

# ANNUAL REPORT

## 2018



**AKWEL**

EFFICIENT AUTOMOTIVE  
SOLUTION

## CONTENTS

Message from the President of the Executive Board .....	3
Administration, Management & Control .....	4
Responsible persons .....	6
<b>REPORTS BY THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD .....</b>	<b>7</b>
Management report by the Executive Board presented at the Combined General Meeting of Wednesday 29 May 2019.....	8
Report by the certification body .....	39
Supplementary reports by the Executive Board.....	42
Report by the Executive Board on the wording of resolutions proposed to the Combined General Meeting of Wednesday 29 May 2019 .....	43
Report by the Supervisory Board on the corporate governance, including the Supervisory Board's observations concerning the management report and the financial statements for the reporting period .....	47
List of mandates, positions and business addresses of the Supervisory Board and Executive Board as at 31 December 2018 .....	71
<b>FINANCIAL STATEMENTS - AKWEL GROUP.....</b>	<b>78</b>
Consolidated balance sheet.....	79
Consolidated Income Statement.....	81
Statement of net income and gains and losses recognised directly under shareholders' equity.....	82
Consolidated cash flow statement .....	83
Variation in consolidated shareholders' equity.....	84
Appendix to the consolidated financial statements .....	85
Statutory auditors' report on the consolidated financial statements .....	111
<b>FINANCIAL STATEMENTS - AKWEL.....</b>	<b>116</b>
Balance sheet.....	117
Income statement .....	119
Appendix to the corporate financial statements .....	120
Statutory Auditors' report on the annual financial statements .....	130
Special report by the Statutory Auditors on regulated agreements and commitments.....	135
<b>ADDITIONAL INFORMATION .....</b>	<b>139</b>
General information concerning the Company.....	140
General information concerning the Company's capital.....	143
Text of resolutions proposed at the Combined General Meeting of Wednesday 29 May 2019 .....	144

## MESSAGE FROM THE PRESIDENT OF THE EXECUTIVE BOARD

Dear Sir, Madam,

2018 was an eventful year for our Group. We adopted a new name, AKWEL, to rally the teams from all over the world around a common project and a shared identity. We continued to structure our organisation on a regional basis to adapt to the growing segmentation of the global automotive market. We also pursued our targeted production deployment strategy. The sites in Wuhan, China, and Rayong in Thailand began mass production operations, while the Vidin project (Bulgaria), which no longer made sense, was terminated.

Our growth dynamic was still good and our quality performance improved slightly. However, we saw a decline in profitability. Although our fundamentals remain solid, we were impacted by three phenomena: product warranty issues, many of which involved SCR tanks, significant start-up costs for new plants and a less favourable business environment. Manufacturing volumes are more volatile, raw material prices are on the rise, exchange rates are fluctuating and inflation is high in some countries.

This increasing complexity in our business environment will continue in 2019 due to market tensions at both a global and local level. The automotive industry is changing significantly and quickly. The way we use vehicles is changing and restrictions on emissions are tightening, which is all leading to significant upheaval for manufacturers and their parts manufacturers. We are at a turning point in the automotive industry.

In this climate, our mission, more than ever, is to be a trusted tier-one supplier for our customers, helping them to manufacture autonomous and connected vehicles that are more reliable and more ecologically responsible at a competitive price.

2019 will mark a continuation of our previous efforts. We will continue to focus on our targets, namely employee health and safety, customer satisfaction and improving competitiveness and performance.

On the manufacturing side, we will finalise the roll-out of our production system, continue to invest in improving productivity, place an emphasis on training the teams and commit to achieving faster problem resolution. Meanwhile, the Products teams will work on developing new product lines (battery cooling, new handles, etc.).

For everyone involved, the quest for Performance (quality, flexibility, responsiveness) will continue to drive our daily efforts. With the involvement and collaboration of all the teams, we will be able to restore positive free cash flow from 2019 and achieve targeted sales of €1.2 billion in 2020.

Mathieu Coutier  
President of the Executive Board

## ADMINISTRATION, MANAGEMENT & CONTROL

### 1. Supervisory Board

André Coutier	Chairman of the Supervisory Board
Geneviève Coutier	Member
Emilie Coutier	Member
COUTIER DEVELOPPEMENT represented by Christophe Coutier	Member
NJ CONSULTING represented by Nicolas Job	Member
Christophe Besse (*)	Member

(\*) Member elected by employees.

The Report by the Supervisory Board on the corporate governance, including the Supervisory Board's observations concerning the management report and the financial statements for the reporting period contains information stating the age, independent status and member status of the Audit and Remuneration Committees, the end date of their mandates performed within the Company and the roles and mandates performed in other companies, listed or otherwise.

### 2. Executive Board

Mathieu Coutier	President of the Executive Board
Jean-Louis Thomasset	Vice-President of the Executive Board - Financial VP
Benoît Coutier	Member - Legal VP
Nicolas Coutier	Member - Industrialisation and Standardisation VP
Frédéric Marier	Member - Manufacturing Performance VP

The Report by the Supervisory Board on the corporate governance, including the Supervisory Board's observations concerning the management report and the financial statements for the reporting period contains information stating their age, the end date of their mandates performed within the Company and the roles and mandates performed in other companies, listed or otherwise.

### 3. Executive Committee

Mathieu Coutier	President of the Executive Board
Jean-Louis Thomasset	Vice-President of the Executive Board - Financial VP
Benoît Coutier	Member of the Executive Board - Legal VP
Nicolas Coutier	Member of the Executive Board - Industrialisation and Standardisation VP
Frédéric Marier	Member of the Executive Board - Manufacturing Performance VP
Sébastien Boivin	Purchasing VP
Maxime Delorme	Operations VP

Huashan Feng	Operations VP
Thierry Foubert	Operations VP
Philippe Mao	Operations VP
Ludovic Mercier	Marketing and Sales VP
David Nielsen	Operations VP
Lee Richards	Business Development VP
Roger Sanchez	Operations VP

## 4. Auditors

	Date of first appointment	Date of reappointment	Mandate end date (ordinary general meeting called to approve the financial statements to)
<b>Permanent Auditors</b>			
<b>ORFIS</b> <b>Mr Jean-Louis Flèche</b> 149, boulevard Stalingrad 69100 Villeurbanne	24 June 2004	30 May 2018	31 December 2023
<b>MAZARS</b> <b>Mr Bruno Pouget</b> 131, boulevard Stalingrad 69100 Villeurbanne	23 February 2004	30 May 2018	31 December 2023
<b>Alternate Auditors</b>			
<b>Mr Bruno Genevois</b> 149, boulevard de Stalingrad 69100 Villeurbanne	30 May 2018	—	31 December 2023
<b>Philippe Galofaro</b> 131, boulevard de Stalingrad 69100 Villeurbanne	30 May 2018	—	31 December 2023



## RESPONSIBLE PERSONS

### 1. Person responsible for the document

Mr Mathieu Coutier, President of the Executive Board

Tel.: + 33 (0)4 50 56 98 98

### 2. Certification of the authority in charge of the annual financial report

I declare, to the best of my knowledge, that the accounts are prepared according to the applicable accounting norms and delivers a genuine image of the capital, the financial situation and the Company's profit/loss, as well as the whole companies encompassed in the scope of consolidation, and that the management report offers a transparent view of the business growth, profit/loss and the financial situation of the Company and all the companies included in the scope of consolidation as well as presents a description of the main risks and uncertainties to which they are confronted.

Mr Mathieu Coutier  
President of the Executive Board

### 3. Financial Information Manager

Mr Jean-Louis Thomasset, Vice-President of the Executive Board, Financial VP.

Tel.: + 33 (0)4 50 56 99 25

# **REPORTS BY THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD**

## MANAGEMENT REPORT BY THE EXECUTIVE BOARD PRESENTED AT THE COMBINED GENERAL MEETING OF WEDNESDAY 29 MAY 2019

### 1. Presentation of the consolidated financial statements

#### Accounting standards

The consolidated financial statements of the AKWEL Group (hereinafter the "Group") were prepared in accordance with the IFRS standards, as approved by the European Union.

During the course of the financial year, the Group adopted the mandatory standards, amendments and implemented interpretations over the period. These texts have no impact on the net income and the financial situation of the Group.

#### 1.1. Significant events during the reporting period

##### 1.1.1. New growth in business

During the 2018 financial year, the Group generated record revenue of €1.0622 billion, up 3.7% compared with the previous year and 9.4% at a comparable scope of business and exchange rates. This growth, significantly higher than on the global automotive market, was achieved thanks to the good business generated in AdBlue® tanks for SCR systems and numerous introductions on nearly all sites. The sales activity in the field of expertise of Fluid Management experienced an increase of 3.5% to reach a new all-time high. Business in the field of expertise of Mechanisms fell slightly, by (0.6)%. The two French incumbent manufacturers accounted for 45.5% of business, versus 44.9% in 2017. In total, the Group's 12 strategic customers accounted for 83.7% of revenue, compared with 83.1% during the previous financial year. Deliveries to customers located in France amount to 24.1% of total sales versus 25.6% in 2017.

##### 1.1.2. The 2018 financial year highlights

Over the last financial year, significant activities in terms of the scope of business or organisation are as follows:

- Record revenue (both in terms of consolidated revenue and Products & Functions revenue).
- The Cooling product line became the Group's largest in terms of activity.
- Fifteen sites posted record revenue levels (there were already 19 in 2017).
- Termination of the proposed plant in Bulgaria.
- Start-up or ramp-up of five sites (two in China, one in Thailand, one in Morocco and one in Mexico).
- Sharp decline on the Chinese automotive market at the end of the financial year.
- Increase in the purchase price of several raw materials partially reflected in sale prices.
- Supply difficulties concerning certain raw materials and components, causing significant additional logistics and/or manufacturing costs.
- Recruitment difficulties at certain sites, causing significant cost overruns (use of overtime, payment of a one-time bonus, etc.).
- Recognition of a provision for warranty returns during the fourth quarter of an exceptional amount of €20.4 million.
- Increase in resources dedicated to manufacturing linked to the number of new projects and the aim to internalise certain skills.
- Start-up of the Group ERP system on 1 July on the Cadillac (US) and Juárez (Mexico) sites (a total of 30 sites have already migrated since the project launched).
- Regionalisation of the Product Lines teams and resources since 1 September.
- Further division of the regional industrial departments into six regions, versus four previously (new organisation effective as of 1 January 2019).
- Change of name in May (MGI COUTIER became AKWEL).
- Acquisition of a minority stake in BIONNASSAY M&P TECHNOLOGY, a holding company for acquiring the assets of the companies FRANK & PIGNARD and PRECIALP.
- Non-financial investments down compared to the record level during the 2017 financial year but remained at a high level.
- Acquisition in December 2018 of the land and buildings on the Vigo site in Spain, previously leased (the Vigo plant being one of the Group's three largest by revenue).



## 1.2. Analysis of the consolidated financial statements

The consolidated key figures for the 2018 financial year are as follows:

(in thousands of Euros)	31.12.2018	31.12.2017
Revenue excluding tax	1,062.2	1,024.2
Income from ordinary activities	77.4	115.1
Operating income	73.1	115.4
<b>Group share net profit</b>	<b>61.1</b>	<b>84.8</b>
<b>Self-financing ratio</b>	<b>112.8</b>	<b>113.7</b>

The added value rate totalled 40.9% of consolidated revenue, versus 42.4% in 2017. The 2018 financial year was adversely affected by an increase in the purchase price of certain raw materials not fully reflected in sale prices, an increase in the cost of the main power sources and operational difficulties at certain sites, which were often close to saturation.

Personnel costs, including temporary staff and employee profit-sharing at the French entities, totalled €302.5 million, up 7.3% compared with the previous financial year. The payroll increase during the financial year once again reflects efforts to grow the Research, Development, Industrialisation and Robotisation teams. Recruitments at the new plants in the ramp-up phase also had a negative effect on personnel costs, as the teams need to be in place and trained around six months before production runs begin.

EBITDA totalled €124.6 million, down 14.2% compared with the previous year, and represented 11.7% of consolidated revenue (14.2% in 2017). This is the lowest figure for the last two years, despite the emphasis placed on robotisation and more generally on productivity gains.

The amortisation expenses amount to €34.7 million, up 14.6%. This increase is due to the key investments made since the financial year 2012, a significant portion of which was devoted to real estate (land and buildings).

Allowances for provisions were €12.4 million, versus €(0.2) million in 2017. New allocations to provisions for risks and expenses are primarily linked to warranty return risks and recall campaigns. Whereas the 2017 financial year was characterised by the absence of major events in these areas, in 2018 there were several incidents that directly or indirectly incurred (as a systems manufacturer) the Group's liability.

Income from ordinary activities totalled €77.4 million, down 32.8% compared with the previous financial year, which constituted a demanding basis of comparison given that it was the best figure by value since the Group was founded. Nevertheless, all of the historical entities reported positive profitability, with the exception of MGI COUTIER UK LTD, which posted operating losses of €1.2 million. Entities whose business has not yet stabilised (MGI COUTIER MAROC SARL, AVON AUTOMOTIVE COMPONENTS CHONGQING CO LTD, SINFA CABLES SARL, WUHAN MGI COUTIER AUTO PARTS CO LTD and AKWEL RAYONG THAILAND CO LTD) posted operating losses again during the financial year, at €6.2 million versus €6.4 million in 2017.

Other non-current profits and charges totalled €(4.3) million, versus €0.2 million during the previous financial year. This unusual level can be almost entirely attributed to the recognition in 2018 of impairments on the Swedish entities in the amount of €4.8 million.

The cost of net financial debt was €2.2 million, versus €1.9 million in 2017. This change is mainly the result of near-stability in gross financial debts as references of variable rates and the replacement of old medium-term loans with new financing under far more favourable conditions. However, we did not have the benefit of the same conditions and the same levels of remuneration on excess cash.

Other financial income and charges are not significant and do not call for any particular comments.

The income tax expense was €9.2 million, compared with €28.6 million in 2017. The effective tax rate is entirely atypical as a result of tax credits that certain entities received and the impact of the US tax reform, ultimately less negative than expected, which resulted in cancellations of tax expenses recognised in 2017 in the amount of over €3 million.

Net income Group share was €61.1 million, compared with €84.8 million in 2017. This is nevertheless the third-best figure ever published by the Group.

### 1.3. Analysis of the Group's financial position, notably its indebtedness

Net financial debt totalled €40.6 million, up €15.2 million year on year. However, it remained at a low level relative to both shareholders' equity and EBITDA.

The Group's shareholders' equity totalled €454.0 million, up 10.9% compared to the previous year. Shareholders' equity covers more than 56% of the total balance sheet. They are also all-time records.

### 1.4. Investment policy

Non-financial investments totalled €77.0 million, versus €87.3 million during the previous financial year. As expected, 2017 investments were at an historically high level due in large part to the construction of three new plants. Although 2018 investments were therefore in decline, they remained significant given the acquisition of additional production resources required to contend with new projects and the roll-out of the robotisation business project.

### 1.5. Important events since the close of the financial year and the date of preparation of the management report

No important event occurred since the close of the financial year and the date of preparation of the management report.

### 1.6. Foreseeable developments and future prospects

In 2019, all of the teams will be focused on improving operational and financial performances. The main objectives are as follows:

- (a) Achieve further growth in business thanks to the favourable impact of the start-up of new productions linked to significant order entries in previous years.
- (b) Reduce the level of investments compared to 2018.
- (c) More effectively control changes to working capital requirements and in particular inventories, as well as other debts, with all of these efforts intended to enable the Group to return to positive free cash flow.

The Group is also renewing the target of achieving consolidated revenue equal to or higher than €1.2 billion by 2020.

### 1.7. Risk factors

The Group undertook a review of its risks that could have a significant adverse effect on its business, its financial situation or its results and believes that there are no significant risks other than those presented.

There are no risk factors related to the Group, the main risks being inherent in an activity developed almost entirely in the field of automotive original equipment manufacturers.

### **1.7.1. Market risks**

#### *1.7.1.1. Risks associated with exchange rate fluctuations*

The Group's operations primarily draw on local manufacturing plants. As a result, the Group is rarely affected by exchange rate fluctuations, except for the translation of financial statements.

The main currencies used are the euro (48.0% of business), the US dollar (23.3%) and the Turkish lira (9.4%). Therefore, no exchange risk coverage has been implemented.

#### *1.7.1.2. Risks associated with raw material prices*

The main raw materials used by the Group are plastic materials, rubber, silicone and steel. Even though the signed contracts with key customers do not provide for automatic and integral recovery of the changes in the costs of the raw materials, they will allow it after negotiations on a case-by-case basis. Historically speaking, the Group has never introduced any risk coverage to mitigate its exposure to raw material price fluctuations.

#### *1.7.1.3. Interest rate risks*

The Group's net profit/loss can be influenced by interest rate changes insofar as they have a direct effect on the cost of borrowing. The Group has low exposure to the interest rate risk, as nearly all of its debt is fixed-rate. No interest rate risk hedging was therefore put in place. A 1 point variation in the benchmark indices would have an effect of less than €350,000 on the amount of financial interest paid.

#### *1.7.1.4. Liquidity risks*

The Group must, at all times, have sufficient financial resources to fund its current activities and the investments required for the Group's expansion, but also to be able to face any exceptional events. Accordingly, capital markets are used in the form of long-term resources intended to secure the entirety of its net indebtedness over a long-term period (medium-term lines of credit) on the one hand, and on the other hand, short-term financial instruments (discount account).

The proportion of medium-term loans granted to the Company, subject to compliance with financial covenants since 2014, is around 50% of medium-term debt. The ratios are mainly calculated based on the annual consolidated financial statements.

Based on records for the last 15 years, these covenants have always been met. Furthermore, the Company's cash is monitored daily, while its subsidiaries' cash is monitored monthly.

As the current assets are higher than current liabilities, no information was given on maturity periods of less than one year.

The Group believes it is able to meet its upcoming due dates.

#### *1.7.1.5. Non-performance risks (counterparty risk and own credit risk)*

The analysis conducted in accordance with the standard IFRS 13 did not result in identifying an adjustment in respect of the risk of non-performance (counterparty and own credit risk) in the assessment of the fair value of financial assets, financial liabilities and derivatives (top-tier banking counterparties, non-significant derivatives, etc.).

### **1.7.2. Industrial and environmental risks**

#### *1.7.2.1. Environmental risks*

In the various countries where the Group operates, its activities are subject to diverse and changing environmental regulations that require the Group to abide by increasingly strict standards in the field of environmental protection, particularly air and water polluting emissions, the use of hazardous substances and the disposal of waste. To align itself with this approach, the Group has implemented a health, safety and environment policy to support its employees and respect for its environment in accordance with the standard ISO 14001. The Plant General Managers are responsible for managing and monitoring environmental risks in coordination with the Manufacturing Performance VP.

#### *1.7.2.2. Risks associated with products and services sold*

The Group is exposed to the risks of claims under warranty or product liability claims issued by its customers with respect to products and services sold. The current risks are covered by reasonable provisions. The Group is also subject to the risk of product liability claims involving the failure or damage caused by products and services. In order to protect itself against this risk, the Group has taken out a liability insurance policy designed to protect the Group from the financial consequences of such civil liability claims. However, the Group's liability towards its customers is often unlimited, whereas insurance coverage is generally subject to maximum amount limits. Therefore, there is theoretically a residual risk.

### **1.7.3. Other risks**

#### *1.7.3.1. Risks associated with dependence on the automotive sector and customers*

The Group's revenues directly depend on the level of global automotive production, particularly in Europe, North America, Turkey and China. This production can be affected by the general economic situation, government policies, namely incentive schemes of vehicle purchasing, trade agreements, regulatory changes and labour relations (including strikes and work disruptions). Moreover, the Group generates over 44% of its business directly with two automobile manufacturers, PSA and Renault. The performance of these two manufacturers therefore has a considerable influence on the Group's revenue.

#### *1.7.3.2. Risks associated with new projects*

Any award of a new project is subject to a standardised profitability study, where the Executive Board establishes profitability projections and return on investment criteria. Once the project is awarded, it is monitored, from start-up to the launch of mass production thanks to milestones where all the financial and technical data are analysed and corrected as appropriate.

#### *1.7.3.3. Risks associated with dependence on new models*

Supply contracts take the form of open orders for all or a part of the equipment requirements for a vehicle model, with no guarantees on production volume. They are agreed upon separately for each of the vehicle's functions and are generally valid for the life cycle of the model. The Group's revenue, profit/loss and financial situation may therefore be affected by the commercial failure of a model and/or by the fact that the Group is not retained for a new generation of models. Moreover, in certain cases, the car manufacturer may reserve the right to change the supplier in an arbitrary manner during the life cycle of the model. However, these risks are mitigated thanks to the Group's wide range of products installed or assembled on a large number of vehicle parts.

#### *1.7.3.4. Risks associated with contractual dependence*

The Group works with a number of suppliers, which significantly mitigates the risk of its dependence on a specific contract or contractual clause. The top supplier, the top five and the top ten suppliers respectively account for 4.7%, 19.9% and 32.1% of the Group's production purchases.

#### *1.7.3.5. Customer risks*

Every month, the Finance Department distributes a statement of outstanding and past due receivables per customer as well as a summary statement of disputes per site. The financial and sales teams' high sensitivity to these subjects enables us to have very few irrecoverable debts (see note on [1.7.6. Trade accounts receivable](#)).

#### *1.7.3.6. Risks related to labour relations*

The Group considers that relations with its employees are generally good. However, although the labour relations policy of the Group seeks to minimise such risks, the Group is not immune to employee movements that could affect its performance and profits.

The Group is defending itself in several employment-related legal disputes. Without prejudice to the outcome of these proceedings, any financial consequences are of an amount that would not affect the Group's financial stability.

#### 1.7.3.7. Risks associated with intellectual property rights (patents)

The industrial expertise and the innovations developed by the Group's Research teams are - whenever possible and justified by the technological stakes - subject to patent-filing process in order to protect the intellectual property rights. The geographical scope and protection period are compliant with established practices of the field and adapted to the operational entities; as they are subject to systematic and regular revisions. As risks of infringement still exist, this approach constitutes an effective legal instrument to overcome them.

### 1.8. Research and development activity

In 2018, the Group continued devoting significant resources to Research and Development. Research and Development costs rose to €69.6 million, or 6.6% of consolidated turnover, compared to €60.8 million in 2017. The costs related to Research and Development have been recorded as charges during the period and do not comply with the whole criteria to be considered as fixed assets as provided for by accounting standards.

The Group received a Research Tax Credit worth €1.5 million (€2.2 million in 2017).

The main areas of focus related to Research and Development aim to meet the environmental issues, and in particular:

- the prevention and processing of polluting emissions,
- the reduction in CO<sub>2</sub> emissions (for example by designing lighter parts),
- the implementation of solutions adaptable to the bio-fuels or meeting the requirements of hybrid or electric vehicles,
- eco-design and product recycling.

### 1.9. Filing of non-financial performance

In accordance with article R. 225-105 of the French Commercial Code and its decree no.2017-1265 of 9 August 2017 implementing order no.2017-1180 of 19 July 2017 concerning the publication of non-financial information by certain large companies and certain enterprise groups, the Companies required to produce a Filing of Non-Financial Performance concerning the Group scope. This filing is mandatorily verified by an independent third-party body.

#### 1.9.1. Profile of the Group

##### Tier 1 worldwide components manufacturer

The Group is a components and systems manufacturer for the automotive and HGV industry that specialises in the management of fluids (86% of revenue) and mechanisms (14% of revenue).

#### FLUID MANAGEMENT

Storage, metering, transfer, heating, cooling, separating, mixing, filtration, etc.

Coolant  
Fuels  
Regulation  
Air intake  
Oil  
Washing  
Emission control

Complete systems and enhanced functions (various types of valve, connectors, sensors, dampers, separators, etc.)

Technical expertise and multi-material know-how (plastic, metal and rubber)

Performance optimisation and maximum energy management

Reduced weight and overall dimensions of parts

Solutions suited to all engine types including electric and hybrid vehicles

Responses to changes in regulations and anticipation of new regulations





## MECHANISMS

Many areas of intervention: bonnet, boot, side doors, swing doors, shell, bodywork, etc.

Locks  
Strikers  
Hinges  
Handles  
Pedalboxes

Parts of optimised weight

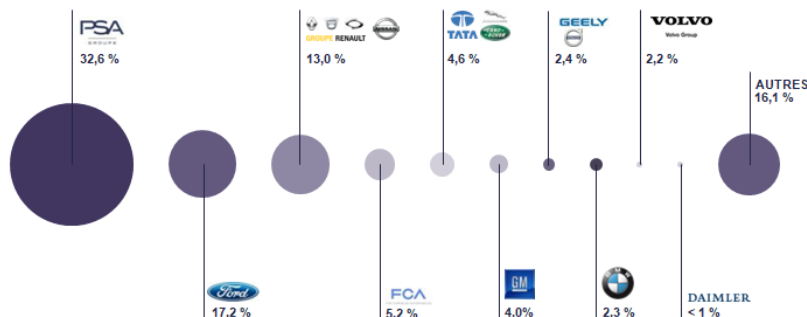
Rapid launch on the market of the desired parts

Product standardisation

Metal and plastics engineering

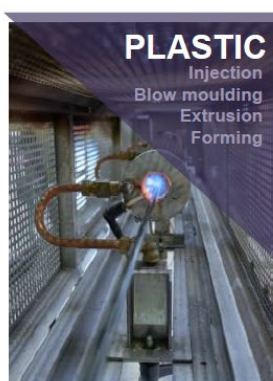


Primarily dedicated to a homogenous market of a dozen strategic global clients, the Group designs, develops and distributes high-performance products and systems, with state-of-the-art industrial and technological expertise in mastering the application and processing of materials and mechatronic integration.



A HOMOGENEOUS MARKET OF  
12 STRATEGIC WORLDWIDE  
CUSTOMERS AND ABOUT 30  
BRANDS SPREAD ON 3 DIFFERENT  
MARKET SEGMENTS : COMMERCIAL,  
PREMIUM/EXECUTIVE AND LIGHT  
VEHICLES (FROM SMALL CAR TO  
SUV)

This expertise opens up a wide range of opportunities for the Group to devise, develop and manufacture the new products and components required due to rapid developments in vehicles.



With industrial facilities in 20 countries spanning five continents and 41 manufacturing sites, it provides its customers in the automotive industry with innovative and reliable solutions at competitive prices thanks to the skills of its 11,769 employees.



**Factories in close proximity to the manufacturing and delivery sites**



**Our mission: "To be a trusted tier-one supplier for our customers, helping them to manufacture autonomous and smart vehicles that are more reliable and more ecologically responsible at a competitive price."**

The Group intends to offer its strategic customers ever-more reliable and competitive solutions as close as possible to their production and delivery locations in order to enable them to continue positioning themselves among the market's top manufacturers in this unprecedented revolution that is sweeping the automotive industry today. This is taking place thanks in particular to the agility and imagination of a challenger that provides an alternative to the major equipment manufacturers and whose relationship of trust formed on a daily basis with its customers will in the near future be particularly decisive in an environment experiencing far-reaching changes.

**Governance that guarantees independence**

The Group is one of the few equipment manufacturers of its size to retain a family-based structure. A full 69.7% of the company's capital is owned by the Coutier family, the second generation of which is now at the helm. The group places great stock in maintaining its independence and reflecting its values in its organisation structure. The Group's legal structure is built around a small executive body composed of a supervisory board and an executive board.



The Executive Board manages:

- the Executive Committee: this committee assists the Executive Board by formulating opinions and recommendations and encourages dialogue and the cross-functional dissemination of best practices throughout the Group's areas of activity;
- the cross-functional departments, which provide assistance and consistency, guarantee the cohesion of strategies and optimise the resources, including:
- the Business Development department, which oversees the product lines - cooling, pollution control, air and oil intake, fuel and regulation, mechanisms and washing - as well as materials and product development;
- the regional industrial departments, under which the plants are grouped by geographical zone;
- the aftermarket division, dedicated to the after-sales market.

### Strong values and long-term ambitions

As a resolutely independent family group, the Group draws on four core values – simplicity, reliability, collaboration and performance – to cultivate its long-term ambitions:

- Establish its position as a recognised international player.
- Adapt to the multiple evolutions of its business and its customers.
- Maintain the balance and diversity of its teams.

### The Group's place in tomorrow's mobility

In an automotive market in the midst of a revolution, with deep-seated changes in the car maker ecosystem and the emergence of new types of vehicle, the Group is making every effort to adapt its strategy and continue to offer its 12 strategic customers the innovative solutions that will enable them to stand apart in the future in this changing environment.

The automotive market is faced with major upheavals in the medium term. The development of completely redesigned vehicles, combining multiple engines, varying degrees of autonomy and a diverse range of configurations and usages is at the forefront of these challenges.

Further major challenges include the globalisation of customers and projects, local production, the arrival of new players, and the more stringent requirements on the environment and risk management. In this context, some products will be forced to evolve while others will disappear, replaced by new products and solutions. But the need for reliable equipment manufacturers successfully combining quality and competitiveness, global projects and local production will only increase for car makers.

To meet these many challenges, the Group is leading a long-term strategy driven by the industrial performance and adaptation of its products.

## The agility and imagination of a bold actor



**FIAT CHRYSLER AUTOMOTIVE**  
Best supplier « Engine Systems of the year, FCA US

**PSA**  
"Best Plant" Award, Montoux (France) and Bursa (Turkey)



**44 patents lodged in 2018**

**Around 200 patents lodged over the last 5 years**

**6.6% of TO dedicated to Research and Development**

## Performance at the heart of the system



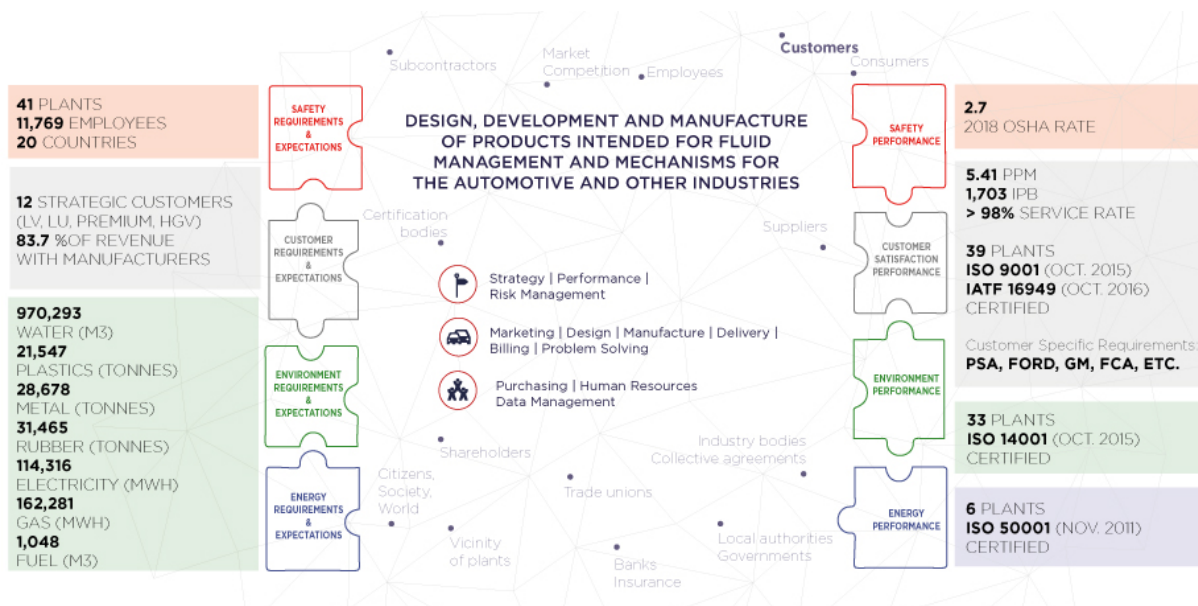
This vision is based on by the Group's ability to harness its expertise and its mastery of materials to conceive new products, the increasing use of mechatronics, a continually evolving organisation structure, an ever finer understanding of customers' needs and the ongoing training of its teams.

In short, an evolution without revolution to help customers build environmentally responsible autonomous and connected vehicles at a competitive price.

### 1.9.2. The Group's business model

Aware of its responsibility and the potential impact of its decisions and activities on the Company and on the environment, the Group makes several commitments to its stakeholders: the Safety of and Respect for individuals, Quality and Performance to satisfy our Customers, Environmental Protection and the Preservation of energy resources.

The Group conducts its activities in a constantly changing context involving multiple challenges and participants (customers, competitors, suppliers, local authorities, investors, etc.). The risks and opportunities (past, present and future) linked to our environment are identified, assessed and handled in order to gain control over our future.





These challenges and our continuous improvement culture provide input for our policies and action plans. They are embodied in our QSE<sup>2</sup>MS, or Quality, Safety, Environment and Energy Management System. Developed and rolled out within the Group, QSE<sup>2</sup>MS brings together our best practices and tools in a single system that applies to all of our teams in their day-to-day activities. Fed by the Group's values, it ensures that we reach the level of standard performance and satisfy the legal requirements, standards and regulations in effect at our customers and in dealings with local authorities. It is regularly audited both internally and externally to verify its implementation and to improve it.

### 1.9.3. The main non-financial risks and issues linked to the Group's activity

In accordance with articles L. 225-102-1 and R.225-104 of the French Commercial Code, the Group has reviewed its main non-financial risks based on their existing materiality, their relevance and the severity of the issues they raise linked to the analysis of financial risks.

The main risk factors, notably environmental risks, and the responses provided by the Group are presented in the section [1.7. Risk factors](#)

Our QSE<sup>2</sup> policy and the societal expectations concerning sustainable development have enabled the following key areas to be defined:

- **The Safety of and Respect for individuals**

Safety and workplace conditions  
Promoting diversity  
Ethics and compliance with international and national rules  
Fairness of purchasing practices

- **Quality and performance of our products and services**

Overall product quality  
Customer satisfaction and confidence  
Industrial performance  
Autonomous and smart vehicle

- **Environment protection and Preservation of energy resources**

Eco-design  
Lean manufacturing  
Sustainable purchasing and development  
Waste recycling and management

Due to the nature of its business, the Group has little impact on the fight against food waste, food insecurity or the promotion of responsible, fairly traded and sustainable food. In addition, the Group's activities have no direct impact on animal welfare.

### 1.9.4. Data analysis methodology

The social, societal and environmental indicators are collected monthly from each Group entity. This data is then tested for robustness/consistency during a central consolidation process conducted by the head office teams. Unless stated otherwise, the scope covered by the non-financial report includes all fully consolidated subsidiaries.

### 1.9.5. Human resources information

The diverse and well-balanced nature of the teams is a real asset. Our organisation is bound together by trust and mutual respect and is clear about its aim to ensure compliance with legal requirements, standards and ethical, professional and anti-corruption regulations in effect.

Firmly engaged in a lasting relationship of trust with its stakeholders, the Group maintains healthy relations with its participants based on compliance with universal ethical rules. To promote this corporate culture and share these rules with everyone, the QSE<sup>2</sup>MS is supplemented by an ethical charter and an anti-corruption code that aims to implement measures to ensure that our employees, executives and directors, wherever they are located, can recognise and prevent any involvement by our company in any corruption or influence peddling and, where applicable, to report either of these practices.

#### 1.9.5.1. Headcount as at 31 December 2018

	2018	2017
<b>Total</b>	<b>11,769</b>	<b>10,887</b>

At 31 December 2018, the group employed 11,769 employees (on open-ended and fixed-term contracts), an increase of 882 persons compared with 2017. This rise is due to the growth in business.

#### 1.9.5.2. Breakdown of employees by age

	2018	2017
Under 25	1,842	1,833
25 to 29 years	1,960	1,730
30 to 39 years	3,291	3,006
40 to 49 years	2,861	2,668
50 years and over	1,815	1,650
<b>Total</b>	<b>11,769</b>	<b>10,887</b>

Employees in the under-30 age group accounted for 32.31% of the total headcount in 2018 and 32.73% in 2017. Those aged 50 and over accounted for 15.42% of the total headcount in 2018 and 15.16% in 2017.

#### 1.9.5.3. Breakdown of employees by gender

	2018	2017
Male	7,019	6,478
Female	4,750	4,409
<b>Total</b>	<b>11,769</b>	<b>10,887</b>

The Group employs 4,750 women (40.36% of the total headcount) and 7,019 men (59.64%).

#### 1.9.5.4. Breakdown of employees by geographical region

	2018	2017
France	1,796	1,849
Europe (excluding France) and Africa	4,360	3,942
North America	3,454	3,251
Asia and the Middle East (incl. Turkey)	2,082	1,752
South America	77	93
<b>Total</b>	<b>11,769</b>	<b>10,887</b>

The Group's workforce is spread across 20 countries. 37.05% of the Group's workforce is located in the Europe (excluding France) and Africa region; 29.35% in the North America region; 15.26% in France; 17.69% in the Asia and Middle East region (including Turkey) and less than 1% in the South America region.

The biggest increase between 2017 and 2018 was in the Asia and Middle East region, with an 18.84% rise in the headcount.

#### 1.9.5.5. Staff movement – Employment and departures

Departures	2018	2017
Natural (*)	3,329	3,827
Lay-offs and terminations	885	596
Retirement	92	76
<b>Total</b>	<b>4,306</b>	<b>4,499</b>

(\*) "Natural" means resignations, the end of fixed-term contracts, trial periods and deaths.

Recruitments	2018	2017
<b>Total</b>	<b>5,188</b>	<b>5,562</b>

In 2018, the Group registered 5,188 recruitments and 4,306 departures, the majority of which were natural departures (3,329).

#### 1.9.5.6. Number of employees who work in a team

	2018	2017
<b>Total</b>	<b>8,382</b>	<b>7,727</b>

8,382 persons worked in a team, notably in production (2x8, 3x8).

#### 1.9.5.7. Weekly working time

	2018	2017
<b>Weekly working time</b>	<b>35 hrs to 48 hrs</b>	<b>35 hrs to 48 hrs</b>

Working time varies according to the country, from 35 hrs to 48 hrs of work weekly.

#### 1.9.5.8. Absenteeism

	2018	2017
<b>Total rate of absenteeism</b>	<b>4.70%</b>	<b>4.39%</b>
Rate of absenteeism excluding maternity leave	4.15%	3.92%

At all of the Group's sites, the level of absenteeism in 2018 was 4.15% not including absences due to maternity leave.

#### 1.9.5.9. Work accidents, notably their frequency and severity

Safety is our priority and is a core component of all of our processes, every day, in each action. Every individual involved with the Group (employees, service providers, suppliers, etc.) is entitled to work in a healthy and safe working environment. The Safety at Work policy and the associated objectives are adjusted and defined locally, taking into account the specific characteristics of each site.

	2018	2017
<b>OSHA frequency rate</b>	<b>2.7</b>	<b>2.1</b>
<b>Severity rate</b>	<b>0.28</b>	<b>0.24</b>

The OSHA frequency rate is the number of work accidents divided by the number of hours worked multiplied by 200,000.

The severity rate is the number of days lost multiplied by 1,000 and divided by the number of hours worked.



1.9.5.10. Appraisal of collaborative agreements, notably on health and safety at work

	2018	2017
<b>Number of agreements concluded during the year</b>	<b>23</b>	<b>25</b>
<b>of which health and safety at work agreements</b>	<b>0</b>	<b>1</b>

Across all of the Group's sites, negotiations resulted in the signature of 23 collaborative agreements.

1.9.5.11. Equal treatment: the measures taken to promote the employment and integration of persons with a disability

	2018	2017
<b>Number of employees with a disability</b>	<b>169</b>	<b>168</b>

The Group employs 169 people recognised as workers with a disability.

1.9.5.12. Other employment information

	2018	2017
Total personnel costs (in thousands of euros)	302,492	281,943
<b>Amount allocated to training (in payroll percentage)</b>	<b>1.18%</b>	<b>1.00%</b>

Training at the Group acts as a driver of team performance and professionalism. It serves to support developments in our featured roles and to adapt to new technological developments.

## 1.9.6. Environmental information

We offer our customers innovative solutions and concepts that aim to provide responses to environmental challenges (lighter components, pollution reduction) and energy challenges (local production, recycling).

To protect biodiversity and ecosystems, reducing our environmental impact and generating savings on natural resources form an integral part of our activities. The various solutions and materials possible during development (use of sustainable resources, recycling of products) are identified from the product design phase.

Our local production strategy, which reduces transportation and polluting logistics operations that impact climate change, helps to reduce the overall environmental and energy rating of the products.

Each of our factories aims to act as a responsible manufacturer by reducing energy consumption, emissions and rejects. The policy and the associated environmental and energy objectives are adjusted and defined locally, taking into account the specific characteristics of each establishment.

The QSE<sup>2</sup> Department (Quality, Safety, Environment and Energy) has expanded the ISO 14001 certification to all of the Group's production sites. The Group sets itself numerical targets every year. These are defined and rolled out for each site. They are presented and approved during the QSE<sup>2</sup> Department Review of the entity concerned.

The information provided below concerns all of the group's production sites, except the site of the company DEPLANCHE FABRICATION. Some 2017 data is different to the data published in the report from the previous year, as the latter was restated where applicable to provide values at a comparable scope of business and methodology.

#### 1.9.6.1. Resource consumption

Quantities consumed	2018	2017
Water (m <sup>3</sup> )	970,293	971,078
Plastic materials (tons)	21,547	22,518
Metal materials (tons)	28,678	23,474
Rubber materials (tons)	31,465	30,240
Electricity (MWh)	114,316	111,747
Gas (MWh)	162,281	109,137
Fuel (m <sup>3</sup> )	1,048	3,900

#### 1.9.6.2. Waste

Waste	2018	2017
Non-hazardous industrial waste (tons)	17,872	16,833
Hazardous industrial waste (tons)	3,109	1,735
Total costs incurred by waste management (thousands of euros)	1,283	1,035
Secured savings due to waste-to-energy conversion (excluding metal waste) (thousands of euros)	182	260

In 2018, there was a slight increase (6%) in the production of non-hazardous industrial waste at the Group's sites. Meanwhile, the tonnage of Hazardous Industrial Waste (HIW) rose by 79% compared with the previous year. This increase is due to the installation of a wastewater treatment centre on the Rudnik site (Czech Republic) and the retreatment of industrial waters at the Chongqing site (China) at an external treatment centre. These two plants account for 60% of all HIW produced.

Gains following energy recovery from waste fell 30% compared with the previous year. Finally, waste processing costs have risen very significantly in recent years (24% compared with the previous year). This increase is due this year to the significant rise in HIW produced.

#### 1.9.6.3. Climate change: greenhouse gas emissions – adaptation to the consequences of climate change

The Company published its Greenhouse Gas (GHG) assessment at the end of 2015, with the 2014 values in line with decree no. 2011-829 of 11 July 2011 concerning the assessment of GHG emissions and the territorial climate-energy plan.

The Greenhouse Gas (GHG) assessment at the end of 2018 will be available from the ADEME's database ([www.bilans-ges.ademe.fr](http://www.bilans-ges.ademe.fr)) from the second half of 2019.

The GHGs in question are those laid out in the order of 25 January 2016 concerning GHGs covered by GHG emission assessments, namely:

- Carbon dioxide (CO<sub>2</sub>)
- Methane (CH<sub>4</sub>)
- Nitrous oxide (N<sub>2</sub>O)
- Hydrofluorocarbons (HFC)
- Perfluorinated hydrocarbons (PFC)
- Sulphur hexafluoride (SF<sub>6</sub>)
- Nitrogen trifluoride (NF<sub>3</sub>)

The scope of the report covers all of the Company's secondary establishments. The operational scope used for the Company's GHG assessment is that of the strict regulatory obligation (scope 1 and scope 2 of the operational scope defined by the ADEME [www.bilans-ges.ademe.fr](http://www.bilans-ges.ademe.fr)).

In 2014, the total emissions of the assessment were 4,683 tonnes of CO<sub>2</sub>, broken down as follows:

- 2,285 tonnes of CO<sub>2</sub> regarding direct emissions of GHG (or 49%),
- 2,398 tonnes of CO<sub>2</sub> regarding indirect emissions associated with energy (or 51%).

Electricity consumption was the highest-emission item, with emissions accounting for more than half of the total tonnage (51%). The second-highest emission item was linked to the consumption of energy from fixed combustion sources, i.e. primarily natural gas consumption, which alone accounts for 35%. Consumption of energy mobile sources was the third-highest item (10%).

Based on these results, the Company has put together an action plan with the aim of cutting its GHG emissions. Furthermore, the Group has undertaken an energy management approach (ISO 50 001) at six of its French sites to manage the energy performance and thereby cut its GHG emission (six sites selected account for 75% of the French energy bill).

#### *1.9.6.4. Biodiversity protection: measures taken to preserve or restore biodiversity*

The activities of the Group's sites have few direct impacts on the surrounding natural habitats.

All direct discharges that could pollute the receiving environment are collected and processed. Every year, new processing resources are put in place to reduce these impacts to a minimum.

Sites whose main activity is related to rubber have a high impact on the natural environment due to their discharge of wastewater.

All of the sites have introduced the sorting of hazardous and ordinary waste. This waste is disposed of in specific accredited channels.

#### *1.9.6.5. Noise pollution*

The sites regularly conduct measurements of the noise emitted to the exterior of the plants in accordance with applicable local regulation.

#### *1.9.6.6. The organisational structure put in place to contend with pollution accidents that have consequences on the environment*

On each site, the environmental emergency situations have been identified. These usually involve risks of spillages, fire or explosion. For each emergency situation, the procedures for responding, as well as the prevention resources, are identified, listed and formalised in a security plan or another document. They are periodically tested, insofar as possible, on all personnel.

The actions put in place and common to all sites are as follows:

- Each site identifies in a document (e.g. security plan) the risks that could prevent delivery to the customer (including fire, serious pollution of the natural environment, flooding, etc.). The risk situations and the instructions to follow are incorporated into this document.
- Smoking is forbidden.
- Widespread use of the prevention plan for hazardous works and of the fire permit.
- Positioning of drip trays underneath all areas where pollutant liquid products are stored.
- Provision of spillage kits in case of a major spillage of pollutant products at various points in the plant and floor resins in the majority of production areas.
- Implementation of response teams in the event of a fire.
- Provision of washable mats and cloths on all sites in case of minor spillages.
- Group operating procedure on the conduct of QSE<sup>2</sup> audits to verify the environmental and safety instructions.

#### 1.9.6.7. Costs incurred to prevent the environmental consequences of the Group's activity

(in thousands of Euros)	2018	2017
<b>Investments to prevent environmental consequences</b>	<b>1,058</b>	<b>922</b>

In 2018, four sites invested in the installation of a wastewater treatment centre to clean wastewater before discharging it into local networks.

Several sites incurred expenses to more effectively control their energy consumption, whether by conducting studies to categorise their energy performances and identify areas for improvement or by financing installations following these studies (such as fitting new LED lights, installing new retaining equipment to handle potential leaks and the purchase of waste recycling and sorting equipment).

#### 1.9.6.8. Assessment and certification procedures undertaken regarding the environment and energy

The Group has adopted an integrated management system called QSE<sup>2</sup>MS Quality, Safety, Environment and Energy.

Internal audits of the QSE<sup>2</sup>MS are conducted annually at the initiative of the QSE<sup>2</sup> Department in all entities of the Group. External audits of the QSE<sup>2</sup>MS are conducted by two certification bodies (UTACERAM and BUREAU VERITAS).

The majority of the Group's production sites are ISO 14 001 certified. The French sites in Champfromier, Beaurepaire, Confort, Vieux-Thann, Monteux and Romans are ISO 50 001 certified.

#### 1.9.6.9. Employee training and education on the environment

As part of the QSE<sup>2</sup>MS, education in the environment and energy consumption for all personnel present on-site is included in the practices and modes of operation of the Group.

### 1.9.7. Societal information

#### 1.9.7.1. Consideration of social and environmental issues in the group's Procurement policy

At the initiative of the Group's teams, all partners (suppliers, subcontractors, workers, etc.) must engage in this drive to respect individuals, protect the environment and control energy consumption.

These suppliers and subcontractors are required to follow the Code of Ethics and are included in the Group's procedures.

### 1.9.8. Information concerning corruption prevention

The Company is governed by the French Sapin II act and the vigilance plan.

The Group has formalised an anti-corruption code that aims to implement measures to ensure that our employees, executives and directors, wherever they are located, can recognise and prevent any involvement by our Company in any corruption or influence peddling and, where applicable, to report either of these practices.

The Company has implemented the following actions:

- An alert mechanism.
- Procedures for assessing the position of customers, suppliers and intermediaries.
- Internal and external accounting control procedures.
- A training programme.
- Disciplinary sanctions in case of violation of the anti-corruption code.

### 1.9.9. Tax policy

The Group is transparent about its taxation and aims for its tax policy to be a fully-integrated part of its corporate responsibility strategy. The Group has therefore adopted a consistent corporate citizenship approach, not only to comply with legislation but above all to make a fair contribution to the countries in which it conducts business.

### 1.9.10. Information concerning efforts to promote human rights

The Company undertakes to abide by the following stipulations:

- Practise a fair salary policy (compliance with contractual salary scales as a minimum).
- Eliminate psychological or physical harassment.
- Eliminate any form of employment or profession-related discrimination.

The Company undertakes to abide by the ILO (International Labour Organisation) declaration on fundamental principles and rights at work and notably to uphold the rights to freedom of association and collective bargaining.

The Company does not employ child labour or forced or compulsory labour.

## 2. Presentation of the corporate financial statements

The parent-company financial statements were prepared in compliance with the accounting principles applicable in France.

### 2.1. Position and activity of the Company during the financial year; balance sheet and income statement

Revenue totalled €408.6 million, down 4.8% compared to the previous year. The Company's activity was adversely affected by the decline in diesel engines and the weakness of the automotive market in Europe.

Added value stands at €108.0 million, down 8.5% compared to the previous year. Despite an overall improvement in industrial performance, the Company was adversely affected by significant efforts on sale prices and by increases in the purchase price of materials & components that could not be fully passed on to manufacturers.

Taxes and dues totalled €5.0 million, down 5.4% versus the previous financial year.

Personnel costs totalled €77.7 million, up 1.6%. They accounted for 19.0% of revenue, versus 17.8% in 2017. During the financial year, the Company favoured making additions to the support teams in particular over robotisation and developments.

EBITDA was €25.2 million, down 30.3%. The "EBITDA to revenue" ratio is still a long way from the standards in our sector of business.

Amortisation allowances totalled €12.6 million, up 8.3%, with investments during recent financial years significantly higher than the historical average.

Net allowances for provisions were €12.4 million, versus €(3.3) million in 2017. During the financial year, the Company was once again adversely affected by an increase in warranty returns and the resulting provisions.

Given the previous items, operating income was €(0.9) million, compared with €26.8 million in 2017.

Financial income was €(10.1) million, compared with €2.2 million in 2017. This development is almost entirely due to the decline in dividends received and the very significant increase (€9.8 million) in net allowances for provisions (primarily concerning the entities AUTOTUBE AB in Sweden and MGI COUTIER MAROC SARL).

Exceptional income was not significant and therefore does not call for any particular comments.

During the financial year, the Company incurred income tax of €3.6 million, versus €1.4 million during the previous financial year. A Research Tax Credit worth €1.4 million was granted (€2.2 million in 2017). The Competitiveness and Employment Tax Credit (CICE) was €2.4 million (€2.7 million in 2017). It will only be refunded against income taxes payable prior to the maturity date of 2022.

Taking into account the aforementioned elements, the Company's net profit was -€7.3 million, versus €29.4 million in 2017.

## 2.2. Analysis of the Company's financial position, notably its indebtedness

Acquisitions of tangible and intangible fixed assets totalled €13.8 million, versus €14.3 million during the previous financial year. Non-financial investments were once again at a level close to the historical average during the financial year.

Acquisitions of financial fixed assets totalled €46.3 million, versus €31.4 million the previous year. This is a record figure linked to financing the needs of new entities being constructed, in the start-up phase or in the ramp-up phase, as well as the Company's new role in the AVON AUTOMOTIVE historical scope of business since the 2018 financial year.

Taking the aforementioned elements into account, the Company's net debt totalled €146.1 million, versus €114.5 million in 2017. This level of debt still seems very reasonable given the size, assets and profitability of the Company and Group.

Stockholders' equity before profit distribution stands at €197.5 million, versus €211.2 million during the preceding year. Shareholders' equity accounts for 40.7% of the balance sheet. The objective is still to achieve over 50% in the long term.

## 2.3. Important events since the close of the financial year and the date of preparation of the management report

No important event occurred since the close of the financial year and the date of preparation of the management report.

## 2.4. Foreseeable developments and future prospects

See the section on the Group's management report stated in section 1.6. below.

## 2.5. Research and development activity

See the section on the Group's management report stated in section 1.8. below.

## 2.6. Income and appropriation

The Ordinary General Meeting will be asked to approve the transactions reflected in the profit and loss statements and the balance sheets that are submitted to it, then to give a verdict on the allocation of earnings for the financial year, which total €(7,344,241.80).

This loss will be assigned to retained earnings, which as a result will decline from €143,256,280.81 to €135,912,039.01.

Despite this result, the Executive Board, given the Company's net position, proposes to distribute to the shareholders a gross dividend of €0.30 in respect of the last financial year, amounting to €8,022,312.

This sum will be deducted from retained earnings, which as a result will total €127,889,727.01.

Note that this dividend is subject (unless the shareholder specifically requests otherwise and provided it meets the criteria laid out by law) to the mandatory fixed deduction of 12.8% introduced by article 117 quater amended of the general registration conditions. This deduction is not income tax-exempt. Dividends are also subject to social security contributions at a rate of 17.2%.



Dividends are taxed either based on the Single Flat-Rate Deduction (*Prélèvement Forfaitaire Unique*) of 30%, already deducted as indicated above, or, at the shareholder's request, based on income tax after application, in the case of natural persons who are tax residents of France, of the relief stated in article 158, 3-2° of the French General Tax Code.

In accordance with the provisions of article 243a of the French General Tax Code, we inform you that the dividend amounts distributed corresponding to the previous three financial years were as follows:

Financial year ended	Dividend per share (in euros)	Income eligible or otherwise for tax relief
31 December 2015	0.20	Relief of 40% where applicable
31 December 2016	0.30	Relief of 40% where applicable
31 December 2017	0.30	Relief of 40% where applicable

In accordance with the provisions of article 223 quater of the French General Tax Code, we ask you to approve the expenses and charges stated in article 39.4 of said code, which total €18,441 and which resulted in taxation of €6,146.

## 2.7. Activities of subsidiaries and controlled companies

### 2.7.1. Table of subsidiaries and participating interests

(in thousands of Euros)	Shareholders' equity before allocation of profits	Share of capital held (%)	Book value of shares held	
			Gross	Net
AKWEL and subsidiary holdings				
SCI PAYS DE BRAY SUD	415	100.00	762	762
MGI COUTIER ITALIA SRL	(44)	100.00	50	-
MGI COUTIER TUNISIE SARL	12,103	100.00	4,424	4,424
NINGBO MGI COUTIER AUTO PLASTICS CO LTD	22,860	100.00	10,511	10,511
MGI COUTIER ARGENTINA SA	(647)	100.00	12,658	-
AKWEL BURSA TURKEY OTOMOTIVE A.S. (formerly MGI COUTIER MAKINA YEDEK PARÇA IMALAT VE SANAYİ AS)	17,764	100.00	6,721	6,721
MGI COUTIER BRASIL LTDA	2,423	100.00	13,919	3,516
MGI COUTIER UK LTD	137,721	100.00	96,517	96,517
MGI COUTIER ESPAÑA SL	33,595	100.00	4,772	4,772
MGI COUTIER MEJICO SA DE CV	(9,256)	100.00	6	-
MGI COUTIER ROM SRL	33,116	100.00	1,963	1,963
MGI COUTIER ILIA CO PJS	6	50.00	1,164	-
DEPLANCHE FABRICATION SARL	3,316	100.00	895	895
AVON AUTOMOTIVE HOLDINGS INC	272,066	100.00	28,402	28,402
AVON POLYMERES FRANCE SAS	(1,853)	100.00	-	-
MGI COUTIER ENGINEERING PRIVATE LTD	(1,310)	100.00	1,429	-
AUTOTUBE AB GROUP	10,486	100.00	32,881	28,080
AKWEL PARADES DE COURA (PORTUGAL) UNIOESSOAL, LDA (formerly MGI COUTIER LUSITANIA)	14,280	100.00	7,350	7,350
MGI COUTIER MAROC SARL	528	100.00	4,508	528
SINFA CABLES SARL	(138)	74.00	969	-
AKWEL RAYONG (THAILAND) CO, LTD (formerly MGI COUTIER THAILAND CO LTD)	4,061	100.00	6,100	6,100
AKWEL VIDIN (Bulgaria) EOOD (formerly MGI COUTIER BULGARIA EOOD)	313	100.00	1,000	1,000
BIONNASSAY M&P TECHNOLOGY	9,226	25.00	2,500	1,788
BIONNASSAY REAL ESTATE	162	33.33	67	67
Other	-	-	57	10

<b>Total</b>		<b>561,193</b>	<b>-</b>	<b>239,625</b>	<b>203,406</b>
(in thousands of Euros)	Gross advances granted (1) (2)	Revenue at 31/12/2018	Income at 31/12/2018	Dividends paid by the Company in 2018	Approvals & Guarantees
<b>AKWEL and subsidiary holdings</b>					
SCI PAYS DE BRAY SUD	(410)	95	48	-	-
MGI COUTIER ITALIA SRL	16	-	-	-	-
MGI COUTIER TUNISIE SARL	3,703	51,940	3,833	87	-
NINGBO MGI COUTIER AUTO PLASTICS CO LTD	417	12,036	387	-	-
MGI COUTIER ARGENTINA SA	1,231	6,581	44	-	-
AKWEL BURSA TURKEY OTOMOTIVE A.S. (formerly MGI COUTIER MAKINA YEDEK PARÇA IMALAT VE SANAYİ AS)	1,789	57,301	7,610	-	-
MGI COUTIER BRASIL LTDA	-	5,789	1,386	-	-
MGI COUTIER UK LTD	(37,724)	17,771	2,944	-	-
MGI COUTIER ESPAÑA SL	(10,141)	95,575	3,238	-	7,500
MGI COUTIER MEJICO SA DE CV	2,476	11,727	1,042	-	-
MGI COUTIER ROM SRL	(1,108)	78,736	4,938	-	300
MGI COUTIER ILIA CO PJS	1,849	-	-	-	-
DEPLANCHE FABRICATION SARL	(1,079)	3,202	600	-	-
AVON AUTOMOTIVE HOLDINGS INC	20,448	-	(545)	-	-
AVON POLYMERES FRANCE	1,136	40,650	1,248	-	-
MGI COUTIER ENGINEERING PRIVATE LTD	2,645	1,497	387	-	-
AUTOTUBE AB GROUP	2,000	-	-	-	-
AKWEL PARADES DE COURA (PORTUGAL) UNIOESSOAL, LDA (formerly MGI COUTIER LUSITANIA)	3	60,646	3,836	-	-
MGI COUTIER MAROC SARL	10,940	6,265	(980)	-	56
SINFA CABLES SARL	791	2,213	(144)	-	1,019
AKWEL RAYONG (THAILAND) CO, LTD (formerly MGI COUTIER THAILAND CO LTD)	4,230	3,956	(1,133)	-	-
AKWEL VIDIN (Bulgaria) EOOD (formerly MGI COUTIER BULGARIA EOOD)	0	-	(588)	-	-
BIONNASSAY M&P TECHNOLOGY	0	1,196	(811)	-	833
BIONNASSAY REAL ESTATE	0	0	(40)	-	-
Other	(612)	-	-	-	1,146
<b>Total</b>	<b>2,600</b>	<b>457,176</b>	<b>27,300</b>	<b>87</b>	<b>10,854</b>

(1) Net amount, of which:	receivables: €67.684 million
	liabilities: €(65.084) million
	<hr/> Total: €2.6 million

- (2) Receivables from the subsidiaries MGI COUTIER MEJICO SA DE CV, MGI COUTIER ILIA CO PJS, SINFA CABLES SARL, MGI COUTIER ENGINEERING PRIVATE LTD and MGI COUTIER ARGENTINA SA, respectively depreciated in the amount of €2.476 million, €1.849 million, €196,000, €1.31 million and €647,000

### 2.7.2. Acquisition of participating interests in companies headquartered in France or acquisition of a controlling interest in such companies during the financial year (articles L233-6 and L 247-1 of the French Commercial Code)

During the last financial year, on 26 February 2018, the Company acquired a 25% interest in BIONNASSAY M&P TECHNOLOGY and participated in the formation of BIONNASSAY REAL ESTATE, in which it has a 33.33% interest.

### 2.7.3. Dispositions of shares conducted in order to regularise cross shareholdings

No disposition of shares occurred during the financial year.

## 2.8. Breakdown of capital and share ownership (article L 233-13 of the French Commercial Code)

The Company's capital is broken down as at 31 December 2018 as follows:

Shareholders	Shares	% of capital	Voting rights	% of voting rights
COUTIER DEVELOPPEMENT (1)	15,331,170	57.33	30,662,340	67.53
COUTIER SENIOR (2)	3,259,480	12.18	6,518,960	14.36
COUTIER family (natural persons)	48,260	0.18	85,270	0.19
COUTIER family partnership sub-total (3)	18,638,910	69.70	37,266,570	82.02
Free float	8,097,600	30.28	8,136,987	17.92
Treasury shares (4)	4,530	0.02	-	-
<b>Total</b>	<b>26,741,040</b>	<b>100.00</b>	<b>45,403,557</b>	<b>100.00</b>

- (1) A French *société anonyme* with an Executive Board and Supervisory Board capitalised at €46,249,840, headquartered in Champfromier (01410), 975, route des Burgondes and registered on the Trading Companies Register of Bourg-en-Bresse under the unique identification number 395 006 398. COUTIER DEVELOPPEMENT is controlled by Messrs André and Roger Coutier and their descendants directly and/or indirectly, notably through asset holding companies. Mr André Coutier is President of the Executive Board and Mr Roger Coutier is Chairman of the Supervisory Board.
- (2) A civil law company capitalised at €4,822,000, headquartered in Champfromier (01410), 975, route des Burgondes and registered on the Trade and Companies Register of Bourg-en-Bresse under the unique identification number 451 360 150. COUTIER SENIOR's partners are the company COUTIER DEVELOPPEMENT (83.70% of the capital and voting rights) and two minority partners that are not members of the COUTIER family partnership (16.30%). Mr Roger Coutier is Manager.
- (3) See in particular AMF document 207C1059 of 6 June 2007.
- (4) In accordance with article L.225-10 of the French Commercial Code, the shares owned by the Company do not give entitlement to dividends and are deprived of voting rights.

## 2.9. Agreements stated in article L 225-86 of the French Commercial Code

In accordance with article L 225-40 of the French Commercial Code, the Supervisory Board presents to the General Meeting of Shareholders the agreements stated in article L 225-86 of the same code and concluded or continued during the last financial year. The Statutory Auditors were duly notified of these agreements, which they described in their special report.

## 2.10. Inventory of investment securities

The exhaustive inventory of the Company's French and foreign participating interests is presented in the table of subsidiaries and participating interests.

## 2.11. Financial results for the last five financial years (articles R. 225-83 and R. 225-102 of the French Commercial Code) (in euros, except "Average number of employees during the financial year")

FINANCIAL YEARS CONCERNED	From 01/01/2014 to 31/12/2014	From 01/01/2015 to 31/12/2015	From 01/01/2016 to 31/12/2016	From 01/01/2017 to 31/12/2017	From 01/01/2018 to 31/12/2018
TYPE OF ITEMS					
<b>Capital at financial year end</b>					
A) Equity capital	21,392,832	21,392,832	21,392,832	21,392,832	21,392,832
<b>b) Existing shares</b>					
- number	26,741,040	26,741,040	26,741,040	26,741,040	26,741,040
- nominal value of shares	0.8	0.8	0.8	0.8	0.8
c) Number of shares with priority dividend (without voting rights)	-	-	-	-	-
d) Maximum number of future shares to be created	-	-	-	-	-
- by conversion of bonds	-	-	-	-	-
- by exercising subscription rights	-	-	-	-	-
<b>Operations and income of the financial year</b>					
a) EBT	239,239,654	325,201,166	403,879,211	429,363,055	408,584,745

b) Income before tax, employee profit-sharing, amortisation expense and depreciation	3,945,969	16,280,180	60,625,417	36,699,824	38,067,073
c) Income tax	(5,007,805)	(4,778,339)	(2,588,706)	(1,443,383)	(3,634,513)
d) Employee profit-sharing due for the financial year	-	-	-	-	-
e) Income after tax, employee profit-sharing, amortisation expense and depreciation	(4,977,172)	5,617,556	37,308,079	29,377,937	(7,344,242)
f) Total dividends	1,337,052	5,348,208	8,022,312	8,022,312	8,022,312

#### Profit/loss per share

a) Income after tax, employee profit-sharing but before amortisation expense and depreciation	0.33	0.79	2.88	1.43	1.05
b) Income after tax, employees profit-sharing and amortisation expense and depreciation	0.19	0.21	1.40	1.10	(0.27)
c) Net dividend assigned to each share	0.05	0.20	0.3	0.3	0.3(*)

#### Personnel

a) Average number of employees over the financial year	1,702	1,674	1,641	1,614	1,599
b) Total payroll for the financial year	52,737,013	53,213,606	54,486,791	55,413,911	56,217,645
c) Social contributions for the financial year (social security benefits, social welfare etc.)	20,346,570	19,897,029	20,803,869	21,114,647	21,507,512

(\*) This is the dividend distribution that the Executive Board will propose at the General Meeting in May 2019.

## 2.12. Summary of securities transactions of the members of the Executive Board and Supervisory Board

In accordance with the law and AMF regulations, we hereby notify you that no director conducted transactions on an individual basis. The same applies to persons closely related to them.

## 2.13. Statement of employees' equity stake in the capital

In accordance with the provisions of article L.225-102 of the French Commercial Code, this report must specify the status of employees' participating interest in the share capital on the last day of the financial year and must establish a proportion of the capital represented by shares held by the Company's personnel and by the personnel of related companies as defined by the provisions of article L.225-180 of the French Commercial Code, as part of the company savings plan referred to in articles L.443-1 to L.443-9 of the French Labour Code and by employees and former employees in respect of corporate mutual funds. The shares held directly by the staff during the periods of inaccessibility provided by articles L. 225-194 and L. 225-197, in article 11 of the law no.86-912 dated 6 August 1986 associated with the procedures of privatisation and article L. 442-7 of the French Employment Law are also taken into account.



As at 31 December 2018, the Company employees' equity stake, calculated in accordance with the provisions of article L. 225-102 of the French Commercial Code (i.e. the shares held as part of a company savings plan as provided for in articles L. 3332-1 et seq. of the French Labour Code) was equal to 0.

**2.14. Choice regarding the terms of retention by the corporate officers of shares freely allocated and resulting from the exercise of stock options**

None.

## 2.15. Calculation items and results of the adjustment of conversion bases and of the conditions of subscribing to or exercising investment securities giving access to the capital or of share subscriptions or purchases

None.

## 2.16. Share buyback transactions

We bring to your attention the shares acquired and resold during the 2018 financial year under the liquidity and market-making contract with GILBERT DUPONT.

Month	Number of shares purchased	Number of shares sold	Balance of shares at the end of month	Average price (in euros)	End-of-month value (in euros)
January 2018	20,112	19,989	4,638	35.45	108,154.80
February 2018	22,812	22,650	4,800	31.50	151,200.00
March 2018	16,798	18,451	3,147	30.60	96,298.20
April 2018	17,547	16,873	3,821	28.60	109,280.60
May 2018	14,713	13,397	5,137	27.60	141,781.20
June 2018	16,445	15,917	5,665	26.10	147,856.60
July 2018	17,881	17,600	5,946	21.30	126,649.80
August 2018	9,314	9,426	5,834	20.90	121,930.60
September 2018	6,934	7,503	5,265	18.16	95,612.40
October 2018	12,813	13,594	4,484	17.62	79,008.08
November 2018	9,214	8,768	4,930	16.20	79,866.00
December 2018	9,160	9,560	4,530	16.10	72,933.00
<b>2018 total</b>	<b>173,743</b>	<b>173,728</b>	-	-	-
<b>Balance at 31.12.2018</b>	-	-	<b>4,530</b>	-	-

## 2.17. Equity price risk

None.

## 2.18. Financial penalties for anticompetitive practices

None.

## 2.19. Main risks and uncertainties facing the Company; use of financial instruments

See the section on the Group's management report stated in section 1.7. Risk factors.

## 2.20. Information on payment terms for suppliers and customers

### 2.20.1. Received invoices not settled on the year-end date whose term has expired (Article D. 441 I. - 1° of the French Commercial Code)

	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
<b>(A) Late payment tranche</b>						
Number of invoices concerned	7,112	86	82	23	73	<b>264</b>
Total amount of invoices concerned incl. tax	40,331,018	274,061	115,049	53,779	483,209	<b>926,099</b>
Percentage of the total amount of purchases during the financial year incl. tax	11.57%	0.08%	0.03%	0.02%	0.14%	<b>0.27%</b>
<b>(B) Invoices excluded from (A) concerning disputed or unrecognised payables and receivables</b>						
Number of invoices excluded	84	59	53	18	286	<b>416</b>
Total amount of invoices excluded incl. tax	694,458	14,387	85,132	6,240	(131,172)	<b>(25,413)</b>
<b>(C) Benchmark payment terms used (contractual or legal term - article L. 441-6 or article L. 443-1 of the French Commercial Code)</b>						
Payment terms used to calculate late payments	<ul style="list-style-type: none"> <li>Contractual terms: Excluding tools (payment per tranche and according to acceptance report), the average term is 45 days from end of month, although this may vary, depending on the supplier, from 30 days net to 90 days from end of month.</li> <li>Legal terms: 45 days from end of month with French suppliers (excluding tools).</li> </ul>					

## 2.20.2. Issued invoices not settled on the year-end date whose term has expired (Article D. 441 I. - 2° of the French Commercial Code)

	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
<b>(A) Late payment tranche</b>						
Number of invoices concerned	6,223	1,102	466	239	452	2,269
Total amount of invoices concerned incl. tax	46,069,161	1,182,715	438,094	131,981	592,307	2,345,097
Percentage of revenue for the financial year incl. tax	10.07%	0.26%	0.10%	0.03%	0.13%	0.51%
<b>(B) Invoices excluded from (A) concerning disputed or unrecognised payable and receivables</b>						
Number of invoices excluded	61	35	8	0	51	94
Total amount of invoices excluded incl. tax	250,361	(315,219)	(695)	0	(26,823)	(342,737)
<b>(C) Benchmark payment terms used (contractual or legal term - article L. 441-6 or article L. 443-1 of the French Commercial Code)</b>						
Payment terms used to calculate late payments	<ul style="list-style-type: none"> <li>Contractual terms: Excluding tools (payment per tranche and according to acceptance report), the average term is 45 days from end of month, although depending on the customer this may range from 30 to 90 days from end of month.</li> <li>Legal terms: 45 days from end of month with French suppliers (excluding tools).</li> </ul>					

## 2.21. Notice of existing branches

None.

## 2.22. Amount of inter-company loans granted pursuant to article L. 511-6 3 bis of the French Monetary and Financial Code

In accordance with the provisions of article L. 511-6, 3 bis of the French Monetary and Financial Code, we hereby state that no loan of less than two years was granted to companies with which the Company has economic ties.

## 2.23. Significant contracts

During the last three financial years and on the date of the present document, the Group did not conclude significant contracts, other than those concluded within the normal scope of business, that give rise to a significant obligation or commitment for the entire Group.

### 3. Internal control and risk management procedures

In accordance with article 117 of act 2003-706 of 1 August 2003, supplementing article L. 225-68 of the French Commercial Code, this part of the report is descriptive and does not contain any assessments.

#### 3.1. Reminder of the Company's objectives on internal control procedures

The internal control procedures in place in the Company aim to:

- ensure that acts of operational management or execution, as well as staff behaviour, comply with the framework drawn up by the guidelines provided to the company's activities by corporate bodies, by applicable laws and regulations and by the values, standards and internal rules of the company;
- check that the accounting, financial and management information provided to the corporate bodies of the Company truly reflects the activity and position of the company.

One of the objectives of internal control is to prevent and control the risks generated from the Company's activity and errors or fraud risks, in particular in the accounting and finance fields. Like all control systems, it cannot however provide an absolute guarantee that such risks are completely eliminated.

The control and management of risks related to the Company's activities rely on the following principles:

- A decentralised operational organisation based on plants grouped together by industrial region and product lines to foster industrial performance, responsiveness and proximity to customers.
- An annual budgetary and monthly reporting procedure that serves as a key tool for the Group for steering its operations.
- Broad and frequent education of all personnel in risks.
- Strong cross-functional departments tasked with ensuring the application of the company's policies within their scope and inspecting their actual application.
- Plants specialised by production technology in order to strengthen and accelerate the experience curves.
- Formal delegation by the President of the Executive Board of the control of and proficiency in certain risks to the Directors most concerned.
- Separation of functions (between line personnel and support functions, between those incurring expenditure and those recording and regulating expenditure, between executive and controlling staff, etc.).
- The definition of objectives corresponding to the best global or internal practices and the regular measurement of the difference between the secured performance and its objectives;
- The involvement of all hierarchical levels and all sites in the improvement of performance and the control of activities.

Furthermore, the Group's employees are made aware of their ethical obligations by means of the instruction booklet, the ethical charter, the anti-corruption code, the stock market ethics code and the Group's IT charter.

Moreover, each site has an internal procedure manual, which is distributed to all staff.

#### 3.2. Analysis of the internal control environment

##### 3.2.1. Brief description of the general organisation of internal control procedures

The President of the Executive Board formally delegates a part of his powers conferred upon him to the different Directors.

The procedures are developed by the Company. The Company identifies two categories of procedures: those concerning a function (e.g. financial procedures) and those concerning a process (delivery, handling of non-conformities, etc.). Eleven processes have been identified within the Company (five customer-oriented processes and six management or support processes). They cover all the Company's activities (from promoting the Company to new customers to improving supplier performance). 33 mandatory indicators (21 performance indicators and 12 efficiency indicators) cover these 11 processes and ensure the proper implementation and performance of these operating modes.

All procedures are approved beforehand by the Executive Board. Their update is also subject to formal approval by Executive Board members.

These procedures are available on an intranet network, enabling them to immediately be distributed to all staff in question.



Internal or Company memos or notices can be used to supplement, detail or provide a reminder of these procedures.

The cross-functional departments, which act as Process Owners, ensure the correct application of the processes for which they are responsible. They must report, at least once a year, to the Executive Board, on the results obtained within their field of expertise.

The Quality, Safety, Environment and Energy Department (QSE<sup>2</sup>) ensures the sound application of these procedures by the control of periodic reports and the achievement of internal audits.

The Finance Department specifically ensures the proper application of the accounting and financial rules.

The internal audit function ensures compliance with the directives, methodologies and all other instructions set out by the operational and cross-functional departments. It reports to the Legal Department.

Furthermore, there is a health, safety and working conditions committee on each of the Company's sites. Each commission meets regularly and aims to study, propose and validate all of the measures relating to health, safety, working conditions and risk prevention.

Every year, the Executive Board dedicates at least two half-days per cross-functional department and industrial region:

- One to the validity of strategic options (Products, Markets, Customers, Action Plans) within the framework of Medium-Term Plans,
- One to the validation of the short-term financial options as part of the end-of-year budgets and repeat forecasts.

For all of the product lines, the Executive Board devotes one day every year to reviewing and validating the Research and Innovation core focuses (Product and/or Process).

Furthermore, since 2008, a specific half-day meeting has been held for each region. This meeting is devoted to reviewing the main actions carried out regarding productivity and those actions envisaged for the next twelve months.

### **3.2.2. Brief description of the accounting system**

The accounting system is internally provided within the Finance Department.

The accounting teams are placed in two sites in the Company and work under a logic of Shared Services Centre (SCC) for all the Company's plants. One team, known as a 'unit', handles customer-related aspects (invoicing, cashing, receivables follow-up, customer disputes). The other unit handles supplier-related aspects, cash flow and general accounting. Both units report to the Accounting and Tax Manager.

The software used is an ERP (SAP). All modules, except the one covering Human Resources, have been deployed across all of the Company's sites. The accounting module (FI) benefits directly from these choices. No significant or specific developments were introduced on this ERP.

Finance Controllers are present on each of the Company's main sites. Finance control teams and accounting teams are completely separate, although information is exchanged on a permanent basis.

There are reference manuals adopted for the creation of:

- annual financial statements (general accounting plan),
- consolidated financial statements,
- monthly internal financial reports.

There are regular examinations provided by the Company's staff on the transmitted financial data.

Moreover, within the framework of legal obligation of the accounting audit, our Statutory Auditors provide an accounting control annually.

For the Executive Board  
Mr Mathieu Coutier  
President of the Executive Board

## REPORT BY THE CERTIFICATION BODY

*Financial year ended 31 December 2018*

To the stockholders,

At the request of the Company (hereinafter "entity") and in our role as an independent third-party body accredited by the COFRAC under no. 3-1081 (scope available on [www.cofrac.fr](http://www.cofrac.fr)), we present to you our report on the consolidated filing of non-financial performance concerning the financial year ended 31 December 2018 (hereinafter the "Filing"), presented in the group's management report pursuant to the legal and regulatory provisions of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

### 1. Responsibility of the entity

The Executive Board is responsible for preparing a Filing that complies with the legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied in respect of these risks and the results of these policies, including key performance indicators.

The Filing was prepared in accordance with the reference system used (hereinafter the "Reference System") by the entity, the significant elements of which are available on request at the Company's head office.

### 2. Independence and quality control

Our independence is defined by the provisions stated in article L. 822-11-3 of the French Commercial Code and the Code of Ethics of the profession. In addition, we have put in place a quality control system that includes policies and documented procedures designed to ensure compliance with ethics rules, the professional doctrine and applicable legal and regulatory texts.

### 3. Responsibility of the independent third-party body

Based on our work, it is our responsibility to formulate a reasoned opinion expressing a conclusion of moderate assurance regarding:

- the Filing's compliance with the provisions stated in article R. 225-105 of the French Commercial Code;
- the accuracy of the information provided pursuant to 3° of I and II of article R. 225-105 of the French Commercial Code, namely the results of the policies, including the key performance indicators, and the actions concerning the main risks, hereinafter the "Information".

Conversely, it is not our responsibility to give a verdict on:

- the entity's compliance with other applicable legal and regulatory provisions, notably concerning the vigilance plan and the fight against corruption and tax evasion;
- the compliance of the products and services with applicable regulations.

### 4. Nature and extent of the work

We carried out the work in accordance with standards applicable in France determining the terms under which the independent third-body conducts its assignment, and with the international standard ISAE 3000.

Our work was conducted between 22 March and 10 April 2019 over a period of around 12 man-days.

We conducted four interviews with the persons responsible for the Filing.

We conducted work that enabled us to assess the Filing's compliance with regulatory provisions and the accuracy of the Information:

- We familiarised ourselves with the activity of all of the companies included in the scope of consolidation, and with the presentation of the main social and environmental risks linked to this activity.
- We assessed the appropriateness of the Reference System in respect of its relevance, exhaustiveness, reliability, neutrality and comprehensible nature, taking into account, where applicable, best practices in the sector.
- We verified that the Filing covers each category of information stated in III of article L. 225-102-1 concerning social and environmental matters.
- We verified that the Filing presents the business model and the main risks linked to the activity of all of the entities included in the scope of consolidation, including, where relevant and proportionate, the risks posed by its business relations, its products or its services, as well as the policies, actions and results, including key performance indicators.
- We verified, where relevant in respect of the main risks or policies presented, that the Filing presents the information provided for in II of article R. 225-105.
- We assessed the process of selecting and validating the main risks.
- We enquired as to the existence of internal control and risk management procedures put in place by the entity.
- We assessed the cohesion of the results and the key performance indicators chosen in respect of the main risks and policies presented.
- We verified that the Filing covers the consolidated scope of business, namely all of the companies included in the scope of consolidation in accordance with article L. 233-16, together with the limits stated in the Filing section 1.9.6 Environmental Information.
- We assessed the collection process put in place by the entity to ensure the exhaustiveness and truthfulness of the Information.
- As regards the key performance indicators and the other quantitative results, we endeavoured to ensure that we considered the most important:
  - analytical procedures consisting of verifying the proper consolidation of the data collected, as well as the cohesion of changes in this data;
  - detail tests based on surveys, consisting of verifying the proper application of the definitions and procedures, and of reconciling the data of the supporting documentation. This work was conducted on a selection of contributing entities covering between 15% and 50% of the consolidated data of the key performance indicators and results selected for these tests.
- We consulted the documentation sources and conducted interviews to corroborate the qualitative information (actions and results) that we considered to be the most important.
- We assessed the overall consistency of the Filing relative to our knowledge of all of the companies included in the scope of consolidation.

We feel that the work we conducted, exercising our professional judgement, enables us to formulate a conclusion of moderate assurance; a greater level of assurance would have required more extensive verification work.

Due to the use of sampling techniques, as well as the other limitations inherent in the functioning of any information and internal control system, the risk of failing to detect a significant anomaly in the Filing cannot be entirely eliminated.

## **5. Conclusion**

Based on our work, with the exception of the elements described above, we did not identify any significant anomaly liable to call into question the fact that the filing of non-financial performance complies with the applicable regulatory provisions and that the Information, viewed as a whole, is presented, in a truthful manner, in accordance with the Reference System.

Lyon, 15 April 2019

FINEXFI  
Isabelle Lhoste  
Partner

## SUPPLEMENTARY REPORTS BY THE EXECUTIVE BOARD

### 1. Special report on transactions conducted by the Company or by associated companies in respect of share purchase or subscription options reserved for salaried personnel and directors (article L 225-184 of the French Commercial Code)

Below you will find the elements of the special report intended to inform the shareholders of transactions conducted pursuant to the provisions stated in articles L.225-177 to L.225-186 of the French Commercial Code, concerning allocations and exercises, during the last financial year, of options to purchase or subscribe to shares in the Company.

#### 1.1. Purchase and subscription options awarded during the financial year

##### 1.1.1. Purchase and subscription options awarded to the leading ten employees who are not corporate officers during the financial year

No purchase and subscription option allocation plan was put in place for the leading ten employees who are not corporate officers during the financial year.

##### 1.1.2. Purchase and subscription options awarded to corporate officers during the financial year

No purchase and subscription option allocation plan was put in place for the corporate officers during the financial year.

#### 1.2. Purchase and subscription options exercised during the financial year

##### 1.2.1. Options exercised by the leading ten employees who are not corporate officers during the financial year

No purchase and subscription option allocation plan was exercised by the leading ten employees who are not corporate officers during the financial year.

##### 1.2.2. Purchase and subscription options exercised by the corporate officers during the financial year

No purchase and subscription option allocation plan was exercised by the corporate officers during the financial year.

### 2. Special report on transactions conducted by the Company or by associated companies in respect of the allocation of free shares to salaried personnel and directors (article L 225-197-4 of the French Commercial Code)

Below you will find the elements of the special report intended to inform the shareholders of transactions conducted pursuant to the provisions stated in articles L.225-197-1 to L.225-197-3 of the French Commercial Code.

#### 2.1. Free share allocation plans granted during the financial year

No free share allocation plan was put in place during the financial year.

#### 2.2. Definitive allocation of free shares during the financial year

No free shares were allocated during the financial year.

For the Executive Board  
Mr Mathieu Coutier  
President of the Executive Board

## REPORT BY THE EXECUTIVE BOARD ON THE WORDING OF RESOLUTIONS PROPOSED TO THE COMBINED GENERAL MEETING OF WEDNESDAY 29 MAY 2019

23 resolutions will be submitted to the shareholders at the Combined General Meeting of 29 May 2019 at 11 am at the Company's head office.

These resolutions are divided into two groups:

- The 23 resolutions (from the 1st to the 21st resolution) and the final resolution (23rd resolution) falling under the competence of the Ordinary General Meeting and concerning: the approval of the annual and consolidated financial statements for the financial year ended 31 December 2018, the appropriation of income, the approval of the regulated agreements stated in articles L. 225-86 et seq. of the French Commercial Code, the renewal of the mandate of four members of the Supervisory Board, the appointment of a new member of the Supervisory Board, the establishment of the attendance fees budget, the approval of the principles and criteria for determining, apportioning and allocating the fixed, variable and exceptional items comprising the total remuneration and benefits of any nature attributable to the members of the Executive Board and the Supervisory Board in respect of their mandate, the approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any nature paid or allocated in respect of the financial year ended 31 December 2018 to the members of the Executive Board and the Chairman of the Supervisory Board and the authorisation concerning share buyback programmes.
- The 22nd resolution falls under the competence of the Extraordinary General Meeting and concerns the capital increase reserved for the Company's employees.

### 1. Ordinary resolutions

#### 1.1. Approval of the financial statements for the 2018 financial year (1st and 3rd resolutions) and discharge of the members of the Executive Board and Supervisory Board (2nd resolution)

The purpose of the 1st resolution is to approve the corporate financial statements for the financial year ended 31 December 2018, resulting in a loss of €(7,344,241.80) and non-deductible expenses and charges.

This resolution also concerns the approval of the expenses and charges stated in article 39-4 of the French General Tax Code and totalling €18,441, as well as the corresponding tax charge.

The purpose of the 2nd resolution is to discharge the members of the Executive Board and Supervisory Board regarding their management of the Company during the 2018 financial year.

The purpose of the 3rd resolution is to approve the consolidated financial statements for the financial year ended 31 December 2018.

#### 1.2. 2018 income appropriation (4th resolution)

The purpose of the 4th resolution is to decide on the appropriation of income for the Company's 2018 financial year and the distribution of a dividend.

The annual financial statements ended 31 December 2018 indicate a net loss of €7,344,241.80. This result, combined with retained earnings of €143,256,280.81, brings the total distributable amount to €135,912,039.01. It is proposed to distribute €8,022,312.00 in dividends, bringing the balance of retained earnings to €127,889,727.01.

Consequently, the dividend would be €0.30 gross per share.

If paid to natural persons who are tax residents of France, this dividend is subject to either a single flat-rate deduction on the gross dividend at the flat rate of 12.8% (article 200 A of the French General Tax Code) or, at the taxpayer's express, irrevocable and general request, to income tax based on the progressive scale after, notably, a 40% relief (article 200 A, 13 and 158 of the French General Tax Code). Dividends are also subject to social security contributions at a rate of 17.2%.

If this proposal is adopted, the coupon will be detached on 5 June 2019 and the dividend will be paid on 7 June 2019.



When these dividends are detached, the dividend corresponding to treasury shares held by the Company would be assigned to the item "Retained earnings".

### 1.3. Regulated agreements (5th and 6th resolutions)

Under the 5th and 6th resolutions, in accordance with the regulated agreements procedure, you are asked to approve the renewal of the market-making agreement and the provision of services agreement concluded between the Company and COUTIER DEVELOPPEMENT.

These agreements appear in the special report by the Statutory Auditors on regulated agreements and commitments appearing in the section *Special report by the Statutory Auditors on regulated agreements and commitments* of the 2018 annual report.

This report also mentions regulated agreements authorised by the Supervisory Board prior to 2018, approved during previous general meetings and the execution of which continued during the financial year.

### 1.4. Renewal of mandates of members of the Supervisory Board (7th to 10th resolution)

The 7th, 8th, 9th and 10th resolution submitted for the shareholders' approval concern the renewal of the mandates of all of the members of the Supervisory Board.

The mandates of Mr André Coutier, Ms Geneviève Coutier, Ms Emilie Coutier and the company COUTIER DEVELOPPEMENT expire following the present General Meeting.

Your Supervisory Board has unanimously decided to propose to you the renewal of said mandates for a three-year period, i.e. after the Ordinary General Meeting called to rule in 2022 on the financial statements for the financial year ending 31 December 2021.

### 1.5. Appointment of a new member of the supervisory board (11th resolution)

In the 11th resolution, it is proposed to the shareholders to appoint Mr Nicolas Job as a new member of the Supervisory Board for a period of three (3) years, to end after the Ordinary General Meeting of shareholders to be held in 2022 to rule on the financial statements for the financial year ending 31 December 2021, replacing the company NJ CONSULTING, the mandate of which expires after the present General Meeting.

Mr Nicolas Job is a graduate of EM Lyon. Mr Nicolas Job has spent his career in the field of auditing and consulting. He was a Statutory Auditor and partner at Arthur Andersen then at Ernst and Young from 1981 to 2011.

After the General Meeting, if the 7th to 11th resolutions are approved, the Supervisory Board of the Company will be comprised of six (6) members with a gender diversity ratio of 40% female and 60% male, it being stated that the mandate of Mr Christophe Besse, member of the Supervisory Board representing employees, is not taken into account when calculating the gender balance.

### 1.6. Attendance fees (12th resolution)

We hereby remind you that, in a decision dated 29 June 2018, the General Meeting of shareholders of the Company allocated an annual attendance fees budget of €120,000 in respect of the financial year ended 31 December 2018.

In the 12th resolution, it is proposed to the shareholders to maintain this annual attendance fees budget. This decision applies to the current financial year and for subsequent financial years until a new decision is made by the General Meeting of shareholders of the Company.

### 1.7. Approval of the principles and criteria for determining, apportioning and allocating the fixed, variable and exceptional items comprising the remuneration of the President, Vice-President and members of the Executive Board (13th and 14th resolutions)

The shareholders are now asked to give a verdict on the remuneration policy for the corporate officers pursuant to the new provisions of article L. 225-37-2 of the French Commercial Code established by the law on transparency, anti-corruption and the modernisation of economic life of 9 December 2016 (the so-called Sapin II Act).

The 13th resolution submits for the shareholders' approval the policy on the remuneration of the members of the Executive Board.

The 14th resolution submits for the shareholders' approval the policy on the remuneration of the members of the Supervisory Board.

These items are presented in the Report by the Supervisory Board on corporate governance included in the 2018 annual report in section 3.1.9. below.

### **1.8. Approval of the fixed, variable and exceptional items of the remuneration paid or allocated in respect of the 2018 financial year to the members of the Executive Board (15th resolution to 19th resolution)**

Pursuant to article L.225-100 II of the French Commercial Code, taking into account the vote at the General Meeting of 30 May 2018 approving the remuneration policy envisaged for the financial year ended 31 December 2018, you are asked to approve the fixed, variable and exceptional items comprising the total remuneration and benefits of any nature paid or allocated to the members of the Executive Board under their mandate in respect of the financial year ended 31 December 2018.

The 15th, 16th, 17th, 18th and 19th resolutions submit for the shareholders' approval the items of remuneration and benefits of any kind paid or allocated in respect of the last financial year to the members of the Executive Board under their mandate, as presented in the annual report in section 3.1.10.

### **1.9. Approval of the items comprising the remuneration and benefits of any nature paid or allocated in respect of the financial year to Mr André Coutier, Chairman of the Supervisory Board (20th resolution)**

The 20th resolution submits for the shareholders' approval the items of remuneration and benefits of any kind paid or allocated in respect of the last financial year to Mr André Coutier, Chairman of the Supervisory Board, as presented in the annual report in section 3.1.7.

### **1.10. Authorisation concerning share buyback programmes (21st resolution)**

During the Combined General Meeting of 30 May 2018 (9th resolution), you gave your Company authorisation to conduct stock market transactions in its own shares.

The Company has implemented this authorisation and on 31 December 2018 the total number of treasury shares under the liquidity contract was 4,530.

We hereby remind you that these shares do not have voting rights and the dividends due to them are allocated to retained earnings.

Under the 21st resolution, you are asked to authorise it for a maximum period of 18 months to acquire a number of shares of the Company (including under a liquidity contract), limited to 0.5% of the number of shares comprising the capital of the Company, adjusted where applicable to take into account any capital increase or reduction operations that may occur during the period of the programme, under the following conditions:

The maximum purchase price would be set at €50 and the maximum number of shares that can be acquired would be limited to 0.5% of the number of shares comprising the share capital as at 31 December 2018, or 133,705 shares, in the maximum total amount of €6,685,250.

These transactions would be conducted according to article L 225-209 of the French Commercial Code.

The present authorisation would be granted in order to:

- ensure the liquidity of the market for the shares through one or several investment service providers acting independently, under a liquidity contract, in accordance with an ethics charter permitted under regulations, it being stated that the number of shares taken into account to calculate the aforementioned 0.5% limit corresponds to the number of shares purchased, minus the number of shares resold during the period of the present authorisation;
- implement any market practice that is recognised by regulations.

As in previous years, the resolution states that the authorisation would apply at any time, including during a public offer.

This new authorisation would override the authorisation granted by the Combined General Meeting of 30 May 2018, subject to its approval.

## 2. Extraordinary resolutions

### 2.1. Delegation of powers to the Executive Board to decide to conduct an increase in share capital by issuing shares, along with termination of the preferential subscription right for employees who are members of a company savings plan (22nd resolution)

The delegation of powers that you are asked to grant to the Executive Board, the purpose of which is to conduct a capital increase in cash immediately or in the future, includes a corresponding duty to present to the Meeting a proposed resolution to allow a capital increase reserved for employees who are members of a company savings plan.

We ask you in the 22nd resolution to delegate to the Executive Board, for a 26-month period, the power to decide to conduct a capital increase by issuing shares reserved for employees who are members of a company savings plan pursuant to article L. 225-129-6 of the French Commercial Code and to agree to the termination of your preferential subscription right.

The maximum nominal amount of the capital increase that can be conducted by the Executive Board cannot increase the amount of the interest of said employees calculated according to the provisions of article L.225-102 of the French Commercial Code (including the interest already held) to more than 3% of the total amount of the share capital on the day on which the Executive Board decides to implement the present authorisation.

In accordance with article L. 3332-19 of the French Labour Code, the issue price may not be higher than the average of the first listed prices during the 20 trading sessions preceding the day on which the Executive Board makes a decision setting the date on which the subscription is opened.

Furthermore, it may not be more than 20% below this average, unless it is anticipated that the subscribed shares will be unavailable for at least ten years, in which case the issue price may not be more than 30% below this same average.

However, your Executive Board believes that such a decision does not form part of the profit-sharing policy put in place by the Company and therefore suggest that you do not adopt the resolution submitted for your approval.

### 2.2. Powers to complete formalities (23rd resolution)

The 23rd resolution is a common resolution intended to authorise any holder of a copy or of an extract of the minutes of the General Meeting to undertake, where applicable, the legal formalities required to enforce the decisions made by the present Meeting.

Page 144 contains the text of the resolutions that we propose to submit for your approval.

## REPORT BY THE SUPERVISORY BOARD ON THE CORPORATE GOVERNANCE, INCLUDING THE SUPERVISORY BOARD'S OBSERVATIONS CONCERNING THE MANAGEMENT REPORT AND THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD

In accordance with the provisions of the last paragraph of article L.225-68 of the French Commercial Code, the present corporate governance report includes the information stated in articles L. 225-37-3 to L. 225-37-5 of the French Commercial Code.

- The specific terms concerning shareholders' participation in the General Meeting.
- The composition of the Supervisory Board and the Executive Board of the Company and the list of all mandates and roles performed by each of them in any company other than the Company.
- The conditions pertaining to the preparation and organisation of the activities of the Supervisory Board during the financial year ended 31 December 2018.
- The delegations concerning capital increases and other authorisations granted to the Executive Board still valid during the 2018 financial year.
- Agreements concluded between a corporate officer or a shareholder holding more than 10% of the voting rights in the Company, and a subsidiary (excluding standard agreements).
- The remuneration of the members of the Executive Board and Supervisory Board.
- Elements likely to have an impact in case of a public offer.

Lastly, we also report to you, at the conclusion of this report, our observations on the management report prepared by the Executive Board of the Company, as well as on the financial statements for the 2018 financial year.

The present report was prepared based on contributions from several departments, notably the Financial and Legal Departments of the Group.

It was approved by the Supervisory Board during its meeting of 11 April 2019 and submitted to the Statutory Auditors.

The indications concerning corporate governance were prepared based on various internal documents (articles of association, minutes of meetings of the Supervisory Board and its committees, etc.).

As far as corporate governance is concerned, our Company has referred, since the Supervisory Board meeting of 26 June 2015, to the Corporate Governance Code in respect of mid and small caps published by Middlednext in December 2009 and amended on 14 September 2016. The Middlednext Code is available on [www.middlednext.com](http://www.middlednext.com).

It emerged at the Supervisory Board meeting that the Middlednext Corporate Governance Code was well suited to the Company, with regard to its size and the structure of its capital.

The Company follows most of the recommendations of this Code, and the present report states the recommendations not followed and the reason for this decision in accordance with the "comply or explain" rule.

### 1. Specific terms concerning shareholders' participation in the General Meetings

The terms concerning shareholders' participation in the General Meetings and the terms of exercising voting rights are described in articles 12 and 20 of the Company's articles of association.

The right to participate in meetings or to be represented in them is subject to the registration, in an account, of shares in the name of the shareholder or of the intermediary registered on their behalf, on the second business day preceding the meeting at midnight, Paris time, or in registered share accounts held by the Company, or in bearer share accounts held by an intermediary stated in article L 211-3 of the French Monetary and Financial Code.

Meetings of the Company's shareholders are convened, conducted and deliberated under the conditions provided for by law. Meetings take place either at the head office or at another location stated in the notice of meeting.

## 2. Governance

The Combined General Meeting of 26 May 1998 approved the adoption of a management structure including a Supervisory Board and Executive Board. This structure creates a separation between the management functions performed by the Executive Board and the control functions of this Department assigned to the Supervisory Board, a shareholder representation body.

The Group has maintained this organisational structure, on the grounds that it more effectively ensures the balance of powers for the benefit of all stakeholders.

### 2.1. The Supervisory Board

#### 2.1.1. Composition of the Supervisory Board

According to the articles of association, the Supervisory Board is comprised of at least three members and a maximum of 18 members, appointed by the General Meeting of Shareholders.

On the date the present report was prepared, the Supervisory Board of the company is comprised of six members: four natural persons and two legal entities.

The members of the Supervisory Board, the number of which cannot be below the legal minimum or above the legal maximum, are appointed for a three-year period that expires after the Ordinary General Meeting of Shareholders convened to vote on the financial statements for the last financial year and held during the year in which the mandate expires.

Pursuant to the statutory clause approved by the General Meeting of 28 June 2017, Mr Christophe Besse was named a member of the Supervisory Board representing employees at the Central Works Council meeting of 14 December 2017. Mr Christophe Besse joined the Board during its session of 14 February 2018.

Concerning the composition of the Supervisory Board, it will be proposed to shareholders at the next General Meeting to renew the mandates of Ms Geneviève Coutier, Ms Emilie Coutier, Mr André Coutier and the company COUTIER DEVELOPPEMENT. It will also be proposed to the shareholders to appoint a new member of the Supervisory Board as a replacement for the company NJ CONSULTING, the mandate of which is expiring.

No modification or renewal of the composition of the Supervisory Board occurred during the 2018 financial year.

The members of the Supervisory Board are as follows:

Members of the Supervisory Board	Nationality	Age	Primary position	Audit Committee	Remuneration Committee	Date of first appointment	Date of reappointment	Date of mandate expiry
André Coutier	French	70	Chairman	Member	Member	26.06.2015	29.06.2016	29.05.2019
Geneviève Coutier	French	71	Member	Member	—	26.06.2015	29.06.2016	29.05.2019
Emilie Coutier	French	37	Member	—	—	29.06.2016	—	29.05.2019
COUTIER DEVELOPPEMENT represented by Christophe Coutier	French	41	Member	Member	Member	—	29.06.2016	29.05.2019
NJ CONSULTING represented by Nicolas Job (1)	French	64	Member	Chairman	Member	29.06.2016	—	29.05.2019
Christophe Besse (2)	French	41	Member	—	—	14.12.2017	—	29.05.2019

(1) Independent member. The notion of independence is defined in 2.1.1.1 of the present report.

(2) Member elected by employees.

#### *2.1.1.1. Examination of the independence of the members of the Board*

As stated in the Middenext code, five criteria are used to presume the independence of the members of the Supervisory Board, which include the absence of a significant financial, contractual, family or proximity relationship liable to alter independent judgement:

- They must not be a salaried employee or corporate officer of the Company or of a company of the Group and must not have held such a position within the last five years.
- They must not be in a significant business relationship with the Company or the Group (client, supplier, competitor, service provider, creditor, banker, etc.) and must not have been so within the last two years.
- They must not be a reference shareholder of the Company or hold a significant percentage of voting rights.
- They must not have a close or family relationship with a corporate officer or reference shareholder.
- They must not have been a Statutory Auditor of the Company within the last six years.

In limited liability companies with an Executive Board and Supervisory Board, the corporate officers are assumed to be the President, Vice-President and members of the Supervisory Board.

The Board is required to verify each year, as well as at the time of their appointment, these members' position in respect of the aforementioned independence criteria.

Based on the independence criteria as defined above, the Supervisory Board, during its meeting of 11 April 2019, during which the annual examination of the independence of the members of the Board was on the agenda, believes that only Mr Nicolas Job, permanent representative of the company NJ CONSULTING, can be categorised as an independent member. The Board acknowledged the absence of any business relations between the latter and the Group.

As the other members of the Supervisory Board belong to the family shareholder group, they cannot be categorised as independent members.

The Company is not in compliance with recommendation no.3 of the Middenext Code, which stipulates a minimum of two independent members.

#### *2.1.1.2. Gender-balanced representation in the Supervisory Board*

Concerning a gender-balanced representation in the Board, it is recalled that the Board includes, on the date on which the present report was written, two women amongst its members.

As such, the Company complies with the legal provisions concerning "gender-balanced representation within the board of directors and supervisory board and professional equality" stipulated by the provisions of article L. 225-69-1 of the French Commercial Code, these stating that at least 40% of the members of the Supervisory Board must be female and that given the size of the Board, there must be a maximum gap of two between the number of each gender.

### **2.1.2. Conditions related to the preparation and organisation of the Supervisory Board's activities**

#### *2.1.2.1. Responsibilities and powers of the Supervisory Board*

The Supervisory Board carries out permanent control of the management of the Company by the Executive Board and gives the latter the authorisations required for the conclusion of operations that the Executive Board cannot accomplish without its authorisation.

It appoints the members of the Executive Board and designates the President and possibly the general managers; it also sets their remuneration.

Without prejudice to powers granted by the law to the General Meeting, it can dismiss the members of the Executive Board.

At any time of the year, the Supervisory Board may perform the verifications and controls that it considers appropriate and request the documents that it deems useful for the fulfilment of its duties.

#### *2.1.2.2. Convening of the members of the Supervisory Board and the Statutory Auditors*

The Company prepares a provisional schedule of the Supervisory Board meetings during a given year for the following year.



In addition, the Company ensures that the members of the Supervisory Board are invited around seven days before a meeting is held, by email, and by letter with acknowledgement of receipt in the case of the Co-Statutory Auditors where required.

All of the documents, technical files and information required for the duties of all of the members of the Supervisory Board are submitted to them at the same time as the invitation.

In addition, the members of the Supervisory Board are notified of the confidentiality of the documents communicated to them, either within the documents themselves or within emails or other accompanying correspondence (recommendation no.1 of the Middlednext Code).

#### *2.1.2.3. Holding of meetings of the Supervisory Board and attendance rate*

The Board meets as often as required in the interests of the Company.

The members of the Executive Board are invited to each meeting of the Supervisory Board. During the 2018 financial year, all of the members of the Executive Board attended and participated in the various meetings of the Supervisory Board, participating within the remit of their particular field. The Co-Statutory Auditors are also invited to participate in the Supervisory Board's meetings concerning the examination of the half-yearly and annual financial statements.

An attendance sheet is signed by all of the members of the Supervisory Board present. During the last financial year, your Supervisory Board met six times: on 14 February 2018, 19 April 2018, 3 May 2018, 23 August 2018, 27 September 2018 and 13 November 2018. This frequency of meetings enabled in-depth examination and discussion of subjects falling within its remit.

The average attendance rate of the members of the Supervisory Board during the 2018 financial year was 91.67%. The Chairman chaired all of the meetings during 2018.

All of the Board's meetings are held at the Company's head office.

The articles of association allow the use of videoconferencing and telecommunication devices for the Board's meetings, other than those concerning the inspection of the annual financial statements and the examination of the management report.

However, it is preferable for the members to attend meetings in person. If they cannot be present in person, the member in question ensures that they can participate via videoconferencing or, if not, by telephone.

The table below shows the attendance rates per meeting of the members of the Supervisory Board during the 2018 financial year:

Meeting date	Attendance rate (member present)
14.02.2018	100%
19.04.2018	83.33%
03.05.2018	83.33%
23.08.2018	100%
27.09.2018	83.33%
13.11.2018	100%

#### *2.1.2.4. Purpose of the meetings*

During 2018, the Supervisory Board's substantial deliberations during the 2018 financial year primarily concerned:

- the half-yearly and annual consolidated financial statements;
- the budget for the 2018 financial year;
- the quarterly financial position as at 31 March and 30 September 2018;
- the renewal of the share buyback agreement;
- the annual examination of the regulated agreements;
- the renewal of the authorisation given to the Executive Board to grant sureties, endorsements and guarantees;
- the increase of the attendance fees budget;

- the distribution of the attendance fees;
- deliberations on professional and wage inequality;
- the main elements of the Company's policy on sustainable development and Corporate Social Responsibility.

#### *2.1.2.5. Independence and duty to speak*

Each member of the Supervisory Board must ensure that they retain their independence of judgement, decision and action. They undertake to not allow themselves to be influenced by factors other than the corporate interest of the Company, which they are required to uphold.

Each member of the Supervisory Board is required to notify to the Supervisory Board any item of which they become aware and which they believe is liable to adversely affect the corporate interest of the Company.

Each member of the Supervisory Board must voice their questions and opinion to ensure that the corporate interest of the Company is protected and must strive to guide the other members of the Supervisory Board towards making decisions that enable this corporate interest to be maintained on a continuous basis. In the event of a disagreement between the members during a meeting of the Supervisory Board, the dissenting member can ask for his position to be recorded in the meeting minutes.

#### *2.1.2.6. Independence and conflicts of interest*

Each member must strive to avoid any situation in which his own interests conflict with the corporate interest of the Company. He is required to inform the Supervisory Board as soon as he is aware of a potential conflict of interest situation, irrespective of its nature, and consequently to refrain from taking part in debates or voting on any related resolution.

The Supervisory Board conducts an annual review of the conflicts of interest, including potential conflicts of interest, of which it has been informed.

#### *2.1.2.7. Loyalty and good faith*

Each of the members of the Supervisory Board and the participants in its meetings must refrain from conducting themselves in a way that is liable to adversely affect the corporate interest of the Company, in any way whatsoever, and must act in good faith under all circumstances.

Each member of the Supervisory Board undertakes to apply all of the decisions adopted by the Supervisory Board that comply with applicable legislations and regulations.

#### *2.1.2.8. Confidentiality*

In accordance with the provisions of article L. 225-92 of the French Commercial Code, each of the members of the Supervisory Board and the participants in its meetings is required to uphold professional secrecy concerning the debates and deliberations of the Supervisory Board and its Committees, as well as any information that he may receive during the conduct of his duties.

Each of the members of the Supervisory Board and the participants in its meetings undertakes to never disclose such information outside of meetings of the Supervisory Board.

#### *2.1.2.9. Insider policy*

Each of the members of the Supervisory Board and the participants in its meetings must comply with the Company's policy on insider trading.

#### *2.1.2.10. Diligence*

By accepting his mandate, each member of the Supervisory Board undertakes to dedicate the necessary time, care and attention to his duties, in accordance with applicable legislations and regulations. Except in unavoidable circumstances, each member of the Supervisory Board must attend all meetings of the Supervisory Board and of the Committees to which he belongs.

Each member of the Supervisory Board must abandon his mandate if he believes he is unable to fulfil his duties in accordance with applicable legislations and regulations and/or internal regulations.

#### *2.1.2.11. Professionalism, self-assessment and protection*

Each member of the Supervisory Board must contribute to collegial and effective administration of the activities of the Supervisory Board and of any Committee. He must formulate any recommendation that is liable to improve the board's procedures.

Each member of the Supervisory Board is required to ensure that the Supervisory Board's deliberations are conducted in the corporate interest of the Company and recorded in the meeting minutes.

Each member of the Supervisory Board ensures that all of the information required to debate a subject on the agenda is obtained in a timely manner.

The Chairman of the Supervisory Board collects, once per year, the opinion of each of the members of the Supervisory Board regarding the functioning of the Board and of its Committees, as well as regarding the preparation of the Board's activities. The Chairman of the Supervisory Board ensures that the potential liability of the members of the Supervisory Board is duly assured and informs each of these members of the coverage put in place.

According to recommendation no.11 of the Middenex Code, the Supervisory Board must assess its work every year. This self-assessment was not conducted in 2018. An assessment based on a questionnaire sent to each of the members of the Supervisory Board is scheduled during the financial year.

#### *2.1.2.12. Code of stock market compliance*

The Company has enacted a Code of Stock Market Compliance, which is submitted to any person liable to have access to privileged information, including a reminder of the definition of privileged information, a description of the legal and regulatory provisions in effect, a schedule for the year notably including closed periods and information on penalties incurred.

#### *2.1.2.13. Committees*

The Supervisory Board may decide to create its own Committees in order to facilitate its proper functioning and effectively contribute to the preparation of its decisions.

The purpose of a Committee is to examine the questions and projects submitted to it by the Supervisory Board or its Chairman, prepare the activities and decisions of the Supervisory Board concerning these questions and projects, and report on its conclusions to the Supervisory Board in the form of reports, suggestions, opinions, information and recommendations.

The Committees conduct their duties under the Supervisory Board's responsibility. No Committee may handle, at its own initiative, questions that are not within the specific scope of its duties. The Committees do not have any decision-making powers.

#### *2.1.2.14. Service contract*

No service contract links the members of the Supervisory Board to the Company or to one of its subsidiaries.

## **2.2. The Executive Board**

### **2.2.1. Composition of the Executive Board**

The Executive Board must be comprised of a maximum of seven members. On the date on which the present report was prepared, the Executive Board was comprised of five natural person members appointed by the Supervisory Board and remunerated by the Company, all of whom were below the age of 70. The Executive Board is appointed for a three-year period. Any member of the Executive Board can be reappointed.

Concerning the composition of the Executive Board, it will be proposed to the Supervisory Board after the next General Meeting to renew the mandates of Messrs Mathieu Coutier, Jean-Louis Thomasset, Benoît Coutier, Nicolas Coutier and Frédéric Marier.

The members of the Executive Board are as follows:

Members of the Executive Board	Nationality	Age	Primary position	Date of first appointment	Date of reappointment	Date of mandate expiry
<b>Mathieu Coutier</b>	French	44	President	2009	29.06.2016	29.05.2019
<b>Jean-Louis Thomasset</b>	French	54	Vice-President - Financial VP	1998	29.06.2016	29.05.2019
<b>Benoît Coutier</b>	French	41	Member - Legal VP	20.12.2013	29.06.2016	29.05.2019
<b>Nicolas Coutier</b>	French	37	Member - Industrialisation & Standardisation VP	20.12.2013	29.06.2016	29.05.2019

<b>Frédéric Marier</b>	French	55	Member - Manufacturing Performance VP	10.02.2017	-	29.05.2019
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## 2.2.2. Executive Board operating rules

### 2.2.2.1. Responsibilities and powers of the Executive Board

The Executive Board is vested with the most extensive powers in respect of third parties to act under all circumstances on the Company's behalf, limited to the corporate purpose and subject to those that the law expressly attributes to the Supervisory Board and to the shareholder meetings, in accordance with the provisions of article 15 of the articles of association.

The Executive Board meets as often as required in the interests of the Company, when convened by its President or half of its members, at the head office or at any other location indicated in the invitation.

In 2018, the Executive Board met once per week on average.

The Executive Board prepares each of the files for the meetings of the Supervisory Board, ensuring that the position of each of the Group's activities during the previous quarter is presented in detail.

The Executive Board jointly studies and decides on the various investment projects that are presented to it by the operational teams.

The Executive Board also closes the half-yearly and annual financial statements, as well as the provisional management documents and the terms of the Group's management report, which are then submitted to the Supervisory Board for examination.

Lastly, the Executive Board decides on the Group's financial communication.

### 2.2.2.2. Confidentiality

In accordance with article L. 225-92 of the French Commercial Code, all of the members of the Executive Board and any other person who attends the Executive Board's meetings are bound by professional secrecy concerning the Executive Board's discussions and deliberations, as well as concerning information that they may receive in the course of their duties.

### 2.2.2.3. Compliance

All of the members of the Executive Board and any other person attending the Executive Board's meetings undertake to comply with the insider trading policy put in place by the Company. All of the members of the Executive Board are required to uphold, and ensure that others uphold, the commitments stated in the Company's Code of Ethics in respect of the activities of each of said members, or employees acting under their responsibility.

## 2.3. Specialised committees

### 2.3.1. Committees of the Supervisory Board

The Supervisory Board, in accordance with recommendation no.6 of the Middlednext Code, has formed, within the Board, committees intended to improve the functioning of the Board and to effectively contribute to the preparation of its decisions.

The Board has thereby formed the following permanent committees: the Audit Committee and the Remuneration Committee.

The committees have not established their own internal regulations.

#### 2.3.1.1. Audit Committee

##### 2.3.1.1.1. Composition of the Audit Committee

Since 29 June 2016, the Audit Committee has been comprised of four members appointed for the duration of their mandate as a member of the Supervisory Board.

The Audit Committee is comprised of:

Nicolas Job	Committee Chairman - Independent Member
Geneviève Coutier	
André Coutier	
Christophe Coutier	

#### 2.3.1.1.2. Operation of the Audit Committee

The Audit Committee fulfils the duties of a specialised committee that monitors questions concerning the preparation and control of the accounting and financial information pursuant to articles L. 823-19 and L. 823-20-4 of the French Commercial Code.

A report on each meeting of the Audit Committee is written and submitted to the members of the Supervisory Board.

During the 2018 financial year, the Audit Committee met twice, with a 100% attendance rate.

#### 2.3.1.1.3. Duty of the Audit Committee

The duty of the Audit Committee is to provide an independent perspective on the Group's risks, their management and their translation into financial information.

The Audit Committee conducts the activities stated in article L. 823-19 of the French Commercial Code.

As such, it notably assists the Supervisory Board in the following areas:

- The process of preparing financial information and, where applicable, formulating recommendations to guarantee the integrity of this information.
- A critical examination of the annual financial statements and the periodic information.
- Issuing a recommendation on the Statutory Auditors proposed for appointment.
- Monitoring the suitability of internal control in light of the perception of risks and the effectiveness of both internal and external auditing, and more generally, ensuring in these areas compliance with regulations and legal compliance, which are essential elements of the Group's reputation and valuation.
- Monitoring the Statutory Auditors' conduct of their assignment.
- The independence of the Statutory Auditors.
- The approval of the supply by the Statutory Auditors of services other than the certification of the financial statements.

The Audit Committee regularly reports to the Supervisory Board on the conduct of its duties.

During the financial year, the Audit Committee heard both the Statutory Auditors (including when the directors were not present) and the Internal Audit Manager.

The Audit Committee conducted fruitful dialogue with the Statutory Auditors during the preparation of the Statutory Auditors' report.

The Audit Committee's work met the objectives that it was given during the financial year, it being stated that since the audit was reformed, the Audit Committee's scope of work has increased.

#### 2.3.1.2. Remuneration Committee

##### 2.3.1.2.1. Composition

The Remuneration Committee is comprised of three members appointed for the duration of their mandate as a member of the Supervisory Board:

The Remuneration Committee is comprised of:

Nicolas Job	Independent member
André Coutier	
Christophe Coutier	

#### 2.3.1.2.2. Operation of the Remuneration Committee

A report on each meeting of the Remuneration Committee is written and submitted to the members of the Supervisory Board.

During the 2018 financial year, the Remuneration Committee met once, with a 100% attendance rate.

During this meeting, it primarily formulated proposals to the Supervisory Board regarding the achievement of the Executive Board's qualitative objectives in respect of the 2018 financial year and the amount of corresponding payments.

#### 2.3.1.2.3. Duty of the Remuneration Committee

The Remuneration Committee submits recommendations to the Supervisory Board at the beginning of the year regarding the remuneration of the Group's corporate officers for the current year and ensures the exhaustiveness, cohesion and balance of the various elements comprising said remuneration.

It proposes rules for determining the variable portion of the corporate officers' remuneration and verifies the application of the rules that it recommended if these were adopted by the Board.

It may also address the Group's general policy on the remuneration of the managers and all of the employees of the Group.

Furthermore, the Remuneration Committee is responsible for proposing the rules governing the distribution of attendance fees to the Board.

It is also tasked with examining every issue submitted to it by the Chairman of the Supervisory Board.

#### 2.3.1.3. The Executive Committee

In order to include the Group's managers in the strategic orientations, the Executive Board has created an Executive Committee comprised of the members of the Executive Board and of managers.

##### 2.3.1.3.1. Composition of the Executive Committee

The Executive Committee is comprised of:

Mathieu Coutier	President of the Executive Board
Jean-Louis Thomasset	Vice-President of the Executive Board - Financial VP
Benoît Coutier	Member of the Executive Board - Legal VP
Nicolas Coutier	Member of the Executive Board - Industrialisation and Standardisation VP
Frédéric Marier	Member of the Executive Board - Manufacturing Performance VP
Sébastien Boivin	Purchasing VP
Maxime Delorme	Operations VP
Huashan Feng	Operations VP
Thierry Foubert	Operations VP
Philippe Mao	Operations VP
Ludovic Mercier	Marketing and Sales VP
David Nielsen	Operations VP
Lee Richards	Business Development VP
Roger Sanchez	Operations VP

##### 2.3.1.3.2. Operation of the Executive Committee

The Executive Committee met twice per month on average during the 2018 financial year.



#### 2.3.1.3.3. Duty of the Executive Committee

The purpose of the Executive Committee is to assist the Executive Board by issuing opinions and recommendations on all projects, operations and measures submitted to it by the President of the Executive Board. It encourages the exchange and dissemination of best practices between the Group's areas of activity.

### 3. Remuneration and benefits of any kind due or paid to the corporate officers during the financial year ended 31 December 2018 – Rules adopted by the Supervisory Board to determine said remuneration and benefits

Pursuant to article L.225-37-3 of the French Commercial Code applicable by referral of article L.225-68 para. 6 of the French Commercial Code, we report to you below the details on the total remuneration and benefits of any nature paid by the Company during the financial year ended 31 December 2018, including in the form of the allocation of capital shares, debt securities or securities giving access to the capital or giving the right to the allocation of debt securities of the Company or of the companies stated in articles L. 228-13 and L. 228-93 of the French Commercial Code, it being stated that this section was established by referring to the Middenext Governance Code and prepared with the assistance of the Remuneration Committee.

We hereby state:

- that any member of the Executive Board or of the Supervisory Board is entitled, upon presentation of the corresponding supporting documentation, to travel expenses and expenses incurred during the conduct of his role and incurred in the interests of the Company; and
- that there is no commitment of any kind made by the Company for the benefit of its corporate officers, corresponding to remuneration items, gratuities or benefits due or liable to be due as a result of the commencement, cessation or change of role of one of the corporate officers subsequent to the conduct of this role, notably pension commitments, annuity benefits or similar items.

#### 3.1. Remuneration and benefits of any kind due or paid to the corporate officers

##### 3.1.1. Share subscription or purchase options exercised during the financial year ended 31 December 2018

None.

##### 3.1.2. Share subscription or purchase options allocated during the financial year ended 31 December 2018

None.

##### 3.1.3. Free shares awarded during the financial years ended 31 December 2018, 31 December 2017 and 31 December 2016

None.

##### 3.1.4. Free shares awarded during the financial years ended 31 December 2018, 31 December 2017, 31 December 2016 and linked to multi-annual performance

None.

##### 3.1.5. Free shares acquired during the 2018 financial year

None.

**3.1.6. Summary table of the remuneration of each member of the Executive Board during the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018**

(in euros)	2018 financial year		2017 financial year		2016 financial year	
	Due	Paid	Due	Paid	Due	Paid
<b>Mr Mathieu Coutier President of the Executive Board</b>						
Fixed remuneration <sup>(1)</sup>	400,800	400,800	238,743	238,743	225,780	225,780
Variable remuneration <sup>(2)</sup>	220,440	113,583	113,583	46,296	90,312	83,630
Benefits in kind <sup>(3)</sup>	2,121	2,121	2,478	2,478	2,463	2,463
<b>Total</b>	<b>623,361</b>	<b>516,504</b>	<b>354,804</b>	<b>287,517</b>	<b>318,555</b>	<b>311,873</b>
<b>Mr Jean-Louis Thomasset Vice-President of the Executive Board</b>						
Fixed remuneration <sup>(1)</sup>	144,000	144,000	24,658	24,658	24,450	24,450
Variable remuneration <sup>(2)</sup>	79,200	0	0	0	0	0
Benefits in kind <sup>(3)</sup>	0	0	15	15	0	0
Fees <sup>(4)</sup>	492,026	492,026	485,486	485,486	464,616	464,616
<b>Total</b>	<b>715,226</b>	<b>636,026</b>	<b>510,159</b>	<b>510,159</b>	<b>489,066</b>	<b>489,066</b>
<b>Mr Benoît Coutier Member of the Executive Board</b>						
Fixed remuneration <sup>(1)</sup>	354,000	354,000	148,761	148,761	127,886	127,886
Variable remuneration <sup>(2)</sup>	194,700	70,961	70,961	27,343	51,343	45,770
Benefits in kind <sup>(3)</sup>	2,393	2,393	2,408	2,408	1,795	1,795
<b>Total</b>	<b>551,093</b>	<b>427,354</b>	<b>222,130</b>	<b>178,512</b>	<b>181,024</b>	<b>175,451</b>
<b>Mr Nicolas Coutier Member of the Executive Board</b>						
Fixed remuneration <sup>(1)</sup>	354,000	354,000	145,803	145,803	119,997	119,997
Variable remuneration <sup>(2)</sup>	194,700	69,630	69,630	26,160	48,168	41,967
Benefits in kind <sup>(3)</sup>	2,393	2,393	2,408	2,408	1,795	1,795
<b>Total</b>	<b>551,093</b>	<b>426,023</b>	<b>217,841</b>	<b>174,371</b>	<b>169,960</b>	<b>163,759</b>

**Mr Frédéric Marier (\*)**  
**Member of the Executive Board**

Fixed remuneration in respect of his mandate <sup>(1)</sup>	354,000	354,000	21,948	21,948	N/A	N/A
Fixed remuneration in respect of his employment contract <sup>(1)</sup>	0	0	187,469	187,469	N/A	N/A
Variable remuneration in respect of his mandate contract <sup>(1)</sup>	194,700	0	0	0	N/A	N/A
Variable remuneration in respect of his employment contract <sup>(1)</sup>	0	38,863	81,211	71,416	N/A	N/A
Benefits in kind <sup>(3)</sup>	1,566	1,566	2,233	2,233	N/A	N/A
<b>Total</b>	<b>550,266</b>	<b>394,429</b>	<b>292,861</b>	<b>283,066</b>	<b>N/A</b>	<b>N/A</b>

(1) Pre-tax gross basis.

(2) The targets determining the award of the annual variable remuneration are based on quantitative criteria notably linked to the profitability of capital employed and quantitative criteria notably linked to customer satisfaction; these two criteria are assessed across the two halves of the financial year.

(3) Benefits in kind correspond to the provision of a passenger vehicle by the Company.

(4) The Company concluded an agreement concerning the provision of financial appraisal services and, on an ancillary basis, tax monitoring services, with the company ATF, of which Mr Jean-Louis Thomasset is a partner and majority manager.

**3.1.7. Remuneration of the Chairman of the Supervisory Board during the financial years ended 31 December 2018, 31 December 2017 and 31 December 2016**

(in euros)	2018 financial year		2017 financial year		2016 financial year	
	Due	Paid	Due	Paid	Due	Paid
<b>Mr André Coutier Chairman of the Supervisory Board</b>						
Fixed remuneration in respect of his mandate as Chairman of the Supervisory Board of the Company <sup>(1)</sup>	160,000	160,000	71,537	71,537	53,712	53,712
Attendance fees in respect of his mandate as Chairman of the Supervisory Board of the Company	24,000	24,000	9,320	9,320	9,232	9,232
Fixed remuneration in respect of his mandate as President of the Executive Board of COUTIER DEVELOPPEMENT <sup>(1)</sup>	144,000	144,000	161,040	161,040	160,461	160,461
Benefits in kind in respect of the role of President of the Executive Board of COUTIER DEVELOPPEMENT <sup>(2)</sup>	1,619	1,619	1,619	1,619	2,227	2,227
<b>Total</b>	<b>329,619</b>	<b>329,619</b>	<b>243,516</b>	<b>243,516</b>	<b>225,632</b>	<b>260,632</b>

(1) Pre-tax gross basis.

(2) Benefits in kind correspond to the provision of a passenger vehicle by the company COUTIER DEVELOPPEMENT.

### 3.1.8. Table of attendance fees paid to the members of the Supervisory Board

(in euros)	2018 financial year		2017 financial year		2016 financial year	
	Due	Paid	Due	Paid	Due	Paid
André Coutier	24,000	24,000	9,320	9,320	9,232	9,232
N.J. CONSULTING	24,000	24,000	9,320	9,320	9,232	9,232
Christophe Coutier representing COUTIER DEVELOPPEMENT	24,000	24,000	9,320	9,320	9,232	9,232
Geneviève Coutier	18,000	18,000	9,320	9,320	9,232	9,232
Emilie Coutier	12,000	12,000	9,320	9,320	9,232	9,232
Christophe Besse	12,000	12,000	-	-	-	-
Total	114,000	114,000	46,600	46,600	46,160	46,160

### 3.1.9. Principles and criteria governing the remuneration of the corporate officers adopted by the Supervisory Board

Every year, the Supervisory Board adopts, at the proposal of the Remuneration Committee, the remuneration of the President and members of the Executive Board and of the Chairman and members of the Supervisory Board.

During its meeting of 11 April 2019, the Supervisory Board adopted the following remuneration policy for the 2019 financial year.

This policy forms part of the remuneration policy approved by the Combined General Meeting of shareholders dated 30 May 2018, also taking into account, based on the specific characteristics of the Company, the recommendations of the Middledenext Corporate Governance Code.

In accordance with article L. 225-82-2 of the French Commercial Code, the General Meeting of Shareholders of 29 May 2019 will be called upon to vote on a proposed resolution (13th resolution) establishing as follows the principles and criteria for determining the remuneration of the President, Vice-President and members of the Executive Board.

The General Meeting of Shareholders of 29 May 2019 will also be called upon to vote on a proposed resolution (14th resolution) establishing as follows the principles and criteria for determining the remuneration of the Chairman and members of the Supervisory Board.

#### 3.1.9.1. Principles and criteria applicable to the President, Vice-President and members of the Executive Board (hereinafter the "Executive Corporate Officer").

All of the principles of the remuneration policy applicable to the Executive Corporate Officer in respect of the 2019 financial year are described below and can be applied in a similar fashion to each of the members of the Executive Board appointed in the future, where applicable.

The remuneration of the Executive Corporate Officer includes a fixed portion, an annual variable portion, a multi-annual variable portion and benefits in kind.

The fixed portion (hereinafter the "Fixed Portion") is submitted annually for review by the Remuneration Committee and to the Supervisory Board, which, by proposal of said Committee, decides whether to leave it unchanged or to alter it, notably relative to the market context, developments specific to the Company, changes to the remuneration of the Group's employees and the remunerations provided by comparable companies.

The annual variable portion (hereinafter the "Annual Variable Portion") is intended to reflect the Executive Board member's personal contribution to the Group's development. It is balanced relative to the Fixed Portion and limited to a share of the Fixed Portion. The targets determining the award of the Annual Variable Portion of the Executive Corporate Officer are based, in equal proportions, on quantitative criteria notably linked to the profitability of capital employed and quantitative criteria notably linked to customer satisfaction; these two criteria are assessed across the two halves of the financial year.

Based on the preceding, precise and demanding performance criteria are established each year by proposal of the Remuneration Committee and help to maintain a link between the Group's performance and the remuneration of the Executive Corporate Officer with a short-term outlook in mind.

The multi-annual variable portion (hereinafter the "Multi-Annual Variable Portion") is intended to reflect the Executive Corporate Officer's personal contribution with a medium and/or long-term outlook in mind and is assessed based on several consecutive financial years. The Multi-Annual Variable Portion is balanced relative to the Fixed Portion and limited to a share of the total amount of the Fixed Portion paid to the Executive Corporate Officer concerned over a benchmark period that may not be less than two financial years. The targets determining the award of the Multi-Annual Variable Portion of the Executive Corporate Officer are based on quantitative criteria linked notably to prospective revenue levels or any other performance indicator, alternative or otherwise, chosen by the Supervisory Board.

The award of the multi-annual variable remuneration to the Executive Corporate Officer will be assessed by the Supervisory Board during a meeting due to be held in 2020 in accordance with the extent to which the latter meets the targets set.

Pursuant to article L.225-100 of the French Commercial Code, the amount liable to be paid in respect of the multi-annual variable remuneration will first be approved by the General Meeting of shareholders due to be held in 2020 to approve the annual financial statements for the financial year ended 31 December 2019.

The Executive Corporate Officer may be provided with a company vehicle by the Company, which constitutes a benefit in kind.

Furthermore, the Executive Corporate Officer may benefit from the protection of collaborative social welfare and health care expense schemes that may be put in place within the Company and/or Group.

#### *3.1.9.2. Principles and criteria applicable to the Chairman, Vice-Chairman and members of the Supervisory Board*

All of the principles of the remuneration policy applicable to the members of the Supervisory Board in respect of the 2019 financial year and described below can be applied in a similar fashion to each of the members of the Supervisory Board appointed in the future, where applicable (including the Chairman and the Vice-Chairman of the Supervisory Board).

In accordance with article L.225-83 of the French Commercial Code, the members of the Supervisory Board will be entitled to the payment of attendance fees, the amount of which will be divided in accordance with the criteria established by the Supervisory Board, notably taking into account the attendance of each member and his/her participation in any committees already existing or to be created.

Furthermore, in addition to the amount of attendance fees to which the latter are entitled as members of the Supervisory Board, the Chairman of the Supervisory Board and the Vice-Chairman may, in accordance with article L. 225-81 para. 1 of the French Commercial Code, receive a fixed remuneration, the amount of which will be decided by the Supervisory Board, notably relative to the market context, developments specific to the Company, changes to the remuneration of the Group's employees and the remunerations provided by comparable companies.

#### **3.1.10. Remuneration items and benefits of any kind paid or allocated in respect of the last financial year to the Executive Corporate Officer and the Chairman of the Supervisory Board under their mandate (Say on Pay ex-post)**

The remuneration items paid or allocated in respect of 2018 pursuant to the principles and criteria approved by the Ordinary General Meeting of 30 May 2018 presented below are submitted for your approval in accordance with article L 225-100 of the French Commercial Code in resolutions 15 for Mathieu Coutier, 16 for Jean-Louis Thomasset, 17 for Benoît Coutier, 18 for Nicolas Coutier, 19 for Frédéric Marier and 20 for André Coutier.

We remind you that the payment of variable remuneration items to the Executive Corporate Officer will be subject to the approval by the Ordinary General Meeting of their remuneration items and benefits paid or allocated under their mandate in respect of the last financial year.



3.1.10.1. The remuneration items due or allocated to Mr Mathieu Coutier, President of the Executive Board, in respect of the 2018 financial year are as follows:

Remuneration items paid or allocated in respect of the financial year ended 31 December 2018 (Article R.225-56-1 of the French Commercial Code)	Amounts (in euros)	Comments
Annual fixed remuneration	400,800	
Multi-annual variable remuneration	10% of the total amount of the annual fixed remuneration paid during the period from 1 July 2016 to 31 December 2019	
Exceptional remuneration	None	
Attendance fees linked to the conduct of the mandate	None	
Allocations of share subscription or purchase options	None	
Free allocations of shares	None	
Remuneration, gratuities or benefits due or liable to be due as a result of taking office	None	
Commitments stated in the first and sixth paragraphs of article L. 225-90-1 of the French Commercial Code	None	
Remuneration items and benefits of any nature due or liable to be due, in respect of agreements concluded, directly or via an intermediary, as a result of his/her mandate, with the Company, any company that it controls, as defined by article L.233-16, any company that controls it, as defined by the same article, or any company placed under the same control as it, as defined by this article	None	
Any other remuneration item that can be awarded in respect of the mandate	None	
Benefits of any nature awarded in respect of the corporate appointment	None	
Annual variable remuneration	220,440	

3.1.10.2. The remuneration items due or allocated to Mr Jean-Louis Thomasset, Vice-President of the Executive Board, in respect of the 2018 financial year are as follows:

Remuneration items paid or allocated in respect of the financial year ended 31 December 2018 (Article R.225-56-1 of the French Commercial Code)	Amounts (in euros)	Comments
Annual fixed remuneration	144,000	
Multi-annual variable remuneration	10% of the total amount of the annual fixed remuneration paid during the period from 1 July 2016 to 31 December 2019	
Exceptional remuneration	None	
Attendance fees linked to the conduct of the mandate	None	
Allocations of share subscription or purchase options	None	
Free allocations of shares	None	
Remuneration, gratuities or benefits due or liable to be due as a result of taking office	None	
Commitments stated in the first and sixth paragraphs of article L. 225-90-1 of the French Commercial Code	None	
Remuneration items and benefits of any nature due or liable to be due, in respect of agreements concluded, directly or via an intermediary, as a result of his/her mandate, with the Company, any company that it controls, as defined by article L.233-16, any company that controls it, as defined by the same article, or any company placed under the same control as it, as defined by this article	None	
Any other remuneration item that can be awarded in respect of the mandate	None	
Benefits of any nature awarded in respect of the corporate appointment	None	
Annual variable remuneration	79,200	

3.1.10.3. The remuneration items due or allocated to Mr Benoit Coutier, member of the Executive Board, in respect of the 2018 financial year are as follows

Remuneration items paid or allocated in respect of the financial year ended 31 December 2018 (Article R.225-56-1 of the French Commercial Code)	Amounts (in euros)	Comments
Annual fixed remuneration	354,000	
Multi-annual variable remuneration	10% of the total amount of the annual fixed remuneration paid during the period from 1 July 2016 to 31 December 2019	
Exceptional remuneration	None	
Attendance fees linked to the conduct of the mandate	None	
Allocations of share subscription or purchase options	None	
Free allocations of shares	None	
Remuneration, gratuities or benefits due or liable to be due as a result of taking office	None	
Commitments stated in the first and sixth paragraphs of article L. 225-90-1 of the French Commercial Code	None	
Remuneration items and benefits of any nature due or liable to be due, in respect of agreements concluded, directly or via an intermediary, as a result of his/her mandate, with the Company, any company that it controls, as defined by article L.233-16, any company that controls it, as defined by the same article, or any company placed under the same control as it, as defined by this article	None	
Any other remuneration item that can be awarded in respect of the mandate	None	
Benefits of any nature awarded in respect of the corporate appointment	None	
Annual variable remuneration	194,700	

3.1.10.4. The remuneration items due or allocated to Mr Nicolas Coutier, member of the Executive Board, in respect of the 2018 financial year are as follows:

Remuneration items paid or allocated in respect of the financial year ended 31 December 2018 (Article R.225-56-1 of the French Commercial Code)	Amounts (in euros)	Comments
Annual fixed remuneration	354,000	
Multi-annual variable remuneration	10% of the total amount of the annual fixed remuneration paid during the period from 1 July 2016 to 31 December 2019	
Exceptional remuneration	None	
Attendance fees linked to the conduct of the mandate	None	
Allocations of share subscription or purchase options	None	
Free allocations of shares	None	
Remuneration, gratuities or benefits due or liable to be due as a result of taking office	None	
Commitments stated in the first and sixth paragraphs of article L. 225-90-1 of the French Commercial Code	None	
Remuneration items and benefits of any nature due or liable to be due, in respect of agreements concluded, directly or via an intermediary, as a result of his/her mandate, with the Company, any company that it controls, as defined by article L.233-16, any company that controls it, as defined by the same article, or any company placed under the same control as it, as defined by this article	None	
Any other remuneration item that can be awarded in respect of the mandate	None	
Benefits of any nature awarded in respect of the corporate appointment	None	
Annual variable remuneration	194,700	

3.1.10.5. The remuneration items due or allocated to Mr Frédéric Marier, member of the Executive Board, in respect of the 2018 financial year are as follows:

Remuneration items paid or allocated in respect of the financial year ended 31 December 2018 (Article R.225-56-1 of the French Commercial Code)	Amounts (in euros)	Comments
Annual fixed remuneration	354,000	
Multi-annual variable remuneration	10% of the total amount of the annual fixed remuneration paid during the period from 1 July 2016 to 31 December 2019	
Exceptional remuneration	None	
Attendance fees linked to the conduct of the mandate	None	
Allocations of share subscription or purchase options	None	
Free allocations of shares	None	
Remuneration, gratuities or benefits due or liable to be due as a result of taking office	None	
Commitments stated in the first and sixth paragraphs of article L. 225-90-1 of the French Commercial Code	None	
Remuneration items and benefits of any nature due or liable to be due, in respect of agreements concluded, directly or via an intermediary, as a result of his/her mandate, with the Company, any company that it controls, as defined by article L.233-16, any company that controls it, as defined by the same article, or any company placed under the same control as it, as defined by this article	None	
Any other remuneration item that can be awarded in respect of the mandate	None	
Benefits of any nature awarded in respect of the corporate appointment	None	
Annual variable remuneration	194,700	

3.1.10.6. The remuneration items due or allocated in respect of the financial year ended 31 December 2018 to Mr André Coutier, Chairman of the Supervisory Board, are presented below:

Remuneration items paid or allocated in respect of the financial year ended 31 December 2018 (Article R.225-56-1 of the French Commercial Code)	Amounts (in euros)	Comments
Annual fixed remuneration	160,000	
Attendance fees linked to the conduct of the mandate	24,000	
Any other remuneration item that can be awarded in respect of the mandate	None	

## 4. Delegations of powers granted to the Executive Board concerning capital increases and other authorisations given to the Executive Board

In accordance with the provisions of article L. 225-100, paragraph 7 of the French Commercial Code, we hereby inform you that no delegation of powers concerning capital increases was granted to the Executive Board by a General Meeting of Shareholders.

We hereby inform you that the delegations of powers granted to the Executive Board pursuant to articles L.225-129-1 and L.225-129-2 of the French Commercial Code are as follows:

### 4.1.1. Authorisation in effect

	Meeting date	Expiry	Maximum amount authorised
Treasury share buyback	30.05.2018 (9th resolution)	29.11.2019	50 euros per share 0.5% of capital

### 4.1.2. Authorisations put to the vote at the General Meeting of Shareholders of 29 May 2019

	Meeting date	Expiry	Maximum amount authorised
Treasury share buyback	29.05.2019 (21st resolution)	28.11.2020	50 euros per share 0.5% of capital
Delegation of powers to the Executive Board to increase the share capital, along with termination of the preferential subscription right, by issuing ordinary shares and/or investment securities, reserved for the members of a company savings plan	29.05.2019 (22nd resolution)	28.07.2020	3% of capital

## 5. Elements likely to have an impact in case of a public offer

In accordance with article L.225-100-3 of the French Commercial Code, we point out the following:

The capital structure and the known direct holdings in the capital of the Company are described above and below.

There was one concerted action as defined by article 233-10 of the French Commercial Code between the companies COUTIER DEVELOPPEMENT (a family holding company controlled by Mr André, Mr Roger, the heirs of Joseph Coutier and their family) and Mr André, Mr Roger and the heirs of Joseph Coutier, which represented 69.70% of the capital and 82.08% of the voting rights.

In addition, we remind you that the company COUTIER DEVELOPPEMENT, formerly COUTIER JUNIOR, and Messrs André and Roger Coutier reached an agreement on 24 May 1994 under which they decided to jointly act to implement a common shareholder policy with respect to the Company. This agreement was initiated under the regulatory declarations to the supervisory authorities emphasising the agreement's publication (SBF Notice no.94-2365 dated 29 July 1994). The duration of this shareholder pact is five years, renewable by tacit agreement for periods of five years each, provided that one of the parties does not terminate its involvement before the end of the period. In such an event, the members remaining in the pact would continue to be bound by the resulting obligations.

There are double voting rights since the General Meeting dated 25 June 2015.

Every crossing by section of 1% of the ownership of capital, whether increasing or decreasing, must be notified to the Company.

The Company's articles of association do not involve any other specification in terms of the rules of appointment and dismissal of the members of the Executive Board and the Supervisory Board and the rules governing the power management within these bodies.

The amendment of the Company's articles of association is initiated in accordance with the legal and regulatory provisions.



## 6. Additional information

### 6.1. Family ties between the corporate officers

The Company is majority-owned by a group of family shareholders. As a result, there is a family tie between certain members of the Executive Board and/or certain members of the Supervisory Board.

### 6.2. Absence of fraud convictions against members of the Executive Board or Supervisory Board

To the Company's knowledge, no member of the Executive Board or Supervisory Board has been the subject of a fraud conviction during the last five years.

### 6.3. Bankruptcy, sequestration or liquidation with which members of the Executive Board or Supervisory Board have been associated

To the Company's knowledge, none of the members of the Executive Board or Supervisory Board has been associated with a bankruptcy, sequestration or liquidation during the last five years.

### 6.4. Official public accusation and/or penalty against the members of the Executive Board or Supervisory Board

To the Company's knowledge, no member of the Executive Board or Supervisory Board has been the subject of an official public accusation or penalty issued by statutory or regulatory authorities (including designated industry organisations) during the last five years.

### 6.5. Prohibition on serving as a corporate officer or involvement in the management or the conduct of business of an issuer

To the Company's knowledge, no member of the Executive Board or Supervisory Board has been prevented by a court from serving as a member of an administrative, management or supervisory body of an issuer or from involvement in the management or conduct of business of an issuer during the last five years.

### 6.6. Conflicts of interest at the level of the management and supervisory bodies

To the Company's knowledge, on the day on which the present report was prepared, no conflict of interest was identified between the duties of each of the members of the Executive Board or Supervisory Board regarding the Company in their role as a corporate officer and their private interests or other duties.

### 6.7. Restrictions on the transfer of shares

To the Company's knowledge, no restriction has been accepted by a member of the Executive Board or Supervisory Board concerning the disposal, for a certain period, of his interest in the Company's share capital.

### 6.8. Agreements reached between a director or a significant shareholder and a subsidiary

During the financial year, concluded agreements falling under the scope of article L.225-37-4 2° of the French Commercial Code are as follows:

- The lease between the company COUTIER DEVELOPPEMENT and the company AVON AUTOMOTIVE DEUTSCHLAND GMBH.
- The lease between the company COUTIER DEVELOPPEMENT and the company CADILLAC RUBBER AND PLASTICS INC.
- The lease between the company COUTIER DEVELOPPEMENT LCC and the company AVON AUTOMOTIVE HOLDING INC.

## 7. Table of Middlednext recommendations not fully applied

The Company indicates that it does not abide by the following recommendations of said Code:

Recommendations	Non-conformities	Reasons
R°2	The Supervisory Board only has one independent member.	The Supervisory Board has, as at 31.12.2018, one single independent member of the Supervisory Board. This recommendation was previously dismissed, as it was not very applicable to the Company's situation given its mostly family reference shareholdings.
R°7	The Company does not yet have internal regulations.	The preparation of these internal regulations is already being examined by the Company's Supervisory Board.
R°9	The renewal of the mandates of the Supervisory Board's members is not staggered.	This recommendation was previously dismissed, as it was not very applicable to the Company's situation given its mostly family reference shareholdings.
R°11	The Supervisory Board has not conducted an annual assessment of its functioning and its work.	An assessment based on a questionnaire sent to each of the members of the Supervisory Board is scheduled during the financial year.

## 8. Observations by the Supervisory Board regarding the management report prepared by the Executive Board and the 2018 financial statements

Ladies and Gentlemen,

Invited to the Combined General Meeting in accordance with the law and the articles of association, notably in order to submit to you for your approval the financial statements for the last financial year, you have familiarised yourselves with the reports by the Executive Board and the reports by the Statutory Auditors on the financial year ended 31 December 2018.

In accordance with the provisions of article L. 225-68 of the French Commercial Code, we bring to your attention our observations concerning the management report by the Executive Board and the financial statements for the financial year ended 31 December 2018.

Furthermore, we bring to your attention the purpose of the work of the Supervisory Board, as presented on [page 48 \(2.1. The Supervisory Board\)](#) of the annual report.

First and foremost, the Board kindly informs you of the well-maintained relationship during the financial year with the Executive Board, which regularly circulates its activity reports and all of the required information enabling the Supervisory Board to accomplish with all due diligence its duty of permanent control.

Note that the corporate and consolidated financial statements for the financial year ended 31 December 2018 and the management report were submitted to the Supervisory Board within the timeframes set forth in the legal and regulatory provisions.

As such, the Executive Board, during the Supervisory Board meeting of 11 April 2019, presented to us the financial statements for the 2018 financial year, the consolidated financial statements and the management report prepared based on the financial statements and transactions during the financial year ended 31 December 2018.

Having heard the management reports and examined the corporate and consolidated financial statements for the financial year, the members of the Supervisory Board have no particular observation to make, either regarding the management report by the Executive Board or the corporate and consolidated financial statements for the financial year ended 31 December 2018.

The financial statements for the financial year ended 31 December 2018 show the following key items:

(in thousands of Euros)	Consolidated financial statements	Corporate financial statements
Balance sheet total	806,927	485,491
Revenue	1,062,170	408,585
Income for the financial year	61,796	(7,344)

During this financial year, activity was notably marked by:

- The generation of record revenue despite the decline in diesel engines in Europe;
- The continuation of actions regarding organisation, systems and efficiency;
- The recognition of an exceptional provision for warranty returns;
- A less favourable external environment (notably regarding foreign exchange rates and changes in the prices of several commodities and components);
- A persistently very high level of investments, despite being in decline compared with 2017.

The target communicated by the Executive Board for the 2020 financial year (revenue of around €1.2 billion) is ambitious but achievable.

The Board has considered the proposed resolutions submitted to the General Meeting and the Board invites you to approve them in order to give the Executive Board the necessary means to conduct its strategy.

The financial statements for the financial year ended 31 December 2018, as they have been presented to you after being examined by the Audit Committee and certified by the Statutory Auditors, do not call for any observation by the Supervisory Board.

The members of the Supervisory Board also ask you to approve the agreements and commitments stated in article L. 225-86 of the French Commercial Code, regularly authorised. Your Statutory Auditors have been regularly informed of these agreements. They will now present them to you and read you their special report.

The Supervisory Board  
Mr André Coutier  
Chairman of the Supervisory Board

## LIST OF MANDATES, POSITIONS AND BUSINESS ADDRESSES OF THE SUPERVISORY BOARD AND EXECUTIVE BOARD AS AT 31 DECEMBER 2018

### 1. List of the mandates and positions of the members of the Supervisory Board as at 31 December 2018

#### 1.1. Mr André Coutier

##### Positions:

Chairman and member of the Supervisory Board  
Member of the Audit Committee  
Member of the Remuneration Committee

##### Business address:

975, route des Burgondes  
01410 Champfromier

##### Current mandates:

##### *French companies*

##### *Positions*

COUTIER DEVELOPPEMENT  
Limited Company with an Executive Board and  
Supervisory Board (France)

President and member of the Executive Board

COFA2M SAS (France)

Chief Executive Officer

COFA2B SAS (France)

Chief Executive Officer

FOREX SAS (France)

Chief Executive Officer

PEP VALORISATION

Permanent representative of the Company AKWEL in his  
role as Executive Director

##### *Foreign companies*

##### *Positions*

AVON AUTOMOTIVE HOLDING Inc  
(United States)

Executive Director

AVON AUTOMOTIVE AS (Czech Republic)

Member of the Supervisory Board

MGI COUTIER ITALIA SRL (Asti - Italy)

Chairman of the Board of Directors

##### Mandates and positions expired during the last five financial years:

Executive Director of the company COUTIER DEVELOPPEMENT (formerly COUTIER JUNIOR)  
President of the Executive Board of the company AKWEL (formerly MGI COUTIER)  
Chairman of the Board of Directors of the company MGI COUTIER ESPANA  
Chairman of the Board of Directors of the company MGI COUTIER ROM (Romania)  
Representative of MGI COUTIER UK (United Kingdom) in his role as Executive Director  
Chairman of the Board of Directors of the company MGI COUTIER MEJICO SA DE CV (Mexico)  
Executive Director and Vice-Chairman of the Board of Directors of the company AKWEL BURSA TURKEY  
OTOMOTIVE (formerly MGI COUTIER MAKINA YEDEK PARÇA IMALAT VE SANAYI) (Turkey)

#### 1.2. Ms Geneviève Coutier

##### Positions:

Member of the Supervisory Board  
Member of the Audit Committee

##### Business address:

975, route des Burgondes  
01410 Champfromier

##### Current mandates: None

##### Mandates and positions expired during the last five financial years: None

### 1.3. Ms Emilie Coutier

#### Positions:

Member of the Supervisory Board

#### Business address:

975, route des Burgondes  
01410 Champfromier

#### Current mandates:

##### ***French companies***

##### ***Positions***

COUTIER DEVELOPPEMENT  
Limited Company with an Executive Board and  
Supervisory Board (France)

Permanent representative of the company COFA2E, in  
her role as a member of the Supervisory Board

COFA2E SAS (France)

Chairwoman

**Mandates and positions expired during the last five financial years:** None

### 1.4. COUTIER DEVELOPPEMENT

#### Positions:

Member of the Supervisory Board.

#### Business address:

975, route des Burgondes  
01410 Champfromier

**Current mandates:** None

**Mandates and positions expired during the last five financial years:** None

### 1.5. Mr Christophe Coutier

#### Positions:

Permanent representative of the Company  
COUTIER DEVELOPPEMENT

975, route des Burgondes  
01410 Champfromier

Member of the Audit Committee

Member of the Remuneration Committee

#### Current mandates:

##### ***French companies***

##### ***Positions***

COUTIER DEVELOPPEMENT  
Limited Company with an Executive Board and  
Supervisory Board (France)

Member of the Executive Board

COFA2C SAS (France)

President

FOREX SAS (France)

President

GFFM Groupement Forestier

Manager

##### ***Foreign companies***

##### ***Positions***

COUTIER DEVELOPMENT LCC (United States)

Chairman

AVON AUTOMOTIVE AS (Czech Republic)

Executive Director

**Mandates and positions expired during the last five financial years:** None.

Member of the Executive Board of the company AKWEL (formerly MGI COUTIER)  
Executive Director of the company COUTIER DEVELOPPEMENT (formerly COUTIER JUNIOR)

## 1.6. NJ CONSULTING

### Positions:

Member of the Supervisory Board

### Business address:

11, chemin des anciennes vignes  
69410 Champagne au mont d'or

**Current mandates:** None

**Mandates and positions expired during the last five financial years:** None

## 1.7. Mr Nicolas Job

### Positions:

Permanent representative of the company NJ  
CONSULTING  
Chairman and member of the Audit Committee.  
Member of the Remuneration Committee.

### Business address:

11, chemin des anciennes vignes  
69410 Champagne au mont d'or

**Current mandates:**

### ***French companies***

### ***Positions***

NJ CONSULTING

Manager

**Mandates and positions expired during the last five financial years:** None

## 1.8. Mr Christophe Besse

### Positions:

Member of the Supervisory Board  
Preliminary Project Engineer

### Business address:

AKWEL – 41/43, Avenue Emile Zola  
26100 Romans sur Isère

**Current mandates:** None

**Mandates and positions expired during the last five financial years:** None



## 2. List of the mandates and positions of the members of Executive Board as at 31 December 2018

### 2.1. Mr Mathieu Coutier

Positions:	Business address:
President and member of the Executive Board	975, route des Burgondes 01410 Champfromier
Current mandates:	
<i>French companies</i>	<i>Positions</i>
COUTIER DEVELOPPEMENT Limited Company with an Executive Board and Supervisory Board (Champfromier)	Member of the Executive Board
AVON POLYMERES FRANCE SAS (Vannes)	Representative of the Company AKWEL, in his role as President
COFA2M SAS (Champfromier)	President
SCI DU PAYS DE BRAY SUD (Champfromier)	Representative of the Company AKWEL, in his role as sole partner
<i>Foreign companies</i>	<i>Positions</i>
AVON AUTOMOTIVE HOLDING INC (United States)	Executive Director and President
AVON AUTOMOTIVE DEUTSCHLAND GMBH (Germany)	Executive Director
AVON AUTOMOTIVE AS (Czech Republic)	Member of the Executive Board
INDUSTRIAL FLEXO SL (Spain)	Executive Director and President
AVON AUTOMOTIVE SANYI TICARET SL (Turkey)	Executive Director
AUTOTUBE AB AKTIEBOLAG (Sweden)	Executive Director and President
AUTOTUBE GROUP HOLDING AKTIEBOLAG (Sweden)	Executive Director and President
MGI COUTIER UK LTD (United Kingdom)	Permanent representative of the Company AKWEL, itself an Executive Director
AKWEL BURSA TURKEY OTOMOTIVE A.S. (formerly MGI COUTIER MAKINA YEDEK PARCA IMALAT VE SANAYI A.S) (Turkey)	Vice-President and Executive Director
MGI COUTIER ROM SRL (Romania)	Executive Director
NINGBO MGI COUTIER AUTO PLASTICS CO LTD (China)	Executive Director
WUHAN MGI COUTIER AUTO PARTS CO LTD (China)	Executive Director
MGI COUTIER MEJICO (Mexico)	Executive Director
AVON AUTOMOTIVE JAPAN CO.LTD (Japan)	Executive Director
AVON AUTOMOTIVE COMPONENTS CHONGQING CO.LTD (China)	President and Executive Director
GOLD SEAL AVON POLYMERS PRIVATE LIMITED LTD (India)	Executive Director
PETROL AUTOMOTIVE HOLDINGS Inc (United States)	President and Executive Director
MGI COUTIER ILIA CO PJS (Iran)	Executive Director
CADIMEX SA DE CV (Mexico)	President, Executive Director and Officer
CADILLAC RUBBER & PLASTICS DE MEXICO SA DE	Executive Director and Officer (Treasurer)

CV) (United States)

**Mandates and positions expired during the last five financial years:**

Executive Director of the company COUTIER DEVELOPPEMENT (formerly COUTIER JUNIOR)  
Chairman of the Board Of Directors of WUHAN MGI COUTIER AUTO PARTS CO LTD (China)

## 2.2. Mr Jean-Louis Thomasset

**Positions:**

Vice-President and member of the Executive Board

**Business address:**

975, route des Burgondes  
01410 Champfromier

**Current mandates:**

**French companies**

ATF SARL (Lyon)

**Positions**

Manager

**Foreign companies**

AUTOTUBE AB (Sweden)

Executive Director

AVON AUTOMOTIVE AS (Czech Republic)

Member of the Supervisory Board

MGI COUTIER ESPANA SL (Spain)

Executive Director and Vice-President

**Mandates and positions expired during the last five financial years:**

Executive Director of the company WUHAN MGI COUTIER AUTO PARTS CO LTD (China)  
Executive Director of the company AKWEL BURSA TURKEY OTOMOTIVE (formerly MGI COUTIER MAKINA YEDEK PARÇA IMALAT VE SANAYI) (Turkey)

## 2.3. Mr Benoît Coutier

**Positions:**

Member of the Executive Board

**Business address:**

975, route des Burgondes  
01410 Champfromier

**Current mandates:**

**French companies**

COUTIER DEVELOPPEMENT  
Limited Company with an Executive Board and Supervisory Board (France)

Member of the Executive Board

COFA2B SAS (France)

Chairman

**Foreign companies**

MGI COUTIER BRASIL LDA (Brazil)

Manager – Director

MGI COUTIER ROM SRL (Romania)

President and Executive Director

MGI COUTIER ILIA CO PJS (Iran)

Permanent representative of the Company AKWEL in his role as Executive Director

NINGBO MGI COUTIER AUTO PLASTICS CO LTD (China)

Executive Director

MGI COUTIER MEJICO SA DE CV (Mexico)

President and Executive Director

AKWEL RAYONG (THAILAND) CO, LTD  
(formerly MGI COUTIER THAILAND CO LTD)  
(Thailand)

Executive Director

WUHAN MGI COUTIER AUTO PARTS CO Ltd (China)

Executive Director

GOLD SEAL AVON POLYMERS PVT LTD (India)	Executive Director
MGI COUTIER UK CO LTD (United Kingdom)	Executive Director
AUTOTUBE AB (Sweden)	Executive Director
MGI COUTIER ENGINEERING PVT LTD (India)	Executive Director
AKWEL BURSA TURKEY OTOMOTIV AS (formerly MGI COUTIER MAKINA YEDEK PARÇA IMALAT VE SANAYI AS) (Turkey)	Executive Director
AKWEL TONDELA (PORTUGAL), LDA (formerly AVON AUTOMOTIVE LDA) (Portugal)	Manager
MGI COUTIER FINANCE LTD (United Kingdom)	Executive Director
INDUSTRIAL FLEXO SL (Spain)	Executive Director
AVON AUTOMOTIVE JAPAN) (Japan)	Executive Director
AVON AUTOMOTIVE CHONGQING CO LTD (China)	Executive Director
AVON AUTOMOTIVE HOLDINGS INC (MI, United States)	Officer: secretary
CADIMEX SA DE CV (Mexico)	Vice-President and Executive Director
AKWEL VIDIN (Bulgaria) EOOD (formerly MGI COUTIER BULGARIA EOOD) (Bulgaria)	Manager
<b>Mandates and positions expired during the last five financial years:</b>	
Executive Director of the company COUTIER DEVELOPPEMENT (formerly COUTIER JUNIOR)	

## 2.4. Nicolas Coutier

Positions:	Business address:
Member of the Executive Board	975, route des Burgondes 01410 Champfromier
Current mandates:	
<i>French companies</i>	<i>Positions</i>
COUTIER DEVELOPPEMENT Limited Company with an Executive Board and Supervisory Board (France)	Member of the Executive Board
COFA2N SAS (France)	President
<i>Foreign companies</i>	<i>Positions</i>
MGI COUTIER ESPANA SL (Spain)	Executive Director
MGI COUTIER ENGINEERING PVT LTD (India)	Executive Director
AUTOTUBE AB (Sweden)	Executive Director
<b>Mandates and positions expired during the last five financial years: None</b>	
Executive Director of the company COUTIER DEVELOPPEMENT (formerly COUTIER JUNIOR) Executive Director of the company MEIPL (India) Manager of the company MGI COUTIER LUSITANIA UNIPessoal LDA (Portugal) Executive Director of the company GOLD SEAL AVON POLYMERS (India)	

## 2.5. Mr Frédéric Marier

### Positions:

Member of the Executive Board

### Business address:

975, route des Burgondes  
01410 Champfromier

**Current mandates:** None

**Mandates and positions expired during the last five financial years:** None

# **FINANCIAL STATEMENTS - AKWEL GROUP**

## CONSOLIDATED BALANCE SHEET

*As at 31 December 2018  
(in thousands of Euros)*

ASSETS	Notes no.	31.12.2018 Net amounts	31.12.2017 Net amounts
Goodwill	<u>7.</u>	46,711	51,537
Other intangible assets	<u>8.</u>	1,141	1,287
<b>Intangible assets</b>		<b>47,852</b>	<b>52,824</b>
Land		18,226	15,783
Buildings		69,229	62,044
Equipment		143,366	113,013
Other tangible assets		9,916	9,663
Assets under construction, advance and progress payments		43,051	44,068
<b>Property, Plant &amp; Equipment</b>	<u>9.</u>	<b>283,788</b>	<b>244,571</b>
Non-current financial assets	<u>10.</u>	3,219	752
Deferred tax assets	<u>11.</u>	8,655	8,825
<b>Total non-current assets</b>		<b>343,514</b>	<b>306,972</b>
Inventory	<u>12.</u>	136,617	125,397
Trade accounts receivable and other assets linked to customer contracts	<u>13.</u>	183,303	174,723
Non-trade receivables	<u>14.</u>	50,793	39,578
Cash and cash equivalents	<u>17.</u>	92,700	108,191
<b>Total current assets</b>		<b>463,413</b>	<b>447,889</b>
Assets held for sale	<u>19.</u>	-	-
<b>Total assets</b>		<b>806,927</b>	<b>754,861</b>



<b>LIABILITIES</b>	<b>Notes no.</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Share capital	<u>15.</u>	21,393	21,393
Revaluation adjustment for land		2,333	2,333
Reserves and retained earnings		368,259	300,738
Interim dividends		-	-
<b>Group share of financial year profit</b>		<b>61,106</b>	<b>84,847</b>
<b>Group share of shareholders' equity</b>		<b>453,091</b>	<b>409,311</b>
<b>Minority interests</b>		<b>941</b>	<b>137</b>
<b>Shareholders' equity</b>		<b>454,032</b>	<b>409,448</b>
Long-term provisions	<u>16.</u>	10,346	13,690
Medium and long-term financial debts	<u>17.</u>	86,409	86,586
Deferred tax liabilities	<u>11.</u>	5,164	5,748
<b>Total non-current liabilities</b>		<b>101,919</b>	<b>106,024</b>
Current provisions	<u>16.</u>	37,232	23,188
Financial debts falling due within one year	<u>17.</u>	46,886	46,954
Trade accounts payable		121,349	122,318
Other creditors	<u>18.</u>	45,509	46,929
<b>Total current liabilities</b>		<b>250,976</b>	<b>239,389</b>
Liabilities held for sale	<u>19.</u>	-	-
<b>Total liabilities</b>		<b>806,927</b>	<b>754,861</b>

## CONSOLIDATED INCOME STATEMENT

*As at 31 December 2018*  
*(in thousands of Euros)*

	Notes No.	31/12/2018 (12 months)	31/12/2017 (12 months)
<b>REVENUE</b>	<u>3.</u>	<b>1,062,170</b>	<b>1,024,225</b>
Change in the inventory stocked		8,209	15,759
Quantities consumed		(494,164)	(472,223)
Other external expenses		(142,060)	(133,904)
<b>VALUE ADDED</b>		<b>434,155</b>	<b>433,857</b>
Taxes and dues		(7,060)	(6,631)
Payroll and temporary staffing expenses		(302,492)	(281,943)
<b>GROSS OPERATING SURPLUS</b>		<b>124,603</b>	<b>145,283</b>
Amortisation allowances		(34,725)	(30,312)
Provisions/net write-back of provisions		(12,452)	178
<b>CURRENT OPERATING INCOME</b>	<u>3.</u>	<b>77,426</b>	<b>115,149</b>
Other net non-current profits (charges)	<u>4.</u>	(4,315)	211
<b>OPERATING INCOME</b>		<b>73,111</b>	<b>115,360</b>
<i>Income from cash and cash equivalents</i>		152	725
<i>Cost of gross financial debt</i>		(2,331)	(2,586)
<b>Cost of net financial debt</b>	<u>5.</u>	<b>(2,179)</b>	<b>(1,861)</b>
Other financial income (and charges)	<u>5.</u>	55	31
Current and deferred taxes	<u>6.</u>	(9,191)	(28,560)
Proportionate interest of the affiliated companies in the profit or loss		-	-
<b>NET INCOME FROM CONTINUING OPERATIONS</b>		<b>61,796</b>	<b>84,970</b>
Income after tax from discontinued operations or operations held for sale		-	-
<b>NET INCOME</b>		<b>61,796</b>	<b>84,970</b>
* of which consolidated Group share		61,106	84,847
* of which share accruing to minority interests		690	123
<b>Group share of net income per share (in euros)</b>		<b>2.29</b>	<b>3.17</b>
<b>Diluted Group share of net income per share (in euros)</b>		<b>2.29</b>	<b>3.17</b>

## STATEMENT OF NET INCOME AND GAINS AND LOSSES RECOGNISED DIRECTLY UNDER SHAREHOLDERS' EQUITY

*As at 31 December 2018  
(in thousands of Euros)*

	31/12/2018	31/12/2017
<b>NET INCOME</b>	<b>61,796</b>	<b>84,970</b>
Translation differences	(10,079)	(29,092)
Actuarial differences on retirement commitments net of tax	473	(484)
OCI – Impairment of BIONNASSAY securities	(712)	-
<b>PROFITS AND LOSSES RECORDED UNDER SHAREHOLDERS' EQUITY</b>	<b>(10,318)</b>	<b>(29,576)</b>
<b>COMPREHENSIVE INCOME</b>	<b>51,478</b>	<b>55,394</b>
* of which consolidated Group share	50,814	55,303
* of which share accruing to minority interests	664	91

Clarification: all of the components of the other items of comprehensive income are intended to be recycled under income, with the exception of actuarial gains and losses linked to long-term employee benefits. Note, under other comprehensive income, the absence of a change in the fair value of financial assets recyclable under income.

## CONSOLIDATED CASH FLOW STATEMENT

*As at 31 December 2018  
(in thousands of Euros)*

	Notes No.	31/12/2018 (12 months)	31/12/2017 (12 months)
<b>NET INCOME</b>		<b>61,796</b>	<b>84,970</b>
Goodwill amortisation allowances		4,990	-
Amortisation allowances		34,725	30,312
Capital gains/losses on asset transfers		(195)	(6)
Changes in provisions		11,527	(1,559)
Elimination of income from companies treated using the equity method		-	-
<b>SELF-FINANCING</b>		<b>112,843</b>	<b>113,717</b>
Change in other short-term assets and liabilities		(39,467)	(28,614)
<b>CHANGE IN CASH FROM OPERATING OPERATIONS</b>		<b>73,376</b>	<b>85,103</b>
Acquisitions of tangible and intangible fixed assets		(76,998)	(87,253)
Acquisitions of financial fixed assets		(3,287)	(90)
Transfers of fixed assets		700	995
Effect of variations in the scope of business	<u>26.</u>	-	4
<b>CASH FLOW VARIATION INITIATED FROM INVESTMENTS</b>		<b>(79,585)</b>	<b>(86,344)</b>
Dividend distribution		(8,021)	(8,021)
Variation of indebtedness	<u>17.</u>	47	5,969
<b>CASH FLOW VARIATION INITIATED FROM FUNDING</b>		<b>(7,974)</b>	<b>(2,052)</b>
Impact of foreign exchange variations		(1,038)	(3,320)
<b>NET CASH FLOW VARIATION</b>		<b>(15,221)</b>	<b>(6,613)</b>
<b>CASH FLOW AT OPENING</b>		<b>107,358</b>	<b>113,975</b>
<b>CASH FLOW AT CLOSING</b>	<u>17.</u>	<b>92,137</b>	<b>107,358</b>

## VARIATION IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in thousands of Euros)

	Capital	Bonuses	Reserves	Gains and losses recognised under shareholders' equity	Total Group share	Minority interests	Total
<b>Shareholders' equity at 31 December 2016</b>	<b>21,393</b>	<b>9,704</b>	<b>330,699</b>	<b>371</b>	<b>362,167</b>	<b>(18)</b>	<b>362,149</b>
Income for the 2017 financial year	-	-	84,847	-	84,847	123	84,970
Gains and losses recognised under shareholders' equity	-	-	-	(29,544)	(29,544)	(32)	(29,576)
<b>S/Total global P/L</b>	<b>-</b>	<b>-</b>	<b>84,847</b>	<b>(29,544)</b>	<b>55,303</b>	<b>91</b>	<b>55,394</b>
Dividend distribution	-	-	(8,021)	-	(8,021)	-	(8,021)
Other variations	-	-	-	(138)	(138)	64	(74)
<b>Shareholders' equity at 31 December 2017</b>	<b>21,393</b>	<b>9,704</b>	<b>407,525</b>	<b>(29,311)</b>	<b>409,311</b>	<b>137</b>	<b>409,448</b>
Income for the 2018 financial year	-	-	61,106	-	61,106	690	61,796
Gains and losses recognised under shareholders' equity	-	-	-	(10,053)	(10,053)	(26)	(10,079)
OCI	-	-	-	(239)	(239)	-	(239)
<b>S/Total global P/L</b>	<b>-</b>	<b>-</b>	<b>61,106</b>	<b>(10,292)</b>	<b>50,814</b>	<b>664</b>	<b>51,478</b>
Dividend distribution	-	-	(8,021)	-	(8,021)	-	(8,021)
Other variations	-	-	-	987	987	140	1,127
<b>Shareholders' equity at 31 December 2018</b>	<b>21,393</b>	<b>9,704</b>	<b>460,610</b>	<b>(38,616)</b>	<b>453,091</b>	<b>941</b>	<b>454,032</b>

The amount of dividends proposed for distribution during the next Combined General Meeting of 29 May 2019 is €8,022,312.

## APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

### 1. Accounting rules and methods

The Group's consolidated financial statements were closed by the Executive Board on 8 April 2019.

#### 1.1. Key events during the last financial year

Over the last financial year, the major activities of the organisation are displayed hereafter:

- Record revenue (both in terms of consolidated revenue and Products & Functions revenue).
- The Cooling product line became the Group's largest in terms of activity.
- Fifteen sites posted record revenue levels (there were already 19 in 2017).
- Termination of the proposed plant in Bulgaria.
- Start-up or ramp-up of five sites (two in China, one in Thailand, one in Morocco and one in Mexico).
- Sharp decline on the Chinese automotive market at the end of the financial year.
- Increase in the purchase price of several raw materials partially reflected in sale prices.
- Supply difficulties concerning certain raw materials and components, causing significant additional logistics and/or manufacturing costs.
- Recruitment difficulties at certain sites, causing significant cost overruns (use of overtime, payment of a one-time bonus, etc.).
- Recognition of a provision for warranty returns primarily during the fourth quarter of an exceptional amount of €23.0 million.
- Increase in resources dedicated to manufacturing linked to the number of new projects and the aim to internalise certain skills.
- Start-up of the Group ERP system on 1 July on the Cadillac (US) and Juárez (Mexico) sites (a total of 30 sites have already migrated since the project launched).
- Regionalisation of the Product Lines teams and resources since 1 September.
- Further division of the regional industrial departments into six regions, versus four previously (new organisation effective as of 1 January 2019).
- Change of name in May (MGI COUTIER became AKWEL).
- Acquisition of a minority stake in BIONNASSAY M&P TECHNOLOGY, a holding company for acquiring the assets of the companies FRANK & PIGNARD and PRECIALP.
- Non-financial investments down compared to the record level during the 2017 financial year but remained at a high level.
- Acquisition in December of the land and buildings on the Vigo site in Spain, previously leased (the Vigo plant being one of the Group's three largest by revenue).

#### 1.2. Declaration of conformity

Pursuant to the European regulations 1606/2002 and 1725/2003, the consolidated financial statements of the Group are prepared in compliance with international accounting standards applicable within the European Union on 31 December 2018. The international accounting standards include the IFRS (International Financial Reporting Standards), the IAS (International Accounting Standards), the amendments and their SIC and IFRIC interpretations (Standards Interpretations Committee and International Financial Reporting Interpretations Committee) are available on the following website: <http://eur-lex.europa.eu/fr/index.htm>.

The consolidated financial statements are presented in euros and are rounded off to the nearest thousand.



### 1.3. New standards, amendments and interpretations applicable in 2018

The standards and interpretations applicable from 1 January 2018 have no impact on the Group's financial statements or are not applicable:

- The IFRS 15 standard (including clarification amendments) "contracts with customers". The IFRS 15 standard establishes the principles of recognising revenue based on an analysis in 5 successive stages (contract identification, identification of various performance requirements, i.e. the list of products and services that the seller has undertaken to supply to the buyer, determining the contract's overall price, allocating the global price to each performance requirement, recognition of revenue and related costs when a performance requirement is met).  
The application of this new standard has not led to the identification of any significant impact on the Group - see note [1.8.1. Revenue](#).
- The IFRS 9 standard "Financial instruments" did not have an impact on the financial statements. The analysis conducted did not lead to the identification of significant additional impairments for anticipated losses (see note [13. Trade accounts receivable and other assets linked to customer contracts](#)). In addition, the amount of non-consolidated securities and the debt of the Company are not significant. Furthermore, the Group has not restructured financial debts.
- IFRIC 22 "Foreign currency transactions and advance consideration".
- Annual improvements - 2014-2016 cycle (IFRS 1 and IAS 28 amendments).
- Amendments to IFRS 2 "Classification and evaluation of share-based payment transactions".

The IFRS 9 and IFRS 15 standards became effective for financial years beginning on or after 1 January 2018.

The Group decided to not apply in advance the standards, amendments and interpretations adopted or not yet adopted by the European Union, but the early application of which would have been possible, and which will come into effect after 31 December 2018. This mainly concerns the following standards, interpretations amendments:

- Standards, amendments and interpretations applicable for financial years beginning on or after 1 January 2019:
  - IFRS 16 "Leases" (published in November 2017 by the European Commission).
  - IFRIC 23 "Uncertainty over income tax treatments" (published in October 2018 by the European Commission).
  - Amendment to IFRS 9 "Prepayment features with negative compensation" (published in March 2018 by the European Commission).
  - 2015-2017 cycle of annual improvements (subject to adoption by the European Commission).
  - Amendment to IAS 19 (subject to adoption by the European Commission).
- Amendments applicable for financial years beginning on or after 1 January 2020, subject to their adoption by the European Commission, scheduled for 2019:
  - Amendments to IFRS 3 "Definition of a business".
  - Amendments to IAS 1 and IAS 8 regarding the definition of materiality.

The IFRS 16 standard "Leases" was published by the IASB in 2016, adopted by the European Commission on 9 November 2017 and initially applies for financial years beginning on or after 1 January 2019. The Group does not plan to apply this standard early and is planning to apply the partial retrospective method. The leases primarily concern property rental. The restatement of leases will result in an increase in operating income, financial costs, fixed assets and financial debts, in a context in which the Group's current debt is not significant. Note that the anticipated impact of the restatement is 6.1% of net tangible fixed assets and 42.7% of net financial debts.

Given the analysis in progress, the Group does not expect the other amendments and interpretations to have a significant impact on the consolidated financial statements.

Furthermore, the Group does not expect that the standards, amendments and interpretations published by the IASB and mandatory in 2018 but not yet approved at the European level (and whose early application is not possible at the European level) have a significant impact on the accounts for the coming financial years.

There are no accounting principles contrary to the IFRS standards of mandatory application for financial years beginning on or after 1 January 2018, not yet adopted at the European level, and whose impact would have been significant on the accounts of this financial year.

## 1.4. Use of estimates and assumptions

The financial statements reflect the assumptions and estimates used by the Group's Management. The presentation of the financial statements requires the use of estimates and assumptions for the evaluation of certain assets, liabilities, profits, charges and commitments. The final information can be different from these estimates and assumptions. The goodwill, deferred tax assets and provisions recorded under the liabilities of the balance sheet are the main elements of consolidated financial statements concerned with the use of assumptions and estimates.

The application of the IFRS 15 and IFRS 9 standards did not result in the use of new significant estimates.

The Group did not note any significant impact over the financial year in terms of the uncertainties linked to these estimates and assumptions, except for the extremely high volatility of the discount rate used to calculate the payroll commitments (see note [1.7.9. Pension commitments](#)) and commitments linked to translation differences.

## 1.5. Scope of consolidation

As stated above, the Group applied the new standards of consolidation as of 1 January 2016.

The significant companies in which the Company directly or indirectly holds exclusive control are globally integrated. The exclusive control analysis is carried out according to the IFRS 10 standard (direct or indirect power to lead the financial and operational policies on relevant activities, exposure to variable profitability and capacity to exert its power to influence the profitability). This control is generally supposed to exist in the companies in which the Company directly or indirectly holds more than 50% of the voting rights of the controlled company. To assess this control, the potential voting rights immediately exercisable, including those retained by another entity, are taken into account.

The significant associated companies where the Company performs directly or indirectly a notable influence are evaluated using the equity method. The significant influence is seen as the power to take part in the financial and operational policies of a company without exerting control over these policies. It is considered when the Group holds whether directly or indirectly between 20% and 50% of voting rights. The equity method consists of adjusting to book value the securities held and the amount of the share they represent in the capital equity of the associate company, including the profit/loss of the financial year.

The analysis of partnership achieved depending on criteria defined by the standard IFRS 11 only led to the identification of joint-ventures, with no joint activity. The joint-ventures are consolidated using the equity method.

The list of companies belonging to the scope of consolidation as at 31 December 2018 is presented in note [2. Scope of consolidation](#).

All of the significant transactions between the integrated companies are eliminated as well as the unrealised internal profit/loss, including the fixed assets and the consolidated companies' inventories.

### 1.5.1. Business Combinations

Since 2010, the Group has applied the revised standards IFRS 3 "Business combinations" and IAS 27 "Consolidated and separate financial statements".

According to this method, the Group lists at fair value on the acquisition date the assets, liabilities and potential liabilities identifiable on this date.

The cost of acquisition corresponds to the fair value, at the exchange date, of the given assets, incurred liabilities and/or instruments of capital equity issued in exchange for the control over the acquired entity.

The costs pertaining to business combinations are not part of the fair exchange value. They are then recorded as charges and no longer included in the cost of acquisition of the securities.

The Group values the minority interests during the acquisition either at the fair value (full goodwill method), or on the basis of their share of the net assets of the acquired company (partial goodwill method). The option is taken in each acquisition.

The impact of scope variations without control modification is noticed directly in consolidated reserves.

When the agreement of the business combinations provides an adjustment of the purchase price depending on future events, the Group includes the amount of that adjustment in the cost of business combinations on the acquisition date if this adjustment is probable and can be reliably measured.

The Group is bound to a deadline of twelve months starting from the acquisition date in order to complete the accounting of a considered business combination. Any modification of the acquisition price, applied outside the assignment deadline, has as a counterpart the profit/loss without changing the acquisition or goodwill cost. This 12-month deadline does not apply to earn-out clauses, variations in which are recognised under income after the acquisition.

## 1.6. Conversion of financial statements and transactions into foreign currency

The financial statements of foreign companies are established in their operating currency, i.e. in the currency significant for the activity of the concerned subsidiary. It usually refers to the local currency.

The Group carries out the closing rate method for converting the subsidiaries' financial statements:

- All the items in the foreign companies' balance sheet are converted at the closing rate, with the exception of shareholders' equity.
- The items in the income statement of foreign companies, drawn up in local currency, are converted at the average rate for the financial year.
- The Group's share of shareholders' equity is converted at the historic rate except for the profit/loss of the financial year converted at the average rate.
- Changes in translation differences are recognised under other comprehensive income.
- The goodwill observed on foreign subsidiaries is recorded in the currency of the subsidiary.

Foreign exchange differences resulting from foreign currency transactions conducted during the financial year are included in the income statement under income from recurring operations.

The Group did not implement foreign exchange risk hedging instruments during the financial years presented.

The translation differences pertaining to a monetary element, which is an integral part of the net investments in a foreign subsidiary, are directly recorded in consolidated shareholders' equity under the item "translation differences", when the criteria defined by the standard are met.

## 1.7. Accounting principles and methods

The financial statements of the Group's companies, prepared according to the accounting rules enforced in their country of activity, are restated before being consolidated when differences of accounting principles exist with the principles adopted by the Group.

### 1.7.1. Intangible assets

Intangible assets are presented in the balance sheet at their acquisition cost and mainly correspond to the following elements:

- patents (amortised using the straight-line method over their protection period),
- computer software (amortised using the straight-line method over a period ranging from 1 to 3 years).

Research expenses are recorded under expenses for the financial year during which they are incurred. Development costs are recorded as intangible assets when the conditions linked to the technical feasibility, the market potential, the capacity to reliably assess the assignable expenses and raise future economic advantages are met. Development costs are annually reviewed in order to determine if the criteria for recognising an intangible asset are met.

In 2018 and 2017, no development costs were recorded as fixed assets considering that the capitalisation criteria were not met. Indeed, the development costs incurred within the framework of a new product of a project or a significant evolution of an existing product must meet six criteria in order to be recorded as fixed assets.

One of these criteria requires demonstrating the existence of a market for the production resulting from the project. The existence of a market is demonstrated when the Group receives the manufacturers' approval certificate and the volumes suggested by the manufacturers generate a sufficient profitability. However, the corresponding development expenses are incurred at an earlier stage of the project, prior to manufacturers' approval process. The amount of Development and Research expenses recorded under the expenses for the 2018 financial year totalled €69.6 million (€60.8 million in 2017).

### 1.7.2. Goodwill

The positive difference in value recorded between the cost of acquired shares and the fair value of assets and liabilities of the subsidiary on this date constitutes goodwill recorded as a fixed asset in the consolidated balance sheet under "goodwill". The non-affected business intangibles are equally considered as goodwill.

The acquisition price encompasses the estimated impact of potential adjustments on the acquisition price, such as the price supplements. The price additions are determined by applying the criteria stated in the acquisition contract (revenue, profit/loss, etc.) to forecasts considered the most probable. They are re-estimated at each end of period and the potential changes are charged to income after the acquisition date (including in the period of one year following the acquisition date). When the impact is significant they are updated. The effect of the "accretion" of the debt recorded in the liabilities is accounted in the heading "Net financial indebtedness cost". The acquisition expenses are directly recorded as charges.

Pursuant to the exception provided by the standard IFRS 1, the positive goodwill value determined under French standards was not adapted to the IFRS standards during the changeover to IFRS in 2005.

When goodwill is negative, it is immediately recognised under profit/loss.

Goodwill is not amortised. It is subject to impairment tests (see note [7. Goodwill](#)).

#### **Impairment tests of non-current and non-financial assets:**

In accordance with the IAS 36 standard, impairment tests are implemented at least once a year for non-amortised assets (essentially goodwill) and for other tangible and intangible assets, if there are indicators of value loss.

In practice, non-current and non-financial assets correspond essentially to goodwill and land.

For the completion of impairment tests on goodwill, the latter is broken down between the cash generating units (CGU) corresponding to homogenous sets raising independent cash flows.

Regarding goodwill, the groups of cash generating units (CGU) correspond to the countries in which they are located (France, Spain, Turkey, China, USA, Sweden, etc.). No change of CGU occurred in the presented financial years.

The carrying value of the assets grouped is compared to their value in use or their market value less transfer costs, whichever is higher. In practice, only the value in use is applicable. The value in use corresponds to the discounted cash flow method, the terms of implementation of which are described in [note 7. Goodwill](#).

When the tests indicate an impairment, this is charged as a priority to the goodwill, then to the other assets of the CGU, limited to their recoverable value. Impairments are recorded under current or non-current operating profit/loss, depending on the event that generated the impairment. Impairments of goodwill are irreversible until the date on which the linked generating units concerned are disposed of.

### 1.7.3. Property, Plant & Equipment

Fixed assets are recorded at their acquisition cost or at their fair value in the case of business combinations. The Group opted for the revaluation of land as displayed hereafter in note [9. Property, Plant & Equipment](#).

Capital lease agreements for real property and moveable assets are restated in order to reflect the acquisition cost of these assets, under fixed assets and financial debts. These assets are depreciated depending on the rules detailed below.

Simple lease contracts are not restated as fixed assets. The rent expenses are recorded as operating charges and distributed in a straight line over the contract period.

The analysis initiated according to the IAS 23 standard did not result in capitalising the costs of borrowing.

For conformity purposes, depreciation is restated using the straight-line method over the assets' useful life.

The generally adopted depreciation periods are as follows:

- buildings: 25 to 40 years;
- fittings of constructions: 5 to 10 years;
- technical installations: 5 to 10 years;
- industrial equipment and tools: 5 to 10 years;
- general installations: 10 years;
- furniture, office equipment: 5 to 10 years.

In accordance with the IAS 36 standard, the company conducts impairment tests, using a methodology similar to the one adopted for goodwill, if there are indicators of impairment on the assets.

The assets owned by the Group are not affected by expenses that are the subject of major multi-annual servicing or revision programmes. The sole purpose of the expenses incurred is to verify the proper operating condition of these facilities and to provide maintenance without extending their lifespan beyond the initially anticipated lifespan.

The tangible assets held by the Group have no significant residual value.

#### **1.7.4. Non-current financial assets**

This item includes financial assets available for sale (unconsolidated securities) and financial fixed assets, primarily comprised of deposits and sureties paid by the companies of the Group.

Participating interests represent shares in unlisted companies whose valuation at fair value may present uncertainties. In this instance, the Group values the financial assets at the historical cost, net of any potential value loss, when no reliable projection of fair value is made by a valuation technique, in the absence of an active market. They are maintained on the balance sheet at their net value

#### **1.7.5. Inventories**

Inventories are valued at their purchase price in the case of raw materials, and at manufactured cost in the case of finished goods and work-in-process inventories. General costs not contributing to production and financial costs are excluded from the manufactured cost. All of these costs are determined on a "first in, first out" basis and, given inventory rotation, are similar to the latest cost prices.

An impairment provision is recorded when the net value of the inventories is higher than their net realisable value, and/or when there are asset losses highlighted (rotation, obsolescence, etc.).

Tooling is valued at the full cost (external costs) within the limit of the price to be invoiced to the customer.

#### **1.7.6. Trade accounts receivable**

Receivables are recorded on the initial accounting date at the fair value of the receivable due. The fair value of receivables is equivalent to their nominal value due to payment terms that are generally less than or equal to 3 months. Trade accounts receivable are restated on the closing date of bills of exchange presented for collection and not due, as well as bills of exchange that are the subject of a cash discount. Trade accounts receivable not due and disposed of as part of a factoring contract and not meeting the derecognition conditions of the IAS 39 standard are retained under the entry "Trade receivables and other receivables"; otherwise, they are recognised under cash.

A provision is recorded in accordance with the IFRS 9 standard based on anticipated losses, taking into account any warranties. Note that, on the whole, the customer risk is considered to be low.

The Group applies the simplified receivables impairment method. The Group distinguishes doubtful customers (customers for which there is a high risk of default) from other trade receivables.

Provisions are made for doubtful receivables on a case-by-case basis.

Provisions are made for other trade receivables based on a provisioning matrix, which takes into account the profitability of default and the probability of a loss in the event of default.

The probabilities are based on a risk analysis that takes into account criteria such as the customer's financial position, the age of the receivable and the existence of a dispute.

Liabilities linked to customer contracts include:

- debts to customers linked with counterparties to be paid to customers,
- deferred income, of a low amount, designed to attach revenue to the financial year.

#### **1.7.7. Cash and cash equivalents**

Available cash assets are primarily comprised of bank account balances.

Cash equivalents are investment securities meeting the criteria of the IAS 7 standard for classification as "cash and cash equivalents": short-term, very illiquid investments that are easily convertible into a known cash amount and subject to a negligible risk of value variation.

They are initially recorded at their acquisition cost and then valued at their fair value, which corresponds to the market value on the reporting date. The change in fair value is recorded under financial income.

#### **1.7.8. Deferred taxes**

Deferred taxes reflect the differences over time between the expenses and income used for preparing the consolidated financial statements and those used to calculate the corporate income tax.

Deferred taxes, which determined using the variable carry forward method, mainly result from:

- temporary non-deductible provisions,
- consolidation adjustments (method of amortisation, capital-lease, retirement compensation, etc.),
- the elimination of internal profit included in inventories,
- etc.

No deferred tax assets are recognised under deductible temporary differences and tax loss carry-forwards unless they can be charged to future taxable differences, where there is a reasonable probability of realisation or recovery by charging to future income, or where there are tax optimisation possibilities at the Company's initiative. The time projection used for estimating future profits is at most five years, bearing in mind that a review of projections and assumptions used is performed periodically, and that any limitation rules relevant to the use of deficits are recognised, as appropriate.

In accordance with the IAS 12 standard, deferred taxes are not discounted, except for changes to future tax rates that did not have a significant impact during the last financial year.

#### **1.7.9. Pension commitments**

As far as defined contribution schemes are concerned, payments made by the Group are recorded as expenses in their corresponding period.

In the case of defined contribution schemes involving post-employment benefits, the costs of those benefits are estimated based on projected benefit obligation units with end-of-career remuneration.

The amounts pertaining to rights acquired by employees pursuant to the various applicable collaborative agreements are assessed on the basis of actuarial assumptions: changes to wages, retirement age, age of death and staff turnover, then discounted to their present value based on a discount rate. The provision corresponding to these entitlements is accounted for in full in the provisions for retirement and other benefits.

The discount rate was determined by taking account of the yield rates from private bonds that do not pose risks and have a maturity close to the bonds' maturity.

The amounts were calculated based on a 1.8% discount rate (versus 1.6% at the 2017 year end), a 3.0% wage increase (versus 1.9% at the 2017 year end) for both executives and non-executives, a retirement age of 65 and average hypotheses regarding staff turnover. These hypotheses apply to French entities, which account for the largest portion of pension commitments recognised (€9.638 million out of a total €11.189 million).

Current and former members of administrative and management bodies are not entitled to any particular retirement benefits.

The cost of delivered services and financial charges are recognised under consolidated income. The impact of pension scheme changes is equally recognised immediately under consolidated income. No changes occurred during the financial years presented.



Actuarial differences (related to changes of actuarial assumptions and their effects) are recorded under other comprehensive income.

Finally, the Group did not opt for raising capital for the commitment from external funding sources.

#### **1.7.10. Share-based payment**

If applicable, under IFRS 2, the share subscription or purchases options granted to employees and which are settled in shares are valued at their fair value. This fair value is recorded on the income statement over the period during which the exercise rights are acquired by employees, taking into account the probability of rights acquisition, re-assessed at each year-end. The amount of the cumulative benefit is set on the date of acquisitions of the rights, according to the rights actually acquired.

#### **1.7.11. Provisions**

In general, each of the identified disputes involving the Group is examined on the reporting date by the Management. After consultation with external bodies, where applicable, the provisions deemed necessary are made to cover the estimated risks.

Any assets are mentioned in the appendix when their occurrence is probable and their amounts are significant. Any liabilities are mentioned in the appendix when the amounts involved are significant.

#### **1.7.12. Loans and financial debts**

Loans and financial debts are valued according to the amortised cost method by using the effective interest rate.

#### **1.7.13. Derivative financial instruments**

##### *1.7.13.1. Foreign exchange risk:*

Purchase and sale transactions conducted by both the Company and its subsidiaries are primarily conducted in the same currencies, thereby providing a natural hedge. Consequently, the Group has not used, to date, financial instruments to cover these trade flow risks.

##### *1.7.13.2. Interest rate risk:*

The Group's companies do not historically have any swaps intended to guarantee a maximum fixed rate on a part of the implemented variable-rate funding.

#### **1.7.14. Assets/liabilities classified as held for sale, discontinued activities**

Assets and liabilities classified as held for sale are valued at the net book value or the fair market value less the costs of sale, which is lower.

The profits/losses of discontinued activities are recorded on a separate line on the income statement. No assets or liabilities meet this definition during the financial years presented.

#### **1.7.15. Treasury shares**

The shares of the parent Company and the shares held by itself or by one of its integrated subsidiaries are recognised by the Group by deduction from shareholders' equity at their acquisition cost up to the date of sale.

Income from the disposal of these shares is directly assigned to shareholders' equity net of the corresponding tax.



## 1.8. Presentation of the income statement

### 1.8.1. Revenue

The IFRS 15 standard establishes the principles for recognising revenue based on an analysis process containing five successive stages:

- Identification of the contract.
- Identification of the various performance obligations, i.e. the list of goods or services that the seller has agreed to supply to the buyer.
- The determination of the overall price of the contract.
- Allocation of the overall price to each performance obligation.
- Recognition of the revenue and associated costs when a performance obligation is met.

Sales of parts and tooling are recorded under income at the time of delivery of the good, corresponding to the date of transfer of control, in accordance with the specific conditions of each contract or order.

The Group proceeded to select the main transactions and contracts representative of the Group's current and future business. These transactions and contracts were analysed based on a five-step model introduced by the standard in order to identify the assessment areas and any changes caused by its application. The conclusions of this analysis are presented below.

For a specific automotive project, the three main promises made by the Group to a manufacturer generally identified as part of the preliminary analysis are as follows:

- Product study, which notably includes determining the intrinsic technical specific characteristics of the parts, as well as those linked to the associated production process.
- Supply of production tooling, such as the moulds and the other equipment used for the production of parts.
- Supply of parts.

The analysis led to the finding that these three phases are distinct performance obligations for which the Group recognises revenue upon delivery/completion.

Contributions received by customers to development costs and prototypes are now shown under the "Revenue" entry, as they result from a contract with the customer with a view to obtaining, in exchange for a counterparty, goods or services resulting from the Group's ordinary activities. This means that there will be no presentational impact regarding this matter.

#### Warranties:

Furthermore, the Group considers that the contractual promise made to the manufacturer in terms of the warranty on supplied parts does not meet the definition of a distinct performance obligation, as it does not result in an "additional service". As such, warranty costs will continue to be recognised in accordance with IAS 37 "Provisions, contingent liabilities and contingent assets".

#### Distinction between agent and principal:

Concerning certain specific contracts, the examination of the relationship with the end customer led the Group to consider that it acts as an agent rather than as a principal.

#### Other points:

- Customer contracts do not include a "financing" component.
- Revenue recognition rules do not use significant estimates.

### 1.8.2. Personnel costs

Personnel costs include temporary expenses and staff profit sharing. As with all financial years since 2013, the Group opted to present the research tax credit (CIR) and competitiveness and employment tax credit (CICE), in reference to IAS 20 (accounting for government grants), reducing personnel costs.

### 1.8.3. Regional economic contribution (*Contribution économique territoriale - CET*)

Both the French company added-value contribution (CVAE) and the company property tax (CFE) are recognised under operating expenses, with no change compared with the classification formerly adopted for business tax.

### 1.8.4. Income from ordinary activities

The Group mainly uses recurring operating income as a performance indicator.

Recurring operating income corresponds to net income before taking into account the following:

- miscellaneous income and charges, which primarily included significant restructuring costs,
- losses, profits and changes in provisions covering exceptional events, i.e. either because they are abnormal in terms of the amounts involved or their incidence, or because they rarely occur,
- capital gains or losses from asset disposals or impairment,
- non-current impairment of goodwill, in which the cause of impairment is non-current,
- financial income,
- current and deferred taxes,
- net incomes from related undertakings.

This presentation complies with the ANC recommendation no. 2013-03 of 7 November 2013.

## 1.9. Income per share

Income per share is calculated based on the average number of shares in circulation during the course of the financial year, based on Group net income.

Diluted income per share takes into account potential shares arising from the exercise of rights attached to the subscription warrants issued. As at 31 December 2018, there were no new shares that could potentially be created, as no subscription options were still valid or had been exercised.

## 1.10. Financial instruments - Financial assets and liabilities, Derivative financial instruments

Financial assets and liabilities are recorded under several headings of the balance sheet (non-current financial assets, accounts receivable, other current assets, accounts payable, other current debts, financial debts, cash and cash equivalents). Financial instruments are assigned to five categories that do not correspond to identified headings of the balance sheet, bearing in mind that the assignment determines the accounting and valuation rules.

Presentation of the three categories of financial assets: see note [1.7.4.](#) )

The main financial liabilities (primarily loans and trade accounts payable) are valued at the amortised cost.

The Group has not put in place hedging instruments that meet the hedging definition stated in the IFRS 9 standard.

In accordance with the IFRS 13 standard, applicable since 2013, financial instruments are presented under three categories (see note [22.](#) ), based on a hierarchy of fair value determination methods:

- Level 1: fair value calculated by reference to non-adjusted listed prices on an active market for identical assets and liabilities.
- Level 2: fair value calculated by reference to observable market data for the asset or liability concerned, either directly (adjusted level 1 listed prices) or indirectly, namely data derived from prices, based on valuation techniques drawing on observable data such as the prices of similar assets or liabilities or listed parameters on an active market.
- Level 3: fair value calculated by reference to data concerning the asset or liability that are not based on observable market data (e.g. using valuation techniques entirely or partially based on non-observable data such as prices on an inactive market or valuation based on multiples in the case of unlisted shares).

The implementation of this standard for calculating the fair value of financial instruments has not led to the identification of adjustments by virtue of non-performance risks, in relation to the calculations performed previously.

### 1.11. Sector-based information

The Group has only defined one sector-based activity, which revolves around the design, manufacturing and delivery of vehicle components, parts or equipment mechanisms.

The breakdown of revenue and fixed assets by geographical area is presented for information purposes in note 3. Sectoral information (by geographical area).

### 1.12. Cash flow statement

The Group applies the indirect method of presenting cash flow, based on a presentation similar to the model proposed by the *Autorité des Normes Comptables* (ANC) in its recommendation 2013-03 of 7 November 2013.

Cash flows for the financial year are broken down into the flows generated by activity according to investment activities and financing operations (shareholder equity).

The cash flow statement is prepared based on the following rules:

- Net cash corresponds to the net credit and debit positions;
- Gains and losses are presented at their amount net of tax, if the company records a tax;
- Provisions on current assets are recorded on changes in operating cash flow from working capital requirement (WCR) and associated with corresponding asset items (inventory, trade and other receivables);
- Acquisitions of fixed assets are shown exclusive of changes in debt on asset acquisitions. Income from disposals is shown exclusive of changes in receivables from asset disposals.

The impact of changes in the scope of consolidation is presented as a net amount in investment flows. It corresponds to the actual amounts paid/collected during the financial year, adjusted for the acquired cash assets/liabilities.

## 2. Scope of consolidation

Companies	% held	Consolidation method	Location
AKWEL (PARENT COMPANY)			Champfromier, France
PAYS DE BRAY SUD SCI	100	Full consolidation	Champfromier, France
NINGBO MGI COUTIER AUTO PLASTICS CO LTD	100	Full consolidation	Cixi, China
MGI COUTIER TUNISIE SARL	100	Full consolidation	Mateur, Tunisia
MGI COUTIER ITALIA SRL	100	Full consolidation	Asti, Italy
MGI COUTIER ARGENTINA SA	100	Full consolidation	Cordoba, Argentina
MGI COUTIER BRASIL LTDA	100	Full consolidation	Jundiai, Brazil
MGI COUTIER UK LTD	100	Full consolidation	Minworth, UK
AKWEL BURSA TURKEY OTOMOTIVE A.S. (formerly MGI COUTIER MAKINA YEDEK PARÇA IMALAT VE SANAYİ A.S.)	100	Full consolidation	Bursa, Turkey
MGI COUTIER ESPAÑA SL	100	Full consolidation	Vigo, Spain
MGI COUTIER MEJICO SA DE CV	100	Full consolidation	Veracruz, Mexico
MGI COUTIER ROM SRL	100	Full consolidation	Timisoara, Romania
DEPLANCHE FABRICATION SARL	100	Full consolidation	Treffort, France
MGI COUTIER ENGINEERING PRIVATE LTD	100	Full consolidation	Pune, India
MGI COUTIER FINANCE LTD	100	Full consolidation	Chippenham, UK
AVON AUTOMOTIVE HOLDINGS INC	100	Full consolidation	Cadillac, USA
PETROL AUTOMOTIVE HOLDINGS INC	100	Full consolidation	Cadillac, USA
CADILLAC RUBBER & PLASTICS INC	100	Full consolidation	Cadillac, USA
CT RUBBER & PLASTICS INC	100	Full consolidation	Cadillac, USA
CADIMEX SA DE CV	100	Full consolidation	Orizaba, Mexico
CADILLAC RUBBER & PLASTICS DE MEXICO SA DE CV	100	Full consolidation	Orizaba, Mexico
AVON AUTOMOTIVE UK HOLDINGS LIMITED	100	Full consolidation	Chippenham, UK
AKWEL GEBZE TURKEY OTOMOTIV SANAYİ LIMITED SİRKETİ (formerly AVON OTOMOTIV SANAYİ VE TİCARET LIMITED SİRKETİ)	100	Full consolidation	Gebze, Turkey
AVON AUTOMOTIVE DEUTSCHLAND GMBH	100	Full consolidation	Stuttgart, Germany
AVON AUTOMOTIVE FRANCE HOLDINGS SAS	100	Full consolidation	Vannes, France
AVON POLYMERES FRANCE SAS	100	Full consolidation	Vannes, France
AVON AUTOMOTIVE A.S.	100	Full consolidation	Rudnik, Czech Republic
INDUSTRIAL FLEXO SL	100	Full consolidation	St Just, Spain

AKWEL TONDELA (PORTUGAL), LDA (formerly AVON AUTOMOTIVE PORTUGAL LTDA)	100	Full consolidation	Tondela, Portugal
GOLD SEAL AVON POLYMERS PRIVATE LIMITED	55	Full consolidation	Daman, India
AVON AUTOMOTIVE COMPONENTS CHONGQING CO LTD	100	Full consolidation	Chongqing, China
AUTOTUBE GROUP AB	100	Full consolidation	Varberg, Sweden
AUTOTUBE AB	100	Full consolidation	Varberg, Sweden
AKWEL PARADES DE COURA (PORTUGAL) UNIPessoal, LDA (formerly MGI COUTIER LUSITANIA UNIPessoal LDA)	100	Full consolidation	Paredes De Coura, Portugal
MGI COUTIER MAROC SARL	100	Full consolidation	El Jadida, Morocco
SINFA CABLES SARL	74	Full consolidation	Casablanca, Morocco
WUHAN MGI COUTIER AUTO PARTS CO LTD	100	Full consolidation	Wuhan, China
AKWEL RAYONG (THAILAND) CO, LTD (formerly MGI COUTIER (THAILAND) CO LTD)	100	Full consolidation	Rayong, Thailand
AKWEL VIDIN BULGARIA EOOD (formerly MGI COUTIER BULGARIA EOOD)	100	Full consolidation	Vidin, Bulgaria

The company MGI COUTIER ILIA (Iran), which is not a significant part of the Group, was deconsolidated on 1 January 2018. It was previously consolidated using the equity method. This change did not have an impact on results for the reporting period.

All of the subsidiaries of the Group end their financial year on 31 December of each year, with the exception of MGI COUTIER ENGINEERING PRIVATE LTD and GOLD SEAL AVON POLYMERS PRIVATE LIMITED, whose financial year ends on 31 March of each year.

The companies BIONNASSAY M&P TECHNOLOGY and BIONNASSAY REAL ESTATE were not consolidated. Despite its interest of 25% in the capital of the company BIONNASSAY M&P TECHNOLOGY and of 33.33% in the capital of BIONNASSAY REAL ESTATE, the Group does not have significant influence over these entities.

### 3. Sectoral information (by geographical area)

(in thousands of Euros)	France	Europe & Africa	North America	South America	Rest of the world	Interco elimin.	Total
<b>At 31 December 2018</b>							
Total turnover	452,315	506,181	344,374	12,370	142,036	(395,106)	1,062,170
Income from ordinary activities	4,519	24,443	31,507	1,951	11,682	3,324	77,426
(in thousands of Euros)	France	Western Europe	North America	South America	Rest of the world	Interco elimin.	Total
<b>At 31 December 2017</b>							
Total sales	475,527	496,413	283,933	16,904	115,072	(363,625)	1,024,224
Income from ordinary activities	34,306	31,535	39,751	848	6,927	1,781	115,148

The "Western Europe" region became "Europe & Africa" on 1 January 2018.

The analysis conducted in accordance with IFRS 15 did not result in the identification of other allocations of revenue.

The breakdown of fixed assets (intangible and tangible) by geographical area is analysed as follows:

(in thousands of Euros)	Gross values	Net values
France	289,468	75,191
Europe & Africa	215,043	101,744
North America	84,272	62,166
South America	4,127	921
Rest of the world	59,683	44,907
<b>Total fixed assets</b>	<b>652,593</b>	<b>284,929</b>

#### 4. Net non-current revenue and expenses

(in thousands of Euros)	31.12.2018	31.12.2017
Restructuring costs (net)	-	-
Capital gains	197	6
Goodwill amortisation allowances	(4,990)	-
Other	478	205
<b>Total</b>	<b>(4,315)</b>	<b>211</b>

#### 5. Financial income

(in thousands of Euros)	31.12.2018	31.12.2017
Bank interest on short- and medium-term financing	(2,179)	(1,861)
Net foreign exchange gains and (losses)	-	-
Other income (charges)	55	31
<b>Total</b>	<b>(2,124)</b>	<b>(1,830)</b>

#### 6. Income tax

(in thousands of Euros)	31.12.2018	31.12.2017
Current taxes	(9,719)	(27,838)
Deferred taxes	528	(722)
<b>Total</b>	<b>(9,191)</b>	<b>(28,560)</b>

The tax calculation is implemented individually at each consolidated legal entity. The deferred taxes positions were recognised taking into account overall rates of 28%, based on provisional due dates for reversals of deferred tax bases.

The reconciliation of the total income tax expense recorded under consolidated net income and the theoretical income tax expense is established as follows:

(in thousands of Euros)	31.12.2018	31.12.2017
Pre-tax income of integrated companies	70,987	113,530
Non-tax profits (temporary exemption)	-	-
Use of deficits not recognised previously/Loss deficits	(1,236)	(12,512)
Long-term capital gain	-	-
Permanent and other differences (*)	1,568	(2,222)
<b>Tax base</b>	<b>71,319</b>	<b>98,796</b>
Tax at standard rate of 28%	(19,969)	(32,932)
Different tax rates	4,632	6,578
Tax credit	3,580	-
Other impacts (including tax adjustments) (**)	2,566	(2,206)
<b>Effective tax expense</b>	<b>(9,191)</b>	<b>(28,560)</b>

(\*) Of which €4.861 million in respect of the CIR and CICE.

(\*\*) Of which €63,000 in additional taxation following the tax reforms in Portugal and a bonus of €3.883 million linked to the US reform.

Deferred taxes are presented below in [note 11. Deferred taxes](#).

## 7. Goodwill

(in thousands of Euros)	31.12.2018	31.12.2017
Net value on 1 January	51,537	55,480
Acquisitions during financial year	-	-
Adjustment of asset and liability values for operations acquired prior to financial year	34	-
Disposals	-	(84)
Conversion differential (and other transactions)	144	(3,845)
Impairment	(5,004)	(14)
<b>Net amount</b>	<b>46,711</b>	<b>51,537</b>

Goodwill primarily concerns the sub-group AVON AUTOMOTIVE in the US in the amount of €26.026 million, the sub-group AUTOTUBE AB in Sweden in the amount of €12.402 million, MGI COUTIER ESPAÑA SL in Spain in the amount of €2.307 million and other entities in the amount of €5.976 million.

An impairment test is conducted as soon as indications of impairment emerge and at least once per year, in accordance with the provisions of the IAS 36 standard.



For the completion of impairment tests, where applicable, goodwill is broken down between the cash generating units (CGU), which correspond to homogenous sets generating independent cash flows. Regarding goodwill, the groups of cash generating units correspond to the countries of operation (France, Spain, Sweden, China, USA, Sweden, etc.), with no change compared with the 2017 year-end.

The carrying value of the assets grouped is compared to their value in use or their market value, whichever is higher.

The value in use of goodwill corresponds to the value determined based on the discounted future cash flow of the CGUs (cash generating units) under the following estimated economic assumptions:

- The cash flows used are generated from the 2019-2020-2021 budgets and are extended over an explicit overall period of five years, with a stable operating profit/revenue ratio;
- Beyond that period, the terminal value corresponding to capitalisation in perpetuity, with a perpetual growth rate of 1.5% (1.5% in 2017), of the last cash flow for the specific period is calculated;
- The discount rate corresponds to a weighted average cost of capital after tax. Its use produces recoverable values identical to those obtained by applying pre-tax rates to cash flows before tax.

Following the tests conducted in 2018, the goodwill on SINFA CABLES SARL (Morocco) was fully impaired, amounting to €155,000, and the goodwill on AUTOTUBE AB GROUP (Sweden) was impaired in the amount of €4.8 million.

The discount rate used at 31 December 2018 to discount future cash flow was 9.0%, versus 9.0% as at 31 December 2017.

In the absence of identified local risks, identical business sectors, a similar customer base and homogeneous businesses, the Group has not separated by CGU the discount rate and the perpetual growth rate.

## 8. Other intangible fixed assets

Changes to other intangible fixed assets were as follows:

(in thousands of Euros)	Software	Other	Total
<b>Gross value recognised</b>			
Value at 1 January 2018	10,986	-	10,986
Acquisitions	764	-	764
Disposals	(9)	-	(9)
Conversion and other differences	6	-	6
<b>Value at 31 December 2018</b>	<b>11,747</b>	<b>-</b>	<b>11,747</b>
<b>Total amortisations and impairment</b>			
Value at 1 January 2018	(9, 699)	-	(9, 699)
Amortisation	(942)	-	(942)
Amortisation reversals	-	-	-
Net impairment losses	-	-	-
Disposals	9	-	9
Conversion and other differences	26	-	26
<b>Value at 31 December 2018</b>	<b>(10, 606)</b>	<b>-</b>	<b>(10, 606)</b>
<b>Net amounts recognised at 31 December 2018</b>	<b>1,141</b>	<b>-</b>	<b>1,141</b>

## 9. Property, Plant & Equipment

Changes to tangible fixed assets were as follows:

(in thousands of Euros)	Land	Buildings	Technical installations, equipment & tooling	Other tangible fixed assets	Fixed assets under construction	Total
<b>Gross value recognised</b>						
Value at 1 January 2018	16,040	111,518	364,673	39,980	44,068	<b>576,279</b>
Acquisitions	2,293	6,002	17,957	2,278	48,281	<b>76,811</b>
Disposals	-	(20)	(3,657)	(461)	(668)	<b>(4,806)</b>
Conversion and other differences	36	4,127	36,832	200	(48,630)	<b>(7,435)</b>
<b>Value at 31 December 2018</b>	<b>18,369</b>	<b>121,627</b>	<b>415,805</b>	<b>41,997</b>	<b>43,051</b>	<b>640,849</b>
<b>Cumulative depreciation and value loss</b>						
Value at 1 January 2018	(257)	(49,474)	(251,660)	(30,317)	-	(331,708)
Amortisation	(44)	(3,405)	(27,743)	(2,576)	-	(33,768)
Write-back	-	-	-	-	-	-
Net value loss	-	-	-	-	-	-
Disposals	-	17	3,911	400	-	4,328
Conversion and other differences	158	464	3,053	412	-	4,087
<b>Value at 31 December 2018</b>	<b>(143)</b>	<b>(52,398)</b>	<b>(272,439)</b>	<b>(32,081)</b>	<b>-</b>	<b>(357,061)</b>
<b>Net amounts recognised at 31 December 2018</b>	<b>18,226</b>	<b>69,229</b>	<b>143,366</b>	<b>9,916</b>	<b>43,051</b>	<b>283,788</b>

Changes to the scope of business over the financial year are negligible.

Fixed assets under construction do not include any projects of an individually significant amount, aside from the construction of four new plants, the first productions from which took place between September 2017 and June 2018.

The analysis of properties acquired under a lease is classified below according to their nature:

(in thousands of Euros)	Gross values	Depreciations and provisions	Net values
Land	266	-	266
Buildings	19,249	14,899	4,350
Technical installations	10,180	10,180	-
Other fixed assets	406	406	-
<b>Total</b>	<b>30,101</b>	<b>25,485</b>	<b>4,616</b>

Land situated in France was recognised at its expertly assessed fair value during the transition to IFRS. This accounting mode generated a net increase in tangible fixed assets of €3.5 million compared to the accounting value based on the historical cost. Shareholders' equity and deferred tax liabilities were assigned in the amount of €2.52 million and €980,000 respectively through this revaluation of land.

## 10. Non-current financial assets

Changes to non-current financial assets were as follows:

(in thousands of Euros)	Participating interests (*)	Other	Total
<b>Gross value recognised</b>			
Value at 1 January 2018	124	2,711	2,835
Increases	2,542	3,312	5,854
Decreases	-	(24)	(24)
Changes in the scope of consolidation	1,164	-	1,164
Translation and other differences	26	(2,673)	(2,647)
<b>Value at 31 December 2018</b>	<b>3,856</b>	<b>3,326</b>	<b>7,182</b>
<b>Total amortisations and impairment</b>			
Value at 1 January 2018	(114)	(1,970)	(2,084)
Impairments	(712)	-	(712)
Net impairment losses	-	-	-
Transfers / write-backs	-	-	-
Changes in the scope of consolidation	(1,164)	-	(1,164)
Conversion and other differences	(1)	(2)	(3)
<b>Value at 31 December 2018</b>	<b>(1,991)</b>	<b>(1,972)</b>	<b>(3,963)</b>
<b>Net amounts recognised at 31 December 2018</b>	<b>1,865</b>	<b>1,354</b>	<b>3,219</b>

## 11. Deferred taxes

Deferred taxes (€8.655 million in assets, €5.164 million in liabilities, giving a net amount of €3.491 million) are broken down as follows:

(in thousands of Euros)	31.12.2018	31.12.2017
Expert revaluation of land in France	(875)	(980)
Special amortisations and other regulated provisions	(8,736)	(9,510)
Pension	1,223	2,735
Activated tax losses	8,734	9,756
Other differences	3,145	1,076
<b>Total</b>	<b>3,491</b>	<b>3,077</b>
<b>Of which deferred tax assets</b>	<b>8,655</b>	<b>8,825</b>
<b>Of which deferred tax liabilities</b>	<b>(5,164)</b>	<b>(5,748)</b>

Deferred tax assets and liabilities were offset if they apply to a single legal entity.

The application of these principles led us not to recognise, at the Group level, deferred tax assets on tax deficits relating to tax losses recorded at the end of the financial year for certain subsidiaries due to uncertainty about their future use and the absence of a precise repayment schedule for the use of tax losses (see note 1.7.8. ).

As at 31 December 2018, non-activated losses were as follows:

(bases - in thousands of euros)	31.12.2018	31.12.2017
INDUSTRIAL FLEXO SL	24,046	20,022
AVON AUTOMOTIVE FRANCE HOLDINGS SAS	4,232	6,280
AVON AUTOMOTIVE COMPONENTS CHONGQING CO LTD	6,181	2,964
WUHAN MGI COUTIER AUTO PARTS CO LTD	1,615	940
<b>Total</b>	<b>36,074</b>	<b>30,206</b>

The losses of the company AVON POLYMERES FRANCE and of the Company are activated at a rate of 28% insofar as these tax losses will likely be used in the next three years.

## 12. Inventories

(in thousands of Euros)	Gross value 31.12.2018	Prov. for impairment	Net value 31.12.2018	Net value 31.12.2017
Materials, components & goods	46,224	(6,278)	39,946	34,471
Semi-finished and finished products	67,234	(3,702)	63,532	53,210
Work in progress	33,671	(532)	33,139	37,716
<b>Total</b>	<b>147,129</b>	<b>(10,512)</b>	<b>136,617</b>	<b>125,397</b>

### 13. Trade accounts receivable and other assets linked to customer contracts

(in thousands of Euros)	31.12.2018	31.12.2017
Trade accounts receivable	184,347	175,587
Impairment allowances	(1,044)	(864)
<b>Net value</b>	<b>183,303</b>	<b>174,723</b>

Customer debts fall due within less than one year. Debts more than six months old are not significant. There are no other significant debts not impaired. Nearly all impairment provisions relate to doubtful debts, all of which are depreciated by amounts excluding tax. No significant provisions occurred during the financial year.

### 14. Other current receivables

(in thousands of Euros)	31.12.2018	31.12.2017
Deferred expenses	2,785	2,310
Deferred tax	44,108	32,234
Tax and other receivables	1,800	2,657
Advances and deposits paid on orders	2,533	3,259
<b>Gross value</b>	<b>51,226</b>	<b>40,460</b>
Impairment	(433)	(882)
<b>Net value</b>	<b>50,793</b>	<b>39,578</b>

All receivables classified under the heading "Other receivables" are deemed as falling due in less than one year.

### 15. Share capital

As at 31 December 2018, the capital was comprised of 26,741,040 shares with a nominal value of €0.8. The family Group holds 69.70% of the capital, with 57.33% held by the company COUTIER DEVELOPPEMENT.

The Company is not subject to any obligation related to a regulatory or contractual nature regarding equity capital.

The Company does not adopt a specific management policy concerning capital. Decisions between external funding and capital increase are made on a case-by-case basis according to the estimated operations. Shareholders' equity monitored by the Group encompasses the same components as consolidated shareholders' equity.

## 16. Long-term provisions

(in thousands of Euros)	31.12.2017	Increases	Uses	Unallocated write-backs/Other transactions	31.12.2018
Retirement & severance benefits	11,653	1,146	(1,158)	(452)	11,189
Other provisions for liabilities and charges	25,225	28,180	(16,588)	(428)	36,389
<b>Total</b>	<b>36,878</b>	<b>29,326</b>	<b>(17,746)</b>	<b>(880)</b>	<b>47,578</b>

Changes to the scope of consolidation that occurred during the financial year are not significant.

Retirement benefits were calculated in accordance with note [1.7.9](#) ). Retirement benefits paid during the financial year totalled €1.152 million.

The increase in other provisions for liabilities and charges is primarily due to technical and commercial liabilities, notably warranty returns. In the latter case, the amounts recognised under allowances for provisions were estimated based on warranty returns observed during the financial year, contractual warranty periods and available historical data net of insurance income.

At 31 December 2018, provisions are broken down as follows based on their due date:

- less than one year: €37.232 million,
- more than one year: €10.346 million.

At the close of the financial years presented, there are no significant assets and liabilities.

## 17. Net financial debts

Financial debts are analysed as follows:

(in thousands of Euros)	31.12.2018	31.12.2017
Debts and borrowings from credit institutions	126,663	129,697
Leasing	-	33
Other	-	-
Other financing (1)	6,070	2,977
Bank credit balances	562	833
<b>Sub-total Financial debts</b>	<b>133,295</b>	<b>133,540</b>
<b>Sub-total Cash and cash equivalents</b>	<b>92,700</b>	<b>108,191</b>
<b>Net financial debts</b>	<b>40,595</b>	<b>25,349</b>

(1) Other funding mainly corresponds to current accounts with the companies COUTIER SENIOR and COUTIER DEVELOPPEMENT.

At 31 December 2018, financial debts are broken down as follows based on their due date:

- less than one year: €46.886 million (€46.954 million in 2017);
- one to five years: €77.889 million (€86.456 in 2017);
- more than five years: €8.52 million (€130,000 in 2017).

At the close of the financial years presented, the Group had no debts on the acquisition of securities. Fixed-rate debts totalled €115.759 million and variable-rate debts €17.536 million.

Certain bank loans are subject to compliance with financial covenants (based on profitability, indebtedness and capitalisation criteria). All Group companies abided by all of these covenants as at 31 December 2018.

## 18. Other debts

(in thousands of Euros)	31.12.2018	31.12.2017
Advances and deposits received	5,850	6,115
Deferred payments	846	879
<b>S/Total Other debts linked to customer contracts</b>	<b>6,696</b>	<b>6,994</b>
Tax debts	8,496	8,438
Payroll expenses	30,182	29,240
Other creditors	135	2,257
<b>Total</b>	<b>45,509</b>	<b>46,929</b>

Deferred payments mainly correspond to tooling invoiced early at the request of the customers concerned.

## 19. Assets and liabilities held for sale or discontinuation

Assets and liabilities held for sale or discontinuation are not of a significant amount.

## 20. Off-balance sheet commitments and granted guarantees

Commitments linked to external growth operations: none.

As at 31 December 2018, the amount of other commitments to financial organisations was as follows:

- €10.854 million in respect of sureties granted by the parent Company for the requirements of certain Group foreign subsidiaries, including:
  - MGI COUTIER ESPAÑA SL: €7.5 million;
  - SINFA CABLES SARL: €1.019 million;
  - GOLD SEAL AVON POLYMERS PRIVATE LIMITED: €746,000;
  - BIONNASSAY REAL ESTATE: €833,000;
  - AKWEL GEBZE TURKEY OTOMOTIV SANAYI LIMITED SIRKETI (formerly AVON OTOMOTIV SANAYI VE TICARET LIMITED SIRKETI): €400,000;
- €33 million in respect of mortgages and guarantees granted on non-financial assets (this amount already being included under the Group's financial debts).

Other commitments: The three English subsidiaries, MGI COUTIER UK LIMITED, MGI COUTIER FINANCE LTD and AVON AUTOMOTIVE UK HOLDINGS LIMITED, wholly owned directly or indirectly by AKWEL SA, benefit from the provisions of article 479a of the Companies Act of 2006, pertaining to the exemption from audit for subsidiary companies. As a shareholder, AKWEL SA, has granted its agreement for these three subsidiaries in order not to be subject to a legal audit of accounts. As a result, AKWEL SA has provided a legal guarantee as required by article 479c of the British Companies Act of 2006 in respect of debts contracted by MGI COUTIER UK LIMITED, MGI COUTIER FINANCE LTD and AVON AUTOMOTIVE UK HOLDINGS LIMITED as at 31 December 2018.



## 21. Headcount

The breakdown of employees by category, at year-end, is analysed as follows:

	31.12.2018	31.12.2017
Executives	587	578
Employees and technicians	3,832	3,313
Operatives	7,350	6,996
<b>Total</b>	<b>11,769</b>	<b>10,887</b>

As at 31 December 2018, the Group's total headcount was 11,769 people, 1,796 of whom were in France. Changes in headcount are as follows:

Companies	31.12.2018	31.12.2017
The Company AKWEL (PARENT COMPANY)	1,563	1,620
DEPLANCHE FABRICATION SARL	21	22
AVON POLYMERES FRANCE SAS	212	207
<b>Total France</b>	<b>1,796</b>	<b>1,849</b>
NINGBO MGI COUTIER AUTO PLASTICS CO LTD	150	149
MGI COUTIER TUNISIE SARL	887	856
MGI COUTIER ARGENTINA SA	27	37
MGI COUTIER BRASIL LTDA	50	56
MGI COUTIER UK LTD	121	135
AKWEL BURSA TURKEY OTOMOTIV AS (MGI COUTIER MAKINA YEDEK PARÇA IMALAT VE SANAYI A.S.)	734	692
MGI COUTIER ESPAÑA SL	387	348
MGI COUTIER ROM SRL	695	719
MGI COUTIER ENGINEERING PRIVATE LTD	20	19
CADILLAC RUBBER & PLASTICS INC	643	588
CADIMEX SA DE CV	1,273	1,395
CADILLAC RUBBER & PLASTICS DE MEXICO SA DE CV	1,538	1,268
AVON AUTOMOTIVE UK HOLDINGS LIMITED	45	42
AVON OTOMOTIV SANAYI VE TICARET LIMITED SIRKETI	718	612
AVON AUTOMOTIVE DEUTSCHLAND GMBH	10	10
AVON AUTOMOTIVE A.S	662	592
INDUSTRIAL FLEXO S.L	181	154
AKWEL TONDELA (PORTUGAL), LDA (formerly AVON AUTOMOTIVE PORTUGAL LDA)	620	428
GOLD SEAL AVON POLYMERS PRIVATE LIMITED	155	141

Companies	31.12.2018	31.12.2017
AVON AUTOMOTIVE JAPAN CO LTD	3	2
AVON AUTOMOTIVE COMPONENTS CHONGQING CO LTD	141	67
AUTOTUBE AB	326	316
AKWEL PARADES DE COURA (PORTUGAL) UNIPessoal, LDA (formerly MGI COUTIER LUSITANIA)	223	190
MGI COUTIER MAROC SARL	133	72
SINFA CABLES SARL	68	80
WUHAN MGI COUTIER AUTO PARTS CO LTD	80	45
AKWEL RAYONG (THAILAND) CO, LTD (formerly MGI COUTIER THAILAND CO LTD)	81	25
AKWEL VIDIN (BULGARIA) EOOD (formerly MGI COUTIER BULGARIA EOOD)	2	0
<b>Total</b>	<b>11,769</b>	<b>10,887</b>

## 22. Financial instruments

Balance sheet items - 2018 financial year (in thousands of Euros)	Name of financial instruments	Fair value levels (see below)	Net book value	Fair value
<b>Assets</b>				
Non-consolidated securities and related receivables	A	2	2,331	2,331
Other non-current financial assets	D	-	888	888
Trade and other receivables	D	-	183,303	183,303
Other current assets (excluding deferred expenses, tax receivables)	D	-	4,333	4,333
Fair value of financial instruments	B	2	-	-
Cash and cash equivalents	B	1	92,700	92,700
<b>Liabilities</b>				
Financial debt (non-current and current portion)	C	2	132,733	132,733
Share acquisition debts (non-current and current portion)	C	2	-	-
Bank credit facilities	D	2	562	562
Fair value of financial instruments	B	2	-	-
Trade and other accounts payable	D	-	121,349	121,349
Other current liabilities (excluding deferred revenue, tax liabilities and payroll expenses)	D	-	5,976	5,976

- A: Financial assets and liabilities valued at amortised cost.  
B: Financial assets at fair value through other comprehensive income (a).  
C: Assets at fair value through profit or loss.  
D: Financial liabilities at fair value (a).  
E: Derivative financial instruments.

When the fair value is used, either to value the financial assets/liabilities (as is the case with short-term investments) or in order to provide information in the appendix in the preceding table on the fair value of other financial assets/liabilities, financial instruments are broken down according to the organisation defined by the IFRS 13 standard, which was introduced in 2013 and which is very similar to the IFRS 7 standard previously implemented.

The definitions of fair value levels are presented in note 1.10. Financial instruments - Financial assets and liabilities, Derivative financial instruments.

No valuation level is indicated when the net book value is close to the fair value.

## 23. Directors' remuneration

Remuneration paid to the members of the Executive Board concerning the Company totalled €2,400,335 in respect of the financial year ended 31 December 2018 (€2,097,601 in 2017), while remuneration paid to the members of the Supervisory Board totalled €274,000 (€118,137 in 2017).

## 24. Share purchase options

The Company has not authorised or agreed upon any purchase share option for directors.

## 25. Risks and disputes

The review of risks that could have a significant adverse effect on the Group's business, financial position or results is presented in the management report in 1.7. Risk factors.

## 26. Business combinations

The impacts of acquisitions during the period are not significant.

## 27. Post-closing events

No important event occurred since the close of the financial year and the date of preparation of the management report.

## 28. Statutory Auditors' fees

(in euros)	MAZARS SA - MAZARS			ORFIS SAS – ORFIS (1)			OTHER (2)		
	Total (excl. tax)		%	Total (excl. tax)		%	Total (excl. tax)		%
	Y	Y-1	(Y)	Y	Y-1	(Y)	Y		
<b>Audit</b>									
<b>Auditing of accounts, certification, examination of individual and consolidated financial statements:</b>									
Issuer	99,350	87,700	-	88,250	71,100	-	-	-	-
Fully-consolidated subsidiaries	213,369	185,734	-	-	170,553	-	111,194	-	-
<b>Services other than account certification:</b>									
Issuer	6,000	-	-	-	-	-	-	-	-
Fully-consolidated subsidiaries	-	-	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>318,719</b>	<b>273,434</b>	<b>7%</b>	<b>88,250</b>	<b>241,653</b>	<b>(64)%</b>	<b>111,194</b>	<b>-</b>	<b>100%</b>
<b>Other services delivered by the networks to fully-consolidated subsidiaries</b>									
Legal, tax, social	57,679	83,078	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>57,679</b>	<b>83,078</b>	<b>(31)%</b>	<b>-</b>	<b>-</b>	<b>(64)%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>376,397</b>	<b>356,512</b>	<b>6%</b>	<b>88,250</b>	<b>241,653</b>	<b>(64)%</b>	<b>111,194</b>	<b>-</b>	<b>100%</b>

(1) ORFIS SAS as a member of Allinial Global International

(2) OTHER corresponds to the fees received by the members of Allinial Global International

Services other than account certification concern tax compliance reviews, notably in terms of transfer prices.

## STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

*Financial year ended 31 December 2018*

ORFIS  
149, Boulevard de Stalingrad  
69100 Villeurbanne

MAZARS  
P.A.E. Les Glaisins  
13, avenue du Pré Félin  
74940 Annecy-le-Vieux

To the General Meeting of the company AKWEL,

### Opinion

In accordance with the terms of our appointment by your General Meeting, we audited the consolidated financial statements of the Company AKWEL concerning the financial year ended 31 December 2018, as attached to the present report.

We certify that the consolidated financial statements are, in respect of the IFRS standard as adopted in the European Union, accurate and truthful and provide a true picture of operations during the last financial year, as well as of the financial position and assets, at the end of the financial year, of the group comprised of the individuals and entities included in the scope of consolidation.

The opinion formulated below is consistent with the content of our report to the Audit Committee.

### Basis of the opinion

#### Audit benchmark

We conducted our audit in accordance with the professional standards applicable in France. We believe that the items we gathered are sufficient and appropriate for supporting our opinion.

The responsibilities incumbent upon us in respect of these standards are indicated in the section "Responsibilities of the Statutory Auditors concerning the audit of the consolidated financial statements" of the present report.

#### Independence

We conducted our audit assignment in accordance with the rules of independence that apply to us, during the period from 1 January 2018 to the date on which our report was issued, and notably we did not provide services prohibited by article 5, paragraph 1, of regulation (EU) no. 537/2014 or by the accounting profession's code of ethics.

### Observation

Without qualifying our opinion, we draw your attention to the point presented in note 1 of the appendix to the consolidated financial statements concerning the scope of the standards IFRS 15 "Revenue on ordinary activities from contracts with customers" and IFRS 9 "Financial instruments".

### Explanatory notes on our assessment - Key points of the audit

Pursuant to the provisions of article L.823-9 and R.823-7 of the French Commercial Code concerning the justification of our assessments, we bring to your attention the key points of the audit concerning the risks of significant anomalies, which, in our professional opinion, were the most significant for the audit of the consolidated financial statements for the financial year, as well as the responses that we provided to these risks.

The performed assessments form part of the context of the audit of the consolidated financial statements as a whole and of the formation of our opinions expressed above. We did not express an opinion on items of these consolidated financial statements viewed in isolation.

### **Assessment of provisions linked to technical and commercial liabilities**

*Note Accounting principles and methods – Provisions and note Long-term provisions of the appendix to the consolidated financial statements*

#### Risk identified

As the Group is present in numerous countries and supplies numerous automotive manufacturers, it is exposed to the risks inherent in its activity, notably concerning the commercial and industrial aspects.

In this context, the Group may encounter uncertain, litigious or contentious situations, notably in relation to technical risks and recall campaigns conducted by automotive manufacturers.

The risk assessment is regularly reviewed by the Group's Management. The incomplete identification and/or incorrect assessment of a risk may cause the Group to overestimate or underestimate its provisions.

At the close of the 2018 financial year, other provisions for liabilities and charges totalled €47.6 million and were primarily linked to technical and commercial liabilities. We felt that the assessment of provisions linked to technical and commercial liabilities was a key point of our audit given the potential Group-wide financial stakes and the Management's judgement in the assessment of the risks and amounts recognised.

#### Responses provided during our audit

Our work notably consisted of:

- obtaining external confirmations from lawyers, enabling us to compile an inventory of disputes and contentious situations involving the Group;
- familiarising ourselves with the risk analysis conducted by the Group, with the corresponding documentation and, where applicable, reviewing the written consultations of its external advisors;
- meeting the Product Lines Director concerned by technical liabilities;
- assessing the main risks identified and examining the reasonable nature of the assumptions chosen by the Management in view of the information collected to assess the amount of provisions recognised.

### **Goodwill valuation and amortisation**

*Note Accounting principles and methods – Goodwill and note Goodwill of the appendix to the consolidated financial statements*

#### Risk identified

As at 31 December 2018, the net value of goodwill totalled €46.7 million in the Group's consolidated financial statements.

As stated in the note "Accounting principles and methods – Goodwill", this goodwill is assigned, for the purpose of conducting impairment tests, to the cash generating units (CGU), which correspond to homogenous sets generating independent cash flow. The groups of cash generating units correspond to the countries of operation. These impairment tests are conducted at least once per year and if impairment indicators exist. They consist of comparing the carrying value of the CGU groups to their value in use or their market value less transfer costs, whichever is higher.

The terms of the impairment tests implemented are described in the note "Accounting principles and methods – Goodwill" and the details of the assumptions adopted are presented in the note "Goodwill". Values in use were determined based on the discounted projected cash flows of the CGU groups.

Determining the value in use of goodwill, which totals a significant amount, is based in large part on the Management's judgement, notably regarding the growth rate used for the cash flow projections and the discount rate that is applied to them.

We therefore viewed the valuation of goodwill and the implementation of impairment tests as a key point of the audit.

#### Responses provided during our audit

Our work notably consisted of:

- examining the compliance of the methodology applied by the company with current accounting standards;
- assessing whether the attachment of assets to CGUs is exhaustive and compliant with current accounting standards;
- assessing the reasonable nature of the assumptions for determining future cash flow in connection with the operational data, given the economic and financial context in which the Group operates, and their consistency with the latest estimates presented to the Supervisory Board as part of the budgetary processes;
- assessing the consistency of the perpetual growth rate and the weighted average unit cost of the capital in terms of all of their components;
- analysing the sensitivity of the value in use determined by the Management to a change in the main assumptions adopted.

We also assessed the appropriateness of the information presented in the notes of the appendix to the consolidated financial statements.

### **Verification of the information concerning the Group provided in the management report**

In accordance with professional standards applicable in France, we also conducted a specific verification, as provided for by law, of the information concerning the Group and provided in the Executive Board's management report.

We have no observation to make regarding the veracity of the information and its consistency with the consolidated financial statements.

### **Information resulting from other legal and regulatory obligations**

We were appointed the Statutory Auditors for the financial statements of the Company AKWEL by the Ordinary General Meeting of 23 February 2014 in the case of the consulting firm MAZARS and by the Ordinary General Meeting of 24 June 2005 in the case of the consulting firm ORFIS.

As at 31 December 2018, the consulting firm MAZARS was in the 16th uninterrupted year of its assignment and the consulting firm ORFIS was in the 14th uninterrupted year of its assignment.

### **Responsibilities of the Management and of the individuals conducting corporate governance concerning the consolidated financial statements**

It is the Management's responsibility to establish consolidated financial statements that present a true picture in accordance with the IFRS framework as adopted in the European Union, as well as to implement the internal control that it believes is necessary in order to establish consolidated financial statements that do not contain any significant anomalies, whether as a result of fraud or errors.

During the preparation of the consolidated financial statements, it is the Management's responsibility to assess the company's ability to continue its operation, to present in these financial statements, where applicable, the necessary information concerning the continuity of operations and to apply the accounting policy for a going concern, unless plans are in place to liquidate the company or discontinue its activity.

It is the Audit Committee's responsibility to monitor the process of preparing the financial information and to monitor the effectiveness of the internal control and risk management systems, as well as, where applicable, of the internal audit concerning the procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements were closed by the Executive Board.



## Responsibilities of the statutory auditors concerning the audit of the consolidated financial statements

### Audit objective and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements as a whole do not contain any significant anomalies. Reasonable assurance corresponds to a high level of assurance, although it does not guarantee that an audit conducted in accordance with professional standards systematically detects all significant anomalies. Anomalies may arise from fraud or result from errors and are considered significant if it is reasonable to expect that they may, considered individually or cumulatively, influence the business decisions that the users of the financial statements make by drawing on them.

As stated in article L.823-10-1 of the French Commercial Code, our assignment to certify the financial statements does not consist of guaranteeing the viability or quality of your company's management.

In an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises its professional judgement throughout the audit. Furthermore:

- It identifies and assesses the risks that the consolidated financial statements contain significant anomalies, whether these arise from fraud or result from errors, defines and implements audit procedures to contend with these risks and gathers elements that it deems sufficient and appropriate to form its opinion. The risk of not detecting a significant anomaly arising from fraud is higher than the risk of not detecting a significant anomaly resulting from an error, as fraud may involve collusion, falsification, intentional omissions, false declarations or the bypassing of internal control.
- It familiarises itself with the internal control relevant to the audit in order to define appropriate audit procedures for the circumstances, rather than to express an opinion on the effectiveness of internal control.
- It assesses the appropriateness of the accounting methods used and the reasonable nature of the accounting estimates made by the Management, as well as the information concerning these and provided in the consolidated financial statements.
- It assesses the appropriateness of the management's application of the accounting policy for a going concern and, based on the items collected, the existence or otherwise of a significant uncertainty linked to events or circumstances liable to call into question the company's ability to continue its operations. This assessment draws on the items collected until the date of its report, although subsequent circumstances or events could nevertheless call into question the continuity of operations. If it concludes that a significant uncertainty exists, it draws the attention of the readers of its report to the information provided in the consolidated financial statements regarding this uncertainty or, if this information is not provided or is not relevant, it formulates a certification with reservations or a refusal to certify.
- It assesses the overall presentation of the consolidated financial statements and assesses whether the consolidated financial statements reflect the underlying operations and events in such a way that they provide a true picture of them.
- Concerning the financial information on the persons or entities included in the scope of consolidation, it collects items that it deems sufficient and appropriate to express an opinion on the consolidated financial statements. It is responsible for the management, supervision and conduct of the audit of the consolidated financial statements, as well as for the opinion expressed regarding these financial statements.

### Report to the audit committee

We submitted a report to the audit committee that notably presents the extent of the audit work and the work programme put in place, as well as the conclusions resulting from our work. We also bring to its attention, where applicable, the significant weaknesses in internal control that we identified concerning the procedures relating to the preparation and processing of accounting and financial information.

The items communicated in the report to the audit committee include the risks of significant anomalies that we deemed to have been the most important for the audit of the consolidated financial statements for the financial year and which, as a result, constitute the key points of the audit. These points are described in the present report.

We also provide to the Audit Committee the statement indicated in article 6 of regulation (EU) no. 537-2014 confirming our independence, under the rules applicable in France as established notably by articles L.822-10 to L.822-14 of the French Commercial Code and in the accounting profession's code of ethics. Where applicable, we meet with the Audit Committee to discuss the risks adversely affecting our independence and the safeguarding measures applied.

Drawn up in Villeurbanne and Annecy, on 19 April 2019

The Statutory Auditors

ORFIS BAKER TILLY

Mr Jean-Louis Fleche  
Mr Nicolas Touchet

MAZARS

Mr Bruno Pouget

# FINANCIAL STATEMENTS - AKWEL

## BALANCE SHEET

*Corporate financial statements  
as at 31 December 2018  
(in thousands of Euros)*

<b>ASSETS</b>	<b>Notes no.</b>	<b>Gross amounts</b>	<b>Amortisati on or provisions</b>	<b>31.12.18 Net amounts</b>	<b>31/12/2017 Net amounts</b>
<b>Intangible fixed assets</b>	<u>3.1.</u>	<b>14,938</b>	<b>(12,560)</b>	<b>2,378</b>	<b>2,475</b>
<b>Tangible fixed assets</b>	<u>3.1.</u>				
Land		661	(163)	498	504
Buildings		26,363	(15,779)	10,584	10,844
Plant, machinery and equipment		166,886	(125,376)	41,510	38,240
Other tangible assets		21,063	(16,801)	4,262	4,637
Assets under construction, advance and progress payments		2,414	0	2,414	4,280
		<b>217,387</b>	<b>(158,119)</b>	<b>59,268</b>	<b>58,505</b>
<b>Financial assets</b>	<u>3.2.</u>				
Equity investments and related debts		307,309	(42,713)	264,596	232,091
Other financial assets		487	(140)	347	438
		<b>307,796</b>	<b>(42,853)</b>	<b>264,943</b>	<b>232,529</b>
<b>Inventories</b>	<u>3.3.</u>	<b>40,460</b>	<b>(5,645)</b>	<b>34,815</b>	<b>40,460</b>
<b>Advances and received downpayment</b>		<b>641</b>	<b>-</b>	<b>641</b>	<b>1,586</b>
<b>Accounts receivable</b>					
Trade and other receivables	0	64,835	(81)	64,754	69,197
Non-trade receivables	<u>3.5.</u>	18,430	(34)	18,396	20,267
		<b>83,265</b>	<b>(115)</b>	<b>83,150</b>	<b>89,464</b>
<b>Cash assets and marketable securities</b>	<u>3.6.</u>	<b>39,816</b>	<b>-</b>	<b>39,816</b>	<b>63,256</b>
<b>Deferred Expenses</b>		<b>480</b>	<b>-</b>	<b>480</b>	<b>414</b>
<b>Translation Gains/Losses on Assets</b>		<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>
<b>Total Assets</b>		<b>704,783</b>	<b>(219,292)</b>	<b>485,491</b>	<b>488,689</b>

<b>LIABILITIES</b>		<b>31/12/2018</b>	<b>31/12/2017</b>
	<i>Notes no.</i>		
<b>Shareholders' equity</b>	<u>3.8.</u>		
Share capital		21,393	21,393
Merger premiums and additional paid-in capital		9,705	9,705
Legal reserve		2,139	2,139
Regulatory reserves		41	41
Other reserves		-	-
Retained earnings		143,256	121,899
Interim dividends		-	-
Profit/loss for the financial period		(7,344)	29,378
Regulatory provisions	<u>3.8.</u>	28,268	26,647
<b>Net Provision Before Distribution</b>		<b>197,458</b>	<b>211,202</b>
<b>Other equity</b>			
Conditional subsidies		0	33
<b>Provisions for Liabilities &amp; Charges</b>	<u>3.9.</u>	<b>31,140</b>	<b>20,264</b>
<b>Debts</b>			
Financial debt	<u>3.10.</u>	120,862	120,550
Associates - various financial debts	<u>3.10.</u>	65,084	57,227
Trade and other accounts payable		54,150	61,551
Tax liabilities and personnel expenses	<u>3.11.</u>	13,052	13,662
Other creditors	<u>3.11.</u>	3,505	4,079
		<b>256,653</b>	<b>257,069</b>
<b>Deferred Revenue</b>		<b>240</b>	<b>121</b>
<b>Translation Gains/Losses on Liabilities</b>		<b>0</b>	<b>0</b>
<b>Total liabilities</b>		<b>485,491</b>	<b>488,689</b>

## INCOME STATEMENT

*As at 31 December 2018*  
*Corporate financial statements*  
*(in thousands of Euros)*

	Notes no.	31/12/2018 (12 months)	31/12/2017 (12 months)
<b>NET REVENUE</b>	<u>4.1.</u>	<b>408,585</b>	<b>429,363</b>
Change in inventoried products		(4,710)	6,692
Operating subsidies		0	10
Other operating profits		5,435	4,886
<b>OPERATING PROFITS</b>		<b>409,310</b>	<b>440,951</b>
Purchases		(86,177)	(92,847)
Variation in inventory and WIP		(384)	1,218
Other purchases and external charges		(214,778)	(231,315)
<b>ADDED VALUE</b>		<b>107,971</b>	<b>118,007</b>
Taxes and dues		(5,035)	(5,325)
Personnel costs		(77,725)	(76,529)
<b>GROSS OPERATING SURPLUS</b>		<b>25,211</b>	<b>36,153</b>
Amortisation allowances		(12,628)	(11,655)
Write-offs and provisions		(12,393)	3,330
Other income and (expenses)		(1,049)	(987)
<b>OPERATING PROFIT</b>		<b>(859)</b>	<b>26,841</b>
Financial income and (expenses)	<u>4.2.</u>	(10,110)	2,215
<b>CURRENT PROFIT (LOSS) BEFORE TAX</b>		<b>(10,969)</b>	<b>29,056</b>
Exceptional income and (expenses)	<u>4.3.</u>	(10)	(1,123)
Employee profit-sharing		-	-
<b>INCOME BEFORE TAX</b>		<b>(10,979)</b>	<b>27,933</b>
Tax provisions	<u>4.4.</u>	(3,635)	1,443
<b>NET INCOME</b>		<b>(7,344)</b>	<b>29,376</b>

## APPENDIX TO THE CORPORATE FINANCIAL STATEMENTS

31 December 2018

### 1. Presentation of the Company and financial year highlights

The Company's activity consists of designing, developing and producing tooling and parts primarily marketed to French and foreign automotive and truck manufacturers. Its mission is to be simultaneously a designer, manufacturer and functional assembler.

As the parent company, the Company also coordinates the industrial and financial activities of all the subsidiaries of the Group, of which it is the parent company.

The annual financial statements are presented in thousands of euros.

Over the last financial year, significant activities in terms of the scope of business or organisation are as follows:

- Fall in revenue, primarily linked to the decline in diesel engines.
- Very significant fall in operating profitability, which was adversely affected, firstly, by unusually high allowances to provisions for warranty returns and, secondly, sales price efforts that were higher than the cost reductions obtained.
- A very significant decline in financial income due to the dual effect of the near-absence in 2018 of income from participating interests and high allowances for provisions on securities and receivables (these allowances being directly linked to the current and predictable decline in profitability at AUTOTUBE AB, as well as losses by entities that recently began operating.

### 2. Accounting principles and valuation method

#### 2.1. Accounting principles

The financial statements as at 31 December 2018 are presented in accordance with generally accepted accounting principles in France and take into account ANC regulation no. 2014-03 of 5 June 2014 concerning the rewriting of the French General Accounting Plan and amended by regulation 2016-07.

The general accounting conventions were applied in accordance with the precautionary principle and the basic assumptions of:

- continuous operation,
- consistency of accounting methods from one financial year to another,
- independence of financial years,

and in accordance with the general rules for preparing and presenting annual accounts.

No accounting method change occurred during the financial years presented.

#### 2.2. Fixed assets and amortisation

Fixed assets are valued at their acquisition or production cost.

##### 2.2.1. Intangible assets

Costs of design and development are entered as expenses over the financial year during which they are incurred.

Goodwill is entered based on its transfer value. Goodwill appearing on the balance sheet will be subject to a provision for depreciation if the inventory value is lower than the book value. The inventory value is determined based on criteria linked to observed profitability and future projections for the activity concerned. Following the implementation on 1 January 2005 of the regulation 2002-10, the Company no longer amortises goodwill entered as an asset on the balance sheet.



IT equipment and software programmes are amortised over a period of 12 months. Other software packages or expenses incurred during the introduction of a new computer system (SAP) are capitalised and amortised over a period of three years.

Patents are amortised over their protection period.

The Company conducts impairment tests on its goodwill every year.

The duration of use of goodwill is presumed to be unlimited.

The Company impairs the value of an asset if its current value (the venal value or value in use, whichever is higher) falls below its net book value.

### **2.2.2. Tangible assets**

Depreciation of tangible assets is calculated over the period of useful life of the assets on a straight-line or declining-balance method.

The main applicable periods of depreciation can be summarised as follows:

- Buildings: 25 to 40 years;
- Building fixtures and fittings: 5 to 10 years;
- Technical installations: 5 to 10 years;
- Equipment and industrial tooling: 5 to 10 years;
- General installations: 10 years;
- Furniture, office equipment: 5 to 10 years.

Additional depreciation resulting from the implementation of tax provisions (declining, exceptional balance) are treated as accelerated tax depreciation, which is entered under "regulated provisions".

### **2.2.3. Financial assets**

Participating interests and other fixed securities are entered on the assets side of the balance sheet at their acquisition cost.

Participating interests are subject to an impairment provision if their value in use is lower than their book value. The value in use of participating interests is assessed using several criteria, in particular shareholders' equity, multiples of gross operating margin, and development and profitability prospects.

## **2.3. Receivables from participating interests**

As of 2 January 2002, the Group has implemented cash management agreements between all subsidiaries of the Group. These stipulate that all intra-group receivables and commercial debts due and not reimbursed are considered as cash advances. As the settlement of these advances is not planned, they are entered under the headings "receivables attached to ownership equity" or "debts attached to ownership equity".

The receivables concerned are valued at their nominal value and may be depreciated in line with the analysis of equity interests to take into account non-recovery risks to which they may be exposed according to the information known on the closing date.

## **2.4. Inventories**

Inventories are valued at the purchase price of raw materials in accordance with the "first in, first out" method, and at the manufactured cost for finished and work-in-progress products. The manufactured cost excludes general costs not contributing to production and financial costs.

The necessary provisions are made for stocks presenting a risk of obsolescence, or where the cost is greater than the realisable value. Tooling is valued at the full cost (external costs) within the limit of the price invoiced to customers.

## 2.5. Trade receivables

Accounts receivable and debts are valued at their nominal value. Provisions for bad debts are established according to ageing criteria of outstanding receivables. A provision is also recorded whenever an actual and serious dispute is noted, or when a customer is subject to legal proceedings.

Furthermore, provisions for depreciation of accounts receivable are also calculated in accordance with ageing criteria for uncollected invoices and according to the following terms:

- provision equal to 25% of the amount before tax of unpaid account receivables whose due date is exceeded by more than 150 days and less than 360 days.
- provision equal to 100% of the amount before tax of unpaid accounts receivable whose due date is exceeded by more than 360 days.

## 2.6. Provisions for liabilities and provisions for charges

In general, each of the known disputes involving the Company is examined on the closing date by the Directors and after external consultation; otherwise, the provisions considered necessary were established to cover the estimated risks.

## 2.7. Pension commitments

No provision is made for the rights acquired by staff members in terms of retirement compensation. They are nevertheless valued and their amount at the end of the financial year is recorded under financial commitments (see [5.1.](#) ).

Pension commitments are estimated using the retrospective method of projected credit units with a final salary. The sums of employees' entitlements under the various applicable collaborative agreements are valued based on development assumptions for salaries, retirement age, mortality rate and staff turnover, then calculated at their current value based on a discount rate. Estimates were performed based on a 1.8% discount rate, a 3% salary increase for management (non-management likewise) and a retirement age of 65. The Company considered the impact on the valuation of its workforce commitments under act no. 2010-1330 of 9 November 2010 concerning pension reform. After examining the characteristic features of its employees (age, start of professional life, career profile, etc.), the Company has maintained its assumption for retirement at the age of 65.

There were no provisions for liabilities and charges for long-service awards, as the corresponding commitments are not significant. The collaborative agreements applied to the Company's sites do not include these commitments, and the practices of the Company remain incidental in this matter.

## 2.8. Exceptional expenses and income

Exceptional profits and losses include in particular income and expenses resulting from events or operations that are clearly different from the company's ordinary activities and therefore not likely to be repeated frequently or regularly. Exceptional expenses and income include in particular exceptional amortisation expenses or reversals, profits from assets disposal as well as income and expenses not linked to current business activities.

## 2.9. Foreign exchange transactions

Foreign exchange expenses and income are recorded at their equivalent value on the date of the transaction. Accounts receivable and debts in foreign currency are valued at the exchange rate in effect on the closing date. The difference resulting from discounting debts and accounts receivable in foreign currency at the closing rate is recorded in the balance sheet under translation differences. A provision for the risk of unrealised foreign exchange losses has been made.

## 2.10. Tax integration

The Company has reached a tax integration agreement with its French subsidiaries of which it directly or indirectly owns more than 95%.

This agreement, which came into effect for the first time on 22 December 2011, was signed as part of the option taken by the Company for the group system as defined in articles 223 A et seq. of the French General Tax Code. Each fiscally integrated company recognises the income tax for which it would have been liable had there been no group tax election. The additional tax saving or charge resulting from the difference between the tax due by the integrated subsidiaries and the tax resulting from determining the overall income is recorded by the Company.

The application of the tax integration system resulted in 2018, as far as the scope of consolidation is concerned, in a net tax saving of €250,148. Without tax integration, the net tax expense for the Company would have been €0.

## 3. Notes on the balance sheet

### 3.1. Tangible and intangible assets

(in thousands of Euros)	31.12.2017	Increases	Decreases	31.12.2018
Intangible assets	14,382	556	0	14,938
Land	661	0	0	661
Buildings	25,931	442	(10)	26,363
Plant, machinery and equipment	156,107	14,080	(3,301)	166,886
Other tangible assets	20,647	599	(183)	21,063
Assets under construction, advance and progress payments	4,280	18,579	(20,445)	2,414
<b>Gross values</b>	<b>222,008</b>	<b>34,256</b>	<b>(23,939)</b>	<b>232,325</b>
Amortisation of other intangible assets	(11,907)	(653)	0	(12,560)
Provisions for land	(157)	(7)	0	(164)
Buildings depreciation	(15,087)	(702)	10	(15,779)
Technical installations depreciation	(117,867)	(10,299)	2,790	(125,376)
Depreciation of other assets	(16,010)	(967)	176	(16,801)
<b>Total amortisations/provisions</b>	<b>(161,028)</b>	<b>(12,628)</b>	<b>2,976</b>	<b>(170,680)</b>
<b>Net value</b>	<b>60,980</b>	<b>21,628</b>	<b>(20,963)</b>	<b>61,645</b>

"Intangible assets" are analysed as follows as at 31 December 2018:

(in thousands of Euros)	Gross amount	Amortisation	Net amount
Software	8,611	(7,834)	777
Goodwill	6,327	(4,726)	1,601
Other intangible assets	-	-	-
<b>Total</b>	<b>14,938</b>	<b>(12,560)</b>	<b>2,378</b>

Research and Development costs recognised as expenses during the financial year totalled €25.478 million (€24.491 million during the 2017 financial year).

### 3.2. Financial assets

(in thousands of Euros)	31.12.2017	Increases	Decreases	31.12.2018
Participating interests	224,974	14,651	0	239,625
Receivables from participating interests	40,957	31,644	(4,917)	67,684
Other financial assets	487	0	0	487
<b>Gross values</b>	<b>266,418</b>	<b>46,295</b>	<b>(4,917)</b>	<b>307,796</b>
Provisions for participating interests	(26,312)	(9,907)	0	(36,219)
Provisions for related liabilities	(7,528)	(647)	1,682	(6,493)
Provisions for other assets	(49)	(91)	0	(140)
<b>Total provisions</b>	<b>(33,889)</b>	<b>(10,645)</b>	<b>1,682</b>	<b>(42,852)</b>
<b>Net value</b>	<b>232,529</b>	<b>35,650</b>	<b>(3,235)</b>	<b>264,944</b>

### 3.3. Inventories

(in thousands of Euros)	31.12.2018	31.12.2017
Raw materials	11,684	12,044
WIP	7,390	7,915
Semi-finished and finished products	21,379	25,564
Goods	7	10
<b>Gross value</b>	<b>40,460</b>	<b>45,533</b>
Depreciation allowances	(5,645)	(5,074)
<b>Net value</b>	<b>34,815</b>	<b>40,459</b>

### 3.4. Trade accounts receivable

(in thousands of Euros)	31.12.2018	31.12.2017
Trade accounts receivable	64,835	69,283
Impairment allowances	(81)	(86)
<b>Net value</b>	<b>64,754</b>	<b>69,197</b>

### 3.5. Non-trade receivables

(in thousands of Euros)	31.12.2018	31.12.2017
Income tax	16,089	17,377
VAT	1,829	2,467
Other	512	457
<b>Gross value</b>	<b>18,430</b>	<b>20,301</b>
Impairment allowance	(34)	(34)
<b>Net value</b>	<b>18,396</b>	<b>20,267</b>

### 3.6. Cash assets and marketable securities

(in thousands of Euros)	31.12.2018	31.12.2017
Cash assets	39,816	63,256
<b>Net value</b>	<b>39,816</b>	<b>63,256</b>

### 3.7. Receivables and liabilities by maturity

Accounts receivable are due in less than one year except for those recorded under the following headings:

(in thousands of Euros)	Due dates > 1 year
Financial debts/equity investments	67,684
Other financial assets	487
Customer debt provisions	81
Other debt provisions	34
<b>Total</b>	<b>68,286</b>

Debts are payable within one year with the exception of those displayed under the following headings:

(in thousands of Euros)	Due dates 1 to 5 years	Due dates > 5 years	Total
Financial debt	82,490	0	82,490
Miscellaneous financial debts	65,084	0	65,084
<b>Total</b>	<b>147,574</b>	<b>0</b>	<b>147,574</b>

### 3.8. Shareholders' equity

The share capital is comprised of 26,741,040 shares of €0.80 each.

The change in shareholders' equity during the 2018 financial year is analysed as follows:

(in thousands of Euros)	Amounts
Shareholders' equity at 31.12.2017	211,202
Dividend distribution	(8,021)
Income for the financial year	(7,344)
Regulated provisions transactions	1,621
<b>Total</b>	<b>197,458</b>

### 3.9. Provisions for liabilities and provisions for charges

The provisions for liabilities and charges mainly related to current disputes with third parties, severance procedures and unrealised exchange rate losses are analysed as follows:

(in thousands of Euros)	31.12.2017	Transfers	Uses	Unallocated write-backs/Other transactions	31.12.2018
Provisions for disputes	20,264	25,114	(13,067)	(1,171)	31,140
Provisions for foreign exchange losses	0	0	-	-	0
<b>Total</b>	<b>20,264</b>	<b>25,114</b>	<b>(13,067)</b>	<b>(1,171)</b>	<b>31,140</b>

Allowances for litigation are primarily linked, in respect of the 2018 financial year, to technical and commercial liabilities and notably warranty returns. In the latter case, the amounts were estimated based on warranty returns observed during the financial year, contractual warranty periods and available historical data.

### 3.10. Financial debt

(in thousands of Euros)	31.12.2018	31.12.2017
Group debts	65,084	57,227
Debts exclusive of Group:	0	-
- Loans	114,117	117,176
- Interest payable	568	573
- Others	6,177	2,802
<b>Total</b>	<b>185,946</b>	<b>177,778</b>

Some bank loans are subject to financial covenants. As at 31 December 2018, the Company has abided by all of these covenants.

### 3.11. Tax liabilities, payroll expenses and other debts

(in thousands of Euros)	31.12.2018	31.12.2017
Welfare organisations	5,092	5,383
Personnel	5,320	5,509
Statutory taxes (VAT, corporate tax, etc.)	2,639	2,769
Advances and deposits received	3,502	4,059
Other debts and expenses	4	20
<b>Total</b>	<b>16,557</b>	<b>17,740</b>

### 3.12. Related payables

Accrued income is primarily comprised of supplier credit notes in the amount of €6.794 million (€6.288 million in 2017) and unbilled revenue in the amount of €3.781 million (€5.587 million in 2017). Accrued liabilities are primarily comprised of accrued invoices in the amount of €16.096 million (€17.565 million in 2017), accrued credit notes in the amount of €6.248 million (€9.209 million in 2017) and tax liabilities and personnel expenses in the amount of €8.168 million (€8.774 million in 2017).

### 3.13. Negotiable instruments

Trade accounts receivable include an amount of €18.823 million (€27.906 million in 2017) corresponding to received trade bills not yet due and not anticipated. Trade accounts payable include notes payable in the amount of €2.922 million (€3.965 million in 2017).

## 4. NOTES TO THE INCOME STATEMENT

### 4.1. Breakdown of revenue

Revenue in France totalled €211.223 million, or 51.70% of total revenue (50.21% in 2017). Export revenue totalled €197.362 million, or 48.30% of total revenue (49.79% in 2017).

### 4.2. Financial profits and charges

(in thousands of Euros)	31.12.2018	31.12.2017
Equity investment profits	87	3,914
Net translation differences	348	(480)
(Expenses)/net reversal of provisions	(8,964)	867
Write-offs	-	-
Interest expenses and other financial expenses (net)	(1,581)	(2,085)
<b>Total</b>	<b>(10,110)</b>	<b>2,216</b>



Allowances for provisions on participating interests totalled €9.907 million (€2.039 million in 2017). These exclusively concern the subsidiaries MGI COUTIER ARGENTINA SA, SINFA CABLES SARL, MGI COUTIER MAROC SARL, MGI COUTIER BRASIL LTDA and AUTOTUBE GROUP. No reversal was recorded (€3.35 million in 2017). Allowances for provisions for receivables from participating interests totalled €647,000 (€1.513 million in 2017). These primarily concern MGI COUTIER ARGENTINA SA. Reversals on provisions for receivables from participating interests totalled €1.682 million (€1.053 million in 2017). These reversals primarily concern the Moroccan, Indian and Chinese subsidiaries.

#### 4.3. Exceptional income

(in thousands of Euros)	31.12.2018	31.12.2017
Depreciation and provisions (net)	(671)	(1,307)
Net asset sales	238	(22)
Other profits (charges)	423	206
<b>Total</b>	<b>(10)</b>	<b>(1,123)</b>

#### 4.4. Breakdown of tax between current and exceptional profit/loss

(in thousands of Euros)	Income before tax	Tax	Net income after tax
Current profit/loss (and securities)	(10,969)	3,635	(7,334)
Exceptional income	(10)	-	(10)
<b>Profit/loss</b>	<b>(10,979)</b>	<b>3,635</b>	<b>(7,344)</b>

#### 4.5. Increase and relief of future tax debt

Items generating a tax deferral entail a future tax increase of €9.152 million (€8.613 million in 2017), based on total rates of 28% and 33.33%, taking into account provisional due dates for reversals of deferred tax bases.

## 5. OTHER INFORMATION

#### 5.1. Retirement

Total commitments linked to retirement gratuities that are not subject to provisions at the closing date totalled €4.893 million. The calculation assumptions are stated in note 2.7.

#### 5.2. Leasing

The original value of fixed assets acquired through capital leases totalled €30.141 million, whereas their net value would total €4.927 million when required under full ownership and amortised.

Given that the Company has no more current contracts, there are no fees to pay.

#### 5.3. Identity of the acquiring company

The Company is the leader of its Group's consolidation and therefore presents the consolidated financial statements under its sole name.

#### 5.4. Other financial commitments

As at 31 December 2018, other commitments to financial organisations were as follows:

- €10.854 million in respect of sureties granted (€10.287 million in 2017).
- €33 million in respect of mortgages and guarantees on financial assets (this amount already being included under financial debts (€33 million in 2017).

#### 5.5. Related undertakings

Information concerning transactions with related parties is available in the *Special report by the Statutory Auditors on regulated agreements and commitments*.

#### 5.6. Remuneration paid to Directors

Remuneration paid to members of the Executive Board totalled €2,400,335 during the financial year ended 31 December 2018 (€2,097,601 in 2017). Total remuneration and attendance fees paid to the members of the Supervisory Board totalled €274,000 during the financial year ended 31 December 2018 (€118,137 in 2017).

#### 5.7. Average headcount

	2018	2017
Executives	313	312
Employees, Technicians & Supervisors	659	652
Operatives	627	650
<b>Total</b>	<b>1,599</b>	<b>1,614</b>

#### 5.8. C.I.C.E

The Competitiveness and Employment Tax Credit (CICE) is calculated through the reduction of income tax.

For the 2018 financial year, the company recorded a CICE of €2,381,698 (€2,746,266 in 2017).

In accordance with the provisions of article 76 of the 2015 Finance Act, it is stated that, in respect of the CICE aimed at financing the improvement and competitiveness of companies, the Company makes use of this notably through efforts in:

- investment,
- research and innovation,
- training and staffing.

## STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

ORFIS BAKER TILLY

149, Boulevard de Stalingrad

69100 Villeurbanne 13, avenue du Pré Félin

MAZARS

P.A.E. Les Glaisins

74940 Annecy-le-Vieux

*Financial year ended 31 December 2018*

To the General Meeting of the Company AKWEL,

### Opinion

In accordance with the terms of our appointment by your General Meeting, we audited the annual financial statements of the Company AKWEL concerning the financial year ended 31 December 2018, as attached to the present report.

In compliance with French accounting rules and principles, we certify that the annual financial statements are accurate and truthful and provide a true picture of operations during the last financial year, as well as of the company's financial position and assets at the end of the financial year.

The opinion formulated below is consistent with the content of our report to the audit committee.

### Basis of the opinion

#### Audit benchmark

We conducted our audit in accordance with the professional standards applicable in France. We believe that the items we gathered are sufficient and appropriate for supporting our opinion.

The responsibilities incumbent upon us in respect of these standards are indicated in the section "Responsibilities of the Statutory Auditors concerning the audit of the annual financial statements" of the present report.

#### Independence

We conducted our audit assignment in accordance with the rules of independence that apply to us, during the period from 1 January 2018 to the date on which our report was issued, and notably we did not provide services prohibited by article 5, paragraph 1, of regulation (EU) no. 537/2014 or by the accounting profession's code of ethics.

### Explanatory notes on our assessment - Key points of the audit

Pursuant to the provisions of L. 823-9 and R. 823-7 of the French Commercial Code concerning the justification of our assessments, we bring to your attention the key points of the audit concerning the risks of significant anomalies, which, in our professional opinion, were the most significant for the audit of the annual financial statements for the financial year, as well as the responses that we provided to these risks.

The performed assessments form part of the context of the audit of the annual financial statements as a whole and of the formation of our opinions expressed above. We did not express an opinion on items of these annual financial statements viewed in isolation.

## Assessment of participating interests and receivables from participating interests

*Notes 2.2 c, 2.3 and 3.2 of the appendix to the annual financial statements*

### Risk identified

Participating interests and receivables from participating interests appear on the balance sheet of AKWEL as at 31 December 2018 in the net amount of €264.6 million.

Participating interests are recognised, on their entry date, at the acquisition cost and impaired if their value in use estimated at the closing date is below their book value. The value in use of participating interests is assessed using several criteria, in particular shareholders' equity, multiples of gross operating margin, development and profitability projections. This estimate requires the Management to exercise its judgement, particularly if it is based on forward-looking items.

Due to the uncertainties inherent in the forward-looking items used in these calculations, we felt that the assessment of participating interests, and by extension the associated receivables, constitutes a key point of our audit.

### Responses provided during our audit

We examined the controls put in place by the Company to assess the value in use of the participating interests. Our work notably consisted of:

- Comparing the company's share of the book net assets used to determine the value in use of the participating interests with the data provided by accounting;
- Verifying, if the values in use were determined based on forward-looking items, that their assessment was based on an appropriate assessment method;
- Evaluating the reasonable nature of the main assumptions used to assess the values in use by meeting with the Management;
- Verifying the arithmetic accuracy of the calculations of the values in use conducted by the Company;
- Evaluating the recoverable nature of the associated receivables in light of the results of the participating interest impairment tests.

## Assessment of provisions linked to technical and commercial liabilities

*Note 2.6 and note 3.9 of the appendix to the annual financial statements*

### Risk identified

As the Company is a top-tier supplier to numerous automotive manufacturers, it is exposed to the risks inherent in its activity, notably concerning the commercial and industrial aspects.

In this context, the Company may encounter uncertain, litigious or contentious situations, notably in relation to technical risks and recall campaigns conducted by automotive manufacturers.

The risk assessment is regularly reviewed by company's Management. The incomplete identification and/or incorrect assessment of a risk may cause the company to overestimate or underestimate its provisions.

At the close of the 2018 financial year, provisions for disputes totalled €31.1 million and were primarily linked to technical and commercial liabilities. We felt that the assessment of provisions linked to technical and commercial liabilities was a key point of our audit given the potential company-wide financial stakes and the Management's judgement in the assessment of the risks and amounts recognised.

### Responses provided during our audit

Our work notably consisted of:

- obtaining external confirmations from the lawyers enabling us to compile an inventory of disputes, contentious situations involving the company;
- familiarising ourselves with the risk analysis conducted by the Company, with the corresponding documentation and, where applicable, reviewing the written consultations of its external advisors;
- meeting the Product Lines Director concerned by technical liabilities;
- assessing the main risks identified and examining the reasonable nature of the assumptions chosen by the Management in view of the information collected to assess the amount of provisions recognised.

## Specific checks

In accordance with the professional standards applicable in France, we also conducted the specific checks provided for in legal and regulatory texts.

### **Information provided in the management report and in other documents on the financial position and the annual financial statements submitted to shareholders**

We have no observations to deliver regarding the fairness and consistency with the annual financial statements of the information given in the Management report of the Executive Board and in the other documents on the financial position and the annual financial statements submitted to the shareholders.

We certify that the information concerning payment terms stated in article D.441-4 of the French Commercial Code is truthful and is consistent with the annual financial statements.

We certify that the filing of non-financial performance provided for in article L.225-102-1 of the French Commercial Code appears in the management report, it being stated that, in accordance with the provisions of article L.823-10 of this code, we did not verify whether the information contained in this filing is truthful or whether it is consistent with the financial statements; this information must be addressed in a report by an independent third-party body.

### **Report on corporate governance**

We hereby certify the existence, in the Supervisory Board's report on corporate governance, of the information required under articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information provided in accordance with the provisions of article L. 225-37-3 of the French Commercial Code on remunerations and benefits paid to the corporate officers and on compensations allocated to them, we checked their consistency with the financial statements and with the information used to prepare these financial statements and, where applicable, with the items collected by your company from controlling or controlled companies. On the basis of this work, we certify the accuracy and faithfulness of this information.

### **Other information**

In compliance with the law, we are confident that the various information pertaining to the identification of holders of the capital and voting rights were communicated to you in the management report.

## Information resulting from other legal and regulatory obligations

### **Appointment of the Statutory Auditors**

We were appointed the Statutory Auditors for the financial statements of the Company AKWEL by the Ordinary General Meeting of 23 February 2004 in the case of the consulting firm MAZARS and by the Ordinary General Meeting of 24 June 2005 in the case of the consulting firm ORFIS.

As at 31 December 2018, the consulting firm MAZARS was in the 16th uninterrupted year of its assignment and the consulting firm ORFIS was in the 14th uninterrupted year of its assignment.

## Responsibilities of the Management and the individuals conducting corporate governance concerning the annual financial statements

It is the Management's responsibility to prepare annual financial statements that present a true picture in accordance with French accounting rules and principles, as well as to implement the internal control that it believes is necessary in order to prepare annual financial statements that do not contain any significant anomalies, whether as a result of fraud or errors.

During the preparation of the annual financial statements, it is the Management's responsibility to assess the Company's ability to continue its operation, to present in these financial statements, where applicable, the necessary information concerning the continuity of operations and to apply the accounting policy for a going concern, unless plans are in place to liquidate the company or discontinue its activity.

It is the Audit Committee's responsibility to monitor the process of preparing the financial information and to monitor the effectiveness of the internal control and risk management systems, as well as, where applicable, of the internal audit concerning the procedures relating to the preparation and processing of accounting and financial information.

The annual financial statements were closed by the Executive Board.

## **Responsibilities of the Statutory Auditors concerning the audit of the annual financial statements**

### **Audit objective and approach**

It is our responsibility to prepare a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements as a whole do not contain any significant anomalies. Reasonable assurance corresponds to a high level of assurance, although it does not guarantee that an audit conducted in accordance with professional standards systematically detects all significant anomalies. Anomalies may arise from fraud or result from errors and are considered significant if it is reasonable to expect that they may, considered individually or cumulatively, influence the business decisions that the users of the financial statements make by drawing on them.

As stated in article L. 823-10-1 of the French Commercial Code, our assignment to certify the financial statements does not consist of guaranteeing the viability or quality of your company's management.

In an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises its professional judgement throughout the audit. Furthermore:

- It identifies and assesses the risks that the annual financial statements contain significant anomalies, whether these arise from fraud or result from errors, defines and implements audit procedures to contend with these risks and gathers elements that it deems sufficient and appropriate to form its opinion. The risk of not detecting a significant anomaly arising from fraud is higher than the risk of not detecting a significant anomaly resulting from an error, as fraud may involve collusion, falsification, intentional omissions, false declarations or the bypassing of internal control.
- It familiarises itself with the internal control relevant to the audit in order to define appropriate audit procedures for the circumstances, rather than to express an opinion on the effectiveness of internal control.
- It assesses the appropriateness of the accounting methods used and the reasonable nature of the accounting estimates made by the management, as well as the information concerning these provided in the annual financial statements.
- It assesses the appropriateness of the management's application of the accounting policy for a going concern and, based on the items collected, the existence or otherwise of a significant uncertainty linked to events or circumstances liable to call into question the company's ability to continue its operations. This assessment draws on the items collected until the date of its report, although subsequent circumstances or events could nevertheless call into question the continuity of operations. If it concludes that a significant uncertainty exists, it draws the attention of the readers of its report to the information provided in the annual financial statements regarding this uncertainty or, if this information is not provided or is not relevant, it formulates a certification with reservations or a refusal to certify.
- It assesses the overall presentation of the annual financial statements and assesses whether the annual financial statements reflect the underlying operations and events in such a way that they provide a true picture of them.

### **Report to the audit committee**

We submitted a report to the Audit Committee that notably presents the extent of the audit work and the work programme put in place, as well as the conclusions resulting from our work. We also bring to its attention, where applicable, the significant weaknesses in internal control that we identified concerning the procedures relating to the preparation and processing of accounting and financial information.

The items communicated in the report to the Audit Committee include the risks of significant anomalies that we deemed to have been the most important for the audit of the annual financial statements for the financial year and which, as a result, constitute the key points of the audit, which it is our responsibility to describe in the present report.

We also provide to the Audit Committee the statement indicated in article 6 of (EU) regulation no. 537-2014 confirming our independence, under the rules applicable in France as established notably by articles L. 822-10 to L. 822-14 of the French Commercial Code and in the accounting profession's code of ethics. Where applicable, we meet with the Audit Committee to discuss the risks adversely affecting our independence and the safeguarding measures applied.

Drawn up in Villeurbanne and Annecy, on 19 April 2019

*The Statutory Auditors*

ORFIS BAKER TILLY

*Mr Jean-Louis Fleche*  
*Mr Nicolas Touchet*

MAZARS

*Mr Bruno Pouget*



## SPECIAL REPORT BY THE STATUTORY AUDITORS ON REGULATED AGREEMENTS AND COMMITMENTS

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69100 Villeurbanne 13, avenue du Pré Félin

MAZARS

P.A.E. Les Glaisins

74940 Annecy-le-Vieux

*Financial year ended 31 December 2018*

To the General Meeting of the Company AKWEL,

In our capacity as Statutory Auditors of your company, we submit our report on regulated agreements and commitments.

We are required to present to you, based on the information submitted to us, the characteristics and essential methodologies as well as the motives justifying the benefit for the Company of the agreements and commitments that were reported to us or that we observed during our audit mission, without having to decide on their usefulness or validity, or to seek whether other agreements and commitments exist. It is your responsibility, under the terms of article R. 225-58 of the French Commercial Law, to assess the relevance of concluding and then approving these agreements and undertakings.

It is our responsibility to pass on, as appropriate, the information provided for in article R. 222-58 of the French Commercial Law relevant to the implementation during the previous financial year of the agreements and undertakings already approved at the General Meeting.

We conducted the procedures that we considered necessary to perform this mission in accordance with the professional requirements of the French National Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*). These procedures consisted of checking that the submitted evidence was consistent with the originating documents.

### Agreements and commitments subject to the approval of the General Meeting

#### Agreements and commitments authorised and concluded during the previous financial year

In accordance with article L. 225-88 of the French Commercial Code, we have been advised of the following agreements and commitments that were subject to the prior authorisation of your Supervisory Board.

The persons concerned with these agreements and commitments are listed in the table attached on the last page of this report.

- **Performance agreement concluded with COUTIER DEVELOPPEMENT**

The Company concluded a performance agreement with COUTIER DEVELOPPEMENT.

The purpose of this agreement is for COUTIER DEVELOPPEMENT to provide its own resources, its support and its advice as part of the definition of the general policy and strategy of the AKWEL Group by advising on, planning, organising and coordinating the Group's activities and its knowledge both internally and externally.

This agreement was concluded for a three-year period renewable by tacit agreement starting from 1 July 2015.

The coordination services provided are not remunerated.

Under this agreement, no charge was recorded in 2018.

The continuation of this agreement was authorised for the 2018 financial year by the Supervisory Board meeting of 3 May 2018.

- **Technical services agreement concluded with COUTIER DEVELOPPEMENT**

The Company has concluded a technical services agreement with COUTIER DEVELOPPEMENT.

The purpose of this agreement is in particular assistance with the technical definition of new products, the identification of new markets, the research on the industrialisation within the "Track Time" and "One piece Flow" logic for the plant of the future and the optimisation of tooling design.

This agreement, initially concluded for a three-year period starting from 1 July 2015, is then renewed yearly by tacit agreement.

The compensation of this agreement corresponds to the costs borne by COUTIER DEVELOPPEMENT plus a margin of 8%.

Under this agreement, the charges recorded in the 2018 financial year amount to €249,000.

The continuation of this agreement was authorised for the 2018 financial year by the Supervisory Board meeting of 3 May 2018.

## **Agreements and commitments already approved by the General Meeting**

### **Agreements and commitments approved during previous financial years and still effective during the past financial year**

In accordance with article R. 225-57 of the French Commercial Code, we have been informed that the execution of the following agreements and commitments, already approved by the General Meeting during previous financial years, were continued during the past financial year.

- **Invoicing royalty payments to the company MGI COUTIER ILIA CO PJS**

This agreement organises the billing of royalties to the company MGI COUTIER ILIA CO PJS (Iran) related to research costs, trade mark royalties, expertise transfer and consulting services in the following areas: finance, legal requirements, industrial development, purchasing, product development, information systems, quality and marketing.

The royalties are recorded according to the net selling price of products sold by the subsidiary MGI COUTIER ILIA CO PJS, based on the following rates:

- 0.5% for research cost re-invoicing,
- 1.5% for consulting activities,
- 1% for trade mark royalties.

Under the terms of this agreement, no profits were recorded in the financial 2018 year.

- **Agreement to convert commercial liabilities into financial debts for MGI COUTIER ILIA CO PJS**

After one month, following the contractual due date, any unsettled or unpaid invoice issued by AKWEL to a subsidiary is converted into a financial liability.

This conversion of liabilities into debts also applies to operations from one subsidiary to another; nevertheless, AKWEL remains the hub of the operation.

The sums converted into debts are paid within the framework of centralised cash management agreements at the Euribor rate plus a 0.6 point margin.

In the absence of commercial relations with the company MGI COUTIER ILIA CO PJS during the last financial year, this agreement was not enacted during the 2018 financial year.

- **Provision of financial expertise services with ATF**

The Company AKWEL concluded an agreement concerning the provision of financial appraisal services and, on an ancillary basis, legal and tax monitoring services, with the company ATF, of which Jean-Louis Thomasset, Vice-President of the Executive Board, is a partner and majority manager.

This agreement was concluded for a 24-month period starting from 1 January 2017, renewable by tacit agreement for a one-year period. This agreement was concluded to enable AKWEL to continue benefiting from the knowledge and experience of Mr Jean-Louis Thomasset with flexibility and a controlled cost.

Under this agreement, the charges recorded in the 2018 financial year amount to €492,026.

- **Centralised cash management agreements**

Within the framework of these agreements, AKWEL ensures the coordination and centralisation of all cash requirements of the Group.

The advances awarded by AKWEL, and vice versa, bear interest at the Euribor rate plus 0.6 points. Note that if the Euribor is negative, 0 is used as the benchmark index.

Over the financial year 2018, financial charges and income recorded in the accounts in respect of the subsidiaries not wholly owned as well as COUTIER DEVELOPPEMENT and COUTIER SENIOR, are as follows:

<b>Companies</b>	<b>Financial costs (in euros)</b>
COUTIER DEVELOPPEMENT	24,704
COUTIER SENIOR	861
<b>Total</b>	<b>25,565</b>

- **Agreement on premises and support services with COUTIER DEVELOPMENT and COUTIER SENIOR DEVELOPPEMENT non-trading partnership**

Your Company provides for both companies premises to accommodate their head office and provides legal assistance services during the approval of the annual financial statements.

This agreement, initially concluded for a one-year period starting from 1 July 2004, is renewed yearly by tacit agreement.

Under the terms of this agreement, income recorded for the 2018 financial year totalled:

- COUTIER DEVELOPPEMENT: €1,150
- COUTIER SENIOR: €383

Drawn up in Villeurbanne and Annecy, on 19 April 2019

*The Statutory Auditors*

ORFIS BAKER TILLY

Mr Jean-Louis Fleche

Mr Nicolas Touchet

MAZARS

Mr Bruno Pouget

## Appendix table

Staff members affected by the agreements and commitments pertaining to article L. 225-88 of the French Commercial Code

Companies	André Coutier	Benoît Coutier	Jean-Louis Thomasset	Mathieu Coutier	Christophe Coutier	Nicolas Coutier	Emilie Coutier
<b>AKWEL</b>	Chairman of the SB	Member of the Executive Board	VP of the Executive Board	President of the Executive Board	COUTIER DEVELOPPEMENT representative on the SB	Member of the Executive Board	Member of the SB
<b>MGI COUTIER ILIA CO PJS</b>	-	ED	-	ED	-	-	-
<b>GOLD SEAL AVON POLYMERS PRIVATE LTD</b>	-	ED	-	ED	-	-	-
<b>COUTIER DEVELOPPEMENT</b>	Member and Pdt of the Executive Board	Member of the Executive Board	-	Member of the Executive Board	Member of the Executive Board	Member of the Executive Board	Member of the SB (*)
<b>COUTIER SENIOR (**)</b>	-	-	-	-	-	-	-
<b>ATF</b>	-	-	Majority stakeholder	-	-	-	-

Pdt: President - ED : Executive Director - SB: Supervisory Board

(\*) As a permanent representative of COFA2E SAS, member of the Supervisory Board of COUTIER DEVELOPPEMENT

(\*\*) As a shareholder with a fraction of voting rights greater than 10% in the company AKWEL

# ADDITIONAL INFORMATION

## GENERAL INFORMATION CONCERNING THE COMPANY

### Name and head office:

AKWEL

975, route des Burgondes – 01410 Champfromier

### Date of incorporation and term of the Company

The Company was incorporated on 14 February 1989. It will be discontinued in 2088 unless dissolved or extended.

### Nationality:

French

### Form and legislation:

Limited Company with an Executive Board and Supervisory Board, governed by French legislation.

### Trade and Companies Register:

344 844 998 RCS BOURG-EN-BRESSE – APE code: 2932 Z

### Activity:

The Company's purpose, directly and indirectly, both in France and abroad, is:

- the manufacture and sale of thermoplastic parts produced by extrusion, blow moulding and injection, and more specifically by the processing of plastic materials;
- moulding by injection, blowing and extrusion, and by all other techniques to process plastic materials, including the associated general mechanics and mould mechanics;
- the cutting, stamping, welded metal fabrication, assembly, machining, utilisation and development of all stamping trades, metal working and processing, all light mechanical and general mechanical work, and all developments that mechanics may include;
- the manufacture, purchase and sale of parts and accessories, as well as all electrical, mechanical and electronic apparatus;
- the study, production and assembly of all industrial units, parts, mechanisms, accessories, manufactured assemblies and products, material compounds and various alloys;
- the filing of all patents, their sale, their use, directly or under licence, and all industrial processes necessary for the company's activities;
- the purchase, sale, import, export, leasing, representation, concession and dissemination by all means of all materials, objects and products generally relating to industry;
- the company's direct or indirect participation in all industrial, commercial or financial activities, movable or immovable, in France or abroad, in any form whatsoever, if these activities or operations may be directly or indirectly associated with this corporate purpose or any similar, related or complementary purposes;
- all of the aforementioned directly or indirectly, on its own behalf or on behalf of third parties, either alone or with third parties, by means of founding new companies, asset contribution, limited partnership, subscription or purchase of company shares or rights, merger, alliance, associations through investment or by obtaining the use of any property or rights under a lease, lease-management agreement or by dation, or otherwise;
- and generally, all financial, commercial, industrial and civil operations, immovable or movable, that may be directly or indirectly associated with one of the aforementioned purposes or with any similar or related purposes liable to contribute to its expansion or development.

### **Business year**

Each business year lasts for one year beginning on 1 January and ending on 31 December.

### **General meetings (article 20 of the articles of association):**

General meetings are convened, conducted and deliberated under the conditions established by law.

Shareholders' collective decisions are made at ordinary, extraordinary or special general meetings depending on the nature of the decisions that they are called upon to make.

General meetings are convened either by the Executive Board or the Supervisory Board, the Statutory Auditors or a representative designated by the court under the conditions provided for by law.

Meetings take place at the head office or at any other location stated in the notice of meeting.

Any shareholder has the right to participate in the deliberations, personally or by proxy, subject to the registration, in an account, of shares in his name pursuant to the seventh paragraph of article L. 228-1 of the French Commercial Code, on the second business day preceding the meeting at midnight, Paris time, or in registered share accounts held by the company, or in bearer share accounts held by an intermediary stated in article L. 211-3 of the French Monetary and Financial Code.

Any shareholder may only be represented by his spouse or by another shareholder; to this end, the proxy must provide evidence of the position held.

Any shareholder may vote by mail using a form prepared and sent to the Company under the conditions established by the law and regulations; this form must reach the Company three days before the date of the meeting in order to be taken into account.

An attendance sheet, duly signed by the attending shareholders and the proxies and to which are attached to the powers given to each proxy, and where applicable the mail voting forms, is certified as accurate by the officers of the meeting.

Meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by the Vice-Chairman of the Supervisory Board or by a member of the Board specially appointed for this purpose by the Board. If not, the meeting appoints its Chairman itself.

The duties of vote tellers are performed by the two shareholders, present and accepting such duties, who hold the largest number of shares, either on their own behalf or as proxies.

The officers of the meeting thus appointed designate a secretary, who may or may not be a shareholder.

Minutes are drafted and copies or extracts of proceedings are delivered and certified according to the law.

The ordinary and extraordinary General Meetings, governed by the conditions of quorum and majority prescribed by the provisions that govern them respectively, exercise the powers that are attributed to them by law.

### **Voting rights:**

In accordance with the act 2014-384 of 29 March 2014, also known as the "Florange act", a double voting right is conferred upon all fully paid-up shares that have been registered for at least two years in the name of a given shareholder,

### **Corporate results (article 22 of the articles of association):**

If the financial statements for the financial year approved by the General Meeting show a distributable profit as defined by law, the General Meeting decides whether to appropriate it to one or several reserve accounts of which it controls the appropriation or use, to appropriate it to retained earnings or to distribute it.

After approval of the financial statements by the General Meeting, any losses are carried forward, to be charged to the profits of subsequent years, until extinction.

Each shareholder's share of the profits and his contribution to the losses is proportional to his proportion of the share capital.

The General Meeting may decide to distribute sums deducted from available reserves, expressly indicating the reserved categories from which these deductions will be made. However, dividends are deducted first from the distributable profit for the financial year.

**Dividend payment (article 23 of the articles of association):**

The General Meeting may allow shareholders the option to receive all or part of distributable dividends or interim dividends distributed in either cash or shares, in accordance with the law.

The methods for paying dividends in cash are set by the General Meeting or, failing that, by the Executive Board.

However, payment of dividends should take place within a maximum period of nine months following the end of the financial year, except where this period is extended by court decision.

**Threshold crossing (article 10 III of the articles of association):**

Any person, acting alone or in concert, who holds a percentage of the capital or voting rights (if the number and distribution of voting rights does not match the number of and the distribution of shares) at least equal to 1% or to any multiple of this percentage, up to the 50% threshold, shall notify the Company of his interest, as well as of subsequent variations in this interest. The information must be communicated to the Company within the timeframe provided for by stock market legislation, from the time the threshold is crossed, by registered letter with return receipt requested sent to the head office.

The information mentioned in the previous paragraph must also be communicated within the same timeframe if the interest falls below the aforementioned thresholds.

Unless they are declared in accordance with the conditions set out above, shares in excess of the fraction that should have been declared forfeit their voting rights in shareholder meetings if, during a meeting, the failure to report has been recorded and if one or more shareholders holding a combined 5% of the capital or voting rights request so during the meeting. In such cases, shares deprived of voting rights will only have this right restored after a two-year period starting from the date on which they were properly reported.

**Consultation of company documents and information:**

Documents concerning the Company and in particular its articles of association, its financial statements, the report presented to its Meetings by the Executive Board, the Supervisory Board and the Statutory Auditors can be consulted at the head office by contacting:

Mr Benoit Coutier, Legal VP

AKWEL  
975, route des Burgondes  
01410 CHAMPFROMIER (France).  
Tel.: + 33 (0) 4 50 56 98 98



## GENERAL INFORMATION CONCERNING THE COMPANY'S CAPITAL

### Share capital:

The share capital is €21,392,832, divided into 26,741,040 shares of €0.80 each.

The Company's shares have been registered on the Euronext Paris market - compartment B since 4 April 2011 under the securities code FR 00000 53027.

### Share price:

The highest price during the last financial year was €36.80 (on 25.01.2018), while the lowest was €13.40 (on 14.12.2018). The closing rate on 31 December 2018 was €16.10, valuing the Group at €430.5 million. The total trade volumes over the financial year stood at 5,643,580 securities with a total number of transactions of 75,644 (versus 4,849,567 shares with 86,914 transactions in 2017), down 16.4% compared to the previous financial year.

### Securities giving access to the capital:

None.

### Share purchase options:

None.

## TEXT OF RESOLUTIONS PROPOSED AT THE COMBINED GENERAL MEETING OF WEDNESDAY 29 MAY 2019

### 1. Ordinary resolutions

#### First resolution

*(Approval of the annual financial statements for the financial year ended 31 December 2018 – Approval of non-deductible expenses and charges)*

Ruling under the quorum and majority conditions required for ordinary general meetings, the General Meeting, having familiarised itself with the Executive Board's report, the Supervisory Board's report on corporate governance and the Statutory Auditors' report on the corporate financial statements, approves in their entirety these reports, the annual financial statements, namely the balance sheet, the income statement and the appendix as at 31 December 2018, showing a loss of €(7,344,241.80) in the form in which they were presented to it, as well as the transactions reflected in these financial statements and summarised in these reports.

The General Meeting equally approves the total amount of the expenses and charges not deductible from profits that are subject to corporate tax, amounting to €18,441, and to the tax incurred as a result of these expenses and charges, amounting to €6,146.

#### Second resolution

*(Discharge of the members of the Executive Board and Supervisory Board)*

Ruling under the quorum and majority conditions required for ordinary general meetings, the General Meeting discharges fully and without reservation the members of the Executive Board and the members of the Supervisory Board from their mandates for said financial year.

#### Third resolution

*(Approval of the consolidated financial statements for the financial year ended 31 December 2018)*

Ruling under the quorum and majority conditions required for ordinary general meetings, the General Meeting, having familiarised itself with the Group's management report and the Statutory Auditors' report, and after having deliberated, approves the consolidated financial statements as at 31 December 2018, as they have been presented, as well as the transactions recorded in these financial statements and reports.

#### Fourth resolution

*(Appropriation of corporate income for the financial year)*

Ruling under the quorum and majority conditions required for ordinary general meetings, the General Meeting, having heard the Executive Board's report, decides:

- to allocate the income for the financial year, which totals €(7,334,241.80), to retained earnings, which are reduced to €135,912,039.01 as a result;
- to distribute to shareholders as dividends the sum of €8,022,312, a gross dividend per share of €0.30;
- to charge this sum to retained earnings, which total €127,889,727.01 as a result.

If paid to natural persons who are tax residents of France, this dividend is subject to either a single flat-rate deduction on the gross dividend at the flat rate of 12.8% (article 200 A of the French General Tax Code) or, at the taxpayer's express, irrevocable and general request, to income tax based on the progressive scale after, notably, a 40% relief (article 200 A, 13 and 158 of the French General Tax Code). Dividends are also subject to social security contributions at a rate of 17.2%.

The dividends to pay will be detached on 5 June 2019 and paid on 7 June 2019. It is stipulated that if, when these dividends are detached, the Company holds some of its own shares, the sums corresponding to the dividends not paid in the amount of these shares will be assigned to "retained earnings".

In accordance with the law, the General Meeting notes that the dividends distributed during the previous three financial years were as follows:

Financial year ended	Dividend per share in euros	Income eligible or otherwise for tax relief
31 December 2015	0.20	Relief of 40% where applicable
31 December 2016	0.30	Relief of 40% where applicable
31 December 2017	0.30	Relief of 40% where applicable

### Fifth resolution

*Approval of the renewal of the performance agreement with the company COUTIER DEVELOPPEMENT appearing in the Statutory Auditors' special report)*

Ruling under the quorum and majority conditions required for ordinary general meetings, the General Meeting, having familiarised itself with Statutory Auditors' report on the agreements and commitments stated in articles L. 225-86 et seq. of the French Commercial Code, approves the renewal of the performance agreement concluded during the financial year between the Company and COUTIER DEVELOPPEMENT.

### Sixth resolution

*(Approval of the renewal of the provision of technical services agreement with the company COUTIER DEVELOPPEMENT appearing in the Statutory Auditors' special report)*

Ruling under the quorum and majority conditions required for ordinary general meetings, the General Meeting, having familiarised itself with Statutory Auditors' report on the agreements and commitments stated in articles L. 225-86 et seq. of the French Commercial Code, approves the renewal of the provision of technical services agreement concluded during the financial year between the Company and COUTIER DEVELOPPEMENT.

### Seventh resolution

*(Renewal of the mandate of member of the Supervisory Board of Mr André Coutier)*

Ruling under the quorum and majority conditions required for ordinary general meetings, the General Meeting, having familiarised itself with the Executive Board's report, and observing that the mandate of member of the Supervisory Board of:

- Mr André Coutier,

ends today, renews this mandate for a further period of three (3) years to end after the Ordinary General Meeting of shareholders convened to approve the financial statements for the financial year ending 31 December 2021, to be held in the year 2022.

## Eighth resolution

*(Renewal of the mandate of member of the Supervisory Board of Ms Geneviève Coutier)*

Ruling under the quorum and majority conditions for ordinary general meetings, the General Meeting, having familiarised itself with the Executive Board's report, and observing that the mandate of member of the Supervisory Board of:

- Ms Geneviève Coutier,

ends today, renews this mandate for a further period of three (3) years to end after the Ordinary General Meeting of shareholders convened to approve the financial statements for the financial year ending 31 December 2021, to be held in the year 2022.

## Ninth resolution

*(Renewal of the mandate of member of the Supervisory Board of Ms Emilie Coutier)*

Ruling under the quorum and majority conditions for ordinary general meetings, the General Meeting, having familiarised itself with the Executive Board's report, and observing that the mandate of member of the Supervisory Board of:

- Ms Emilie Coutier,

ends today, renews this mandate for a further period of three (3) years to end after the Ordinary General Meeting of shareholders convened to approve the financial statements for the financial year ending 31 December 2021, to be held in the year 2022.

## Tenth resolution

*(Renewal of the mandate of member of the Supervisory Board of the Company COUTIER DEVELOPMENT)*

Ruling under the quorum and majority conditions for ordinary general meetings, the General Meeting, having familiarised itself with the Executive Board's report, and observing that the mandate of member of the Supervisory Board of:

- COUTIER DEVELOPPEMENT, a French *société anonyme* with an Executive Board and Supervisory Board capitalised at €46,249,840, headquartered at 975, route des Burgondes, 01410 Champfromier and registered on the Trade and Companies Register of Bourg-en-Bresse under the 395,006 number 395 006 398,

ends today, renews this mandate for a further period of three (3) years to end after the Ordinary General Meeting of shareholders convened to approve the financial statements for the financial year ending 31 December 2021, to be held in the year 2022.

## Eleventh resolution

*(Appointment of a new member of the Supervisory Board)*

Ruling under the quorum and majority conditions for ordinary general meetings, the General Meeting, having familiarised itself with the Executive Board's report and observing that the mandate of member of the Supervisory Board of the company NJ CONSULTING ends today, decides to appoint as a replacement:

Mr Nicolas Job, born on 2 February 1955 in Paris (75008), of French nationality, residing at 15, rue du Paillet, 69570 Dardilly, to the position of new member of the Supervisory Board for a period of three (3) years, ending after the Ordinary General Meeting of shareholders convened to approve the financial statements for the financial year ended 31 December 2021, to be held in the year 2022.

## Twelfth resolution

*(Determination of attendance fees)*

Ruling under the quorum and majority conditions for ordinary general meetings, the General Meeting, having familiarised itself with the Executive Board's report, decides to maintain the overall amount of attendance fees allocated to the members of the Supervisory Board in the amount of €120,000.

This decision applies to the current financial year and for subsequent financial years until a new decision is made by the General Meeting.

## Thirteenth resolution

*(Approval of the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional items comprising the total remuneration and benefits of any nature attributable to the President, Vice-President and members of the Executive Board)*

Ruling under the quorum and majority conditions required for ordinary general meetings and pursuant to article L. 225-82-2 of the French Commercial Code, the General Meeting, having familiarised itself with the corporate governance report, approves the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional items comprising the total remuneration and benefits of any nature attributable, under their mandate, to the President, Vice-President and members of the Executive Board, as presented in the corporate governance report appearing in the annual report concerning the 2018 financial year.

## Fourteenth resolution

*(Approval of the principles and criteria for determining, distributing and allocating the items comprising the remuneration and benefits of any nature allocated to the Chairman, Vice-Chairman and members of the Supervisory Board)*

Ruling under the quorum and majority conditions required for ordinary general meetings and pursuant to article L. 225-82-2 of the French Commercial Code, the General Meeting, having familiarised itself with the corporate governance report, approves the principles and criteria for determining, distributing and allocating the items comprising the total remuneration and benefits of any nature attributable, under their mandate, to the Chairman, Vice-Chairman and members of the Supervisory Board, as presented in the corporate governance report appearing in the annual report concerning the 2018 financial year.

## Fifteenth resolution

*(Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any nature paid or allocated in respect of the 2018 financial year to Mr Mathieu Coutier, President of the Executive Board)*

Ruling under the quorum and majority conditions required for ordinary general meetings, the General Meeting, having familiarised itself with the Supervisory Board's report provided for in article L.225-82-2 of the French Commercial Code,

**approves** the items comprising the total remuneration and benefits of any nature paid or allocated in respect of the financial year ended 31 December 2018 to Mr Mathieu Coutier under his mandate as President of the Executive Board,

**approves**, accordingly, the payment of the variable remuneration items allocated to Mr Mathieu Coutier under his mandate as President of the Executive Board, in respect of the financial year ended 31 December 2018.

### Sixteenth resolution

*(Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any nature paid or allocated in respect of the 2018 financial year to Mr Jean-Louis Thomasset, Vice-President of the Executive Board)*

Ruling under the quorum and majority conditions required for ordinary general meetings, the General Meeting, having familiarised itself with the Supervisory Board's report provided for in article L.225-82-2 of the French Commercial Code,

**approves** the items comprising the total remuneration and benefits of any nature paid or allocated in respect of the financial year ended 31 December 2018 to Mr Jean-Louis Thomasset under his mandate as Vice-President of the Executive Board.

### Seventeenth resolution

*(Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any nature paid or allocated in respect of the 2018 financial year to Mr Benoît Coutier, Member of the Executive Board)*

Ruling under the quorum and majority conditions required for ordinary general meetings, the General Meeting, having familiarised itself with the Supervisory Board's report provided for in article L.225-82-2 of the French Commercial Code,

**approves** the items comprising the total remuneration and benefits of any nature paid or allocated in respect of the financial year ended 31 December 2018 to Mr Benoît Coutier under his mandate as member of the of the Executive Board, and

**approves**, accordingly, the payment of the variable remuneration items allocated to Mr Benoît Coutier under his mandate as member of the Executive Board, in respect of the financial year ended 31 December 2018.

### Eighteenth resolution

*(Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any nature paid or allocated in respect of the 2018 financial year to Mr Nicolas Coutier, Member of the Executive Board)*

Ruling under the quorum and majority conditions required for ordinary general meetings, the General Meeting, having familiarised itself with the Supervisory Board's report provided for in article L.225-82-2 of the French Commercial Code,

**approves** the items comprising the total remuneration and benefits of any nature paid or allocated in respect of the financial year ended 31 December 2018 to Mr Nicolas Coutier under his mandate as member of the of the Executive Board, and

**approves**, accordingly, the payment of the variable remuneration items allocated to Mr Nicolas Coutier under his mandate as member of the Executive Board, in respect of the financial year ended 31 December 2018.

### Nineteenth resolution

*(Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any nature paid or allocated in respect of the 2018 financial year to Mr Frédéric Marier, member of the Executive Board)*

Ruling under the quorum and majority conditions required for ordinary general meetings, the General Meeting, having familiarised itself with the Supervisory Board's report provided for in article L.225-82-2 of the French Commercial Code,

**approves** the items comprising the total remuneration and benefits of any nature paid or allocated in respect of the financial year ended 31 December 2018 to Mr Frédéric Marier under his mandate as member of the Executive Board;

**approves**, accordingly, the payment of the variable remuneration items allocated to Mr Frédéric Marier under his mandate as member of the Executive Board, in respect of the financial year ended 31 December 2018.

### Twentieth resolution

*(Approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any nature paid or allocated in respect of the 2018 financial year to Mr André Coutier, Chairman of the Supervisory Board)*

Ruling under the quorum and majority conditions required for ordinary general meetings, the General Meeting, having familiarised itself with the Supervisory Board's report provided for in article L.225-82-2 of the French Commercial Code, approves the items comprising the total remuneration and benefits of any nature paid or allocated in respect of the financial year ended 31 December 2018 to Mr André Coutier under his mandate as Chairman of the Supervisory Board.

### Twenty-first resolution

*(Authorisation granted to the Executive Board to buy back shares of the company)*

Ruling under the quorum and majority conditions required for ordinary general meetings, the General Meeting, having familiarised itself with the Executive Board's report, authorises the Executive Board, having the option to subdelegate, to acquire shares in the Company in accordance with the conditions and obligations laid out in the provisions of article L.225-209 et seq. and articles 241-1 et seq. of the French Commercial Code and in accordance with the following terms:

The Company may acquire on- or off-market its own shares and sell all or part of the shares acquired, while observing the following limits:

- the total number of shares held shall not exceed 0.5% of the total number of shares comprising the share capital, it being noted that this limit will apply to an amount of the Company's share capital, which, where applicable, would be adjusted to take into account the transactions affecting the share capital during the approval period; the acquisitions made by the Company must not under any circumstances lead it to hold, directly or indirectly, more than 0.5% of its own share capital;
- the number of shares accounted for in calculating the 0.5% limit specified above corresponds to the number of shares purchased, minus shares resold during the approval period;
- the unit purchase price shall not exceed €50.00 (exclusive of acquisition costs). The Executive Board may, however, having the option to subdelegate, adjust the maximum purchase price mentioned above in the event of incorporating reserves, profits or premiums on share issues, mergers or contributions, or any other sums whose incorporation would be permitted, giving rise to either an increase in the nominal value of the shares, or to the creation and free allocation of shares, as well as in the event of the division of the nominal value of the shares, a consolidation of shares or any other transactions with an impact on share capital to take account of the impact of these operations on the share value;
- the acquisition, sale or transfer of shares may be realised by any means, on the market or by mutual agreement, including the acquisition or sale of share blocks, under the conditions approved by the market authorities. These operations may be conducted at any time in compliance with enforced legal and regulatory provisions;



This authorisation is intended to enable the Company to provide liquidity and promote the market through a liquidity contract via an investment service provider that is compliant with the AMAFI (French society of financial markets) code of ethics dated 23 September 2008 and acknowledged by the AMF decision of 1 October 2008.

All powers are given to the Executive Board, with the option to subdelegate, to:

- decide whether it is advisable to implement this delegation of powers;
- determine the conditions and procedures of acquisition and sale including mainly the price of purchased shares;
- conduct, by any means, the acquisition, sale or transfer of these shares, submit any stock exchange orders;
- complete any agreement, in particular for the purpose of maintaining records of the sale and purchase of shares, making all due diligence declarations to the *Autorité des Marchés Financiers* or any other body, completing all procedures;
- issue and publish the press release on the implementation of the repurchase programme;
- in general, make all necessary endeavours to execute and implement this decision.

This authorisation is valid for a period of 18 months starting from the date of this meeting, i.e. until 30 November 2020.

This authorisation shall interrupt, with immediate effect, and replace the authorisation conferred by the Ordinary and Extraordinary General Meeting of 30 May 2018.

## 2. Extraordinary resolutions

### Twenty-second resolution

*(Delegation of authority granted to the Executive Board to conduct a capital increase by issuing shares reserved for employees who are members of a company savings plan pursuant to article L.225-129-6 of the French Commercial Code)*

Ruling under the quorum and majority conditions required for ordinary general meetings, the General Meeting, having familiarised itself with the Executive Board's report prepared pursuant to articles L.225-102 and L.225-129-6 of the French Commercial Code, the Statutory Auditors' special report and the provisions of articles L. 225-129-6, L. 225-138 I and II and L. 225-138-1 of the French Commercial Code:

- delegates its authority to the Executive Board to increase the share capital of the Company by issuing ordinary shares reserved for the employees of the Company and of related companies, as defined by article L.225-180 of the French Commercial Code, who are members of a company savings plan. This capital increase shall be conducted under the conditions provided for in articles L. 3332-18 et seq. of the French Labour Code;
- decides, accordingly, to terminate the shareholders' preferential rights to subscribe to new shares to be issued to employees of the Company and of related companies who are members of a company savings plan;
- sets the period of validity of this delegation at twenty-six months from the date of the present Meeting;
- decides that the issue price of the new shares will be set by the Executive Board by referring to the price of the Company's shares on the Euronext Paris market, it being understood that this price may not be higher than the average of the first listed prices during the 20 trading sessions preceding the day on which the Executive Board makes a decision setting a date on which the subscription is open, or more than 20% below this average or 30% if the period of unavailability stated by the company savings plan is greater than or equal to 10 years;
- limits the maximum nominal amount of the capital increase that can be conducted by the Executive Board, which cannot increase the amount of the interest of said employees (including the interest already held) to more than 3% of the total amount of the share capital on the day on which the Executive Board decides to implement the present authorisation;
- decides, pursuant to the provisions of article L.3332-21 of the French Labour Code, that the Executive Board may allocate, to the beneficiaries stated above, free of charge, newly issued shares or shares already issued or other securities giving access to the Company's capital to be issued or already issued, in respect (i) of the contribution that may be paid pursuant to the regulations of the company savings plan and/or (ii), where applicable, the discount;
- decides that the new shares will be subject to all statutory provisions, will be identical to the existing shares and will carry rights to dividends on the first day of the financial year during which the capital increase is conducted;



- delegates all powers to the Executive Board for the purpose, subject to the conditions and limits established above, of deciding on and conducting, at the same time, this capital increase, of establishing the conditions that the beneficiaries must meet, these conditions being able to include tenure conditions, provided that the prescribed period does not exceed six months, of establishing the conditions under which the shares will be issued and paid up, of amending the articles of association and more generally of taking all necessary measures.

### 3. Powers

#### Twenty-third resolution

*(Powers to complete formalities)*

Ruling under the quorum and majority conditions required for ordinary general meetings, the General Meeting confers full powers on the holder of copies of extracts of the present statement to fulfil all legal formalities.

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