customers, with immediate effect if possible. Conversely, if prices decrease, the Group's competitive positioning requires it to pass on these price decreases within variable timeframes. The option of whether to pass on price increases and decreases is reflected in an inventory price effect and a gross margin effect.

5.6.1.1.3 Risk of changes in metal prices

The Group does not use any financial instruments to hedge fluctuations in the price of the raw materials used as components in the steels that it markets. In the case of some of the metals used (especially molybdenum and chromium), this is due to the lack of a market allowing such a hedging process. In the case of nickel, the lack of hedging is a management decision, as the Group currently considers that such a policy would not necessarily be effective and could even be financially counter-productive, as the related costs may be higher than the profits likely to result. The advisability of such a hedging policy is subject to periodic reviews. To date, the policy has been to remain exposed to fluctuations in metal prices.

The Group is unable to provide relevant and reliable quantified information regarding the elasticity and sensitivity of prices and margins, due to the large number of factors taken into account when setting raw material purchase and sale prices.

5.6.1.1.4 IT system risk

Most Group companies use the Integrated Management Program (IMP) developed by Jacquet Metal Service. This program includes a business application and a localized accounting solution. IT systems play an essential support role in the management and development of Jacquet Metal Service's business activities in an international, decentralized environment.

In this context, the Group considers that the main IT system risks concern cybersecurity and potential IT system architecture failure (computer infrastructures and software).

Several initiatives to improve cybersecurity were organized in 2019:

- establishment of a cybersecurity roadmap and implementation of dedicated resources;
- system and network auditing;
- system and network security enhancement measures.

The cybersecurity drive will continue in 2020 in the form of organizational and technical measures.

Jacquet Metal Service protects its IT architecture against risks of outage or major incidents by using several IT rooms. Every item of equipment is installed in two separate inter-connected rooms, which enables ongoing real-time data duplication in both locations. The IT rooms are hosted in data centers that provide a high level of service and access security as well as broadband Internet access.

5.6.1.2 Financial risks

5.6.1.2.1 Currency risk

The subsidiaries mainly purchase raw materials in euros, given their geographical location. The Group's exposure to currency risk primarily concerns purchases made by European subsidiaries from producers based outside the euro zone and euro purchases made by subsidiaries based outside the zone. Other cash flows are denominated in the functional currency of each subsidiary.

Jacquet Metal Service SA is exposed to currency risk when it grants cash advances in local currencies to subsidiaries outside the euro zone.

The finance department assesses the currency positions every month, per currency and per subsidiary, and then arranges the hedges required. The most frequently used hedging instruments are forward currency purchases or sales.

5.6.1.2.2 Interest rate risk

Financial assets and liabilities may be exposed to changes in interest rates.

Cash investments primarily consist of term deposits where the interest rate risk is limited. Therefore, exposure to interest rate risk primarily relates to floating rate debt.

The Group limits the risk of changes in interest rates by setting up hedging instruments: as of December 31, 2019, 61% of floating rate debt was hedged via swap and cap contracts.

5.6.1.2.3 Liquidity risk

The Group may be exposed to liquidity risk in the event of non-compliance with the financial covenants included in financing agreements. The main covenant concerns the debt to equity ratio (gearing) which must be less than 100%.

As of December 31, 2019, this ratio was 46.1%.

The finance department regularly conducts a specific liquidity risk review.

5.6.1.2.4 Credit and counterparty risk

Credit risk mainly concerns the risk of financial loss arising from customer default.

The Group is not in a position of commercial dependence on specific customers.

Furthermore, thanks to the Group's credit insurance policy, credit and counterparty risk applies solely to uninsured trade receivables.
As of December 31, 2019, 95% of trade receivables were insured.

5.6.1.3 Legal and regulatory risks

The Company and its subsidiaries may be involved in legal proceedings brought by third parties or an administrative or regulatory body. Likewise, they may be subject to tax or customs audits.

With assistance from specialized law firms, the Company and its subsidiaries regularly monitor changes in legislation in order to ensure that their practices comply with laws and regulations.

There are no pending or imminent government, judicial or arbitration proceedings, including any proceedings of which the Company is aware, likely to have a material impact on the Company's and/or Group's financial structure or profitability.

5.6.1.4 Non-financial risks

5.6.1.4.1 Impact of business activity on the environment

The Group is conscious of limiting the impact of its business activity on the environment, particularly with regard to greenhouse gas (GHG) emissions and pollution.

The Group has therefore introduced periodic assessment of its main suppliers in order to measure their exposure to environmental risk and assess the integration of CSR criteria within their organization.

This assessment mainly consists of ensuring that suppliers adhere to the Group Supplier Policy and obtaining copies of their CSR reports, where applicable.

At present, 85% of these main suppliers have adhered to the Group Supplier Policy.

Furthermore, in 2019 the Group circulated the code to all major suppliers in order to be able to measure the carbon footprint of the products purchased. The Group plans to include this criterion in its procurement policy.

5.6.1.4.2 Quality of supplies

Group exposure mainly concerns the quality of supplies (product traceability, ISO standards, etc.) which guarantee product reputation for the end-customer.

The nature of the Group's business activities entails that it only purchases products that fulfill strict predefined standards. Each supplier must ensure the one-to-one correspondence between the product certificate and the material delivered.

All Group supplies are traceable. The aim is to maintain this high standard.

5.6.1.4.3 Human rights and anti-corruption measures

The Group ensures that human rights are respected (in accordance with local legislation) at all facilities in all countries of operation. It also sees that its main suppliers have the same high standards.

The Group has established a supply chain map based on business volumes and geographical location. Suppliers are thus ranked by risk level.

On this basis, the Group procurement department asks suppliers exposed to the risk of violation of human rights to adhere to the Group Supplier Policy, which sets out the Group's values, particularly with regard to the defense of human rights.

The Group has also implemented the following measures to assess the risk of corruption:

- an Anti-Corruption Policy that defines the behavior to be adopted by each Group company with all of its partners, customers, suppliers and service providers. The Group's suppliers must be selected on the basis of objective criteria such as quality, reliability, price, performance or service;
- an internal whistle-blowing procedure at each company that enables situations or behaviors that contravene the Anti-Corruption Policy to be reported;
- an assessment of suppliers exposed to this risk, which is approved by the Group procurement department;
- adherence to the Anti-Corruption Policy by suppliers exposed to risk.

The percentage of exposed suppliers who have adhered to the policies is shown below:

	Adherence rate*
Supplier policy	78%
Anti-corruption policy	84%

*(no. of suppliers having adhered/no. of suppliers exposed) × 100

Additional measures are implemented pending supplier response: request for information, on-site visits, etc.

The Group's aim is to have the Group Supplier Policy and Anti-Corruption Policy signed by all of these suppliers.

5.6.1.4.4 Circular economy

5.6.1.4.4.1 Efficient use of materials

The Group carries out initial "customized" processing operations for its customers as part of its business activities. These services usually involve light finishing operations such as cutting, straightening and bending, folding or drilling.

The Group seeks to improve its performance by optimizing material use, accordingly minimizing the production of discarded material and waste.

The Group monitors the efficiency of material use with regard to discarded materials generated by its finishing operations. The waste metal resulting from cutting operations amounts to around 17,000 tons per year, which is a low discard rate in view of the extent of the Group’s operations. The discard rate is monitored individually for each entity.
The Group aims to keep this rate as low as possible.

5.6.1.4.4.2 Waste recycling

The Group's business activity is based on a circular economy involving the sale of steel mainly derived from recycled products. Waste metal is systematically recovered and recycled by specialist firms, then re-injected into the steel production cycle.

In addition, some cutting machines consume a certain amount of oils and water, which the subsidiaries systematically recycle and recover under the responsibility of the subsidiary manager.

This procedure allows waste to be recycled and reduces the risks of direct impact on the environment.

The Group plans to maintain a high level of recycling for waste generated by its operations.

5.6.1.4.5 Health and safety at work

Group operations include the handling of steel products weighing several tons and finishing operations. The Group strives to maintain its employees in good health and ensure safety at work. Accordingly, it applies a training and prevention policy aimed at reducing the number and severity of industrial accidents.

Measures to improve safety have been taken by each subsidiary manager, including:

- periodic dissemination of safety rules and instructions;
- agreements signed with external organizations responsible for regulatory auditing of machinery and equipment;
- identifying, monitoring, and assessing industrial accidents that have occurred;
- improvement of plant workstations.

Industrial accidents are monitored locally under the responsibility of the subsidiary managers.

The industrial accident frequency and severity ratios are set out below.

	2019	2018
Frequency[1]	30.28	28.84
Severity rate[2]	0.69	0.51

[1] Industrial accident frequency rate = (no. of accidents with stoppage / hours worked) × 1,000,000.
[2] Industrial accident severity rate = (no. of days lost by temporary incapacity / hours worked) × 1,000

These indicators will be periodically analyzed in order to implement any required corrective measures and minimize the values.

5.6.1.4.6 Human resources management

The Group focuses on the quality of management and industrial relations, which underpins the stability of the workforce and organization in general.

Group policy is implemented at company level in order to make allowance for local regulations. Accordingly, human resources are managed by the subsidiary managers in accordance with the subsidiaries' requirements and specific local conditions. The subsidiary managers are responsible for ensuring compliance with applicable legislation in their respective countries, in particular with regard to:

- working hours organization, training and industrial relations;
- health and safety at work;
- respect for human rights and children's rights;
- elimination of discrimination.

There is no system for centralizing agreements signed with employee representative organizations, as these agreements depend on local regulations and the organizational structure of each subsidiary.

However, Group management is notified in advance of all major locally negotiated agreements. In each company, industrial relations are governed by the applicable statutory provisions in force in that country.

The Group is not aware of any material breach of its staff obligations.

The Group has identified the short-term absenteeism rate (less than three days) as a risk indicator. A Group-wide procedure to monitor the number of absences has been set up.

	2019
Brief absenteeism rate*	0.75%

*(no. of days' absence < 3 days / no. of days worked during year) × 100

This indicator is periodically analyzed in order to implement any required corrective measures and minimize the value.

5.7 Insurance and risk coverage

In the case of operational risks, each subsidiary has a risk coverage tailored to its operations through insurance policies taken out locally or by the Group and covering all potential risks, such as:

- comprehensive property damage and consequential operating losses;
- directors and officers liability;
- civil general liability: the Group has taken out a master policy covering liability incurred by the Company and its subsidiaries. Local policies are taken out to cover subsidiaries not included under the master policy.

The Company considers that its insurance cover complies with French and European professional third-party liability insurance standards and is sufficiently broad to cover the standard risks inherent in its operations.

However, it cannot guarantee that these policies will cover all the claims that the Group may face.

No material potential risk whose consequences were not already included in the 2019 financial statements had been identified at December 31, 2019.

6 Main companies

Jacquet Metal Service SA FR

JACQUET division

JACQUET Holding SARL FR

- **JACQUET Metallservice** GmbH AT
- **JACQUET Benelux** SA BE
- **JACQUET Montréal** Inc. CA
- **Rolark Toronto** Inc. CA
- **Rolark Edmonton** Inc. CA
- **JACQUET Osiro** AG CH
- **JACQUET Chengdu** Co. Ltd. CN
- **JACQUET Shanghai** Co. Ltd. CN
- **JACQUET** Sro CZ
- **JACQUET Deutschland** GmbH DE
- **Quarto Deutschland** GmbH DE
- **JMS Danmark** ApS DK
- **JACQUET Ibérica** SA ES
- **JACQUET Finland** OY FI
- **Détail Inox** SAS FR
- **France Inox** SAS FR
- **JACQUET International** SAS FR
- **JACQUET Lyon** SAS FR
- **JACQUET Paris** SAS FR
- **OSS** SARL FR
- **Quarto International** SAS FR
- **JACQUET Centro Servizi** Srl IT
- **JACQUET Italtaglio** Srl IT
- **JACQUET Nova** Srl IT
- **JACQUET Korea** Co. Ltd. KR
- **Intra Metals** BV NL
- **JACQUET Nederland** BV NL
- **JACFRIESLAND** BV NL
- **JACQUET Polska** Sp. z o.o. PL
- **JACQUET Portugal LDA** PT
- **JACQUET Sverige** AB SE
- **JMS Metals Asia** Pte. Ltd. SG
- **JMS Adriatic** d.o.o. SI
- **Quarto Jesenice** d.o.o. SI
- **Intra Alloys** FZE UAE
- **Jacquet UK** Ltd UK
- **JACQUET Mid Atlantic** Inc. USA
- **JACQUET Houston** Inc. USA
- **JACQUET Midwest** Inc. USA
- **JACQUET West** Inc. USA
- **QUARTO North America** LLC USA

STAPPERT division

STAPPERT Deutschland GmbH DE

- **STAPPERT Fleischmann** GmbH AT
- **STAPPERT Intramet** SA BE
- **STAPPERT Ceská Republika** Spol Sro CZ
- **STAPPERT France** SAS FR
- **STAPPERT Magyarország Kft** HU
- **STAPPERT Noxon** BV NL
- **STAPPERT Polska** Sp. z o.o. PL
- **STAPPERT Sverige** AB SE
- **STAPPERT Slovensko** AS SK
- **STAPPERT UK** Ltd UK

IMS division

IMS group Holding SAS FR

- **IMS Austria** GmbH AT
- **IMS Belgium** SA BE
- **Dr. Wilhelm Mertens** GmbH DE
- **Finkenholl Stahl Service Center** GmbH DE
- **Günther + Schramm** GmbH DE
- **Hoselmann Stahl** GmbH DE
- **IMS Bayern** GmbH DE
- **IMS Deutschland** GmbH DE
- **IMS Fellbach** GmbH DE
- **IMS Rhein-Main** GmbH DE
- **IMS Trade** GmbH DE
- **IMS Trossingen** GmbH DE
- **IMS Aceros** INT, SAU ES
- **IMS France** SAS FR
- **IMS** SpA IT
- **IMS Nederland** BV NL
- **IMS Portugal** SA PT
- **IMS Özel çelik** Ltd Şi. TR

7 Stock market information

General features

source: Jacquet Metal Service

- **Main indices** : CAC® All Shares, CAC® All-Tradable, CAC® Basic Materials, CAC® Mid & Small, CAC® PME, CAC® Small, Next 150
- **Market** : Euronext Paris - Compartment B
- **Listed on** : Euronext Paris
- **Code or ticker** : JCQ
- **ISIN code** : FR0000033904
- **Reuters** : JCQ.PA
- **Bloomberg** : JCQ : FP

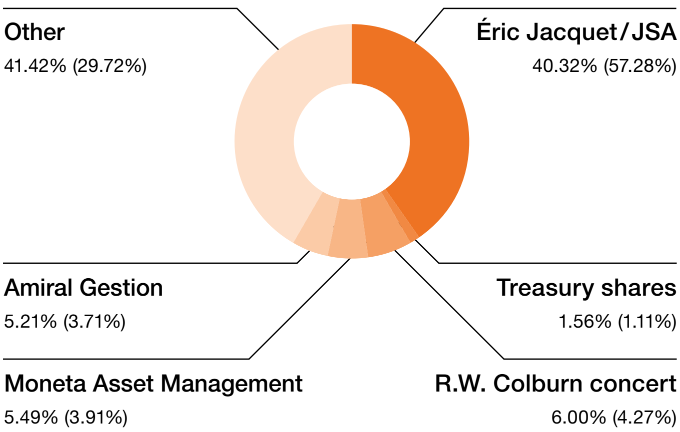
		2019	2018	2017	2016	2015
Number of shares at end of period	number of shares	24,028,438	24,028,438	24,028,438	24,028,438	24,028,438
Market capitalization at end of period	**€k**	**370,519**	**372,921**	**660,782**	**476,003**	**343,607**
High	€	18.46	32.90	29.61	20.63	20.24
Low	€	13.76	13.56	19.45	10.02	11.32
Price at end of period	**€**	**15.42**	**15.52**	**27.50**	**19.81**	**14.30**
Average daily trading volume	number of shares	34,833	27,351	24,330	23,718	28,679
Average daily traded capital	€	562,702	634,980	596,557	353,251	465,096

As of December 31, 2019, the Jacquet Metal Service (JCQ) share price was €15.42, with little change from the December 31, 2018 closing price. The share price was €11.20 on March 10, 2020.

Jacquet Metal Service shares are followed by Société Générale SGCIB, Oddo Securities and Portzamparc of BNP Paribas group.

Shareholder structure at December 31, 2019

% share capital (% voting rights)



Éric Jacquet and JSA (which is controlled by Éric Jacquet) held 40.32% of the share capital and 57.28% of the voting rights in the Company at December 31, 2019.

8 Financial communication schedule

- **Q1 2020 results** : May 13, 2020
- **General meeting** : June 26, 2020
- **H1 2020 results** : September 9, 2020
- **Q3 2020 results** : November 18, 2020
- **2020 full year results** : March 2021

Investors and shareholders may obtain complete financial information from the Company's website at: **www.jacquetmetalservice.com**

Investor relations

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- **NewCap** > Emmanuel Huynh > **T** +33 1 44 71 94 94 > jacquetmetalservice@newcap.eu

Activity report

December 31, 2019

1 Group sales and earnings

Group results as of December 31, 2019

The results as of December 31, 2019 are compared to the full-year results for 2018, which may be consulted in the 2018 Registration Document filed with the Autorité des Marchés Financiers (French market regulator or AMF) on April 11, 2019 (filing no. D.19-0307) and in the December 31, 2018 activity report.

On October 31, 2019, the Group sold Abraservice, a group specializing in the distribution of wear-resistant steels. Abraservice has 10 distribution centers in 11 countries, mainly in Europe, and generated €78 million in revenue.

In accordance with *IFRS 5 – Discontinued operations*, as of December 31, 2019 the contribution of Abraservice for the period from January 1 to October 31, 2019 (10 months) is not included in Group sales and operating income. The net income from this business activity and the proceeds of the sale are presented under " Net income from discontinued operations ".

For the sake of comparison with 2019 figures, the 2018 financial statements have been restated by removing the results of Abraservice and the results of the businesses sold in 2018 (proforma " PF " data).

€k	Q4 2019	Q4 2018 PF	2019	2018 PF
Sales	**355,150**	**398,568**	**1,614,637**	**1,744,960**
Gross margin	**86,274**	**94,246**	**373,921**	**421,693**
% of sales	*24.3%*	*23.6%*	*23.2%*	*24.2%*
Operating expenses	(75,462)	(79,460)	(302,674)	(320,867)
Net depreciation and amortization	(8,655)	(4,482)	(34,162)	(17,987)
Net provisions	(1,453)	3,835	2,152	4,457
Gains/(losses) on disposals of non-current assets	91	(269)	325	3,829
Operating income	**795**	**13,870**	**39,562**	**91,125**
Net financial expense	(1,627)	(2,635)	(10,831)	(10,669)
Income before tax	**(832)**	**11,235**	**28,731**	**80,456**
Corporate income tax	(2,872)	(2,757)	(13,169)	(20,463)
Net income from discontinued operations	8,858	1,597	12,016	4,988
Consolidated net income	**5,154**	**10,075**	**27,578**	**64,981**
Net income (Group share)	**4,774**	**9,201**	**24,545**	**61,627**
Earnings per share in circulation (€)	**0.20**	**0.38**	**1.02**	**2.56**
Operating income	**795**	**13,870**	**39,562**	**91,125**
Non-recurring items and gains/losses on disposals	2,789	269	3,234	(3,329)
Adjusted operating income	**3,584**	**14,139**	**42,796**	**87,796**
% of sales	*1.0%*	*3.5%*	*2.7%*	*5.0%*
Net depreciation and amortization	8,655	4,482	34,162	17,987
Net provisions	1,453	(3,835)	(2,152)	(4,457)
Non-recurring items	(2,880)	481	(1,473)	840
EBITDA	**10,812**	**15,267**	**73,333**	**102,166**

Headlines

Market conditions in 2019 were mainly distinguished by an erosion of the demand, particularly from the second half onwards.

In this context, the Group generated sales of €1.6 billion, EBITDA of €73 million and operating cash flow of €59 million.

IMS group, the division specializing in the distribution of engineering steels, was particularly impacted by the slowdown in the European manufacturing sector, especially in Germany, its main market. As a result, sales were down 13% versus 2018 (Q4: -19%).

STAPPERT, which specializes in the distribution of stainless steel long products, posted a more moderate decline in its business, with sales down 3.9% versus 2018 (Q4: -3.2%).

JACQUET, which distributes stainless steel quarto plates and is active in more diversified markets than the other Group divisions, posted business growth (+3.5% in 2019; Q4: +2.1%).

Meanwhile, the Group pursued a sustained capital expenditure policy (€30 million) mainly aimed at strengthening its market positioning, particularly in North America.

Operating cash flow generated over the year and the October 2019 sale of the Abraservice group (sales of €78 million) improved the Group's financial position, resulting in a year-end debt to equity ratio (or gearing) of 46.1% versus 56.9% at 2018 year-end.

In 2020, market conditions have been challenging at the start of the first half and the Group does not expect to see the economic situation improve during the first half.

Group's business in China, which represents 1% of consolidated sales, was affected by the measures taken in face of the coronavirus crisis. Regarding the steel supply chain, the potential impact of production shutdowns should be limited, as less than 20% of Group purchases come from China.
In Italy (8% of consolidated sales and 20% of purchases), the Group has not noticed any business interruption and is unable at this stage to assess the potential impact of the coronavirus.
This also applies to the other markets in which the Group operates.

In this context, the Group will focus on improving operating efficiency and pursuing the capital expenditure and growth policy adapting it to the economic situation.

Sales

Sales amounted to €1,615 million, -7.5% compared to 2018 (Q4: -10.9%), including the following effects:

- volumes sold: -8% (Q4: -11.1%);
- prices: +0.5% (Q4: +0.2%). Q4 2019 prices were up +1% from Q3 2019.

€m	Q4 2019	Q4 2018 PF	2019	2018 PF
Sales	**355**	**399**	**1,615**	**1,745**
Change	**-10.9%**		**-7.5%**	
Price effect	+0.2%		+0.5%	
Volume effect	-11.1%		-8.0%	

The various effects are calculated as follows:

- volume effect = (Vn - Vn-1) × Pn-1, where V = volumes and P = average sale price converted into euros at the average exchange rate;
- price effect = (Pn - Pn-1) × Vn;
- the exchange rate effect is included in the price effect. There was no significant impact in 2019;
- change in consolidation (current year acquisitions and disposals):
  - acquisitions: change in consolidation corresponds to the contribution (volumes and sales) of the acquired entity since the acquisition date;
  - disposals: change in consolidation corresponds to the contribution (volumes and sales) made by the sold entity in the year preceding disposal from the date falling one year before the disposal date until the end of the previous year;
- change in consolidation (previous year acquisitions and disposals):
  - acquisitions: the impact of the change in consolidation scope corresponds to the contribution (volumes and sales) of the acquired entity in the current year from January, 1st until the anniversary of the acquisition;
  - disposals: the impact of the change in consolidation scope corresponds to the contribution (volumes and sales) of the sold entity from January, 1st the previous year until the date of disposal.

Gross margin

Gross margin amounted to €374 million and represented 23.2% of sales (Q4: 24.3%) compared to €422 million in 2018 (24.2% of sales; Q4: 23.6%).

€m	Q4 2019	Q4 2018 PF	2019	2018 PF
Sales	**355.1**	**398.6**	**1,614.6**	**1,745.0**
Cost of goods sold	**(268.9)**	**(304.3)**	**(1,240.7)**	**(1,323.3)**
Incl. purchases consumed	(268.3)	(306.7)	(1,241.2)	(1,314.9)
Incl. inventory impairment	(0.5)	2.4	0.5	(8.4)
Gross margin	**86.3**	**94.2**	**373.9**	**421.7**
% of sales	*24.3%*	*23.6%*	*23.2%*	*24.2%*

Operating income

Operating expenses excluding non-recurring items amounted to €331 million compared to €334 million in 2018 (-0.8%).

First-time application of *IFRS 16 – Leases* resulted in a decrease in operating expenses (rental payments) and an increase in depreciation, amounting to €17 million and €16 million respectively.

EBITDA amounted to €73 million representing 4.5% of sales. The application of *IFRS 16 – Leases* as from January 1, 2019 increased EBITDA by €17 million. Adjusted for this impact, EBITDA amounted to €56 million representing 3.5% of sales, compared to 5.9% in 2018.

EBITDA includes a €2.1 million adjustment for non-recurring expenses (cash items).

Adjusted operating income amounted to €43 million (2.7% of sales) compared to €88 million (5% of sales) in 2018. The application of *IFRS 16 – Leases* had no material impact on adjusted operating income.

Operating income amounted to €40 million, including €0.3 million gain on disposal of non-current assets and 2.9 million non-recurring expenses (€1.5 million non-cash items and €2.1 million cash items).

Net financial expense

After accounting for a €1.7 million interest expense related to first-time application of *IFRS 16 – Leases*, net financial expense amounted to €(10.8) million. Restated for this impact, it amounts to €(9.1) million versus €(10.7) million in 2018.

The average gross debt ratio as of December 31, 2019 (excluding the impact of IFRS 16 and changes in consolidation scope) was 2% versus 2.4% in 2018.

€m	Q4 2019	Q4 2018 PF	2019	2018 PF
Net cost of debt	**(2.1)**	**(2.7)**	**(8.8)**	**(7.9)**
Expenses related to application of IFRS 16	*(0.4)*	–	*(1.7)*	–
Other financial items	0.5	0.1	(2.0)	(2.8)
Net financial expense	**(1.6)**	**(2.6)**	**(10.8)**	**(10.7)**

Net income

After accounting for a €9 million capital gain on the sale of Abraservice, net income (Group share) amounted to €25 million (1.5% of sales) versus €62 million in 2018 (3.5% of sales). The application of *IFRS 16 – Leases* had no material impact on net income.

The higher tax rate was due to the reduced use of tax loss carryforwards.

€m	Q4 2019	Q4 2018 PF	2019	2018 PF
Income before tax	**(0.8)**	**11.2**	**28.7**	**80.5**
Corporate income tax	(2.9)	(2.8)	(13.2)	(20.5)
Income tax rate	n.a.	24.5%	45.8%	25.4%
Net income from discontinued operations	8.9	1.6	12.0	5.0
Consolidated net income	**5.2**	**10.1**	**27.6**	**65.0**
Minority interests	(0.4)	(0.9)	(3.0)	(3.4)
Net income (Group share)	**4.8**	**9.2**	**24.5**	**61.6**
% of sales	*1.3%*	*2.3%*	*1.5%*	*3.5%*

2 Sales and earnings by division excluding IFRS 16 impacts

	JACQUET Stainless steel quarto plates[3]		STAPPERT Stainless steel long products		IMS group Engineering steels[3]	
€m	**Q4 2019**	**2019**	**Q4 2019**	**2019**	**Q4 2019**	**2019**
Sales	**80**	**343**	**104**	**467**	**174**	**818**
Change vs. 2018	**+2.1%**	**+3.5%**	**-3.2%**	**-3.9%**	**-19.3%**	**-13.1%**
Price effect	+2.3%	+3.6%	+1.7%	-0.4%	-1.1%	-0.1%
Volume effect	-0.3%	-0.1%	-4.9%	-3.5%	-18.2%	-13.1%
EBITDA[1 2]	**4**	**23**	**2**	**14**	**(1)**	**14**
% of sales	*5.5%*	*6.8%*	*1.6%*	*3%*	*-0.5%*	*1.8%*
Adjusted operating income[2]	**3**	**16**	**1**	**12**	**(1)**	**11**
% of sales	*3.7%*	*4.8%*	*0.7%*	*2.6%*	*-0.7%*	*1.4%*

[1] Non-division operations (including Jacquet Metal Service SA) contributed €4 million to EBITDA in 2019 (Q4 2019: €2 million) and Group EBITDA benefited from a positive impact of €17 million due to the application of *IFRS 16 – Leases*.
[2] Adjusted for non-recurring items. The activity report includes a definition of non-IFRS financial indicators and explains the methods used to calculate them.
[3] For the sake of comparison with 2019 figures, the 2018 financial statements of JACQUET have been restated by removing the results of the Abraservice group, sold on October 31, 2019, and the IMS group businesses sold off in 2018.

JACQUET > Stainless steel quarto plates

JACQUET specializes in the distribution of stainless steel quarto plates. The division generates 67% of its business in Europe and 26% in North America.

Sales amounted to €343 million, up +3.5% from €332 million in 2018 (Q4: +2.1%):

- volumes: -0.1% (Q4: -0.3%);
- prices: +3,6 % (Q4: +2.3% vs. Q4 2018 and +2.8% vs. Q3 2019).

Gross margin amounted to €105 million and represented 30.6% of sales (Q4: 32%) compared to €106 million in 2018 (31.9% of sales; Q4: 31.5%).

EBITDA amounted to €23 million (Q4: €4 million) representing 6.8% of sales compared to €28 million in 2018 (8.4% of sales; Q4: 6.4%).

€m	**Q4 2019**	**Q4 2018 PF**	**2019**	**2018 PF**
Sales	**80.4**	**78.8**	**343.5**	**332.0**
Change	**+2.1%**		**+3.5%**	
Price effect	+2.3%		+3.6%	
Volume effect	-0.3%		-0.1%	
Gross margin	**25.7**	**24.8**	**105.1**	**105.8**
% of sales	*32.0%*	*31.5%*	*30.6%*	*31.9%*
EBITDA	**4.4**	**5.0**	**23.4**	**27.9**
% of sales	*5.5%*	*6.4%*	*6.8%*	*8.4%*
Adjusted operating income	**2.9**	**3.0**	**16.5**	**21.3**
% of sales	*3.7%*	*3.8%*	*4.8%*	*6.4%*

STAPPERT > Stainless steel long products

STAPPERT specializes in the distribution of stainless steel long products in Europe. The division generates 41% of its sales in Germany, the largest European market.

Sales amounted to €467 million, down -3.9% from €487 million in 2018 (Q4: -3.2%):

- volumes: -3.5% (Q4: -4.9%);
- prices: -0.4% (Q4: +1.7% vs. Q4 2018 and +2.9% vs. Q3 2019).

Gross margin amounted to €92 million and represented 19.6% of sales (Q4: 21.2%) compared to €104 million in 2018 (21.3% of sales; Q4: 21.1%).

EBITDA amounted to €14 million (Q4: €2 million) representing 3% of sales compared to €26 million in 2018 (5.3% of sales; Q4: 3.8%).

€m	Q4 2019	Q4 2018 PF	2019	2018 PF
Sales	**103.6**	**107.0**	**467.4**	**486.5**
Change	**-3.2%**		**-3.9%**	
Price effect	+1.7%		-0.4%	
Volume effect	-4.9%		-3.5%	
Gross margin	**22.0**	**22.6**	**91.6**	**103.8**
% of sales	*21.2%*	*21.1%*	*19.6%*	*21.3%*
EBITDA	**1.6**	**4.0**	**14.1**	**25.6**
% of sales	*1.6%*	*3.8%*	*3.0%*	*5.3%*
Adjusted operating income	**0.7**	**4.0**	**12.3**	**23.7**
% of sales	*0.7%*	*3.7%*	*2.6%*	*4.9%*

IMS group > Engineering steels

IMS group specializes in the distribution of engineering steels, mostly in the form of long products. The division generates 46% of its sales in Germany, the largest European market.

Sales amounted to €818 million, down -13.1% from €941 million in 2018 (Q4: -19.3%):

- volumes: -13.1% (Q4: -18.2%);
- prices: -0.1% (Q4: -1.1% vs. Q4 2018 and -0.8% vs. Q3 2019).

Gross margin amounted to €177 million and represented 21.7% of sales (Q4: 22.1%) compared to €213 million in 2018 (22.6% of sales; Q4: 21.6%).

EBITDA amounted to €14 million (Q4: -€1 million) representing 1.8% of sales compared to €41 million in 2018 (4.4% of sales; Q4: 1.2%).

€m	Q4 2019	Q4 2018 PF	2019	2018 PF
Sales	**174.1**	**215.9**	**817.7**	**941.3**
Change	**-19.3%**		**-13.1%**	
Price effect	-1.1%		-0.1%	
Volume effect	-18.2%		-13.1%	
Gross margin	**38.5**	**46.6**	**177.2**	**212.7**
% of sales	*22.1%*	*21.6%*	*21.7%*	*22.6%*
EBITDA	**(0.9)**	**2.7**	**14.5**	**41.0**
% of sales	*-0.5%*	*1.2%*	*1.8%*	*4.4%*
Adjusted operating income	**(1.3)**	**3.4**	**11.1**	**36.6**
% of sales	*-0.7%*	*1.6%*	*1.4%*	*3.9%*

3 Consolidated financial position

Summary balance sheet

The summary balance sheet below sets out Jacquet Metal Service's consolidated financial position as of December 31, 2019 and December 31, 2018.

€m	31.12.19	31.12.18
Goodwill	66	68
Net non-current assets	143	156
Right-of-use assets[1]	85	–
Net inventory	442	493
Net trade receivables	152	182
Other assets	91	100
Cash & cash equivalents	206	119
Total assets	**1,186**	**1,119**
Shareholders' equity	379	377
Provisions (including provisions for employee benefit obligations)	99	96
Trade payables	178	228
Borrowings	381	338
Other liabilities	63	80
Lease liabilities[1]	86	–
Total equity and liabilities	**1,186**	**1,119**

[1] Application of *IFRS 16 – Leases* as from January 1, 2019.

Working capital

€m	31.12.19	31.12.18 PF[2]	Change
Net inventory	442.5	478.3	(35.8)
Days sales inventory [1]	*154*	*165*	
Net trade receivables	152.2	171	(18.8)
Days sales outstanding	*50*	*50*	
Trade payables	(177.6)	(221.1)	43.5
Days payable outstanding	*62*	*64*	
Net operating working capital	**417.1**	**428.2**	**(11.1)**
% of sales [1]	*25.8%*	*24.5%*	
Other receivables or payables excluding taxes and financial items	(22.8)	(29.6)	
Working capital excluding taxes and financial items	**394.3**	**398.6**	**(4.3)**
Consolidation and other changes		(0.0)	
Working capital before taxes and financial items and adjusted for other changes	**394.3**	**398.6**	**(4.3)**
% of sales [1]	*24.4%*	*22.8%*	

[1] Rolling 12 months
[2] For the sake of comparison with 2019 figures, the 2018 financial statements have been restated by removing the results of the Abraservice group, sold on October 31, 2019, and the other businesses sold off in 2018 (proforma data " PF ").

As of December 31, 2019, operating working capital amounted to €417 million (including inventories of €442 million) and represented 25.8% of sales, compared to 24.5% as of December 31, 2018 (operating working capital of €428 million including inventories of €478 million). Inventory levels represented 154 days sales as of December 31, 2019 compared to 165 days proforma as of December 31, 2018.

Trade receivables amounted to €152 million at December 31, 2019, with an average customer payment term of 50 days' sales, broadly stable compared to December 31, 2018 (excluding the impact of receivables assigned without recourse). The Group had assigned non-recourse trade receivables amounting to €35.7 million at December 31, 2019, compared to €44 million at December 31, 2018.

Trade payables amounted to €178 million at December 31, 2019, with an average supplier payment term of 62 days (compared to 64 days at December 31, 2018).

Provisions for contingencies and charges and employee benefit obligations

Provisions for contingencies and charges and employee benefit obligations amounted to €99 million at December 31, 2019 compared to €96 million at December 31, 2018. These provisions consist of:

- provisions for employee benefit obligations (€61 million at December 31, 2019 compared to €57 million at December 31, 2018) mainly related to pension obligations;
- current and non-current provisions (€38 million at December 31, 2019 compared to €39 million at December 31, 2018), primarily relating to disputes with employees, reorganization costs and disputes with customers and suppliers.

Net debt

As of December 31, 2019, Group net debt stood at €175 million, compared to shareholders' equity of €379 million, resulting in a net debt to equity ratio (gearing) of 46.1% (56.9% as of December 31, 2018).

€m	31.12.19	31.12.18
Borrowings	380.9	337.8
Cash, cash equivalents and others	206.0	123.3
Net debt	**174.9**	**214.5**
Debt to equity ratio (gearing)	*46.1%*	*56.9%*

Borrowings by maturity:

€m	31.12.19	< 1 year	1 to 5 years	> 5 years	31.12.18
Jacquet Metal Service SA borrowings	**282.8**	**37.9**	**243.4**	**1.5**	**199.4**
Syndicated revolving loan	—	—	—	—	—
Schuldscheindarlehen (private placement of debt instruments under German law) [1]	186.0	—	186.0	—	150.0
Lines of credit	96.8	37.9	57.4	1.5	49.4
Subsidiaries borrowings	**98.2**	**88.4**	**8.2**	**1.6**	**138.4**
Lines of credit	80.8	80.8	—	—	75.6
Factoring	3.0	3.0	—	—	5.1
Assets financing	14.3	4.6	8.2	1.6	57.7
Total	**380.9**	**126.3**	**251.5**	**3.1**	**337.8**

[1] The amount shown (€186 million) comprises two Schuldscheindarlehen (SSD):
- A €150 million SSD maturing April 2023;
- A €70 million SSD divided into (i) tranche 1 for €36 million maturing December 2024 and (ii) tranche 2 for €34 million cashed-in in January 2020 and maturing January 2025.

Borrowings by rate:

€m	31.12.19	31.12.18
Fixed rate	59.2	46.2
Floating rate	321.7	291.6
Total borrowings	**380.9**	**337.8**

61% of floating rate debt totaling €195 million is hedged against changes in interest rates as follows:

- swaps covering €155 million with 5-year terms expiring between 2021 and 2024;
- caps covering €40 million expiring in 2024.

Borrowings

The Group had €674 million in lines of credit at December 31, 2019, 57% of which had been used:

€m	Authorized at 31.12.19	Used at 31.12.19	% used
Jacquet Metal Service SA	**492.9**	**282.8**	**57%**
Syndicated revolving loan	125.0	–	0%
Schuldscheindarlehen (private placement of debt instruments under German law)	186.0	186.0	100%
Lines of credit	181.9	96.8	53%
Subsidiaries financing	**180.7**	**98.2**	**54%**
Lines of credit	131.3	80.8	62%
Factoring	30.5	3.0	10%
Assets financing	18.9	14.3	76%
Total	**673.6**	**380.9**	**57%**

In addition to the financing shown in the above table, the Group also had €71.3 million in non-recourse receivable assignment facilities, €35.7 million of which had been used at December 31, 2019.

Financing covenants mainly apply to the syndicated revolving loan and the German private placements (Schuldscheindarlehen). These covenants mainly correspond to commitments that must be complied with at Group level.

All financing covenants were in compliance at December 31, 2019.

a | The main terms of the syndicated revolving loan are as follows:

- date of signature: June 2019
- maturity: June 2022
- amount: €125 million (unused as of December 31, 2019)
- guarantee: None
- change of control clause:
  JSA must hold at least 40% of Jacquet Metal Service SA's share capital and voting rights.
- main covenants:
  The Company must meet one of the following criteria:
  - debt to equity ratio (gearing) less than 100% **or**
  - leverage less than 2.

b | The main terms of the Schuldscheindarlehen signed in 2018 are as follows:

- date of signature: February 2018
- maturity: April 2023
- amount: €150 million (fully used)
- amortization: in fine
- guarantee: None
- change of control clause:
  JSA must hold at least 37% of Jacquet Metal Service SA's share capital and voting rights.
- main covenant:
  debt to equity ratio (gearing) less than 100%.

c | The main terms of the 2-tranche Schuldscheindarlehen signed in 2019 are as follows:

- date of signature: December 2019
- maturity: December 2024 (tranche 1: €36 million) and January 2025 (tranche 2: €34 million)
- amount: €70 million (fully used, including €36 million cashed-in in December 2019 and €34 million cashed-in in January 2020)
- amortization: in fine
- guarantee: None
- change of control clause:
  JSA must hold at least 37% of Jacquet Metal Service SA's share capital and voting rights.
- main covenant:
  debt to equity ratio (gearing) less than 100%.

Cash flow

€m	2019	2018 PF[1]
Operating cash flow before change in working capital	54	83
Change in working capital	4	(65)
Cash flow from operating activities	**59**	**19**
Capital expenditure	(30)	(21)
Asset disposals	25	15
Dividends paid to shareholders of Jacquet Metal Service SA	(17)	(17)
Interest paid	(12)	(11)
Other movements	14	(17)
Change in net debt	**40**	**(31)**
Net debt brought forward	**215**	**183**
Net debt carried forward	**175**	**215**

[1] For the sake of comparison with 2019 figures, the 2018 financial data have been restated by removing the results of the Abraservice group, sold on October 31, 2019, and the other businesses sold in 2018, excluding the net debt carried forward as of December 31, 2018, stated as previously reported (proforma "PF" data).

2019 Group cash flow from operating activities amounted to +€59 million.

The Group also pursued a sustained capital expenditure policy (€30 million) mainly aimed at strengthening its market positioning, particularly in North America.

The Group cashed in €25 million from the disposal of the shares of Abraservice Holding.

In addition, the caption "other movements" includes €24 million linked to the disposals of assets in 2018 and 2019 (cash inflows or assignment of borrowings to the buyers), as well as -€16 million pursuant to the application of *IFRS 16 – Leases.*

The Group has consequently decreased its net debt by €40 million in 2019.

Post balance sheet events

None.