Translation for convenience only. The French version of this document prevails.

2018 DOCUMENT REFERENCE

INCLUDING THE **2018**
ANNUAL FINANCIAL REPORT

Guillemot
CORPORATION

Hercules

THRUSTMASTER

2018 REFERENCE DOCUMENT
INCLUDING THE 2018 ANNUAL FINANCIAL REPORT

This reference document was filed with the AMF (French financial markets authority) on April 25, 2019, in accordance with Article 212-13 of the AMF's General Regulation. It may be used in support of a capital transaction if supplemented by a short form prospectus approved by the AMF. This document has been drawn up by the issuer; its signatories are liable for its content.

Pursuant to Article 28 of Commission Regulation (EC) No. 809/2004, the following information is incorporated by reference into this registration document:

- The consolidated financial statements for the fiscal year ended December 31, 2017, together with the statutory auditors' report pertaining thereto, found on pages 84-116 of the registration document filed with the AMF on April 26, 2018 under number D.18-0394

- The consolidated financial statements for the fiscal year ended December 31, 2016, together with the statutory auditors' report pertaining thereto, found on pages 74-100 of the registration document filed with the AMF on April 27, 2017 under number D.17-0439

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➢ 2018 MANAGEMENT REPORT

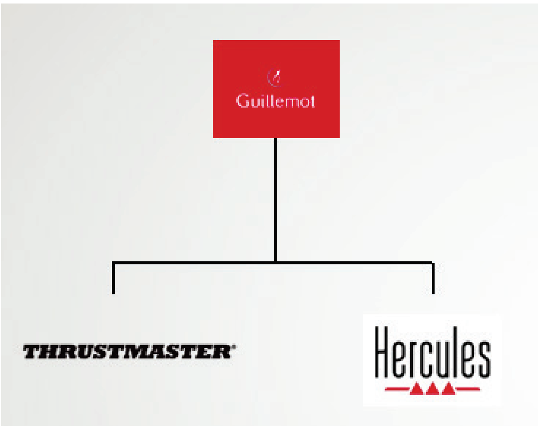
Dear Shareholders,

In accordance with statutory and regulatory provisions and the requirements laid down in the Articles of Incorporation, we have convened this shareholders' general meeting to examine the financial statements for the fiscal year ended December 31, 2018 and report on the business of the Guillemot Corporation Group and its parent company during that year.

The financial statements, reports and other documents and information laid down in regulations have been provided or made available to you within the statutory deadlines.

1 BUSINESS OF THE COMPANY AND THE GROUP DURING FISCAL 2018

Listed on the stock market since 1998 and active in its sector since 1984, the Guillemot Corporation Group is a key player in the interactive entertainment market through its two brands, Hercules and Thrustmaster.



The Group specializes in the design and marketing of digital peripherals and accessories for PCs and gaming consoles. Development of its businesses is structured around two flagship brands: **Hercules** for the digital hardware and peripherals segment (wireless speakers for smartphones and tablets, mixing decks for amateur and semi-professional DJs, DJ headphones, etc.) and **Thrustmaster** for PC and console gaming accessories for both experienced gamers and consumers more generally (racing wheels, joysticks and gaming headsets).

Established in 11 countries (France, Germany, the United Kingdom, the United States, Canada, Spain, Italy, Belgium, China, Hong Kong and Romania), the Group is constantly adapting its products to meet the requirements of increasingly demanding consumers. To harness the potential offered by new markets, the Group has adopted a regional sales organization to maximize the impact of the Hercules and Thrustmaster ranges within distribution networks.

With Thrustmaster-branded products now distributed in over 100 countries worldwide, the Group supplies ever more innovative, high-quality products designed to maximize consumer enjoyment while offering optimum ease of use.

With five research and development units based in France, Canada, Romania and China, the Group designs products at the cutting edge of technology. With its own team of audio experts for over 30 years and four research and development teams around the world, Hercules is recognized for its innovation in the musical entertainment hardware market, where it aims to become the undisputed leader in this high-potential market. Meanwhile, Thrustmaster remains a major player in the PC and console gaming accessories industry.

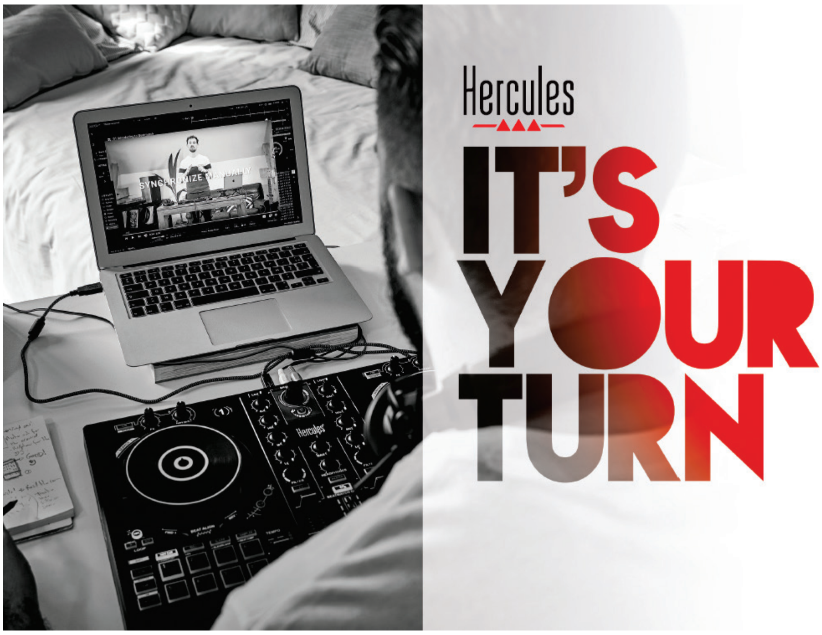
Thanks to significant partnerships with leading console manufacturers and its cutting-edge research and development, the brand was first to market racing wheels for the PlayStation®4 and Xbox One® consoles and first to release an official joystick for the Xbox One® console. License agreements (with Sony®, Microsoft®, Ferrari®, Gran Turismo®, U.S. Air Force™, etc.) have helped establish the Group's global reputation and bolster its positioning in the gaming accessories market, helping it continue to meet gamers' expectations as fully as possible.

In implementing its strategy, the Group continues to:

- respond with innovation, creativity and technological expertise to demands for interactivity expressed by gamers seeking increasing levels of realism and immersion;
- rely on and develop strong partnerships and globally recognized licenses;
- develop and enhance cutting-edge technologies created by its research and development teams to shift its products upmarket and facilitate international expansion;
- increase the visibility of the Hercules and Thrustmaster brands to bring them even closer to consumers;
- develop the use of new social media to communicate with communities and be closer to consumers;
- offer passionate consumers products with exclusive functionality and an ecosystem of high-end hardware (such as 'Depth Feedback' technology used in the T-GT racing wheel for the Gran Turismo Sport game, a patented cooling system for Force Feedback motors used in racing wheels like the TS-PC Racer, and the unique HEART 'Air Control' technology used in the Hercules DJControl Jogvision deck);
- continue to expand the Thrustmaster and Hercules ecosystems;
- optimize service quality and respond to the aspirations of increasingly demanding consumers;
- strengthen the Group's global presence by ramping up its activities in Asia;
- adjust its sales and trade marketing strategy in response to new distribution channels;
- develop its design thinking approach, adopted in 2017 for the design of future product ranges;
- seize emerging trends.

In 2018, the Group succeeded in cementing its reputation for technological expertise and innovation.

1.1 Hercules: renewed momentum



Established in 1982 in the United States and acquired by Guillemot Corporation in 1999, Hercules has made history as a global pioneer in the graphics card market, notably by creating a number of new standards. Hercules has been designing digital audio solutions for music enthusiasts for over 30 years, with an unrelenting focus on innovation and expertise. From the first quadrophonic PC sound card to the first portable DJ mixing desk with integrated audio for PC and Mac, Hercules has brought out a steady stream of leading-edge hardware recognized for its precision and sound quality. Widely recognized in both the audio industry and the musical entertainment market, Hercules has made innovation its top priority.

In 2018, Hercules achieved the following (see consolidated financial statements to December 31, 2018, Note 5.6.1, “Segment information by business area”):

- Incorporated design thinking into its strategy, reflected in the successful launch of its brand new range of DJ controllers
- Implemented a recovery plan that included redefining the brand, reflected in a new logo, website and visual identity designed to respond to new trends popular with consumers and the need to modernize the brand and imbue it with new meaning
- Expanded its distribution network by entering into a strategic partnership with Jam Industries/American Music and Sound, the leading US distributor of music equipment
- Worked more closely with leading influencers to reach the community of DJs and young sportspeople, the most recent example being Simon Perdrix, a rising star in freeride and slopestyle mountain biking
- Won the CES Innovation Honoree Award 2019 (at the end of 2018) for its innovative approach to learning how to DJ with its Hercules DJControl Inpulse 300 controller
- Stepped up its attendance at international trade shows (CES Las Vegas, NAMM Show, Dancefair, BPM Birmingham show, etc.)

Guillemot Corporation has a professional anechoic chamber which it uses to develop its range of DJ speakers and Bluetooth® wireless speakers. The chamber’s walls are covered with dihedrons made from porous material to measure sound waves without any of the disruption linked to reflections, thus recreating “free field” conditions.

Through its investment in research and development, Hercules is able to design innovative products that are popular with consumers.

At the end of 2018, Hercules was proud to announce that its new Hercules DJControl Inpulse 300 controller had won the CES Innovation Honoree Award 2019 for its use of visual aids to help budding young DJs pick up the beat and learn the right moves. This controller is the ideal solution for learning to mix easily, with additional help from DJ Academy videos included in the DJUCED® software.

1.1.1 *The Hercules DJ range*

The Hercules brand is an internationally recognized player in the portable mass-market mixing controller sector.

Thanks to its extensive DJing expertise, Hercules serves as a focal point for communities of DJs from beginners right through to expert users. Hercules created the first computer-based dual-deck mixing controller with an integrated audio interface, the Hercules DJ Console, launched in 2003.

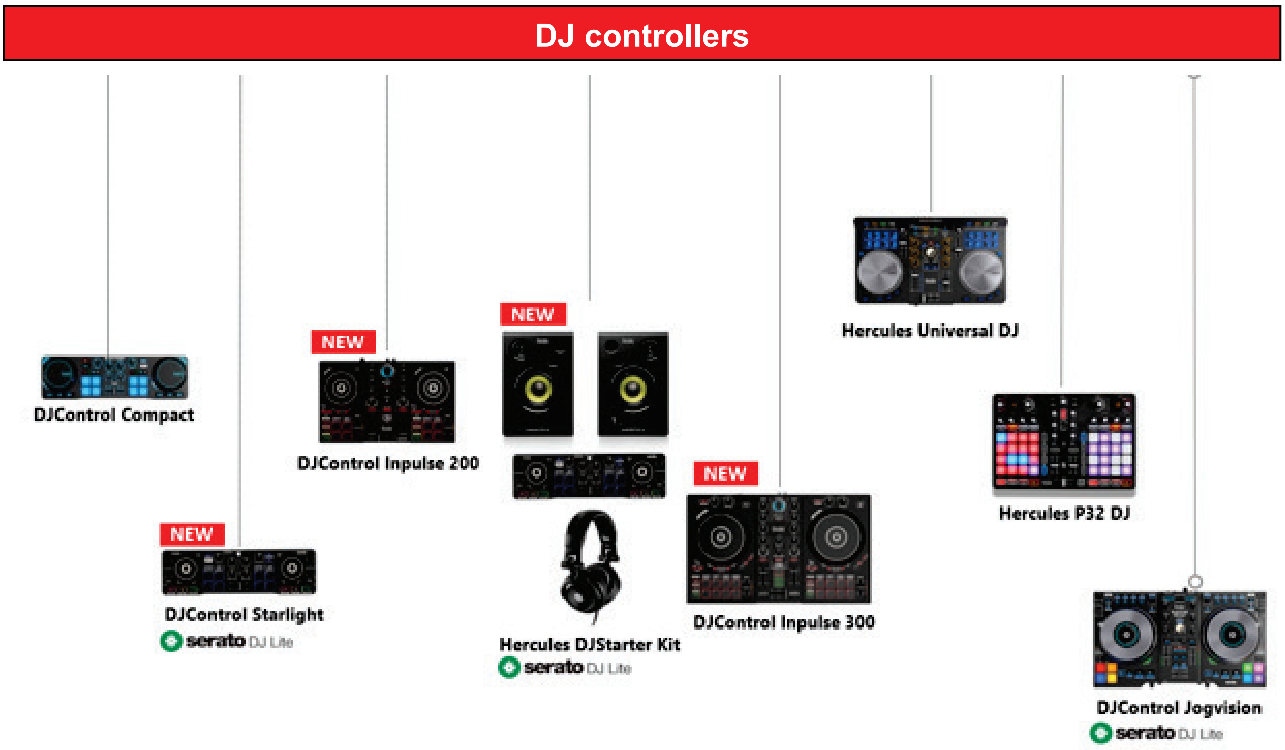
Since then, Hercules has been one of the leading global manufacturers of portable DJ controllers. It now serves as a focal point for communities of DJs – from beginners right through to expert users – thanks to the brand's extensive DJing expertise.

The brand has chosen to offer thoughtfully designed products that integrate software with a range of DJ controllers, headphones and speakers.

Hercules has regularly won innovation awards at the Consumer Electronics Show (CES). In 2014, it won the Design and Engineering award for the **DJControlWave**, the first fully wireless DJ controller dedicated to the iPad. In 2015 it won another two awards in the Innovation category for its **Hercules Universal DJ** controller, offering a unique ecosystem with three control modes (computer/smartphone/tablet), and its **Hercules DJControl Jogvision** controller. Most recently, at the end of 2018 , it won the CES 2019 Innovation Honoree Award for its **Hercules DJControl Inpulse 300** controller.

Consumers and professionals alike demonstrated their interest in this new range at the latest NAMM Show, held in the United States at the end of January 2019.

To consolidate its revival, the brand significantly expanded its range in 2018, releasing new DJ controllers such as the **Hercules DJControl Starlight**, **Hercules DJControl Inpulse 200**, **Hercules DJControl Inpulse 300** and **DJ Starter Kit**.



DJ monitors	Headsets	Accessories

DJCONTROL STARLIGHT

Hercules teamed up with Serato® to launch an unprecedented new compact DJ controller for learning how to DJ. This light, mobile, ultra-compact and fully functional DJ controller lets DJs mix anywhere while signaling the beat with bright and clear RGB backlighting.

With its built-in audio interface, the DJControl Starlight controller offers in-ear pre-listening before a mix is played over speakers, making it the ideal platform for learning and creating new mixes.

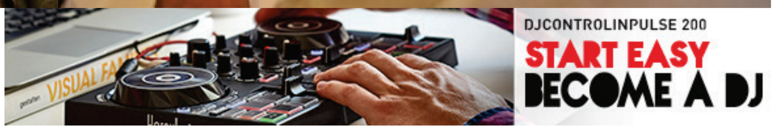
More passionate than ever about music and keen to open up DJing to as wide an audience as possible, in September 2018 Hercules announced a brand new range of DJControl Inpulse controllers and the new version of its DJUCED® DJ software. Specially designed for learning to DJ, this innovative solution helps beginners easily pick up and master mixing techniques. To support the launch, Hercules teamed up with young artist Stupead and his musical creations.

DJCONTROL INPULSE 300

The new range's flagship product, loaded with all its new features, is the Hercules DJControl Inpulse 300, the biggest controller ever designed by Hercules, which helps budding DJs quickly and easily learn the right moves so they can mix with confidence.

DJCONTROL INPULSE 200

The DJControl Inpulse 200 is a more compact version of the DJControl Inpulse 300 that is even easier and more comfortable to use, making it the ideal controller for new DJs.

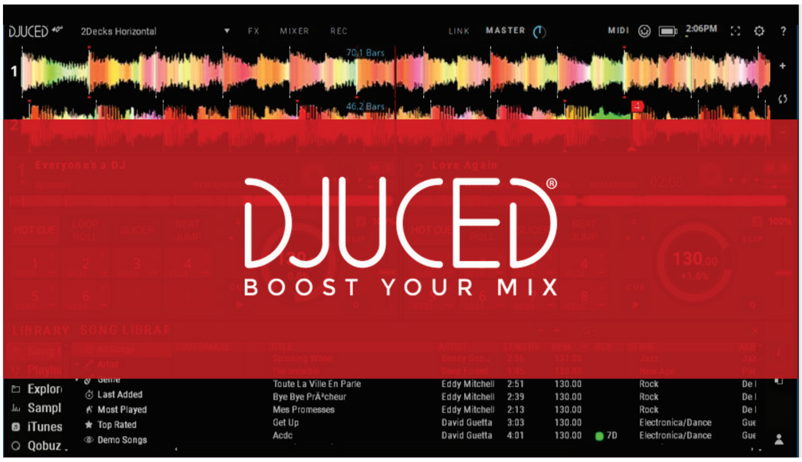


Products come with built-in help, such as the Intelligent Music Assistant (IMA), which suggests tracks for the DJ's playlist, light guides to help users learn to beatmatch, and DJ Academy videos integrated into the software, making it very easy for beginners to learn to DJ and quickly put on a show.

IMA

As well as suggesting tracks to play in the DJ's playlist, the innovative new Intelligent Music Assistant also offers an ENERGY feature to manage the party mood and can propose trending tracks during playlist creation to make sure DJs never miss out on the latest new beats. The Intelligent Music Assistant makes it easy for any DJ to pick the best track to play, whether during practice sessions or while performing.

Hercules DJUCED DJ software



DJUCED™
BOOST YOUR MIX

Fueled by creativity and a constant need to improve, the DJUCED software has been upgraded: with effect from August 2018, DJUCED 18° et DJUCED 40° merged to become DJUCED.

This major upgrade introduced many new features, such as:

- An interface that adapts to every user, from beginners through to experts, and is even simpler, more user-friendly and more intuitive
- A new file browser

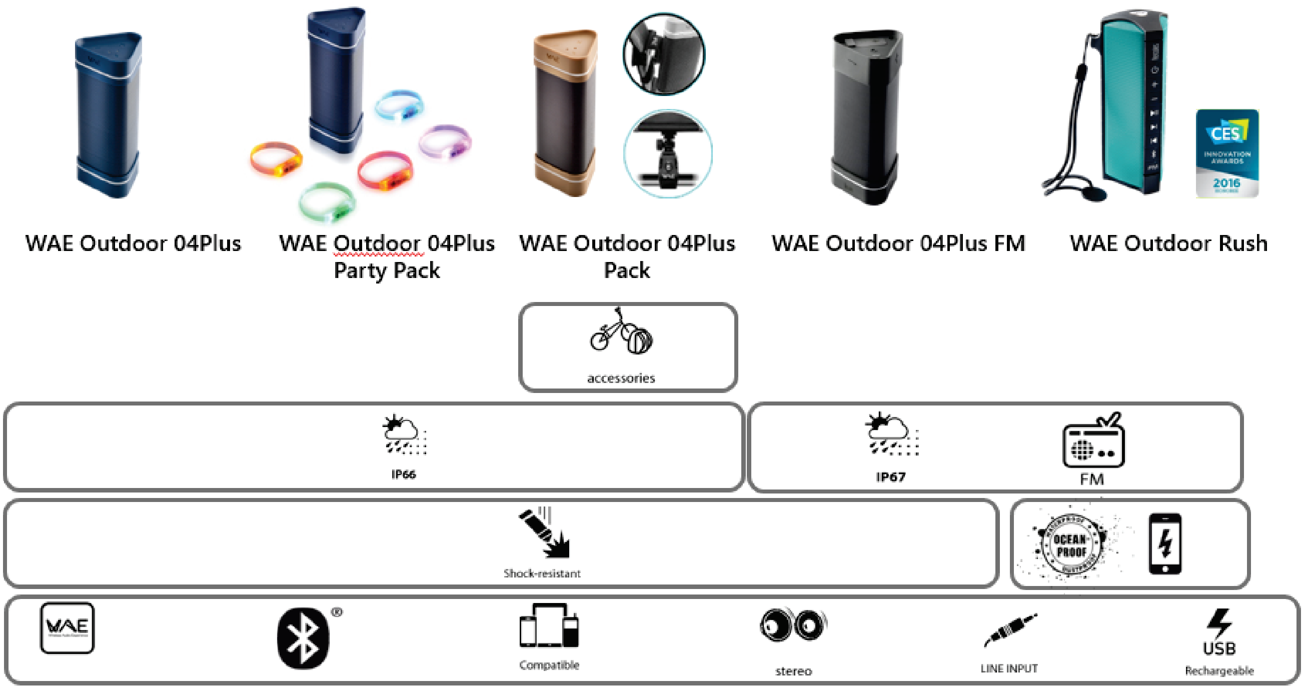
- Quick and easy access to integrated DJ Academy content
- IMA: an intelligent assistant to help improve track selection
- New sampling modes

The upgraded DJUCED software was presented by Timm United at the last BPM Show in Birmingham (United Kingdom). At the same time, Hercules teamed up with Epic Proportions Tour to help American middle school children learn about DJing through workshops and other activities; DJ Teffler introduced young people to its new controllers.

For the DJControl Inpulse 200 and 300 controllers, Hercules worked with DJ Stupead, who recently signed with Sony. This highly visible artist has racked up large numbers of listens and views on Spotify and YouTube, providing an opportunity for Hercules controllers to be brought to the attention of a large audience.

1.1.2 WAE wireless speaker range

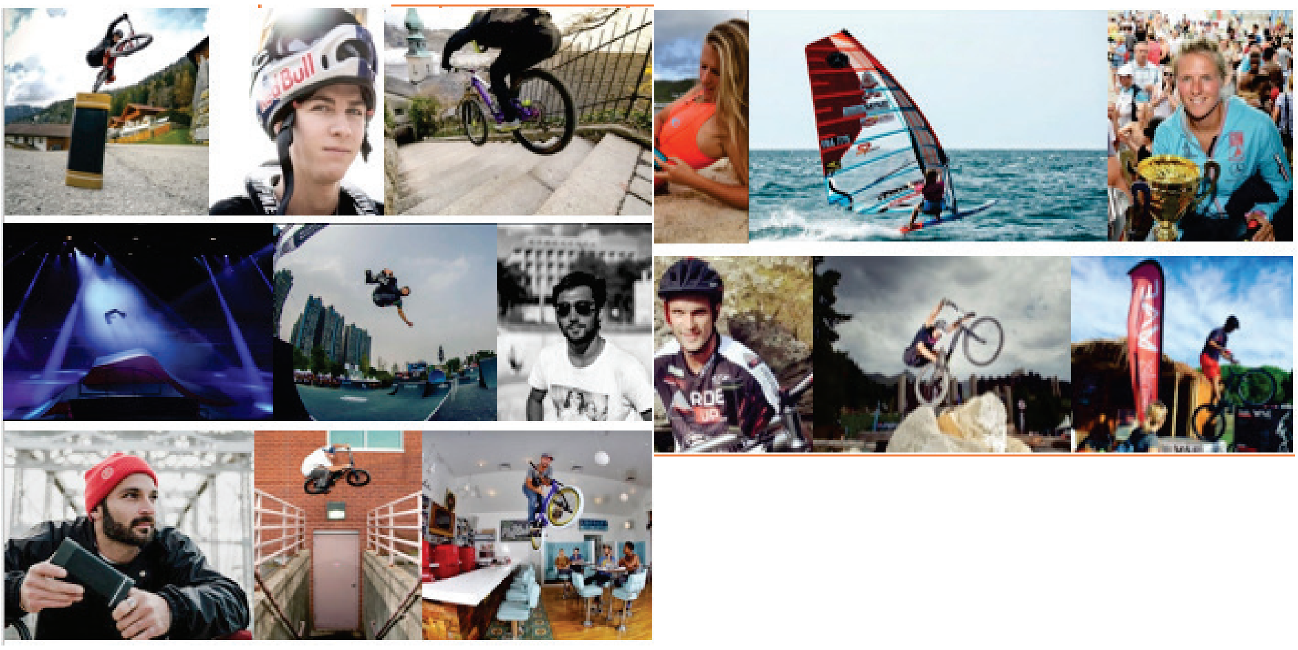
Since 2015, Hercules has been offering WAE wireless speakers equipped with the latest technology, designed to meet the demands of modern life. Thanks to the technology packed into its WAE speakers, Hercules has been able to break into the digital world while maintaining the high standards associated with analog sound. The Hercules WAE NEO, a portable wireless speaker that combines professional-quality sound with lighting effects that pulse in time with the music, won a CES Innovations 2014 Design and Engineering Award at CES 2014 in Las Vegas. Hercules has also developed the WAE Outdoor range, specially designed for extreme sports, which offers high-quality speakers and is highly resistant to outdoor conditions.



WAE Ambassadors

At the end of 2017, Hercules entered into a partnership with American Corey Martinez, one of the best-known personalities in the world of freestyle BMX, who has won numerous awards, including Street Rider of the year. The Hercules WAE speaker fits perfectly with his lifestyle: its shock-resistant, dust-resistant and fully waterproof design means it can be taken anywhere.

To boost its WAE brand, Hercules relies on the support of WAE brand ambassadors. Names like Fabio Wibmer (mountain bike trials) and Nicolas Vuillermot (mountain bike trials), not forgetting new arrivals Corey Martinez and Simon Perdrix, are helping Hercules strengthen its positioning in extreme sports.



1.2 Thrustmaster: a major player in video games thanks to key partnerships

THRUSTMASTER®

Established in 1992 and acquired by Guillemot Corporation in 1999, Thrustmaster brings its expertise and technical knowledge to the video game accessories market. For 25 years, Thrustmaster has been developing high-precision accessories designed to offer an ultrarealistic gaming experience, such as racing wheels and joysticks for gaming consoles and PCs.

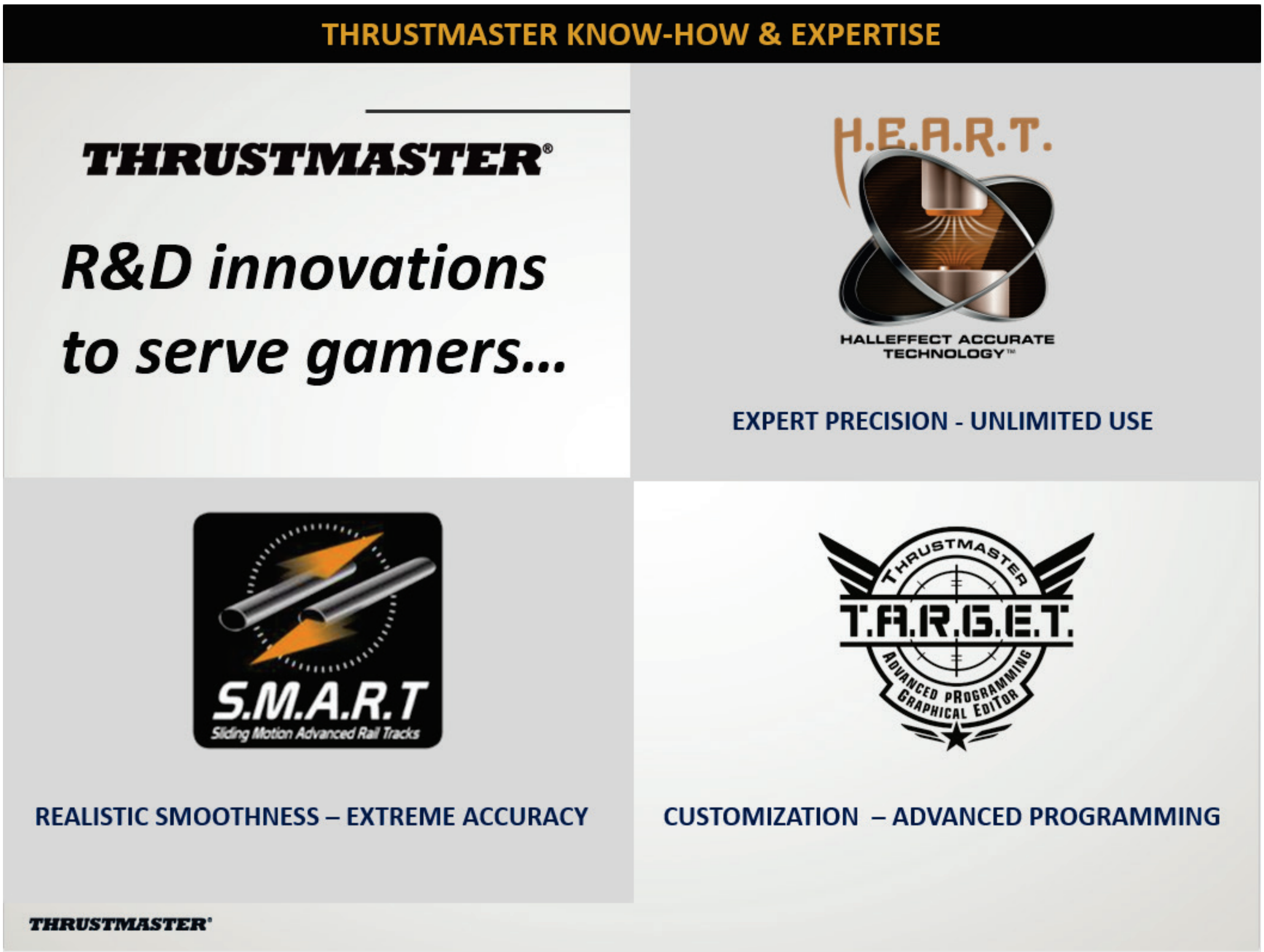
Thrustmaster's innovative hi-tech products are designed end to end by its experienced research and development staff, who seek to propose solutions that offer users a genuinely immersive video gaming experience.

Thanks to its many partnerships with leading console manufacturers and cutting-edge research and development centers, it was first to market racing wheels for the PlayStation®4 and Xbox One® consoles and official joysticks for PlayStation®4, Xbox One® and Xbox One® X.

Thrustmaster has continuing partnerships with prestigious brands like Ferrari®, Sparco®, Gran Turismo®, U.S. Air Force™, etc.

Over the years, the brand has introduced new technology providing for greater precision and an enhanced user experience, such as its patented HEART (Hall Effect Accurate Technology) system, which allows for extreme precision with certain Force Feedback racing wheels and joysticks (T.16000M and HOTAS Warthog). Thrustmaster has highly experienced research and development teams who design innovative, hi-tech products. Thrustmaster has always been committed to marketing unique solutions and has numerous patents pending for its proprietary technology.

For the past several years, the Group has relied on its cutting-edge mastery of embedded software and the expertise of its hardware research and development teams, reflected in patented technology such as its HEART system, which offers gamers greater precision, playability and realism, and garnering international recognition for the Group's products.



In 2018, Thrustmaster achieved the following (see consolidated financial statements to December 31, 2018, Note 5.6.1, "Segment information by business area"):

- Strengthened US distribution via Walmart, the world's number one mass-market retailer, resulting in two of the Group's products being sold in over 3,000 more US stores, with shipments beginning in July 2018
- Posted strong growth in the joystick, gaming headsets and gamepads segment
- Officially launched its Ferrari-licensed racing wheels in the Chinese market
- Adopted a direct delivery strategy with leading global e-tailers
- Continued to attend the largest international trade shows

At the end of November, Thrustmaster participated in the global final of the FIA Gran Turismo Championship 2018, with finalists using the Thrustmaster T-GT racing wheel. The world's best drivers were able to showcase their skills in two championships: the Nations Cup and the Manufacturer Series.

In 2018, the Group's range of console and PC racing wheels generated 10% more US sales by value and 6% more by volume than in 2017 (source: The NPD Group Inc, 2018 – extract at March 2019).

With the emergence of eSports and ever more immersive gaming, particularly thanks to virtual reality systems, video gaming accessories are becoming increasingly important.

1.2.1 Headsets for online gamers

Thrustmaster continues to expand its presence in the gaming headset market, regularly drawing on its audio and gaming expertise to develop headsets that offer high audio quality while also meeting gamers' demands in other areas.

With the explosive rise of networked gaming prompting gamers to increasingly opt for long gaming sessions, Thrustmaster's highly successful CPX range is regularly upgraded. By focusing on specific communities, Thrustmaster continues to break new ground in this still growing segment.

The Group's longstanding partnerships with the US Air Force™ and Ferrari and the advent of flying and racing competitions meant the need for dedicated headsets was obvious. To meet the emerging needs of racers, Ferrari therefore extended its license to cover gaming headsets.

In March 2019, Thrustmaster brought its expertise in gaming headsets to Ubisoft's Far Cry® universe with the release of Far Cry® 5. Its two new multi-platform headsets, the Y-350CPX and the Y-300CPX, allow gamers to immerse themselves in the fictional world of Hope County, Montana in co-op mode.

The **Y-350CPX 7.1 Powered Far Cry 5 Edition** is a high-end Thrustmaster headset delivering standout performance for Far Cry 5 players. It delivers high-definition sound with perfect bass reproduction for the best in-game explosions, balanced mid-range frequencies providing for stable reproduction of other players' voices, and unsaturated trebles giving crystal-clear approaching fire sounds.

In 2018, Thrustmaster introduced its first T.Racing Scuderia Ferrari Edition headset officially licensed by Ferrari, unveiling a preview at the Ferrari Store City Race 2018 event in Milan. This fully compatible universal headset is optimized for use with PlayStation® 4, Xbox One®, Nintendo Switch™, PC and Mac®. Its high-performance microphone allows for ultra-efficient communication between online gamers.

Its "Officially Licensed Product" logo means customers can rest assured they are buying a product that is true to Ferrari's values.

Thrustmaster strengthened its flight simulation ecosystem over the period, launching its new high-end T.Flight US Air Force Edition headset officially licensed by the US Army.

The design of this new headset, intended to pay tribute to US Air Force pilots, is the fruit of many years' experience. The T.Flight U.S. Air Force Edition is different from any other gaming headset currently on the market, drawing inspiration from the actual headsets used by pilots.

In the United States, Thrustmaster began to address the buoyant first person shooter segment in 2018, bringing out a new range of Rainbow Six Siege licensed headsets, consisting of the Y-300CPX Six Collection Edition and the T.Assault Six Collection Edition with a brand new design featuring customizable decorative plates.

1.2.2 Racing wheels

For passionate gamers seeking unique thrills, Thrustmaster's products are among the must-haves in the racing wheel category, and high-end racing wheels more specifically.

With a 67% share of the US market by volume, Thrustmaster continues to increase its US leadership in the console and PC racing wheel market (source: copyright 2018 The NPD Group, Inc, all rights reserved; proprietary and confidential, property of NPD and its affiliates; licensed for Use by NPD clients only; extract at March 2019 excluding wheel shells compatible with Nintendo Switch).

At the last E3 video games exhibition in Los Angeles in June 2018, Thrustmaster unveiled an exclusive preview of an online competition using the eagerly awaited Assetto Corsa game to showcase the brand's involvement in eSports with some of the most competitive racing wheels in the market.

In 2018, the Gran Turismo-licensed T-GT racing wheel was the official racing wheel for the global competition season, making it the must-have wheel for GT Sport competitions around the world, culminating in the final, which brought the world's best virtual racing drivers together in Monaco in November 2018.

This competition season highlighted the T-GT racing wheel's impressive performance in recreating authentic sensations and demonstrated its endurance during high-intensity gaming sessions.

The accelerating rise of annual racing competitions, including Forza Championship, GT Sport and eWRC (for which Thrustmaster was official equipment supplier for the final in Germany), bolstered Thrustmaster's positioning in 2018.

Thrustmaster strengthened its entire range of racing wheels in 2018 to appeal both to beginners with accessible but precise wheels and to professionals via eSports racing competitions.

In 2018, the Group's range of console and PC racing wheels generated 10% more US sales by value and 6% more by volume than in 2017 (source: The NPD Group Inc, 2018 – extract at March 2019).

In March 2018, Thrustmaster expanded its PlayStation® 4 racing ecosystem by launching its BT LED Display, a Bluetooth LED display that can be freely positioned to provide an at-a-glance view of all required information.

The product is the first officially licensed PlayStation® 4 display to feature wireless Bluetooth technology.

The first PS4™ game publishers to adopt the BT LED Display and promote the concept have confirmed the product's appeal.

1.2.3 Gamepads

Thrustmaster makes a wide variety of gamepads offering cutting-edge playability, extreme precision and a sophisticated design. With competitions and multi-platform online games on the rise, this key category is a priority for Thrustmaster. With gamers becoming increasingly demanding and specialized, in 2018 the Group introduced a "design thinking" process to help it come up with a new range of innovative gamepads.

1.2.4 Flight simulation accessories

The Group is strengthening its positioning in the flight simulation segment.

Thrustmaster's global flagship product, the HOTAS Warthog joystick, is available in a range of versions, ensuring compatibility with the entire community of PC and console flying games. Thrustmaster's first ever flight sim accessory was the T.Flight HOTAS joystick.

Thrustmaster has since expanded its range and now offers a wide variety of flight sim accessories designed to meet consumers' every need and expectation. In 2018, Thrustmaster refreshed its flight sim ecosystem, launching an innovative new rudder bar and a perfectly calibrated gaming headset.

Thrustmaster unveiled the TPR Pendular Rudder, its high-end rudder bar dedicated to flight simulation games, at the Air Tattoo and EAA AirVenture air shows.

Developed in close cooperation with various aviation professionals and incorporating a steady flow of feedback from the user community, the product has once again propelled Thrustmaster to a new level. The pedal set, suited to both close combat and space simulators, is powered by the T.A.R.G.E.T software, offering an improved gaming experience. The possibility of combining multiple accessories means Thrustmaster's game controls offers both modularity and customizability. This next-generation rudder bar is a worthy companion to the HOTAS Warthog joystick, boosting the power of Thrustmaster's ecosystem in this segment. With its precision mechanism, this finely crafted steel and aluminum rudder bar is one of the most advanced products ever offered to fans of flight sims and other air combat games.

The design of the high-end T.Flight U.S. Air Force™ Edition, released in 2018 and officially licensed by the US Air Force, pays tribute to US Air Force pilots. The headset meets the specifications of real and virtual pilots from the worlds of military and civil aviation, offering crystal-clear sound, minimal distortion and unparalleled comfort during long gaming sessions. Its unique features were warmly welcomed by virtual pilots at the Royal International Air Show, a major international aviation event in the United Kingdom, as well as being presented at the biggest meeting of US pilots, EAA AirVenture Oshkosh.

- PC joystick range

Thrustmaster's PC joysticks, including the T16000M series, are recognized as accurate, fully-featured and serious products for a highly competitive mid-market segment.

- Console joystick range

In 2018, console joysticks found an audience with new virtual reality and other games including War Thunder, Star Citizen, Elite Dangerous, DCS World 2.5 and X-Plane 11.
Thrustmaster expanded its console range, launching the first PlayStation 4 joystick, the T.Flight HOTAS 4, and the first Xbox One joystick, the T.Flight HOTAS One.

The T.Flight HOTAS 4 brings enhanced comfort, more instinctive combat and responsive control to the gaming experience while offering unrivaled authenticity and precision.

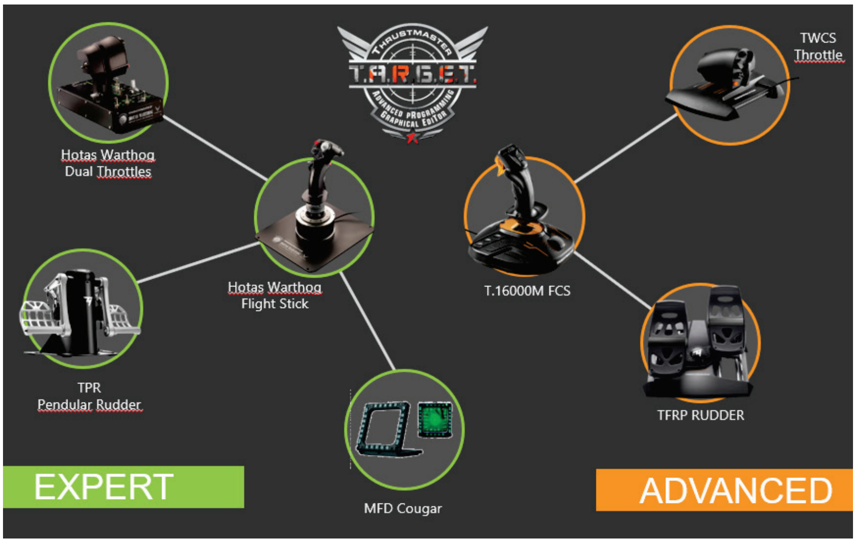
- Partnerships

Thrustmaster works with major game publishers. In 2018, the brand entered into a new partnership with Japanese published BANDAI NAMCO®.

This new partnership was a highlight of 2018 with the release of the legendary Ace Combat™ 7: Skies Unknown. As one of the game's two joystick partners, Thrustmaster was able to ensure that its products are fully integrated into the gameplay, providing gamers on all console and PC platforms with an enhanced gaming experience. The virtual reality version proved a particular hit when the game was launched at the Gamescom and Paris Games Week exhibitions.

Thanks to this partnership with BANDAI NAMCO®, Thrustmaster was able to unveil a limited edition Ace Combat 7 version of its new T.Flight HOTAS joysticks.

Thrustmaster was on site at the publisher's stand to highlight the full compatibility between Ace Combat™ 7 and the limited edition T.Flight HOTAS 4.



These new Thrustmaster products, first unveiled at the E3 exhibition in Los Angeles last June, are the fruit of a long research and development process and close cooperation with global partners, including renowned game developers and the flight sim community.

In 2018, the Group's range of console and PC racing wheels generated 37% more US sales by value and 29% more by volume than in 2017 (source: The NPD Group Inc, 2018 – extract at March 2019).

1.2.5 eSports

Thrustmaster continues to expand its presence in the world of eSports, primarily in racing and flying, where its accessories are recognized as essential. This was confirmed during the GT Sport® competition season, the final of which brought together the world's top 32 virtual racing drivers from two categories in Monaco. Thrustmaster was official equipment supplier for all regional and global finals.

Similarly, Thrustmaster was equipment supplier for the eWRC 2018 final and unveiled a global preview of the Assetto Corsa Competizione game, with its products showcased on the game's stand at the E3 2018 exhibition in the United States.

Thrustmaster has thus stepped up its activities in the racing world, backed up by its policy on sponsoring racing drivers.

So far, Thrustmaster has detected, supported and sponsored 16 racing drivers or teams around the world, including two world champions. This commitment to supporting the driver community has opened up new possibilities for Thrustmaster on social media and in this space that is closer to gamers. The emergence of streaming also allows for innovative and differentiated visibility within the community, supported by key players like drivers.

Thrustmaster also demonstrated its desire to support flight sim competitions in 2018, hosting a live global final of partner game War Thunder on its stand at the Paris Games Week, a first for this game.

Thanks to its ecosystem, Thrustmaster has become the preferred partner for all gamers seeking a more realistic and performance-focused gaming experience.

Thrustmaster further cemented its presence in the world of video game competitions, with notable achievements including the following:

- On 18 August 2018, Thrustmaster-sponsored driver Jon Armstrong won the eWRC world championship.
- The continental and global finals of GT Sport, by nation and manufacturer, exclusively used the T-GT racing wheel from Thrustmaster, Gran Turismo® Sport's PlayStation® 4 official equipment supplier worldwide.
- The global final of the Phoenix Tournament air competition in Gaijin's War Thunder game took place on the Thrustmaster stand at the Paris Games Week in October 2018, with the winning teams from each continent battling for the title.

Thrustmaster has also made it a priority to increase its presence in high-growth regions such as Asia-Pacific, which is home to eSports events involving thousands of people, with a special mention for China in population terms, South Korea for its cafés dedicated to eSports competitions and Japan for its large number of expert gamers. The brand is also keen to expand among eSports gamers in the US.

2 POSITION OF THE COMPANY AND THE GROUP DURING FISCAL 2018

The Group delivered 1% growth in 2018, generating full-year turnover of €81.2 million. Thrustmaster had a mixed year in 2018, experiencing growth in product categories like headsets, joysticks and gamepads but a slowdown in racing wheels.

Over the period, the Group:

- Stepped up its expansion in the Asia-Pacific region with buoyant growth of 29%, accounting for over 12% of Group sales
- Expanded distribution of the Thrustmaster brand to more than 100 countries worldwide
- Strengthened distribution via retailer Walmart, the world's number one mass-market retailer, resulting in two of the Group's products being made available in over 3,000 more US stores, with shipments beginning in July 2018
- Adapted its sales strategy in response to new US import duties and measures
- Stepped up efforts to sign up retailers for its new Hercules DJing range in the computer electronics and music channels
- Expanded its distribution network by entering into a strategic partnership between Hercules and Jam Industries/American Music and Sound, the leading US distributor of music equipment
- Expanded Thrustmaster's distribution in China, Japan and Australia
- Broadened the marketing of Thrustmaster gaming headsets in Asia
- Officially launched its Ferrari-licensed Thrustmaster racing wheels in the Chinese market
- Launched a direct delivery strategy for Thrustmaster and Hercules with leading global e-tailers
- Finalized a major distribution agreement in Latin America
- Boosted sales in Russia
- Took part in the largest international trade shows and launch events surrounding the Gran Turismo Sport game for the release of its T-GT racing wheel at the end of 2017
- Rolled out various new releases:
  - Thrustmaster:

    - Joysticks: launched the new T.Flight HOTAS One joystick and the limited edition T.Flight HOTAS 4 licensed for the flagship game Ace Combat™ 7: Skies Unknown, in partnership with Japanese software publisher BANDAI NAMCO®
    - Gaming headsets: released the first gaming headset licensed by Ferrari, the T.Racing Scuderia Ferrari Edition, enabling Thrustmaster to break significant new ground in this segment. At the same time, Thrustmaster strengthened its flight simulation ecosystem, launching its new high-end T.Flight US Air Force Edition headset, officially licensed by the US Army, with the Y-300CPX Six Collection Edition headset, officially licensed for Tom Clancy's Rainbow Six Siege, rounding out its US range.
    - Gamepads: with competitions and multi-platform games on the rise, this category is a priority for the Group.
    - Racing wheels: after strong growth in the early part of 2018 following the launch of Gran Turismo Sport in October 2017, racing wheel sales did not have the benefit of so many new games and new releases for the Group.

This resulted in a dip in restocking by retailers in the fourth quarter of 2018.

- Hercules: the brand incorporated the latest design thinking and artificial intelligence techniques into its innovation plan. Its DJUCED™ software was recently updated.

Thanks to its expertise in research and development and the know-how and commitment of all its staff, the Group can confidently rise to the challenge of meeting consumers' expectations and simplifying their buying choices with its range of ever more innovative products. The Group continues to enter into new partnerships that drive genuine growth and innovation.

2.1 Continuing sustained business expansion and rapidly accelerating growth in the Asia-Pacific region

Sales outside France totaled €74.6 million in 2018, accounting for 92% of total consolidated turnover.

In 2018, thanks to its business expansion strategy, the Group:

- stepped up its expansion in the Asia-Pacific region, delivering significant growth of 29%, accounting for over 12% of Group sales;
- expanded distribution of the Thrustmaster brand to more than 100 countries worldwide;
- consolidated its worldwide business development.

- Asia-Pacific

The Group significantly stepped up its expansion in the Asia-Pacific region, delivering buoyant growth of 29%, accounting for over 12% of Group sales. The region's increasing importance was one of the key developments of 2018.

South Korea is one of the Group's Asian development priorities: it has the highest buying power of any country in Asia and offers significant development opportunities. Asia is set to be the top contributor to the Group's growth over the next five years.

- North America

The Group strengthened its positioning in the North American racing wheel and joystick market. In 2018, the Group grew its North American turnover by 12%, from €24.6 million to €27.5 million.

Thanks to the Group's partnership with US retailer Walmart, the world's number one mass-market retailer, Thrustmaster products have been available in over 3,000 more US stores since autumn 2018.
Furthermore, the strategic agreement entered into in 2018 by Hercules and Jam Industries/American Music and Sound, the leading US distributor of music equipment, provides a way for the Group to boost its visibility in the North American market.

- Europe

Group turnover declined 9% in 2018, down from €44.5 million to €40.4 million, following a far-reaching restructure of the Group's sales organization and distribution channels in three of its key markets – France, the United Kingdom and Italy.

- Other countries

Business momentum strengthened in the Middle East. The Group is also keen to strengthen its positioning in India and Taiwan.

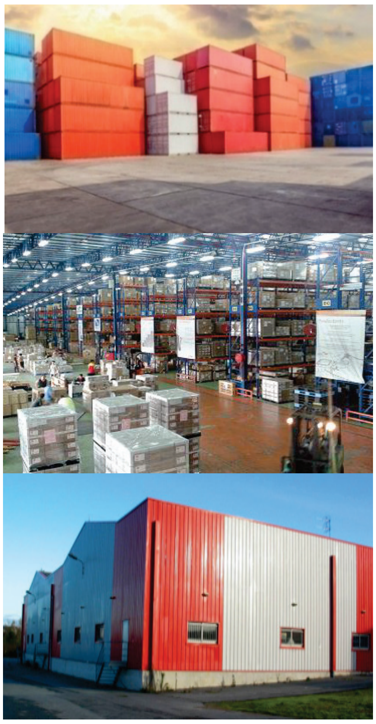
The Group's huge network of distributors includes the following:

- Europe and Russia: Amazon, Auchan, Intertoys, Boulanger, Carrefour, Casino, Cdiscount, Conforama, Cora, Dixon, El Corte Ingles, Eldorado, Eroski, Euronics, Fnac, Game UK, Grosbill.com, Intertoys, LDLC.com, Leclerc, Maplin, Makro, Media Markt, Micromania, M Video, Netto, Rue du commerce, Sainsbury's, Saturn, Sonai, Tesco, Thomann, Toys R Us, Unieuro, Worten, etc.

North America: Amazon.com, Target, Best Buy, Buy.com, Costco, Frys, Gamestop, Walmart, Guitar Center, Meijer, Micro Center, New Egg, B&H, Videotron, Sam Ash, Musician's Friend, etc.

South America: Carrefour, Walmart, Fnac, Saraiva, Extra, Fast, etc.

2.2 Optimized international logistics



The Group covers three global regions that account for the majority of high-tech product sales – North and South America, Europe and Asia – and optimizes logistical flows, shipping directly to each continent from production sites in Asia.

The Group has its own international logistics base in France with extensive storage capacity, enabling it to cover the whole of Europe, including Eastern Europe, for both wholesale and e-commerce deliveries. North American and Asian sales are fulfilled using logistics providers based in the United States, Hong Kong and Shanghai. Thanks to the development and evolution of its Hong Kong logistics platform since early 2013, the Group continues to optimize product flows to its European, Asian and American customers by shipping direct from Asia, enabling it to optimize its supply chain and thus offer faster deliveries to customers.

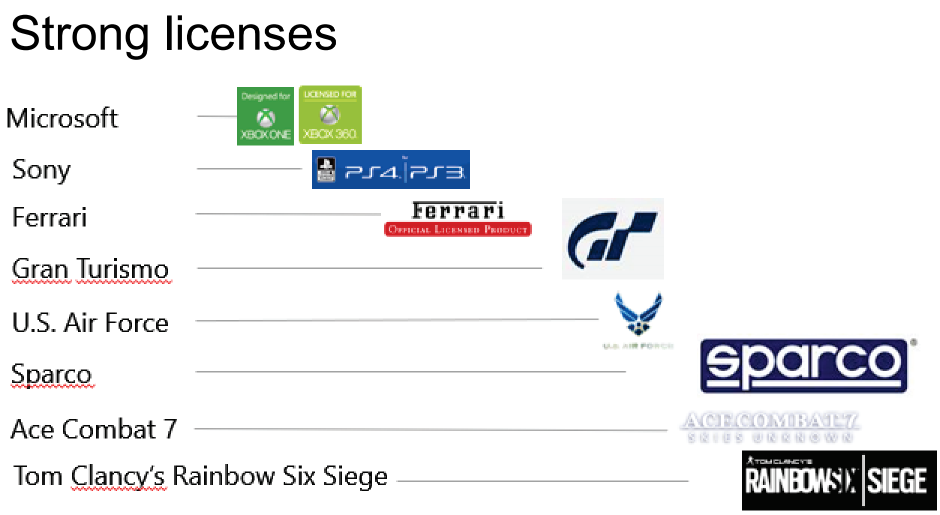
In 2018, direct container shipments from production sites and the Hong Kong warehouse continued to increase, facilitating sales growth and improving shipping times. At the same time, direct-to-customer shipping has enabled the Group to reduce the impact of transportation on the environment.

2.3 Thrustmaster: strategy and positioning

Thanks to continued growth in the installed base of PlayStation 4 and Xbox One, the video game accessories market remains buoyant. Thrustmaster is a key player in the gaming console racing wheel and joystick market. Growth in online racing and flight simulation games has also fueled interest in high-end accessories, giving Thrustmaster a further boost in its recognized areas of expertise, such as racing wheels and joysticks.

In 2018, Thrustmaster:

- prioritized the expansion of its racing ecosystem, based around its existing racing wheels, to heighten its competitive advantage and grow its margins;
- expanded its distribution network, with the brand represented in more than 3,000 additional stores since the end of 2018.



Attending numerous international trade shows provides Thrustmaster with the opportunity to capture the latest trends and identify new products, enabling it to deliver ever higher levels of satisfaction to gamers.

2.4 The Group and its competitors

The Group operates in highly competitive, diversified and continuously changing markets, offering products aimed at both gaming fans and music enthusiasts (via its DJing and speaker lines), including audio headsets for online gamers as well as PC and console gaming accessories. To boost its competitiveness, the Group has a highly effective organizational structure targeted at high added value markets.

Its diversified product range and the number of products it offers means the Group is well placed to defend itself against global competition. The Group's cutting-edge research and development is one of the keys to its competitiveness, which relies on innovative and differentiated products.

Its highly skilled research and development, sales and marketing teams are a decisive factor critical to the Group's success in these various markets.

Its international presence means it can also anticipate trends around the world and respond to them through a differentiated product offering.

Main competitors by product category	
DJing	American Audio, M Audio, Native Instruments, Numark, Pioneer
Wireless speakers	Beats, Braven, Bose, Creative Labs, Jabra, JBL, Marshall, Philips, Sonos, UE
PC gaming accessories	Corsair, Logitech, Razer, SteelSeries
Console gaming accessories	Big Ben Interactive, Hori, Microsoft, PDP, Razer, Sony
Headsets for online gamers	Astro, HyperX, Logitech, PDP, Plantronics, Razer, Sennheiser, SteelSeries, Turtle Beach

2.5 Thrustmaster attends the largest international trade shows and strengthens its partnerships

As in previous years, the Group attended the largest international trade shows, providing it with opportunities not only to increase the visibility of its two brands but also to discover new trends. In this way, the Group is able to leverage its presence to direct new development efforts.

E3, Las Vegas (United States) – June 2018

E3 2018

Asseto Corsa Competizione World Premiere !

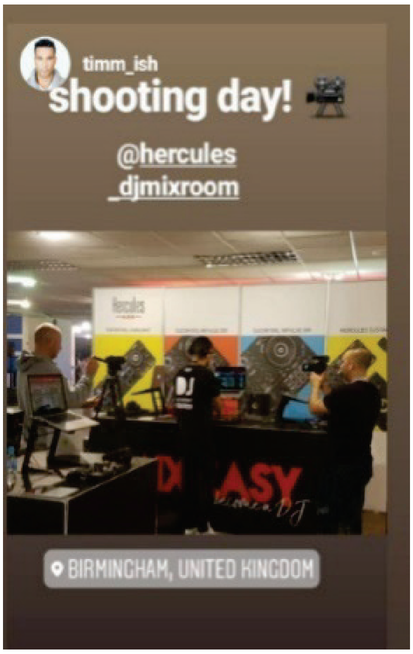
Consumer Electronics Show (Las Vegas) – January 2018

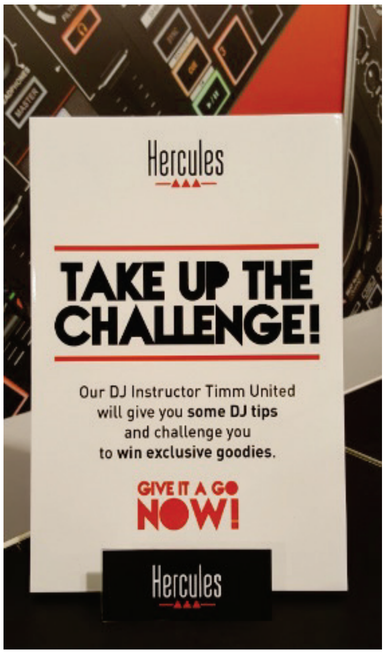
Global final of the 2018 FIA Gran Turismo Championship (Monaco) – November 2018

Thrustmaster staff attended this event to provide support to its organizers and follow the competition, where finalists used the Thrustmaster T-GT as the official racing wheel. The world's best drivers had the opportunity to showcase their skills in two championships: the Nations Cup and the Manufacturer Series.

BPM Show (United Kingdom) – October 2018

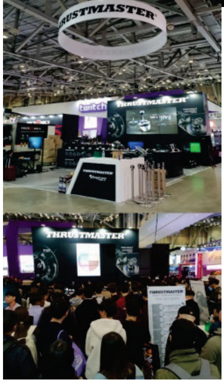
At this major European DJing show, Hercules presented its new range of DJ controllers and speakers, attracting huge interest among both novice and experienced DJs.





<u>NAMM Show</u> (United States) – January 2019

<u>G-Star</u> (South Korea) – November 2018



Thrustmaster attended the G-Star show for the first time in 2018. G-Star is South Korea's number one video game exhibition and one of Asia's leading exhibitions. Thrustmaster ran a stand at the show in partnership with importer Medifron, at which it hosted online Assetto Corsa and Project Car competitions. Thousands of Korean gamers and e-racers visited the Thrustmaster stand to find out about racing hubs run in partnership with PSR, South Korea's leading network of racing rooms.

The show was an opportunity for Thrustmaster to meet with key South Korean retail and e-tail customers and finalize committed orders.

<u>Ferrari Racing Days</u> (Shanghai, China) – May 2018

At this event, Thrustmaster announced the official launch of its Ferrari-licensed racing wheels in the Chinese market. Chinese PC and PlayStation 4 gamers can now get their hands on the T80 Ferrari 488 GTB Edition, Ferrari 250 GTO Wheel Add-One and T300 Ferrari Integral Racing Wheel Alcantara Edition.

Paris Games Week (France)

In a new initiative to attract gamers' attention and bring together digital gamers more broadly, the global final of the Phoenix Tournament air combat competition from Gaijin's War Thunder game took place on the Thrustmaster stand at Paris Games Week in October 2018, with four winning teams from different continents battling it out for the title. Also at the Thrustmaster stand, budding champion racing drivers were given advice by expert drivers and instructors.

2.6 Positive press

The Group's products regularly win a variety of global awards and receive very positive coverage emphasizing their quality, originality and reliability. Such recognition in the trade press is important in promoting the Group's products to consumers and driving increased sales. It is a mark of the global relevance and competitiveness of the Group's product ranges worldwide.

2.6.1 DJ range

In an article dated October 15, 2018, website Digital DJ Tips, well known in the DJing world, said it considered the Hercules Inpulse 300 controller to be "the best controller Hercules has made", awarding it 4.5 out of 5 stars.

Meanwhile, website DjTechZone published a very positive article hailing the competitiveness of the range's last three controllers.

On December 7, 2018, US website Sharpe described the DJControl Inpulse 300 controller as "the perfect tool for anyone wanting to start out in DJing".

Spanish magazine Gadget awarded the new DJControl 300 controller five stars.

Spanish website All Music Spain recommends the DJControl Starlight controller not only for beginners but also for those looking for a portable DJ controller with an integrated audio interface.

2.6.2 PC and console gaming accessories

Every year, Thrustmaster products win a variety of awards and receive very positive coverage highlighting their success among consumers and the trade press.

2.6.2.1 *Gaming headsets*

The T.Racing Scuderia Ferrari headset received its first mention in the official Ferrari magazine (source: https://magazine.ferrari.com/en/passion/2018/12/13/news/bringing_ferrari_style_e-racing_gamers-50475/, 13/12/2018). This is a great honor for Thrustmaster.

The same headset was awarded a score of 4 out of 5 by website GTPlanet (source: https://www.gtplanet.net/thrustmaster-t-racing-scuderia-ferrari-edition-review-supercars-for-your-ears/ 18/12/2018).

2.6.2.2 *Racing wheels*

The TS-XW Racer Sparco P310 Competition Mod racing wheel won MMORPG.com's Golden Hardware Award (source: https://www.mmorpg.com/hardware-reviews/thrustmaster-ts-xw-force-feedback-racing-wheel-review-1000013252, 05/12/2018).

The TS-XW Racer Sparco P310 Competition Mod racing wheel was awarded a score of 8 out of 10 by Swedish site Gamereactor (source: www.gamereactor.se/hardvara/679973/Thrustmaster+TSXW+Racer+Sparco+P310, 14/11/2018).

The T300 RS racing wheel was listed as one of the "best PC controllers 2019" by website PCGamesN, which receives 10 million visitors a month (source: https://www.pcgamesn.com/best-pc-controller, 15/01/2019).

2.6.2.3 *Controllers/joysticks*

The entire flight sim range was awarded the 2018 Award in the Simulation category by magazine Avion Revue Internacional.

2.6.2.4 *Gamepads*

The GP XID PRO controller and the GPX WIRED gamepad were awarded a "great value award" by Dutch website hardware.info, in the "Best gamepads for PC gamers" category (source: https://nl.hardware.info/reviews/8729/17/15-gamecontrollers-vergelijkingstest-trigger-je-naar-de-knoppen-conclusie, 09/10/2018).

3 GROUP RESULTS

3.1 Group key figures and segment information

3.1.1 Key figures

Key figures from Guillemot Corporation's consolidated financial statements for the fiscal year ended December 31, 2018 are as follows:

(€m)	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
Turnover	81.2	80.4	64.2
Net income from ordinary activities	6.9	3.9	0.6
Net operating income	6.9	5.9	0.7
Net financial income*	3.1	13.8	2.7
Consolidated net income	12.2	17.5	3.1
Basic earnings per share	€0.80	€1.19	€0.21
Shareholders' equity	58.3	45.5	28.4
Net debt (excl. AFS securities)*	7.9	1.2	9.1
Inventories	24.9	8.4	10.4
Intangible assets	11.1	10.6	7.8
Current financial assets (AFS securities portion)	31.3	28.5	15.0

* Net financial income includes the cost of net financial debt as well as other financial expenses and income.
** Available-for-sale (AFS) securities are not taken into account when calculating net debt (cf. Section 5.7.13 of the consolidated financial statements).

Consolidated annual turnover in fiscal year 2018 totaled €81.2 million, up 1% year on year. Net income from ordinary activities came in at €6.9 million, compared with €3.9 million in the year ended December 31, 2017. Net operating income also came in at €6.9 million, compared with €5.9 million in the year ended December 31, 2017.

Net financial income of €3.1 million included a €2.8 million revaluation gain on current financial assets (available-for-sale securities) consisting of Ubisoft Entertainment shares.
Net income for the year totaled €12.2 million, compared with €17.5 million in 2017, after taking into account €2.2 million of tax income in the year following recognition of some of Guillemot Corporation SA's tax loss carryforwards.
Current financial assets totaled €31.3 million at December 31, 2018, consisting of 443,874 Ubisoft Entertainment shares.
Net debt excluding available-for-sale (AFS) securities stood at €7.9 million.
Shareholders' equity increased from €45.5 million to €58.3 million.

3.1.2 Segment information

Detailed segment information is set out in section 5.6 of the consolidated financial statements.

3.1.3 Breakdown of turnover

- By business segment

(€m)	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
Hercules	**4.4**	**4.7**	**11.0**
Standard product lines	3.7	4.3	9.5
OEM*	0.7	0.4	1.5
Thrustmaster	**76.8**	**75.7**	**53.2**
Standard product lines	76.8	75.7	53.2
OEM	0.0	0.0	0.0
TOTAL	**81.2**	**80.4**	**64.2**

** Accessories developed for third party companies (Original Equipment Manufacturers).*

- By geographical region

(€m)	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
European Union	40.4	44.5	36.7
North America	27.5	24.6	20.1
Other	13.3	11.3	7.4
TOTAL	**81.2**	**80.4**	**64.2**

3.2 Breakdown of net operating income by business

(€m)	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
Hercules	-2.6	-3.9	-3.6
Thrustmaster	9.5	9.8	4.3
TOTAL	**6.9**	**5.9**	**0.7**

4 Analysis of the business performance, results and financial position of the Company and the Group

The Guillemot Corporation Group's turnover increased 1% to €81.2 million in 2018, translating into net income from ordinary activities of €6.9 million, up 75% relative to 2017.

Thrustmaster's turnover was up 1% in 2018, with growth in headsets, joysticks and gamepads but a slowdown in racing wheels. After strong growth in the early part of 2018 following the launch of Gran Turismo Sport in October 2017, sales of racing wheels did not have the benefit of so many new games.

Hercules' turnover was down 6%. Towards the end of the year, the brand launched an all-new range of DJ controllers, using the "design thinking" method to revive business.

The Group posted 2018 net operating income of €6.9 million, compared with €5.9 million in 2017. Consolidated net income totaled €12.2 million, compared with €17.5 million the previous year. This included financial income of €2.5 million net of corporate income tax arising from a revaluation gain on the portfolio of Ubisoft Entertainment shares held by the Group (compared with €11.9 million in 2017). It also takes into account the recognition of some of Guillemot Corporation SA's tax loss carryforwards, resulting in the recognition of deferred tax income. Tax income in the income statement totaled €2.2 million in the year.

Shareholders' equity stood at €58.3 million at December 31, 2018. The Group's financial structure is robust, with net debt standing at €7.9 million at December 31, 2018 (excluding the portfolio of available-for-sale securities: €31.3 million), compared with €1.2 million at December 31, 2017.

5 Foreseeable changes in the position of the Company and the Group

The Group mainly operates in the interactive entertainment, video games and gaming accessories market.

This market is growing fast:

- Online sales of both games and gaming accessories are growing strongly, forcing distribution networks to adapt.
- Next-generation gaming consoles announced in the trade press will trigger a new cycle of hardware purchases and video game production starting next year.
- Streaming music services are growing rapidly, with streaming revenue now exceeding revenue from other music distribution channels.

The Group is stepping up its research and development efforts to ensure that it remains at the forefront of innovation in terms of both new hardware and new behaviors. It is also strengthening its partnerships with video game publishers to ensure that gamers using its accessories with new games have an optimized and even more stimulating user experience. The Group intends to build on the initial success of its gaming, racing and aviation headsets and plans to launch a new range of high-end gamepads. The new ranges of Hercules DJ controllers and speakers got off to a good start in 2018, and the Group intends to strengthen its line-up in 2019.

At the same time, the Group continues to develop internationally: it now ships to over 100 countries and is expanding its sales force, primarily in the very buoyant Asian market. The Group is also rolling out its after-sales service to drive up service quality across all continents.

2019 is set to be a year of transition for the video games sector. Global demand for accessories is set to remain buoyant, notably via the e-commerce channel, where the Group is currently experiencing strong growth and consolidating its leading position in the North American racing wheels and joysticks market. However, the Group notes high levels of inventory at wholesalers shipping to traditional retailers. These high inventory levels will impact sales in the first half of the year, with the result that the Group is now forecasting turnover of €70-75 million and positive net operating income for fiscal year 2019.

6 SIGNIFICANT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

None.

7 RESEARCH AND DEVELOPMENT AT THE COMPANY AND THE GROUP

Research and development form one of the pillars of the Group's strategy, with the Group's technological expertise and innovative models contributing significantly to its growth.

To better meet the expectations of consumers around the world, the Group set up a subsidiary, Guillemot Innovation Labs SAS, to strengthen its research and development capability. This lab is involved in the innovation process, validating the emerging needs of gamers and musicians through a "design thinking" approach. It helps ensure the Group's work is as relevant as possible, and will be a key driver of future development.

The Group's research and development activities are spread around the world, supported by entities based in four countries (France, Canada, Romania and China) with expertise in electronic and mechanical product design and development of embedded software and applications.

The Group invests significant amounts in its research and development strategy each year.

In 2018, the Group invested €4.5 million in research and development, equating to 5.5% of consolidated turnover.

8 INVESTMENT POLICY

For the past several years, the Group's investment policy has consisted of creating added value and building solid fundamentals through recurring investment in research and development. Investment in research and development equated to 5.5% of turnover in 2018, and research and development staff account for over 30% of the Group's workforce.

The Group's main investments are described in sections 5.7.2, "Intangible assets", and 5.7.3, "Property, plant and equipment", of the consolidated financial statements.

The Group also regularly reviews potential external growth opportunities.

9 PRESENTATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 AND APPROPRIATION OF EARNINGS

9.1 Comments on the Group's consolidated financial statements

IFRS 15, "Revenue from contracts with customers", entered into force on January 1, 2018. Its implementation had no impact on the rate at which Group revenue is recognized.

9.1.1 Income statement

During the fiscal year, the Group generated consolidated turnover of €81,222k excluding taxes.
The main operating expenses were purchases totaling €57,132k.

External expenses of €15,729k mainly consisted of transportation, advertising and marketing costs.
Employee expenses totaled €9,354k, while additions to amortization, depreciation and provisions totaled €4,699k.

Taxes and duties totaled €443k and other income and expenses came to -€5,687k.

Net income from ordinary activities totaled €6,891k.

Net operating income came in at €6,891k.

The cost of net financial debt was €134k and other financial income and expenses netted out at a €3,199k gain, including a €2,814k revaluation gain on the Group's holding of Ubisoft Entertainment shares.

Given profitability over the last two fiscal years and the positive outlook, at December 31, 2018 the Group recognized tax loss carryforwards at its French subsidiaries (over €58 million) resulting in the recognition of tax income of €10.2 million in the year.

After taking into account these items and tax income of €2,196k, the Group posted net income of €12,151k. Basic earnings per share came out at €0.80.

9.1.2 Balance sheet

Non-current assets consisted of €11,115k in net intangible assets, €2,607k in net property, plant and equipment, €393k in financial assets, €674k in tax assets and €873k in deferred tax assets.
Current assets included the following items:

- inventories with a net value of €24,925k taking into account €1,973k in impairment charges
- trade receivables with a net value of €23,779k taking into account €253k in provisions for doubtful accounts
- other receivables with a net value of €1,441k, mainly consisting of receivables in relation to value added tax and advances and progress payments made
- financial assets totaling €31,284k and cash and cash equivalents of €4,010k

Shareholders' equity stood at €58,265k.

Non-current liabilities totaled €6,470k, including borrowings of €2,532k.

Current liabilities totaled €39,306k, including foreign currency borrowings and advances of €9,337k.

Cash flows from operations may be broken down as follows:

	At Dec 31, 2018
Net income from consolidated companies	12,151
+ Additions to amortization, depreciation and provisions	3,393
- Reversals from amortization, depreciation and provisions	-970
-/+ Unrealized gains and losses linked to changes in fair value	-2,814
-/+ Gains and losses on disposals	0
Change in deferred taxes	-3,461
Operating cash flow after cost of financial debt	**8,299**
Cost of financial debt	134
Operating cash flow before cost of financial debt	**8,433**
Currency translation adjustment on gross cash flow from operations	-18
Change in working capital requirement	**-11,702**
Net cash flows from operations	**-3,421**
Cash flows from investing activities	
Cash flows from property, plant and equipment and intangible assets	-3,459
Cash flows from non-current financial assets	-59
Net cash flows from investing activities	**-3,518**
Cash flows from financing activities	
Increases in capital and cash injections	329
Borrowings	133
Repayment of shareholders' current accounts	-972
Repayment of borrowings	-4,822
Other cash flows from financing activities	0
Total cash flows from financing activities	**-5,332**
Impact of currency translation adjustments	**-13**
Change in cash	**-12,284**
Net cash at the beginning of the period	10,279
Net cash at the end of the period	-2,005

9.2 Comments on the Guillemot Corporation S.A. parent company financial statements

9.2.1 Income statement

Guillemot Corporation SA generated turnover of €77,071k in the fiscal year.

Operating income totaled €95,737k.

The main operating expenses were purchases consumed totaling €54,676k and external expenses totaling €23,103k.

External expenses mainly consisted of subcontracting, development costs, and transportation, advertising and marketing costs.

Taxes and duties and employee expenses totaled €592k, while other expenses came to €7,963k.

Additions to amortization and depreciation totaled €2,241k.

Additions to provisions on current assets totaled €1,251k.

The company recognized a €242k provision relating to product returns.

Total operating income less total operating expenses resulted in net operating income of €5,648k.

Taking into account net financial income of €1,096k, a net non-recurring expense of €247k and a corporate income tax expense of €655k, net income totaled €5,842k.

Net financial income may be broken down as follows:

Foreign currency translation adjustments:	€149k
Interest income and expenses:	-€125k
Net income from sales of AFS securities:	-€38k
Additions to and reversals from provisions:	€1,110k

Interest income mainly consisted of €22k in bank credit interest, €9k in current account interest and €17k in respect of a current account advance to subsidiary Guillemot GmbH (Germany) with a clawback provision, which was reinstated in the balance sheet after having been waived by the parent company in 2004.

Financial expenses mainly consisted of €152k in interest charges on borrowings and bank balances and €16k in current account interest charges.

The net expense from the disposal of treasury shares under the liquidity agreement in force totaled €38k.

Write-backs of impairment on shares of subsidiaries totaled €1,298k, while reversals of provisions on current account advances totaled €27k.

Additions to provisions on shares of subsidiaries totaled €203k.

A breakdown of net non-recurring income (expense) is as follows:

Income and expenses on management activities:	-€1k
Income and expenses on capital transactions:	-€13k
Additions to and reversals from provisions:	-€233k

The company recognized exceptional amortization of €233k on development costs and equipment no longer meeting the criteria for capitalization.

Key interim management figures are as follows:

Production in the year:	€92,348k
Value added:	€14,569k
Earnings before interest, tax, depreciation and amortization:	€13,977k

9.2.2 Balance sheet

Net fixed assets totaled €19,402k, consisting of €9,741k in intangible assets, €1,531k in property, plant and equipment and €8,130k in non-current financial assets.

Intangible assets included development costs with a net value of €3,997k. Development costs of €1,445k no longer meeting the criteria for capitalization were removed from assets.

The company scrapped equipment with a gross value of €447k.

The net value of inventory stood at €21,504k.

Trade receivables totaled €19,816k, taking into account €254k in provisions for doubtful accounts.

Other receivables with a net value of €1,122k mainly consisted of current account advances to subsidiaries with a net value of €289k, VAT receivables totaling €571k and credit notes receivable totaling €135k (including €85k of intragroup credit notes).

The net value of available-for-sale securities totaled €6,954k, including 57,127 treasury shares with a net value of €187k.

Shareholders' equity totaled €31,138k.

Debt may be broken down as follows:

SCHEDULE OF DEBTS (€k)	At Dec 31, 2018
Borrowings from credit institutions	5,710
Bond issue	0
Medium-term bank loans	56
Bank overdrafts and foreign currency advances	5,896
Trade payables	19,117
Taxes and social security payable	386
Other debts	4,211
Debts to fixed asset suppliers	853
Group and affiliates	1,987
TOTAL	**38,216**
Borrowings taken out during the period	0
Reduction in borrowings via conversion of bonds	0
Reduction in borrowings via repayment	4,822
Debts owed to individuals	0

Cash flows from operations may be broken down as follows:

(€k)	At Dec 31, 2018
Net profit (loss)	5,842
Additions to and reversals of amortization, depreciation and provisions (1)	1,104
Capital gains and losses on disposals	0
Cash generated from operations	**6,946**
Change in operating cash requirement	-12,957
Change in non-operating cash requirement	1,024
Change in working capital requirement	**-11,933**
Cash flows from investing activities	
Outflows – acquisitions of intangible assets	-2,242
Outflows – acquisitions of property, plant and equipment	-560
Inflows – disposals of property, plant and equipment and intangible assets	0
Outflows – acquisitions of non-current financial assets	-1,189
Inflows – disposals of non-current financial assets	147
Acquisitions/disposals of subsidiaries	0
Total cash flows from investing activities	**-3,844**
Increases in capital and capital injections	329
Borrowings	0
Repayments of borrowings	-4,822
Total cash flows from financing activities	**-4,493**
Change in cash	-13,324
Net cash at the beginning of the period (2)	16,416
Net cash at the end of the period (2)	3,092

(1) Excludes additions to and reversals of impairment losses on available-for-sale securities.
(2) Includes net amount of available-for-sale securities.

9.2.3 Information on payment terms

Invoices received and issued outstanding at the last balance sheet date (table required pursuant to the first paragraph of Article D.441-4 of the French Commercial Code)

(€k)	Article D.441 I (1): Invoices received outstanding at the last balance sheet date						Article D.441 I (2): Invoices issued outstanding at the last balance sheet date					
	0 days (indicative)	1-30 days	31-60 days	61-90 days	91 or more days	Total (1 or more days)	0 days (indicative)	1-30 days	31-60 days	61-90 days	91 or more days	Total (1 or more days)
(A) Late payment tranches												
Number of invoices concerned	5					168	112					331
Total value of invoices concerned (incl.	107	3,063	793	164	133	4,153	2,781	1,559	5,540	770	747	8,616
Percentage of total value of purchases in the year (incl. taxes)	3%	72%	19%	4%	3%	97%						
Percentage of turnover in the year (incl. taxes)							24%	14%	49%	7%	7%	76%
(B) Invoices not included in (A) relating to disputed or unrecognized payables and receivables												
Number of invoices not												
Total value of invoices not included (incl.												
(C) Benchmark payment terms used (contractual or statutory)												
Payment terms used to calculate late payment	Contractual terms: 0-120 days Statutory terms:						Contractual terms: 0-120 days Statutory terms:					

Invoices received:
Of the total value of overdue invoices, 94% consists of intragroup invoices and invoices settled within ten days of the year-end date of December 31, 2018.

Invoices issued:
Of the total value of overdue invoices, 80% consists of intragroup invoices and invoices settled within ten days of the year-end date of December 31, 2018.

9.2.4 Appropriation of earnings

After deducting all expenses, taxes and amortization, the parent company accounts presented to you show a profit of €5,841,595.85, which we propose be apportioned as follows:

- Statutory reserve: €292,079.79
- Other reserves: €3,562,143.66
- Payment of dividends: €1,987,372.40

In accordance with the provisions of Article 243 *bis* of the French General Tax Code, you are reminded that no dividends have been paid in respect of the past three fiscal years.

9.2.5 Non-tax-deductible expenses

In accordance with the provisions of Articles 223 *quater* and 223 *quinquies* of the French General Tax Code, you are advised that the financial statements for the past fiscal year do not take into account any expenses not deductible from taxable profit.

10 MATERIAL CHANGES IN THE FINANCIAL OR COMMERCIAL POSITION SINCE THE END OF THE FISCAL YEAR

There have been no material changes in the Group's financial or commercial position since the end of the fiscal year.

11 SUBSIDIARIES AND INVESTMENTS

11.1 Guillemot Corporation Group organization chart at December 31, 2018

The percentages shown below correspond to the proportion of capital held (percentage of capital).

GUILLEMOT BROTHERS S.E. (1)	GUILLEMOT FAMILY	GUILLEMOT CORPORATION S.A.	PUBLIC
19.627%	53.092%	0.374%	26.907%

GUILLEMOT CORPORATION S.A.

SUBSIDIARIES (2)

Guillemot GmbH	Germany	99.75%
Guillemot S.A.	Belgium	99.93%
Guillemot Inc (3)	Canada	74.89%
Guillemot Recherche & Développement Inc	Canada	99.99%
Guillemot Electronic Technology (Shanghai) Co., Ltd	China	100.00%
Guillemot Spain SL	Spain	100.00%
Guillemot Inc	United States	99.99%
Hercules Thrustmaster SAS	France	99.42%
Guillemot Administration et Logistique Sarl	France	99.96%
Guillemot Innovation Labs SAS	France	100.00%
Guillemot Corporation (HK) Ltd	Hong Kong	99.50%
Guillemot Srl	Italy	100.00%
Guillemot Romania Srl	Romania	100.00%
Guillemot Ltd	United Kingdom	99.99%

INVESTMENTS

Ubisoft Entertainment S.A. (4)	France	0.39%

(1) Wholly owned by members of the Guillemot family.
(2) The percentage of voting rights exercisable at shareholders' general meetings is the same as the percentage of capital
(3) Canadian company Guillemot Inc is owned 74.89% by Guillemot Corporation S.A. and 25.11% by US company Guillemot Inc.
(4) The percentage of voting rights exercisable at shareholders' general meetings is 0.73%.

At December 31, 2018, Guillemot Corporation S.A. had no branches other than the subsidiaries listed above.

During the fiscal year ended December 31, 2018, Guillemot Corporation S.A. decided to increase the share capital of its French subsidiary Guillemot Innovation Labs SAS. The share capital of Guillemot Innovation Labs SAS was increased from €135,000 to €1,135,005.

11.2 Parent company

Guillemot Corporation S.A., the Group's parent company, markets Hercules- and Thrustmaster-branded hardware and accessories to the Group's customers excluding those in North America, who are supplied directly by Canadian subsidiary Guillemot Inc, and those in China, who are supplied directly by Chinese subsidiary Guillemot Electronic Technology (Shanghai) Co., Ltd.

The company owns the Hercules and Thrustmaster brands and assumes the necessary marketing investment in those brands.

The company centrally manages billing of its products in all countries (with the exception of North America and China). To reduce the number of billing and shipping points, its products are marketed through specialized wholesalers in each country.

Products are manufactured by subcontractors, most of whom are located in Asia. The company provides its subcontractors with designs, key components (secured directly from technology suppliers) and, in some cases, specific equipment.

The company holds substantially all the shares of consolidated Group companies (there being no minority interests in consolidated companies).

The executives of Guillemot Corporation S.A. oversee the Group's subsidiaries.

The company holds the Group's main financial resources (equity, bank borrowings and other borrowings). It grants interest-bearing current account advances to subsidiaries in need of financing.

11.3 Marketing and sales subsidiaries

These subsidiaries are responsible for promotion, marketing and sales in the countries in which they are located, and within their area of influence. The Group controls marketing companies in France, Germany, China, Spain, Italy and the United Kingdom, and distributes its products in over a hundred countries. Furthermore, Hercules Thrustmaster SAS designs interactive entertainment accessories for PCs and gaming consoles and interactive entertainment equipment for PCs. It manages development projects, marketing activities and purchases and sales in relation to those products.

11.4 Research and development subsidiaries

These subsidiaries are responsible for designing and producing the products marketed by the Group. The Group has five research and development entities: Hercules Thrustmaster SAS and Guillemot Innovation Labs SAS in France, Guillemot Recherche & Développement Inc. in Canada, Guillemot Romania Srl in Romania and Guillemot Corporation (HK) Ltd in China.

11.5 Other subsidiaries

Guillemot Administration et Logistique Sarl, based in France, is responsible for product packaging and shipping. It is also tasked with maintaining and developing equipment and computer systems and is responsible for accounting, financial management and legal affairs on behalf of the Group.

12 INFORMATION ABOUT THE COMPANY AND ITS SHARE CAPITAL

12.1 Information about the company's share capital

12.1.1 Share capital at December 31, 2018

At the latest balance sheet date of December 31, 2018, the share capital totaled €11,771,359.60, made up of 15,287,480 ordinary shares with a par value of €0.77 each.

Over the course of 2018, the Board of Directors:

- at its meeting held on January 24, 2018:
  - certified an increase in the share capital of €294,525, corresponding to 382,500 stock options exercised during the fiscal year ended December 31, 2017; and
  - decided to retire 187,256 shares, effectively reducing the share capital by €144,187.12.
- at its meeting held on March 16, 2018:
  - certified an increase in the share capital of €67,375, corresponding to 87,500 stock options exercised during the period from January 1, 2018 to February 18, 2018.

The schedule of changes in equity since the formation of Guillemot Corporation S.A is set out in Section 18 of the management report.

12.1.2 Breakdown of share capital and voting rights

12.1.2.1 Changes over the past three years

There were no material changes in the breakdown of the company's share capital during the fiscal year ended December 31, 2018.

Claude, Michel, Yves, Gérard and Christian Guillemot, together with Guillemot Brothers plc, were awarded double voting rights in respect of some of their shares.

Guillemot Corporation S.A. is jointly controlled by Guillemot Brothers plc and the members of the Guillemot family. The company has not taken any special steps to ensure that control is not wrongfully exercised, other than appointing two independent directors to the Board of Directors: Marie-Hélène Lair and Maryvonne Le Roch-Nocera.

At December 31, 2018, the Guillemot family group directly and indirectly held 72.72% of the share capital and 84.27% of voting rights exercisable at shareholders' general meetings.

To the Company's knowledge, with the exception of those referred to in the tables below, there are no other shareholders who directly or indirectly hold more than 5% of the Company's share capital or voting rights. The company does not have any information on identifiable bearer shares that might enable it to indicate how many shareholders it has or the breakdown of ownership between resident and non-resident shareholders or between private shareholders and institutional investors.

At December 31, 2018, the company had no employee shareholders as defined in Article L.225-102 of the French Commercial Code.

At December 31, 2018						
Shareholder	**Number of shares**	**% of capital**	**Number of theoretical voting rights**	**% of theoretical voting rights**	**Number of voting rights exercisable at shareholders' general meetings**	**% of voting rights exercisable at shareholders' general meetings (1)**
GUILLEMOT BROTHERS S.E. (2)	3,000,497	19.627%	6,000,994	22.835%	6,000,994	22.884%
Michel Guillemot	1,870,411	12.235%	3,725,822	14.177%	3,725,822	14.208%
Claude Guillemot	1,836,074	12.010%	3,657,148	13.916%	3,657,148	13.946%
Christian Guillemot	1,529,016	10.002%	2,995,995	11.400%	2,995,995	11.425%
Gérard Guillemot	1,442,361	9.435%	2,869,722	10.920%	2,869,722	10.944%
Yves Guillemot	1,426,073	9.328%	2,837,146	10.796%	2,837,146	10.819%
Other member of the Guillemot family	12,553	0.082%	13,355	0.051%	13,355	0.051%
Together	**11,116,985**	**72.719%**	**22,100,182**	**84.095%**	**22,100,182**	**84.278%**
Treasury shares (3)	57,127	0.374%	57,127	0.217%	0	0.000%
Public	4,113,368	26.907%	4,122,821	15.688%	4,122,821	15.722%
TOTAL	**15,287,480**	**100.000%**	**26,280,130**	**100.000%**	**26,223,003**	**100.000%**

At December 31, 2017						
Shareholder	**Number of shares**	**% of capital**	**Number of theoretical voting rights**	**% of theoretical voting rights**	**Number of voting rights exercisable at shareholders' general meetings**	**% of voting rights exercisable at shareholders' general meetings (1)**
GUILLEMOT BROTHERS S.E. (2)	3,000,497	19.997%	3,000,497	18.859%	3,000,497	19.160%
Michel Guillemot	1,855,411	12.366%	2,304,115	14.482%	2,304,115	14.713%
Claude Guillemot	1,821,074	12.137%	2,235,441	14.050%	2,235,441	14.275%
Christian Guillemot	1,501,516	10.007%	1,511,789	9.502%	1,511,789	9.654%
Gérard Guillemot	1,427,361	9.513%	1,448,015	9.101%	1,448,015	9.247%
Yves Guillemot	1,411,073	9.404%	1,415,440	8.896%	1,415,440	9.039%
Other member of the Guillemot family	12,553	0.084%	13,355	0.084%	13,355	0.085%
Together	**11,029,485**	**73.508%**	**11,928,652**	**74.974%**	**11,928,652**	**76.173%**
Treasury shares (3)	250,461	1.669%	250,461	1.574%	0	0.000%
Public	3,724,790	24.823%	3,731,274	23.452%	3,731,274	23.827%
TOTAL	**15,004,736**	**100.000%**	**15,910,387**	**100.000%**	**15,659,926**	**100.000%**

At December 31, 2016						
Shareholder	**Number of shares**	**% of capital**	**Number of theoretical voting rights**	**% of theoretical voting rights**	**Number of voting rights exercisable at shareholders' general meetings**	**% of voting rights exercisable at shareholders' general meetings (1)**
GUILLEMOT BROTHERS S.E. (2)	3,000,497	19.997%	3,000,497	18.856%	3,000,497	19.197%
Michel Guillemot	1,855,411	12.366%	2,304,115	14.480%	2,304,115	14.741%
Claude Guillemot	1,821,074	12.137%	2,235,441	14.048%	2,235,441	14.302%
Christian Guillemot	1,466,979	9.777%	1,477,252	9.283%	1,477,252	9.451%
Gérard Guillemot	1,427,361	9.513%	1,448,015	9.100%	1,448,015	9.264%
Yves Guillemot	1,411,073	9.404%	1,415,440	8.895%	1,415,440	9.056%
Other member of the Guillemot family	12,553	0.084%	13,355	0.084%	13,355	0.085%
Together	**10,994,948**	**73.278%**	**11,894,115**	**74.746%**	**11,894,115**	**76.096%**
Treasury shares (3)	282,507	1.883%	282,507	1.775%	0	0.000%
Public	3,727,281	24.839%	3,736,265	23.479%	3,736,265	23.904%
TOTAL	**15,004,736**	**100.000%**	**15,912,887**	**100.000%**	**15,630,380**	**100.000%**

(1) Some of the shares held by members of the Guillemot family carry double voting rights.

(2) 100% controlled by members of the Guillemot family.

(3) Treasury shares with no voting rights.

12.1.2.2 Breakdown of share capital and voting rights at February 28, 2019

At February 28, 2019						
Shareholder	**Number of shares**	**% of capital**	**Number of theoretical voting rights**	**% of theoretical voting rights**	**Number of voting rights exercisable at shareholders' general meetings**	**% of voting rights exercisable at shareholders' general meetings (1)**
GUILLEMOT BROTHERS PLC (2)	3,000,497	19.627%	6,000,994	22.835%	6,000,994	22.885%
Michel Guillemot	1,870,411	12.235%	3,725,822	14.177%	3,725,822	14.209%
Claude Guillemot	1,836,074	12.010%	3,657,148	13.916%	3,657,148	13.947%
Christian Guillemot	1,529,016	10.002%	2,995,995	11.400%	2,995,995	11.426%
Gérard Guillemot	1,442,361	9.435%	2,869,722	10.920%	2,869,722	10.944%
Yves Guillemot	1,426,073	9.328%	2,837,146	10.796%	2,837,146	10.820%
Other member of the Guillemot family	12,553	0.082%	13,355	0.051%	13,355	0.051%
Together	**11,116,985**	**72.719%**	**22,100,182**	**84.095%**	**22,100,182**	**84.281%**
Treasury shares (3)	58,220	0.381%	58,220	0.222%	0	0.000%
Public	4,112,275	26.900%	4,121,728	15.683%	4,121,728	15.719%
TOTAL	**15,287,480**	**100.000%**	**26,280,130**	**100.000%**	**26,221,910**	**100.000%**

(1) Some of the shares held by members of the Guillemot family carry double voting rights.

(2) 100% controlled by members of the Guillemot family. A societas Europaea (SE) converted into a public limited company on February 25, 2019.

(3) Treasury shares with no voting rights.

12.1.3 Transactions covered by Article L.621-18-2 of the Monetary and Financial Code

During the year ended December 31, 2018, the following transactions were undertaken:

Declarant	Nature of transaction	Transaction date	Location of transaction	Number of shares	Unit price (€)	Transaction amount (€)
Claude Guillemot[1]	Exercise of stock options	31/01/2018	Euronext Paris	15,000	1.91	28,650.00
Michel Guillemot[2]	Exercise of stock options	31/01/2018	Euronext Paris	15,000	1.91	28,650.00
Yves Guillemot[3]	Exercise of stock options	31/01/2018	Euronext Paris	15,000	1.91	28,650.00
Gérard Guillemot[2]	Exercise of stock options	31/01/2018	Euronext Paris	15,000	1.91	28,650.00
Christian Guillemot[2]	Exercise of stock options	31/01/2018	Euronext Paris	15,000	1.91	28,650.00
	Acquisition	06/02/2018	Euronext Paris	12,500	3.80	47,474.00

(1) Director and Chairman and Chief Executive Officer, Guillemot Corporation S.A.

(2) Director and Chairman and Deputy Chief Executive Officer, Guillemot Corporation S.A.

(3) Deputy Chief Executive Officer, Guillemot Corporation S.A.

12.1.4 Crossings of significant share ownership thresholds

During the year ended December 31, 2018, the following share ownership thresholds, referred to in Article L.233-7 of the French Commercial Code, were crossed:

Declarant	Date	Threshold crossed		Description	Holding after crossing threshold	
		Capital	Voting rights		Capital	Voting rights
Christian Guillemot[1]	Jan 24, 2018	10%	-	Downward (threshold passively crossed as a result of an increase in the number of shares)	9.88%	9.39%
Christian Guillemot[1]	February 6, 2018	10%	-	Upward following a market acquisition	10.01%	9.51%
Claude Guillemot[1]	March 9, 2018	-	15%	Upward following allocation of double voting rights	12.01%	16.76%
Michel Guillemot[1]	March 9, 2018	-	15%	Upward following allocation of double voting rights	12.23%	17.08%
Yves Guillemot[1]	March 9, 2018	-	10%	Upward following allocation of double voting rights	9.33%	13.00%
Gérard Guillemot[1]	March 9, 2018	-	10%	Upward following allocation of double voting rights	9.43%	13.15%
Guillemot Brothers SE[1]	March 9, 2018	-	15%	Downward (threshold passively crossed as a result of an increase in the number of voting rights)	19.63%	13.75%
Declarant	**Date**	**Threshold crossed**		**Description**	**Holding after crossing threshold**	
		Capital	**Voting rights**		**Capital**	**Voting rights**
Christian Guillemot[1]	March 10, 2018	-	10%	Upward following allocation of double voting rights	10.002%	11.13%
Guillemot Brothers SE[1]	April 20, 2018	-	15% and 20%	Upward following allocation of double voting rights	19.63%	22.88%
Claude Guillemot[1]	April 20, 2018	-	15%	Downward (threshold passively crossed as a result of an increase in the number of voting rights)	12.01%	13.94%
Michel Guillemot[1]	April 20, 2018	-	15%	Downward (threshold passively crossed as a result of an increase in the number of voting rights)	12.23%	14.21%

(1) Individual crossing.

At February 28, 2019, the total number of voting rights attaching to shares making up the company's share capital used to calculate significant shareholding thresholds was 26,280,130.

12.1.5 Treasury shares

12.1.5.1 Share buyback program

The Board of Directors was authorized at the shareholders' general meeting of May 24, 2018 to undertake share buybacks.

The characteristics of the share buyback program are set out below:

- Duration of the program: 18 months from the date of the shareholders' general meeting (i.e. expiring November 23, 2019)
- Maximum authorized proportion of share capital: 10%
- Maximum unit purchase price: €10
- Objectives of the buyback program:

- to make a market in or ensure the liquidity of the company's shares, through an investment services provider acting independently under the terms of a liquidity agreement that complies with the code of conduct recognized by the AMF;
- to hold and subsequently remit shares in payment or exchange in connection with potential external growth transactions, with the proviso that the number of shares purchased for such purpose may not exceed 5% of the shares making up the share capital;
- to cover securities representing debt instruments that entitle the holder, by way of conversion, exercise, redemption or exchange, to an allotment of shares of the company;
- to cover stock option plans and/or any other form of allocation of shares to employees and/or executive directors of the company and/or the group;

- to retire shares thus purchased, subject to the shareholders approving a specific resolution at an extraordinary general meeting;
- to carry out any transaction that is allowed or that might become authorized by regulations subsequent to this meeting, notably where such transaction is in line with a market practice that comes to be accepted by the AMF.

At the start of the fiscal year beginning January 1, 2018, the company held 250,461 treasury shares. During the year ended December 31, 2018, 493,295 treasury shares were acquired and 499,373 shares were sold under the liquidity agreement granted to Portzamparc Société de Bourse.

Furthermore, at its meeting of January 24, 2018, the Board of Directors decided to reallocate 187,256 treasury shares previously allocated to "external growth" to "retirement", before going on to retire those 187,256 shares at that same meeting.

At December 31, 2018, the company held 57,127 treasury shares.

Number of shares registered in the company's name at December 31, 2017:	250,461
Number of shares purchased during the fiscal year ended December 31, 2018:	493,295
Average purchase price:	4.54 €
Number of shares sold during the fiscal year ended December 31, 2018:	499,373
Average selling price:	4.61 €
Number of shares retired during the fiscal year ended December 31, 2018:	187,256
Total trading fees in the fiscal year ended December 31, 2018:	0
Number of shares registered in the company's name at December 31, 2018:	57,127
Value of shares registered in the company's name at December 31, 2018, valued at purchase price:	198,897.62 €
Total nominal value of shares registered in the company's name at December 31, 2018:	43,987.79 €
- dont au titre du contrat de liquidité (57 127 actions):	*43,987.79 €*
Number of shares used during the fiscal year ended December 31, 2018:	686,629
- dont ventes dans le cadre du contrat de liquidité (499 373 actions)	
- dont annulation (187 256 actions)	
Reallocations during the fiscal year ended December 31, 2018:	187,256
(187,256 shares allocated to "external growth" were reallocated to "retirement".)	
Proportion of capital represented by shares held at December 31, 2018:	0.37%

At February 28, 2019, the company held 58,220 treasury shares, accounting for 0.38% of its share capital; since January 1, 2019, the company had purchased 60,987 shares and sold 59,894 shares under the liquidity agreement granted to Portzamparc Société de Bourse.

12.1.5.2 Liquidity agreement

On July 1, 2016, the company mandated Portzamparc Société de Bourse to implement a liquidity agreement. This liquidity agreement has been superseded by a new liquidity agreement, which took effect on January 1, 2019. This new liquidity agreement was entered into with Portzamparc Société de Bourse following AMF decision 2018-01 of July 2, 2018, applicable with effect from January 1, 2019, introducing liquidity agreements covering equity securities as an accepted market practice.

When this new liquidity agreement was implemented, the company provided the following resources, which had been allocated to the previous liquidity agreement with Portzamparc Société de Bourse:

- 57,127 shares; and
- €146,840.97 in cash.

12.1.5.3 Description of the share buyback program to be submitted for approval at the shareholders' general meeting of May 23, 2019

A new share buyback program will be proposed to the shareholders at the next shareholders' general meeting, as described below:

- Date of the shareholders' general meeting called to authorize the new share buyback program: May 23, 2019
- Number of shares held by the issuer (directly and indirectly) at February 28, 2019: 58,220
- Proportion of capital held by the issuer (directly and indirectly) at February 28, 2019: 0.38%
- Breakdown of shares held by the issuer by intention at February 28, 2019:

- Liquidity agreement: 58,820
- Objectives of the new buyback program:

- to make a market in or ensure the liquidity of the company's shares, through an investment services provider acting independently under the terms of a liquidity agreement that complies with the AMF decision introducing liquidity agreements covering shares as an accepted market practice
- to hold and subsequently remit shares in payment or exchange in connection with potential external growth transactions, with the proviso that the number of shares purchased for such purpose may not exceed 5% of the shares making up the share capital
- to cover securities representing debt instruments that entitle the holder, by way of conversion, exercise, redemption or exchange, to an allotment of shares of the company
- to cover stock option plans and/or any other form of allocation of shares to employees and/or executive directors of the company and/or the group
- to retire shares thus purchased, subject to the shareholders approving a specific resolution at an extraordinary general meeting
- to carry out any transaction that is allowed or that might become authorized by regulations subsequent to this meeting, notably where such transaction is in line with a market practice that comes to be accepted by the AMF

- Maximum proportion of capital issuer proposes to acquire: 10%
- Maximum amount allocated to the share buyback program: €10,000,000
- Maximum number of shares issuer proposes to acquire: 10% of the total number of shares making up the company's share capital at any given time, after adjusting the capital to reflect any transactions that might affect it subsequent to the date of the shareholders' general meeting
- Characteristics of shares the issuer proposes to acquire: ordinary shares of Guillemot Corporation (ISIN: FR0000066722) listed on Euronext Paris (Compartment C)
- Maximum unit purchase price: €10
- Duration of buyback program: 18 months from the date of the shareholders' general meeting (i.e. expiring November 22, 2020)

12.1.6 Stock options and free share awards

12.1.6.1 Stock options

At December 31, 2018, there were no longer any stock option plans in force, the last such plans having lapsed on February 18, 2018. These plans are detailed in Section 19 of the management report.

The executive directors were able to exercise their options by virtue of holding one of the following offices within Guillemot Corporation S.A. on the day of exercise: Chairman of the Board of Directors, Chief Executive Officer or Deputy Chief Executive Officer.

Furthermore, each executive director is required to maintain, in registered form, 5% of the shares arising from the exercise of options until such time as he/she steps down from his/her duties at Guillemot Corporation S.A.

12.1.6.2 Free share awards

No free shares having been awarded to corporate officers or employees other than corporate officers during the fiscal year ended December 31, 2018 or prior fiscal years, the Board of Directors has to date not laid down any conditions on the retention of shares by the executive directors in the event of a free share award.

12.1.7 Shareholders' undertakings

None.

12.1.8 Shareholders' agreements

None.

12.1.9 Legal charges over the company's share capital

To the company's knowledge, there are no legal charges over its share capital.

12.2 Information about Guillemot Corporation shares

12.2.1 Market in the issuer's shares

Guillemot Corporation S.A. is listed on Euronext Paris (Compartment C).

ISIN	:	FR0000066722
Market capitalization at December 31, 2018	:	50,448,684.00 €
Market capitalization at February 28, 2019	:	40,206,072.40 €

12.2.2 Guillemot Corporation share price over time

Month	Total shares traded	Average daily volume of shares	First quoted price on last day of month (€)	Monthly high (€)	Monthly low (€)
Sep-17	3,395,200	161,676	4.03	4.25	2.26
Oct-17	4,238,340	192,652	4.52	7.07	3.51
Nov-17	2,319,479	105,431	5.05	5.95	4.22
Dec-17	685,430	36,075	4.68	5.26	4.51
Jan-18	1,412,715	64,214	4.37	5.80	4.22
Feb-18	1,081,024	54,051	3.92	4.28	3.50
Mar-18	1,457,081	69,385	3.99	4.80	3.82
Apr-18	854,571	42,729	4.65	4.80	3.61
May-18	860,447	39,111	5.10	4.60	4.41
Jun-18	666,254	31,726	5.28	6.18	5.08
Jul-18	330,645	15,029	5.60	6.00	5.16
Aug-18	306,451	13,324	5.26	5.50	4.65
Sep-18	414,062	20,703	4.88	5.18	4.44
Oct-18	469,797	20,426	4.15	4.80	3.85
Nov-18	658,949	16,316	3.58	4.27	3.48
Dec-18	401,417	21,127	3.28	3.80	2.90
Jan-19	370,237	16,829	4.00	4.26	3.22
Feb-19	675,694	33,785	2.70	3.60	2.62

(Source: Euronext) (September 1, 2017 to February 28, 2019)

(September 1, 2017 to February 28, 2019)

13 RISK FACTORS

Having reviewed the risks that could have a material adverse effect on its business, financial position or results, the Group considers that there are no identified material risks other than those set out below.

13.1 Risks associated with the company's industry sector

Guillemot Corporation operates in the consumer computing and video game console sectors, which are sensitive to developments in electronic technology, competition, seasonal fluctuations and the life cycle of video game consoles.

13.1.1 Technological risk

In manufacturing its ranges of products, Guillemot Corporation relies on the most innovative technologies; many of its products use different technologies.

As part of their work to determine the features of forthcoming products, the company's engineers continuously monitor technological developments.

Its research and development teams, based in France, North America and Romania, bolstered by a technology monitoring base in Hong Kong, are in direct contact with major technology operators and the development studios of the largest video game publishers. However, rapid changes in technology can result in some products becoming obsolescent, giving rise to a risk of inventory of those products being subject to impairment losses.

13.1.2 Risks linked to supply sources

13.1.2.1 Dependence on certain suppliers

The degree of dependence on a given supplier depends on how technologically complex the product in question is.

The Group has for several years maintained ongoing commercial relationships with a good number of suppliers, for whom it represents attractive sales potential.

However, the Group is not completely immune to changes in the sales strategies of creators of technology, which could, in some cases, restrict the use of such technologies to certain of their other customers. Furthermore, lengthening procurement lead times can lead to significant production delays. Moreover, production stoppages by certain suppliers of critical components could necessitate changes in electronic product design, thus delaying shipment of affected products.

13.1.2.2 Stoppages, tie-ups and concentration

Over the past few years, the interactive entertainment market has experienced production stoppages, alliances and takeovers.

If one of its suppliers should fail or undergo a change of control, Guillemot Corporation's market position is such that it can turn to alternative supply sources.

In some cases, such developments can necessitate changes in the manufacturing process, resulting in additional production and supply lead times, and thus impacting sales.

13.1.3 Risks arising from competition in the sector

Having operated in its market for many years, the Group has developed a high level of awareness among distributors and consumers alike. The Group is exposed to high levels of competition and must constantly monitor the competitiveness of its product ranges.

It has competitors all over the world. Thanks to their originality and performance, the Group's products stand up well against the competition, garnering awards and top rankings in comparative tests in the trade press in both Europe and the United States. A loss of competitiveness could have an impact on the Group' results and turnover.

13.1.4 Risks arising from competition among gaming console manufacturers

Gaming console manufacturers control the accessories that work with their consoles. They can sometimes reject new developments. The ability to market new developments and accessories requires the approval of gaming console manufacturers.

13.1.5 Risks associated with seasonal fluctuations in business

The Guillemot Corporation Group generates approximately 50% of its annual revenue between September and December. The Group uses subcontractors to meets increased production and logistics requirements during this period. The working capital requirement arising from these seasonal fluctuations is financed through short- and medium-term funding. Moreover, significant seasonal fluctuations can give rise to inventory problems (overstocking or stock shortages).

13.2 Industrial and environmental risk

Since the Group subcontracts all of its production and has no production sites of its own, it has not assessed these risks. Its main subcontractors are certified ISO 9001 and ISO 14001. Neither the Group's warehouses nor its key production subcontractors are located in regions recognized as being sensitive to risks related to climate change.

The Group has not assessed the financial risks associated with the effects of climate change. The increase in direct shipments from the Group's Hong Kong warehouse helps reduce its carbon footprint.

13.3 Market risk

13.3.1 Interest rate risk

At December 31, 2018, the Group had fixed rate financial liabilities totaling €5,855k and floating rate financial liabilities totaling €6,014k. To protect itself against changes in interest payments on borrowings caused by fluctuations in interest rates, the Group regularly enters into interest rate swaps. At December 31, 2018, there were no borrowings covered by acceleration clauses.

Based on the Group's outstanding unhedged floating rate financial liabilities at December 31, 2018, a 1% annual increase in interest rates would increase financial expenses by €76k.

13.3.2 Foreign exchange risk

Since all major players in the multimedia industry transact in US dollars, no given manufacturer has a competitive advantage that would result in increased market share. Since all industry players index-link their selling prices to cost prices in US dollars, selling prices rise and fall in line with cost prices, insofar as market momentum allows.

The main currency for purchases of hardware and accessories is the US dollar. In the United States, Canada and all other countries outside Europe, the trading currency is also the US dollar. In Europe, the Group mainly sells its products in euros. If certain countries should leave the eurozone, this could have an inflationary effect linked to exchange rates in those countries. This could lower the Group's sales in the countries in question.

Rapid currency fluctuations, and in particular declines in the value of the US dollar, may result in lower selling prices for the Group's products, thus impacting the value of inventories. Conversely, given the seasonal nature of the company's business, if the US dollar were to rise sharply during the second half of the year, the Group would not be able to adjust its selling prices to reflect the full extent of such an increase, which could therefore have a temporary adverse impact on the Group's gross margin.

However, to limit the Group's foreign exchange risk, Guillemot Corporation hedges against currency fluctuations by buying spot currency and currency futures and options. Furthermore, the increase in the company's export sales over the past few years has boosted its natural hedging and significantly reduced its foreign exchange risk.

A breakdown of the Group's foreign currency assets and liabilities at December 31, 2018 is as follows (unhedged assets only – i.e. those exposed to interest rate risk):

Foreign currency amounts exposed to upward or downward interest rate fluctuations:

(€k)	USD	GBP
Assets	19,087	1,101
Liabilities	18,072	70
Net position before hedging	1,015	1,031

Based on foreign currency values exposed to exchange rate fluctuations at December 31, 2018, a 10% annual increase in US dollar exchange rates would increase financial expenses by €81k.

Based on foreign currency values exposed to exchange rate fluctuations at December 31, 2018, a 10% annual increase in the value of sterling would increase financial expenses by €105k.

The impact of exchange rate fluctuations on other currencies is not material.

Currency effects arising from the translation of subsidiaries' accounts:
All subsidiaries conduct business in local currency; the impact on shareholders' equity was -€225k.

13.3.3 Equity risk

At December 31, 2018, the net value of listed securities in the portfolio stood at €31,284k.

Inventory of securities in the portfolio at December 31, 2018

Inventory of securities in the portfolio	Market	Number of securities at December 31, 2018	Market value (€k) (1)
Ubisoft Entertainment S.A. (shares)	Euronext Paris	443,874	31,284
		Total	**31,284**

(1) Based on the share price on the last day of December 2018 (Ubisoft Entertainment: €70.48).

The Group's earnings are affected by fluctuations in the market price of shareholdings. A 10% decrease in the price of Ubisoft Entertainment shares over the course of 2019 (relative to their price at December 31, 2018) would reduce net financial income by €3.1 million.

At March 20, 2019, the closing price of Ubisoft Entertainment shares was €78.40, up 11.24% relative to their price at December 31, 2018. This increase would give rise to the recognition of a revaluation gain of €3,515k in the Group's consolidated financial statements at that date.

13.3.4 Credit risk

Credit risk is the risk of financial loss in the event that a customer should fail to meet its contractual obligations. The Group manages this risk by taking out credit insurance.

Since the Group uses wholesalers, it has a limited number of customers. In a few cases, the Group is obliged to grant additional credit where its insurance cover is considered clearly unsuitable (see Section 5.7.6 of the consolidated financial statements).

13.4 Liquidity risk

Having specifically reviewed its liquidity risk, the company believes it is able to honor its future liabilities.

13.4.1 Treasury risk

The Group has net debt of €7.9 million and a portfolio of Ubisoft Entertainment shares with a market value of €31.3 million at December 31, 2018.

The following table shows the Group's debt position at December 31, 2018:

Characteristics of securities issued or borrowing	Fixed rate	Floating rate	Total amount of facilities	Maturity	Hedged
Borrowings from credit institutions	5,836		5,836	2019-2020	No
Bank overdrafts and foreign currency advances		6,014	6,014	2,019	No
Sundry	19		19	2,019	No
TOTAL (€k)	**5,855**	**6,014**	**11,869**		

13.4.2 Acceleration clauses

At December 31, 2018, the Group had no borrowings covered by acceleration clauses.

13.5 Supply and price risk

A shortage of components or a corresponding lengthening of procurement lead times could force the Group to purchase its raw materials at higher prices if it had to obtain supplies from suppliers outside of its usual supply network. This could have the effect of delaying production, and thus shipment, of some products. The Group supervises production schedules on a weekly basis so as to detect potential delays and minimize their impacts on production. The Group has a policy of forecasting its requirements for components and maintains an inventory of certain critical components. Procurement lead times for critical components may lengthen without notice.

13.6 Legal risk

13.6.1 Disputes

There are no government, legal or arbitration proceedings, including any pending or threatened proceedings of which the Company is aware, which are likely to have, or which have had within the last 12 months, a significant impact on the Company's and/or the Group's financial position or profitability.

13.6.2 Intellectual property

The Group's trademarks are mainly registered in Europe with the European Union Intellectual Property Office (EUIPO), in the United States with the United States Patent and Trademark Office and in Canada with the Canada Intellectual Property Office. They are also registered in other foreign countries via the World Intellectual Property Organization (WIPO).

The Group mainly protects the esthetics of its products (forms and/or designs) by registering designs and models in Europe with the European Union Intellectual Property Office (EUIPO), in the United States with the United States Patent and Trademark Office and in China with the State Intellectual Property Office.

The Group mainly protects technical innovation in its products by registering patents in France with the Institut National de la Propriété Industrielle (National Institute for Intellectual Property) and/or in Europe with the European Patent Office (EPO) and in the United States with the United States Patent and Trademark Office.

Prior to registering a trademark or community design, the Group conducts research (or has its advisors conduct research) to check whether the trademark or community design in question is available. For patents, the Group searches (or has its advisors search) for the existence of prior patents.

However, the Group cannot guarantee that proceedings might not be brought against it. Defense costs and the costs of paying damages in the event of an unfavorable outcome for the Group could have an adverse effect on the Group's business and financial position.

In the event of infringement (whether suspected or proved) by third parties of intellectual property rights belonging to the Group, the Group shall assess the impact of such infringement on its business, together with any associated defense costs. Any proceedings the Group might bring against such third parties may, in the event of an unfavorable outcome for the Group, adversely affect its business, results and financial position. Any decision to bring such proceedings would be at the sole discretion of the Group, and would most probably only be reached after the Group had attempted to contact the infringer to ask that it refrain from its use or to propose a license agreement.

13.6.3 Regulatory risk

The Group has taken steps to comply with the RoHS (Restriction of Hazardous Substances) and WEEE (Waste Electrical and Electronic Equipment) directives and the REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals). While the Group is careful to monitor regulatory developments in the various countries in which it operates, it cannot completely rule out that certain developments may escape its notice.

13.7 Other risks

13.7.1 Risks associated with product marketing

The Group's customers mainly consist of wholesalers who directly fulfil requests from end customers (i.e. ordering and shipping are centralized). The Group's top customer accounts for 12% of consolidated turnover, its top five customers account for 38% and its top ten customers account for 57% of consolidated turnover.

Outstanding receivables not recovered in connection with the Group's top ten customers totaled €3,843k at December 31, 2018.

However, the Group's rigorous customer selection process helps minimize customer risk.

The Group uses credit insurance to cover the risk of non-payment (cf. Section 5.7.6 of the consolidated financial statements).

13.7.2 Country risk

The Group's export sales are significant. A deterioration in the economic climate in certain countries could lead to a decline in turnover.

Most of the Group's products are manufactured by partners located in Asia.
Regional conflicts could have an impact on the Group's supplies.

13.7.3 Risks associated with use of the Group's assets

The Guillemot Corporation Group owns all the assets it needs to operate.

13.7.4 Insurance and risk hedging

The Group has taken out insurance to cover the main risks identified.

It thus has public liability insurance cover of €4-8 million depending on the nature of the claim. Other insurance policies cover premises, facilities, vehicles and inventory. Buildings located in France are insured for €7.1 million, while merchandise is insured for €7.4 million. The Group also has policies covering merchandise in transit to protect against major incidents that might affect its shipments. The Group's shipping arrangements are insured, irrespective of shipping method and destination, for €765,000 per shipment.

13.7.5 Major contracts

To the company's knowledge, there are no major contracts, other than those entered into in the normal course of business, that would impose a significant obligation or commitment on the Group as a whole.

13.7.6 Risks associated with license agreements

License agreements with owners of trademarks or technologies usually include early termination clauses. Such agreements also include clauses enabling the company, in certain cases, to sell off inventory during a given period after its expiry date ("sell-off clauses"). Termination of such a contract could have an impact on sales of the products covered by the agreement in question, as well as on the value of residual inventory.

13.7.7 Risks associated with protectionism

The Group's products are currently traded all over the world with moderate customs duties. Protectionist policies could result in high customs duties, adversely affecting the Group's sales in affected countries.

14 Internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The Group has drawn from the recommendations set out by the AMF in its report dated January 22, 2007 as well as the reference framework for listed companies updated in July 2010.

The Group has also made use of the guide to implementing this framework for small and mid cap companies to facilitate discussion and communication on internal control and to help the company identify areas of control requiring improvement.

14.1 Objectives of internal control procedures

Internal control consists of a set of company procedures, drawn up and implemented under the company's responsibility, intended to:

- ensure compliance with legislation and regulations;
- ensure that instructions and guidelines issued by senior management are applied;
- ensure the smooth operation of the company's internal processes, notably those that help protect the company's assets;
- ensure the reliability of financial information;
- more generally, help the company manage its business, operate efficiently and make best use of its resources.

By helping safeguard against and control risks that might prevent the company from achieving these objectives, the internal control system plays a key role in managing and coordinating the company's various activities. The scope of internal control is not confined to procedures designed to ensure the reliability of accounting and financial information.

However, internal control arrangements cannot provide an absolute guarantee that these objectives will be achieved.

14.2 General organization of internal control

14.2.1 Scope of internal control

The parent company ensures that internal control systems are in place within each of its subsidiaries, and that they are adapted to suit the specific characteristics of each subsidiary and relations between the parent company and subsidiaries.

14.2.2 Parties responsible for internal control

Within Guillemot Corporation Group, internal control is based on the principles of delegation, authorization and separation of functions. These principles are reflected in approval and sign-off processes and procedures.
All Group employees are made aware of the rules of conduct and integrity on which the Group's internal control system is founded. Each employee has the knowledge needed to establish, operate and monitor the internal control system, in light of the objectives assigned to him/her.

The organization and roles of the various bodies involved in internal control are detailed below.

14.2.2.1 Board of Directors

The Board of Directors determines the strategic direction of the Group's business and ensures that it is implemented.

14.2.2.2 Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer is responsible for the preparation of procedures and resources put in place to ensure the proper operation and monitoring of internal control.

14.2.2.3 Administration and Finance departments

The Administration and Finance departments encompass functional teams with a dual mission of expertise and control:

- Financial control

Group Financial Control provides managers with relevant numerical information (sales, margins, costs, etc.). Its objectives are as follows:

- to put in place reporting, management and decision support tools adapted to the various different levels of responsibility
- to analyze gaps between actual and target performance, to work with operational staff to explain the reasons for those gaps and to monitor implementation of corresponding corrective measures
- to check the accuracy of base data and the output of accounting and financial information systems

- Accounting and Consolidation department

Accounting and Consolidation has the following objectives:

- to draw up the interim and annual parent company and consolidated financial statements in compliance with legal obligations and within timescales meeting the demands of the financial markets
- to be responsible for implementing accounting procedures
- to draw up and monitor implementation of financial security procedures in compliance with the principle of separation of tasks between individuals with the power to authorize expenditure and those paying expenses
- to draw up the company's tax policy, with the help of a tax advisor
- to coordinate with the statutory auditors and provide them with the information they need to perform their duties

- Treasury department

The Treasury department's role is to monitor and optimize the Group's cash holdings.The department manages cash flows and decides how financial resources are used in coordination with each of the Group's financial institutions.

To reduce the risk of error or fraud, authority is delegated to a limited number of employees who alone are authorized by senior management to handle certain financial transactions, subject to predefined thresholds and authorizations.

- Legal department

The Group has an in-house legal department that provides services to Group companies.
This department is responsible for:

- drawing up the Group's contractual policy and monitoring its implementation;
- monitoring disputes and legal risks, and interfacing with the accounting department to ensure that they are reflected in the financial statements;
- monitoring off balance sheet commitments;
- monitoring the Group's various insurance policies.

- Human Resources department

The group has a centralized Human Resources department based at head office. It ensures that the Group complies with the provisions of the Labor Code and manages relations with employee representative bodies.

- Financial Reporting department

The Financial Reporting department provides shareholders, financial analysts and investors with the information they need to properly understand the Group's strategy.

- Information Systems department

The department with responsibility for information systems manages the development of specific systems and is involved in choosing IT solutions. It carries out ongoing monitoring of the progress of IT projects and ensures that they are meeting operational needs.

14.2.3 Implementation of internal control and risk management

14.2.3.1 Risk management

In the course of its business, the Group is exposed to various risks that could impact its performance and its ability to achieve its strategic and financial objectives.

The nature of key risk factors, together with means of prevention and action, are set out in Section 13 of this management report, "Risk factors".

The key areas are as follows:

- business risk
- industrial and environmental risk
- market risk
- liquidity risk
- supply and price risk
- legal risk

The controls in place form an operating framework internal to the Group and are continually evolving with the aim of ultimately serving to manage risks at every level of the Group.

14.2.3.2 Financial control procedures

- Business plan

Business planning is organized centrally at head office by the Finance department and the Financial Control team, which determines planning principles and the planning calendar, manages the process at entity level and checks consistency with Group strategy. The business plan is updated half-yearly.

- Annual budget

Operational and functional managers work with Financial Control and Finance to draw up a budget for the year.

Proposed targets are signed off by senior management and twice-yearly meetings are held with operational managers to monitor progress.

- Weekly performance dashboard

The Financial Control team produces a weekly performance dashboard for senior management that includes, in particular, the following information:

- consolidated turnover
- gross margin
- costs
- inventory levels
- indicators of actual performance vs. forecasts and budgets

- trend indicators

- Reconciliation with accounting data

The Financial Control team carries out a quarterly reconciliation with accounting data to analyze and correct any differences between the following:

- subscriptions recognized in the management accounts and actual accounting costs
- costs input by Financial Control and actual costs

This reconciliation serves to provide analytical data by sector.

- Financial forecasts

To supplement budget-based planning and improve consistency between management and cash forecasts, the Accounting department prepares the following:

- a simplified income statement highlighting key management figures
- a simplified balance sheet so as to supplement the profit approach resulting from management forecasts with an asset-based approach to anticipating trends in key items such as fixed assets/investment and the working capital position, as well as to make the approach to cash management as reliable as possible
- a funding schedule facilitating work on forecast indicators

14.2.3.3 Commitment monitoring procedures

- Preparation, approval and monitoring of contracts

Group Legal works closely with senior management and operational staff to ensure that all commitments are secure and monitored.

- Monitoring of contracts

Before being signed by the Group, all contracts are submitted to Legal department for checking.
Once signed, all originals of contracts are filed by Legal department.

- Procurement

The Group regularly works with the same suppliers, each of which is approved in advance.
Management is responsible for approving new suppliers.

The procedure in place aims, in particular, to ensure that duties are separated within the purchasing cycle, from ordering through to paying invoices, and that accounts are checked after the event.

- Sales

The Group's general terms and conditions of sale are signed off and reviewed annually by Legal department and Sales, notably in keeping with regulatory developments.

Customer solvency is an ongoing concern for the Group. As such, strict procedures applied from management down to customer advisors.

The result is that new customers are subject to a rigorous selection process and must take out adequate credit insurance before the Group does business with them. Payments (and associated reminders) are continuously and systematically monitored under the dual responsibility of the Customer Accounting and Sales departments.

14.2.3.4 Asset monitoring procedure

- Fixed assets

Fixed assets are managed by the Financial Accounting team. Regular reviews are held with technical managers to update the status of these assets.

- Inventories

The Group has developed a computer system to optimize inventory monitoring and has put in place an ongoing inventory procedure at its Carentoir site. External warehouses are also monitored on a daily basis.

14.2.3.5 Cash monitoring procedure

- Payment security

All payment methods used by the Group are covered by a security procedure contractually agreed with the Group's banks. The parent company introduced electronic signatures under the EBICS TC protocol in 2016.
These security procedures are backed up by daily bank/accounting reconciliations.

A procedure is in place to ensure that payment instructions cannot be issued and signed by the same person, thus limiting the risk of internal fraud.

Given the upsurge in attempted fraud linked to payment instructions, the Group has tightened its checking procedures and regularly issues communications to accounting and operational staff to ensure they remain vigilant.

- Management of liquidity risk

The Treasury department is tasked with ensuring that the Group has adequate sources of long-term funding to meet its needs.

A monthly analysis is undertaken to this end, while cash forecasts are updated daily and the net cash position is reported daily to senior management.

- Hedging of foreign exchange risk and interest rate risk

Purchases of goods are mainly in US dollars.

The Group mainly invoices its customers in euros and dollars.

Since all players in the Group's industry sector index-link their selling prices to cost prices in US dollars, the Group raises and lowers its selling prices in line with cost prices. To limit the Group's foreign exchange risk, Guillemot Corporation partly hedges against currency fluctuations by buying spot currency and currency forwards and options.

Interest rate risk is regularly reviewed by the Treasury department and signed off by senior management.

14.2.3.6 Procedure for producing and checking financial reporting

- Recognition of sales

The Financial Control team supplies consolidated Group sales figures on a quarterly basis. To ensure that sales are recognized, invoicing data from the Group's invoicing software is fed into its accounting systems.

Figures from financial control are reconciled with accounting figures.

- Accounting tools

The Group uses a number of software packages for financial accounting, cash management, fixed asset management, payroll and consolidation. Requirements are optimized by developing specific management tools in-house.

- Analysis and monitoring procedures

Recognition of recurring accounting events is standardized by using dedicated accounting documents, ensuring optimum productivity and security.

The principle of separation of tasks is applied within the Accounting department to safeguard against the risk of error or fraud.

Particular attention is paid to the security of computerized data and data processing (physical and logical protection of access, saving, back-ups, etc.).

Access rights are managed centrally, ensuring that companies' commitments, as well as payment authorizations and payments issued, are secure.

All balance sheet and income statement items are analyzed by comparing them with the prior year; to safeguard against the risk of fraud or error, all differences are explained.

- Period-end accounting procedures

At the period-end, the parent company financial statements are presented to senior management by Accounting and inventory items are jointly analyzed by Accounting and Financial Control. Provisions are set aside following careful analysis of risks with the relevant operational and/or functional teams, the Group's Legal department and, where applicable, outside advisors.

The consolidated financial statements are prepared in-house by the Consolidation team, which updates consolidation parameters and prepares and produces the statutory financial statements in compliance with IFRS. The main checks carried out by the Consolidation team are checks on returns submitted by subsidiaries, the review of control reports produced by the consolidation system and checks on consolidation analysis reports.

- Relations with the statutory auditors

Relations with the statutory auditors are structured as follows:

- A meeting is held before the period-end, attended by senior management, to agree on the calendar and the organizational approach and approve key accounting options.
- A summary meeting after the period-end accounts have been produced, attended by senior management, is held to gather any comments from the statutory auditors on the parent company and consolidated financial statements.

The accounts are then presented to the Chairman of the Board of Directors before being signed off by the Board of Directors.

- Financial reporting

The main parties involved in reporting financial information to the market are the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers.

The Finance department, the Communications team and the Legal department are also authorized to disclose financial information.

Financial reporting consists of financial and accounting reports, registration documents and financial press releases.

These documents are signed off by the various relevant administrative and financial teams, and all financial reporting is signed off by senior management.

Finally, the registration document is filed with the AMF (the French financial markets authority). Financial reporting is disseminated by e-mail, telephone and postal mail.

Regulated financial information is passed on to a primary information provider meeting the criteria laid down in the AMF's General Regulation. Press releases are uploaded to the Guillemot Group's website (available from the site in French and English).

14.2.4 Preparation of accounting and financial information for shareholders

Internal control procedures relating to the preparation and processing of financial and accounting information for shareholders, and those intended to ensure compliance with general accounting principles, are agreed with senior management, which tasks the Group's administration and finance teams with implementing them and monitors their implementation.

14.2.5 Conclusion

The Guillemot Corporation Group's internal control procedures are monitored on an ongoing basis to ensure that they are updated and amended, notably to reflect any changes in legislation and regulations applicable to the Group and its business.

Projects aimed at improving the reliability of and control over the Group's business in 2018 are as follows:

- intrusion testing of external IP ranges
- upgrading Office 365 suite
- upgrading management software
- GDPR compliance
- incorporation of the Shanghai-based subsidiary into the Group's network
- implementation of an electronic document management system

The following projects are planned for 2019:

- improvements to the process for declaring licenses to rights-holders
- automation of data exchange with logistics partners via EDI
- improvements to website availability and visibility
- revision of Group ERP system ergonomics
- implementation of new accounting software in France
- implementation of a paperless supplier invoicing system in France

The Group pays close attention to business continuity and system restores are tested annually.

The Chairman of the Board of Directors considers that the measures in place provide for effective internal control.

15 CORPORATE, ENVIRONMENTAL AND SOCIAL INFORMATION

At December 31, 2018, the Group was not subject to the requirement to include a statement of non-financial performance in its management report.

15.1 Corporate information

Each subsidiary was issued with a corporate report in 2018 to gather quantitative and qualitative information on all social issues covered by the “Grenelle II” Act, based on a comprehensive consolidated scope.

15.1.1 Employment

15.1.1.1 Total workforce and breakdown by gender, age and geographical region

A breakdown of the current workforce is as follows:

	At December 31, 2018						At December 31, 2017				
	Parent company	Guillemot Administration et Logistique	Hercules Thrustmaster	Guillemot Innovation Labs	Foreign subsidiaries	Total	Parent company	Guillemot Administration et Logistique	Hercules Thrustmaster	Foreign subsidiaries	Total
Total	**5**	**41**	**51**	**2**	**84**	**183**	**5**	**39**	**47**	**87**	**178**
O/w permanent contracts	5	39	49	2	76	171	5	37	46	78	166
O/w fixed-term contracts	0	2	2	0	8	12	0	2	1	9	12
O/w women	0	24	24	0	24	72	0	22	19	23	64
O/w men	5	17	27	2	60	111	5	17	28	64	114
Aged under 30		5	14		16	35		3	7	17	27
Aged 30-39		6	9		29	44		8	17	35	60
Aged 40-49		16	18		30	64		17	14	28	59
Aged 50 and over	5	14	10	2	9	40	5	11	9	7	32

The Group’s total workforce in 2018 averaged 173 people, compared with 162 in 2017.

15.1.1.2 Recruitment and dismissals

During the fiscal year ended December 31, 2018, a total of 27 people were recruited onto permanent contracts: 19 in France, four in Canada, one in Romania and one in Italy.

Twenty new fixed-term contracts were also entered into: 12 in France and eight in other countries (two in China and six in Romania).

Two employees left during the year following a unilateral decision by the company that employed them.

In 2017, Group companies had recruited 22 people onto permanent contracts: ten in France, six in Canada, four in China, one in Spain and one in the United Kingdom.

Twenty-two new fixed-term contracts had also been entered into: six in France and 16 in other countries (15 in Romania and one in China).

Two employees had been dismissed during fiscal year 2017.

15.1.1.3 Changes in remuneration

(€k)	2018		2017	
Company	Compensation in year	Social security contributions in year	Compensation in year	Social security contributions in year
Parent company	278	119	309	106
Hercules Thrustmaster SAS	2,885	1,243	2,535	1,141
Guillemot Administration et Logistique SARL	1,608	703	1,471	648
Guillemot Innovation Labs	84	35		
Consolidated foreign subsidiaries	3,404	412	3,090	461
Total	**8,259**	**2,512**	**7,405**	**2,356**

Pay rises are mainly the result of individual negotiations based on increases in employees’ skills and/or responsibilities. These may be supplemented by collective pay increases, as was the case in 2018 and 2017.

Nationwide or collective agreements (industry agreements, etc.) apply to the various subsidiaries of Guillemot Corporation Group. The provisions of the French Labor Code on compulsory and voluntary employee profit-sharing and employee savings schemes do not apply to the Group’s French companies.

15.1.2 Organization of work

15.1.2.1 Organization of working time

All employees of Group companies are covered by local regulations governing the number of hours in a working week, as follows:

- 35 hours in France
- 37.5 hours in the United Kingdom
- 38.5 hours in Germany
- 40 hours in Canada, Spain, Romania and China

Employees working part-time (excluding part-time parental leave) at consolidated French and foreign subsidiaries accounted for 5% of the workforce at December 31, 2018, compared with 4% at December 31, 2017.

A total of 1,328 overtime hours were worked in 2018: 249 hours in France and 1,079 hours at foreign companies (compared with 889 hours in 2017: 31 hours in France and 858 at foreign companies).

15.1.2.2 Absenteeism

The number of days' absence at consolidated subsidiaries is broken down as follows:

	2018					2017			
	Guillemot Administration et Logistique	Hercules Thrustmaster	Guillemot Innovation Labs	Foreign subsidiaries	Total	Guillemot Administration et Logistique	Hercules Thrustmaster	Foreign subsidiaries	Total
Sick leave	52	328	0	182	**562**	55	374	121.67	**550.67**
Maternity leave	0	0	0	206	**206**	0	31	0	**31**
Occupational and commuting accidents	2	0	0	10	**12**	19	0	0	**19**
Unpaid leave	19.39	20.5	0	54	**93.89**	4.5	23	64	**91.5**
Paternity leave	0	0	0	15	**15**	0	0	15	**15**
Other absences	104	151	0	36	291	35.5	40	23.3	98.8
Total	**177.39**	**499.5**	**0**	**503**	**1179.89**	**114**	**468**	**223.97**	**805.97**

It should be noted that 261 of the 328 days' sick leave recorded for Hercules Thrustmaster consisted of a single case of long-term sick leave.

To help employees sustainably return to work following a period of absence, the Group's French subsidiaries have discussions with their occupational health teams and endeavor to take into account their recommendations. In particular, when an employee returns to work after a long period of absence on medical grounds, they work to adapt the content of the role and the environment in which it is performed as appropriate.

15.1.3 Health and safety

15.1.3.1 Workplace health and safety conditions

The Group's French companies continue to follow their risk prevention process, which consists in particular of updating a single document that serves to identify, assess and analyze the risks to which employees may be exposed. The Group's various sites are subject to inspections in accordance with the rules applicable in each country.

It should also be noted that the Group's activities give rise to little occupational risk.

As well as ensuring that workplaces are equipped with first aid kits, fire extinguishers, etc., and in addition to the use of personal protective equipment in storage and handling areas, the importance of which is regularly reiterated, the Group's French companies focus their efforts on three aspects of prevention in particular: posture when working in front of a screen, carrying loads, and heart problems.

Psychosocial risk factors were also a topic of communication in 2017, with a "stress whistleblowing" process introduced at two French companies to help make employees more aware of signs of workplace stress.

Employees receive regular new and refresher training in safety, both to prepare them to deal with hazards in the workplace (in accordance with applicable regulations) and to train volunteers to be able to provide first aid (as certified first aiders, in France, at Guillemot Administration et Logistique and Hercules Thrustmaster).

One management employee working in the logistics department in France received training in 2014 in the protection and prevention of occupational risk, and ran two refresher sessions in 2016 on correct posture in the workplace.

The Group's French companies are equipped with automatic defibrillators: when combined with cardio-pulmonary resuscitation, early defibrillation significantly increases the chances of survival of a person in cardio-respiratory failure with ventricular fibrillation, the main cause of sudden death in adults.

As regards the carrying of loads, the relevant advice is accessible via the intranet and is reiterated in brochures and on posters in all workspaces.

Similarly, since most workstations involve the use of a computer, a number of online documents set out simple rules on how to properly organize a computer-based workstation. Another aspect of occupational health was addressed in 2015, since when the company has provided its French employees with information on the prevention of health risks when traveling abroad.

Lastly, it should be noted that the Group's French companies introduced supplementary group health cover for all employees in early 2016.

15.1.3.2 Frequency and severity of occupational accidents, and occupational diseases

Four occupational accidents occurred in 2018: one workplace accident and two commuting accidents in France, and one accident in Spain during business travel. One of the commuting accidents in France resulted in a two-day work stoppage, while a Spanish employee involved in an accident had to stop working for ten days.

15.1.4 Employee relations

15.1.4.1 Arrangements for employee dialogue, including in particular procedures for informing, consulting and negotiating with employees

Employees of the Group's Romanian subsidiary and one of its two French subsidiaries are represented by employee representatives.

These employee representative bodies are informed and consulted in accordance with the prescribed regulatory framework.

15.1.4.2 Review of collective agreements, notably as regards workplace health and safety

All companies take care to apply collective regulations specific to their business, namely nationwide and industry-wide agreements.

The Romanian "Collective Labor Agreement", concerning in particular the rules applicable to employment contracts and the parties' rights and duties, was renegotiated in 2017.

Health and safety measures represent one of the components of the "Collective Labor Agreement" that was renegotiated in Romania in 2017. These relate in particular to the provision of information to employees, workstation equipment and environment, and the frequency of safety training.

15.1.5 Training

15.1.5.1 Training policy, notably as regards environmental protection

The training policy followed by the Group's French companies is aimed at adapting employees' skills in line with developments in the Group's businesses, notably by means of a training plan.
Other training activities may be put in place at the request of employees or, by exception, on the basis of commitments made when employment contracts are entered into.

The Group raises employee awareness of environmental impacts by displaying notices about issues linked to printing, sorting and lighting, as well as by informing subsidiaries about how to save water, electricity and paper.
No environmental protection training was undertaken within the Group in 2018.

15.1.5.2 Total number of training hours

Company	2018	2017
Parent company	0	0
Hercules Thrustmaster SAS	98	142
Guillemot Administration et Logistique SARL	203	176
Guillemot Innovation Labs	0	
Consolidated foreign subsidiaries	55	48
Total	**356**	**366**

These figures reflect only training delivered by accredited external organizations.

There is also in-house training of various kinds: training in tools and methods as part of the induction process or when an employee changes jobs; regular product training for sales staff; refresher safety training; help using software packages, etc. These types of training are not included in the above figures.

15.1.6 Equality

15.1.6.1 Measures adopted in support of gender equality

Group companies seek to promote professional equality between women (of whom there were 72, or 39% of the workforce, at December 31, 2018, compared with 64, or 36% of the workforce, at December 31, 2017, and 34% of the workforce at December 31, 2016) and men in terms of compensation, qualifications, classification, promotion and recruitment – although, given the technical nature of the Group's activities, the vast majority of engineering positions are held by men.
However, one-third of head of department positions within the Group are held by women.

	At December 31, 2018						At December 31, 2017				
	Parent company	Guillemot Administration et Logistique	Hercules Thrustmaster	Guillemot Innovation Labs	Foreign subsidiaries	Total	Parent company	Guillemot Administration et Logistique	Hercules Thrustmaster	Foreign subsidiaries	Total
Workforce	**5**	**41**	**51**	**2**	**84**	**183**	**5**	**39**	**47**	**87**	**178**
O/w women	*0*	*24*	*24*	*0*	*24*	**72**	*0*	*22*	*19*	*23*	**64**
O/w men	*5*	*17*	*27*	*2*	*60*	**111**	*5*	*17*	*28*	*64*	**114**
Male/female salary ratio*	n/a	1.0	1.5	n/a	1.3		n/a	0.9	1.5	1.3	

* Ratio of men's to women's gross average contractual salaries in December

This indicator continues to be closely monitored.

15.1.6.2 Measures adopted in support of employment and inclusion for people with disabilities

During the year, the Group's French subsidiaries used services offered by sheltered employment organizations (*Etablissements et Services d'Aide par le Travail* – ESATs) employing people with disabilities at a level corresponding to 1.11 units* (compared with 0.23 the previous year). They also contributed to social inclusion for people with disabilities via the DOETH return covering the employment of workers with disabilities.

*Unit: employee benefiting from the employment obligation by virtue of a disability.

15.1.6.3 Anti-discrimination policy

The Group makes every effort to treat individual situations with the utmost consideration.

The Group remains careful to ensure that a balance of men and women are recruited, and that all staff receive the same professional development opportunities, irrespective of gender. However, given the preponderance of technical roles, it continues to operate in a labor market in which women are still under-represented.

15.2 Environmental information

15.2.1 General environmental policy

15.2.1.1 Organization of the company to take into account environmental issues and, where applicable, environmental assessment and certification

The Group does not have a dedicated environmental management team. Environmental matters are managed by various different departments (Administration, Logistics, R&D, etc.).

Each subsidiary was issued with an environmental report in 2018 to gather quantitative and qualitative information on all environmental issues covered by the "Grenelle II" Act, based on a comprehensive consolidated scope.

The Group has embarked on a continuous improvement process and put in place regular monitoring to improve its performance against certain environmental indicators.

15.2.1.2 Resources for preventing environmental risk and pollution

Since the Group has no manufacturing sites of its own, it has little exposure to environmental or pollution risk, and has not put in place any specific resources in this area.

The Carentoir logistics site is sensitive to transportation-related issues.

A carrier protocol is in place setting out site requirements designed to safeguard against environmental risk.

15.2.1.3 Provisions and guarantees for environmental risk, unless such information could be seriously detrimental to the company in ongoing litigation

Given the nature of the Group's business, no specific provisions for environmental risk have been set aside.

15.2.2 Pollution

15.2.2.1 Prevention, reduction or treatment of discharges into the air, water and soil having a serious impact on the environment

Since the Group has no manufacturing sites of its own, it has little exposure to the risk of discharges into the air, water and soil having a serious impact on the environment, and has not put in place any specific resources in this area.

The Group is increasingly making use of environmentally friendly products to maintain and clean its premises. For the upkeep of green spaces at its Carentoir site, the Group works exclusively with external providers that do not use phytosanitary products.

A transportation protocol has been put in place at the Carentoir logistics site requiring carriers to comply with certain measures to safeguard against the risk of pollution at the site.

15.2.2.2 Business-specific forms of pollution, including in particular noise and light pollution

The Group's activities do not generate any noise pollution affecting surrounding neighborhoods. All electrical and electronic testing takes place in certified laboratories. Subsidiaries only work during daytime hours. A transportation protocol is also in place at the Carentoir site, under which carriers are required to comply with noise and safety requirements.

15.2.3 Circular economy

15.2.3.1 Waste prevention and management

15.2.3.1.1 Waste prevention, recycling, reuse and other forms of recovery and elimination

As regards product packaging, the Group is constantly working to optimize the size and shape of packaging relative to the shape of its products so as to limit packaging waste.

As regards recycling of its packaging, the Group has appointed Eco-Emballages and Landbell to collect, process and recover packaging waste for products marketed in the French and German markets respectively. At the request of the company, Eco-Emballages has in recent years undertaken an external audit in France with the aim of recommending short- and medium-term actions to be taken by the company and reducing the quantity of primary, secondary and tertiary packaging released onto the market.

This audit has also helped identify environmental, logistical and financial savings that could potentially be made depending on actions implemented by the company. The Group is continuing with its analysis and incorporating these factors into its product design phase.

The Group has appointed specialist companies to collect, process, recycle and destroy batteries and accumulators used in its products in France (Screlec), the Netherlands (Stibat) and Germany (GRS).

As regards waste electrical and electronic equipment, the Group has appointed specialist companies to collect, process and recycle products marketed in France (Ecologic), the Netherlands (ICT-Milieu) and Germany (European Recycling Platform (ERP) Deutschland GmbH).

Paper, cardboard and plastic waste collected at the Group's two French sites are handed over to a recycling company. The Carentoir site achieved a 100% recovery rate in 2018. Waste electrical and electronic equipment is handed over to a company that dismantles products so as to recycle and recover certain components. A recovery rate of over 94% was achieved in 2018.

Printer cartridges and used batteries are handed over to specialist recycling and recovery companies. Broken wood pallets are stored and collected by a company for repair or recycling, with 85% repaired and 15% recycled in 2018.

When repackaging parcels, the Group now always uses biodegradable loose-fill packing materials. An office paper shredding process has been put in place at the Carentoir site, with the resulting shredded paper being reused to repackage parcels. Cardboard cartons received are also reused for repackaging purposes.

15.2.3.1.2 Preventing food waste

To date, the Group has not adopted any specific measures to prevent food waste.

There are no staff canteens at Group subsidiaries.

15.2.3.2 Sustainable use of resources

15.2.3.2.1 Water supply and consumption in accordance with local constraints

The sites occupied by Group companies consist solely of office premises and warehouses. As such, the Group's water consumption is limited to normal consumption for those types of premises. The Group ensures that its employees are made aware of water-saving initiatives.

Water consumption:

Water (m^3)	2018	2017	Change
France*	401	463	-13%

* Premises located in Carentoir.

For the Group's other subsidiaries, it is physically impossible to provide an individual breakdown of water consumption for leased offices (due either to their being jointly owned or to water consumption being included in service charges).

15.2.3.2.2 Consumption of raw materials and steps taken to improve their efficient use

The main raw material used within the Group's subsidiaries is office paper.

The Group's French subsidiaries now make almost exclusive use of recycled paper.

The Group is constantly reminding its employees of ways to reduce their consumption of office paper. For example, it recommends that printer paper be printed on both sides. In addition, electronic archival systems are being developed within the Group's subsidiaries and paperless invoicing is being developed for some customers.

This has helped significantly lower paper consumption in recent years. The Group's total annual consumption is estimated at 13 kg of paper per person.

15.2.3.2.3 Energy consumption, steps taken to improve energy efficiency, and use of renewable energy

Sites occupied by Group companies consist solely of office premises and warehouses. As such, the Group's energy consumption is limited to normal consumption for those types of premises. The Group displays notices to raise employee awareness of power-saving initiatives.

Resources consumed by the principal Group companies:

Electricity (kWh)	2018	2017	Change
Carentoir (France)	199,512	221,217	-10%
Rennes (France)	42,540	45,349	-6%
Romania	52,237	59,231	-12%
Canada	148,341	157,568	-6%
Hong Kong	18,254	17,953	2%
Shanghai	6,000	5,000	20%
Italy	2,318	2,767	-16%
Germany	3,251	3,245	0%
Total	**472,453**	**512,330**	**-8%**

Fuel oil (liters)	2,018	2,017	Change
Carentoir (France)	66,332	60,034	10%

In recent years, the Group has upgraded the heating system for premises occupied by its French companies in Carentoir by installing a temperature regulation system.

Further work has been undertaken in recent years to insulate heating pipes at the Carentoir warehouse.

In several subsidiaries, lighting times are optimized through the use of movement detectors.

At Group level, computers and other computerized office appliances are switched off at the end of each day.

The Group uses virtual servers. The resulting reduction in the number of physical servers translates into lower power consumption.

An external audit was carried out at the Carentoir site in France a few years ago to assess the energy situation and identify potential actions to save energy and improve energy efficiency. This audit served to define areas of work in order of priority and identify potential actions. The main areas are energy management, lighting and heating. Performance was assessed as relatively good across the various areas audited. Following the audit, the Group installed a heating regulation system.

15.2.3.2.4 Land use

The Group mainly makes use of office space.

The Group's business does not give rise to any risk of soil contamination.

High racks are used to optimize the use of space in warehouses.

An unused piece of land at the Carentoir site is used by a local farmer.

15.2.4 Climate change

15.2.4.1 Significant greenhouse gas emissions arising from the company's activities, including use of goods and services produced by it

As regards transportation of goods, the Group optimizes truck fill rates by using freight carriers that combine orders shipped to multiple customers.

By using a logistics platform via a Hong Kong-based provider with effect from 2013, the Group has been able to increase direct shipping (shipping to customers without going through the Group's warehouses), thus significantly reducing road transportation. The Group continues to expand its use of this platform, thus reducing the distances covered by its products. In 2018, direct shipping accounted for 84% of the Group's total shipments by volume, compared with 63% in 2017.

As regards supplies of consumables, the Carentoir site has maintained the proportion of products sourced from local suppliers so as to reduce transportation requirements.

The Group advocates increased use of videoconferencing, which is regularly used by its employees.

The use of virtual servers limits the need for air conditioning in computer rooms.

Air conditioning in office premises is not widespread.

City-based offices are located close to train and metro stations to encourage employees to use public transport.

The Group does not own any production facilities; in the course of its business, it mainly uses office premises. The goods it produces are items of electronic hardware that consume electricity when in use.

15.2.4.2 Action taken to adapt to the consequences of climate change

In recent years, the Group has worked to improve insulation in its own buildings to make them less sensitive to temperature fluctuations.

Global warming can give rise to extreme weather conditions such as storms that can disrupt the power supply. The Group has put in place systems and resources to ensure that it is self-sufficient in its electricity production and can guarantee business continuity.

Neither the Group's warehouses nor its key production subcontractors are located in regions recognized as being sensitive to risks related to climate change.

The consequences for climate change have not been quantified.

15.2.4.3 Voluntary medium- and long-term greenhouse gas emissions reduction targets and resources put in place to achieve them

None.

15.2.5 Protection of biodiversity

15.2.5.1 Action taken to protect or restore biodiversity

A number of local initiatives are in place. At the Carentoir site, green spaces are covered by organic mulch made from pine bark. This avoids the need for chemical weed-killers, maintains soil aeration and softness, promotes biological life and the work of earthworms, protects helpful insects during the winter and limits soil dryness in summer.

15.3 Social information

Each of the Group's subsidiaries was issued with a social report in 2018 to gather quantitative and qualitative information on all social issues covered by the "Grenelle II" Act, based on a comprehensive consolidated scope.

15.3.1 Social commitments in support of sustainable development

15.3.1.1 Impact of the company's business on employment and regional development

Employees' daily attendance at the various subsidiaries' offices has influenced local retail outlets (restaurants, supermarkets, mail services, garages, parking lots, etc.). Some subsidiaries have entered into agreements with local hotels and sports facilities.

In France, the Group favors regional organizations when deciding how to allocate the apprenticeship tax, and works with a number of local companies (including "ESAT" sheltered employment organizations).

In France, the Group provides support in the form of donations to the Fonds d'Initiatives du Club des Trente, whose purpose is to support and finance public interest initiatives aimed at promoting balance, expansion and prosperity in France's western regions, to boost economic activity in western France, to promote the business world among all people groups, and particularly young people, and to promote, spread and defend the values of commitment, initiative and responsibility.

In recent years, this organization has helped finance the following projects:

- Passeport Armorique pour Entreprendre, which works to promote regional development by encouraging and facilitating access to the business world for young people with a viable business idea. Business owners sponsor young people during their studies; together with funding provided by two partner banks, this acts as a genuine project accelerator. The main goal is to pass on a corporate social and cultural heritage to young people who are socially far removed from the entrepreneurial world by facilitating access to the business world, stimulating ambition and helping fast-track projects and identify talent.
- The ENSMA/ISAE higher national school of mechanics and aeronautics, which has set up a junior enterprise within the institution, aimed at carrying out educational research for businesses.
- FORDE (Fonds de Recherche sur la Doctrine de l'Entreprise – "Fund for corporate policy research"), whose scientific goal is to make accessible all references to books, reports and symposiums on corporate policy.
- AgroCampus Ouest, Institut Supérieur des Sciences Agronomiques, Agroalimentaires et Horticoles (higher institute for agricultural, agri-food and horticultural sciences), which has set up a pre-incubator, Agro Up, to help students right at the start of the new business creation process.
- IGR – IAE, which in 2018 launched a university diploma in accounting and financial management. Upon completing this qualification, which is taught through e-learning modules, students will have basic skills and knowledge in accounting, corporate finance and financial control.
- Femmes de Bretagne, a collaborative network intended to help female business leaders start up and develop businesses. This non-profit has set itself a new goal of expanding in rural areas of Brittany and opening in ten cities within three years to help the most isolated female entrepreneurs.

15.3.1.2 Impact of the company's business on residents and other local populations

The Group regularly donates products, IT equipment and furniture to local schools and non-profits.

15.3.1.3 Relations with and methods for dialoguing with the company's stakeholders

The Group's French companies are careful to ensure that the apprenticeship tax, which helps finance expenditure needed to develop technical and professional education and apprenticeships, is allocated to the institutions of its choice, with the aim of promoting local organizations and creating and maintaining links or stimulating cooperation with the education and student sectors.

15.3.1.4 Partnership and sponsorship

For some invitations to tender for subcontracting and services, the Group favors local non-profits working in support of social and professional integration. In 2018, the Group maintained the level of services sourced from organizations working with people with disabilities. Through some local initiatives, Group employees are involved in sports organizations, non-profits aimed at boosting local economic activity, and charities.

15.3.2 Subcontracting and suppliers

15.3.2.1 Social and environmental issues and procurement policy

The Group requires its subcontractors to comply with environmental legislation and regulations in force and encourages them not to use environmentally harmful materials or substances. In 2018, the Group maintained its use of regional service providers for road transportation and procurement.

Contracts with subcontractors in Asia include recommendations linked to social conditions (prohibition of child labor).

The Group’s principal Asian subcontractors are ISO 9001 and 14001 certified.

15.3.2.2 Suppliers’ and subcontractors’ social and environmental responsibility

The Group makes use of subcontracting for the production of its products.

Most production takes place in Asia.

The Group has been working with subcontractors for many years and is careful to ensure that production sites meet applicable social and environmental criteria. The Hong Kong subsidiary carries out daily monitoring of work at production facilities, and teams of French engineers regularly visit production sites.

The Group also sometimes makes use of subcontractors for research, promotion, marketing and sales purposes, and uses environmentally certified organizations to collect and recycle waste.

15.3.3 Fair practices

15.3.3.1 Action in support of consumer health and safety

The Group scrupulously complies with standards in force covering the electrical safety and safe use of its products, and complies with the RoHS (Restriction of Hazardous Substances) and WEEE (Waste Electrical and Electronic Equipment) directives and the REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulation for relevant products.

The number one concern of the Group’s development teams is to be mindful of consumer safety.

15.3.4 Information about anti-corruption measures

15.3.4.1 Action to prevent corruption

In France, the Group underscores the duty of loyalty in its employment contracts and explains this principle orally when taking on new recruits.

The use of secure payments and strict control over product inventories serve to safeguard against any attempted corruption within the Group.

15.3.5 Information about actions in support of human rights

15.3.5.1 Promotion of and compliance with the stipulations of the fundamental Conventions of the International Labour Organization

15.3.5.1.1 Freedom of association and the right to collective bargaining

All Group companies endeavor to comply with regulations in this area. For example, elected employee representatives perform their duties in accordance with the legal framework (see section 15.1.4.1).

15.3.5.1.2 Eliminating discrimination in respect of employment and professions

The Group primarily takes into consideration the competence of its employees and rejects all forms of discrimination.

To limit potential risks in this area, personnel management is supported by the expertise of internal and external human resources professionals, both in designing and implementing recruitment processes and in signing off contractual terms.

The Group is also sensitive to the need to integrate young people into the business world: it hosts students (on internships, research assignments, etc.) during their studies as well as supporting projects run by

Passeport Armorique pour Entreprendre, which works to promote regional development by encouraging and facilitating access to the business world for young people with a viable business idea.

In 2016, employees from the Group's French companies also visited schools to talk about their professional experience.

In 2017, the Group's French companies hosted four interns undertaking accredited assignments (excluding short-term "Discovery" internships) as well as one student on an apprenticeship contract.

In 2018 in France, the Group hosted a group of German students as part of a partnership with a local high school.

15.3.5.1.3 Elimination of forced or compulsory labor

All jobs are subject to applicable legislation and comply with the rules governing the administration of employment contracts.

The Group works with subcontractors in Asia and ensures that appropriate checks are carried out via direct contracts with its suppliers and three-way contracts with suppliers and customers, who can ask for social audits to be undertaken at production sites.

15.3.5.1.4 Abolition of child labor

The Group does not employ anyone under the age of 18.

Furthermore, service agreements with subcontractors covering production in Asia stipulate that child labor is prohibited.

15.3.5.2 Other actions in favor of human rights

The Group upholds and abides by international laws and standards in this area.

16 STATUTORY AUDIT

The statutory auditors will read out their reports on the fiscal year ended December 31, 2018. Their reports cover the audit of the parent company and consolidated financial statements, the basis for the auditors' conclusions, and specific checks required by law. They will also read out their special report on agreements covered by Articles L.225-38ff. of the French Commercial Code.

The text of the draft resolutions will then be presented to you.

The floor will then be opened for debate and the resolutions submitted for approval will be voted on.

The Board of Directors

March 27, 2019

17 APPENDIX 1: SCHEDULE OF FINANCES

(Article R.225-102 of the French Commercial Code)

17.1 Schedule of finances for Guillemot Corporation S.A.

Fiscal year	2018	2017	2,016	2015	2014
I - Financial position at the year-end					
Share capital (€k)	11,771	11,554	11,554	11,554	11,554
Number of shares issued	15,287,480	15,004,736	15,004,736	15,004,736	15,004,736
Number of bonds convertible into shares	0	0	0	0	0
II - Comprehensive income from activities in the year (€k)					
Turnover excluding taxes	77,071	73,991	55,867	61,438	36,572
Earnings before taxes, depreciation, amortization and provisions	7,613	5,377	-972	2,782	1,382
Corporate income tax	655	575	0	0	0
Earnings after taxes, depreciation, amortization and provisions	5,842	4,146	-433	1,695	1,083
Amount of earnings distributed	0	0	0	0	0
III - Earnings per share (€)					
Earnings after taxes but before depreciation, amortization and provisions	0.45	0.32	-0.06	0.18	0.09
Earnings after taxes, depreciation, amortization and provisions	0.38	0.28	-0.03	0.11	0.07
Dividend paid on each share	0	0	0	0	0
IV – Workforce					
Number of employees*	5	5	5	5	5
Total payroll (€k)	278	309	220	220	220
Amount paid out in employee benefits (€k)	118	106	86	82	91

** Consists of the executive directors Claude, Michel, Yves, Gérard and Christian Guillemot, who do not have employment contracts.*

17.2 Schedule of finances for Guillemot Corporation Group

Fiscal year	2018	2017	2,016	2015	2014
Comprehensive income from activities in the year (€k)					
Turnover excluding taxes	81,222	80,448	64,226	65,799	40,284
Earnings before taxes, depreciation, amortization and provisions	14,654	25,799	7,437	11,945	2,458
Corporate income tax	2,196	-2,232	-376	-817	-137
Earnings after taxes, depreciation, amortization and provisions	12,151	17,542	3,059	7,043	-931
Amount of earnings distributed	1,987	0	0	0	0
Earnings per share (€)					
Earnings after taxes but before depreciation, amortization and provisions	1.10	1.57	0.47	0.74	0.29
Earnings after taxes, depreciation, amortization and provisions	0.79	1.17	0.20	0.47	-0.06
Dividend paid on each share	0.13	0	0	0	0
Workforce					
Number of employees	183	178	162	157	143
Total payroll (€k)	7,122	7,405	7,143	6,554	6,111
Amount paid out in employee benefits (€k)	2,231	2,356	2,292	2,140	2,066

18 Appendix 2: Schedule of changes in equity since the formation of Guillemot Corporation S.A.

Amounts are expressed in euros with effect from September 11, 2001, when the share capital was converted into euros.

Date	Nature of transaction	Number of shares	Cumulative number of shares	Amount of increase in capital			Amount of reduction in capital	Par value of each share	Issue, conversion or contribution premium	Cumulative amount of capital
				Through cash or non-cash contribution	Through conversion	Through capitalization of reserves				
Sep 1, '97	Formation of company	1,000,000	1,000,000	-	-	-	-	FF 20	-	FF 20,000,000
Aug 1, '98	Share split	1,000,000	2,000,000	-	-	-	-	FF 10	-	FF 20,000,000
Nov 24, '98	Increase in capital upon IPO	353,000	2,353,000	3,530,000	-	-	-	FF 10	FF 98,840,000	FF 23,530,000
Feb 23, '00	Increase in capital through conversion of bonds	67,130	2,420,130	-	FF 671,300	-	-	FF 10	FF 30,152,775	FF 24,201,300
Feb 23, '00	Share split	2,420,130	4,840,260	-	-	-	-	FF 5	-	FF 24,201,300
May 17, '00	Increase in capital through conversion of bonds	93,550	4,933,810	-	FF 467,750	-	-	FF 5	FF 21,009,922	FF 24,669,050
May 17, '00	Increase in capital through exercise of share subscription warrants	222	4,934,032	FF 1,110	-	-	-	FF 5	FF 64,420	FF 24,670,160
May 17, '00	Increase in capital through issuance of shares	953,831	5,887,863	FF 4,769,155	-	-	-	FF 5	FF 321,206,020	FF 29,439,315
Sep 13, '00	Increase in capital through conversion of bonds	20,818	5,908,681	-	FF 104,090	-	-	FF 5	FF 4,675,409	FF 29,543,405
Sep 11, '01	Increase in capital through conversion of bonds	128,750	6,037,431	-	FF 643,750	-	-	FF 5	FF 28,915,312	FF 30,187,155
Sep 11, '01	Conversion of share capital into euros and cancellation of par value	-	6,037,431	-	-	-	-	-	-	€4,602,002.11
May 16, '02	Re-establishment of par value and increase in capital by increasing par value of shares (1)	-	6,037,431	-	-	46,819.76	-	0.77	-	4,648,821.87
May 16, '02	Increase in capital through conversion of bonds (1)	4,376	6,041,807	-	3,369.52	-	-	0.77	149,790.48	4,652,191.39
Jun 28, '02	Increase in capital through non-cash contribution (2)	435,278	6,477,085	335,164.06	-	-	-	0.77	4,587,835.94	4,987,355.45
Aug 30, '02	Increase in capital through non-cash contribution (3)	3,000,000	9,477,085	2,310,000	-	-	-	0.77	12,690,000	7,297,355.45
Aug 30, '02	Reduction in capital through retirement of treasury shares (4)	416,665	9,060,420	-	-	-	320,832.05	0.77	-11,346,025	6,976,523.40
Sep 19, '02	Increase in capital through conversion of bonds (5)	6,000	9,066,420	-	4,620	-	-	0.77	205,380	6,981,143.40
Dec 23, '03	Increase in capital through non-cash contribution (6)	4,444,444	13,510,864	3,422,221.88	-	-	-	0.77	10,577,778.12	10,403,365.28
Jan 19, '04	Increase in capital through exercise of share subscription warrants (7)	81,446	13,592,310	62,713.42	-	-	-	0.77	181,624.58	10,466,078.70
Nov 16, '06	Increase in capital through exercise of share subscription warrants (8)	101	13,592,411	77.77	-	-	-	0.77	4,422.23	10,466,156.47
Nov 16, '06	Cash increase in capital (9)	1,076,233	14,668,644	828,699.41	-	-	-	0.77	1,571,300.59	11,294,855.88
Sep 18, '07	Increase in capital through conversion of bonds (10)	290,532	14,959,176	-	223,709.64	-	-	0.77	700,710.36	11,518,565.52
Jan 29, '08	Increase in capital through exercise of options (11)	6,700	14,965,876	5,159.00	-	-	-	0.77	7,102.00	11,523,724.52
Jan 20, '11	Increase in capital through exercise of options (12)	38,860	15,004,736	29,922.20	-	-	-	0.77	40,035.40	11,553,646.72
Jan 24, '18	Increase in capital through exercise of options (13)	382,500	15,387,236	294,525.00	-	-	-	0.77	436,050.00	11,848,171.72
Jan 24, '18	Reduction in capital through retirement of treasury shares (14)	187,256	15,199,980	-	-	-	144,187.12	0.77	-457,354.20	11,703,984.60
Mar 16, '18	Increase in capital through exercise of options (15)	87,500	15,287,480	67,375.00	-	-	-	0.77	99,750.00	11,771,359.60

(1) At its meeting of May 16, 2002, the Board of Directors, by virtue of the authorization granted to it at the shareholders' general meeting of February 15, 2002, reinstated the statement of par value in the company's Articles of Incorporation, at €0.77. At that same meeting, the Board noted the number of bonds converted into shares since the beginning of the current financial year and the corresponding increase in capital.

(2) At the extraordinary general meeting of June 28, 2002, the shareholders voted to increase the share capital by creating 435,278 new shares in consideration of the contribution by Guillemot Participations S.A. consisting of one share in Italian company Guillemot Srl, representing full ownership of the latter.

The number of new shares was determined based on the value of the contribution, equal to €4,923,000, divided by the reference price of Guillemot Corporation shares corresponding to the average closing price over the 60 trading days preceding the date of the shareholders' meeting.

(3) At the extraordinary general meeting of August 30, 2002, the shareholders voted to increase the share capital by creating 3,000,000 new shares in consideration of the contribution by Guillemot Brothers S.A. consisting of one million shares in Ubisoft Entertainment with a total value of €15 million; the contribution agreement entered into with Guillemot Brothers S.A specified an exchange ratio of three new Guillemot Corporation shares for every Ubisoft Entertainment share contributed.

On August 14, 2002, the Commission des opérations de bourse (the then French stock market regulator) approved the appendix to the report by the Board of Directors presented at the extraordinary general meeting under number E.02-213.

(4) At its meeting of August 30, 2002 following the extraordinary general meeting, the Board of Directors, by virtue of the authorization granted to it at the combined general meeting of February 15, 2002, decided to retire 416,665 treasury shares.

(5) At its meeting of September 19, 2002, the Board of Directors noted the number of bonds converted into shares between May 16, 2002 and August 31, 2002.

(6) At the extraordinary general meeting of December 23, 2003, the shareholders voted to increase the share capital through a non-cash contribution by Guillemot Brothers S.A. consisting of 5 million Gameloft shares.

(7) At its meeting of January 19, 2004, the Board of Directors noted the number of share subscription warrants issued on December 5, 2003 and exercised during the subscription period expiring December 31, 2003.

(8) 100 share subscription warrants issued in 1999 were exercised during the year ended December 31, 2006. Share subscription warrants issued in 1999 were exercisable up to August 31, 2006. Share subscription warrants not exercised at that date lost all their value and were delisted from Eurolist at market close on August 31, 2006.

(9) At its meeting of November 16, 2006, the Board of Directors decided to increase the capital by €2,400,000, including issue premiums, as agreed at the extraordinary general meeting of October 31, 2006. The 1,076,233 new shares were fully paid up by offsetting them against liquid claims due against the company held by Guillemot Brothers S.A.

(10) At its meeting of September 18, 2007, the Board of Directors noted the number of bonds converted between January 1, 2007 and August 31, 2007, when the bond issue matured, and noted the corresponding increase in capital. A total of 13,206 bonds were converted during this period.

(11) At its meeting of January 29, 2008, the Board of Directors noted the number and value of shares issued during the year ended December 31, 2007 following the exercise of stock options. A total of 6,700 options were exercised during the period.

(12) At its meeting of January 20, 2011, the Board of Directors noted the number and value of shares issued during the year ended December 31, 2010 following the exercise of stock options. A total of 38,860 options were exercised during the period.

(13) At its meeting of January 24, 2018, the Board of Directors noted the number and value of shares issued during the year ended December 31, 2017 following the exercise of stock options. A total of 382,500 options were exercised during the period.

(14) At its meeting of January 24, 2018, the Board of Directors, by virtue of the authorization granted to it at the combined general meeting of May 24, 2017, decided to retire 187,256 treasury shares. During that same Board meeting, these 187,256 treasury shares had been reassigned for retirement.

(15) At its meeting of March 16, 2018, the Board of Directors noted the number and value of shares issued over the period from January 1 to February 18, 2018 following the exercise of stock options. A total of 87,500 options were exercised during the period.

19 APPENDIX 3: SPECIAL REPORT ON STOCK OPTIONS

Dear Shareholders,

In accordance with the provisions of Article L.225-184 of the French Commercial Code, we have set out in this report information on transactions in share subscription and purchase options undertaken during the year ended December 31, 2018.

No new share subscription plans were put in place during the fiscal year ended December 31, 2018. As such, no share subscription options were allotted during that year.

A total of 87,500 share subscription options were exercised during the fiscal year ended December 31, 2018, 75,000 of them by the corporate officers.

At December 31, 2018, there were no longer any stock option plans in force.

The table below summarizes stock option plans put in place by Guillemot Corporation S.A. during prior periods that lapsed during the year ended December 31, 2018.

Date of shareholders' meeting	Jun 15, '06	Jun 15, '06
Date of Board of Directors meeting	Feb 18, '08	Feb 18, '08
Total number of shares available for subscription: - O/w by corporate officers - O/w by top ten employee beneficiaries	383,000 75,000 200,000	217,000 0 130,000
Start date for exercise of options	Feb 18, '12	Feb 18, '10
Expiry date of options	Feb 18, '18	Feb 18, '18
Subscription price (€)	1.91	1.91
Terms of exercise	-	⅓ per year
Number of shares subscribed - O/w during fiscal year ended December 31, 2018 ➢ O/w by corporate officers: - *Claude Guillemot: 15,000* - *Michel Guillemot: 15,000* - *Yves Guillemot: 15,000* - *Gérard Guillemot: 15,000* - *Christian Guillemot: 15,000* ➢ O/w by top ten employee beneficiaries	334,000 87,500 75,000 0	142,360 0 0 0
Share subscription options cancelled or lapsed during fiscal year ended December 31, 2018	49,000	74,640
Share subscription options outstanding at December 31, 2018	0	0

No share subscription options have been allotted in 2019 to date.

Furthermore, no new share purchase option plans have been put in place.

Rennes, March 27, 2019

The Board of Directors

20 APPENDIX 4: SPECIAL REPORT ON FREE SHARES

Dear Shareholders,

In accordance with the provisions of Article L.225-197-4 of the French Commercial Code, we have set out in this report information on free share awards during the year ended December 31, 2018.

No free shares were awarded to corporate officers or employees other than corporate officers either during the fiscal year ended December 31, 2018 or during prior periods.

Furthermore, no free shares have been awarded in 2019 to date.

Rennes, March 27, 2019

The Board of Directors

21 Appendix 5: Report of the Board of Directors on corporate governance

Dear Shareholders,

Pursuant to the provisions of Article L.225-37 of the French Commercial Code, we hereby present our report on corporate governance in respect of the fiscal year ended December 31, 2018.

21.1 Corporate governance code

The company applies the Middlenext corporate governance code.

This code is available from the Middlenext website (www.middlenext.com).

At its meeting of October 26, 2016, the Board of Directors familiarized itself with the items set out in the "areas for attention" section of the Middlenext code (September 2016 edition).

21.2 Directors and executives of Guillemot Corporation S.A.

21.2.1 Directors – Composition of the Board of Directors

Article 9 of the Articles of Incorporation stipulates that the company may be run by a Board of Directors consisting of between three and 18 members.

Directors serve for a term of six years. However, to enable directors to be replaced on a staggered basis, the shareholders may, at the proposal of the Board of Directors, vote at an ordinary general meeting to appoint or reappoint one or more directors for a period of four or five years.

Each director must own at least one share and no director may be over 80 years of age.

The Board of Directors has seven members, four of them men and three women.

Male and female members make up 57.14% and 42.86% of the Board respectively.

First and last names **Director's title or role** **Business address**	**Gender**	**Age**	**Independent director**	**Year first appointed**	**Term of office expires**
Claude Guillemot Director, Chairman and Chief Executive Officer BP 2, 56204 La Gacilly Cedex, France	M	62	No	1997	2024
Michel Guillemot Director, Deputy Chief Executive Officer BP 2, 56204 La Gacilly Cedex, France	M	60	No	1997	2022
Gérard Guillemot Director, Deputy Chief Executive Officer BP 2, 56204 La Gacilly Cedex, France	M	57	No	1997	2022
Christian Guillemot Director, Deputy Chief Executive Officer BP 2, 56204 La Gacilly Cedex, France	M	53	No	1997	2024
Marie-Hélène Lair Director BP 2, 56204 La Gacilly Cedex, France	F	72	Yes	2011	2023
Maryvonne Le Roch-Nocera Director BP 2, 56204 La Gacilly Cedex, France	F	60	Yes	2014	2020
Corinne Le Roy Director BP 2, 56204 La Gacilly Cedex, France	F	55	No	2017	2023

The Board's composition did not change during the fiscal year ended December 31, 2018.

The Board has two independent members within the meaning of the Middlenext code: Marie-Hélène Lair and Maryvonne Le Roch-Nocera.

Although she meets all the independence criteria laid down in the Middlenext corporate governance code applied by the company, Corinne Le Roy is not an independent member due to the hierarchical relationship that exists between Yves Guillemot, Deputy Chief Executive Officer of the company (who is also Chairman and Chief Executive Officer of Ubisoft Entertainment S.A.) and Corinne Le Roy, former Chief Executive Officer and employee of Shanghai Ubi Computer Software Co. Ltd. (a subsidiary of Ubisoft Entertainment S.A.).

Claude, Michel, Yves, Gérard and Christian Guillemot are not independent within the meaning of the aforementioned code since they are also executive directors of the company and brothers.

No director who also holds executive office (Claude, Michel, Yves, Gérard and Christian Guillemot) holds more than two other directorships in listed companies outside of Guillemot Corporation Group.

The Board of Directors does not include a director elected by the employees.

At its meeting of April 29, 2002, the Board of Directors opted to combine the roles of Chairman of the Board of Directors and Chief Executive Officer of the company.

21.2.2 Executives

First and last names **Business address**	**Role**	**Date appointed**	**Expiry date**
Claude Guillemot BP 2, 56204 La Gacilly Cedex, France	Chairman and Chief Executive Officer	September 1, 1997	Expires upon expiry of directorship
Michel Guillemot BP 2, 56204 La Gacilly Cedex, France	Deputy Chief Executive Officer with responsibility for strategy	November 7, 1997	Expires upon expiry of directorship
Yves Guillemot BP 2, 56204 La Gacilly Cedex, France	Deputy Chief Executive Officer with responsibility for relations with makers of video game consoles and computers	November 7, 1997	Expires upon expiry of Claude Guillemot's term of office as Chief Executive Officer (and, if Claude Guillemot steps down as Chief Executive Officer, when a new Chief Executive Officer is appointed)
Gérard Guillemot BP 2, 56204 La Gacilly Cedex, France	Deputy Chief Executive Officer with responsibility for marketing research	November 7, 1997	Expires upon expiry of directorship
Christian Guillemot BP 2, 56204 La Gacilly Cedex, France	Deputy Chief Executive Officer with responsibility for administration	September 1, 1997	Expires upon expiry of directorship

To date, the Board of Directors has not applied any particular limits to the powers of the Chairman and Chief Executive Officer other than those laid down in the Articles of Incorporation and in law.

21.2.3 Information on directors' and executives' expertise and experience

- **Claude Guillemot**

Claude Guillemot joined the family business after completing a master's degree in economics at Université de Rennes I in 1981, followed by a specialist degree in industrial IT at ICAM in Lille. In 1984, he shifted the company's focus towards the distribution of IT products, and in 1985 specialized the business in the distribution of video games under the "Guillemot International Software" brand. In 1997, he and his four brothers went on to set up the Guillemot Corporation group, which designs and makes interactive leisure hardware and accessories under the Hercules brand for digital peripherals (DJing, digital music and speakers) and the Thrustmaster brand for gaming accessories for PCs and video game consoles.

In 1986, he and his brothers also founded Ubisoft Entertainment Group, which designs and sells interactive PC and console games, and in 2000 they established Gameloft Group, a leading global vendor of downloadable video games.

Claude Guillemot is Chairman and Chief Executive Officer of Guillemot Corporation S.A. as well as a Deputy Chief Executive Officer and director of Ubisoft Entertainment S.A.

- **Michel Guillemot**

A graduate of the EDHEC business school and holder of a DECS accounting degree, Michel Guillemot co-founded Guillemot Corporation Group (which designs and makes interactive entertainment hardware and accessories under the Hercules and Thrustmaster brands) with his four brothers and serves as Deputy Chief Executive Officer and director of Guillemot Corporation S.A. His 30 years' experience in the information technology and video games industry, his entrepreneurial spirit and his in-depth knowledge of the mobile industry make him a recognized expert in the field. He also founded mobile video game vendor Gameloft, where he served as Chairman and Chief Executive Officer for 16 years. Under his leadership, Gameloft enjoyed a period of strong and rapid growth from 2001 to 2016, becoming a global leader and one of the biggest developers of mobile games. Michel Guillemot, now based in London, also co-founded the Ubisoft Entertainment Group (which designs and sells interactive PC and console games) in 1986, and serves as Deputy Chief Executive Officer and director of Ubisoft Entertainment S.A. with responsibility for strategic and financial development.

- **Yves Guillemot**

On completing his studies at the IPME business school, Yves Guillemot joined with his four brothers to launch out into the video games sector, then at the start of its meteoric expansion. He is currently Deputy Chief Executive Officer of Ubisoft Entertainment Group, which he and his brothers formed in 1986 and is now one of the world's leading designers, vendors and distributors of video games and interactive services.
Together with his brothers, he is also a co-founder of Guillemot Corporation Group and serves as Deputy Chief Executive Officer of Guillemot Corporation S.A. with responsibility for relations with makers of video game consoles and computers. Yves Guillemot is also a member of the Supervisory Board of Lagardère SCA and of the Board of Directors of Rémy Cointreau S.A.

- **Gérard Guillemot**

After graduating from the EDHEC business school in Lille, Gérard Guillemot oversaw the establishment of the North American studios of Ubisoft Entertainment Group, specializing in the design and sale of interactive PC and console games, which he founded along with his four brothers in 1986. Since mid-April 2016, he has managed the Cinema division of Ubisoft (Motion Pictures). He is also Deputy Chief Executive Officer and director of Ubisoft Entertainment S.A.

He previously launched Gameloft.com, an online gaming portal whose IPO he subsequently oversaw.

Gérard Guillemot is now based in New York and serves as Chairman of US company Longtail Studios Inc., which he formed in 2003 and which designs educational smartphones and tablets apps.

Gérard Guillemot also co-founded Guillemot Corporation Group (which designs and makes interactive leisure hardware and accessories under the Hercules and Thrustmaster brands) and serves as Deputy Chief Executive Officer and director of Guillemot Corporation S.A.

- **Christian Guillemot**

After graduating from the European Business School in London, Christian Guillemot played a driving role in the IPOs of Ubisoft Entertainment (which designs and sells interactive PC and console games), Guillemot Corporation (which designs and makes interactive leisure hardware and accessories under the Hercules and Thrustmaster brands) and Gameloft (a leading global vendor of downloadable video games), each of which he co-founded with his four brothers. As well as serving as Deputy Chief Executive Officer and director of the Guillemot Corporation and Ubisoft Entertainment groups, he is Chairman and Chief Executive Officer of Guillemot Brothers plc, the family holding company, and secretary of Longtail Studios Inc. He also runs AMA S.A., which he co-founded with his brothers in 2004 and which specializes in remote medicine and remote assistance with connected glasses, a market that is currently experiencing strong growth. A passionate innovator, Christian Guillemot is also actively involved in developing French tech, having set up three digital accelerators in Brittany, where he has served as a local elected representative since 2014.

- **Marie-Hélène Lair**

After completing advanced accounting studies, Marie-Hélène Lair worked until 1986 for a chartered accounting firm, where she was responsible for a portfolio of clients.

From 1986 to 1999, she ran a production center for temporary employment agency BIS France. She was tasked with managing the center, with particular responsibility for temporary staff payroll, customer credit, accounting, and financial control. During this period (1992 and 1993), Mrs Lair also served as Accounting Director at BIS Group's head office.

From 2000 to 2004, Mrs Lair served as national production manager with the Vedior France group (also in the temporary employment sector), with particular responsibility for temporary staff payroll, production control, accounting, and financial control. She was also a member of Vedior France's Financial Management Committee.

- **Maryvonne Le Roch-Nocera**

After obtaining a DECS accounting degree from the ICS Paris business school, Maryvonne Le Roch-Nocera joined audit firm Edouard Salustro & Associés. She then managed a portfolio of clients at chartered accountants Grégoire et Associés.

In 1986, she moved to Brittany to work for the family holding company, managing supermarkets and real estate companies.

From 2005 to 2007, she ran the Intermarché group's business aviation organization and established Air ITM's public transport operation.

She set up an Intermarché store in Surzur in 2007 and took over the Arzon store in 2011.
Since 2006, she has also been a member of the board of Fondation Le Roch – Les Mousquetaires.

- **Corinne Le Roy**

Mrs Le Roy established the Ubisoft Entertainment group in China in 1996, serving as Chief Executive Officer of its Shanghai subsidiary until 2018. After initially overseeing video game vending, she then took responsibility for video game production in 2000. After 2000, she focused on developing Ubisoft's Shanghai studio – China's first and only world-class video games studio with both design and full production capability. It was ranked among the world's top 100 studios in 2009 (in the Develop 100 ranking), when Tom Clancy's EndWar won the E3 Game Critics award for best strategy game.

In 2009, Mrs Le Roy was awarded the White Magnolia by the Shanghai Municipal Government for her outstanding contribution to Shanghai.

Before joining the Ubisoft Entertainment group, Mrs Le Roy, who is a qualified nurse and medical carer, worked in hospitals and public health, developing and managing projects in Africa, the former USSR and the Middle East.

21.2.4 Other offices and roles held by directors and executives

- **Claude Guillemot**

OTHER OFFICES AND ROLES HELD AT DECEMBER 31, 2018:

- **Within the Guillemot Corporation Group**

In France
Chairman, Hercules Thrustmaster SAS, Guillemot Innovation Labs SAS
Outside France
Chairman and director, Guillemot Inc. (Canada), Guillemot Recherche & Développement Inc. (Canada), Guillemot Inc. (United States)
Executive Director, Guillemot Electronic Technology (Shanghai) Co. Ltd. (China)
Director, Guillemot Ltd (United Kingdom), Guillemot Corporation (HK) Ltd (Hong Kong), Guillemot SA (Belgium), Guillemot Romania Srl (Romania), Guillemot Srl (Italy), Guillemot Spain SL (Spain)
Statutory manager, Guillemot GmbH (Germany)

- **Outside the Guillemot Corporation Group**

In France
Deputy Chief Executive Officer and director, Ubisoft Entertainment S.A.*
Director, AMA S.A.
Chief Executive Officer, Guillemot Brothers SAS
Outside France
Director, Ubisoft Nordic A/S (Denmark), Ubisoft Emirates FZ LLC (United Arab Emirates)
Alternate director, Ubisoft Entertainment Sweden AB (Sweden), RedLynx Oy (Finland), Ubisoft Fastigheter AB (Sweden)
Director, Playwing Ltd (United Kingdom), AMA Corporation Ltd (United Kingdom)
Director and Deputy Chief Executive Officer, Guillemot Brothers SE (United Kingdom)

EXPIRED OFFICES AND ROLES (PAST FIVE YEARS):

- **Within the Guillemot Corporation Group**

None

- **Outside the Guillemot Corporation Group**

In France
Deputy Chief Executive Officer and director, Gameloft SE
Outside France
Director, Gameloft Divertissements Inc. (Canada), Gameloft Limited (United Kingdom), Gameloft Live Développements Inc. (Canada), Gameloft Madrid SL (Spain), Gameloft Iberica SA (Spain)

- **Michel Guillemot**

OTHER OFFICES AND ROLES HELD AT DECEMBER 31, 2018:

➢ **Within the Guillemot Corporation Group**
In France
None
Outside France
Director, Guillemot SA (Belgium), Guillemot Ltd (United Kingdom), Guillemot Inc. (United States), Guillemot Inc. (Canada)

➢ **Outside the Guillemot Corporation Group**
In France
Deputy Chief Executive Officer and director, Ubisoft Entertainment S.A.*
Director, AMA S.A.
Chief Executive Officer, Guillemot Brothers SAS
Outside France
Director, Ariann Finance Inc. (Canada), Divertissements Playwing Inc. (Canada), Laboratoire de recherche sur l'intelligence artificielle (AIRLAB) Inc. (Canada), Playwing Ltd (Bulgaria), Airlab Pte Ltd (Singapore)
Director, Playwing Ltd (United Kingdom), AMA Corporation Ltd (United Kingdom), Artificial Intelligence Research Lab Ltd (United Kingdom)
Director and Deputy Chief Executive Officer, Guillemot Brothers SE (United Kingdom)

EXPIRED OFFICES AND ROLES (PAST FIVE YEARS):

➢ **Within the Guillemot Corporation Group**
None

➢ **Outside the Guillemot Corporation Group**
In France
Chairman and Chief Executive Officer and director, Gameloft SE
Chairman, Gameloft Distribution SAS, Gameloft Partnerships SAS, Ludigames SAS
Statutory manager, Gameloft Rich Games Production France SARL
Outside France
Chairman, Gameloft Srl (Romania), Gameloft Software (Beijing) Company Ltd (China), Gameloft Software (Chengdu) Company Ltd (China), Gameloft Argentina S.A. (Argentina), Gameloft Software (Shenzhen) Company Ltd (China)
Chairman and director, Gameloft Inc (United States), Gameloft Divertissements Inc (Canada), Gameloft Live Développements Inc. (Canada), Gameloft Entertainment Toronto Inc. (Canada), Gameloft Limited (United Kingdom), Gameloft KK (Japan), Gameloft Company Ltd (Vietnam), Gameloft Iberica SA (Spain), Gameloft Private India Ltd (India), Gameloft Co. Ltd. (South Korea), Gameloft Ltd (Hong Kong), Gameloft Philippines Inc. (Philippines), Gameloft Pte Limited (Singapore), PT Gameloft Indonesia (Indonesia), Gameloft New Zealand Ltd (New Zealand), Gameloft Hungary Software Development and Promotion kft (Hungary), Gameloft SDN BHD (Malaysia), Gameloft FZ-LLC (United Arab Emirates), Gameloft Madrid SL (Spain), Gameloft OY (Finland), Gameloft LLC (Russia), LLC Gameloft (Bielorussia), Gameloft Uruguay SA (Uruguay)
Statutory manager, Gameloft GmbH (Germany), Gameloft Srl (Italy), Gameloft EOOD (Bulgaria), Gameloft S. de R.L. de C.V. (Mexico)
Director, Gameloft Australia Pty Ltd (Australia), Gameloft de Venezuela SA (Venezuela)

- **Yves Guillemot**

OTHER OFFICES AND ROLES HELD AT DECEMBER 31, 2018:

➢ **Within the Guillemot Corporation Group**
In France
None
Outside France
Director, Guillemot Ltd (United Kingdom), Guillemot Inc. (United States), Guillemot Inc. (Canada)

➢ **Outside the Guillemot Corporation Group**
In France
Chairman and Chief Executive Officer, Ubisoft Entertainment S.A.*
Chairman, Ubisoft Annecy SAS, Ubisoft EMEA SAS, Ubisoft France SAS, Ubisoft International SAS, Ubisoft Montpellier SAS, Ubisoft Motion Pictures Rabbids SAS, Ubisoft Paris SAS, Ubisoft Production Internationale SAS, Nadéo SAS, Owlient SAS, Ubisoft Création SAS, Ivory Tower SAS, Ubisoft Bordeaux SAS, 1492 Studio SAS

Statutory manager, Ubisoft Learning & Development SARL, Ubisoft Motion Pictures SARL, Script Movie SARL, Ubisoft Mobile Games SARL, Ubisoft Paris – Mobile SARL, Ivory Art & Design SARL
Director, Rémy Cointreau S.A.*, AMA S.A.
Member of the Supervisory Board, Lagardère S.A.
Chief Executive Officer, Guillemot Brothers SAS

<u>Outside France</u>
Director and Deputy Chief Executive Officer, Guillemot Brothers SE (United Kingdom)
Statutory manager, Blue Byte GmbH (Germany), Ubisoft GmbH (Germany), Ubisoft EooD (Bulgaria), Ubisoft Studios Srl (Italy), Ubisoft Sarl (Morocco), Blue Mammoth Games LLC (United States), Dev Team LLC (United States)
Chairman, Dev Team LLC (United States)
Chairman and director, Ubisoft Divertissements Inc. (Canada), Ubisoft Éditions Musique Inc. (Canada), Hybride Technologies Inc. (Canada), Ubisoft Toronto Inc. (Canada), Ubisoft Winnipeg Inc. (Canada), Ubisoft Nordic A/S (Denmark), Ubisoft Entertainment India Private Ltd (India), Ubi Games SA (Switzerland), Red Storm Entertainment Inc. (United States), Ubisoft L.A. Inc. (United States), Script Movie Inc. (United States), Ubisoft CRC Ltd (United Kingdom)
Deputy Chairman and director, Ubisoft Inc. (United States)
Chief Executive Officer and director, Ubisoft Emirates FZ LLC (United Arab Emirates)
Director, Playwing Ltd (United Kingdom), AMA Corporation Ltd (United Kingdom)
Executive director, Shanghai Ubi Computer Software Co Ltd (China), Chengdu Ubi Computer Software Co Ltd (China)
Director, Ubisoft Pty Ltd (Australia), Ubisoft SA (Spain), Ubi Studios SL (Spain), Ubisoft Barcelona Mobile SL (Spain) Ltd (Hong Kong), Ubisoft SpA (Italy), Ubisoft KK (Japan), Ubisoft Osaka KK (Japan), Ubisoft BV (Netherlands), BMG Europe BV (Netherlands), Ubisoft Srl (Romania), Ubisoft Ltd (United Kingdom), Ubisoft Reflections Ltd (United Kingdom), Red Storm Entertainment Ltd (United Kingdom), Ubisoft Singapore Pte Ltd (Singapore), Ubisoft Entertainment Sweden A/B (Sweden), RedLynx Oy (Finland), Future Games of London Ltd (United Kingdom), Ubisoft Fastigheter AB (Sweden), Ubisoft DOO Beograd (Serbia)

<u>EXPIRED OFFICES AND ROLES (PAST FIVE YEARS)</u>:

- **Within the Guillemot Corporation Group**

<u>In France</u>
Director, Guillemot Corporation S.A.*
<u>Outside France</u>
None

- **Outside the Guillemot Corporation Group**

<u>In France</u>
Deputy Chief Executive Officer and director, Gameloft SE
Chairman, Ubisoft Motion Pictures Far Cry SAS, Ubisoft Motion Pictures Ghost Recon SAS, Ubisoft Motion Pictures Assassin's Creed SAS, Ubisoft Motion Pictures Splinter Cell SAS, Ketchapp SAS, Krysalide SAS
<u>Outside France</u>
Chairman and director, Technologies Quazal Inc. (Canada), Ubisoft Musique Inc. (Canada), 9275-8309 Québec Inc. (Canada), Studio Ubisoft Saint-Antoine Inc. (Canada)
Chairman, Ubisoft LLC (United States)
Director, Gameloft Divertissements Inc. (Canada), Gameloft Live Développements Inc. (Canada)
Statutory manager, Spieleentwicklungskombinat GmbH (Germany), Related Designs Software GmbH (Germany), Ubisoft Entertainment SARL (Luxembourg)

- **Gérard Guillemot**

<u>OTHER OFFICES AND ROLES HELD AT DECEMBER 31, 2018</u>:

- **Within the Guillemot Corporation Group**

<u>In France</u>
None
<u>Outside France</u>
Director, Guillemot Ltd (United Kingdom), Guillemot Inc. (United States), Guillemot Inc. (Canada)

- **Outside the Guillemot Corporation Group**

<u>In France</u>
Deputy Chief Executive Officer and director, Ubisoft Entertainment S.A.*
Director, AMA S.A.
Chief Executive Officer, Guillemot Brothers SAS
<u>Outside France</u>
Chairman, Longtail Studios Inc. (United States), Longtail Studios Halifax Inc. (Canada), Longtail Studios PEI Inc. (Canada)
Director, Playwing Ltd (United Kingdom), AMA Corporation Ltd (United Kingdom)
Director and Deputy Chief Executive Officer, Guillemot Brothers SE (United Kingdom)
Deputy Chairman, Dev Team LLC (United States)

EXPIRED OFFICES AND ROLES (PAST FIVE YEARS):

- **Within the Guillemot Corporation Group**

None

- **Outside the Guillemot Corporation Group**

In France
Deputy Chief Executive Officer and director, Gameloft SE

Outside France
Chairman, Studios Longtail Québec Inc. (Canada)
Director, Gameloft Divertissements Inc. (Canada), Gameloft Live Développements Inc. (Canada)

- **Christian Guillemot**

OTHER OFFICES AND ROLES HELD AT DECEMBER 31, 2018:

- **Within the Guillemot Corporation Group**

In France
Statutory manager, Guillemot Administration et Logistique SARL
Outside France
Director, Guillemot Corporation (HK) Ltd (Hong Kong), Guillemot Ltd (United Kingdom), Guillemot Inc. (United States), Guillemot Inc. (Canada), Guillemot Recherche & Développement Inc. (Canada), Guillemot SA (Belgium)

- **Outside the Guillemot Corporation Group**

In France
Deputy Chief Executive Officer and director, Ubisoft Entertainment S.A.*
Chairman and Chief Executive Officer and director, AMA S.A.
Chairman, AMA Opérations SAS, AMA Research and Development SAS, SAS du Corps de Garde, Guillemot Brothers SAS
Outside France
Director, Ubisoft Nordic A/S (Denmark)
Chairman and Chief Executive Officer and director, AMA Xperteye Inc. (United States), AMA L'œil de l'expert Inc. (Canada)
Chairman and Chief Executive Officer and director, Guillemot Brothers SE (United Kingdom)
Chairman and director, Playwing Ltd (United Kingdom)
Chairman and director, Playwing Entertainment SL (Spain)
Director, AMA Corporation Ltd (United Kingdom)
Chairman, Playwing Srl (Romania)
Director, Laboratoire de recherche sur l'intelligence artificielle (AIRLAB) Inc. (Canada), AMA Xperteye Ltd (United Kingdom), AMA Xperteye Srl (Romania)
Statutory manager, AMA Xpert Eye GmbH (Germany)

EXPIRED OFFICES AND ROLES (PAST FIVE YEARS):

- **Within the Guillemot Corporation Group**

None

- **Outside the Guillemot Corporation Group**

In France
Chairman, Studio AMA Bretagne SAS
Deputy Chief Executive Officer and director, Gameloft SE
Outside France
Chairman and director, Advanced Mobile Advertisement Inc. (United States)
Director, Gameloft Divertissements Inc. (Canada), Gameloft Live Développements Inc. (Canada), Gameloft Limited (United Kingdom)

- **Marie-Hélène Lair**

None

- **Maryvonne Le Roch-Nocera**

OTHER OFFICES AND ROLES HELD AT DECEMBER 31, 2018:

- **Within the Guillemot Corporation Group**

None

- **Outside the Guillemot Corporation Group**

In France
Chief Executive Officer and member of the Executive Board, Vanves Distribution S.A.**

Chairman, Nautimar SAS, Franclem SAS, Rochelven SAS
Statutory manager, Majimer Sarl, Du Lobreont SCI
Outside France
None

EXPIRED OFFICES AND ROLES (PAST FIVE YEARS):

- **Within the Guillemot Corporation Group**

None

- **Outside the Guillemot Corporation Group**

None

- **Corinne Le Roy**

OTHER OFFICES AND ROLES HELD AT DECEMBER 31, 2018:

- **Within the Guillemot Corporation Group**

None

- **Outside the Guillemot Corporation Group**

In France
None
Outside France
Director, Shanghai Uno Network Technology Co. Ltd (China)

EXPIRED OFFICES AND ROLES (PAST FIVE YEARS):

- **Within the Guillemot Corporation Group**

None

- **Outside the Guillemot Corporation Group**

In France
None
Outside France
Chief Executive Officer, Shanghai Ubi Computer Software Co. Ltd (China)

** Listed on Euronext Paris.*
*** Vanves Distribution S.A. is also statutory manager of Du Chantier S.N.C.*

21.2.5 Diversity policy applied to members of the Board of Directors

21.2.5.1 Goal

The goal of the diversity policy applied to members of the Board of Directors is to enable the Board to effectively discharge its duties, particularly in respect of the following:

- determining the company's strategic direction and ensuring that it is implemented
- dealing with issues having to do with the smooth running of the company
- resolving matters, through its deliberations, concerning the company
- carrying out any controls and checks it deems appropriate

21.2.5.2 Description

- Age:

The Board aims to consist of directors of a wide range of ages, while also taking into consideration each candidate's qualifications and professional experience.
Consequently, the company's Articles of Incorporation include an open-ended clause as regards age, stipulating only that directors may not be over 80 years of age.

- Gender:

The Board of Directors seeks, as far as possible, to achieve balanced gender representation. With 41% of serving directors female, it is currently achieving this goal.

- Qualifications and professional experience:

The Board of Directors aims to encompass a range of expertise so as to be able to identify and understand international cultural and economic developments.

Of these areas of expertise, the directors, whether or not they are currently in employment, have (or have had) at least the following:

- expertise in economics, management, finance or accounting; or
- sound knowledge of the video games sector; or
- experience of running businesses in the interactive entertainment segment; or
- international experience as a result of having studied abroad or having lived or worked in a number of countries or continents

As such, within the current Board of Directors:

- Two members have higher accounting qualifications (Michel Guillemot and Maryvonne Le Roch-Nocera). Another four members also studied accounting and finance as part of their higher education (Claude, Gérard and Christian Guillemot and Marie-Hélène Lair).
- Five members have worked or continue work in the video games sector (Claude, Michel, Gérard and Christian Guillemot and Corinne Le Roy).
- Five members have experience running businesses in the interactive entertainment segment (Claude, Michel, Gérard and Christian Guillemot and Corinne Le Roy).
- At least five members have either studied or worked abroad (Claude, Michel, Gérard and Christian Guillemot and Corinne Le Roy). Furthermore, three Board members have lived on several continents (Claude and Gérard Guillemot and Corinne Le Roy).

21.2.5.3 Results

During the fiscal year ended December 31, 2018, it was proposed that the shareholders reappoint four directors meeting the aforementioned criteria as regards age, gender, qualifications and professional experience.

These four directors, all of whom were reappointed by the shareholders, are as follows:

- Claude Guillemot
- Michel Guillemot
- Gérard Guillemot
- Christian Guillemot

21.2.6 Other information concerning the corporate officers

There are no restrictions on disposal of the corporate officers' holdings of the company's shares, apart from, for share subscription options allotted since January 1, 2007, the commitment to hold, in registered form, 5% of shares arising from the exercise of options until the holders' terms of office expire. Furthermore, the rules of procedure of the Board of Directors stipulate that all directors must refrain from trading in any securities of the company whatsoever, whenever they are aware of information of any kind that might influence the price of such securities. Directors must also refrain from trading in any securities of the company whatsoever:

- during the 30 calendar days preceding publication of the annual and interim financial results;
- during the 15 calendar days preceding publication of quarterly or interim financial information or financial statements.

Transactions between the corporate officers and the company, other than normal arm's length transactions, are detailed in the statutory auditor's special report.

No loans or guarantees have been granted or given in favor of the corporate officers. No corporate officer has been found guilty of fraud or officially publicly accused and/or sanctioned at any time in the past five years.

None of the corporate officers has at any time in the past five years been associated with any insolvency, compulsory administration or liquidation. Furthermore, none of the corporate officers has at any time in the past five years been prevented by a court from acting as a member of an issuer's administrative, management or supervisory body or from being involved in an issuer's management or the conduct of its business.

To the company's knowledge, there are no other potential conflicts of interest between any Board member's duties to the company and that member's private interests and/or other duties.

There are no arrangements or agreements in place with the company's principal shareholders, customers, suppliers or other persons under which any director or executive has been selected to serve as a member of an administrative or management body or of senior management.

There are no service agreements between directors or executives and the company or any of its subsidiaries under which benefits are or may become due.

21.3 Directors' and executives' compensation

21.3.1 Compensation paid during the fiscal year ended December 31, 2018

The total amount of directors' fees paid by the company to the seven members of the Board of Directors during the fiscal year was €94,000.

The executive directors (Claude, Michel, Yves, Gérard and Christian Guillemot) are also compensated for their duties as Chairman and Chief Executive Officer or Deputy Chief Executive Officer. They do not have employment contracts with the company.

The total amount of gross fixed compensation paid to the executive directors in the year in respect of their executive duties was €220,440.

Furthermore, variable compensation was paid in the fiscal year to the Chairman and Chief Executive Officer and to each of the Deputy Chief Executive Officers in the amounts of €58,800 and €7,344 respectively.
No exceptional compensation was paid in the fiscal year.

No benefits, including in the form of shares of stock, debt instruments or securities giving access to equity or entitling the holder to receive debt instruments of the company or of companies referred to in Articles L.228-13 and L.228-93 of the Commercial Code, were paid in the fiscal year.

During the fiscal year ended December 31, 2018:

- no stock options were allotted to executive directors by Guillemot Corporation S.A. or other companies belonging to Guillemot Corporation Group;
- no free shares were allotted to executive directors;
- 15,000 share subscription options were exercised by each of the executive directors of Guillemot Corporation S.A. at an exercise price of €1.91 each. These options had been allotted on February 18, 2008.

The company did not enter into any commitment in favor of its corporate officers with regard to compensation, allowances or benefits that are or may become due by reason of or subsequent to the assumption or cessation of duties or a change in duties, including in particular pension liabilities and other lifetime benefits.

No compensation was paid under a profit-sharing or bonus plan.

No specific pension scheme was put in place for the corporate officers.

The corporate officers of Guillemot Corporation S.A. did not receive any compensation from other Guillemot Corporation Group companies in the year.

Any section not mentioned in the tables below is deemed not applicable.

Summary schedule of compensation paid to each executive director (Figures in €)						
Claude Guillemot	**Fiscal year 2018**		**Fiscal year 2017**		**Fiscal year 2016**	
Chairman and CEO	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	147,000	147,000	147,000	147,000	147,000	147,000
Annual variable compensation	38,220	58,800	58,800	0	0	0
Directors' fees	15,000	15,000	15,000	15,000	15,000	15,000
O/w fixed component	*10,000*	*10,000*	*10,000*	*10,000*	*10,000*	*10,000*
O/w variable component	*5,000*	*5,000*	*5,000*	*5,000*	*5,000*	*5,000*
TOTAL	200,220	220,800	220,800	162,000	162,000	162,000
Michel Guillemot	**Fiscal year 2018**		**Fiscal year 2017**		**Fiscal year 2016**	
Deputy CEO	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	18,360	18,360	18,360	18,360	18,360	18,360
Annual variable compensation	4,774	7,344	7,344	0	0	0
Directors' fees	15,000	12,000	12,000	15,000	15,000	12,000
O/w fixed component	*10,000*	*10,000*	*10,000*	*10,000*	*10,000*	*10,000*
O/w variable component	*5,000*	*2,000*	*2,000*	*5,000*	*5,000*	*2,000*
TOTAL	38,134	37,704	37,704	33,360	33,360	30,360
Yves Guillemot (1)	**Fiscal year 2018**		**Fiscal year 2017**		**Fiscal year 2016**	
Deputy CEO	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	18,360	18,360	18,360	18,360	18,360	18,360
Annual variable compensation	4,774	7,344	7,344	0	0	0
Directors' fees	0	0	0	0	5,968	5,968
O/w fixed component	*0*	*0*	*0*	*0*	*5,968*	*5,968*
O/w variable component	*0*	*0*	*0*	*0*	*0*	*0*
TOTAL	23,134	25,704	25,704	18,360	24,328	24,328
Gérard Guillemot	**Fiscal year 2018**		**Fiscal year 2017**		**Fiscal year 2016**	
Deputy CEO	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	18,360	18,360	18,360	18,360	18,360	18,360
Annual variable compensation	4,774	7,344	7,344	0	0	0
Directors' fees	12,000	10,000	10,000	10,000	10,000	15,000
O/w fixed component	*10,000*	*10,000*	*10,000*	*10,000*	*10,000*	*10,000*
O/w variable component	*2,000*	*0*	*0*	*0*	*0*	*5,000*
TOTAL	35,134	35,704	35,704	28,360	28,360	33,360
Christian Guillemot	**Fiscal year 2018**		**Fiscal year 2017**		**Fiscal year 2016**	
Deputy CEO	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	18,360	18,360	18,360	18,360	18,360	18,360
Annual variable compensation	4,774	7,344	7,344	0	0	0
Directors' fees	15,000	15,000	15,000	15,000	15,000	15,000
O/w fixed component	*10,000*	*10,000*	*10,000*	*10,000*	*10,000*	*10,000*
O/w variable component	*5,000*	*5,000*	*5,000*	*5,000*	*5,000*	*5,000*
TOTAL	38,134	40,704	40,704	33,360	33,360	33,360
GRAND TOTAL	**334,754**	**360,616**	**360,616**	**275,440**	**281,408**	**283,408**

(1) Yves Guillemot stepped down from his duties as a director on August 5, 2016 so as to comply with the provisions laid down in Article L.225-94-1 of the French Commercial Code.

Schedule of directors' fees (and other compensation) received by non-executive directors (Figures in €)			
Marie-Hélène Lair	**Fiscal year 2018**	**Fiscal year 2017**	**Fiscal year 2016**
Director	Amounts paid	Amounts paid	Amounts paid
Directors' fees	15,000	15,000	15,000
O/w fixed component	*10,000*	*10,000*	*10,000*
O/w variable component	*5,000*	*5,000*	*5,000*
TOTAL	**15,000**	**15,000**	**15,000**
Maryvonne Le Roch-Nocera	**Fiscal year 2018**	**Fiscal year 2017**	**Fiscal year 2016**
Director	Amounts paid	Amounts paid	Amounts paid
Directors' fees	12,000	12,000	12,000
O/w fixed component	*10,000*	*10,000*	*10,000*
O/w variable component	*2,000*	*2,000*	*2,000*
TOTAL	**12,000**	**12,000**	**12,000**
Corinne Le Roy (1)	**Fiscal year 2018**	**Fiscal year 2017**	**Fiscal year 2016**
Director	Amounts paid	Amounts paid	Amounts paid
Directors' fees	15,000	6,041.10	0
O/w fixed component	*10,000*	*6,041.10*	*0*
O/w variable component	*5,000*	*0.00*	*0*
TOTAL	**15,000**	**6,041.10**	**0**

(1) Corinne Le Roy was appointed a director at the shareholders' general meeting of May 24, 2017.

Summary schedule of allowances or benefits granted to executive directors				
Executive director	**Employment contract**		**Supplementary pension plan**	
	YES	NO	YES	NO
Claude Guillemot Chairman and CEO Date appointed: 1997 Term of office expires: 2024		X		X
Michel Guillemot Deputy CEO Date appointed: 1997 Term of office expires: 2022		X		X
Yves Guillemot Deputy CEO Date appointed: 1997 Term of office expires: 2024		X		X
Gérard Guillemot Deputy CEO Date appointed: 1997 Term of office expires: 2022		X		X
Christian Guillemot Deputy CEO Date appointed: 1997 Term of office expires: 2024		X		X

21.3.2 Executive compensation policy subject to approval at the shareholders' general meeting (via an ex ante vote)

(Resolution 5 submitted for approval at the shareholders' general meeting of May 23, 2019)

In accordance with the provisions of Article L.225-37-2 of the French Commercial Code, set out below are the principles and criteria used to determine, allocate and allot the fixed, variable and exceptional components making up total compensation and benefits of any kind attributable to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers of Guillemot Corporation S.A. in respect of their office.

Guillemot Corporation S.A.'s executive compensation policy, signed off by the Board of Directors at its meeting of January 30, 2019, is as follows:

- Executive compensation is consistent with that paid to employees of the Group.

- Compensation paid to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers consists of the following:

  - Gross annual fixed compensation paid to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers.
  - Target annual variable compensation paid to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers equating to 20% of their fixed compensation and, if performance targets are exceeded, up to a maximum of 40% of their fixed compensation. This annual bonus shall be based on internal quantitative criteria.
  - Directors' fees payable to each executive officer also serving as a director, consisting of a fixed and a variable component, the latter in proportion to directors' attendance at meetings of the Board of Directors.

- There are no plans to pay compensation consisting of the following:

  - multi-year variable compensation
  - stock options
  - bonus shares
  - exceptional compensation
  - compensation, allowances or benefits that are or may become due as a result of taking up office
  - commitments referred to in the first and sixth subparagraphs of Article L.225-42-1 of the French Commercial Code (components of compensation, allowances or benefits that are or may become due by reason of or subsequent to the assumption or cessation of duties or a change in duties, or defined benefit pension liabilities that meet the characteristics of the schemes referred to in Article L.137-11 of the French Social Security Code)
  - components of compensation and benefits of any kind that are or may become due to one of the executive directors in respect of agreements entered into, whether directly or via an intermediary, as a result of that directors' office, with the company in which that office is held, any company controlled by that company within the meaning of Article L.233-16 of the French Commercial Code, any company that controls that company within the meaning of that same article, or any company under the same control as that company, within the meaning of that same article
  - benefits in kind

- Payment of variable and exceptional compensation is subject to the relevant components of compensation being approved for the individual in question at a shareholders' general meeting, as laid down in Article L.225-100 of the French Commercial Code.

21.3.3 Compensation paid or allotted to the executive directors subject to approval at the shareholders' general meeting (via an ex post vote)

(Resolutions 6, 7, 8, 9 and 10 submitted for approval at the shareholders' general meeting of May 23, 2019)

In accordance with the provisions of Article L.225-100 of the French Commercial Code, set out below are the components making up total compensation and benefits of any kind paid or allotted to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers of Guillemot Corporation S.A. in respect of their office in the year ended December 31, 2018.

<table>
<tr><th colspan="3">Claude Guillemot, Chairman and Chief Executive Officer (Resolution 6)</th></tr>
<tr><th>Components of compensation</th><th>Amount (€)</th><th>Comments</th></tr>
<tr><td>Gross annual fixed compensation</td><td>147,000</td><td>Compensation set by the Board of Directors on May 24, 2018 and unchanged since 2012</td></tr>
<tr><td>Annual variable compensation</td><td>38,220</td><td>Target: 20% of fixed compensation (and, if performance targets are exceeded, up to a maximum of 40% of fixed compensation). This annual bonus is based on the following internal quantitative criteria:
<table>
<tr><th>Quantitative criteria</th><th>% of variable</th><th>Target</th><th>Maximum</th></tr>
<tr><td>Growth in consolidated turnover</td><td>35%</td><td>5%</td><td>10%</td></tr>
<tr><td>Ratio of consolidated net income from ordinary activities to consolidated turnover</td><td>65%</td><td>3%</td><td>5%</td></tr>
</table></td></tr>
<tr><td>Directors' fees*</td><td>15,000</td><td>Breakdown agreed by the Board of Directors on August 26, 2011 and unchanged since:
• fixed component of €10,000 paid half in January (in respect of the period January-June) and half in July (in respect of the period July-December); and
• variable component in proportion to directors' attendance at meetings of the Board of Directors held between December 1 and December 31 of the year in question, paid during the first three months of the following year:
- directors attending 50% or fewer Board meetings: no payment
- directors attending between 50% and 75% of Board meetings: €2,000
- directors attending 75% or more Board meetings: €5,000</td></tr>
<tr><td>Multi-year variable compensation</td><td>None</td><td>-</td></tr>
<tr><td>Stock options</td><td>None</td><td>-</td></tr>
<tr><td>Free share awards</td><td>None</td><td>-</td></tr>
<tr><td>Exceptional compensation</td><td>None</td><td>-</td></tr>
<tr><td>Compensation, allowances or benefits that are or may become due as a result of taking up office</td><td>None</td><td>-</td></tr>
<tr><td>Components of compensation, allowances or benefits that are or may become due by reason of or subsequent to the assumption or cessation of duties or a change in duties, or defined benefit pension liabilities that meet the characteristics of the schemes referred to in Article L.137-11 of the French Social Security Code</td><td>None</td><td>-</td></tr>
<tr><td>Benefits in kind</td><td>None</td><td>-</td></tr>
</table>

* Attendance rates are set out in section 21.6.2.

<table>
<tr><th colspan="3">Michel Guillemot, Deputy CEO (Resolution 7)</th></tr>
<tr><th>Components of compensation</th><th>Amount (€)</th><th>Comments</th></tr>
<tr><td>Gross annual fixed compensation</td><td>18,360</td><td>Compensation set by the Board of Directors on May 24, 2018 and unchanged since 2012</td></tr>
<tr><td>Annual variable compensation</td><td>4,773.60</td><td>Target: 20% of fixed compensation (and, if performance targets are exceeded, up to a maximum of 40% of fixed compensation). This annual bonus is based on the following internal quantitative criteria:
<table>
<tr><th>Quantitative criteria</th><th>% of variable</th><th>Target</th><th>Maximum</th></tr>
<tr><td>Growth in consolidated turnover</td><td>35%</td><td>5%</td><td>10%</td></tr>
<tr><td>Ratio of consolidated net income from ordinary activities to consolidated turnover</td><td>65%</td><td>3%</td><td>5%</td></tr>
</table></td></tr>
<tr><td>Directors' fees*</td><td>15,000</td><td>Breakdown agreed by the Board of Directors on August 26, 2011 and unchanged since:
• fixed component of €10,000 paid half in January (in respect of the period January-June) and half in July (in respect of the period July-December); and
• variable component in proportion to directors' attendance at meetings of the Board of Directors held between December 1 and December 31 of the year in question, paid during the first three months of the following year:
- directors attending 50% or fewer Board meetings: no payment
- directors attending between 50% and 75% of Board meetings: €2,000
- directors attending 75% or more Board meetings: €5,000</td></tr>
<tr><td>Multi-year variable compensation</td><td>None</td><td>-</td></tr>
<tr><td>Stock options</td><td>None</td><td>-</td></tr>
<tr><td>Free share awards</td><td>None</td><td>-</td></tr>
<tr><td>Exceptional compensation</td><td>None</td><td>-</td></tr>
<tr><td>Compensation, allowances or benefits that are or may become due as a result of taking up office</td><td>None</td><td>-</td></tr>
<tr><td>Components of compensation, allowances or benefits that are or may become due by reason of or subsequent to the assumption or cessation of duties or a change in duties, or defined benefit pension liabilities that meet the characteristics of the schemes referred to in Article L.137-11 of the French Social Security Code</td><td>None</td><td>-</td></tr>
<tr><td>Benefits in kind</td><td>None</td><td>-</td></tr>
</table>

* Attendance rates are set out in section 21.6.2.

<table>
<tr><th colspan="3">Yves Guillemot, Deputy CEO (Resolution 8)</th></tr>
<tr><th>Components of compensation</th><th>Amount (€)</th><th>Comments</th></tr>
<tr><td>Gross annual fixed compensation</td><td>18,360</td><td>Compensation set by the Board of Directors on May 24, 2018 and unchanged since 2012</td></tr>
<tr><td>Annual variable compensation</td><td>4,773.60</td><td>Target: 20% of fixed compensation (and, if performance targets are exceeded, up to a maximum of 40% of fixed compensation). This annual bonus is based on the following internal quantitative criteria:
<table>
<tr><th>Quantitative criteria</th><th>% of variable</th><th>Target</th><th>Maximum</th></tr>
<tr><td>Growth in consolidated turnover</td><td>35%</td><td>5%</td><td>10%</td></tr>
<tr><td>Ratio of consolidated net income from ordinary activities to consolidated turnover</td><td>65%</td><td>3%</td><td>5%</td></tr>
</table></td></tr>
<tr><td>Directors' fees</td><td>None</td><td>Yves Guillemot is not a member of the Board of Directors.</td></tr>
<tr><td>Multi-year variable compensation</td><td>None</td><td>-</td></tr>
<tr><td>Stock options</td><td>None</td><td>-</td></tr>
<tr><td>Free share awards</td><td>None</td><td>-</td></tr>
<tr><td>Exceptional compensation</td><td>None</td><td>-</td></tr>
<tr><td>Compensation, allowances or benefits that are or may become due as a result of taking up office</td><td>None</td><td>-</td></tr>
<tr><td>Components of compensation, allowances or benefits that are or may become due by reason of or subsequent to the assumption or cessation of duties or a change in duties, or defined benefit pension liabilities that meet the characteristics of the schemes referred to in Article L.137-11 of the French Social Security Code</td><td>None</td><td>-</td></tr>
<tr><td>Benefits in kind</td><td>None</td><td>-</td></tr>
</table>

<table>
<tr><th colspan="3">Gérard Guillemot, Deputy CEO (Resolution 9)</th></tr>
<tr><th>Components of compensation</th><th>Amount (€)</th><th>Comments</th></tr>
<tr><td>Gross annual fixed compensation</td><td>18,360</td><td>Compensation set by the Board of Directors on May 24, 2018 and unchanged since 2012</td></tr>
<tr><td>Annual variable compensation</td><td>4,773.60</td><td>Target: 20% of fixed compensation (and, if performance targets are exceeded, up to a maximum of 40% of fixed compensation). This annual bonus is based on the following internal quantitative criteria:
<table>
<tr><th>Quantitative criteria</th><th>% of variable</th><th>Target</th><th>Maximum</th></tr>
<tr><td>Growth in consolidated turnover</td><td>35%</td><td>5%</td><td>10%</td></tr>
<tr><td>Ratio of consolidated net income from ordinary activities to consolidated turnover</td><td>65%</td><td>3%</td><td>5%</td></tr>
</table></td></tr>
<tr><td>Directors' fees*</td><td>12,000</td><td>Breakdown agreed by the Board of Directors on August 26, 2011 and unchanged since:
• fixed component of €10,000 paid half in January (in respect of the period January-June) and half in July (in respect of the period July-December); and
• variable component in proportion to directors' attendance at meetings of the Board of Directors held between December 1 and December 31 of the year in question, paid during the first three months of the following year:
- directors attending 50% or fewer Board meetings: no payment
- directors attending between 50% and 75% of Board meetings: €2,000
- directors attending 75% or more Board meetings: €5,000</td></tr>
<tr><td>Multi-year variable compensation</td><td>None</td><td>-</td></tr>
<tr><td>Stock options</td><td>None</td><td>-</td></tr>
<tr><td>Free share awards</td><td>None</td><td>-</td></tr>
<tr><td>Exceptional compensation</td><td>None</td><td>-</td></tr>
<tr><td>Compensation, allowances or benefits that are or may become due as a result of taking up office</td><td>None</td><td>-</td></tr>
<tr><td>Components of compensation, allowances or benefits that are or may become due by reason of or subsequent to the assumption or cessation of duties or a change in duties, or defined benefit pension liabilities that meet the characteristics of the schemes referred to in Article L.137-11 of the French Social Security Code</td><td>None</td><td>-</td></tr>
<tr><td>Benefits in kind</td><td>None</td><td>-</td></tr>
</table>

* Attendance rates are set out in section 21.6.2.

<table>
<tr><th colspan="3">Christian Guillemot, Deputy CEO (Resolution 10)</th></tr>
<tr><th>Components of compensation</th><th>Amount (€)</th><th>Comments</th></tr>
<tr><td>Gross annual fixed compensation</td><td>18,360</td><td>Compensation set by the Board of Directors on May 24, 2018 and unchanged since 2012</td></tr>
<tr><td>Annual variable compensation</td><td>4,773.60</td><td>Target: 20% of fixed compensation (and, if performance targets are exceeded, up to a maximum of 40% of fixed compensation). This annual bonus is based on the following internal quantitative criteria:
<table><tr><th>Quantitative criteria</th><th>% of variable</th><th>Target</th><th>Maximum</th></tr><tr><td>Growth in consolidated turnover</td><td>35%</td><td>5%</td><td>10%</td></tr><tr><td>Ratio of consolidated net income from ordinary activities to consolidated turnover</td><td>65%</td><td>3%</td><td>5%</td></tr></table></td></tr>
<tr><td>Directors' fees*</td><td>15,000</td><td>Breakdown agreed by the Board of Directors on August 26, 2011 and unchanged since:
• fixed component of €10,000 paid half in January (in respect of the period January-June) and half in July (in respect of the period July-December); and
• variable component in proportion to directors' attendance at meetings of the Board of Directors held between December 1 and December 31 of the year in question, paid during the first three months of the following year:
- directors attending 50% or fewer Board meetings: no payment
- directors attending between 50% and 75% of Board meetings: €2,000
- directors attending 75% or more Board meetings: €5,000</td></tr>
<tr><td>Multi-year variable compensation</td><td>None</td><td>-</td></tr>
<tr><td>Stock options</td><td>None</td><td>-</td></tr>
<tr><td>Free share awards</td><td>None</td><td>-</td></tr>
<tr><td>Exceptional compensation</td><td>None</td><td>-</td></tr>
<tr><td>Compensation, allowances or benefits that are or may become due as a result of taking up office</td><td>None</td><td>-</td></tr>
<tr><td>Components of compensation, allowances or benefits that are or may become due by reason of or subsequent to the assumption or cessation of duties or a change in duties, or defined benefit pension liabilities that meet the characteristics of the schemes referred to in Article L.137-11 of the French Social Security Code</td><td>None</td><td>-</td></tr>
<tr><td>Benefits in kind</td><td>None</td><td>-</td></tr>
</table>

* Attendance rates are set out in section 21.6.2.

21.4 Agreements covered by Article L.225-37-4 of the French Commercial Code

No agreements covered by the second paragraph of Article L.225-37-4 of the French Commercial Code were in force in the year ended December 31, 2018.

21.5 Powers in force in respect of increases in the share capital

The following table summarizes authorities and powers in force in respect of increases in the share capital, granted to the Board of Directors by the shareholders of Guillemot Corporation S.A. pursuant to Articles L.225-129-1 and L.225-129-2 of the French Commercial Code.

Date power granted	Purpose of power	Maximum amount (1)	Duration of power	Use during fiscal year ended Dec 31, 2017
May 24, 2017	1 - Power granted to the Board of Directors to issue ordinary shares, equity securities giving access to other equity securities or to the allotment of debt instruments, or securities giving access to equity securities yet to be issued, with pre-emptive subscription rights	Maximum nominal amount of increases in the share capital that may be undertaken: €8 million Maximum nominal amount of debt instruments giving access to equity securities that may be issued: €15 million	26 months, i.e. until Jul 23, 2019	None
May 24, 2017	2 - Power granted to the Board of Directors to issue ordinary shares, equity securities giving access to other equity securities or to the allotment of debt instruments, or securities giving access to equity securities yet to be issued, without pre-emptive subscription rights, through one or more public offerings	Maximum nominal amount of increases in the share capital that may be undertaken: €8 million Maximum nominal amount of debt instruments giving access to equity securities that may be issued: €15 million	26 months, i.e. until Jul 23, 2019	None
May 24, 2017	3 - Power granted to the Board of Directors to issue ordinary shares, equity securities giving access to other equity securities or to the allotment of debt instruments, or securities giving access to equity securities yet to be issued, without pre-emptive subscription rights, through one or more offerings referred to in the second paragraph of Article L.411-2 of the French Monetary and Financial Code	Maximum nominal amount of increases in the share capital that may be undertaken: €8 million Maximum nominal amount of debt instruments giving access to equity securities that may be issued: €15 million	26 months, i.e. until Jul 23, 2019	None
May 24, 2017	4 - Authorization granted to the Board of Directors to establish, for up to a maximum of 10% of the share capital each year, the issue price of equity securities to be issued through one or more public offerings referred to in the second paragraph of Article L.411-2 of the French Monetary and Financial Code	Up to 10% of the share capital each year	26 months, i.e. until Jul 23, 2019	None
May 24, 2017	5 - Authorization granted to the Board of Directors to increase the amount of any issues that might be agreed by the Board of Directors (under powers 1, 2 and 3 above) in the event that they are oversubscribed	In compliance with the provisions of Article R.225-118 of the French Commercial Code (i.e. up to 15% of the initial issue)	26 months, i.e. until Jul 23, 2019	None
May 24, 2017	6 - Power granted to the Board of Directors to increase the share capital as consideration for contributions in kind granted to the company and consisting of equity securities or securities giving access to equity	Up to 10% of the company's share capital	26 months, i.e. until Jul 23, 2019	None
May 24, 2017	7 - Power granted to the Board of Directors to carry out increases in the share capital reserved for the members of a company or group savings plan	Up to 2% of the company's share capital	26 months, i.e. until Jul 23, 2019	None

Date power granted	Purpose of power	Maximum amount (1)	Duration of power	Use during fiscal year ended Dec 31, 2017
May 26, 2016	8 - Authorization granted to the Board of Directors to issue bonus shares to employees and/or executive directors of the company and/or affiliated companies	Maximum percentage of the share capital that may be allotted: 2%	38 months, i.e. until Jul 25, 2019	None
May 24, 2018	9 - Authorization granted to the Board of Directors to award stock options to employees and/or executive directors of the company and/or affiliated companies	Up to a total nominal amount of €800,000	38 months, i.e. until Jul 23, 2021	None

(1) At the general meeting of May 24, 2017, the shareholders voted to limit any increases in the share capital that might be carried out under the powers and authorities set out in the above table to a maximum total nominal amount of €8 million.

21.6 Preparation and organization of the Board's work

21.6.1 Role and operation of the Board of Directors

The Board of Directors determines the company's strategic direction and ensures that it is implemented. It exercises its powers within the confines of the corporate purpose and subject to those powers expressly attributed by law to the shareholders.

The Chairman of the Board of Directors organizes and oversees the work of the Board, reports on it to the shareholders and implements decisions made at shareholders' general meetings. He represents the Board of Directors in its dealings with third parties. He oversees the smooth running of the company's bodies and ensures that the directors are able to perform their duties.

At its meeting of October 31, 2007, the Board of Directors approved draft Board rules of procedure proposed by the Chairman. These rules were subsequently amended by the Board at its meetings of March 12, 2010, August 26, 2011, October 26, 2016 and January 24, 2018.

These rules include sections on the following: role, composition and operation of the Board of Directors; information provided to Board members; members' duties (multiple directorships, training, confidentiality, loyalty, non-compete commitments, trading in shares, etc.); conflicts of interest; committees; rules for determining Board members' compensation; arrangements for protecting corporate officers; and CEO and key persons' succession plan.

The Board's rules of procedure are available from the company's website (www.guillemot.com), in the "Other documents and information" section, accessed by clicking on "Financial information" and then "This year".

In October 2018, the directors were asked to give their opinion on the operation of the Board and the preparation of its work in 2018. The directors were given the opportunity to express their opinions through a questionnaire mainly covering the composition and operation of the Board, frequency of Board meetings, subjects covered, quality of debate, provision of information to directors, and balance between supervisory and executive power. The outcome was a positive assessment of the Board's ability to perform its duties.

21.6.2 Board meetings

The Board meets as often as the company's interests require.

Board meetings are held either at the company's headquarters or at any other place stated in the notice of meeting. For the purposes of calculating quorum and majority, directors participating in Board meetings via videoconferencing or other means of telecommunication are deemed to be in attendance, where authorized by law.

The Board of Directors met nine times during the year ended December 31, 2018.

Attendance rates at Board meetings were as follows:

	Director						
	Claude Guillemot	Michel Guillemot	Gérard Guillemot	Christian Guillemot	Marie-Hélène Lair	Maryvonne Le Roch-Nocera	Corinne Leroy
Number of meetings	9/9	8/9	5/9	9/9	9/9	5/9	5/9
Individual attendance rate	100%	88%	55%	100%	100%	55%	55%
Average attendance rate	79%						

The Board's deliberations covered the following:

- presentation of consolidated annual turnover
- acknowledgement of the number of shares issued during the fiscal year ended December 31, 2017 following the exercise of stock options and recognition of the corresponding increase in the share capital
- reassignment of treasury shares from "external growth" to "retirement"
- reduction in the share capital by retiring treasury shares
- corresponding amendments to the Articles of Incorporation
- amendments to the Board of Directors' rules of procedure
- executive compensation policy
- review of key issues relating to signing off the financial statements for the fiscal year ended December 31, 2017
- presentation by the statutory auditors of their additional report to the audit committee
- sign-off of the consolidated and parent company financial statements for the fiscal year ended December 31, 2017
- proposed appropriation of parent company earnings for the fiscal year ended December 31, 2017
- acknowledgement of the number of shares issued during the period from January 1 to February 18, 2018 following the exercise of stock options and recognition of the corresponding increase in the share capital
- review of regulated agreements entered into and authorized in prior years and which remained in force during the fiscal year ended December 31, 2017
- preparation and convening of the annual general meeting
- presentation of consolidated quarterly turnover
- approval of projected management accounts as referred to in Article L.232-2 of the French Commercial Code and preparation of reports on those accounts
- guarantee to be given to UK subsidiary Guillemot Limited
- letter of support in favor of UK subsidiary Guillemot Limited
- review of planned increase in the share capital of French subsidiary Guillemot Innovation Labs SAS
- reappointment of the Chairman and Chief Executive Officer
- reappointment of the Deputy Chief Executive Officers
- implementation of the share buyback program
- repayment of shareholders' advances written off with a clawback provision
- review and approval of the summary interim consolidated financial statements for the period from January 1 to June 30, 2018
- debate on the company's policy on gender equality and equal pay
- self-assessment of the operation of the Board of Directors and the preparation of its work
- diversity policy applied to members of the Board of Directors

The directors may, if they so wish, hold discussions in the absence of the Chairman and Chief Executive Officer after each Board meeting.

21.6.3 Convening Board meetings

Article 10 of the Articles of Incorporation stipulates that Board meetings may be convened by any means, including orally. During the fiscal year ended December 31, 2018, all Board meetings were convened by e-mail.

21.6.4 Provision of information to the directors

All documents and information needed by the directors to perform their duties were provided or made available to them before the relevant meeting, or were handed to them during the meeting in question.

21.6.5 Specialized committees

To date, no committees have been formed by the Board of Directors, the majority of whose members do not consider it necessary to form any committees for the time being.

At its meeting of July 16, 2009, the Board of Directors decided, under the exemption provided for in the fourth paragraph of Article L.823-20 of the French Commercial Code, that it would itself perform the duties of the committee tasked with monitoring matters relating to the preparation and oversight of accounting and financial information (i.e. audit committee), since, at that date, the Board consisted solely of members serving in an executive capacity and did not have any independent members.

In November 2011 and May 2014, two new directors were appointed, both of whom have particular expertise in finance or accounting and are independent within the meaning of the Middlenext corporate governance code.

Without prejudice to the competence of the Board of Directors, the audit committee has particular responsibility for the following:

- Monitoring the process of producing financial reporting and, where applicable, drawing up recommendations to ensure the integrity thereof.
- Monitoring the effectiveness of internal control and risk management systems, as well as, where applicable, internal audit, as regards procedures for preparing and processing accounting and financial information, without impinging on the independence of such information.
- Issuing recommendations on statutory auditors proposed for appointment to the shareholders. Such recommendations are made in accordance with regulations; the committee also makes a recommendation to the Board whenever regulations call for one or more new statutory auditors to be appointed.
- Monitoring performance of the statutory auditors' duties and taking into account any observations and findings of the Haut conseil du commissariat aux comptes (France's supervisory authority for auditors) subsequent to audits carried out in accordance with regulations.
- Ensuring that the statutory auditors meet the independence criteria laid down in regulations.
- Approving the provision of services other than certification of the financial statements, in compliance with applicable regulations.

The Board of Directors meeting as an audit committee is convened in accordance with the same rules as the Board of Directors.

In fiscal year 2018, independent director Marie-Hélène Lair chaired the meeting of the Board of Directors when it met as an audit committee. Claude Guillemot, Chairman and Chief Executive Officer, attended this meeting with the aim of promoting and fostering immediate and direct discussion.

During the year ended December 31, 2018, when the financial statements for the fiscal year ended December 31, 2017 were certified, the audit committee received the statutory auditors' annual declaration of independence.

In 2018, PricewaterhouseCoopers Audit SAS, the standing Statutory Auditor, carried out an engagement other than certifying the financial statements. This engagement consisted of providing services in connection with workforce-related, environmental and social information (as per the duties of the independent third party body laid down in Articles L.225-102-1 and R.225-105-2 of the French Commercial Code). The value of these services totaled €8,000 excluding taxes. This engagement had been approved by the Board of Directors when it met as an audit committee on October 25, 2017.

No statutory auditors were appointed or reappointed during the fiscal year ended December 31, 2018.

Before the financial statements for the fiscal year ended December 31, 2018 were signed off, the statutory auditors presented their draft report to the Board meeting as an audit committee, thus facilitating direct dialogue between the statutory auditors and the audit committee.

21.6.6 Meeting minutes

Minutes of Board meetings are drawn up following each meeting.

21.7 Shareholder relations

To date, no major shareholder in the company has expressed a desire to meet with the Chairman and Chief Executive Officer outside of a shareholders' general meeting; as such, the Chairman and Chief Executive Officer held no discussion sessions with major shareholders in 2018. It should be noted that the company's known major shareholders are also its executive directors (namely Claude, Michel, Yves, Gérard and Christian Guillemot) and that, at December 31, 2018, they together directly and indirectly held 72.72% of the share capital and 84.27% of voting rights exercisable at shareholders' general meetings.

21.8 Shareholders' participation in shareholders' general meetings

The terms under which shareholders may participate in shareholders' general meetings are set out in Article 14 of the Articles of Incorporation, excerpts from which are set out below:

"Shareholders' general meetings include all shareholders of Guillemot Corporation other than the company itself. They are convened and held under the conditions laid down in applicable legislation and regulations."
"All shareholders have the right, upon proving their identity, to participate in shareholders' general meetings, whether by attending them in person, submitting a completed postal ballot form or appointing a proxy.
The right to participate in shareholders' general meetings is justified by registering securities in the name of the shareholder or the intermediary registered on the shareholder's behalf pursuant to Article L.228-1 of the French Commercial Code, at midnight Paris time two business days prior to the meeting, either in registered securities accounts maintained by the company or in the register of bearer securities maintained by an authorized intermediary. For bearer securities, registration of securities in the register of bearer securities maintained by the authorized intermediary is evidenced by a shareholding certification issued by the latter."

A shareholder may be represented at a shareholders' general meeting by another shareholder, his/her spouse, his/her civil partner or any other natural or legal person of his/her choice (Article L.225-106 of the French Commercial Code).

21.9 Factors liable to have an impact on any public tender offer price (Article L.225-37-5 of the French Commercial Code)

21.9.1 Capital structure – direct and indirect holdings of the company's capital

This information is set out in section 12.1 of the Management Report.

21.9.2 Voting rights exercised and transfers of shares

The company's Articles of Incorporation place no restrictions on the exercise of voting rights attached to the company's shares and the company is not aware of any agreement entered into between shareholders placing restrictions on the exercise of voting rights attached to such shares.

The company's Articles of Incorporation place no restrictions on transfers of the company's shares and the company is not aware of any agreement entered into between shareholders placing restrictions on transfers of such shares.

Furthermore, the company is not aware of any agreements providing for the disposal or acquisition of shares at preferential terms.

21.9.3 Holders of shares with special control rights

There are no shares with special control rights.

21.9.4 Control mechanisms forming part of any employee share ownership scheme

Since the company has no employee share ownership scheme, no such control mechanisms are currently in place.

21.9.5 Rules on appointing and replacing members of the Board of Directors

The company's Articles of Incorporation include no specific rules on the appointment or replacement of members of the Board of Directors. Consequently, the rules that apply in this area are those laid down in legislation.

21.9.6 Rules on amending the Articles of Incorporation

The company's Articles of Incorporation may only be amended by vote at an extraordinary general meeting. However, the shareholders may, in certain cases, delegate authority or powers to the Board of Directors in accordance with legislation and regulations.

21.9.7 Powers of the Board of Directors, particularly as regards the issuance or buyback of shares

Powers and authorities delegated to the Board of Directors in respect of increases in the share capital are set out in section 21.5 of this report.

The Board of Directors was also authorized at the shareholders' general meeting of May 24, 2018 to undertake share buybacks.

The characteristics of the share buyback program, together with information on share buybacks undertaken during the fiscal year ended December 31, 2018, are set out in section 12.1.5.1 of the Management Report.

21.9.8 Agreements providing for allowances for members of the Board of Directors or employees

There are no agreements in place providing for allowances for members of the Board of Directors or employees, if they resign or are dismissed without real and serious cause or if their employment is terminated due to a public offer for the company's shares.

Rennes, March 27, 2019

The Board of Directors

➢ CONSOLIDATED FINANCIAL STATEMENTS TO DECEMBER 31, 2018

All figures are in thousands of euros (€k).

1 CONSOLIDATED BALANCE SHEET

ASSETS (€k)	**Notes**	**Dec 31, 2018**	**Dec 31, 2017**
Goodwill on acquisitions	5.7.1	0	0
Intangible assets	5.7.2	11,115	10,649
Property, plant and equipment	5.7.3	2,607	2,318
Financial assets	5.7.4	393	416
Tax assets	5.7.9	674	544
Deferred tax assets	5.7.15	873	0
Non-current assets		**15,662**	**13,927**
Inventories	5.7.5	24,925	8,367
Trade receivables	5.7.6	23,779	23,913
Other receivables	5.7.7	1,442	1,348
Financial assets	5.7.4	31,284	28,470
Current tax assets	5.7.9	0	0
Cash and cash equivalents	5.7.8	4,010	10,294
Current assets		**85,440**	**72,392**
Total assets		**101,102**	**86,319**

LIABILITIES AND EQUITY (€k)	**Notes**	**Dec 31, 2018**	**Dec 31, 2017**
Capital (1)		11,771	11,554
Premiums (1)		10,551	10,472
Reserves and consolidated income (2)		35,887	23,162
Currency translation adjustments		56	281
Group shareholders' equity	5.7.10	58,265	45,469
Minority interests		0	0
Consolidated shareholders' equity		**58,265**	**45,469**
Employee benefit liabilities	5.7.12	998	904
Borrowings	5.7.13	2,532	5,703
Other liabilities	5.7.14	0	0
Deferred tax liabilities	5.7.15	0	2,588
Non-current liabilities		**3,530**	**9,195**
Trade payables		18,878	15,376
Short-term borrowings	5.7.13	9,337	4,861
Taxes payable		1,135	960
Other liabilities	5.7.14	9,921	9,455
Provisions	5.7.11	36	1,003
Current liabilities		**39,307**	**31,655**
Total liabilities and equity		**101,102**	**86,319**

(1) Of the consolidating parent company.
(2) Of which net income for the year of €12,151k.

The notes to the financial statements set out in section 5 form an integral part of the consolidated financial statements.

2 STATEMENT OF NET INCOME AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY

- Consolidated statement of profit or loss

(€k)	Notes	Dec 31, 2018	Dec 31, 2017
Net turnover	5.6	**81,222**	**80,448**
Purchases	5.8.1	-57,132	-41,571
External expenses	5.8.1	-15,729	-14,899
Employee expenses	5.8.1	-9,354	-8,254
Taxes and duties		-443	-358
Additions to amortization and depreciation	5.8.2	-3,126	-3,155
Additions to provisions	5.8.2	-1,573	-2,870
Change in inventories	5.8.3	18,713	-87
Other income from ordinary activities	5.8.4	250	398
Other expenses from ordinary activities	5.8.4	-5,937	-5,707
Net income from ordinary activities		**6,891**	**3,945**
Other operating income	5.8.5	0	3,000
Other operating expenses	5.8.5	0	-1,000
Net operating income		**6,891**	**5,945**
Income from cash and cash equivalents		23	7
Cost of gross financial debt		157	170
Cost of net financial debt	5.8.6	**-134**	**-163**
Other financial income	5.8.6	3,199	13,992
Other financial expenses	5.8.6	-1	0
Corporate income tax	5.8.7	2,196	-2,232
Net income before minority interests		**12,151**	**17,542**
O/w net income from discontinued operations	5.8.8	0	0
Attributable to minority interests		0	0
Net income attributable to equity holders of the parent		**12,151**	**17,542**
Basic earnings per share	5.8.9	0.80	1.19
Diluted earnings per share	5.8.9	0.80	1.15

- Statement of comprehensive income

(€k)	Dec 31, 2018	Dec 31, 2017
Net income attributable to equity holders of the parent	**12,151**	**17,542**
Recyclable items of other comprehensive income		
Currency translation adjustments	-225	-424
Revaluation of hedging derivatives	0	0
Revaluation of available-for-sale financial assets	0	0
Non-recyclable items of other comprehensive income		
Revaluation of fixed assets	0	0
Actuarial gains and losses on defined benefit plans	-93	15
Share of other comprehensive income of equity-accounted companies	0	0
Total other comprehensive income attributable to controlling interests	**-318**	**-409**
Net income and other comprehensive income attributable to controlling interests	11,833	17,133
Net income and other comprehensive income attributable to minority interests	0	0

The notes to the financial statements set out in section 5 form an integral part of the consolidated financial statements.

3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€k)	Notes	Capital	Premiums	Consolidated reserves	Net income for the period	Currency translation adjustments	Total shareholders' equity
Position at Jan 1, 2017		**11,554**	**10,472**	**2,575**	**3,059**	**705**	**28,365**
Comprehensive income to Dec 31, 2017	5.8				17,542	-424	17,118
Appropriated income at Dec 31, 2016				3,059	-3,059		0
Shares of the consolidating company	5.7.10			-175			-175
Gains and losses on treasury shares	5.7.10			139			139
Other	5.7.12			22			22
Position at Dec 31, 2017		**11,554**	**10,472**	**5,620**	**17,542**	**281**	**45,469**
Position at Jan 1, 2018		**11,554**	**10,472**	**5,620**	**17,542**	**281**	**45,469**
Comprehensive income to Dec 31, 2018	5.8				12,151	-225	11,926
Appropriated income at Dec 31, 2017				17,542	-17,542		0
Stock options	5.7.10	362	536				898
Reductions in share capital – treasury shares		-145	-457	602			0
Shares of the consolidating company	5.7.10			103			103
Gains and losses on treasury shares	5.7.10			-38			-38
Other	5.7.12			-93			-93
Position at Dec 31, 2018		**11,771**	**10,551**	**23,736**	**12,151**	**56**	**58,265**

The notes to the financial statements set out in section 5 form an integral part of the consolidated financial statements.

4 CONSOLIDATED STATEMENT OF CASH FLOWS

(€k)	Notes	Dec 31, 2018	Dec 31, 2017
Cash flows from operating activities			
Net income from consolidated companies		12,151	17,542
+ Additions to amortization, depreciation and provisions (except on current assets)	5.8.2	3,394	5,552
- Reversals of amortization, depreciation and provisions		-970	-3,460
-/+ Unrealized gains and losses arising from changes in fair value	5.8.6	-2,814	-13,467
+/- Expenses and income arising from stock options	5.7.10	0	0
-/+ Capital gains and losses on disposals	5.7.4	0	-2
Change in deferred taxes	5.8.7	-3,461	1,570
Operating cash flow after cost of net financial debt		**8,300**	**7,735**
Cost of net financial debt	5.8.6	134	163
Operating cash flow before cost of net financial debt		**8,434**	**7,898**
Currency translation adjustment on gross cash flow from operations		-19	-42
Inventories	5.7.5	-16,558	2,002
Trade receivables	5.7.6	134	-2,210
Trade payables		3,502	1,981
Other		1,220	189
Change in working capital requirement		**-11,702**	**1,962**
Net cash flows from operating activities		**-3,421**	**9,655**
Cash flows from investing activities			
Acquisitions of intangible assets	5.7.2	-2,191	-1,620
Acquisitions of property, plant and equipment	5.7.3	-1,284	-667
Disposals of property, plant and equipment and intangible assets	5.7.3	16	2
Acquisitions of non-current financial assets	5.7.4	-60	-2
Disposals of non-current financial assets	5.7.4	1	0
Net cash from acquisitions and disposals of subsidiaries		0	0
Net cash flows from investing activities		**-3,518**	**-2,287**
Cash flows from financing activities			
Increases in capital and cash injections	5.7.10	329	568
Dividends paid to minority shareholders		0	0
Borrowings	5.7.13	133	9,500
Repayment of shareholders' current accounts	5.7.14	-972	0
Repayment of borrowings	5.7.13	-4,822	-3,157
Other cash flows from financing activities		0	0
Total cash flows from financing activities		**-5,332**	**6,911**
Impact of currency translation adjustments		**-13**	**-47**
Change in cash		**-12,284**	**14,232**
Net cash at the beginning of the period	5.7.8 & 5.7.1	10,279	-3,953
Net cash at the end of the period	5.7.8 & 5.7.1	-2,005	10,279

The notes to the financial statements set out in section 5 form an integral part of the consolidated financial statements.

- **Statement of changes in liabilities arising from financing activities in the cash flow statement**

(€k)	c 31, 2017	Cash flows	Other			Dec 31, 2018
			Acquisitions	Changes in exchange rates	Changes in fair values	
Long-term borrowings	5,703	-3,171	0	0	0	2,532
Short-term borrowings	4,822	-1,651	133	0	0	3,304
Lease liabilities	0	0	0	0	0	0
Hedging assets	0	0	0	0	0	0
Total financing activities	**10,525**	**-4,822**	**133**	**0**	**0**	**5,836**

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 General information

The financial statements were signed off by the Board of Directors on March 27, 2019.

Guillemot Corporation designs and manufactures interactive entertainment hardware and accessories. The Group offers a diversified range of products under the Hercules and Thrustmaster brands. Active in this market since 1984, the Guillemot Corporation Group currently has a presence in 11 countries including France, Germany, the United Kingdom, the United States, Canada, Spain, the Netherlands, Italy, Belgium, China, Hong Kong and Romania and distributes its products in over 85 countries. The Group's mission is to offer high-performance, user-friendly products that maximize enjoyment for end users of digital interactive entertainment solutions.
The company is a publicly traded company (*société anonyme*) having its headquarters at Place du Granier, BP 97143, 35 571 Chantepie Cedex, France.

5.2 Significant events in the year

The Group delivered 1% growth in 2018, generating full-year turnover of €81.2 million, with operating profitability growing strongly in the full year in spite of a weaker fourth quarter.

Thrustmaster

Thrustmaster had a mixed year in 2018, with growth in product categories like headsets, joysticks and gamepads but a slowdown in racing wheels.

Joysticks: the Group enjoyed strong growth in this segment, thanks in particular to a number of new product launches, including the limited edition T.Flight HOTAS One and T.Flight HOTAS 4 joysticks licensed for flagship game Ace Combat™ 7: Skies Unknown, in partnership with Japanese software vendor BANDAI NAMCO®.

Thrustmaster further strengthened its leadership in the United States in this high-potential segment.

Gaming headsets: with the first gaming headset licensed by Ferrari, the T.Racing Scuderia Ferrari Edition, Thrustmaster broke significant new ground in this segment. At the same time, Thrustmaster strengthened its flight simulation ecosystem, launching its new high-end T.Flight US Air Force Edition headset, officially licensed by the US Army, with the Y-300CPX Six Collection Edition headset, officially licensed for Tom Clancy's Rainbow Six Siege, rounding out its US range.

Gamepads: with competitions and multi-platform games on the rise, this important category remains a priority for the Group. The Group introduced a "design thinking" process to help it come up with a new range of innovative gamepads.

Racing wheels: after strong growth in the early part of 2018 following the launch of Gran Turismo® Sport in October 2017, sales of racing wheels did not benefit from so many new games. This resulted in a sharp drop in restocking by retailers in the fourth quarter.

In 2018, the Group broadened its distribution of Thrustmaster products to cover over 100 countries, with sales in Asia picking up nicely.

Hercules

Incorporation of "design thinking" into Hercules' strategy was reflected in the successful launch of its new range of DJ controllers: Hercules DJControl Starlight, Hercules DJControl Inpulse 200, Hercules DJControl Inpulse 300 and the new version of its DJUCED® DJ software.

At the last Consumer Electronics Show (CES) in Las Vegas, the DJControl Inpulse 300 controller was awarded the CES Innovation Honoree Award 2019. At the same time, consumers and professionals alike demonstrated their interest in this brand new range at the latest NAMM Show, held in the United States at the end of January 2019.

Products come with built-in help, such as the Intelligent Music Assistant (IMA), which suggests tracks for the DJ's playlist, light guides to help users learn to beatmatch, and DJ Academy videos included in the software, making it very easy for beginners to learn to DJ and quickly put on a show.

5.3 Accounting standards

In accordance with Regulation (EC) 1606/2002 of July 19, 2002, the Guillemot Corporation Group presents its 2018 consolidated financial statements in compliance with IFRS as adopted in the European Union.

These international accounting standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) and their interpretations.

5.4 Key accounting policies

5.4.1 New IFRS and interpretations

The following IFRS texts must be applied for fiscal years beginning on or after January 1, 2018:

IFRS 15 and IFRS 9 entered into force on January 1, 2018. The nature and extent of their impact on the Group is set out below.

- IFRS 15: “Revenue from contracts with customers”

IFRS 15, “Revenue from contracts with customers”, replaces all previous standards and interpretations relating to revenue recognition. It introduces a single revenue recognition model for all types of transactions, with no distinction between sales of goods, services or construction contracts, as defined in IAS 11 and IAS 18.

IFRS 15 is based on the principle of “transfer of control” for recognizing revenue, rather than the previous principle of “transfer of risks and rewards”. It lays down more detailed and more prescriptive rules, notably concerning the identification of units of account for revenue recognition (the “performance obligation” concept), allocation of the price of a contract to these units of account (the “standalone selling price” concept), assessment of uncertainties affecting the final selling price (the “variable consideration” concept) and revenue recognition method (based on progress or completion).

The Group has analyzed its turnover on the basis of this new standard.

Sales agreements relating to the Group’s products usually include a single performance obligation: to sell interactive entertainment hardware and accessories. Turnover is recognized as and when the customer takes control of goods. Consequently, adoption of IFRS 15 has had no impact on the rate at which revenue is recognized.

Some sales agreements relating to the Group’s products include trade volume discounts or rebates that give rise to a variable consideration under IFRS 15. Given that, prior to adoption of IFRS 15, discounts were recognized as and when the corresponding products were sold, there has been no change in how revenue is recognized.

Estimates of product returns are based on analysis undertaken by the Group taking into account, in particular, the level of sales, the average time taken to return defective products and management judgment. A refund liability is recognized in “Other liabilities” and charged against income. IFRS 15 mainly affects only the presentation of revenue and purchase costs, with no impact on net income from ordinary activities; furthermore, its impact is limited to that portion of the additional refund liability that was recognized in provisions for liabilities and charges prior to implementation of IFRS 15 and which, under IFRS 15, is now recognized against revenue. The amount in question totaled €724k at December 31, 2018.

- IFRS 9, “Financial Instruments”

The Group adopted IRS 9 on January 1, 2018. This standard, which replaces IAS 39, “Financial instruments”, covers all three aspects of the recognition of financial instruments: classification and measurement; impairment; and hedge accounting. The impact on the Group of adopting IFRS 9 is non-material.

- Classification/measurement

IFRS 9 entails, for financial assets other than derivatives, a change of name for subcategories of financial assets, with no impact on asset valuation principles. An assessment of the characteristics of contractual cash flows from financial assets and of the business model for financial assets has shown that all financial assets continue to be recognized at amortized cost in accordance with IFRS 9. Furthermore, securities in the securities portfolio (Ubisoft shares) continue to be measured at fair value through profit or loss. Classification of financial liabilities remains unchanged under IFRS 9.

- Impairment of financial assets

Following implementation of IFRS 9, trade receivables are now impaired as and when recognized, based on an assessment of expected credit losses at maturity; conversely, IAS 39 was based on an "incurred losses" model (where impairment was only recognized once a credit event – late payment, significant deterioration in credit quality, etc. – had occurred). Under IFRS 9, impairment of financial assets measured at amortized cost must be considered earlier. Given the nature of the Group's receivables and its policy on insuring trade receivables, the impact of first-time adoption of the impairment aspect of IFRS 9 is nil.

- Financial instruments

Changes to hedge accounting introduced by IFRS 9 are intended to align methods used by companies to account for the risks they manage. The Group may enter into currency options to limit the risk of foreign exchange losses on expected future cash flows. Such hedges were not recognized under the hedge accounting rules set out in IAS 39, nor are they recognized under IFRS 9. As such, there is no transitional impact in this area.

- Other applicable texts

The following other texts must be applied for fiscal years beginning on or after January 1, 2018:

- IFRIC 22: Foreign currency transactions and advance consideration
- IAS 40 amendments: Transfers of investment property
- Clarification of IFRS 15
- IFRS 4 amendments
- IFRS 2 amendments: Classification and measurement of share based payment transactions
- IFRS improvement cycle 2014-2016 for IFRS 1 and IAS 28

These standards, amendments to existing standards, and interpretations have had no material impact on the Group's financial statements.

The Group has not applied the following standards and interpretations, implementation of which becomes mandatory only after December 31, 2018:

- IFRS 16: Leases
- Amendments to IFRS 9: Prepayment features with negative compensation
- IFRIC 23: Uncertainty over income tax treatments

The impact of implementing IFRS 16 on leases with effect from January 1, 2019 is currently being reviewed; however, it is expected to have little impact on the Group's financial statements, since the Group's principal leases relate to real estate and vehicles. The Group will recognize all its leases (excluding those with a term of less than 12 months and low-value assets) by recognizing an asset representing the right to use the leased asset throughout the lease term and a corresponding liability in respect of the obligation to make rental payments. Off balance sheet commitments in relation to such properties and vehicles totaled €1,103k at December 31, 2018, giving a good indication of the estimated amount of assets and liabilities to be recognized under IFRS 16.

5.4.2 Consolidation principles

Companies directly or indirectly controlled by Guillemot Corporation Group, within the meaning of IFRS 10 – i.e. companies where the Group has the power to direct financial and operational policy so as to derive a benefit from their activities – are fully consolidated. All consolidated companies prepare their individual financial statements as at December 31.

Subsidiaries' accounting policies are aligned with those used by the Group. Companies over which the Group does not exert a significant influence are not consolidated. The Guillemot Corporation Group exercises neither joint control nor significant influence over its other equity investments. The results of consolidated companies are consolidated with effect from the date on which a controlling interest was acquired or the date on which the company in question was formed. Intragroup transactions are eliminated for all Group companies in accordance with the applicable consolidation rules. All material transactions between consolidated companies, as well as unrealized internal gains and losses included in the non-current assets and inventories of non-consolidated companies, are eliminated.

5.4.3 Intangible assets

Brands

Brands acquired by the Group are considered as having an indefinite life; as such, they are not amortized. Their useful life is reassessed annually and they are tested for impairment at the level of the cash-generating unit to which the intangible asset belongs. An impairment test is also carried out whenever there is an indicator of impairment. In the absence of a deep market for the brands in the Group's industry sector, the fair value method is not applied when measuring brands owned by the Group. The going concern value is the present value of future cash flows expected from an asset – i.e. from its continuing use and removal at the end of its useful life. This is the method used to measure the Group's brands.

Goodwill on acquisitions

Whenever the Group acquires a controlling interest in a new company, the assets, liabilities and contingent liabilities of the acquired subsidiary are recognized in the consolidated balance sheet at their fair value at that date. The positive difference between the purchase cost of the interest and the Group's acquired share of the net fair value of identifiable net assets is recognized under "Goodwill on acquisitions". Subsequent to initial recognition, goodwill on acquisitions is measured at cost less accumulated impairment. Goodwill on acquisitions is tested for impairment annually. Impairment losses cannot be reversed. For the purposes of impairment testing, goodwill on acquisitions is allocated to each of the Group's cash-generating units that is likely to benefit from the associated synergies.

Assets acquired by the Group recognized as goodwill, and in particular intangibles (customers, market share, expertise, etc.) that enable the company to conduct its business and pursue its development, but which do not meet the identification criteria required to present them separately in the balance sheet, are also treated as goodwill on acquisitions.

Research and development costs
Research costs are expensed as incurred.

Development costs are capitalized whenever the relevant conditions are met:

- the technical feasibility of completing the intangible asset before it can be used or sold is proven;
- the company intends to complete the intangible asset and use or sell it;
- the company is able to use or sell the intangible asset;
- the asset is likely to generate future economic benefits;
- the technical, financial and other resources required to complete the project are or will be available;
- expenses related to the asset can be reliably measured during the development phase.

Development costs are amortized over the useful life of the asset in question; the amortization period may not in any event exceed five years.

Office software applications
Office software applications are amortized over their real useful life, which is generally between three and five years.

Licenses
Licenses relate to distribution and reproduction rights acquired from third parties. The signature of license agreements may give rise to the payment of guaranteed amounts. Such amounts are recognized in the "Licenses" item under intangible assets provided they fall within the definition of an asset (identifiable, controlled and promising future economic benefits), and are amortized on a straight-line basis in line with the duration of the corresponding agreement.

5.4.4 Property, plant and equipment

Property, plant and equipment are shown in the balance sheet at their acquisition cost or transfer value.

Depreciation is calculated by applying uniform rates across the Group determined on the basis of each asset's expected useful life with reference to the following methods and utilization periods:

Buildings:	20 years (straight line)
Fixtures and fittings:	10 years (straight line)

Plant:	Between 1 and 10 years (straight line)
Transportation equipment	4 or 5 years (straight line)
Office and IT equipment:	Between 3 and 5 years (straight line)
Furniture:	5 to 10 years (straight line)

Assets' residual values and useful lives are reviewed at each balance sheet date and adjusted where applicable. Subsequent costs are included in an asset's carrying amount or, if applicable, recognized as a separate asset if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

5.4.5 Impairment of non-financial assets

Assets with an indefinite useful life are not amortized or depreciated and are tested for impairment annually. Amortized or depreciated assets are tested for impairment when, as a result of specific events or circumstances that constitute an indicator of impairment, the recoverability of their carrying amount is called into question. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of its fair value less disposal costs and its going concern value.

Fair value is the value that could be obtained by selling an asset in an arm's length transaction between informed and consenting parties, less costs to sell. The going concern value is the present value of future cash flows expected from an asset – i.e. from its continuing use and removal at the end of its useful life.

For the purposes of assessing impairment, assets are combined into cash-generating units, which represent the smallest identifiable group of assets whose continuing use generates cash inflows which are largely independent of those generated by other assets or groups of assets. Non-financial assets (other than goodwill) that have been impaired are reviewed at each annual or interim balance sheet date to determine whether the impairment may be reversed.

Brands and goodwill held in France are allocated to the Hercules and Thrustmaster cash-generating units, which constitute the segments used for segment information.

5.4.6 Leases

Leases that transfer substantially all of the risks and rewards inherent in the ownership of an asset are considered finance leases.

They are recognized in assets at cost and amortized using a method described above. An obligation in the same amount is recorded in liabilities.

There were no finance leases in force at December 31, 2018.

Leases where the lessor retains substantially all the risks and rewards inherent in ownership of the asset are classed as operating leases. Payments under operating leases (net of any incentives granted by the lessor) are expensed in the income statement on a straight line basis over the term of the lease.

5.4.7 Financial assets

The IFRS framework now defines three categories of financial assets: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income (OCI) and financial assets at amortized cost.

Treasury shares at the balance sheet date are deducted from Group shareholders' equity at their purchase cost. This represented a value of €199k at December 31, 2018 (using the FIFO method).

The fair value of financial assets is the last daily price in the last month of the period for listed securities, and the probable trading value for unlisted securities. Where net book value is lower than purchase cost and there is an objective indicator of impairment, an impairment loss is set aside.

To limit the Group's foreign exchange risk, Guillemot Corporation may hedge against currency fluctuations by buying currency futures and options. Since such transactions do not meet the criteria for hedge accounting, they are recognized as trading instruments. These derivatives are recognized in the balance sheet under current financial assets or liabilities at their fair value at the transaction date. Any gain or loss resulting from revaluation at fair value is immediately recognized in net financial income.

5.4.8 Current tax assets

Current and non-current income tax assets are shown separately in the balance sheet.

5.4.9 Inventories and work in progress

Inventories and work in progress for all Group companies are measured on the basis of their cost of supply, after eliminating internal margins. They are measured using the FIFO (first in, first out) method.

Borrowing costs are always excluded from inventory valuations. An impairment loss is recognized whenever the value of inventory is greater than its probable realizable value less costs to sell. Impairment tests are carried out annually and probable realizable value is calculated on the basis of observed and expected sales performance and market prices.

5.4.10 Advances and progress payments

This item, recognized in other receivables, consists of progress payments paid to suppliers.

5.4.11 Trade receivables

Trade receivables are initially measured at their transaction price, in accordance with IFRS 15. Impairment losses are recognized as necessary based on the expected recoverability of receivables at the balance sheet date. An impairment loss is recognized whenever there is an objective indicator that the Group will be unable to recover the full amount due under the conditions initially foreseen at the time of the transaction. Indicators of impairment include significant financial difficulties experienced by the debtor, the likelihood of the debtor's collapse or financial restructuring, and payment default. Furthermore, implementation of IFRS 9 may lead to the recognition of expected credit losses on receivables from the point at which the receivables in question are recognized.

5.4.12 Other receivables

Other receivables mainly consist of VAT receivables.

5.4.13 Deferred taxes

Deferred taxes, which reflect timing differences between the carrying amounts of assets and liabilities after consolidation adjustments and their tax bases, are recognized using the liability method. Deferred taxes are recognized in the income statement and the balance sheet to reflect current deficits as soon as it becomes likely that they will be applied to future taxable profits within reasonable recovery timescales. Under the liability method, the effect of any changes in the taxation rate on previously recognized deferred taxes is recognized in the year in which those changes become apparent, either in the income statement or in other comprehensive income, using the same method initially used to recognize the corresponding deferred taxes. Deferred tax assets are recognized up to the amount of deferred tax liabilities, taking into account tax rules in force covering, in particular, limits on the use of tax loss carryforwards. They are offset if the taxable entity has a legally enforceable right to offset current tax assets and liabilities and those deferred tax assets and liabilities relate to income taxes levied by the same tax authority.

Deferred taxes are measured using the taxation rate expected to apply over the period during which the asset is realized or the liability is settled, based on taxation rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

5.4.14 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand and certificates of deposit (highly liquid investments with maturities of less than three months, which carry no material risk of impairment).

5.4.15 Foreign currency transactions and translation adjustments

Transactions in foreign currency are translated into euros using the exchange rate prevailing at the transaction date or, where applicable, the relevant hedging rate. Unhedged foreign currency assets and liabilities are translated into euros at the closing exchange rate. Translation gains and losses are incorporated into consolidated net income in the period to which they relate.

All Group subsidiaries conduct business in their local currency. Foreign currency financial statements of foreign subsidiaries not located in high-inflation regions are translated into euros using the closing rate method, with translation adjustments matched to other items of comprehensive income.

5.4.16 Other liabilities

Other liabilities consist of social security payables, current accounts, prepaid income and sundry payables, including customer-related payables (liabilities relating to returned goods and rebates and discounts).

5.4.17 Provisions for liabilities and charges

A provision is recognized whenever the company has a present obligation (whether legal or implied) resulting from a past event, it is probable that an outflow of resources will be necessary to settle the obligation, and the amount of the obligation can be reliably estimated.

This item includes, in particular, provisions for liabilities related to commercial disputes.

5.4.18 Employee benefits

Upon retirement, employees of the Group must receive an allowance calculated in accordance with the provisions of the applicable collective bargaining agreement. The Group operates a defined benefit post-employment benefits scheme.

The Group has no post-employment benefit schemes other than the statutory scheme laid down in collective bargaining agreements covering its employees.

A provision corresponding to the present value of the obligation is recognized in the balance sheet under "Provisions for retirement benefits".

5.4.19 Share-based payments

The Group has put in place compensation plans that pay out in the form of equity instruments (stock options). The fair value of services rendered by employees in return for the granting of options is recognized in expenses. The total amount expensed over the vesting period is determined by reference to the fair value of the options granted, without taking into account the vesting conditions, which are not market conditions. The vesting conditions, which are not market conditions, are factored into assumptions as to the number of options that may become available for exercise. At each balance sheet date, the company reassesses the number of options that may become available for exercise. If necessary, the impact of any revision of such estimates is recognized in income, with a corresponding adjustment to shareholders' equity.

5.4.20 Segment information

Operating segments are set out on the same basis as that used in internal reports presented to management. Segment information by business area concerns the Hercules and Thrustmaster business segments. Segment information by geographical region is based on the following geographical segments: European Union, North America and Other.

5.4.21 Recognition of income

In accordance with IFRS 15, the Group recognizes revenue in keeping with the following five steps:

Step 1: Identify the contract.
Step 2: Identify the performance obligations in the contract. Performance obligations serve as a unit of account for recognizing revenue.
Step 3: Determine the transaction price and, in particular, any variable consideration and rights of return.
Step 4: Allocate the contract price to each performance obligation.
Step 5: Recognize revenue when a performance obligation is satisfied.

All products sold by the Group are covered by a statutory two-year warranty against defects. In some cases, the warranty obligation is transferred to the customer in exchange for a discounted purchase price. In other cases, the warranty obligation is recognized taking into account a best estimate of costs arising from probable returns (with revenue capped at the highly probable value of products not returned, and a liability recognized in respect of the obligation to issue a credit note and an asset corresponding to an adjustment to the cost of sales representing the right to recover goods – cancelling either the profit margin alone or, if a returned product is unsaleable, the full amount of revenue). This estimate is based on analysis undertaken by the Group taking into account, in particular, the level of sales, the average time taken to return defective products and management judgment.

Furthermore, under its terms and conditions of sale, the Group does not agree to unsold goods being returned. In practice, where such agreement is given, the associated cost is deducted from turnover based on actual product returns agreed. In cases where management expects additional product returns arising from past sales, the obligation to take back returned products is now also recognized against revenue.

5.4.22 Government grants

Grants in the year are shown in the income statement as deductions against the expenses to which they relate. Any receivables against the government agency that issued the grant are shown in other receivables.

5.4.23 Borrowings

Borrowings are initially recognized in the balance sheet at fair value. They are subsequently measured at amortized cost using the effective interest method. Borrowing costs are expensed as incurred.

5.4.24 Earnings per share

The Group calculates basic earnings per share and diluted earnings per share based on consolidated net income.

Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding in the period, after deducting shares held by the Group.

Diluted earnings per share is calculated by taking into account the conversion of all existing dilutive instruments when calculating the weighted average number of shares outstanding.

5.4.25 Uncertainty over valuations

In preparing the financial statements in accordance with IFRS, the Group must make certain critical accounting estimates. Management is also required to exercise judgment when applying the Group's accounting policies. Those areas involving the greatest degree of judgment or complexity, and those requiring assumptions and estimates that are material relative to the consolidated financial statements, are described in the notes to the financial statements, and primarily relate to the recoverable amount of intangible assets and inventories, discounts on sales and deferred tax assets relating to tax loss carryforwards).

5.5 Scope of consolidation

5.5.1 Companies included in the Guillemot Corporation Group's consolidated financial statements

COMPANY	SIREN number	Country	% control/interest	Accounting method
Guillemot Corporation SA	414,196,758	France	Parent company	Fully consolidated
Guillemot Administration et Logistique SARL	414,215,780	France	99.96%	Fully consolidated
Hercules Thrustmaster SAS	399,595,644	France	99.42%	Fully consolidated
Guillemot Innovation Labs SAS	752,485,334	France	100.00%	Fully consolidated
Guillemot Ltd (b)		United Kingdom	99.99%	Fully consolidated
Guillemot Inc		Canada	74.89% (a)	Fully consolidated
Guillemot GmbH		Germany	99.75%	Fully consolidated
Guillemot Corporation (HK) limited		Hong Kong	99.50%	Fully consolidated
Guillemot Recherche et Développement Inc		Canada	99.99%	Fully consolidated
Guillemot Romania Srl		Romania	100.00%	Fully consolidated
Guillemot Inc		United States	99.99%	Fully consolidated
Guillemot SA		Belgium	99.93%	Fully consolidated
Guillemot SRL		Italy	100.00%	Fully consolidated
Guillemot Electronic Technology (Shanghai) Co., Ltd		China	100.00%	Fully consolidated
Guillemot Spain SL		Spain	100.00%	Fully consolidated

(a) Guillemot Inc (United States) also holds 25.11%. (b) The Guillemot Ltd subsidiary is exempt from the statutory audit requirement.

In view of their non-material nature, minority interests are not calculated.

5.5.2 Changes in scope

None.

5.6 Segment information

In accordance with IFRS 8 on operating segments, the Group sets out segment information based on the same segments as those used in internal reports presented to management.

Segment information by business area concerns the Hercules and Thrustmaster business segments. Segment information by geographical region is based on the following geographical segments: European Union, North America and Other.

5.6.1 Segment information by business area

The Hercules business segment includes the following product ranges: DJing and digital music, and wireless speakers for smartphones and tablets.

The Thrustmaster business segment includes the following gaming accessories for PCs and consoles: steering wheels, gamepads, joysticks and gaming headsets.

- Turnover by business segment (€m)

Turnover generated by:	Dec 31, 2018	Dec 31, 2017
Hercules	**4.4**	**4.7**
Digital devices	3.7	4.3
OEM*	0.7	0.4
Thrustmaster	**76.8**	**75.7**
Gaming accessories	76.8	75.7
OEM*	0.0	0.0
TOTAL	**81.2**	**80.4**

* Accessories developed for third party companies (Original Equipment Manufacturers).

- Income statement by business segment (€k)

	Dec 31, 2018			Dec 31, 2017		
	Total	Hercules	Thrustmaster	Total	Hercules	Thrustmaster
Turnover	81,222	4,377	76,845	80,448	4,764	75,684
Additions to amortization and deprec	3,126	788	2,338	3,155	1,011	2,144
Additions to provisions	1,573	780	793	2,870	975	1,895
Net income from ordinary activities	6,891	-2,605	9,496	3,945	-2,924	6,869
Net operating income	6,891	-2,605	9,496	5,945	-3,924	9,869

- Balance sheet by business segment (€k)

	Dec 31, 2018			Dec 31, 2017		
	Total	Hercules	Thrustmaster	Total	Hercules	Thrustmaster
Goodwill on acquisitions	0	-	-			-
Intangible assets	11,115	1,306	9,809	10,649	1,286	9,363
Property, plant and equipment	2,607	1,117	1,490	2,318	777	1,541
Inventories	24,925	2,391	22,534	8,367	1,762	6,605
Trade receivables	23,779	1,907	21,872	23,913	1,817	22,096
Unallocated assets	46,696	-	-	41,072	-	-
TOTAL ASSETS	**109,122**	**6,721**	**55,705**	**86,319**	**5,642**	**39,605**
Shareholders' equity	66,285	-	-	45,469	-	-
Provisions	1,034	517	517	1,907	551	1,356
Trade payables	18,878	1,653	17,225	15,376	2,876	12,500
Unallocated liabilities	22,925	-	-	23,567	-	-
TOTAL LIABILITIES AND EQUITY	**109,122**	**2,170**	**17,742**	**86,319**	**3,427**	**13,856**

Unallocated assets consist of financial assets, income tax assets, other receivables, cash and deferred tax assets.

Unallocated liabilities consist of borrowings, other liabilities, taxes payable and deferred tax liabilities.

5.6.2 Segment information by geographical region

- Turnover by geographical region (€m):

Turnover generated by:	Dec 31, 2018	Dec 31, 2017
European Union	40.4	44.5
North America	27.5	24.6
Other	13.3	11.3
TOTAL	**81.2**	**80.4**

- Aggregate value of assets by geographical location (€k)

	Dec 31, 2018				Dec 31, 2017			
	Total	EU	North America	Other	Total	EU	North America	Other
Goodwill on acquisitions	0	-	-	-	0	-	-	-
Property, plant and equipment	2,607	2,446	142	19	2,318	2,127	169	22
Financial assets	31,677	31,612	26	39	28,886	28,821	27	38
Deferred tax assets	8,894	8,894			0			
Inventories	24,925	3,228	2,608	19,089	8,367	2,947	998	4,422
Trade receivables	23,779	9,016	10,142	4,621	23,913	13,152	7,413	3,348
Other receivables	1,441	1,359	31	51	1,348	1,132	3	213
Cash and cash equivalents	4,010	2,311	1,227	472	10,294	9,581	387	326
Tax assets	674	517	157	-	544	368	176	-
Unallocated assets	11,115	-	-	-	10,649	-	-	-
TOTAL ASSETS	**109,122**	**59,383**	**14,333**	**24,291**	**86,319**	**58,128**	**9,173**	**8,369**

Unallocated assets consist of intangible assets.

The Group's inventories are mainly located in Asia (€19,089k under "Other" in the above table).

5.7 Notes to the balance sheet

5.7.1 Goodwill on acquisitions

Goodwill at December 31, 2018 is broken down as follows:

Changes in goodwill	**Gross at Dec 31, 2017**	**Change**	**Gross at Dec 31, 2018**
Guillemot Ltd (United Kingdom)	1	-	1
Hercules Thrustmaster SAS (France)	1,299	-	1,299
Guillemot Administration et Logistique SARL (France)	233	-	233
Guillemot SA (Belgium)	233	-	233
Guillemot Inc (United States)	1,034	-	1,034
Guillemot Corporation SA (France)	941	-	941
Guillemot Inc (Canada)	16,894	-	16,894
Guillemot Srl (Italy)	4,392	-	4,392
Total	**25,027**	**0**	**25,027**

Goodwill impairment	**Provisions at Dec 31, 2017**	**Additional impairment from Jan 1, 2018 to Dec 31, 2018**	**Provisions at Dec 31, 2018**
Guillemot Ltd (United Kingdom)	1	-	1
Hercules Thrustmaster SAS (France)	1,299		1,299
Guillemot Administration et Logistique SARL (France)	233	-	233
Guillemot SA (Belgium)	233	-	233
Guillemot Inc (United States)	1,034	-	1,034
Guillemot Corporation SA (France)	941	-	941
Guillemot Inc (Canada)	16,894	-	16,894
Guillemot Srl (Italy)	4,392	-	4,392
Total	**25,027**	**0**	**25,027**
Net amount — Total		**0**	**0**

5.7.2 Intangible assets

Intangible assets are broken down as follows:

Gross amounts	Dec 31, 2017	Changes in scope	Increases	Decreases	Currency translation adjustments	Dec 31, 2018
Brands	10,842					10,842
Development costs	6,157		1,419	1,262		6,314
Development costs in progress	1,269		2,159	1,542	2	1,888
Licenses	2,764		681	903		2,542
Concessions, patents, etc.	946		28		-8	966
Other intangible assets	958		3		-14	947
TOTAL	**22,936**	**0**	**4,290**	**3,707**	**-20**	**23,499**

Amortn, deprecn & provns	c 31, 2017	Changes in scope	Increases	Decreases	Currency n adjustments	Dec 31, 2018
Brands	5,110					5,110
Development costs	4,131		1,489	1,262		4,358
Licenses	1,204		754	903		1,055
Concessions, patents, etc.	886		38		-7	917
Other intangible assets	956		3		-15	944
TOTAL	**12,287**	**0**	**2,284**	**2,165**	**-22**	**12,384**

Net amounts	Dec 31, 2017	Dec 31, 2018
Brands	5,732	5,732
Development costs	2,026	1,956
Development costs in progress	1,269	1,888
Licenses	1,560	1,487
Concessions, patents, etc.	60	49
Other intangible assets	2	3
TOTAL	**10,649**	**11,115**

Brands:
Brands include the Thrustmaster and Hercules acquired brands. These brands are tested for impairment at each balance sheet date and are measured taking into account future discounted cash flows.

In the absence of a deep market for the brands in the Group's industry sector, the fair value method is not applied when measuring brands owned by the Group.

The going concern value is the present value of future cash flows expected from an asset – i.e. from its continuing use and removal at the end of its useful life. This is the method used to measure the Group's brands.

Hercules:

The Hercules brand is allocated to the Hercules cash-generating unit.

Following impairment testing of the Hercules cash-generating unit, there was no change in the value of the Hercules brand at December 31, 2018.

The Hercules brand has a net balance sheet value of €432k, compared with a purchase cost of €1,432k.

In accordance with IAS 36, projections are over five years with a terminal value.

The following assumptions are used to carry out impairment tests on the Hercules cash-generating unit:

- Ratio of operating cash flow to turnover: negative for the next two years, then positive for the following three years

- Five-year turnover projections taking into account forecast new product launches and the business cycle (turnover rising 50% in 2019 and an average of 25% each in following years)
- Long-term growth rate: 2%
- Discount rate: 12%

The Hercules business has seen turnover decline sharply over the past few years following the successive withdrawal of its ranges of Wi-Fi and CPL products, webcams and, more recently, multimedia speakers.

The business is in the process of being refocused around audio and DJing products; this requires substantial investment in R&D and marketing, thus affecting short-term profitability.

The new range of DJ controllers released in late 2018 has received a very warm welcome, with the DJControl Inpulse 300 winning the CES Innovation Honoree Award 2019 at the last Consumer Electronics Show (CES) in Las Vegas.

Refocusing the business on audio and DJing products supports the Group's assumption of double-digit growth in turnover for Hercules over the next five years.

Discount rate sensitivity test:

A 1% increase in the discount rate would reduce the recoverable amount of the Hercules cash-generating unit by €0.4 million.

A 1% decrease in the discount rate would increase the recoverable amount of the Hercules cash-generating unit by €0.5 million.

Sensitivity test on the ratio of cash flow to turnover:

A 1% increase in the ratio of cash flow to turnover over the period 2021-2023 would increase the recoverable amount of the Hercules cash-generating unit by €1.1 million.

A 1% decrease in the ratio of cash flow to turnover over the period 2021-2023 would reduce the recoverable amount of the Hercules cash-generating unit by €1.1 million.

Thrustmaster:

The Thrustmaster brand is allocated to the Thrustmaster CGU.

Following impairment testing of the Thrustmaster cash-generating unit, there was no change in the value of the Thrustmaster brand at December 31, 2018.

The Thrustmaster brand has a net balance sheet value of €5,300k, compared with a purchase cost of €9,410k.

In accordance with IAS 36, projections are over five years with a terminal value.

The following assumptions are used in calculating discounted future cash flows for the Thrustmaster cash-generating unit:

- Five-year turnover projections taking into account forecast new product launches and the cyclicality of the business (notably game and console releases)
- Discount rate: 12%

The recoverable amount of the Thrustmaster cash-generating unit is not materially different from its carrying amount.

Measurement of the Thrustmaster brand involves the risk of adjustments in future years should assumptions concerning future cash flows generated by the Thrustmaster business be upgraded or downgraded.

Thrustmaster has achieved global recognition and is now a key player in PC and console racing wheels, with an installed base that continues to grow. The Group has generated turnover in excess of €75 million over the past two years.

The maximum potential impact on the Group's income statement would be +€4,110k if the impairment loss against the Thrustmaster brand were written back in full over the coming years.

Discount rate sensitivity test:

A 1% increase in the discount rate would reduce the recoverable amount of the Thrustmaster cash-generating unit by €2.7 million.

A 1% decrease in the discount rate would increase the recoverable amount of the Thrustmaster cash-generating unit by €3.1 million.

Sensitivity test on the ratio of cash flow to turnover:

A 1% increase in the ratio of cash flow to turnover would increase the recoverable amount of the Thrustmaster cash-generating unit by €5.7 million.

A 1% decrease in the ratio of cash flow to turnover would reduce the recoverable amount of the Thrustmaster cash-generating unit by €5.7 million.

Development costs:

Development costs on projects meeting the six eligibility criteria laid down in IAS 38 are capitalized.

Project eligibility is reviewed quarterly by the finance and technical departments, in agreement with senior management. Assets are transferred from assets under construction to capitalized development costs when they are released into production (a total of €1,419k in the year). Scrappage costs and the cost of projects written off totaled €126k in the year, mainly relating to development projects that no longer met the criteria for capitalization. The following Guillemot Corporation Group companies generate development costs: Hercules Thrustmaster SAS, Guillemot Innovation Labs SAS, Guillemot Recherche et Développement Inc., Guillemot Romania Srl and Guillemot Corporation (HK) Limited. Capitalized costs potentially relate to all product lines under the Hercules and Thrustmaster brands.

Development costs in progress increased by €2,159k in the year. These investments are financed from shareholders' equity and through bank loans and authorized overdrafts (see Note 5.7.13).

A geographical breakdown of development costs in progress in 2018 is as follows:

France €782k; other countries €1,106k.

Licenses

The "Licenses" item includes guaranteed amounts payable over the life of the contracts in question.

5.7.3 Property, plant and equipment

Property, plant and equipment for use in operations is broken down as follows:

Gross amounts	Dec 31, 2017	Changes in scope	Increases	Decreases	Currency translation adjustments	Dec 31, 2018
Land	399					399
Buildings	5,507		238		-2	5,743
Plant	4,143		514	447	-9	4,201
Other prop., plant & equipt.	1,218		472	77	-2	1,611
Assets under construction	125		521	462		184
TOTAL	**11,392**	**0**	**1,745**	**986**	**-13**	**12,138**

Depreciation	Dec 31, 2017	Changes in scope	Increases	Decreases	Currency translation adjustments	Dec 31, 2018
Buildings	4,991		169			5,160
Plant	3,096		674	447	-8	3,315
Other prop., plant & equipt.	987		130	60	-1	1,056
TOTAL	**9,074**	**0**	**973**	**507**	**-9**	**9,531**

Net amounts	Dec 31, 2017	Dec 31, 2018
Land	399	399
Buildings	516	583
Plant	1,047	886
Other prop., plant & equipt.	231	555
Assets under construction	125	184
TOTAL	**2,318**	**2,607**

Buildings represent buildings located in Carentoir (France).

Property, plant and equipment under construction totaling €462k was transferred to the "Plant" item during the year. Property, plant and equipment under construction mainly relates to molds and equipment used in the production of new products. The Group scrapped obsolete equipment with a gross value of €447k. The net amount is nil.

Investment in property, plant and equipment in the year totaled €1,284k.

These investments are financed from shareholders' equity and through bank loans and authorized overdrafts (see Note 5.7.13).

A geographical breakdown of these investments in 2018 is as follows: France €690k; other countries €594k.

Properties leased by the Group consist solely of offices.
The main countries concerned are France and Canada.
The associated lease commitments totaled €1,103k at December 31, 2018, broken down into €197k in Asia, €268k in Canada and €638k in France.
The total annual cost of leases comes to less than €600k.

5.7.4 Financial assets

Non-current financial assets are broken down as follows:

Gross amounts	Dec 31, 2017	Changes in scope	Increases	Decreases	Currency translation adjustments	Dec 31, 2018
Other long-term investments	82		65	147		0
Other non-current financial assets	334		60	1		393
TOTAL	**416**	**0**	**125**	**148**	**0**	**393**

Movements in other long-term investments relate to the liquidity agreement currently in force. A total of €300k in cash has been allocated to the liquidity agreement since it was first put in place.

Changes in other non-current financial assets relate to security deposits.

Current financial assets include Ubisoft Entertainment shares.

	Net Dec 31, 2017	Disposals Dec 31, 2018	Acquisitions Dec 31, 2018	Translation adjustments Dec 31, 2018	Financial gain/loss Dec 31, 2018	Net Dec 31, 2018
Ubisoft Entertainment shares						
Number	443,874					443,874
Fair value (€k)	28,470				2,814	31,284
Currency derivatives	0					0
Total value	**28,470**	**0**	**0**	**0**	**2,814**	**31,284**

Ubisoft Entertainment shares (listed on an active market) are measured at fair value in accordance with IFRS 9. At December 31, 2018, the Group held 443,874 Ubisoft Entertainment shares representing 0.39% of the company's share capital.

The price used at December 31, 2017 was €64.14 per Ubisoft Entertainment share. The price used for the fair value of shares at December 31, 2018 was €70.48 per Ubisoft Entertainment share. The resulting revaluation gain recognized at December 31, 2018 totaled €2,814k.

To limit the Group's foreign exchange risk, Guillemot Corporation hedges against currency fluctuations by buying currency futures and options. Since such transactions do not meet the criteria for hedge accounting, they are recognized as trading instruments.

These derivatives are recognized in the balance sheet under current financial assets or liabilities at their fair value at the transaction date. Any gain or loss resulting from revaluation at fair value is immediately recognized in net financial income. There were no contracts of this type at December 31, 2018.

5.7.5 Inventories

Inventories	Gross Dec 31, 2017	Change in inventories (result)	Changes in scope	Currency translation adjustments	Gross Dec 31, 2018
Raw materials	1,481	1,522			3,003
Finished products	9,091	14,874		-69	23,896
TOTAL	**10,572**	**16,396**	**0**	**-69**	**26,899**

Accumulated impairment	Dec 31, 2017	Increases	Decreases	Changes in scope	Currency translation adjustments	Dec 31, 2018
Raw materials	413	99	61			451
Finished products	1,792	1,028	1,275		-22	1,523
TOTAL	**2,205**	**1,127**	**1,336**	**0**	**-22**	**1,974**
Total net inventories	**8,367**					**24,925**

Inventories consist of electronic components and sub-assemblies as well as finished products. An impairment loss is recognized whenever the value of inventory is greater than its probable realizable value.

The increase in inventories in the year is linked to lower turnover in the fourth quarter of 2018, with restocking by retailers sharply down.

5.7.6 Trade receivables

Trade receivables	Gross Dec 31, 2017	Changes	Changes in scope	Currency translation adjustments	Reclassifications	Gross Dec 31, 2018
Trade receivables	24,055	371		-393		24,033

The majority of trade receivables were covered by a credit insurance policy at December 31, 2018. Trade receivables totaled €23,779k at December 31, 2018 compared with €23,913k a year earlier.
The Group's top customer accounted for 12% of consolidated turnover.

Accumulated impairment	Dec 31, 2017	Additions	Reversals	Translation adjustments	Reclassifications	Dec 31, 2018
Trade receivables	142	201	89			254

5.7.7 Other receivables

	Dec 31, 2018	Dec 31, 2017
Advances and progress payments	141	247
VAT receivables	667	610
Receivables from suppliers	1	3
Other	327	131
Prepaid expenses	306	357
TOTAL	**1,442**	**1,348**

5.7.8 Cash and cash equivalents

	Dec 31, 2018	Dec 31, 2017
Cash	4,010	10,294
Cash equivalents		0
TOTAL	**4,010**	**10,294**

5.7.9 Tax assets

The balance sheet shows total current tax assets of €674k relating to current tax payments on account, a €246k receivable in respect of the French Employment and Competitiveness Tax Credit (*Crédit d'Impôt Compétitivité Emploi*) and €428k in receivables in respect of the French research and innovation tax credits.

5.7.10 Shareholders' equity

The share capital consists of 15,287,480 shares with a par value of €0.77 each.

Guillemot Corporation SA holds 57,127 treasury shares. These treasury shares reduce the value of shareholders' equity by €199k.

At December 31, 2018, treasury shares accounted for 0.37% of the total share capital.

Movements in shares of the consolidating company under the liquidity agreement in force had a €65k impact on shareholders' equity in 2018.

The first ton stock option plans have all lapsed.

In accordance with IFRS 2 on share-based payments, stock options are measured at fair value using the Black & Scholes method. No expenses were recognized in 2018, all plans having been amortized.

A total of 87,500 shares were subscribed in the year.

The corresponding increase in the share capital took place on March 16, 2018.

The increase in the share capital corresponding to the 387,500 shares subscribed in 2017 took place on January 24, 2018. These two increases increased Group shareholders' equity by €898k.

The exercise of this options increased the Group's cash position by €329k in 2018.

5.7.11 Provisions for liabilities and charges

Provisions for liabilities and charges are broken down as follows:

	Dec 31, 2017	Increases	Decreases		Currency translation adjustments	Dec 31, 2018
			Used	Not used		
Product returns	935		935			0
Other	68	11	43			36
TOTAL	**1,003**	**11**	**978**	**0**	**0**	**36**

The reduction in the provision for product returns is linked to the implementation of IFSR 15, resulting in the €724k refund liability being reclassified under other liabilities and charged against income at December 31, 2018.

5.7.12 Employee benefit liabilities

The Group has no post-employment benefit schemes other than the statutory scheme laid down in collective bargaining agreements covering the Group's employees.

Provisions are calculated using the projected unit credit method, based on retirement benefits payable upon retirement according to length of service. (The benefits in question are those payable to employees upon retirement.)

The main actuarial assumptions used are as follows:

- Calculation year: 2018
- Discount rate: 1.57%
- Use of collective bargaining agreements specific to subsidiaries
- Retrospective calculation method for projected credit units
- Insee 2017 mortality table
- 2018 baseline salary, assuming a 2% annual increase until retirement

At December 31, 2018, the amount of the recognized provision stood at €998k, compared with €904k at December 31, 2017.

In accordance with IAS 19 revised, all actuarial gains and losses are recognized in other comprehensive income rather than in profit and loss.

The impact on Group shareholders' equity in fiscal year 2018 was -€94k.

5.7.13 Borrowings

Borrowings are broken down as follows:

	Dec 31, 2018	Current (due within 1 year)			Non-current (due within more than 1 year)		Dec 31, 2017
		0-3 months	3-6 months	6-12 months	> 1 yr	> 5 yrs	
Borrowings from credit institutions	5,836	924	792	1,588	2,532	0	10,525
Bank overdrafts and foreign currency advances	6,014	6,014					15
Sundry	19	19					24
TOTAL	**11,869**	6,957	792	1,588	2,532	0	**10,564**

The Group has fixed rate borrowings of €5,855k and floating rate borrowings of €6,014k. At December 31, 2018, the Group had no borrowings covered by acceleration clauses.

Bank overdrafts (at floating rates) totaled €1,822k, while foreign currency advances (at floating rates) totaled €4,192k at December 31, 2018.

Over the period, the Group repaid €4,822k in bank borrowings and took out new borrowings totaling €133k.

At December 31, 2018, the Group had no debt in currencies other than euro.

Net debt	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2009
Borrowings	11,869	10,564	10,315	4,219
Shareholders' current accounts	0	972	972	2,179
Cash at bank and in hand	4,010	10,294	2,164	7,362
Net debt	**7,859**	**1,242**	**9,123**	**-964**

The Group's net debt at December 31, 2018 stood at €7,859k.

The Group also has a portfolio of equities worth €31,284k (fair value at December 31, 2018).

5.7.14 Other liabilities

	Dec 31, 2018		Dec 31, 2017	
	Current	Non-current		Dec 31, 2009
Social security liabilities	1,940		1,959	4,219
Current accounts	0		972	2,179
Other	7,981		6,524	7,362
TOTAL	**9,921**	**0**	**9,455**	**-964**

The balance of €972k in shareholders' advances was repaid in full in 2018.

The "Other" item consists of accrued expenses linked to licenses, year-end rebates, advances and progress payments, prepaid income and refund liabilities.

5.7.15 Deferred taxes

Deferred taxes on the balance sheet at December 31, 2018 totaled €873k.

Breakdown of deferred taxes by type:

(€k)	Dec 31, 2018
Recognition of tax loss carryforwards – Guillemot Corporation SA	6,577
Consolidation adjustments	425
Unrealized gains on Ubisoft shares held (deferred tax liability)	-6,129
TOTAL	**873**

A deferred tax asset is only recognized insofar as it is probable that the Group will generate future taxable profits against which the asset in question may be applied. The Group's ability to recover deferred tax assets relating to tax loss carryforwards is assessed by senior management at the end of each fiscal year, taking into account forecast future taxable profits over a five-year period.

Given profits posted over the past two fiscal years and its future outlook, at December 31, 2018 the Group recognized a portion of its French entities' tax loss carryforwards totaling €12,654k, resulting in the recognition of a deferred tax asset of €3,388k. Furthermore, deferred tax assets of €3,189k were recognized due to the existence of deferred tax liabilities with the same maturity, taking into account rules applicable in France limiting the application of tax losses.

At December 31, 2018, the amount of tax losses in France available to carried forward indefinitely and not recognized in the balance sheet totaled €32,982k (giving unrecognized deferred tax asset effects of €8,245k based on a 25% rate).

Breakdown of tax loss carryforwards not recognized:

(€k)	Dec 31, 2018
Guillemot Corporation SA	32,070
Hercules Thrustmaster SAS	912
Guillemot GmbH (Germany)	1,421
Guillemot Corporation (HK) Ltd (Hong Kong)	12
Guillemot Electronic Technology (Shanghai) Co., Ltd	235
Guillemot Ltd (United Kingdom)	297
TOTAL	**34,947**

5.8 Notes to the income statement

5.8.1 Purchases, external expenses and employee expenses

Purchases

Purchases totaled €57,132k in 2018, consisting of purchases of raw materials (electronic components) and finished products.

External expenses

External expenses are broken down as follows:

	Dec 31, 2018	Dec 31, 2017
Subcontracting	394	525
Purchases not held in inventory, equipt. & sup|	207	181
Other external expenses	15,128	14,193
TOTAL	**15,729**	**14,899**

Other external expenses mainly consist of product shipping expenses, advertising, marketing, and uncapitalized external research and development expenses.

Employee expenses

Employee expenses consist of employee compensation and social security contributions. This item totaled €9,354k in 2018, compared with €8,254k in 2017.

An amount of €97k corresponding to the Employment and Competitiveness Tax Credit (*Crédit d'Impôt Compétitivité Emploi*) was recognized as a deduction against 2018 employee expenses at the Group's French subsidiaries, compared with €183k in 2017.

An amount of €85k corresponding to research and innovation tax credits was recognized as a deduction against 2018 employee expenses at the Hercules Thrustmaster SAS subsidiary.

5.8.2 Additions to amortization, depreciation and impairment

Additions to amortization and depreciation are broken down as follows:

	Dec 31, 2018	Dec 31, 2017
Amortization of intangible assets	2,206	2,269
Depreciation of property, plant and equipment	920	886
TOTAL	**3,126**	**3,155**

Amortization of intangible assets mainly relates to guaranteed amounts linked to license agreements (€698k) and capitalized research and development costs (€1,473k).

Depreciation of property, plant and equipment mainly relates to buildings (€169k) and plant (€674k).

Impairment is broken down as follows:

	Dec 31, 2018	Dec 31, 2017
Impairment of current assets	201	59
Impairment in respect of liabilities and charges	10	751
Impairment of inventory	1,128	1,438
Other impairment charges	234	622
TOTAL	**1,573**	**2,870**

Impairment of inventories relates to products in both the Hercules and Thrustmaster ranges. Other impairment charges include impairment losses on capitalized R&D projects that no longer meet the criteria for capitalization.

5.8.3 Change in inventories

Change in inventories mainly consists of reversals of impairment losses on inventories and increases and decreases in inventories.

5.8.4 Other income and expenses from ordinary activities

	Dec 31, 2018	Dec 31, 2017
Income		
Write-backs of other current assets	89	193
Other income from ordinary activities	145	203
Proceeds from fixed asset disposals	16	2
Total income	250	398
Expenses		
Licenses	-5,629	-5,351
Book value of fixed assets disposed of	-16	0
Other expenses from ordinary activities	-292	-356
Total expenses	-5,937	-5,707
TOTAL	**-5,687**	**-5,309**

The main amounts under the "Licenses" item relate to current partnerships linked to the Microsoft® Xbox One® and Sony® PlayStation® 4 consoles.

5.8.5 Other operating income and expenses

None.

In 2017, other operating expenses consisted of a €1,000k impairment loss on the Hercules brand, while other operating income consisted of a €3,000k impairment loss written back on the Thrustmaster brand.

5.8.6 Cost of net financial debt and other financial expenses and income

The cost of net financial debt to December 31, 2018 was €134k. This includes interest costs and financial expenses arising from borrowing, as well as foreign exchange gains and losses arising on settlement of financial liabilities.

Other financial income and expenses are broken down as follows:

	Dec 31, 2018	Dec 31, 2017
Foreign currency translation adjustments	385	525
Unrealized gain/loss on Ubisoft Entertainment shares	2,814	13,467
Total other financial income	**3,199**	**13,992**
Other financial expenses	1	-
Foreign currency translation adjustments	-	-
Unrealized gain/loss on Ubisoft Entertainment shares	-	-
Total other financial expenses	**1**	**0**

Currency effects arising from the translation of subsidiaries' accounts

All subsidiaries conduct business in local currency; the impact on shareholders' equity was -€225k.

Financial risks

In accordance with IFRS 7 on financial instruments, a breakdown of the Group's exposure to the various types of financial risk is as follows.

Liquidity risk: at December 31, 2018, the Group's borrowing and bank financing facilities were not fully utilized; net debt stood at €7.9 million.

At December 31, 2018 the fair value of the Group's portfolio of available-for-sale securities stood at €31.3 million. At December 31, 2018, the Group had no borrowings covered by acceleration clauses.

Equity risk: the Group's earnings are affected by fluctuations in the market price of shareholdings. A 10% decrease in the price of Ubisoft Entertainment shares over the course of 2019 (relative to their price at December 31, 2018) would reduce net financial income by €3.1 million.

At March 20, 2019, the closing price of Ubisoft Entertainment shares was €78.40, up 11.24% relative to their price at December 31, 2018. This increase would give rise to the recognition of a revaluation gain of €3,515k in the Group's consolidated financial statements at that date.

Interest rate risk: based on the Group's outstanding unhedged floating rate financial liabilities at December 31, 2018, a 1% annual increase in interest rates would increase financial expenses by €76k.

Foreign exchange risk: a breakdown of the Group's foreign currency assets and liabilities at December 31, 2018 is as follows (unhedged amounts only – i.e. those exposed to interest rate risk):

Foreign currency amounts exposed to upward or downward interest rate fluctuations:

(€k)	USD	GBP
Assets	19,087	1,101
Liabilities	18,072	70
Net position before hedging	1,015	1,031
Off balance sheet position	0	0
Net position after hedging	1,015	1,031

Based on foreign currency values exposed to exchange rate fluctuations at December 31, 2018, a 10% annual increase in US dollar exchange rates would increase financial expenses by €81k.

Based on foreign currency values exposed to exchange rate fluctuations at December 31, 2018, a 10% annual increase in the value of sterling would increase financial expenses by €105k.

The impact of exchange rate fluctuations on other currencies is not material.

Since all major players in the multimedia industry transact in US dollars, no given manufacturer has a competitive advantage that would result in increased market share. Since all industry players index-link their selling prices to cost prices in US dollars, selling prices rise and fall in line with cost prices.

The main currency for purchases of hardware and accessories is the US dollar.

In the United States, Canada and all other countries outside Europe, the trading currency is also the US dollar. In Europe, the Group mainly sells its products in euros. Rapid currency fluctuations, and in particular declines in the value of the US dollar, may result in lower selling prices for the Group's products, thus impacting the value of inventories.

Conversely, given the seasonal nature of the company's business, if the US dollar were to rise sharply during the second half of the year, the Group would not be able to adjust its selling prices to reflect the full extent of such an increase, which could therefore have a temporary adverse impact on the Group's gross margin.

However, to limit the Group's foreign exchange risk, Guillemot Corporation hedges against currency fluctuations by buying spot currency and currency futures and options.

No hedging contracts were in force at December 31, 2018.

Furthermore, the increase in the Group's US and export sales over the past few years has boosted the Group's natural hedging and significantly reduced its foreign exchange risk.

Credit risk: credit risk is the risk of financial loss in the event that a customer should fail to meet its contractual obligations. The Group manages this risk by taking out credit insurance. Since the Group uses wholesalers, it has a limited number of customers. In a few cases, the Group is obliged to grant additional credit where its insurance cover is considered clearly unsuitable.

5.8.7 Corporate income tax

Corporate income tax is broken down as follows:

	Dec 31, 2018	Dec 31, 2017
Deferred taxes	-3,461	1,570
Current taxes	1,265	662
TOTAL	**-2,196**	**2,232**

Income tax payable corresponds to total income taxes payable by all Group companies. Deferred tax is calculated on timing differences relating to tax adjustments, consolidation adjustments and tax loss carryforwards.

At December 31, 2018, the Group recognized a portion of its tax loss carryforwards in France. Income from deferred tax assets generated total income of €3,461k in the year.

The expense from deferred tax liabilities linked to the unrealized gain on the portfolio of Ubisoft Entertainment shares held by Guillemot Corporation SA totaled €352k in the year. The taxation rate used to calculate deferred taxes takes into account the new arrangements laid down in France's 2018 Budget Act, under which the corporate income tax rate will gradually fall to 25% in the medium term.

Income tax calculation:

(€k)	**Dec 31, 2018**
Profit (loss) before tax	**9,955**
Income and expenses not subject to income tax	0
Theoretical tax (33.33%)	**3,318**
Temporary and permanent tax differences	-93
Tax loss carryforwards	-1,119
Recognition of tax loss carryforwards	-3,523
Theoretical income tax	**-1,417**
Rate differences	-775
Sundry	-4
TOTAL	**-2,196**

5.8.8 Discontinued operations

The Group has not discontinued any operations in recent years.

5.8.9 Earnings per share

Résultat de base par action	**31.12.18**	**31.12.17**
Résultat	12 151	17 542
Nbre moyen pondéré d'actions (milliers)	15 287	15 005
Nbre d'Actions propres (milliers)	-57	-250
Total actions (milliers)	15 230	14 755
Résultat de base par action	0,80	1,19

Diluted earnings per share	**Dec 31, 2018**	**Dec 31, 2017**
Earnings	12,151	17,542
Weighted average no. of shares (thousands)	15,287	15,005
No. of treasury shares (thousands)	-57	-250
Total shares (thousands)	15,230	14,755
Maximum number of shares to be created		
- via conversion of bonds	0	0
- via exercise of options	0	470
- via exercise of subscription rights	0	0
Total shares (thousands)	15,230	15,225
Diluted earnings per share	0.80	1.15

5.8.10 Advances and loans granted to senior executives

No loans or advances were granted to senior executives of the company, in accordance with Article L.225-43 of the French Commercial Code.

5.8.11 Off balance sheet commitments

Lease commitments: €1,103k
Documentary credits: €491k

5.8.12 Executive compensation

The executive directors (Claude, Michel, Yves, Gérard and Christian Guillemot) are compensated for their duties as Chairman and Chief Executive Officer or Deputy Chief Executive Officer.

They do not have employment contracts with the company. The parent company and its subsidiaries paid total gross compensation of €220k to the executive directors in the fiscal year.

The amount of annual variable compensation due totals €57k.

The parent company paid directors' fees of €94k to the members of the Board of Directors in the fiscal year. This amount includes €42k paid to independent directors.

No specific pension scheme was put in place for the corporate officers. The Group has not entered into any commitment with regard to compensation, allowances or benefits which are or may be due by reason of or subsequent to the assumption or cessation of duties. No compensation was paid under a profit-sharing or bonus plan. No stock options were allotted.

5.8.13 Workforce

At December 31, 2018, the Group had 183 employees worldwide, including 79 managers. European companies accounted for 73% of the total workforce and non-European companies for the remaining 27%.

5.8.14 Information on related companies

The parent company is owned by Guillemot Brothers plc (19.63%), the Guillemot family (53.09%), Guillemot Corporation SA (0.37%) and members of the public (26.91%).

The principal related parties are Guillemot Brothers plc and members of the Guillemot family controlling the issuer, the Group's consolidated subsidiaries (see scope of consolidation in section 5.5.1) and the Ubisoft Entertainment group, in which members of the Guillemot family hold significant voting rights.

During prior fiscal years, the founders of the Group's parent company and of Guillemot Brothers SE waived current account advances to Guillemot Corporation SA totaling €7.7 million.

The balance of €972k in shareholders' advances was repaid in 2018.

Key totals relating to the Ubisoft Entertainment group:

(€k)	Dec 31, 2018 Ubisoft Entertainment
Trade receivables	195
Trade payables	101
Revenue	835
Expenses	539

6 SUBSEQUENT EVENTS

None.

7 DATA RELATING TO THE PARENT COMPANY, GUILLEMOT CORPORATION S.A.

GUILLEMOT CORPORATION SA (€k)	Dec 31, 2018	Dec 31, 2017
Turnover	77,071	73,991
Net operating income (loss)	5,648	2,829
Profit (loss) before tax	6,497	4,721
Net profit (loss)	5,842	4,146

8 AUDITORS' FEES

Fiscal year 2018	PricewaterhouseCoopers Audit		MB Audit	
	Amount excl. taxes	%	Amount excl. taxes	%
Certification of the financial statements	69,450	100%	51,050	100%
Services other than certification of the financial stateme		0%		0%
TOTAL	69,450	100%	51,050	100%

Fiscal year 2017	PricewaterhouseCoopers Audit		MB Audit	
	Amount excl. taxes	%	Amount excl. taxes	%
Certification of the financial statements	71,200	90%	51,800	100%
Services other than certification of the financial statem	8,000	10%		0%
TOTAL	79,200	100%	51,800	100%

Services other than certification of the financial statements for fiscal year 2017 relate to the CSR review.

9 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

To the shareholders of Guillemot Corporation
Place du Granier
BP 97143
35571 Chantepie Cedex

Opinion

Pursuant to the engagement entrusted to us at your shareholders' general meeting, we have audited Guillemot Corporation's consolidated financial statements for the fiscal year ended December 31, 2018, as appended to this report.

We certify that, in light of the IFRS framework as adopted in the European Union, the consolidated financial statements are in order and in good faith, and provide a true and fair view of performance over the past year as well as the financial position and assets of the overall group formed by the companies and entities included within the scope of consolidation.

The opinion set out above is consistent with the content of our report to the audit committee.

Basis for our opinion

Audit standards

We have carried out our audit in accordance with professional standards applicable in France. We consider that the evidence we have collected forms an adequate and appropriate basis for our opinion.

The responsibilities that fall to us by virtue of these standards are indicated in the section of this report titled "Statutory auditors' responsibilities as regards auditing the consolidated financial statements".

Independence

We have conducted our audit in compliance with the independence rules applicable to us over the period from January 1, 2018 to the date on which we issued our report. In particular, we have not provided any services prohibited by the first paragraph of Article 5 of Regulation (EU) No. 537/2014 or by the code of ethics for statutory auditors.

Basis for our conclusions and key points of the audit

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code on the basis for our conclusions, we wish to draw your attention to key points of the audit relating to the risks of material misstatement which, in our opinion, were greatest for the audit of the consolidated financial statements for the year, as well as our response to those risks.

Our assessment of these points forms an integral part of our audit of the consolidated financial statements taken as a whole, and thus forms part of the basis for our opinion expressed above. We have no opinion to express on any part of these consolidated financial statements taken on its own.

<table>
<tr><th colspan="2">(1) Valuation of brands</th></tr>
<tr><td>

<u>**Risk identified**</u>

Brands acquired by the Guillemot Group are considered as having an indefinite life; as such, they are not amortized.

At December 31, 2018, brands with an indefinite life were recognized in the balance sheet at a net carrying amount of €5.7 million, or 6% of total assets (gross amount: €10.8 million).

An impairment loss is recognized whenever the recoverable amount of these brands, determined through an annual impairment test given their indefinite life and/or a one-off test if there is an indicator of impairment, falls below their net carrying amount.

The recoverable amount is the higher of fair value less costs to sell and value in use.

In the absence of a deep market for the brands in the Group's industry sector, the fair value method is not used. That being the case, value in use is determined on the basis of discounted future cash flow calculations and entails a significant degree of management judgment, notably with regard to items such as turnover growth rates, ratio of operating cash flow to turnover, and long-term discount and growth rates.

Furthermore, management carried out sensitivity analysis on the brands' recoverable amounts relative to the assumptions used. These are set out in Note 5.7.2, "Intangible assets".

Given the complexity of the models used and their sensitivity to changes in the data and assumptions on which estimates are based, including in particular forecast cash flows and the discount rate used, we considered the valuation of the brands' recoverable amount as a key point of our audit.

</td><td>

<u>**Audit procedures implemented in response to this risk**</u>

In particular, we:

- familiarized ourselves with the processes by which the brands are valued;
- assessed the principles and methods used to determine the brands' value in use;
- corroborated, notably by interviewing members of management, the reasonableness of key data and assumptions on which estimates are based (such as the rate of growth in turnover, the ratio of operating cash flow to turnover, the discount rates and the long-term growth rate);
- familiarized ourselves with the business outlook for each of the brands through interviews with members of management, and compared accounting estimates of projected cash flows from prior periods with corresponding actual figures to assess their reliability;
- tested the mathematical accuracy of the valuations adopted by the Group.

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<table>
<tr><th colspan="2">(2) Valuation of development costs</th></tr>
<tr><td>

<u>Risk identified</u>

Development costs are recognized in intangible assets whenever the criteria laid down in IAS 38 are met.

At December 31, 2018, capitalized costs came to a net amount of €4 million, or 4% of total assets, and related to all product lines under the Hercules and Thrustmaster brands.

The Group has been using project management tools since 2012. Project eligibility is reviewed quarterly by the Group's finance and technical departments, in agreement with senior management.

In the context of our audit, we pay particularly close attention to these development costs, since their capitalization is based on judgment and estimates, notably as regards the following two criteria:
- technical feasibility of completing the intangible asset before it can be used or sold;
- the likelihood that the asset will generate future economic benefits.

Given the increasing role played by judgment in determining which development costs should be capitalized, we considered the valuation of the net amount of development costs to be a key point of our audit.

</td><td>

<u>Audit procedures implemented in response to this risk</u>

In particular, we:
- Familiarized ourselves with the processes by which development costs are valued.
- Checked the existence and accuracy of the amounts recognized in respect of development costs. In particular, we reconciled the amounts capitalized with internal time-tracking data as well as carrying out sample-based testing of capitalized external expenses.
- Met with the finance department and consulted documentation provided by the technical department to determine the reasonableness of key data and assumptions relied on in determining whether development costs should be capitalized (such as the likelihood of future economic benefits and a project's technical feasibility).
- Corroborated the various pieces of information obtained through these interviews against current sales generated by capitalized projects.
- Identified any indicator of impairment on these projects that would require an impairment test to be carried out.

We also assessed the appropriateness of the information provided in Notes 5.4.3 and 5.7.2 to the consolidated financial statements, "Intangible assets".

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(3) Valuation of inventory of components and finished products	
Risk identified The Group's inventories consist of electronic components and sub-assemblies as well as finished products. At December 31, 2018, inventories were recognized in the balance sheet at a net carrying amount of €24.9 million, or 25% of total assets. An impairment loss is recognized whenever the acquisition value of inventory is greater than its probable realizable value less costs to sell. Impairment tests are carried out at each accounting cut-off and probable realizable value is calculated on the basis of observed and expected product sales and market prices. As part of our audit, we paid particular attention to how this probable realizable value was determined, since it is based not only on observable data such as products' market prices but also on assumptions such as the sales outlook for each product range and management judgment as to expected market trends. Given the assumptions underpinning estimates, we considered measurement of the probable realizable value of products held in inventory to be a key point of our audit.	**Audit procedures implemented in response to this risk** We: - tested the valuation of items in inventory by conducting sample-based comparisons with cost prices; - familiarized ourselves with the processes in place to identify slow-moving items, those at risk of obsolescence and those whose selling prices were lower than their acquisition cost; - for items at risk of impairment, checked that they were correctly valued, notably by undertaking sample-based comparisons of the cost of products held in inventory with their last known net selling price; - took into account work undertaken as part of the review of development costs so as to identify, as the case may be, indicators of impairment on certain products held in inventory. We also assessed the appropriateness of the information provided in the following notes to the consolidated financial statements: Note 5.4.9, "Inventories and work in progress", Note 5.7.5, "Inventories" and Note 5.8.2, "Additions to amortization, depreciation and impairment".

Specific checks

In accordance with professional standards applicable in France, we have also carried out specific checks required by legislation and regulations on the information about the group set out in the Board's management report.

We have no comments as to the accuracy of this information or its consistency with the consolidated financial statements.

Information resulting from other legal and regulatory obligations

Appointment of statutory auditors

We were appointed statutory auditors of Guillemot Corporation at the shareholders' general meetings of May 26, 2004 (PricewaterhouseCoopers Audit) and May 23, 2007 (MB Audit).

At December 31, 2018, PricewaterhouseCoopers Audit was serving for its fifteenth consecutive year and MB Audit for its twelfth.

Responsibility of management and persons charged with corporate governance as regards the consolidated financial statements

It falls to management to draw up consolidated financial statements that provide a true and fair view in accordance with IFRS as adopted within the European Union, as well as to put in place such internal control arrangements as it deems necessary to be able to prepare consolidated financial statements free of material misstatement, whether as a result of fraud or error.

In preparing the consolidated financial statements, it falls to management to assess the company's ability to continue to operate, to show in its financial statements any required information pertaining to continuity of operations, and to apply the going concern accounting principle, unless it is planned to wind up the company or cease operations.

It falls to the audit committee to monitor the process of preparing financial information and the effectiveness of internal control and risk management systems, as well as, where applicable, internal audit in respect of procedures for preparing and processing accounting and financial information.

The consolidated financial statements were signed off by the Board of Directors.

Statutory auditors' responsibility as regards audit of the consolidated financial statements

Audit objective and approach

It falls to us to draw up a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole are free of material misstatement. Reasonable assurance means a high level of assurance, though there is no guarantee that an audit carried out in keeping with standards of professional practice will always detect every material misstatement. Misstatements may be the result of fraud or error; they are considered material whenever it might reasonably be expected that, taken individually or together, they might influence decisions made by the users of the financial statements on the basis of the latter.

As stipulated in Article L.823-10-1 of the French Commercial Code, our duty to certify the financial statements does not consist of guaranteeing either the company's viability or the quality of its management.

In the case of an audit conducted in accordance with standards of professional practice applicable in France, the statutory auditors must exercise their judgment throughout the audit. Furthermore:

- They must identify and assess the risk that the financial statements include material misstatements, whether as a result of fraud or error, draw up and implement audit procedures in response to that risk, and gather information they consider a sufficient and appropriate basis for their opinion. The risk of failing to detect a material misstatement resulting from fraud is greater than that of failing to detect a material misstatement resulting from error, since fraud can entail collusion, falsification, deliberate omission, misrepresentation, or the bypassing of internal control.

- They must familiarize themselves with those internal control arrangements that are relevant to the audit so as to be able to define suitable audit procedures (and not so as to express an opinion on the effectiveness of internal control).

- They must assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as information concerning such policies and estimates provided in the consolidated financial statements.

- They must assess the appropriateness of management's use of the going concern accounting principle and, based on the information gathered, determine whether there is significant uncertainty linked to events or circumstances that could call into question the company's ability to continue operations. This assessment is based on information gathered up to the date of the auditor's report; it is important to remember, however, that subsequent circumstances or events could endanger continuity of operation. If the auditors conclude that there is significant uncertainty, they must draw the attention of readers of their report to the information provided in the consolidated financial statements about that uncertainty or, if that information is not provided or is not relevant, issue a qualified certification or refuse to qualify the financial statements.

- They must assess the overall presentation of the consolidated financial statements and determine whether they reflect the underlying transactions and events in such a way as to provide a true and fair view.

- As regards financial information on persons or entities falling within the scope of consolidation, they must gather whatever information they consider a sufficient and appropriate basis for expressing an opinion on the consolidated financial statements. They are responsible for overseeing, supervising and conducting the audit of the consolidated financial statements, as well as for the opinion expressed on those financial statements.

Report to the audit committee

We submit a report to the audit committee setting out, in particular, the extent of our audit and the program of work carried out, as well as our audit findings. We also advise the audit committee of any significant weaknesses we may have identified in internal control pertaining to the procedures for preparing and processing accounting and financial information.

Our report to the audit committee includes information about the risk of material misstatements, which we consider most significant for the audit of the consolidated financial statements for the year and which, as such, constitutes the key points of the audit, which it is our responsibility to describe in this report.

We also provide the audit committee with the declaration laid down in Article 6 of Regulation (EU) No 537-2014 confirming our independence, within the meaning of rules applicable in France as laid down, in particular, in Articles L.822-10 to L.822-14 of the French Commercial Code and in the code of professional ethics for statutory auditors.
Where applicable, we discuss our independence and the measures put in place to safeguard it with the audit committee.

Rennes and Bruz, April 24, 2019

The statutory auditors

PricewaterhouseCoopers Audit	MB Audit
Jérôme Mouazan	Khadija Roullé

➢ PARENT COMPANY FINANCIAL STATEMENTS TO DECEMBER 31, 2018

All figures are in thousands of euros (€k).

1 PARENT COMPANY BALANCE SHEET

ASSETS	Gross	Amort'n/deprec'n/ impair't	Net	Net
(€k)	**Dec 31, 2018**	**Dec 31, 2018**	**Dec 31, 2018**	**Dec 31, 2017**
Intangible assets	20,565	10,824	9,741	9,175
Property, plant and equipment	7,180	5,649	1,531	1,768
Non-current financial assets	43,982	35,852	8,130	6,595
Non-current assets	**71,727**	**52,325**	**19,402**	**17,538**
Inventories and w ork in progress	23,382	1,878	21,504	7,078
Advances and progress payments	202	0	202	244
Trade receivables	20,070	254	19,816	18,844
Other receivables	1,761	639	1,122	892
Investment securities	6,966	12	6,954	7,192
Cash at bank and in hand	2,034	0	2,034	9,237
Current assets	**54,415**	**2,783**	**51,632**	**43,487**
Accrued and deferred items	131	0	131	270
TOTAL ASSETS	**126,273**	**55,108**	**71,165**	**61,295**

LIABILITIES AND EQUITY		
(€k)	**Dec 31, 2018**	**Dec 31, 2017**
Share capital	11,771	11,554
Issue, conversion and merger premiums	10,633	10,555
Reserves	2,892	1,337
Retained earnings	0	-2,591
Net income for the year	5,842	4,146
Shareholders' equity	**31,138**	**25,001**
Provisions	263	636
Borrow ings	11,661	10,606
Trade payables	19,117	15,706
Taxes and social security payable	386	865
Payables to fixed asset suppliers	853	993
Other liabilities	6,199	6,831
Total liabilities	**38,216**	**35,001**
Accrued and deferred items	1,548	657
TOTAL LIABILITIES AND EQUITY	**71,165**	**61,295**

2 PARENT COMPANY INCOME STATEMENT

(€k)	Dec 31, 2018	Dec 31, 2017
Turnover	77,071	73,991
Production taken into inventory	13,038	-979
Self-constructed assets	2,239	1,647
Write-backs of amortization, depreciation and provisions and transfers of expenses	1,920	1,700
Other income from ordinary activities	1,469	1,832
Total operating income	**95,737**	**78,191**
Purchases	56,076	41,240
Changes in inventory	-1,400	45
External expenses	23,103	21,211
Taxes and duties	196	165
Employee expenses	396	415
Other expenses	7,963	7,446
Additions to amortization and depreciation	2,241	2,253
Impairment and provisions	1,514	2,017
Total operating expenses	**90,089**	**74,792**
Net operating income	**5,648**	**3,399**
Income from equity interests	0	0
Net income on disposals of investments	82	152
Other interest and related income	49	64
Reversals of provisions and transfers of expenses	1,325	850
Foreign currency translation gains	337	451
Total financial income	**1,793**	**1,517**
Additions to amort'n, deprec'n & prov'ns on financial items	215	18
Interest and related expenses	174	206
Foreign currency translation losses	188	364
Net expenses on disposals of investment securities	120	13
Total financial expenses	**697**	**601**
Net financial income	**1,096**	**916**
Net income (loss) from ordinary activities	**6,744**	**4,315**
Net non-recurring income (expense)	**-247**	**406**
Profit (loss) before tax	6,497	4,721
Corporate income tax	-655	-575
Net profit (loss) for the year	**5,842**	**4,146**

3 INTERIM MANAGEMENT FIGURES

The main interim management figures are as follows:

(€k)	Dec 31, 2018	Dec 31, 2017
Production in the year	92,348	74,659
Value added	14,569	12,163
Earnings before interest, tax, depreciation and amortization	13,977	11,583
Net operating income (loss)	**5,648**	**3,399**

4 STATEMENT OF CASH FLOWS

Cash flows from operating activities (€k)	Dec 31, 2018	Dec 31, 2017
Net profit	5,842	4,146
Additions to amort'n, deprec'n, impair't and prov'ns (1)	4,191	5,909
Reversals of amort'n, deprec'n, impair't and prov'ns (1)	-3,087	-5,202
Capital gains and losses on disposals	0	0
Cash generated from operations	**6,946**	**4,853**
Change in operating cash requirement	-12,957	4,806
Change in non-operating cash requirement	1,024	-71
Change in working capital requirement	**-11,933**	**4,735**
Cash flows from investing activities		
Acquisitions of intangible assets	-2,242	-1,668
Acquisitions of property, plant and equipment	-560	-481
Disposals of property, plant and equipment and intangible asset:	0	0
Acquisitions of non-current financial assets	-1,189	-128
Disposals of non-current financial assets	147	37
Net cash from acquisitions and disposals of subsidiaries	0	0
Total cash flows from investing activities	**-3,844**	**-2,240**
Cash flows from financing activities		
Increases in capital and capital injections	329	568
Borrow ings	0	9,500
Repayments of borrow ings	-4,822	-3,157
Repayments of shareholders' current accounts	0	0
Total cash flows from financing activities	**-4,493**	**6,911**
Change in cash	**-13,324**	**14,259**
Net cash at the beginning of the period (2)	16,416	2,157
Net cash at the end of the period (2)	3,092	16,416

(3) Excludes additions to and write-backs of impairment losses on available-for-sale securities.
(4) Includes net amount of available-for-sale securities.

5 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The following notes and tables, presented in thousands of euros (€k), form an integral part of the parent company financial statements and constitute the notes to the balance sheet before appropriation of income for the fiscal year ended December 31, 2018. Total assets stood at €71,165k. The income statement showed a profit of €5,842k.

The fiscal year covered the 12-month period from January 1 to December 31, 2018.

5.1 Significant events in the year

Guillemot Corporation generated annual turnover of €77,071k in 2018, with operating profitability growing strongly in the full year in spite of a weaker fourth quarter.

Key events in 2018 are set out below.

Thrustmaster

Thrustmaster had a mixed year in 2018, with growth in product categories like headsets, joysticks and gamepads but a slowdown in racing wheels.

Joysticks: the company enjoyed strong growth in this segment, thanks in particular to a number of new product launches, including the limited edition T.Flight HOTAS One and T.Flight HOTAS 4 joysticks licensed for flagship game Ace Combat™ 7: Skies Unknown, in partnership with Japanese software vendor BANDAI NAMCO®.

Thrustmaster further strengthened its leadership in the United States in this high-potential segment.

Gaming headsets: with the first gaming headset licensed by Ferrari, the T.Racing Scuderia Ferrari Edition, Thrustmaster broke significant new ground in this segment. At the same time, Thrustmaster strengthened its flight simulation ecosystem, launching its new high-end T.Flight US Air Force Edition headset, officially licensed by the US Army, with the Y-300CPX Six Collection Edition headset, officially licensed for Tom Clancy's Rainbow Six Siege, rounding out its US range.

Gamepads: with competitions and multi-platform games on the rise, this important category remains a priority for the Group. The Group introduced a "design thinking" process to help it come up with a new range of innovative gamepads.

Racing wheels: having growing strongly in the early part of 2018 following the launch of Gran Turismo® Sport in October 2017, racing wheel sales did not have the benefit of so many new games. This resulted in a sharp drop in restocking by retailers in the fourth quarter.

In 2018, the company broadened its distribution of Thrustmaster products to cover over 100 countries, with sales in Asia picking up nicely.

Hercules

Incorporation of "design thinking" into Hercules' strategy was reflected in the successful launch of its new range of DJ controllers: Hercules DJControl Starlight, Hercules DJControl Inpulse 200, Hercules DJControl Inpulse 300 and the new version of its DJUCED® DJ software.

At the last Consumer Electronics Show (CES) in Las Vegas, the DJControl Inpulse 300 controller was awarded the CES Innovation Honoree Award 2019. At the same time, consumers and professionals alike demonstrated their interest in this brand new range at the latest NAMM Show, held in the United States at the end of January 2019.

Products come with built-in help, such as the Intelligent Music Assistant (IMA), which suggests tracks for the DJ's playlist, light guides to help users learn to beatmatch, and DJ Academy videos included in the software, making it very easy for beginners to learn to DJ and quickly put on a show.

Net income from ordinary activities came in at €5,648k, compared with €3,399k in the period to December 31, 2017.

Net financial income totaled €1,096k, compared with €916k in the prior year. This figure includes, in particular, €1,325k of write-backs of provisions.

Net non-recurring income (expense) totaled -€247k. This figure includes exceptional expenses consisting of €233k of exceptional write-downs of development and material costs.

Net income totaled €5,842k, compared with €4,146k a year earlier.

Net debt totaled €4,661k at December 31, 2018, compared with -€3,825k a year earlier.

5.2 Accounting principles

The Guillemot Corporation SA parent company financial statements have been drawn up in accordance with ANC Regulation 2016-07 of November 4, 2016 amending Regulation 2014-03 of June 5, 2014 on the French general chart of accounts. Property, plant and equipment and intangible assets have been tested for impairment in accordance with the guidelines laid down in Articles 214-15 and 214-19 of the French general chart of accounts.

Generally accepted accounting conventions have been applied, in keeping with the principle of prudence, in accordance with the following basic assumptions:

- going concern basis
- consistency of accounting policies from one accounting period to the next
- use of the accruals concept

The accounting conventions adopted also comply with general rules governing the preparation and presentation of the annual financial statements.

The basic method used to measure items recognized in the financial statements is the historical cost method.

5.3 Accounting principles and policies

5.3.1 Intangible assets

Goodwill

Goodwill includes all intangible items (customers, market share, expertise, etc.) acquired by the company enabling it to carry on its business and continue to expand.
The present value of goodwill is reviewed at each balance sheet date by comparing market value with value in use.

Market value is the amount that could be obtained by selling an asset in an arm's length transaction. Value in use is determined on the basis of expected cash flows.
Goodwill is impaired if the carrying amount is greater than the higher of market value and value in use.

Brands

Brands acquired by the company have an indefinite life.

Brands acquired by the company are tested for impairment at each balance sheet date.

At each balance sheet date, if their net carrying amount is greater than the higher of market value and value in use, an impairment loss is recognized.

In the absence of a deep market for brands in the company's industry sector, market values are not used. That being the case, the present value of brands increases in line with the present value of future cash flows expected from the asset in question.

Research and development costs

Research costs are expensed as incurred.

Development costs are determined in accordance with the CNC opinion of April 1987, and must also comply with CRC Regulation 2004-06. According to the French general chart of accounts, this means the company must meet all criteria in relation to the following:

- technical feasibility of completing the intangible asset before it can be used or sold
- intention to complete the intangible asset and use or sell it

- ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- availability of adequate technical, financial and other resources to complete development and use or sell the intangible asset

- ability to reliably measure expenses attributable to the intangible asset during its development

Development costs are amortized over the useful life of the asset in question; the amortization period may not in any event exceed five years.

Patents and software

Patents and software are amortized over their actual useful life.

5.3.2 Property, plant and equipment

Property, plant and equipment are recognized at historical cost. Depreciation rates are based on the probable useful life of each asset, as follows:

- Buildings: 10-20 years on a straight-line basis
- Fixtures: 1-20 years on a straight-line basis
- Plant: 1-10 years on a straight-line basis

5.3.3 Non-current financial assets

Securities in the securities portfolio are measured at cost, excluding incidentals.

The balance sheet value of each investment is assessed on the basis of the share of the company's net assets and future outlook. Where this value is lower than the stated value, an impairment loss is recognized for the difference.

The fair value of financial assets is the average price over the last month in the period for listed securities. Where balance sheet value is lower than purchase cost, an impairment loss is recognized.

5.3.4 Inventories and work in progress

Inventories and work in progress are measured based on their cost of supply. The gross amount of such inventories includes their purchase price and any incidentals.

Inventory is measured using the FIFO (first in, first out) method.

An impairment loss is recognized whenever the acquisition cost of inventory is greater than its market value.

5.3.5 Advances and progress payments

Advances and progress payments consist of prepayments on orders paid to suppliers. Licenses relate to distribution and reproduction rights acquired from third parties. Entering into license agreements may give rise to the payment of guaranteed amounts.

These amounts are recognized in a prepayments and accruals account and expensed as and when products are sold. Where amounts are not recognized in full, an off balance sheet liability is recognized for the outstanding amount.

At each balance sheet date, the amount yet to be expensed is compared with prospective sales and an additional expense recognized if necessary.

5.3.6 Trade receivables

Trade receivables are measured at nominal value. Receivables are impaired whenever their balance sheet value falls below their carrying amount.

5.3.7 Current account advances

Current account advances to subsidiaries are impaired whenever the subsidiary's net position falls below the balance sheet value of the investment.

5.3.8 *Translation of payables and receivables*

Foreign currency receivables and payables not hedged using futures or options are translated into euros using the closing exchange rate. The resulting translation adjustment is recognized in a specific balance sheet item. A provision for liabilities is set aside if translation of foreign currency items results in unrealized losses.

The company applied ANC regulation number 2015-05 (relating to financial futures and hedging transactions) for the first time at the end of its 2017 fiscal year. Foreign currency translation adjustments relating to trade receivables and payables (whether provisioned or actual) are recognized in net income from ordinary activities. Foreign currency translation adjustments relating to financial receivables and payables (whether provisioned or actual) are recognized in net financial income.

5.3.9 *Investment securities*

Shares are measured at their average market price over the last month in the period.

An impairment loss is recognized in respect of any unrealized losses.

Treasury shares held under a share buyback program in accordance with the provisions of Articles L.225-209ff. of the French Commercial Code are recognized under investment securities.

5.3.10 *Cash at bank and in hand*

Cash at bank and in hand consists of bank account balances. Foreign currency bank accounts are translated into euros at the closing rate and translation adjustments are included in net financial income.

5.3.11 *Provisions*

Provisions for translation losses on foreign currency trade receivables and payables are recognized in net income from ordinary activities. Provisions on financial receivables and payables are recognized in net financial income (in accordance with ANC Regulation 2015-05).

A provision is recognized whenever the company has a present obligation (whether legal or implied) resulting from a past event, it is probable that an outflow of resources will be necessary to settle the obligation, and the amount of the obligation can be reliably estimated.

This item also includes provisions for liabilities relating to trade disputes as well as provisions for loss of income on unsold products returned.

5.3.12 *Borrowings*

Borrowings are initially recognized in the balance sheet at fair value. Borrowing costs are expensed as incurred.

5.3.13 *Recognition of income*

All turnover is measured at the fair value of the consideration received or due, taking into account the amount of any trade discount or volume rebate granted by the company. Product sales are recognized and considered permanent at the delivery date, which corresponds to the date on which the associated risks and rewards are transferred to the buyer. All products sold by the company are covered by a statutory two-year warranty against defects. In some cases, the warranty obligation is transferred to the customer in exchange for a discounted purchase price. In other cases, the warranty obligation is deducted from turnover based on an analysis undertaken by the company. This analysis takes into account, in particular, sales volumes, the average time taken to return defective products, and management judgment.

Furthermore, under its terms and conditions of sale, the company does not agree to take back unsold goods. In practice, where such agreement is given, the associated cost is deducted from turnover based on actual product returns accepted at the balance sheet date. In cases where management expects additional product returns relating to past sales, the obligation to take back returned products is recognized in provisions for liabilities and charges in the form of a provision for loss of income.

5.3.14 *Segment information*

Segment information by business area concerns the Hercules and Thrustmaster business segments. Segment information by geographical region is based on the following geographical segments: European Union, North America and Other.

5.4 Notes to the balance sheet

5.4.1 Intangible assets

Intangible assets are broken down as follows:

Gross amounts	Dec 31, 2017	Increases	Decreases	Dec 31, 2018
Research and development costs	6,409	1,480	1,313	6,576
Brands and goodwill	11,782	0	0	11,782
Concessions, patents, licenses, brands and software	258	3	0	261
Intangible assets under construction	1,319	2,239	1,612	1,946
TOTAL	**19,768**	**3,722**	**2,925**	**20,565**

Accumulated amortization and impairm	Dec 31, 2017	Increases	Decreases	Dec 31, 2018
Research and development costs	4,301	1,536	1,313	4,524
Brands and goodwill	6,051	0	0	6,051
Concessions, patents, licenses, brands and software	241	8	0	249
TOTAL	**10,593**	**1,544**	**1,313**	**10,824**

Net amounts	Dec 31, 2017	Dec 31, 2018
Research and development costs	2,108	2,052
Brands and goodwill	5,731	5,731
Concessions, patents, licenses, brands and software	17	12
Intangible assets under construction	1,319	1,946
TOTAL	**9,175**	**9,741**

Development costs

Development costs consist of all work undertaken by the research and development teams to provide the technical components needed for production. These may include employee expenses, external costs such as design, mock-up and prototype costs, samples and workshop testing costs.

Project eligibility is reviewed quarterly by the finance and technical departments, in agreement with senior management. Project development costs are recognized in assets if they meet all six eligibility criteria laid down in CRC Regulation 2004-06. The corresponding expenses are debited to "Intangible assets under construction" and credited to "Self-constructed assets".

Assets are transferred from assets under construction to development costs when released into production. A total of €1,480k was transferred to development costs in 2018.

The following Guillemot Corporation subsidiaries generate development costs: Hercules Thrustmaster SAS, Guillemot Recherche & Développement Inc, Guillemot Romania Srl and Guillemot Corporation (HK) Limited. Capitalized costs relate to all product lines under the Hercules and Thrustmaster brands. Development costs capitalized over the period totaled €2,239k.

Development costs no longer meeting the six capitalization criteria were removed from assets. Net scrappage costs and the net cost of projects written off in the year totaled €132k (€1,445k gross).

Development costs are amortized over the useful life of the asset in question, which ranges from one to five years.

Brands

Brands include the Thrustmaster and Hercules acquired brands.

Hercules

The Hercules brand is allocated to the Hercules cash-generating unit (CGU).

Following impairment testing of the Hercules CGU, there was no change in the value of the Hercules brand at December 31, 2018.

The following assumptions are used to test the Hercules CGU for impairment:

- Ratio of operating cash flow to turnover: negative for the next two years, then positive for the following three years
- Five-year turnover projections taking into account forecast new product launches and the business cycle (turnover rising 50% in 2019 and an average of 25% each in following years)
- Long-term growth rate: 2%
- Discount rate: 12%

The Hercules brand now has a net balance sheet value of €432k, compared with a purchase cost of €1,432k.

The Hercules business has seen turnover decline sharply over the past few years following the successive withdrawal of its ranges of Wi-Fi and CPL products, webcams and, more recently, multimedia speakers.

The business is in the process of being refocused around audio and DJing products; this requires substantial investment in R&D and marketing, thus affecting short-term profitability.

The new range of DJ controllers released in late 2018 has received a very warm welcome, with the DJControl Inpulse 300 winning a CES Innovation Honoree Award 2019 at the last Consumer Electronics Show (CES) in Las Vegas.

The refocusing of the business around audio and DJing products supports the Group's assumption of double-digit growth in turnover for Hercules over the next five years.

<u>Thrustmaster</u>
The Thrustmaster brand is allocated to the Thrustmaster CGU.

Following impairment testing of the Thrustmaster CGU, there was no change in the value of the Thrustmaster brand at December 31, 2018.

The following assumptions are used in calculating discounted future cash flows for the Thrustmaster CGU:

- Five-year turnover projections taking into account forecast new product launches and the cyclicality of the business (notably game and console releases)
- Discount rate: 12%

The Thrustmaster brand now has a net balance sheet value of €5,300k, compared with a purchase cost of €9,410k.

Measurement of the Thrustmaster brand involves the risk of adjustments in future years should assumptions concerning future cash flows generated by the Thrustmaster business be upgraded or downgraded.

Thrustmaster has achieved global recognition and is now a key player in PC and console racing wheels, with an installed base that continues to grow.

5.4.2 Property, plant and equipment

Property, plant and equipment is broken down as follows:

Gross amounts	Dec 31, 2017	Increases	Decreases	Dec 31, 2018
Land	219	0	0	219
Buildings and fixtures	3,103	0	0	3,103
Plant and machinery	3,619	502	447	3,674
Property, plant and equipment under construction	126	521	463	184
TOTAL	**7,067**	**1,023**	**910**	**7,180**

Depreciation	Dec 31, 2017	Increases	Decreases	Dec 31, 2018
Land	0	0	0	0
Buildings and fixtures	2,663	141	0	2,804
Plant and machinery	2,636	656	447	2,845
TOTAL	**5,299**	**797**	**447**	**5,649**

Net amounts	Dec 31, 2017	Dec 31, 2018
Land	219	219
Buildings and fixtures	440	299
Plant and machinery	983	829
Property, plant and equipment under constru	126	184
TOTAL	**1,768**	**1,531**

Property, plant and equipment under construction consists of production equipment in progress. The reduction in these assets corresponds to a €463k transfer to the "Equipment" item.

Purchases of equipment consist of molds used in production. The company scrapped obsolete equipment with a gross value of €447k. The net amount is nil.

5.4.3 Non-current financial assets

Gross non-current financial assets are broken down as follows:

	Dec 31, 2017	Increases	Decreases	Dec 31, 2018
Equity investments	42,751	1,000	0	43,751
Other non-current financial assets	787	64	624	227
Deposits and guarantees	4	0	0	4
TOTAL	**43,542**	**1,064**	**624**	**43,982**

Equity investments

Changes in other non-current financial assets concern the liquidity agreement currently in force and a security deposit relating to the collection and recycling of waste electrical and electronic equipment in Germany. The liquidity account had a cash balance of €147k at December 31, 2018.

The security deposit relating to waste processing totals €80k.

Equity investments are investments in subsidiaries of Guillemot Corporation. The increase in equity investments concerns the Guillemot Innovation Labs SAS subsidiary.

Equity investments	Dec 31, 2017	Additions	Reversals	Dec 31, 2018
Investments in subsidiaries				
Gross amount	42,751	1,000	0	43,751
Impairment	36,947	203	1,298	35,852
Net	**5,804**	**797**	**1,298**	**7,899**

A €35,852k impairment loss has been recognized against equity investments in the company's subsidiaries, broken down as follows:

Investments fully impaired:

- Guillemot GmbH (Germany) €15k
- Guillemot Ltd (United Kingdom) €12,211k

Other investments (impaired for their net amount at Dec 31, 2018):

- Guillemot SA (Belgium)	€178k
- Guillemot Srl (Italy)	€4,858k
- Guillemot Inc (Canada)	€18,392k
- Guillemot Electronic Technology (Shanghai) Co.	€198k

Schedule of subsidiaries

	Currency	Headquarters	Financial information (€k)					Carrying amount of investment (€k)		Loans and advances granted (€k)	Guarantees given	Dividends received by Guillemot Corporation SA	Observations: impairment applied to loans and advances
			Capital	Shareholders' equity other than capital (including earnings)	% ownership	Turnover excl. tax in last fiscal year	Profit (loss) in last fiscal year	Gross	Net				
Hercules Thrustmaster SAS (France)	EUR	Carentoir	279	574	99.42%	5,632	184	288	288	-	-	-	-
Guillemot Administration et Logistique SARL (France)	EUR	Carentoir	222	643	99.96%	3,288	125	222	222	-	-	-	-
Guillemot Ltd (United Kingdom)	GBP	Surrey	9,560	-9,566	99.99%	108	9	12,211	0	67	-	-	6
Guillemot SA (Belgium)	EUR	Wemmel	175	63	99.93%	0	-5	416	238	-	-	-	-
Guillemot GmbH (Germany)	EUR	Obermichelbach	511	-1,144	99.75%	530	17	15	0	861	-	-	633
Guillemot Corporation (H-K) Limited (Hong Kong)	HKD	Hong Kong	1	567	99.50%	1,923	82	23	23	-	-	-	-
Guillemot Recherche & Développement Inc (Canada)	CAD	Montreal	1,064	532	99.99%	967	44	1,257	1,257	-	-	-	-
Guillemot Inc (United States)	USD	Sausalito	87	96	99.99%	0	-2	8	8	-	-	-	-
Guillemot Inc (Canada)	CAD	Montreal	30,849	-24,653	74.89%	27,103	1,877	23,032	4,640	-	-	-	-
Guillemot SRL (Italy)	EUR	Milan	10	55	100.00%	260	8	4,923	65	-	-	-	-
Guillemot Romania Srl (Romania)	RON	Bucharest	16	269	100.00%	820	44	20	20	-	-	-	-
Guillemot Spain SL (Spain)	EUR	Madrid	3	125	100.00%	322	10	3	3	-	-	-	-
Guillemot Electronic Technology (Shanghai) Co., Ltd	RMB	Shanghai	190	-221	100.00%	1,478	-252	198	0	21	-	-	-
Guillemot Innovation Labs (France)	EUR	Carentoir	1,135	-25	100.00%	122	11	1,135	1,135	-	-	-	-

Other non-current financial assets:

Other non-current financial assets	Dec 31, 2017	Increases	Decreases	Dec 31, 2018
Treasury shares		**Additions**	**Reversals**	
Number of shares	132,619	0	132,619	0
Gross amount	477	0	477	0
Impairment	0	0	0	0
Net	**477**	**0**	**0**	**0**

On January 24, 2018, Guillemot Corporation retired 187,256 treasury shares, 132,619 of which were recognized in "Other non-current financial assets" with a value of €477k.

5.4.4 Inventories

Inventories are broken down as follows:

Inventories	Gross		Gross
	Dec 31, 2017	Change in inventories (outcome)	Dec 31, 2018
Packaging materials in inventory	22	-6	16
Finished products	7,509	13,039	20,548
Raw materials and w ork in prog	1,412	1,406	2,818
TOTAL	**8,943**	**14,439**	**23,382**

Impairment	Dec 31, 2017	Increases	Decreases	Dec 31, 2018
Packaging materials in inventory	0	0	0	0
Finished products	1,453	950	974	1,429
Raw materials and w ork in progress	412	99	62	449
TOTAL	**1,865**	**1,049**	**1,036**	**1,878**

Inventories consist of electronic components and sub-assemblies as well as finished products. An impairment loss is recognized whenever the value of inventory is greater than its market value.

The increase in inventories in the year is linked to lower turnover in the fourth quarter of 2018, with restocking by retailers sharply down.

5.4.5 Advances and progress payments

Advances and progress payments consist of prepayments on orders paid to suppliers. Prepayments totaled €202k at the year-end.

5.4.6 Trade receivables

Trade receivables are broken down as follows:

	Gross	Impairment	Net	Net
	Dec 31, 2018	Dec 31, 2018	Dec 31, 2018	Dec 31, 2017
Trade receivables	20,070	254	19,816	18,844
TOTAL	**20,070**	**254**	**19,816**	**18,844**

The majority of trade receivables were covered by a credit insurance policy at December 31, 2018. Trade receivables totaled €19,816k at December 31, 2018, compared with €18,844k a year earlier.

5.4.7 Receivables and payables

Receivables and payables are broken down as follows:

RECEIVABLES MATURITY SCHEDULE	At Dec 31, 2018 Gross amount	< 1 yr	> 1 yr
Operating receivables			
Receivables from suppliers	158	158	0
Trade receivables	20,070	20,070	0
Government (VAT credits, sundry)	675	675	0
Group and affiliates	928	0	928
Prepaid expenses	111	111	0
TOTAL	**21,942**	**21,014**	**928**

Current account advances totaling €928k are broken down into €861k for Guillemot GmbH (Germany) and €67k for Guillemot Ltd (United Kingdom). Government receivables mainly consist of VAT receivables. The "Receivables from suppliers" item includes €135k in credit notes receivable, including €85k in intra-group credit notes.

PAYABLES MATURITY SCHEDULE	At Dec 31, 2018 Gross amount	< 1 yr	1-5 yrs
Borrow ings from credit institutions	5,710	3,178	2,532
Bond issue	0	0	0
Medium-term bank loans	56	56	0
Bank overdrafts and foreign currency advanc	5,896	5,896	0
Trade payables	19,117	19,117	0
Taxes and social security payable	386	386	0
Other liabilities	4,211	4,211	0
Payables to fixed asset suppliers	853	853	0
Group and affiliates	1,987	0	1,987
TOTAL	**38,216**	**33,697**	**4,519**
Borrow ings taken out during the period			
Reduction in borrow ings via conversion of bonds	0		
Reduction in borrow ings via repayment	4,822		
Debts ow ed to individuals	0		

At the year-end, Guillemot Corporation SA had fixed rate borrowings from financial institutions totaling €5,710k. Over the period, the company repaid borrowings of €4,822k.

At December 31, 2018, the company had no bank borrowings in currencies other than euro.

Medium-term bank loans totaling €56k correspond to security deposits in connection with leases.

Current account advances granted by Guillemot Recherche & Développement Inc (Canada) and Guillemot Innovation Labs SAS (France) total €897k and €1,090k respectively.

	Dec 31, 2018	Dec 31, 2017
Borrowings		
Bond issue	0	0
Borrow ings and debts w ith credit institutions	11,606	10,550
Borrow ings and financial liabilities	56	56
Current account advances	1,987	1,998
	13,649	**12,604**
Cash at bank and in hand		
Net investment securities	6,954	7,192
Cash at bank and in hand	2,034	9,237
	8,988	**16,429**

The company has total net debt of €4,661k.

5.4.8 Investment securities

This item includes 57,127 treasury shares with a net value of €187k. On January 24, 2018, the company retired 54,637 treasury shares recognized as investment securities, with a value of €124k. The company also owns 443,874 Ubisoft Entertainment SA shares, representing a 0.39% stake, with a purchase cost of €6,767k.

	Gross	Impairment	Net	Net
	Dec 31, 2018	Dec 31, 2018	Dec 31, 2018	Dec 31, 2017
Investment securities	6,767	0	6,767	6,767
Treasury shares	199	12	187	425
TOTAL	**6,966**	**12**	**6,954**	**7,192**

The balance sheet value of treasury shares and Ubisoft Entertainment SA shares totaled €187k and €30,627k at the year-end respectively.

5.4.9 Cash at bank and in hand

	Dec 31, 2018	Dec 31, 2017
Cash at bank and in hand	2,034	9,237
Bank loans and overdrafts	-5,896	-13
Net bank balance	**-3,862**	**9,224**

5.4.10 Accrued and deferred items

Assets

	Dec 31, 2018	Dec 31, 2017
Prepaid expenses	111	134
Deferred expenses	0	0
Bond redemption premiums	0	0
Foreign currency translation losses	20	136
TOTAL	**131**	**270**

Foreign currency translation losses mainly arise when calculating the present value of foreign currency payables at the closing exchange rate. A provision for unrealized losses has been set aside.

Liabilities

	Dec 31, 2018	Dec 31, 2017
Prepaid income	1,425	458
Foreign currency translation gains	123	199
TOTAL	**1,548**	**657**

Prepaid income consists of products not shipped at December 31, 2018.

Foreign currency translation gains mainly arise when calculating the present value of foreign currency receivables.

5.4.11 Accrued income

	Dec 31, 2018	Dec 31, 2017
Suppliers – credit notes receivable	135	65
Customers – unbilled revenue	2	2
TOTAL	**137**	**67**

5.4.12 Accrued expenses

	Dec 31, 2018	Dec 31, 2017
Interest on borrow ings and financial liabilities	28	24
Suppliers – accrued invoices	10,916	8,611
Customers – accrued credit notes	2,590	1,824
Taxes and social security payable	211	223
Accrued expenses	1,555	2296
TOTAL	**15,300**	**12,978**

5.4.13 Information about related companies

Equity investments	€43,751k
Gross current assets	
Trade receivables	€10,066k
Advances and progress payments	€21k
Current account advances	€928k
Suppliers – credit notes receivable	€85k
Gross payables	
Trade payables	€3,899k
Current account advances	€1,987k
Financial income	€27k
Financial expenses	€16k

5.4.14 Provisions and impairment

Provisions	At Dec 31, 2017	Increases	Decreases Used	Decreases Not used	At Dec 31, 2018
For foreign exchange risk	136	21	136	0	21
For product returns	500	242	500	0	242
Total	**636**	**263**	**636**	**0**	**263**

Provisions for exchange rate risk arise when updating foreign currency receivables and payables at the year-end exchange rate. The decrease in the provision for product returns was the result of updating estimates of the number of products returned.

Accumulated impairment	At Dec 31, 2017	Increases	Decreases	At Dec 31, 2018
Non-current financial assets	36,947	203	1,298	35,852
Other non-current financial assets	0	0	0	0
Inventories	1,865	1,049	1,036	1,878
Trade receivables	142	201	89	254
Intangible assets	6,051	0	0	6,051
Other impairment	666	12	27	651
Total	**45,671**	**1,465**	**2,450**	**44,686**

Impairment of inventories relates to products in both the Hercules and Thrustmaster ranges. The company has set aside impairment losses against its subsidiaries for the amount of their net positions and taking into consideration the prospect of recovering those assets (€35,852k in equity investments and €639k in current account advances).

Impairment of non-group trade receivables totals €254k and relates to doubtful receivables.

The company has recognized impairment of €1,000k against the Hercules brand, €4,110k against the Thrustmaster brand and €941k against goodwill.

5.4.15 Share capital

	Number of shares	Par value	Amount
At Dec 31, 2017	15,004,736	0.77	11,553,646.72
Exercise of stock options	470,000	0.77	361,900.00
Reduction in capital through retirement of treasury shares	-187,256	0.77	-144,187.12
At Dec 31, 2018	**15,287,480**	0.77	**11,771,359.60**

The share capital consists of 15,287,480 shares with a par value of €0.77 each.

Treasury shares account for 0.37% of the total share capital.

To date, a total of 515,560 options have been exercised. A total of 87,500 shares were subscribed in the year. The first ten stock option plans have all lapsed.

The increase in the share capital corresponding to the 382,500 shares subscribed for at end 2017 took place on January 24, 2018. The increase corresponding to the 87,500 shares subscribed for in 2018 took place on March 16, 2018.

The exercise of these options increased the company's cash position by €329k in 2018.

Statement of changes in equity

(€k)	Balance before appropriation of income for fiscal year to Dec 31, 2017	Appropriation of income for fiscal year to Dec 31, 2017	After appropriation of income for fiscal year to Dec 31, 2017	Increase in share capital	Reduction in share capital	Earnings in fiscal year to Dec 31, 2018	Balance at Dec 31, 2018
Share capital	11,554	0	11,554	362	-145		11,771
Issue and conversion premiums	10,435	0	10,435	536	-457		10,514
Merger premiums	119	0	119	0			119
Legal reserve	275	78	353	0			353
Other reserves	1,062	1,477	2,539	0			2,539
Retained earnings	-2,591	2,591	0	0			0
Earnings	4,146	-4,146	0	0		5,842	5,842
TOTAL	**25,000**	**0**	**25,000**	**898**	**-602**	**5,842**	**31,138**

5.4.16 Advances and loans granted to senior executives

No loans or advances were granted to senior executives of the company, in accordance with Article L.225-43 of the French Commercial Code.

5.5 Notes to the income statement

5.5.1 Breakdown of turnover

The Hercules business segment includes the following product ranges: DJing and digital music, and wireless speakers for smartphones and tablets.

The Thrustmaster business segment includes the following gaming accessories for PCs and consoles: steering wheels, gamepads, joysticks and gaming headsets.

By geographical region (€k)	**Dec 31, 2018**	**Dec 31, 2017**
European Union	40,754	44,397
North America	23,925	19,104
Other	12,392	10,490
TOTAL	**77,071**	**73,991**

By segment (€k)	**Dec 31, 2018**	**Dec 31, 2017**
Thrustmaster	72,436	69,506
Hercules	4,635	4,485
TOTAL	**77,071**	**73,991**

5.5.2 Production taken into inventory

Production taken into inventory is broken down as follows:

	Dec 31, 2018	**Dec 31, 2017**
Production taken into inventory	13,038	-979
Total	**13,038**	**-979**

5.5.3 Self-constructed assets

Self-constructed assets are broken down as follows:

	Dec 31, 2018	**Dec 31, 2017**
Self-constructed assets	2,239	1,647
Total	**2,239**	**1,647**

Costs linked to projects meeting the specified capitalization criteria are capitalized. Transfers from expenditure to “Intangible assets under construction” with effect from the date on which the capitalization criteria are met gave rise to operating income from ordinary activities totaling €2,239k in the fiscal year.

5.5.4 Other operating income from ordinary activities

	Dec 31, 2018	**Dec 31, 2017**
Write-backs of impairment and provisions	1,762	1,355
Transfers of expenses	158	345
Other income	1,469	1,832
Total	**3,389**	**3,532**

Reversals of impairment losses and provisions mainly consist of €1,036k in inventories, the write-back of a €500k provision for product returns and the write-back of a €136k provision for unrealized foreign exchange losses on trade receivables and payables. Transfers of expenses totaling €158k consist of expenses rebilled to third parties, subsidiaries (€116k) and insurance benefits received.

Other income mainly consists of revenue from property leases (€224k) and foreign exchange gains on trade receivables and payables (€1,220k).

5.5.5 Purchases consumed

	Dec 31, 2018	Dec 31, 2017
Purchases of goods for resale	0	0
Purchases of raw materials	56,076	41,240
Changes in inventory	-1,400	45
Total	**54,676**	**41,285**

5.5.6 Other expenses from ordinary activities

Other expenses from ordinary activities are broken down as follows:

	Dec 31, 2018	Dec 31, 2017
Other purchases and external expenses	23,103	21,211
Other expenses	7,963	7,446
Total	**31,066**	**28,657**

Other external expenses mainly consist of the following:

- transportation services totaling €1,137k
- subsidiaries' subcontracting services totaling €11,812k
- marketing and advertising expenses totaling €3,415k
- development costs not meeting capitalization criteria, permanently recognized in expenses for a total of €2,352k in respect of 2018

Other expenses from ordinary activities mainly consist of licensing fees totaling €6,383k, compared with €6,134k in the year to December 31, 2017. Operating licenses are expensed as and when the licensed products are sold. The main amounts under the "Licenses" item relate to current partnerships linked to the Microsoft® Xbox One® and Sony® PlayStation® 4 consoles.

Foreign exchange losses on trade receivables and payables total €1,424k.

The company recognized total directors' fees of €96k paid to members of the Board of Directors.

5.5.7 Employee expenses

	Dec 31, 2018	Dec 31, 2017
Payroll expenses	278	309
Social security contributions	118	106
Total	**396**	**415**

At December 31, 2018, the workforce consisted solely of the executive directors, whose total gross compensation in respect of their executive duties came to €220k.

The company recognized annual variable compensation of €58k in respect of fiscal year 2018.

5.5.8 Additions to amortization, depreciation, impairment and provisions

	Dec 31, 2018	Dec 31, 2017
Amortization of intangible assets	1,476	1,514
Depreciation of property, plant and equipment	765	739
Impairment losses on current assets	1,251	1,380
Provisions for liabilities and charges	263	637
Total	**3,755**	**4,270**

Amortization of intangible assets mainly relates to development costs capitalized from the date of production of the asset in question, totaling €1,468k.

Depreciation of property, plant and equipment mainly consists of €141k in depreciation of buildings and €621k in depreciation of molds used in production.

Impairment of inventories totaling €1,050k relates to products in both the Hercules and Thrustmaster ranges. Additions to impairment on trade receivables totaled €201k.

Impairment losses for liabilities and charges consist of €242k in respect of product returns and €21k in respect of unrealized foreign exchange losses.

5.5.9 Net financial income

	Dec 31, 2018	Dec 31, 2017
Income from equity interests	0	0
Total other financial income	**0**	**0**
Reversals of provisions and transfers of expenses	1,325	850
Additions to amort'n, deprec'n & prov'ns on financial items	215	18
Total additions to and reversals from prov'ns	**1,110**	**832**
Translation gains	337	451
Translation losses	188	364
Total translation adjustments	**149**	**87**
Net income from disposals of investment securities	82	152
Net expenses on disposals of investment securities	120	13
Income from disposals of investment securities	**-38**	**139**
Other interest and related income	49	64
Interest and related expenses	174	206
Total interest income and expenses	**-125**	**-142**
TOTAL	**1,096**	**916**

Financial risks are as follows:

- Liquidity risk: at December 31, 2018, the company's borrowing and bank financing facilities were not fully utilized; net debt stood at €4,661k.

At December 31, 2018, based on the average price in December, the fair value of the company's portfolio of available-for-sale securities stood at €30,814k.

- Market risk: fluctuations in the market price of shareholdings affect the company's earnings. Over 2019, a 10% decrease in the price of the company's shares (relative to their price at December 31, 2018) would have reduced net financial income by €19k.

At March 20, 2019, the closing price of Ubisoft Entertainment shares was €78.40, up 13.62% relative to their price at December 31, 2018.

- Interest rate risk: based on the company's outstanding unhedged floating rate financial liabilities at December 31, 2018, a 1% annual increase in interest rates would increase financial expenses by €59k.

- Foreign exchange risk: a breakdown of the company's foreign currency assets and liabilities at December 31, 2018 is as follows (unhedged amounts only – i.e. those exposed to interest rate risk):

Foreign currency amounts exposed to upward or downward interest rate fluctuations:

(€k)	USD	GBP	CAD
Assets	15,158	1,161	0
Liabilities	11,478	88	1,940
Net position before hedging	3,680	1,073	-1,940
Off balance sheet position	0	0	0
Net position after hedging	3,680	1,073	-1,940

Based on foreign currency values exposed to exchange rate fluctuations at December 31, 2018, a 10% annual decrease in US dollar exchange rates would increase operating expenses from ordinary activities by €634k and reduce financial expenses by €313k.

Based on foreign currency amounts exposed to exchange rate fluctuations at December 31, 2018, a 10% annual decrease in the value of sterling would increase operating expenses from ordinary activities by €104k and financial expenses by €16k.

Based on foreign currency amounts exposed to exchange rate fluctuations at December 31, 2018, a 10% annual increase in the value of the Canadian dollar would increase operating expenses from ordinary activities by €35k and financial expenses by €90k.

The impact of exchange rate fluctuations on other currencies is not material.

For all major players in the multimedia industry transacting in US dollars, no given manufacturer has a competitive advantage that would result in increased market share. Since all industry players index-link their selling prices to cost prices in US dollars, selling prices rise and fall in line with cost prices.

The main currency for purchases of hardware and accessories is the US dollar.

In the United States, Canada and all other countries outside Europe, the trading currency is also the US dollar. In Europe, the company mainly sells its products in euros. Rapid currency fluctuations, and in particular declines in the value of the US dollar, may result in lower selling prices for the company's products, thus impacting the value of inventories.

Conversely, given the seasonal nature of the company's business, if the US dollar were to rise sharply during the second half of the year, the Group would not be able to adjust its selling prices to reflect the full extent of such an increase, which could therefore have a temporary adverse impact on the Group's gross margin.

However, to limit the company's foreign exchange risk, Guillemot Corporation SA hedges against currency fluctuations by buying spot currency and currency futures and options.

No such contracts were in force at December 31, 2018.

Furthermore, the increase in the company's export sales over the past few years has boosted its natural hedging and significantly reduced its foreign exchange risk.

- Credit risk: this is the risk of financial loss in the event that a customer should fail to meet its contractual obligations. The company manages this risk by taking out credit insurance. Since the company uses wholesalers, it has a limited number of customers. In a few cases, the company is obliged to grant additional credit where its insurance cover is considered clearly unsuitable.

Write-backs and impairment of financial assets
Due to financial difficulties experienced by the subsidiaries of Guillemot Corporation SA, the company has recognized impairment losses against some of its subsidiaries in the course of previous fiscal years. Impairment losses have been recognized or written back against the net position of equity investments or current account advances at December 31, 2018.

With respect to equity investments, the company has recognized the following:

- a €198k addition to impairment in respect of its investment in Guillemot Electronic Technology (Shanghai) Co., Ltd (China)
- a €5k addition to impairment in respect of its investment in Guillemot S.A. (Belgium)
- a €36k write-back of impairment in respect of its investment in Guillemot Innovation Labs SAS (France)
- a €1,255k write-back of impairment in respect of its investment in Guillemot Inc (Canada)
- a €7k write-back of impairment in respect of its investment in Guillemot SRL (Italy)

With respect to current account advances, the company has recognized the following:

- a €10k impairment loss on current account advances granted to Guillemot Ltd (United Kingdom)
- a €17k impairment loss on current account advances granted to Guillemot GmbH (Germany)

Net income and expenses on disposals of investment securities
Guillemot Corporation SA posted a €38k loss on the disposal of treasury shares under the liquidity agreement in force.

Interest income and expenses
Interest income mainly consists of interest on current account advances granted to subsidiaries.

Financial income also includes €17k in respect of a current account advance to subsidiary Guillemot GmbH (Germany) with a clawback provision, which was reinstated in the balance sheet after being waived by the parent company in 2004.

Interest expenses on borrowings and bank loans totaled €152k.

Interest expenses on current accounts totaled €16k.

5.5.10 Net non-recurring income

Net non-recurring income includes extraordinary items and items that are unusual by virtue of their amount or their impact on day-to-day business.

	Dec 31, 2018	Dec 31, 2017
Non-recurring income from management activities	0	0
Non-recurring income from capital transactions	0	0
Reversals of provisions and transfers of expenses	0	3,047
Total non-recurring income	**0**	**3,047**
Non-recurring expenses on management activities	1	0
Non-recurring expenses on capital transactions	13	1,019
Exceptional additions to amort'n, deprec'n & prov'ns	233	1,622
Total non-recurring expenses	**247**	**2,641**
TOTAL	**-247**	**406**

Development costs no longer meeting the six capitalization criteria have been removed from assets and the corresponding equipment scrapped. Consequently, the company recognized an exceptional depreciation charge of €233k at December 31, 2018.

5.5.11 Corporate income tax

Profit to Dec 31, 2017		Ordinary	Exceptional	Net
Tax basis		5,411	-246	5165
Tax loss carryforwards		-3,229	147	-3082
Tax due	28.00%	147	-7	140
Tax due	33.33%	552	-25	527
Tax credits		-12	0	-12
Net income tax		**686**	**-32**	**655**

Increases and decreases in future taxes payable consist of expenses that are temporarily non deductible (to be deducted the following year):
- Currency fluctuations: €143k

Schedule of tax loss carryforwards

Period	Tax loss carryforwards
2002	24,465
2003	7,690
2004	7,006
2005	9,171
2006	1,229
2009	565
2011	2,410
2012	357
2013	1,425
2014	1,272
2016	1,892
TOTAL	**57,482**

5.5.12 Average workforce

	Total	Management	Non-management
Dec 31, 2018	5	5	0

At December 31, 2018, the workforce consisted solely of the executive directors.

5.5.13 Financial commitments

Letters of intent
Letter of support in favor of Guillemot GmbH (Germany) and Guillemot Ltd (United Kingdom) as owner, confirming the group's confidence in both companies' continued operation.

Discounted bills not yet due
None.

Documentary credits outstanding
€491k

Lump sum retirement allowances
Since the workforce consists solely of the executive directors, no lump sum retirement allowances are due.

Guaranteed amounts in respect of licenses
€1,094k

Commitments received
Guillemot Corporation SA waived €6,000k in current account advances granted to its subsidiary Guillemot GmbH (Germany).

This waiver is accompanied by a clawback provision whereby repayments by the subsidiary may not exceed 50% of its annual net profit once it has returned to profit. Since Guillemot GmbH (Germany) made a profit in 2018, and taking into account the repayment terms, Guillemot Corporation SA added back a total of €17k to balance sheet assets. The remaining €5,631k will be gradually repaid in future years at a rate of 50% of annual net profit.

Commitments received in respect of operating activities: bank guarantees totaling €1,112k.

5.5.14 Executive compensation

The executive directors (Claude, Michel, Yves, Gérard and Christian Guillemot) are compensated for their duties as Chairman and Chief Executive Officer or Deputy Chief Executive Officer. They do not have employment contracts with the company. The company paid total gross compensation of €309k to the executive directors in the year.

Gross annual compensation recognized at December 31, 2018 totaled €58k. Variable compensation equates to 26% of fixed compensation and will be paid once approved by the shareholders at the shareholders' general meeting in May 2019.

The company paid directors' fees of €94k to the members of the Board of Directors in the year. This amount includes €42k paid to independent directors.

No specific pension scheme was put in place for the corporate officers. The company has not entered into any commitment with regard to compensation, allowances or benefits that are or may be due by reason of or subsequent to the assumption or cessation of duties. No compensation was paid under a profit-sharing or bonus plan. No stock options were allotted.

5.5.15 Parent company

GUILLEMOT CORPORATION SA
Place du Granier, BP 97143, 35571 Chantepie Cedex, France

5.6 Subsequent events

None.

5.7 Proposed appropriation of income

		€	€
Sources			
Prior retained earnings			
Earnings for fiscal year ended Dec 31, 2018			5,841,595.85
O/w net income from ordinary activities after tax:	*6,088,606.33*		
Deduction from reserves			
Appropriations			
Appropriations to reserves:			
- Statutory reserve		292,079.79	
- Special reserve for long-term capital gains			
- Other reserves		3,562,143.66	
Dividends		1,987,372.40	
Other appropriations:			
- Charged to issue premiums			
- Charged to contribution premiums			
- Charged to conversion premiums			
Retained earnings			
TOTAL		**5,841,595.85**	**5,841,595.85**

5.8 Auditors' fees

Fiscal year 2018	**PricewaterhouseCoopers Audit**		**MB Audit**	
	Amount excl. taxes	%	Amount excl. taxes	%
Certification of the financial statements	63,450	100%	47,550	100%
Services other than certification of the financial stateme	0	0%	0	0%
TOTAL	63,450	100%	47,550	100%

Fiscal year 2017	**PricewaterhouseCoopers Audit**		**MB Audit**	
	Amount excl. taxes	%	Amount excl. taxes	%
Certification of the financial statements	65,700	89%	48,300	100%
Services other than certification of the financial stateme	8,000	11%	0	0%
TOTAL	73,700	100%	48,300	100%

Services other than certification of the financial statements for fiscal year 2017 relate to the CSR review.

6 STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

To the shareholders of Guillemot Corporation
Place du Granier
BP 97143
35571 Chantepie Cedex

Opinion

Pursuant to the engagement entrusted to us at your shareholders' general meeting, we have audited Guillemot Corporation's parent company financial statements for the fiscal year ended December 31, 2018, as appended to this report.

We certify that, in light of French generally accepted accounting principles, the parent company financial statements are in order and in good faith, and provide a true and fair view of performance over the past year as well as the financial position and assets of the company at the year-end.

The opinion set out above is consistent with the content of our report to the audit committee.

Basis for our opinion

Audit standards

We have carried out our audit in accordance with professional standards applicable in France. We consider that the evidence we have collected forms an adequate and appropriate basis for our opinion.

The responsibilities that fall to us by virtue of these standards are set out in the section of this report titled "Statutory auditors' responsibilities as regards auditing the parent company financial statements".

Independence

We conducted our audit in compliance with the independence rules applicable to us over the period from January 1, 2018 to the date on which we issued our report. In particular, we did not provide any services prohibited by the first paragraph of Article 5 of Regulation (EU) No. 537/2014 or by the code of ethics for statutory auditors.

Basis for our conclusions and key points of the audit

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code on the basis for our conclusions, we wish to draw your attention to key points of the audit relating to the risks of material misstatement which, in our opinion, were greatest for the audit of the parent company financial statements for the year, as well as our response to those risks.

Our assessment of these points forms an integral part of our audit of the parent company financial statements taken as a whole, and thus forms part of the basis for our opinion expressed above. We have no opinion to express on any part of these parent company financial statements taken on its own.

(1) Valuation of brands	
Risk identified Brands acquired by Guillemot Corporation are considered as having an indefinite life; as such, they are not amortized. At December 31, 2018, brands with an indefinite life were recognized in the balance sheet at a net carrying amount of €5.7 million, or 8% of total assets (gross amount: €10.8 million). An impairment loss is recognized whenever the present value of these brands, determined through an annual impairment test and/or a one-off test if there is an indicator of impairment, falls below their net carrying amount. Present value is an estimated value and represents the higher of market value and value in use. In the absence of a deep market for the brands in the company's industry sector, the market value method is not used. That being the case, value in use is determined on the basis of discounted future cash flow calculations and entails a significant degree of management judgment, notably with regard to items such as turnover growth rates, ratio of operating cash flow to turnover, and long-term discount and growth rates. Given the complexity of the models used and their sensitivity to changes in the data and assumptions on which estimates are based, including in particular forecast cash flows and the discount rate used, we considered the valuation of the brands' present value as a key point of our audit.	**Audit procedures implemented in response to this risk** In particular, we: - familiarized ourselves with the processes by which the brands are valued; - assessed the principles and methods used to determine the brands' value in use; - corroborated, notably by interviewing members of management, the reasonableness of key data and the assumptions on which estimates are based (such as turnover growth rate, ratio of operating cash flow to turnover, discount rates and long-term growth rate); - familiarized ourselves with the business outlook for each of the brands through interviews with members of management, and compared accounting estimates of projected cash flows from prior periods with corresponding actual figures to assess their reliability; - tested the mathematical accuracy of the valuations adopted by the company. We also assessed the appropriateness of the information provided in Notes 5.3.1 and 5.4.1 to the parent company financial statements, "Intangible assets".

<table>
<tr><th colspan="2">(2) Valuation of development costs</th></tr>
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<u>Risk identified</u>

Development costs are recognized in intangible assets whenever the criteria laid down in CRC Regulation 2004-06 are met.

At December 31, 2018, capitalized costs totaled a net amount of €4 million, or 6% of total assets.

Project eligibility is reviewed quarterly by the company's finance and technical departments, in agreement with senior management.

In the context of our audit, we pay particularly close attention to these development costs, since their capitalization is based on judgment and estimates, notably as regards the following two criteria:
- technical feasibility of completing the intangible asset before it can be used or sold
- how the intangible asset will generate probable future economic benefits

Given the increasing role played by judgment in determining which development costs should be capitalized, we considered the valuation of the net amount of development costs to be a key point of our audit.

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<u>Audit procedures implemented in response to this risk</u>

In particular, we:
- Familiarized ourselves with the processes by which development costs are valued.
- Checked the existence and accuracy of the amounts recognized in respect of development costs. In particular, we reconciled the amounts capitalized with internal time-tracking data as well as carrying out sample-based testing of capitalized external expenses.
- Met with the finance department and consulted documentation provided by the technical department to determine the reasonableness of key data and assumptions relied on in determining whether development costs should be capitalized (such as the likelihood of future economic benefits and a project's technical feasibility).
- Corroborated the various pieces of information obtained through these interviews against current sales generated by capitalized projects.
- Identified any indicator of impairment on these projects that would require an impairment test to be carried out.

We also assessed the appropriateness of the information provided in Note 5.4.1 to the parent company financial statements, "Intangible assets".

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<tr><th colspan="2">(3) Valuation of inventories of components and finished products</th></tr>
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<u>Risk identified</u>

The company's inventories consist of electronic components and sub-assemblies as well as finished products.

At December 31, 2018, inventories were recognized in the balance sheet at a net carrying amount of €21.5 million, or 30% of total assets.

Impairment tests are carried out at the end of each accounting period and an impairment loss is recognized whenever the acquisition cost of inventory is greater than its market value.

As part of our audit, we paid particular attention to how this market value was determined, since it is based not only on observable data such as products' market prices but also on assumptions such as the sales outlook for each product range and management judgment as to expected market trends.

Given the assumptions underpinning estimates, we considered measurement of the market value of products held in inventory to be a key point of our audit.

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<u>Audit procedures implemented in response to this risk</u>

We:
- tested the valuation of items in inventory by conducting sample-based comparisons with cost prices;
- familiarized ourselves with the processes in place to identify slow-moving items, those at risk of obsolescence and those whose selling prices were lower than their acquisition cost;
- for items at risk of impairment, checked that they were correctly valued, notably by carrying out sample-based comparisons of the cost of products held in inventory with their last known net selling price;
- took into account work undertaken as part of the review of development costs so as to identify, as the case may be, indicators of impairment on certain products held in inventory.

We also assessed the appropriateness of the information provided in the following notes to the parent company financial statements: Note 5.3.4, "Inventories and work in progress", Note 5.4.4, "Inventories", Note 5.4.14, "Provisions and impairment losses" and Note 5.5.8, "Additions to amortization, depreciation and impairment".

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Specific checks

In accordance with professional standards applicable in France, we also carried out specific checks required by legislation and regulations.

Information provided in the management report and other documents addressed to shareholders on the company's financial position and the parent company financial statements

We have no comments as to the accuracy of the parent company financial statements or their consistency with the information given in the management report by the Board of Directors and other documents addressed to the shareholders concerning the company's financial position and the parent company financial statements.

We confirm that the information about payment terms, as laid down in Article D.441-4 of the French Commercial Code, is accurate and consistent with the parent company financial statements.

Information about corporate governance

We confirm that the corporate governance section of the management report by the Board of Directors includes the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

As regards the information provided pursuant to the provisions of Article L.225-37-3 of the French Commercial Code on compensation and benefits paid to executive directors and commitments given to the latter, we have checked that these are consistent with the financial statements or with data used to prepare the financial statements and, as the case may be, with information gathered by the company from companies controlling it or that it controls. Based on this work, we confirm that this information is accurate and true.

As regards information that the company considers might have an impact in the event of a takeover bid or public exchange offer, provided in accordance with Article L.225-37-5 of the French Commercial Code, we have checked the consistency of this information with the documents from which it is taken and that were provided to us.
On the basis of this work, we have no comments on this information.

Other information

In accordance with the law, we have satisfied ourselves that the various pieces of information concerning the identity of the holders of equity or voting rights have been provided to you in the management report.

Information resulting from other legal and regulatory obligations

Appointment of statutory auditors

We were appointed statutory auditors of Guillemot Corporation at the shareholders' general meetings of May 26, 2004 (PricewaterhouseCoopers Audit) and May 23, 2007 (MB Audit).

At December 31, 2018, PricewaterhouseCoopers Audit was serving for its fifteenth consecutive year and MB Audit for its twelfth consecutive year.

Responsibility of management and persons charged with corporate governance as regards the parent company financial statements

It falls to management to draw up parent company financial statements that provide a true and fair view in accordance with French generally accepted accounting principles, as well as to put in place such internal control arrangements as it deems necessary to be able to prepare parent company financial statements free of material misstatement, whether as a result of fraud or error.

In preparing the parent company financial statements, it falls to management to assess the company's ability to continue to operate, to show in its financial statements any required information pertaining to continuity of operations, and to apply the going concern accounting principle, unless it is planned to wind up the company or cease operations.

It falls to the audit committee to monitor the process of preparing financial information and the effectiveness of internal control and risk management systems, as well as, where applicable, internal audit, as regards procedures for preparing and processing accounting and financial information.

The parent company financial statements have been signed off by the Board of Directors.

Statutory auditors' responsibilities as regards audit of the parent company financial statements

Audit objective and approach

It falls to us to draw up a report on the parent company financial statements. Our objective is to obtain reasonable assurance that the parent company financial statements taken as a whole are free of material misstatement. Reasonable assurance means a high level of assurance, though there is no guarantee that an audit carried out in keeping with standards of professional practice will always detect every material misstatement. Misstatements may be the result of fraud or error; they are considered material whenever it might reasonably be expected that, taken individually or together, they might influence decisions made by the users of the financial statements on the basis of the latter.

As stipulated in Article L.823-10-1 of the French Commercial Code, our duty to certify the financial statements does not consist of guaranteeing either the company's viability or the quality of its management.

In the case of an audit conducted in accordance with standards of professional practice applicable in France, the statutory auditors must exercise their judgment throughout the audit. Furthermore:

- They must identify and assess the risk that the parent company financial statements include material misstatements, whether as a result of fraud or error, draw up and implement audit procedures in response to that risk, and gather information they consider a sufficient and appropriate basis for their opinion. The risk of failing to detect a material misstatement resulting from fraud is greater than that of failing to detect a material misstatement resulting from error, since fraud can entail collusion, falsification, deliberate omission, misrepresentation, or the bypassing of internal control.

- They must familiarize themselves with those internal control arrangements that are relevant to the audit so as to be able to define suitable audit procedures (and not so as to express an opinion on the effectiveness of internal control).

- They must assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as information concerning such policies and estimates provided in the parent company financial statements.

- They must assess the appropriateness of management's use of the going concern accounting principle and, based on the information gathered, determine whether there is material uncertainty linked to events or circumstances that could call into question the company's ability to continue operations. This assessment is based on information gathered up to the date of the auditor's report; it is important to remember, however, that subsequent circumstances or events could endanger continuity of operation. If the auditors conclude that there is material uncertainty, they must draw the attention of readers of their report to the information provided in the parent company financial statements about that uncertainty or, if that information is not provided or is not relevant, issue a qualified certification or else refuse to qualify the financial statements.

- They must assess the overall presentation of the parent company financial statements and determine whether they reflect the underlying transactions and events in such a way as to provide a true and fair view.

Report to the audit committee

We submit a report to the audit committee setting out, in particular, the extent of our audit and the program of work carried out, as well as our audit findings. We also advise the audit committee of any significant weaknesses we may have identified in internal control pertaining to the procedures for preparing and processing accounting and financial information.

Our report to the audit committee includes information about the risk of material misstatements, which we consider most significant for the audit of the parent company financial statements for the year and which, as such, constitute the key points of the audit, which it is our responsibility to describe in this report.

We also provide the audit committee with the declaration laid down in Article 6 of Regulation (EU) No 537-2014 confirming our independence, within the meaning of rules applicable in France as laid down, in particular, in Articles L.822-10 to L.822-14 of the French Commercial Code and in the code of professional ethics for statutory auditors.
Where applicable, we discuss with the audit committee our independence and the measures put in place to safeguard it.

Rennes and Bruz, April 24, 2019

The statutory auditors

PricewaterhouseCoopers Audit	MB Audit
Jérôme Mouazan	Khadija Roullé

➢ INFORMATION ABOUT MARKETS AND TRENDS

1 MARKETS

1.1 Global video games market

The video games market is one of the markets that has changed the most in recent years, together with the digital and electronics markets. It will soon be half a century since video games first emerged as a consumer medium.

Video games constitute a flagship interactive entertainment market that continues to grow year after year.

According to forecasts by Newzoo, 2018 turnover generated by the video games market will total $137.9 billion, up 13.3% year on year. The mobile segment continues to gain ground and is set to account for 59% of the video games market in 2021 (source: www.avcesar.com/actu/id-24630/marche-du-jeu-video-138-milliards-de-dollars-en-2018.html, May 25, 2018).

The US market had another record year in 2018. According to data from the video games industry, revenue in the US video games market (including accessories, software, peripherals and subscriptions) totaled $43.4 billion in 2018, up from $36.9 billion a year earlier (source: Entertainment Software Association, the NPD Group – Statista 2018, January 22, 2019).

In France, total turnover from the video games market hinges around sales of consoles, PC gaming and accessories, which generated €1.693 billion in 2018 (up 22%), and sales of console and PC games and mobile games, which generated total turnover of €2.61 billion in 2018 (up 26%; source: SELL 2018).

According to Entertainment Retailers Association figures provided by GameIndustry, the video games market in the United Kingdom (excluding consoles) was worth £3.864 billion in 2018. The digital segment accounted for over £3 billion of this total (80.1%), up 12% year on year, while revenue from physical products was down 2.8%, based on figures from GfK (bricks-and-mortar retail), IHS (digital revenue) and GSD (download figures). In the United Kingdom, the video games market outperformed cinema (£2.34 billion) and music (£1.33 billion) combined (source: http://www.xboxygen.com/News/28559-Au-UK-le-marche-du-jeu-video-en-2018-est-80-digital-sauf-pour-les-jeux-AAA, January 3, 2019).

Asia is becoming more dominant in the video games market with each passing year, with three Asian countries ranked among the top four in the world: China in first place, Japan third and South Korea fourth. The Chinese and Japanese markets alone are worth more than Europe and North America combined (source: *Multimédia à la Une*, issue 252, October 2018, page 13). The Chinese market offers significant untapped growth potential. With a 30% market share, China is by far the world's largest market for video game software, ahead of the United States (21%) and Japan (9%). France comes in joint sixth with South Korea, with 3% of the market each (source: *Multimédia à la Une*, issue 249, July 2018, page 12).

China is one of the world's largest markets for video games, with 530 million gamers in the first half of 2018, up 4% year on year (source: https://chine.tv/le-marche-des-jeux-chinois-connait-une-croissance-constante-au-premier-semestre, August 8, 2018).

The console market is increasingly going to have to adapt to technological developments. To this end, forthcoming consoles could draw on the principle of cloud computing.

We can expect a new cycle to begin in 2020 with the launch of the ninth generation of home consoles.

The installed base of consoles is growing steadily: with 258.1 million consoles in March 2019, including 93.9 million PlayStation®4 consoles and 41.9 million Xbox One® consoles, the console market is still in fine shape (source: www.vgchartz.com, March 2, 2019).

The video game console market consists of two segments: home consoles and portable consoles. PlayStation® still tops the worldwide rankings for sales of home consoles, with four PlayStation® consoles among the global top six (source: *Multimédia à la Une*, issue 252, October 2018, page 12). With 12.5 million units sold by mid-November 2018, the PlayStation®4 far outsells the Xbox One®, which has a “mere” eight million users (source: www.lgblog.fr, November 20, 2018).

The main manufacturers (Sony, Microsoft and Nintendo, among others) stand out by offering a different solution depending on the game.

There are currently several eighth-generation home consoles on the market: the PlayStation®4 from Sony Interactive Entertainment, the Xbox One® from Microsoft and the Nintendo Switch from Nintendo.

Global sales of the Nintendo Switch, released in March 2017, recently reached 22.86 million units (source: www.fredzone.org, November 2, 2018).

According to Nintendo forecasts, this means the group must sell another 15 million consoles by end March 2019 (source: www.fredzone.org, November 2, 2018).

Sales of the Nintendo Switch, released in March 2017, recently reached two million units in France. The director of Nintendo France gave an enthusiastic account of the business's performance in 2018, with highlights including the success of the Switch console, the twilight of the 3DS and the arrival of "Nintendo Labo" (source: www.lemonde.fr, January 10, 2019). Philippe Lavoué is optimistic, forecasting "strong growth in 2019". According to Nintendo France, the Switch console catered to a specialized audience in its first year; sales are now quickening as it reaches consumers more generally. Video game sales are being driven in particular by sales of the Switch (source: www.europe1.fr, March 11, 2018). Nintendo is now the leading seller of consoles in France (source: www.lesnumeriques.com, January 10, 2019).

The gaming market continues to grow and change. 2018 was an important year for gaming. YouTube had a record year, with over 50 million hours of gaming-related content. The market's growth undoubtedly owes much to the success of hit global game Fortnite. Platforms specializing in gaming and eSports in general are on the way to becoming benchmark platforms (source: https://www.creativepubmarketing.com/2019-les-grandes-tendances-emergentes-en-matiere-de-technologie-et-dinnovation/, January 17, 2019).

In 2018, mobile (i.e. smartphone and tablet) games accounted for over half of the gaming market, with a total value of $70.3 billion worldwide. But the future is bright for the gaming market as a whole over the next few years. The market as a whole is currently valued at $137.9 billion (source: https://siecledigital.fr, May 9, 2018).

Asia represents 52% of the global gaming market, with China accounting for an impressive proportion of this total

($37.9 billion out of a regional total of $71.4 billion; source: https://siecledigital.fr/2018/05/09/les-jeux-mobiles-representent-51-pourcent-du-marche-du-gaming, May 9, 2018).

Next comes North America, where the market is worth $32.7 billion, of which the United States accounts for 93% ($30.4 billion). Then comes the Europe, Middle East and Africa region, a market worth $28.7 billion in 2018, up 8.8% year on year (source: https://siecledigital.fr/2018/05/09/les-jeux-mobiles-representent-51-pourcent-du-marche-du-gaming, May 9, 2018).

Almost 25 years after the arrival of Sony's PlayStation® console, the world of video games is changing, with both Google and Nintendo in the early stages of testing streaming games aimed at extending the consumer base.

1.2 PC market

The PC market did not return to growth in 2018, with 260 million units delivered worldwide according to Gartner (vs. 262 million in 2017), mainly due to higher PC prices and in spite of the need for companies to migrate by 2020 (source: www.zdnet.fr, July 10, 2018).

PC sales nosedived in the fourth quarter of 2018. Statistics from IDC and Gartner show how the US/China trade dispute and the CPU shortage have hit PC manufacturers' sales. PC sales in full year 2018 held more or less steady, down 0.4% (source: https://www.zdnet.fr/actualites/les-ventes-de-pc-trebuchent-au-4eme-trimestre-2018-39879167.htm, January 11, 2019).

According to Canalys, the oft-touted end of the decline in PC sales should come in 2019. Growth will be very modest, however (0.3%), supported by the upturn in the Asian market and Windows 10. Furthermore, the world's leading PC market, the United States, is set to grow 0.5% to 70.3 million units in 2019. Meanwhile, the Asia-Pacific region should see growth of 0.9% to 47.5 million. However, Western Europe, China and Latin America continued to decline in 2018, down 0.8%, 0.5% and 0.4% respectively (source: www.zdnet.fr, September 21, 2018).

1.3 PC and console accessories market

1.3.1 Racing wheels

In 2018, the total US market for PC and console racing wheels grew 8% by volume (with 213,812 units sold) and 5% by value to $34.5 million (source: The NPD Group Inc., all rights reserved; proprietary and confidential property of NPD and its affiliates; licensed for use by NPD clients only, 2018; extract at March 2019; excludes wheel shells compatible with Nintendo Switch).

Thrustmaster is a major player in the segment with a market share of 61% by value, up 10% year on year, and 67% by sales volume (source: The NPD Group, Inc., all rights reserved; proprietary and confidential property of NPD and its affiliates; licensed for use by NPD clients only, 2018; extract at March 2019; excludes wheel shells compatible with Nintendo Switch).

1.3.2 Joysticks

The **joystick market** grew 25% by value in the United States, where Thrustmaster has a market share of 80% by volume and 86% by value (source: The NPD Group, Inc., all rights reserved; proprietary and confidential property of NPD and its affiliates; licensed for use by NPD clients only, 2018; extract at March 2019; excludes wheel shells compatible with Nintendo Switch).

1.3.3 Gamepads

The US **console gamepad market** was very buoyant in 2018, growing as follows:

- 36% by value, to $1.176 billion
- 37% by volume, with over 25 million units sold in 2018

(Source: copyright 2019 The NPD Group, Inc., all rights reserved; proprietary and confidential property of NPD and its affiliates; licensed for use by NPD clients only; extract at March 2019; excludes wheel shells compatible with Nintendo Switch.)

The group does not have a significant presence in the US gamepad market.

1.3.4 Gaming headsets

Unlike many categories of eSports hardware, the rise of gaming headsets is not a recent phenomenon. Gaming headsets are an essential accessory for all types of online multiplayer games.

The market for gaming headsets was very buoyant in 2018, growing 64% by volume, with 13.9 million units sold, and 70% by value to $657.5 million (source: The NPD Group, Inc., all rights reserved; proprietary and confidential property of NPD and its affiliates; licensed for use by NPD clients only, 2018; extract at March 2019; excludes wheel shells compatible with Nintendo Switch). Thrustmaster's sales in the US market are as yet insignificant.

While the Group has a presence across all continents, figures are not publicly available for its other regions.

1.4 eSports market

Unknown only a few years ago, eSports continues to appeal to consumers and is now a fast-growing industry whose popularity continues to increase.

North America was once again the largest market for eSports in 2018, with revenue set to almost double from $345 million to $656 million between now and 2021. Western Europe was the number two region in revenue terms, with 2018 revenue coming in at $169 million. The region is characterized by local competitions such as ESWC (France), Gfinity (United Kingdom) and LVP (Spain).

In third place is China, with 2018 revenue of $164 million, marked by the growing popularity of mobile eSports (source: www.offremedia.com/le-marche-mondial-de-lesport-devrait-progresser-de-38-en-2018-dapres-newzoo, February 27, 2018).

The still fast-growing competitive video game (i.e. eSports) sector is making efforts to structure itself more clearly to make eSports more visible in France. France has 5.07 million consumers of eSports, with 12% of internet users reporting that they have already watched eSports online, on television or at a live event (source: www.e-marketing.fr, September 28, 2018). As Stéphan Eutin, President of France Esports, points out, this niche activity has become a social phenomenon in the space of two years. With the support of the French

Government, which issued its first licenses at the beginning of 2018, France Esports has earned the recognition of the French authorities: “Video games are an integral part of the cultural practices of French people. We are working together closely to make eSports a recognized sport”, said Mounir Mahjoubi, Minister of State with responsibility for Digital Affairs.

1.5 Streaming audio, audio headsets and multimedia speakers market

1.5.1 Streaming audio market

Streaming now accounts for the vast majority of music and video. This is vividly demonstrated by the success of streaming platforms like Spotify, Deezer and Netflix, the main drivers of growth in this segment.

Nor are video games immune to this trend, which has recently affected most major players (for example, in 2017 Sony launched its PlayStation Now service, which boasts a catalogue of over 650 games).

The PC – the streaming platform *par excellence* – offers similar solutions.

According to a report by BuzzAngle, a US data management firm that specializes in observing the music market, consumption of streaming music (audio and video) grew 35.4% in 2018 to an astronomical 534.6 billion plays, up 42% on the 2017 figure of 376.9 billion plays (source: https://www.rollingstone.fr/marche-musique-usa-2018-bilan, January 4, 2019).

YouTube has continued its streaming offensive, announcing the availability of YouTube Music in France. “YouTube Music is a new music streaming service that offers all the benefits of YouTube, with simplified, personalized exploration of music content. Whether you’d like to listen, watch or discover artists, you’ll find a whole world of music in one place”, explains the Google subsidiary (source: https://www.zdnet.fr/actualites/streaming-youtube-music-debarque-en-france-39869884.htm, June 19, 2018).

At the end of 2017, two music streaming services – Spotify in Europe and Tencent Music Entertainment Group in China – reached agreement to acquire minority stakes in each other. This agreement should pave the way for Spotify to expand its footprint in the huge Chinese market, which counts 700 million mobile users. For Tencent Music, subsidiary of the eponymous Chinese giant, it provides an opportunity to open up to the international market (source: www.zdnet.fr, December 11, 2017).

In the United States, music consumption was up 16.2% year on year (source: www.buzzanglemusic.com, January 3, 2019).

The recorded music market, boosted by steady growth in streaming and buoyant production in France, posted growth of 3.3% in the first six months of 2018 (source: www.snepmusique.com, September 10, 2018).

1.5.2 Audio headset market

The audio headset has become one of the most common pieces of household technology, alongside the television. This phenomenon is gaining ground, mainly because music is becoming a pervasive part of our daily lives. The number of sources to which headsets can be connected has also increased (computers, smartphones, flat screen TVs, amplifiers, hi-fi systems, etc.). In addition to its audio features, the headset has become a genuine fashion accessory: as well as delivering sound suited to its user’s tastes, it must also be on trend.
The wireless headset allows users to immerse themselves in a sonic universe while remaining mobile.

According to a MIDiA survey of consumers in the first quarter of 2018, the audio headset market is dominated by Apple and Sony, with market shares of 24% and 22% respectively (source: www.tomsguide.fr, November 7, 2018).

1.5.3 Digital DJing market

Since this market is split between music stores and electronics stores, few reliable, up-to-date indicators are available to quantify its size or growth.

With its new range of DJControl controllers (DJControl Starlight: a DJ controller for starting out with the Serato software; DJControl Inpulse 200 and 300: DJ controllers to begin DJing with the DJUCED software; and Hercules DJ Starter Kit: a package consisting of a DJ controller [DJControl Starlight], a DJ headset and two speakers), Hercules is aiming to conquer the market in beginner DJs and achieve growth across all markets:

- Americas: American music resellers first saw the new range at NAMM Show in January 2019, and will roll it out in the United States this year.
- EMEA: resellers who had signed up for the new Hercules range posted strong Christmas 2018 sales, which will speed up wider adoption of the range in 2019.
- Asia-Pacific: the new range is available in many new countries, including South Korea.

The new approach adopted by Hercules, with simpler packaging and built-in help, aims to help beginners dare to mix with confidence.

The DJing market can be divided into two streams:

- big-budget products intended for public events and clubs
- consumers wanting to try their hand at DJing and hold their own private parties

DJing headsets are designed with the specific needs of DJs in mind, offering accurate audio rendition (with improved frequency separation) and, above all, hinges allowing the user to listen to a single earpiece while mixing.

1.6 Smartphone market

The total number of smartphone users worldwide is set to reach 3.8 billion by 2021 – just over half (48%) the global population (source: *Multimédia à la Une*, issue 252, October 2018, page 12).

According to IDC, the global smartphone market is set to resume growing at around 3% a year from 2019, reaching 1.654 billion units in 2022 (source: *Multimédia à la Une*, issue 249, July 2018, page 12).

The smartphone market underwent some changes in 2018, with the two mobile giants Samsung and Apple both declining while Chinese manufacturers, and particularly Huawei, gained ground. According to TrendForce, global smartphone production volumes are likely to fall 3.3% relative to 2018; given the US/China trade war, this fall could be as much as 5%. The report also notes that Samsung will probably hold onto its spot as the world's number one mobile manufacturer in 2019 (source: https://actu.meilleurmobile.com/marche-smartphones-2019-declin-production-favorable-huawei-apple_188904, January 20, 2019).

2 TRENDS

The Group is aligned with a number of trends in high-potential markets:

- A steadily growing installed base of consoles, with 258.1 million consoles in March 2019, including 93.9 million PlayStation®4 consoles and 41.9 million Xbox One® consoles (source: www.vgchartz.com, March 2, 2019), and the potential arrival of new consoles in 2020.
- Whenever a new generation of console is launched, dedicated new accessories are designed to coincide with its release. A new console drives sales of gaming accessories.
- A steadily growing US streaming market, up 16.2% year on year in 2018 (source: www.buzzanglemusic.com, January 3, 2019).
- A US wireless speakers market that is still in fine shape.
- This fast-growing segment allows the Group to develop innovative accessories that meet the demands of increasingly demanding users. Thanks to streaming, this market remains buoyant.
- Artificial intelligence is making great strides in various areas such as cybersecurity, voice recognition and connected objects, including major breakthroughs like generative adversarial networks.
- The arrival of independent virtual reality headsets: two years after the launch of the Oculus Rift and the HTC Vive, the virtual and augmented reality market underwent a number of changes in 2018. In addition to the arrival of independent headsets, these changes included the domination of PSVR, the strategic shift by market leaders and, above all, a lack of new content development. Sales of virtual reality headsets are trending down, though they did pick up in the third quarter of 2018. According to CCS Insight, the number of headsets sold is declining year on year, with around 8 million virtual and augmented reality headsets sold in 2017, compared with 10 million in 2017.

➢ COMBINED SHAREHOLDERS' GENERAL MEETING OF MAY 23, 2019

1 AGENDA

- Within the remit of the Ordinary General Meeting

- Reports by the Board of Directors
- Statutory auditors' reports
- Approval of the parent company financial statements for the fiscal year ended December 31, 2018
- Appropriation of parent company earnings for the fiscal year ended December 31, 2018
- Approval of the consolidated financial statements for the fiscal year ended December 31, 2018
- Approval of agreements covered by Article L.225-38 of the French Commercial Code
- Approval of the principles and criteria used to determine, apportion and allot components of compensation paid to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers
- Approval of components of compensation paid to Claude Guillemot, Chairman and Chief Executive Officer
- Approval of components of compensation paid to Michel Guillemot, Deputy Chief Executive Officer
- Approval of components of compensation paid to Yves Guillemot, Deputy Chief Executive Officer
- Approval of components of compensation paid to Gérard Guillemot, Deputy Chief Executive Officer
- Approval of components of compensation paid to Christian Guillemot, Deputy Chief Executive Officer
- Authorization to be granted to the Board of Directors to trade in the company's shares
- Completion of legal formalities following the Ordinary General Meeting

- Within the remit of the Extraordinary General Meeting

- Report by the Board of Directors
- Statutory auditors' reports
- Authorization to be granted to the Board of Directors to reduce the company's share capital by retiring shares of the company
- Power to be granted to the Board of Directors to issue ordinary shares, equity securities giving access to other equity securities or to the allotment of debt instruments, or securities giving access to equity securities yet to be issued, with pre-emptive subscription rights
- Power to be granted to the Board of Directors to issue ordinary shares, equity securities giving access to other equity securities or to the allotment of debt instruments, or securities giving access to equity securities yet to be issued, without pre-emptive subscription rights, through one or more public offerings
- Power to be granted to the Board of Directors to issue ordinary shares, equity securities giving access to other equity securities or to the allotment of debt instruments, or securities giving access to equity securities yet to be issued, without pre-emptive subscription rights, through one or more offerings referred to in the second paragraph of Article L.411-2 of the French Monetary and Financial Code
- Authorization to be granted to the Board of Directors to establish, for up to a maximum of 10% of the share capital each year, the issue price of equity securities to be issued through one or more public offerings referred to in the second paragraph of Article L.411-2 of the French Monetary and Financial Code
- Authorization to be granted to the Board of Directors to increase the amount of any issues that might be agreed pursuant to Resolutions 14, 15 and/or 16, in the event that they are oversubscribed
- Power to be granted to the Board of Directors to increase the share capital as consideration for in-kind contributions granted to the company and consisting of equity securities or securities giving access to equity
- Power to be granted to the Board of Directors to carry out increases in the share capital reserved for the members of a company or group employee savings plan
- Authorization to be granted to the Board of Directors to issue shares of the company to employees and/or executive directors of the company and/or affiliated companies free of charge
- Authorization to be granted to the Board of Directors to award stock options to employees and/or executive directors of the company and/or affiliated companies
- Determination of the overall limit on increases in the share capital
- Completion of legal formalities following the Extraordinary General Meeting

2 DRAFT RESOLUTIONS

- Within the remit of the Ordinary General Meeting

RESOLUTION 1

(Approval of the parent company financial statements for the fiscal year ended December 31, 2018)

Having familiarized themselves with the management report by the Board of Directors and the statutory auditors' report on the parent company financial statements, the shareholders, voting under the quorum and majority requirements applicable to ordinary general meetings, approve the parent company financial statements for the fiscal year ended December 31, 2018, as presented, together with the transactions reflected in those financial statements or summarized in those reports.

RESOLUTION 2
(Appropriation of parent company earnings for the fiscal year ended December 31, 2018)
The shareholders, voting under the quorum and majority requirements applicable to ordinary general meetings, agree to apportion profit for the fiscal year ended December 31, 2018 in the amount of €5,841,595.85 as follows:

- Statutory reserve: €292,079.79
- Other reserves: €3,562,143.66
- Payment of dividends: €1,987,372.40

The dividend is set at €0.13 for each share entitling its holder to receive a dividend. It is to be paid on July 10, 2019.

The shareholders agree that the amount of the dividend corresponding to shares held by the company at the ex-dividend date will be allocated to retained earnings.

The shareholders note that, for individual shareholders resident in France for tax purposes, dividends received are subject, pursuant to Article 200 A, 1 A 1° of the French General Tax Code, to a one-off flat tax of 12.8% or, at the shareholders' overall option, such revenue may be taxed under the progressive income tax scale. In the latter case, dividends are eligible for the 40% tax relief referred to in Article 158 3 2° of the French General Tax Code. In both cases, upon payment, dividends are subject to a non-definitive deduction at source at a rate of 12.8%, by way of an advance income tax payment, deductible from the final amount of income tax due.

However, in accordance with the third paragraph of Article 117 *quater* of the French General Tax Code, individuals belonging to a tax household whose reference taxable income is less than €50,000 for taxpayers who are single, divorced or widowed or less than €75,000 for taxpayers subject to joint taxation may request exemption from this 12.8% deduction at source under the conditions laid down in Article 242 *quater* of the French General Tax Code.

Furthermore, for individual shareholders who are resident in France for tax purposes, social security contributions are deducted from all dividends paid at a rate of 17.2%.

The shareholders note that no dividends have been paid in respect of the previous three fiscal years.

RESOLUTION 3
(Approval of the consolidated financial statements for the fiscal year ended December 31, 2018)
Having familiarized themselves with the report by the Board of Directors on management of the group, included in the management report by the Board of Directors, and with the statutory auditors' report on the consolidated financial statements, the shareholders, voting under the quorum and majority requirements applicable to ordinary general meetings, approve the consolidated financial statements for the fiscal year ended December 31, 2018, as presented, together with the transactions reflected in those financial statements or summarized in those reports.

RESOLUTION 4
(Approval of agreements covered by Article L.225-38 of the French Commercial Code)
Having familiarized themselves with the statutory auditors' special report on agreements covered by Article L.225-38 of the French Commercial Code, the shareholders, voting under the quorum and majority requirements applicable to ordinary general meetings, approve the agreements referred to therein and the conclusions of the aforementioned report.

RESOLUTION 5
(Approval of the principles and criteria used to determine, apportion and allot components of compensation paid to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers)
Having familiarized themselves with section 21.3.2 of the report on corporate governance appended to the management report, the shareholders, pursuant to the provisions of Article L.225-37-2 of the French Commercial Code and voting under the quorum and majority requirements applicable to ordinary general meetings, approve the principles and criteria used to determine, apportion and allot the fixed, variable and exceptional components making up total compensation and benefits of any kind attributable to the Chairman

and Chief Executive Officer and the Deputy Chief Executive Officers by virtue of their respective offices, as set out in the aforementioned section 21.3.2 of the report on corporate governance.

RESOLUTION 6

(Approval of components of compensation paid to Claude Guillemot, Chairman and Chief Executive Officer)

The shareholders, pursuant to the provisions of Article L.225-100 II of the French Commercial Code and voting under the quorum and majority requirements applicable to ordinary general meetings, approve the components of compensation paid or allotted to Claude Guillemot by virtue of his office as Chairman and Chief Executive Officer, in respect of the fiscal year ended December 31, 2018, as set out in section 21.3.3 of the report on corporate governance appended to the management report.

RESOLUTION 7

(Approval of components of compensation paid to Michel Guillemot, Deputy Chief Executive Officer)

The shareholders, pursuant to the provisions of Article L.225-100 II of the French Commercial Code and voting under the quorum and majority requirements applicable to ordinary general meetings, approve the components of compensation paid or allotted to Michel Guillemot by virtue of his office as Deputy Chief Executive Officer, in respect of the fiscal year ended December 31, 2018, as set out in section 21.3.3 of the report on corporate governance appended to the management report.

RESOLUTION 8

(Approval of components of compensation paid to Yves Guillemot, Deputy Chief Executive Officer)

The shareholders, pursuant to the provisions of Article L.225-100 II of the French Commercial Code and voting under the quorum and majority requirements applicable to ordinary general meetings, approve the components of compensation paid or allotted to Yves Guillemot by virtue of his office as Deputy Chief Executive Officer, in respect of the fiscal year ended December 31, 2018, as set out in section 21.3.3 of the report on corporate governance appended to the management report.

RESOLUTION 9

(Approval of components of compensation paid to Gérard Guillemot, Deputy Chief Executive Officer)

The shareholders, pursuant to the provisions of Article L.225-100 II of the French Commercial Code and voting under the quorum and majority requirements applicable to ordinary general meetings, approve the components of compensation paid or allotted to Gérard Guillemot by virtue of his office as Deputy Chief Executive Officer, in respect of the fiscal year ended December 31, 2018, as set out in section 21.3.3 of the report on corporate governance appended to the management report.

RESOLUTION 10

(Approval of components of compensation paid to Christian Guillemot, Deputy Chief Executive Officer)

The shareholders, pursuant to the provisions of Article L.225-100 II of the French Commercial Code and voting under the quorum and majority requirements applicable to ordinary general meetings, approve the components of compensation paid or allotted to Christian Guillemot by virtue of his office as Deputy Chief Executive Officer, in respect of the fiscal year ended December 31, 2018, as set out in section 21.3.3 of the report on corporate governance appended to the management report.

RESOLUTION 11

(Authorization to be granted to the Board of Directors to trade in the company's shares)

Having familiarized themselves with the report by the Board of Directors, the shareholders, voting under the quorum and majority requirements applicable to ordinary general meetings, authorize the Board of Directors, in accordance with the provisions of Articles L.225-209ff. of the French Commercial Code, Regulation 596/2014 of the European Parliament and of the Council on market abuse, the General Regulation of the Autorité des marchés financiers (AMF) and market practices accepted by the AMF, to purchase up to a maximum of 10% of the total number of shares of the company, with such percentage applying to capital after adjustments reflecting any transactions that may affect it subsequent to this meeting, for the purpose of:

- making a market in or ensuring the liquidity of the company's shares, through an investment services provider acting independently under the terms of a liquidity agreement that complies with the AMF decision introducing liquidity agreements covering shares as an accepted market practice;
- holding and subsequently remitting shares in payment or exchange in connection with potential external growth transactions, with the proviso that the number of shares purchased for such purpose may not exceed 5% of shares making up the share capital;
- covering securities representing debt instruments that entitle the holder, by way of conversion, exercise, redemption or exchange, to an allotment of shares of the company;
- covering stock option plans and/or any other form of allocation of shares to employees and/or executive directors of the company and/or the group;

- retiring shares thus purchased, subject to the shareholders approving a specific resolution at an extraordinary general meeting;
- carrying out any transaction that is authorized or that might become authorized by regulations subsequent to this meeting, notably where such transaction is in line with a market practice that comes to be accepted by the AMF.

Where shares are bought back for liquidity purposes, the number of shares included for the purposes of calculating the aforementioned 10% limit shall be the number of shares purchased less the number of shares resold during the period of this authorization.

The number of shares the company may directly or indirectly hold may not at any time exceed 10% of the company's share capital, with such percentage applying to capital after adjustments reflecting any transactions that may affect it subsequent to this meeting.

The maximum purchase price shall be set at €10 per share.

The maximum amount allocated to the share buyback program shall be €10 million.

Shares may be purchased, sold or transferred by any method, in one or more transactions, on the market or over the counter, including through the purchase or sale of blocks of shares. Such transactions shall be undertaken in accordance with applicable laws and regulations at the transaction date. They may take place at any time, including during a public tender offer for the company, subject to closed periods laid down in legal and regulatory provisions.

The shareholders grant all powers to the Board of Directors, with the option to subdelegate those powers under the conditions laid down in legislation and regulations, to decide to implement the aforementioned share buyback program, enter into agreements, place orders, and allocate or reallocate any shares purchased, in accordance with legal and regulatory provisions and required formalities and declarations and, more generally, to take any required action.

This authorization is granted for a period of 18 months with effect from the date of this meeting. It cancels any unused portion of the authorization granted at the shareholders' general meeting of May 24, 2018.

RESOLUTION 12
(Completion of legal formalities following the Ordinary General Meeting)
The shareholders, voting under the quorum and majority requirements applicable to ordinary general meetings, grant all powers to the holder of an original, copy or extract of the official record of this meeting to undertake all required legal formalities.

- Within the remit of the Extraordinary General Meeting

RESOLUTION 13
(Authorization to be granted to the Board of Directors to reduce the company's share capital by retiring shares of the company)
Having familiarized themselves with the report by the Board of Directors and the statutory auditors' report, the shareholders, voting under the quorum and majority requirements applicable to extraordinary general meetings and in accordance with Article L.225-209 of the French Commercial Code, authorize the Board of Directors, at its sole discretion, to retire some or all of any treasury shares that may be held by the company subsequent to buybacks under the share buyback program authorized by Resolution 11 submitted to the shareholders at this meeting, or previously authorized buybacks, in one or more transactions and at any time, including during a public tender offer for the company, up to a maximum of 10% of the company's share capital per 24-month period, with such percentage applying to capital after adjustments reflecting any transactions that may affect it subsequent to this meeting.

The shareholders delegate all powers to the Board of Directors to reduce the share capital by retiring shares, determine the details of any such reduction in the share capital, apply any difference between the carrying amount and the par value of shares thus retired to any available reserve or premium account, certify the completion of any such reduction in the share capital, make any corresponding amendments to the Articles of Incorporation and undertake all required formalities.

This authorization is granted for a period of 18 months with effect from the date of this meeting. It terminates the authorization granted at the shareholders' general meeting of May 24, 2018.

RESOLUTION 14

(Power to be granted to the Board of Directors to issue ordinary shares, equity securities giving access to other equity securities or to the allotment of debt instruments, or securities giving access to equity securities yet to be issued, with pre-emptive subscription rights)

Having familiarized themselves with the report by the Board of Directors and the statutory auditors' special report, and in accordance with the provisions of Articles L.225-129ff. of the French Commercial Code, and in particular Articles L.225-129-2, L.225-132, and L.228-91ff. of that code, the shareholders, voting under the quorum and majority requirements applicable to extraordinary general meetings:

(1) Delegate to the Board of Directors power to decide, if the latter deems appropriate, to issue, on one or more occasions, in the proportions and at the times it sees fit, with pre-emptive subscription rights for existing shareholders:

- ordinary shares of the company; and/or
- equity securities giving immediate and/or future access to other equity securities of the company or entitling the holder to an allocation of debt instruments; and/or
- securities giving access to equity securities of the company to be issued.

It should be noted that the aforementioned shares, equity securities and other securities may be issued either free of charge or for consideration, in France or abroad, in euros, foreign currency or any other unit of account established with reference to more than one currency;

(2) Agree to set the overall limit on increases in the share capital that may be carried out under this delegation at a maximum nominal total amount of €8 million, with the proviso that this limit applies to all increases in the share capital that might be carried out under Resolutions 15 and 16 put to the vote at this shareholders' general meeting, and that it does not take into account the nominal value of any ordinary shares that might be issued to protect the holders of rights attaching to securities giving access to the company's equity;

(3) Agree that the maximum total nominal amount of debt instruments giving access to equity securities of the company that might be issued under this delegation may not exceed €15 million, or the equivalent thereof if issued in foreign currency or in a unit of account established by reference to more than one currency, with the proviso that this amount applies to all debt instruments giving access to equity securities of the company that might be issued under Resolutions 15 and 16 put to the vote at this shareholders' general meeting;

(4) Agree that, since shareholders have, in proportion to the amount of their existing shares, a pre-emptive right to subscribe for securities that might be issued under this delegation, the Board of Directors shall also have the power to institute the right to subscribe for excess securities in proportion to the subscription rights held by shareholders, up to the amount requested by the latter. Where pre-emptive and, as the case may be, excess subscriptions have not absorbed the full amount of any increase in the share capital, the Board of Directors may make use of any of the following powers, alone or in combination, under the conditions laid down in law and in whatever order it sees fit:

- power to limit the amount of the increase in the share capital to the amount of subscriptions, provided the latter is at least three-quarters of the agreed amount of the increase in the share capital
- power to freely apportion, in whole or in part, any unsubscribed shares, equity securities or other securities
- power to offer to the public, in whole or in part, any unsubscribed shares, equity securities or other securities

(5) Note that this delegation entails the waiver by shareholders, in favor of the holders of any securities giving access to capital that might be issued, of their pre-emptive rights to subscribe for the equity securities to which those securities confer rights;

(6) Agree that the Board of Directors may, if it deems appropriate, make use of this delegation during a public tender offer for the company;

(7) Agree that the Board of Directors shall have all powers, with the option to subdelegate those powers under the conditions laid down in legislation and regulations, to implement this delegation, notably with the effect of: laying down the conditions of each issue; determining the dates and terms of each issue as well as the form and characteristics of shares, equity securities and other securities to be issued; deciding, in the event of an issue of debt instruments giving access to equity securities of the company, whether or not those instruments are subordinated, their coupon rate, duration, redemption price and other terms of issuance and repayment in keeping with market conditions, and with the conditions under which those instruments will give access to equity securities of the company; determining the issue price of shares, equity securities and other

securities to be issued; determining the amounts to be issued, subscription dates and vesting dates (including retroactive) of securities to be issued and how they are to be paid up; determining the terms of exercise of rights attaching to equity securities or other securities to be issued and stipulating, where applicable, the conditions of their redemption on the market as well as the possibility of suspending the exercise of those rights; determining the terms under which the rights of holders of equity securities or other securities giving access to the company's equity will be protected, in accordance with legal and regulatory provisions; charging costs arising in connection with increases in the share capital against the amount of associated premiums and deducting from those premiums the amounts required to bring the statutory reserve up to one-tenth of the total share capital after each increase; more generally, taking all necessary steps and precautions and entering into any agreements for the purpose of successfully carrying out planned issues; and certifying the completion of each increase in the share capital and amending the Articles of Incorporation accordingly;

(8) Set the period during which the Board of Directors may make use of this delegation at 26 months with effect from the date of this shareholders' general meeting.

RESOLUTION 15
(Power to be granted to the Board of Directors to issue ordinary shares, equity securities giving access to other equity securities or to the allotment of debt instruments, or securities giving access to equity securities yet to be issued, without pre-emptive subscription rights, through one or more public offerings)
Having familiarized themselves with the report by the Board of Directors and the statutory auditors' special report, and in accordance with the provisions of Articles L.225-129ff. of the French Commercial Code, and in particular Articles L.225-129-2, L.225-135, L.225-136, L.225-148 and L.228-91 of that code, the shareholders, voting under the quorum and majority requirements applicable to extraordinary general meetings:

(1) Delegate to the Board of Directors power to decide, in the context of a public offering, if the latter deems appropriate, to issue, on one or more occasions, in the proportions and at the times it sees fit, without pre-emptive subscription rights for existing shareholders:

- ordinary shares of the company; and/or
- equity securities giving immediate and/or future access to other equity securities of the company or entitling the holder to an allocation of debt instruments; and/or
- securities giving access to equity securities of the company to be issued.

It should be noted that the aforementioned shares, equity securities and other securities may be issued in France or abroad, in euros, foreign currency or any other unit of account established with reference to more than one currency;

(2) Agree to set the overall limit on increases in the share capital that may be carried out under this delegation at a maximum nominal total amount of €8 million, with the proviso that this limit applies to all increases in the share capital that might be carried out under Resolutions 14 and 16 put to the vote at this shareholders' general meeting, and that it does not take into account the nominal value of any ordinary shares that might be issued to protect the holders of rights attaching to securities giving access to the company's equity;

(3) Agree that the maximum total nominal amount of debt instruments giving access to equity securities of the company that might be issued under this delegation may not exceed €15 million, or the equivalent thereof if issued in foreign currency or in a unit of account established by reference to more than one currency, with the proviso that this amount applies to all debt instruments giving access to equity securities of the company that might be issued under Resolutions 14 and 16 put to the vote at this shareholders' general meeting;

(4) Agree to withdraw shareholders' pre-emptive right to subscribe for securities to be issued, though allowing the Board of Directors the option to assess whether or not shareholders should be granted a priority subscription window for all or part of each issue, under conditions to be determined by the Board and in accordance with applicable legal and regulatory provisions. Such priority windows shall not give rise to the creation of negotiable rights but may, if the Board of Directors deems appropriate, be exercised as of right and/or in relation to any excess securities issued;

(5) Agree that, where subscriptions, including by existing shareholders, have not absorbed the full amount of any increase in the share capital, the Board of Directors may make use of either or both of the following powers, under the conditions laid down in law and in whatever order it sees fit:

- power to limit the amount of the increase in the share capital to the amount of subscriptions, provided the latter is at least three-quarters of the agreed amount of the increase in the share capital
- power to freely apportion, in whole or in part, any unsubscribed shares, equity securities or other securities

(6) Note that this delegation entails the waiver by shareholders, in favor of the holders of any securities giving access to capital that might be issued, of their pre-emptive rights to subscribe for the equity securities to which those securities confer rights;

(7) Agree that the issue price of equity securities to be issued shall be determined in accordance with Article L.225-136 of the French Commercial Code;

(8) Agree that the Board of Directors may, if it deems appropriate, make use of this delegation during a public tender offer for the company;

(9) Agree that the Board of Directors may make use of this delegation in consideration of securities tendered to the company in the context of a public exchange offer initiated by the company on the securities of a company whose shares are admitted to trading on a regulated market as covered by Article L.225-148 of the French Commercial Code, and agree to withdraw shareholders' pre-emptive subscription rights to subscribe for securities that might be issued by the company, in favor of the holders of those securities. The Board of Directors shall have all powers, with the option to subdelegate those powers under the conditions laid down in law, to: determine the exchange ratio and, where applicable, the amount of any cash balance that might be payable; certify the number of securities tendered for exchange; determine the dates and conditions of issue, including in particular the price and vesting date of securities to be issued; determine the amounts to be issued; recognize in balance sheet liabilities, in a share premium account to which all shareholders will be entitled, the difference between the issue price of shares and their par value; and, where applicable, charge all costs and duties arising from the authorized transaction against that share premium account;

(10) Agree that the Board of Directors shall have all powers, with the option to subdelegate those powers under the conditions laid down in legislation and regulations, to implement this delegation, notably with the effect of: laying down the conditions of each issue; determining the dates and terms of each issue as well as the form and characteristics of shares, equity securities and other securities to be issued; deciding, in the event of an issue of debt instruments giving access to equity securities of the company, whether or not those instruments are subordinated, their coupon rate, duration, redemption price and other terms of issuance and repayment in keeping with market conditions, and with the conditions under which those instruments will give access to equity securities of the company; determining the issue price of shares, equity securities and other securities to be issued; determining the amounts to be issued, subscription dates and vesting dates (even retroactive) of securities to be issued and how they are to be paid up; determining the terms of exercise of rights attaching to equity securities or other securities to be issued and stipulating, where applicable, the conditions of their redemption on the market as well as the possibility of suspending the exercise of those rights; determining the terms under which the rights of holders of equity securities or other securities giving access to the company's equity will be protected, in accordance with legal and regulatory provisions; charging costs arising in connection with increases in the share capital against the amount of associated premiums and deducting from those premiums the amounts required to bring the statutory reserve up to one-tenth of the total share capital after each increase; more generally, taking all necessary steps and precautions and entering into any agreement for the purpose of successfully concluding the planned issues; and certifying the completion of each increase in the share capital and amending the Articles of Incorporation accordingly;

(11) Set the period during which the Board of Directors may make use of this delegation at 26 months with effect from the date of this shareholders' general meeting.

RESOLUTION 16

(Power to be granted to the Board of Directors to issue ordinary shares, equity securities giving access to other equity securities or to the allotment of debt instruments, or securities giving access to equity securities yet to be issued, without pre-emptive subscription rights, through one or more offerings referred to in the second paragraph of Article L.411-2 of the French Monetary and Financial Code)

Having familiarized themselves with the report by the Board of Directors and the statutory auditors' special report, and in accordance with the provisions of Articles L.225-129ff. of the French Commercial Code, and in particular Articles L.225-129-2, L.225-135, L.225-136 and L.228-91ff. of that code, together with the provisions of the second section of Article L.411-2 of the French Monetary and Financial Code, the shareholders, voting under the quorum and majority requirements applicable to extraordinary general meetings:

(1) Delegate to the Board of Directors power to decide, subject to a maximum of 20% of the share capital per annum, in connection with one or more offers covered by the second section of Article L.411-2 of the French Monetary and Financial Code (namely an offer aimed exclusively at (a) persons providing the investment service of third party portfolio management; or (b) qualified investors or a restricted group of investors, provided those investors are acting on their own account), if it deems appropriate, to issue, on one

or more occasions, in the proportions and at the times it sees fit, without pre-emptive subscription rights for existing shareholders:

- ordinary shares of the company; and/or
- equity securities giving immediate and/or future access to other equity securities of the company or entitling the holder to an allocation of debt instruments; and/or
- securities giving access to equity securities of the company to be issued.

It should be noted that the aforementioned shares, equity securities and other securities may be issued in France or abroad, in euros, foreign currency or any other unit of account established with reference to more than one currency;

(2) Agree to set the overall limit on increases in the share capital that may be carried out under this delegation at a maximum nominal total amount of €8 million, with the proviso that this limit applies to all increases in the share capital that might be carried out under Resolutions 14 and 15 put to the vote at this shareholders' general meeting, and that it does not take into account the nominal value of any ordinary shares that might be issued to protect the holders of rights attaching to securities giving access to the company's equity;

(3) Agree that the maximum total nominal amount of debt instruments giving access to equity securities of the company that might be issued under this delegation may not exceed €15 million, or the equivalent thereof if issued in foreign currency or in a unit of account established by reference to more than one currency, with the proviso that this amount applies to all debt instruments giving access to equity securities of the company that might be issued under Resolutions 14 and 15 put to the vote at this shareholders' general meeting;

(4) Agree to withdraw shareholders' pre-emptive subscription rights to shares, equity securities and other securities to be issued;

(5) Agree that, where subscriptions, including by existing shareholders, have not absorbed the full amount of any increase in the share capital, the Board of Directors may make use of either or both of the following powers, under the conditions laid down in law and in whatever order it sees fit:

- power to limit the amount of the increase in the share capital to the amount of subscriptions, provided the latter is at least three-quarters of the agreed amount of the increase in the share capital
- power to freely apportion, in whole or in part, any unsubscribed shares, equity securities or other securities

(6) Note that this delegation entails the waiver by shareholders, in favor of the holders of any securities giving access to capital that might be issued, of their pre-emptive rights to subscribe for the equity securities to which those securities confer rights;

(7) Agree that the issue price of equity securities to be issued shall be determined in accordance with Article L.225-136 of the French Commercial Code;

(8) Agree that the Board of Directors may, if it deems appropriate, make use of this delegation during a public tender offer for the company;

(9) Agree that the Board of Directors may make use of this delegation in consideration of securities tendered to the company in the context of a public exchange offer initiated by the company on the securities of a company whose shares are admitted to trading on a regulated market as covered by Article L.225-148 of the French Commercial Code, and agree to withdraw shareholders' pre-emptive subscription rights to subscribe for securities that might be issued by the company, in favor of the holders of those securities. The Board of Directors shall have all powers, with the option to subdelegate those powers under the conditions laid down in law, to: determine the exchange ratio and, where applicable, the amount of any cash balance that might be payable; certify the number of securities tendered for exchange; determine the dates and conditions of issue, including in particular the price and vesting date of securities to be issued; determine the amounts to be issued; recognize in balance sheet liabilities, in a share premium account to which all shareholders will be entitled, the difference between the issue price of shares and their par value; and, where applicable, charge all costs and duties arising from the authorized transaction against that share premium account;

(10) Agree that the Board of Directors shall have all powers, with the option to subdelegate those powers under the conditions laid down in legislation and regulations, to implement this delegation, notably with the effect of: laying down the conditions of each issue; determining the dates and terms of each issue as well as the form and characteristics of shares, equity securities and other securities to be issued; deciding, in the event of an issue of debt instruments giving access to equity securities of the company, whether or not those

instruments are subordinated, their coupon rate, duration, redemption price and other terms of issuance and repayment in keeping with market conditions, and with the conditions under which those instruments will give access to equity securities of the company; determining the issue price of shares, equity securities and other securities to be issued; determining the amounts to be issued, subscription dates and vesting dates (even retroactive) of securities to be issued and how they are to be paid up; determining the terms of exercise of rights attaching to equity securities or other securities to be issued and stipulating, where applicable, the conditions of their redemption on the market as well as the possibility of suspending the exercise of those rights; determining the terms under which the rights of holders of equity securities or other securities giving access to the company's equity will be protected, in accordance with legal and regulatory provisions; charging costs arising in connection with increases in the share capital against the amount of associated premiums and deducting from those premiums the amounts required to bring the statutory reserve up to one-tenth of the total share capital after each increase; more generally, taking all necessary steps and precautions and entering into any agreement for the purpose of successfully concluding the planned issues; and certifying the completion of each increase in the share capital and amending the Articles of Incorporation accordingly;

(11) Set the period during which the Board of Directors may make use of this delegation at 26 months with effect from the date of this shareholders' general meeting.

RESOLUTION 17
(Authorization to be granted to the Board of Directors to establish, for up to a maximum of 10% of the share capital each year, the issue price of equity securities to be issued through one or more public offerings referred to in the second paragraph of Article L.411-2 of the French Monetary and Financial Code)
Having familiarized themselves with the report by the Board of Directors and the statutory auditors' special report, and in accordance with the provisions of Article L.225-136 of the French Commercial Code, the shareholders, voting under the quorum and majority requirements applicable to extraordinary general meetings:

1) Authorize the Board of Directors, if it makes use of the powers covered by Resolution 15 and/or 16, to diverge from the pricing conditions laid down in Article R.225-119 of the French Commercial Code, up to a maximum of 10% of the share capital per annum, which percentage shall apply to adjusted capital taking into account any transactions that may affect it subsequent to the date of this shareholders' general meeting, and to set the issue price of equity securities to be issued at no less than the weighted average price over the previous three trading days, potentially less a discount of no more than 10%;

2) Agree that the nominal amount of any increases in the share capital decided upon under this resolution shall count toward the aggregate limit laid down in Resolution 23 to be put to the vote at this meeting;

3) Set the period during which the Board of Directors may make use of this authorization at 26 months with effect from the date of this shareholders' general meeting;

4) Agree that the Board of Directors shall have all powers, with the option to subdelegate those powers under the conditions laid down in legislation and regulations, to implement this authorization;

5) Agree that the Board of Directors may, if it deems appropriate, make use of this authorization during a public tender offer for the company.

RESOLUTION 18
(Authorization to be granted to the Board of Directors to increase the amount of any issues that might be agreed pursuant to Resolutions 14, 15 and/or 16, in the event that they are oversubscribed)
Having familiarized themselves with the report by the Board of Directors and the statutory auditors' special report, and in accordance with the provisions of Article L.225-135-1 of the French Commercial Code, the shareholders, voting under the quorum and majority requirements applicable to extraordinary general meetings:

1) Authorize the Board of Directors, if it makes use of the powers covered by Resolutions 14, 15 and/or 16 and if the relevant issues are oversubscribed, to increase the number of securities to be issued, while abiding by the provisions of Article R.225-118 of the French Commercial Code;

2) Agree that the nominal amount of any increases in the share capital decided upon under this resolution shall count toward the aggregate limit laid down in Resolution 23 to be put to the vote at this meeting;

3) Set the period during which the Board of Directors may make use of this authorization at 26 months with effect from the date of this shareholders' general meeting;

4) Agree that the Board of Directors shall have all powers, with the option to subdelegate those powers under the conditions laid down in legislation and regulations, to implement this authorization;

5) Agree that the Board of Directors may, if it deems appropriate, make use of this authorization during a public tender offer for the company.

RESOLUTION 19

(Power to be granted to the Board of Directors to increase the share capital as consideration for in-kind contributions granted to the company and consisting of equity securities or securities giving access to equity)

Having familiarized themselves with the report by the Board of Directors and the statutory auditors' special report, and in accordance with the provisions of Article L.225-147 of the French Commercial Code, the shareholders, voting under the quorum and majority requirements applicable to extraordinary general meetings:

(1) Delegate to the Board of Directors all powers to carry out, based on the report by the capital contributions auditor referred to in Article L.225-147 of the French Commercial Code, one or more increases in the company's share capital, by issuing ordinary shares and/or other securities giving immediate or future access to the company's equity, in consideration for in-kind contributions to the company consisting of securities giving access to equity, where the provisions of Article L.225-148 do not apply;

(2) Agree to withdraw shareholders' pre-emptive rights to subscribe for securities issued by the company in consideration for those in-kind contributions, in favor of the holders of the securities thus contributed;

(3) Agree to set the maximum nominal amount of increases in the share capital that might be carried out under this delegation, immediately and/or in the future, at 10% of the company's share capital at any given time, after adjusting the capital to reflect any transactions that might affect it subsequent to the date of this meeting;

(4) Note that this delegation entails the waiver by shareholders of their pre-emptive rights to subscribe for equity securities to which securities issued under this delegation confer rights;

(5) Agree that the Board of Directors may, if it deems appropriate, make use of this delegation during a public tender offer for the company;

(6) Agree that the Board of Directors shall have all powers, with the option to subdelegate those powers under the conditions laid down in legislation and regulations, to implement this delegation, notably with the effect of: laying down the conditions of the issue; drawing up a list of equity securities or other securities contributed; determining the type and number of shares or other securities to be issued, their characteristics and the terms of their issuance; determining the terms under which, where applicable, the rights of holders of securities giving access to the company's equity shall be protected; ruling, on the basis of report(s) by the capital contributions auditor referred to in Article L.225-147 of the French Commercial Code, on the valuation of contributions and the granting of special benefits; charging costs arising in connection with increases in the share capital against the amount of associated premiums and deducting from those premiums the amounts required to bring the statutory reserve up to one-tenth of the total share capital after each increase; certifying the completion of each increase in the share capital and amending the Articles of Incorporation accordingly; and, more generally, undertaking all formalities and declarations and requesting all authorizations needed to complete such contributions;

(7) Set the period during which the delegation covered by this resolution shall be valid at 26 months with effect from the date of this meeting.

RESOLUTION 20

(Power to be granted to the Board of Directors to carry out increases in the share capital reserved for the members of a company or group employee savings plan)

Having familiarized themselves with the report by the Board of Directors and the statutory auditors' special report, and in accordance with the provisions of Articles L.225-129ff. of the French Commercial Code, and in particular Articles L.225-129-2, L.225-129-6, L.225-138 and L.225-138-1 of that code, together with Articles L.3332-1ff. of the French Labor Code, the shareholders, voting under the quorum and majority requirements applicable to extraordinary general meetings:

(1) Delegate to the Board of Directors power to carry out, if it deems appropriate, one or more increases in the company's share capital, in the proportions and at the times it sees fit, by issuing equity securities or other securities giving access to the company's equity, reserved for salaried employees of the company and/or

of companies covered by Article L.225-180 of the French Commercial Code, under the terms of a company or group employee savings plan;

(2) Agree to withdraw shareholders' pre-emptive rights to subscribe for equity securities or other securities giving access to the company's equity to be issued, in favor of members of the employee savings plan;

(3) Set the period during which this resolution shall be valid at 26 months with effect from the date of this meeting;

(4) Agree that the total nominal amount of increases in the share capital carried out under this delegation may not exceed 2% of the company's share capital at the date of the decision by the Board of Directors;

(5) Agree that the subscription price of equity securities or other securities giving access to equity issued under the terms of this delegation shall be determined by the Board of Directors in accordance with the provisions of Articles L.3332-18 to L.3332-24 of the French Labor Code;

(6) Grant all powers to the Board of Directors to implement this delegation, and in particular to: lay down the terms of each issue; determine the terms of allocation, in accordance with legal conditions, including conditions on length of ownership; draw up a list of beneficiaries and determine the number of equity securities or other securities giving access to the company's equity for which beneficiaries may subscribe; determine, within legal limits, the issue price of equity securities or other securities giving access to the company's equity, as well as the periods during which beneficiaries may exercise their rights; determine the number of equity securities or other securities giving access to the company's equity to be released, the duration of the subscription period and the vesting date of equity securities or other securities giving access to the company's equity; determine how and when equity securities or other securities giving access to the company's equity must be paid up; certify the completion of increases in the share capital and amend the Articles of Incorporation accordingly; charge costs arising in connection with increases in the share capital against the amount of associated premiums and deduct from those premiums the amounts required to bring the statutory reserve up to one-tenth of the total share capital after each increase; and, more generally, carry out all formalities and take all necessary steps to complete increases in the share capital.

RESOLUTION 21
(Authorization to be granted to the Board of Directors to issue shares of the company to employees and/or executive directors of the company and/or affiliated companies free of charge)
Having familiarized themselves with the report by the Board of Directors and the statutory auditors' special report, and in accordance with Articles L.225-197-1ff. of the French Commercial Code, the shareholders, voting under the quorum and majority requirements applicable to extraordinary general meetings:

1) Authorize the Board of Directors, if it deems appropriate, to issue ordinary shares of the company, whether already existing or yet to be issued, to salaried employees and/or executive directors of the company and/or of companies covered by Article L.225-197-2 of the French Commercial Code, or to certain categories thereof;

2) Agree that the percentage of the share capital that might be allotted under this authorization may not exceed 2%, calculated as at the date of the Board's decision to allot those shares;

3) Agree that this authorization, of which the Board of Directors may make use on one or more occasions, shall be granted for a period of 38 months with effect from the date of this meeting;

4) Agree that shares shall vest to their beneficiaries upon expiry of a vesting period of no less than one year, to be determined by the Board of Directors. However, where the beneficiary is a disabled person falling into the second or third category laid down in Article L.341-4 of the French Social Security Code, the Board of Directors is authorized to arrange for the shares to vest before expiry of the vesting period and, for those disabled beneficiaries, shares shall be freely transferable;

5) Agree that the minimum period for which beneficiaries must hold shares after their vesting date shall be determined by the Board of Directors and may not be less than one year. However, should the Board of Directors establish a vesting period of two years or longer, the Board may waive the mandatory holding period;

6) Agree that existing ordinary shares that may be allotted free of charge under this authorization must be acquired by the company under the terms of Article L.225-208ff. of the French Commercial Code;

7) Delegate to the Board of Directors power to decide, at its sole discretion, to carry out one or more increases in the share capital by issuing ordinary shares, to be undertaken through the capitalization of

reserves, earnings or issue premiums, up to a maximum aggregate limit of 2% of the company's share capital, after adjusting the share capital to reflect any transactions that might affect it subsequent to the date of this meeting, to be counted proportionately against the aforementioned limit in respect of the percentage of the share capital that may be allotted by the Board of Directors under the terms of this authorization;

8) Note that this authorization automatically entails the waiver by shareholders, in favor of the beneficiaries of shares allotted free of charge, of their pre-emptive rights to subscribe for shares that might be issued in the event of any increases in the share capital through the capitalization of reserves, earnings or share premiums decided upon by the Board of Directors under the terms of this authorization, and of any fraction of reserves, earnings or issue premiums thus capitalized, subject to the aforementioned shares vesting to the beneficiaries upon expiry of the vesting period;

9) Delegate all powers to the Board of Directors, within the limits laid down in legislation and regulations and within the limits set out above, to implement this delegation, and in particular to: determine whether shares to be issued free of charge are existing shares or shares yet to be issued; determine the terms and, where applicable, criteria for the allotment of shares; determine the allotment date, vesting period and, where applicable, mandatory holding period of the shares; determine the identity of the beneficiaries of share awards, the number of shares awarded to each beneficiary and the terms of the award; determine the conditions under which the number of shares allotted free of charge shall be adjusted, where applicable, in the event of transactions involving the company's capital, during the vesting period, so as to maintain beneficiaries' rights; determine the terms of issue of shares to be issued; for any shares that might be allotted to the executive directors, either determine that the recipients may not sell those shares while still in office or determine the quantity of shares they shall be required to hold in registered form as long as they remain in office; take any steps, enter into any agreements and draw up any documents; certify increases in the share capital once shares thus awarded have vested, and amend the Articles of Incorporation accordingly; carry out all legal formalities and make any required declarations to organizations; and, more generally, take any required action.

RESOLUTION 22
(Authorization to be granted to the Board of Directors to award stock options to employees and/or executive directors of the company and/or affiliated companies)
Having familiarized themselves with the report by the Board of Directors and the statutory auditors' special report, and in accordance with the provisions of Articles L.225-177ff. of the French Commercial Code, the shareholders, voting under the quorum and majority requirements applicable to extraordinary general meetings:

(1) Authorize the Board of Directors, if it deems appropriate, to grant to the employees and/or executive directors of the company and/or of companies referred to in Article L.225-180 of the French Commercial Code, or to some of them, options entitling the grantees to subscribe for shares of the company to be issued by way of an increase in the company's share capital, up to a maximum total nominal amount of €800,000;

(2) Agree that this authorization, of which the Board of Directors may make use on one or more occasions, shall be granted for a period of 38 months with effect from this meeting;

(3) Agree that the subscription price of shares shall be determined by the Board of Directors on the day on which options are granted. This price may not be less than 80% of the average price quoted over the 20 trading days preceding the day on which the options are granted;

(4) Agree that the subscription price of shares may not be amended during the option period. However, should the company undertake one of the capital transactions referred to in Article L.225-181 of the French Commercial Code, the Board of Directors shall be required to take any action required to protect the interests of beneficiaries of options under the conditions laid down in legislation and regulations;

(5) Agree that the period during which options may be exercised shall not exceed ten years from the date on which they are granted;

(6) Agree that the Board of Directors may decide to prohibit the immediate resale of some or all shares, with the proviso that the mandatory holding period may not exceed three years from the date on which the option is exercised;

(7) Note that this authorization entails the express waiver, in favor of the beneficiaries of options, of shareholders' pre-emptive rights to subscribe for shares to be issued as and when options are exercised;

(8) Delegate all powers to the Board of Directors to determine, within legal and regulatory limits, and within the limits laid down above, the conditions under which options are to be granted, and in particular to: determine

the dates on which options are to be granted; determine individual beneficiaries or categories of beneficiaries of options, as it deems most appropriate to build motivation and loyalty among those beneficiaries; determine the number of shares to be allotted to each beneficiary; determine the conditions of exercise of options; determine the periods during which options may be exercised; determine the validity period of options; determine, where applicable, the holding period of options; certify increases in the share capital resulting from the exercise of options to subscribe for shares; make corresponding amendments to the Articles of Incorporation; charge the costs associated with increases in the share capital to the relevant premium accounts and deduct from such premium accounts any amounts required to bring the statutory reserve up to one-tenth of the new share capital after each increase; and, more generally, complete all formalities and take all required action to implement this authorization.

RESOLUTION 23
(Determination of the overall limit on increases in the share capital)
Having familiarized themselves with the report by the Board of Directors, the shareholders, voting under the quorum and majority requirements applicable to extraordinary general meetings, agree, in accordance with the provisions of Article L.225-129-2 of the French Commercial Code, to set the overall maximum nominal amount of increases in the share capital that might be undertaken, immediately or in the future, by virtue of powers, authorities and/or authorizations delegated under the terms of Resolutions 14, 15, 16, 17, 18, 19, 20, 21 and 22 put to the vote at this meeting, at €8 million, with the proviso that this limit does not take into account the nominal amount of any equity securities to be issued to protect the holders of rights attaching to securities giving access to the company's equity.

RESOLUTION 24
(Completion of legal formalities following the Extraordinary General Meeting)
The shareholders, voting under the quorum and majority requirements applicable to extraordinary general meetings, grant all powers to the holder of an original, copy or extract of the official record of this meeting to undertake all required legal formalities.

3 REPORT BY THE BOARD OF DIRECTORS

Dear Shareholders,

We have convened this combined shareholders' general meeting to submit for your approval the financial statements for the fiscal year ended December 31, 2018 and to ask you to vote on resolutions intended to delegate powers or grant authorizations to the Board of Directors.

The first four resolutions to be put to the vote concern the financial statements for the fiscal year ended December 31, 2018, and in particular:

- Approval of the parent company and consolidated financial statements as at that date;
- Appropriation of parent company earnings for the fiscal year, namely a profit of €5,841,595.85, which we propose be appropriated as follows:
  - Statutory reserve: €292,079.79
  - Other reserves: €3,562,143.66
  - Payment of dividends: €1,987,372.40
- Approval of regulated agreements in force during the fiscal year ended December 31, 2018 authorized in advance by the Board of Directors.

Resolution 5 asks you to approve the principles and criteria used to determine, apportion and allot the fixed, variable and exceptional components making up total compensation and benefits of any kind attributable to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers by virtue of their respective offices, as set out in section 21.3.2 of the report by the Board of Directors on corporate governance, which is appended to the management report.

Resolutions 6, 7, 8, 9 and 10 ask you to approve the components of compensation paid or allotted to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers by virtue of their respective offices in respect of the fiscal year ended December 31, 2018, as set out in section 21.3.3 of the report by the Board of Directors on corporate governance, which is appended to the management report.

Resolution 11 asks you to authorize the Board of Directors to continue to trade in the company's shares for the purposes of making a market in or ensuring the liquidity of the company's shares, through an investment services provider acting independently under the terms of a liquidity agreement that complies with the decision by the Autorité des marchés financiers (AMF) to consider liquidity agreements on shares as an accepted market practice.

The Board of Directors would also like to be able to trade in the company's shares for the purposes of:

- holding and subsequently remitting shares in payment or exchange in connection with potential external growth transactions, with the proviso that the number of shares purchased for this purpose may not exceed 5% of shares making up the share capital;
- covering securities representing debt instruments that entitle the holder, by way of conversion, exercise, redemption or exchange, to an allotment of shares of the company;
- covering stock option plans and/or any other form of allocation of shares to employees and/or executive directors of the company and/or the group;
- retiring shares thus purchased, subject to the shareholders approving a specific resolution at an extraordinary general meeting;
- carrying out any transaction that is allowed or that might become authorized by regulations subsequent to this meeting, notably where such transaction is in line with a market practice that comes to be accepted by the AMF.

The Board would be authorized to purchase the company's shares up to a maximum of 10% of the total number of shares making up the share capital at any given time.

The maximum purchase price would be set at €10 per share and the maximum amount allocated to the share buyback program would be set at €10 million.

Shares would be able to be purchased, sold or transferred at any time, in one or more transactions, by any method, on the market or over the counter, including through the purchase or sale of blocks of shares. Such transactions shall be undertaken in accordance with applicable laws and regulations at the transaction date.

This authorization would be granted to the Board of Directors for a period of 18 months with effect from the date of this meeting, with the Board having all powers to decide to implement it.

Resolution 12 asks you to authorize any person bearing an original, copy or extract of the official record of this meeting to undertake all legal formalities subsequent to the adoption or otherwise of the resolutions falling within the remit of an ordinary general meeting.

Resolution 13 asks you to authorize the Board of Directors, if the latter deems appropriate, to reduce the company's share capital by retiring shares that the company holds or might come to hold as a result of buybacks under the share buyback program proposed in Resolution 11 and/or under previously authorized programs, with the proviso that the Board would not be able to retire more than 10% of the total number of shares making up the share capital per 24-month period.

This authorization would allow the Board to determine the details of any reduction in the share capital through the retirement of shares, certify the completion of any such reduction in the share capital, apply any difference between the carrying amount and the par value of shares thus retired to any available reserve or premium accounts, and make any corresponding amendments to the Articles of Incorporation.

This authorization would be granted to the Board of Directors for a period of 18 months with effect from this meeting.

Resolutions 14, 15 and 16 ask you to grant the Board of Directors powers to decide, if it deems appropriate, to issue:

- ordinary shares of the company; and/or
- equity securities giving immediate and/or future access to other equity securities of the company or entitling the holder to an allocation of debt instruments; and/or
- securities giving access to equity securities of the company to be issued.

While the Board of Directors has no immediate plans to carry out such issues, it would like to have such powers at its disposal so that, for example, it can, if necessary, increase the company's share capital to support growth in Guillemot Corporation's business or improve its financial position. Such delegated powers would allow the Board greater flexibility to carry out such issues and give the company more control over their timing.

We therefore ask you to grant the Board of Directors powers to decide, if it deems appropriate, to carry out one or more issues:

- with pre-emptive subscription rights, whether free of charge or for consideration, up to a maximum total increase in the share capital of €8 million (Resolution 14);
- without pre-emptive subscription rights, through a public offering, up to a maximum total increase in the share capital of €8 million, with the proviso that the Board would have the power to assess whether or not shareholders should be granted a priority subscription window (Resolution 15); and/or
- without pre-emptive subscription rights, notably through a private placement for qualified investors or a restricted group of investors, for a maximum of 20% of the share capital per annum, up to a maximum total increase in the share capital of €8 million (Resolution 16).

The aggregate limit on increases in the share capital that might be carried out, immediately and/or in the future, under Resolutions 14, 15 and 16, may not exceed a nominal amount of €8 million, to which amount may be added, as the case may be, the nominal amount of any additional shares to be issued to protect the holders of rights attaching to securities giving access to the company's equity.

The maximum nominal amount of debt instruments giving access to equity securities that might be issued under Resolutions 14, 15 and 16 may not exceed €15 million.

As regards issues with pre-emptive subscription rights that may be decided by virtue of the delegation that is the subject of Resolution 14, you are asked to grant the Board the power to introduce excess subscription rights in favor of shareholders who subscribe for more than the number of shares for which they would be able to subscribe on a pre-emptive basis, in proportion to the subscription rights they hold, and in any event up to the amount of their requests. In the event that pre-emptive and, as the case may be, excess subscriptions do not absorb the full amount of the increase in the share capital, the Board of Directors may make use of any of the following powers, alone or in combination, in whatever order it sees fit:

- power to limit the amount of the increase in the share capital to the amount of subscriptions, provided the latter is at least three-quarters of the agreed amount of the increase in the share capital
- power to freely apportion, in whole or in part, any unsubscribed shares, equity securities or other securities
- power to offer some or all of any unsubscribed shares, equity securities or other securities to the public

Ae regards increases in the share capital without pre-emptive subscription rights covered by Resolutions 15 and 16, in the event that subscriptions do not absorb the full amount of the increase in the share capital, the Board of Directors may make use of either or both of the following powers, in whatever order it sees fit:

- power to limit the amount of the increase in the share capital to the amount of subscriptions, provided the latter is at least three-quarters of the agreed amount of the increase in the share capital
- power to freely apportion, in whole or in part, any unsubscribed shares, equity securities or other securities

In the event that shares are issued without pre-emptive subscription rights, the issue price would be set in accordance with the provisions of Article L.225-136 of the French Commercial Code, i.e. it would be at least equal to the weighted average price over the three trading days preceding the date on which it was set, less a potential discount of no more than 5%.

Resolutions 14, 15 and 16 are intended to confer up on the Board the greatest possible flexibility to act in the company's interest. The Board would have the option of opting for the most favorable types and terms of issue given the wide variety of securities and constant changes on stock markets.

Within the limits laid down in the delegations covered by Resolutions 14, 15 and 16, which would be granted to the Board for 26 months, the Board would have the powers needed to determine the terms of issue, certify the completion of resulting increases in the share capital and amend the Articles of Incorporation accordingly.

Resolution 17 asks you to authorize the Board of Directors to set the issue price of equity securities that might be issued by virtue of powers delegated to the Board under Resolutions 15 and 16, up to a maximum of 10% of the share capital per annum.

The issue price would be at least equal to the weighted average price over the three trading days preceding the date on which it was set, less a potential discount of no more than 10%.

This authorization would be granted to the Board for a period of 26 months with effect from the date of this meeting.

Resolution 18 asks you to authorize the Board of Directors to increase the amount of issues that could be carried out under Resolutions 14, 15 and 16, if those issues are oversubscribed.

The number of securities could thus be increased within the 30 days following the end of the subscription period, up to a maximum of 15% of the initial issue and at the same price as that used for the initial issue.

This authorization would be granted to the Board for a period of 26 months with effect from the date of this meeting.

Resolution 19 asks you to delegate all powers to the Board of Directors to carry out increases in the share capital, up to a maximum of 10% of the share capital, as consideration for in-kind contributions granted to the company consisting of equity securities or other securities giving access to equity.

While the Board of Directors has no immediate plans to carry out such issues, this resolution would grant the Board all powers, in particular, to: determine the terms of issue; draw up a list of equity securities or other securities to be tendered; determine the nature and number of shares or other securities to be issued in consideration for contributions, their characteristics and the terms of their issuance; approve the valuation of contributions; certify the completion of each increase in the share capital and amend the Articles of Incorporation accordingly; and, more generally, undertake all formalities and declarations and request all authorizations needed to complete such contributions.

This authorization wound entail the waiver by shareholders, in favor of the holders of securities contributed in kind, of their pre-emptive right to subscribe for equity securities issued by the company in consideration for those in-kind contributions, and would be granted for a period of 26 months with effect from the date of this meeting.

Resolution 20 asks you to authorize the Board, if it deems appropriate, to decide to carry out increases in the share capital reserved for salaried employees of the company and affiliated companies, under the terms of a company or group employee savings plan.

This delegation would entail the express waiver by shareholders, in favor of members of the savings plan, of their pre-emptive rights to subscribe for equity securities or other securities giving access to equity that might be issued, and would be granted to the Board of Directors for a period of 26 months with effect from the date of this meeting.

The total nominal amount of increases in the share capital that could be carried out under this delegation may not exceed 2% of the company's share capital at the date of the decision by the Board of Directors.

The subscription price would be determined by the Board in accordance with the provisions of Articles L.3332-18 to L.3332-24 of the French Labor Code. It may not exceed the average price over the 20 trading days preceding the date of the Board's decision setting the opening date of the subscription period, nor may it be more than 20% below that average, or 30% where the lock-in period laid down in the plan pursuant to Articles L.3332-25 and L.3332-26 is greater than or equal to ten years.

This resolution would grant all powers to the Board to carry out, on one or more occasions, increases in the share capital reserved for the members of a company or group employee savings plan, to determine the terms of issue and the terms of allocation, to certify increases in the share capital and to amend the Articles of Incorporation accordingly.

Resolution 21 asks you to authorize the Board, if it deems appropriate, to issue ordinary shares of the company, whether already existing or yet to be issued, to salaried employees and/or executive directors of the company and/or of affiliated companies, or to some of them, free of charge, so as to give them a greater stake in the company's future and build loyalty.

The percentage of the share capital that might be allotted free of charge under this authorization may not exceed 2% at the date of the Board's decision to allot those shares.

This authorization, of which the Board of Directors would be able to make use on one or more occasions, would be granted for a period of 38 months with effect from this meeting.

Shares would vest to their beneficiaries upon expiry of a vesting period whose minimum duration would be determined by the Board and may not be less than one year, with the proviso that, where the beneficiary is a disabled person, the Board of Directors would be authorized to arrange for the shares to vest before expiry of the vesting period and, for those disabled beneficiaries, shares shall would freely transferable.

The minimum period for which beneficiaries must hold shares after their vesting date would be determined by the Board and may not be less than one year, with the proviso that, should the Board stipulate a vesting period of at least two years, the Board may remove the requirement to hold the shares for a specified holding period.

Shares to be allotted free of charge may be existing shares previously bought back by the company to that end under a share buyback program, and/or new shares issued in connection with an increase in the share capital to be carried out by capitalizing reserves, earnings or premiums. As such, you are asked to delegate power to the Board of Directors to decide to carry out such increases in the share capital, up to a maximum aggregate limit of 2% of the company's share capital. This limit on increases in the share capital would count proportionately toward the limit on the percentage of the company's share capital that might be allocated free of charge under this authorization. This authorization would automatically entail the waiver by the shareholders of their pre-emptive rights to subscribe for new shares that might be issued in the event of any increases in the share capital through the capitalization of reserves, earnings or share premiums decided upon by the Board under the terms of this authorization, subject to those free shares vesting to the beneficiaries upon expiry of the vesting period.

You are therefore asked to pass a resolution granting the Board all powers, within the limits laid down above and subject to legal and regulatory limits, to implement this authorization and, in particular, to determine the terms of allocation of free shares and the terms of issue of shares to be issued, and, as the case may be, to certify increases in the share capital once shares have vested and amend the Articles of Incorporation accordingly.

Resolution 22 asks you to authorize the Board, if it deems appropriate, to grant stock options to the employees and/or executive directors of the company and/or affiliated companies, or to some of them, so as to give them a greater stake in the company's future and build loyalty.

This authorization, of which the Board of Directors would be able to make use on one or more occasions, would be granted for a period of 38 months with effect from this meeting. It would entail the express waiver, in favor of the beneficiaries of options, of shareholders' pre-emptive rights to subscribe for shares to be issued as and when options are exercised.

The stock options would entitle the holder to subscribe for new shares to be issued by way of an increase in the company's share capital, up to a maximum total nominal amount of €800,000.

The subscription price would be determined by the Board of Directors on the day on which options are granted. It may not be less than 80% of the average price quoted over the 20 trading days preceding the day on which the options are granted.

The period during which options may be exercised may not exceed ten years from the date on which they are granted.

You are therefore asked to pass a resolution granting the Board all powers to determine, within legal and regulatory limits and the limits set out above, the conditions under which options would be granted and exercised and the periods during which those options may be exercised, to certify increases in the share capital resulting from the exercise of options and to amend the Articles of Incorporation accordingly.

Resolution 23 asks you to set the overall maximum nominal amount of increases in the share capital that might be undertaken, immediately or in the future, by virtue of powers, authorities and/or authorizations delegated to the Board of Directors under the terms of Resolutions 14, 15, 16, 17, 18, 19, 20, 21 and 22 put to the vote at this meeting, at €8 million, with the proviso that this limit does not take into account the nominal amount of any equity securities that might be issued to protect the holders of rights attaching to securities giving access to the company's equity.

Resolution 24 asks you to authorize any person bearing an original, copy or extract of the official record of this meeting to undertake all legal formalities subsequent to the adoption or otherwise of the resolutions falling within the remit of an extraordinary general meeting.

We hope the above proposals will meet with your approval.

Rennes, March 27, 2019

The Board of Directors

4 Statutory auditors' special report on regulated agreements and commitments – Shareholders' general meeting to approve the financial statements for the fiscal year ended December 31, 2018

To the shareholders
Guillemot Corporation
Place du Granier
BP 97143
35571 Chantepie Cedex

In our capacity as the company's statutory auditors, we hereby present our report on regulated agreements and commitments.

It is not our responsibility to ascertain whether or not such agreements exist, nor to comment on their relevance or substance. We are simply required to report, based on the information provided, the essential terms and conditions of those agreements and commitments that have been disclosed to us or that we have discovered during our audit, as well as their benefit to the company. Under the terms of Article R.225-31 of the French Commercial Code, it is your responsibility to determine whether these agreements and commitments are appropriate and should be approved.

Furthermore, it is our responsibility to communicate to you, where applicable, the information laid down in Article R.225-31 of the French Commercial Code on the performance during the past fiscal year of agreements already approved by the shareholders.

We have undertaken the checks we consider necessary in relation to this audit in light of the professional standards adopted by the French National Company of Statutory Auditors (Compagnie nationale des commissaires aux comptes). These checks consisted of ensuring that the information provided to us is consistent with the original documents from which it was taken.

AGREEMENTS AND COMMITMENTS SUBJECT TO APPROVAL BY THE SHAREHOLDERS

Agreements and commitments authorized and entered into during the last fiscal year

Pursuant to Article L.225-40 of the French Commercial Code, we have been notified of the following agreements and commitments authorized in advance by the Board of Directors.

1 - Guarantee given to Guillemot Limited
Directors concerned: Claude, Michel, Gérard and Christian Guillemot.

Deputy Chief Executive Officer concerned: Yves Guillemot.

Nature and purpose: on May 24, 2018, the company gave a guarantee to its UK subsidiary Guillemot Limited to allow the latter to be exempted from the requirement to have its financial statements for the fiscal year ended December 31, 2017 audited by a statutory auditor.

Benefit to the company: enables the Guillemot Limited subsidiary to make a substantial saving by reducing its year-end accounting costs.

Terms: guarantees the liabilities of Guillemot Limited at December 31, 2017 (totaling £13,767) until such time as those liabilities are settled in full.

This agreement was authorized by the Board of Directors on April 25, 2018.

2 - Letter of support in favor of Guillemot Limited
Directors concerned: Claude, Michel, Gérard and Christian Guillemot.

Deputy Chief Executive Officer concerned: Yves Guillemot.

Nature and purpose: on May 24, 2018, the company issued a letter of support in favor of its UK subsidiary Guillemot Limited to enable the latter to continue to operate in the United Kingdom.

Benefit to the company: enables the Guillemot Limited subsidiary to continue to operate in the United Kingdom. This subsidiary undertakes sales, promotion and marketing activities in the United Kingdom, Europe's leading market for video game accessories.

Terms: confirmation of the intention to provide financial support to Guillemot Limited for a period of 12 months with effect from the date on which the latter's financial statements for the fiscal year ended December 31, 2017 were approved.

This agreement was authorized by the Board of Directors on April 25, 2018.

3 - Shareholders' advances with a clawback provision written off
Directors concerned: Claude, Michel, Gérard and Christian Guillemot.

Deputy Chief Executive Officer concerned: Yves Guillemot.

Nature and purpose: on August 26, 2002, Claude, Michel, Yves, Gérard and Christian Guillemot each granted the company a non-interest-bearing shareholder's advance in the amount of €999,999.42 (giving a total of €4,999,997.10).

On August 30, 2002, Claude, Michel, Yves, Gérard and Christian Guillemot each waived their claims in full, subject to a clawback provision.

The company had agreed to this waiver on the basis that, if it returned to profit, it would repay the principal amount of the debt thus written off to Claude, Michel, Yves, Gérard and Christian Guillemot, with the proviso that the amount to be repaid annually to each of them may not exceed 4% of the company's annual net profit.
Benefit to the company: honors commitments given to Claude, Michel, Yves, Gérard and Christian Guillemot.
Terms: on May 29, 2018, the company repaid €194,358.35 each to Claude, Michel, Yves, Gérard and Christian Guillemot. The amount of shareholders' advances with clawback provisions still to be repaid at December 31, 2018 was zero.

These agreements were approved by the Board of Directors on May 24, 2018.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS

Agreements and commitments approved during prior fiscal years

Pursuant to Article R.225-30 of the French Commercial Code, we have been advised that the following agreements and commitments, already approved by the shareholders in the course of previous fiscal years, remained in force in the past fiscal year.

1 - Lease agreement with Guillemot Administration et Logistique Sarl
Director concerned: Christian Guillemot.

Nature and purpose: on December 1, 2002, the company entered into a lease agreement with Guillemot Administration et Logistique Sarl. This agreement was approved by the Board of Directors on November 29, 2002. A first amendment to the aforementioned lease agreement was signed on February 14, 2006 and took effect on March 1, 2006, changing the surface area to 3,636 square meters and the monthly rental to €6,561.40 excluding taxes.

This agreement was approved by the Board of Directors on February 7, 2006. A second amendment to the aforementioned lease agreement was signed on September 14, 2007 and took effect on September 17, 2007, changing the surface area to 5,466 square meters and the monthly rental to €9,343.00 excluding taxes. This agreement was approved by the Board of Directors on August 20, 2007.

Terms: rental payments received in the fiscal year totaled €112,116.00 excluding taxes.

2 - Lease agreement with Guillemot Administration et Logistique Sarl
Director concerned: Christian Guillemot.

Nature and purpose: on July 1, 2010, the company entered into a commercial lease agreement with Guillemot Administration et Logistique Sarl for office space of 667 square meters at an annual rental of €55,361 excluding taxes. This agreement was authorized by the Board of Directors on July 1, 2010.

An amendment to the aforementioned lease agreement was signed on October 30, 2012 and took effect on November 1, 2012, changing the surface area to 640 square meters and the monthly rental to €53,120 excluding taxes. This agreement was authorized by the Board of Directors on October 24, 2012.

Terms: rental payments received in the fiscal year totaled €53,120.00 excluding taxes.

3 - Lease agreement with Hercules Thrustmaster SAS
Director concerned: Claude Guillemot.

Nature and purpose: on July 1, 2010, the company entered into a commercial lease agreement with Hercules Thrustmaster SAS for office space of 570 square meters.

This agreement was authorized by the Board of Directors on July 1, 2010. The annual rental is set at €47,310 excluding taxes.

Terms: rental payments received in the fiscal year totaled €47,310 excluding taxes.

4 - Lease agreement with Ubisoft International SAS
Deputy Chief Executive Officer concerned: Yves Guillemot.

Nature and purpose: on July 1, 2010, the company entered into a commercial lease agreement with Ubisoft Books and Records SASU for office space of 111 square meters. This agreement was authorized by the Board of Directors on July 1, 2010. An amendment to the aforementioned lease agreement was signed on March 28, 2012 noting that Ubisoft International SAS had inherited all the assets, rights and obligations of Ubisoft Books and Records SASU, the latter having been dissolved pursuant to the provisions of Article 1844-5 of the French Civil Code, with effect from November 30, 2011. This agreement was authorized by the Board of Directors on March 28, 2012. The annual rental is set at €9,213 excluding taxes.

Terms: rental payments received in the fiscal year totaled €9,213 excluding taxes.

5 - Lease agreement with Guillemot Innovation Labs SAS
Director concerned: Claude Guillemot.

Nature and purpose: on October 30, 2012, the company entered into a commercial lease agreement with Guillemot Innovation Labs SAS for office space of 27 square meters, which agreement took effect on November 1, 2012. The annual rental is set at €2,241 excluding taxes. This agreement was authorized by the Board of Directors on October 24, 2012.

Terms: rental payments received in the fiscal year totaled €2,241.00 excluding taxes.

6 - Letter of support in favor of Guillemot GmbH
Director concerned: Claude Guillemot.

Nature and purpose: on April 28, 2014, the company issued a letter of support in favor of its German subsidiary Guillemot GmbH (committing to ensure that Guillemot GmbH has sufficient financial resources to meet all its obligations toward third parties and its employees).

This agreement was authorized by the Board of Directors on April 28, 2014.

7 - Guarantee given to Guillemot Limited
Directors concerned: Claude, Michel, Gérard and Christian Guillemot.

Deputy Chief Executive Officer concerned: Yves Guillemot.

Nature and purpose: on May 2, 2017, the company gave a guarantee to its UK subsidiary Guillemot Limited to allow the latter to be exempted from the requirement to have its financial statements for the fiscal year ended December 31, 2016 audited by a statutory auditor.

Terms: guarantees the liabilities of Guillemot Limited at December 31, 2016 (totaling £25,321) until such time as those liabilities are settled in full.

This agreement was authorized by the Board of Directors on April 25, 2017.

8 - Letter of support in favor of Guillemot Limited
Directors concerned: Claude, Michel, Gérard and Christian Guillemot.

Deputy Chief Executive Officer concerned: Yves Guillemot.

Nature and purpose: on May 2, 2017, the company issued a letter of support in favor of its UK subsidiary Guillemot Limited to enable the latter to continue to operate in the United Kingdom.

Terms: confirmation of the intention to provide financial support to Guillemot Limited for a period of 12 months with effect from the date on which the latter's financial statements for the fiscal year ended December 31, 2016 were approved.

This agreement was authorized by the Board of Directors on April 25, 2017.

9 - Membership of the compulsory group health insurance scheme
Directors concerned: Claude and Christian Guillemot.

Deputy Chief Executive Officer concerned: Yves Guillemot.

Nature and purpose: Claude, Yves and Christian Guillemot have each joined the compulsory supplementary group health insurance scheme taken out by the company with Predica.

Terms: the amount of contributions recognized in expenses in the fiscal year totaled €846.

This agreement was authorized by the Board of Directors on April 27, 2016; its effects were backdated to January 1, 2016 for Claude and Christian Guillemot and to March 1, 2016 for Yves Guillemot.

Rennes and Bruz, April 24, 2019

The statutory auditors

PricewaterhouseCoopers Audit	MB Audit
Jérôme Mouazan	Khadija Roullé

➢ GENERAL INFORMATION

1 HISTORY OF THE GUILLEMOT CORPORATION GROUP

1984-1985

- Guillemot moves into the distribution of computer products and video games.

1994-1996

- The five Guillemot brothers set up a network of marketing companies in various countries (Belgium, Germany, the United Kingdom, Switzerland, the United States, Canada and Hong Kong).

1997

- Guillemot Corporation is formed with the aim of becoming a specialist in the design and distribution of interactive leisure hardware and accessories and software distribution.

1998-1999

- **End November 1998**: Guillemot Corporation is successfully listed on the Paris Stock Exchange's Nouveau Marché.
- In gaming accessories, Guillemot Corporation becomes a global player in PC racing wheels by acquiring US group Thrustmaster's hardware and accessories business®.
- Guillemot Corporation enters into an exclusive global licensing agreement with Ferrari® for PC and console racing accessories.
- Guillemot Corporation buys the assets of US company Hercules Computer Technology Inc., inventor of the PC graphics card, rounding out

the Group's sound card and multimedia kit manufacturing business.

2000-2002

- The Group focuses on designing interactive leisure hardware and accessories and associated software.

2005

- **September**: the Group launches a new range of Ferrari-licensed Thrustmaster racing wheels and a new line of dedicated accessories for the new Sony® PSP® console.

2007

- **August 31**: the Group redeems €6.9 million in bond debt corresponding to outstanding convertible bonds issued in July 1999.
- **November**: Thrustmaster launches a new range of dedicated flight simulator joysticks.

2008

- **January**: the Group presents the new Hercules DJ Console RMX for professional DJs at the NAMM Show in California.
- **September:** the Group brings out the first product in its new range of Hercules eCAFÉ™ netbooks in response to the burgeoning trend toward relaxing and sharing new online gaming content on the go.

2009

- **September:** the Group enters into a license agreement with The Walt Disney Company covering Western Europe, giving Thrustmaster access to the entire universe of Disney films and video games and allowing it to make dedicated gaming accessories.

2010

- **October:** the Group brings out its new flagship Thrustmaster product, the US Air Force™-licensed HOTAS Warthog joystick, the fruit of close cooperation between Thrustmaster's development teams and members of the simmers community.
- **December:** the Group announces the T500RS racing wheel and pedals for PlayStation®3, officially licensed by Sony Computer Entertainment and designed to deliver a realistic, powerful and uncompromising driving experience.

2011

- **January:** the Group launches the T500RS racing wheel, the official licensed Gran Turismo®5 racing wheel.

  Thrustmaster wins an innovation award in the gaming accessories category at the CES trade show in Las Vegas for its HOTAS Warthog joystick.

  The Group significantly expands its geographical coverage, from 35 countries to over 60 countries.
- **September:** Hercules launches its first DJ speaker system with active monitoring, the Hercules XPS 2.0 80 DJ Monitor.

2012

- **August:** the Group launches its new official Xbox 360 controllers, offering particularly innovative functionality and extreme precision to meet the needs of the most demanding gamers.
- **December:** the Group launches the WAE range of wireless speakers for smartphones and tablets.

2013

- **January:** Thrustmaster moves into the gaming headset market.
- **March:** the Group begins to use a logistics warehouse in Hong Kong.

  Hercules refocuses its business on audio products. Thrustmaster steps up its R&D efforts and enters into new partnerships to create unique accessories to support the launch of the next-generation Xbox One® and PlayStation®4 consoles towards the end of the year.
- **November:** Thrustmaster launches the first racing wheel officially licensed by Sony Computer Entertainment Europe (SCEE) to be compatible with both PlayStation®3 and PlayStation®4.
- **December:** the Group launches the first racing wheel for the Microsoft Xbox One®: the TX Racing Wheel Ferrari 458 Italia Edition with force feedback.

2014

- **January:** the Group presents its WAE NEO wireless speaker and DJControlWave controller at the CES show in Las Vegas, winning two CES Innovation 2014 Design and Engineering Awards.
- **May:** the Group launches the T300 racing wheel, the first licensed PlayStation®4 force feedback racing wheel.

2015

- **January:** the Group's new controllers for connected DJs, the Hercules Universal DJ et DJControl Jogvision (the first Hercules DJ controller with a jog wheel display), both win the highly sought-after CES Innovation Honoree Award 2015 at the CES show in Las Vegas for their unique ecosystem.

- **September:** the Group establishes a subsidiary in China.
- **October:** the Group launches the Y-300X official licensed Xbox One® gaming headset.
- **November:** the Group brings out the Hercules WAE Outdoor 04Plus Pack containing its new Outdoor wireless speaker and accessories.

2016

- **January:** the Group reports 2015 annual turnover of €65.8 million, up 63% year on year, with sales up 98% at Thrustmaster and down 15% at Hercules.

  The Group wins a CES Innovation Honoree Award 2016 at the CES show in Las Vegas for its Hercules WAE Outdoor Rush wireless speaker.
- **February:** in a global exclusive, the Group launches the official Thrustmaster joystick for PlayStation®4. It is launched with the War Thunder game for PlayStation®4.
- **March:** the Group reports its 2015 results, showing net income from ordinary activities of €2.4 million.
- **April:** Thrustmaster enters into an agreement with Bethesda for the Y-350X DOOM Edition high-end gaming headset.
- **May:** Thrustmaster partners with the biggest developers of virtual reality games to integrate racing wheels and joysticks into their games.

  The Group launches a new range of flight simulation accessories to celebrate Thrustmaster's 25th birthday.
- **November:** Thrustmaster launches its TS-PS Racer racing simulator, the ultimate Thrustmaster-branded PC racing wheel.

  The Group launches its Bluetooth Outdoor speaker, the Hercules WAE Outdoor 04Plus FM.
- **December:** the Group wins a CES Innovation Honoree Award 2017 for its T.16000M FCS Flight Pack, consisting of the T.16000M FCS joystick, the TWCS throttle and the TFRP rudder bar.

2017

- **January:** the Group reports 2016 annual turnover of €64.2 million.

  Thrustmaster's license agreement with Ferrari is extended to cover gaming headsets.
- **March:** the Group designs and launches a range of three gaming headsets to coincide with the launch of licensed game Tom Clancy's Ghost Recon® Wildlands.
- **June:** Thrustmaster enters into a partnership with renowned mechanical sports equipment maker Sparco® to design and market official Sparco licensed products, with both Thrustmaster and Sparco aiming to support the community of gamers and develop innovative solutions dedicated to diehard fans of virtual motor sports (on PC and game consoles).
- **August:** the Group launches the TS-XW Racer Sparco® P310 Competition Mod competition racing wheel, the first racing wheel born out of the partnership between Thrustmaster and Sparco®.
- **October:** Thrustmaster expands its racing ecosystem with the arrival of the Rally Wheel Add-On Sparco® R383 Mod. Hercules launches its LED bracelet pack to light up late-night parties and festivities to the beat of the music.

  Hercules expands its distribution network by entering into a strategic agreement with Jam Industries/American Music and Sound, the leading US distributor of music equipment
- **November:** the Group brings out the latest in its range of headsets, the Y-350CPX 7.1 Powered.
- **December:** the Group launches the T80 Ferrari 488 GTB Edition consumer racing wheel, a replica of the Ferrari 488 GTB, offering PlayStation®4 users a superb racing experience.

2018

- **January:** the Group launches the TS-PC Racer Ferrari 488 Challenge Edition, a one-of-a-kind product aimed at Ferrari fans and PC players seeking performance, quality and realism. The Group launches the TSS Handbrake Sparco® Mod, the third product born out of its partnership with Sparco®.

  The Group reports 2017 annual turnover of €80.4 million.
- **March:** the Group launches the BT LED Display, a Bluetooth LED display that rounds out the PlayStation®4 racing ecosystem.

  Official Ferrari-licensed Thrustmaster racing wheels are launched in the Chinese market.
- **June:** the Asia-Pacific region gains in importance.
  The Group announces a listing agreement with US retailer Walmart, the world's leading mass-market retailer.
- **August:** the Group unveils a preview of the first ever Ferrari Scuderia headset – T.Racing Scuderia Ferrari Edition – at the Ferrari Store City Race 2018 event in Milan.
- **September:** Hercules releases its new range of DJ controllers and speakers.

Thrustmaster expands its distribution to more than 100 countries worldwide.

Increased import tariffs are applied to certain products assembled in China and imported into the United States.

The gross accounting profit margin rises significantly.

- **November:** the Group announces the new T. Flight HOTAS Ace Combat 7 Skies Unknown Edition joystick thanks to its presence at the latest major global gaming events.

2019

- **January:** the Group reports 2018 annual turnover of €81.2 million.

  The Hercules DJControl Inpulse 300 DJ controller is chosen as an Innovation Award Honoree at the 2019 Consumer Electronics Show.

2 GENERAL INFORMATION ABOUT GUILLEMOT CORPORATION S.A.

2.1 General information

Company name	GUILLEMOT CORPORATION
Trade name	GUILLEMOT
Legal form	Public limited company (*société anonyme*) with a Board of Directors governed by the French Commercial Code
Headquarters	Address: Place du Granier, BP 97143, 35571 Chantepie Cedex, France Telephone: +33 (0) 2 99 08 08 80
Nationality	French
Company registration number	414 196 758 Rennes
APE activity code	4651Z
Creation date and duration	Established September 1, 1997 for a duration of 99 years. Set to expire on November 11, 2096 unless extended or wound up early.
Fiscal year	The company's fiscal year runs from January 1 to December 31 (Article 16 of the Articles of Incorporation).

2.2 Certificate of incorporation and Articles of Incorporation

2.2.1 Corporate purpose (Article 3 of the Articles of Incorporation)

Guillemot Corporation's purpose, in France and abroad, directly or indirectly, is as follows:

- The design, creation, production, publication and distribution of multimedia, audiovisual and IT products, including in particular multimedia hardware, accessories and software
- The purchase, sale and, more generally, trading in all its forms, whether by import or export, through leasing or otherwise, of multimedia, audiovisual and IT products as well as image and sound reproduction hardware and products
- The distribution and marketing of multimedia, audiovisual and IT products by any method, including new communication technologies such as online networks and services
- Consulting, support and training in relation to any of the aforementioned areas
- Participation by the company in transactions related to its purpose through the creation of new companies, the subscription or purchase of shares, mergers or otherwise.

And, more generally, transactions of any kind directly or indirectly related to the above purpose or any similar or closely related purpose and likely to facilitate the company's development.

2.2.2 Shareholders' general meetings

Article 14 of the Articles of Incorporation stipulates that "Shareholders' general meetings shall include all shareholders other than the company itself.

They shall be convened and held under the conditions laid down in applicable legislation and regulations.

Shareholders' general meetings shall take place at the company's headquarters or any other location as specified in the notice of meeting.

They shall be chaired by the Chairman of the Board of Directors or, in his or her absence, by a director appointed by the shareholders for such purpose.

All shareholders shall have the right, upon proof of identity, to participate in shareholders' general meetings, whether by attending them in person, submitting a completed postal ballot form or appointing a proxy.

The right to participate in shareholders' general meetings is justified by registering securities in the name of the shareholder or the intermediary registered on the shareholder's behalf pursuant to Article L.228-1 of the French Commercial Code, at midnight Paris time two business days prior to the meeting, either in registered securities accounts maintained by the company or in the register of bearer securities maintained by an authorized intermediary. For bearer securities, registration of securities in the register of bearer securities maintained by the authorized intermediary is evidenced by a shareholding certification issued by the latter."

Shareholders' rights and the share capital may only be amended by vote at a shareholders' general meeting. However, the shareholders may, in certain cases, delegate authority or powers to the Board of Directors in accordance with legislation and regulations.

2.2.3 Voting rights

Article 8 of the Articles of Incorporation stipulates that "Voting rights double those allocated to other shares, in light of the portion of the share capital they represent, shall be allocated to all fully paid-up shares that are proved to have been registered in the name of the same holder for at least two years. In the event of an increase in the share capital through the capitalization of reserves, earnings or issue premiums, such double voting rights shall also be conferred upon issue to registered bonus shares issued to shareholders in respect of existing shares conferring such entitlement."

This mechanism was put in place when the company was formed and can only be withdrawn by decision of the shareholders voting at an extraordinary general meeting, which alone is authorized to amend the company's Articles of Incorporation.

Double voting rights cease when shares are converted into bearer form or transferred to a different owner. However, the right thus acquired shall not be lost, nor shall the two-year period referred to above be interrupted, as a result of transfers of ownership subsequent to inheritance, liquidation of joint property between spouses or inter vivos gift to a spouse or relative entitled to inherit.

The same applies in the event of a transfer of ownership resulting from the merger or demerger of a shareholding company. A merger or demerger of the company shall have no effect on double voting rights, which may be exercised within the beneficiary company or companies (Article L.225-124 of the French Commercial Code).

The company's Articles of Incorporation stipulate no limitations on voting rights.

2.2.4 Appropriation of earnings (Article 17 of the Articles of Incorporation)

Earnings consist of income for the fiscal year less operating expenses, amortization, depreciation and provisions.

The following shall be taken from profit for the year, where applicable after deducting prior losses:

- Amounts to be transferred to reserves pursuant to the law and the Articles of Incorporation and, in particular, at least 5% to form the statutory reserve; such transfers shall cease to be mandatory once the aforementioned reserve reaches an amount equal to one-tenth of the share capital, and shall resume whenever that reserve for any reason falls below one-tenth of the share capital.
- Amounts that the shareholders, at the proposal of the Board of Directors, decide to allocate to any extraordinary or special reserves or to retained earnings.

The balance shall be distributed among the shareholders. However, apart from in the event of a reduction in the share capital, no amounts may be distributed to the shareholders if the shareholders' equity is less than, or would following such distribution fall below, the amount of the share capital plus reserves whose distribution is prohibited by law or the Articles of Incorporation.

In accordance with the provisions of Article L.232-18 of the French Commercial Code, the shareholders may propose an option that a dividend or interim dividend be paid, in whole or in part, through the issuance of new shares.

2.2.5 Significant shareholding thresholds (Article 6 of the Articles of Incorporation)

Without prejudice to the thresholds laid down in the first subparagraph of Article L.233-7 of the French Commercial Code, any shareholder, acting alone or in concert with others, who comes to directly or indirectly hold at least 1% of the company's share capital or voting rights, or any multiple of that percentage less up to and including 4%, is required to notify the company by registered mail with acknowledgement of receipt within the deadline laid down in Article L.233-7 of the French Commercial Code.

The notification stipulated in the above paragraph for the crossing of any threshold of a multiple of 1% of the share capital or voting rights must also be given whenever a shareholder's holding of capital or voting rights falls below the aforementioned threshold.

Failure to notify when thresholds are crossed, whether those thresholds be laid down in legislation or in the company's Articles of Incorporation, shall result in the shareholder's shares being stripped of voting rights as laid down in Article L.233-14 of the French Commercial Code, at the request of one or more shareholders who together hold at least 5% of the company's share capital or voting rights.

2.2.6 Powers of the Chief Executive Officer (extract of Article 13 of the Articles of Incorporation)

Article 13 of the Articles of Incorporation stipulates that the Chief Executive Officer is invested with the broadest possible powers to act on the company's behalf in all circumstances. He or she exercises these powers within the confines of the corporate purpose and subject to those powers expressly attributed by law to the shareholders and the Board of Directors.

2.2.7 Members of administrative and supervisory bodies (extracts of Articles 9, 10 and 13 of the Articles of Incorporation)

The company is run by a Board of Directors consisting of between three and 18 members.

Throughout the existence of the company, directors are appointed or reappointed by the shareholders voting at an ordinary general meeting; however, in the event of a merger or demerger, directors may be appointed by vote at the extraordinary general meeting held to approve the merger or demerger.

Directors' term of office is six years. However, to enable directors to be replaced on a staggered basis, the shareholders may, at the proposal of the Board of Directors, vote at an ordinary general meeting to appoint or reappoint one or more directors for a period of four or five years.

Where, pursuant to legislation and regulations in force, a director is appointed to replace another director, he or she shall only serve out his or her predecessor's remaining term of office.

Directors' terms of office expire at the end of the ordinary general meeting held to approve the financial statements for the previous fiscal year, held in the year during which their term of office expires.

There is no limit to the number of times a director may be re-elected.

Directors may not be over 80 years of age.

Each director must own at least one share.

The Board of Directors shall appoint one of its individual members as chairman and shall determine the chairman's term of office, which may not exceed his or her term of office as a director or the age limit laid down in the Articles of Incorporation.

Executive management responsibility is entrusted by the company either to the Chairman of the Board of Directors or to another individual appointed by the Board of Directors with the title of Chief Executive Officer. Where the Board of Directors opts to separate the roles of Chairman and Chief Executive Officer, it shall appoint the Chief Executive Officer, determine his or her term of office and, where applicable, determine any limitations on his or her powers.

The Chief Executive Officer, whether that role be performed by the Chairman of the Board of Directors or by another individual, is responsible for executive management of the company and represents the company in its dealings with third parties.

Only one Chief Executive Officer may be appointed to the company, and the Chief Executive Officer may be removed by the Board of Directors at any time. Where a Deputy Chief Executive Officer is a director, his or her term as Deputy Chief Executive Officer may not exceed his or her term as a director. "The Chief Executive Officer, whether that role be performed by the Chairman of the Board of Directors or by another person, may not be over 70 years of age."

At the proposal of the Chief Executive Officer, whether that role be performed by the Chairman of the Board of Directors or by another individual, the Board of Directors may appoint one or more individuals to assist the Chairman, with the title of Deputy Chief Executive Officer.

Deputy Chief Executive Officers shall have the same powers as the Chief Executive Officer as regards the company's dealings with third parties. The maximum number of Deputy Chief Executive Officers shall be five. Where a Deputy Chief Executive Officer is a director, his or her term as Deputy Chief Executive Officer may not exceed his or her term as a director. The Deputy Chief Executive Officer may not be over 70 years of age.

2.3 Liquidating dividends

Liquidating dividends shall be apportioned among the shareholders in proportion to their stake in the share capital (Article L.237-29 of the French Commercial Code).

2.4 Changes of control

Neither the certificate of incorporation, nor the Articles of Incorporation, nor any charter or regulation of the company contain any provision that could have the effect of delaying, deferring or preventing a change of control.

2.5 Identifiable bearer shares

In accordance with legislation and regulations, the company may at any time make use of Euroclear France's TPI (*Titres au Porteur Identifiable* – Identifiable Bearer Shares) procedure to obtain detailed information about the identity of its shareholders.

2.6 Consultation of documents and information about the company

The Articles of Incorporation, financial statements and reports, and minutes of shareholders' general meetings are made available by the company for consultation.

2.7 Dividend policy

Guillemot Corporation S.A. plans to pay dividends to its shareholders as long as the required economic conditions are met. No dividends have been paid since the company was formed.

3 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND DECLARATION

3.1 Persons responsible for the registration document

Claude Guillemot, Chairman and Chief Executive Officer

3.1.1 Declaration by the persons responsible for the registration document

Having taken all reasonable steps to this end, I hereby certify that the information contained in this registration document is, to the best of my knowledge, in accordance with the facts and contains no omissions likely to affect its import.

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, financial position and earnings of the company and all companies included within the consolidated group, and that the management report set out on pages 5 to 90 provides an accurate picture of the business performance, results and financial position of the company and all companies included within the consolidated group and describes the key risks and uncertainties facing those companies.

The statutory auditors have provided me with an audit completion letter in which they confirm that they have checked the information pertaining to the company's financial position and financial statements set out in this registration document and have read the registration document in its entirety.

Carentoir, April 25, 2019

Claude Guillemot
Chairman and Chief Executive Officer

4 PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

Standing statutory auditors	Date appointed	Expiry of current term
PRICEWATERHOUSECOOPERS AUDIT SAS (Member of the Versailles regional association of auditors) 63 Rue de Villiers 92200 Neuilly sur Seine	Shareholders' general meeting of May 20, 2010 Reappointed May 26, 2016	Shareholders' general meeting held to approve the financial statements for the fiscal year ended December 31, 2021
MB AUDIT Sarl (Member of the Rennes regional association) 9 Place du Vert Buisson BP 67135 35170 Bruz	Shareholders' general meeting of May 23, 2007 Reappointed July 5, 2010 and May 26, 2016	Shareholders' general meeting held to approve the financial statements for the fiscal year ended December 31, 2021

Substitute statutory auditors	Date appointed	Expiry of current term
Jean-Christophe Georghiou 63 Rue de Villiers 92200 Neuilly sur Seine	Shareholders' general meeting of May 26, 2016	Shareholders' general meeting held to approve the financial statements for the fiscal year ended December 31, 2021
Jacques Le Dorze 2 Place du Martray 22650 Ploubalay	Shareholders' general meeting of May 23, 2007 Reappointed July 5, 2010 and May 26, 2016	Shareholders' general meeting held to approve the financial statements for the fiscal year ended December 31, 2021

Fees paid to the statutory auditors and members of their networks are set out in section 8 of the consolidated financial statements.

5 PERSON RESPONSIBLE FOR REPORTING AND REPORTING POLICY

5.1 Person responsible for reporting

Claude Guillemot, Chairman and Chief Executive Officer
Place du Granier, BP 97143, 35571 Chantepie Cedex, France
Tel: +33 (0) 2 99 08 08 80

5.2 Reporting policy and publicly available documents

To meet the requirements laid down by the Autorité des marchés financiers (AMF), the Guillemot Corporation Group prepares a detailed calendar for releasing up-to-date information to the financial markets. The Group endeavors to regularly and consistently provide all shareholders, both institutional and individual, and the financial community (analysts, etc.) with transparent financial reporting on its business, strategic direction and outlook, in accordance with stock exchange regulations.

The Group's reporting policy with regard to the financial community, investors and shareholders is established by executive management.

With effect from January 1, 2013, the company has passed on regulated information to business publisher Les Échos-Comfi, which also meets the criteria laid down by the AMF and those set out in the European Union Transparency Directive.

Furthermore, all of the Group's financial releases are widely distributed in full and without delay, in accordance with regulatory requirements and within the timescales laid down in laws and regulations.

Financial releases are also available from various financial websites (e.g. www.boursorama.fr and www.prline.fr).

All publications relating the Group's business and financial position are available in French and English from the Guillemot Corporation S.A. website (www.guillemot.com). This website also provides an overview of the Group's business and products, and is regularly updated to make it easier and quicker to use.

Shareholders can contact the company at financial@guillemot.fr.

The Group holds two SFAF *(Société Française des Analystes Financiers* – French Society of Financial Analysts) meetings a year upon releasing its results.

All of the Group's publications (news releases, registration documents, annual financial reports, etc.) are available on request from the Communications Department, which makes them available to anyone wishing to find out about the life of the Group and is happy to send out regular documentation on request.

Furthermore, the following documents may be consulted throughout the validity period of this registration document:

- The company's Articles of Incorporation (which may be consulted at 2 Rue du Chêne Héleuc, 56910 Carentoir, France)
- All reports and historical financial information included or referred to in this registration document (available at www.guillemot.com)
- Historical financial information for the two fiscal years preceding publication of this registration document (available at www.guillemot.com)

6 CROSS-REFERENCE TABLE – REGISTRATION DOCUMENT

The cross-reference table below refers to key sections of Annex 1 of Regulation (EC) No 809/2004 of April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 (the "Prospectus Directive"), which entered into force on July 1, 2005.

7 TABLE – ANNUAL FINANCIAL REPORT

This registration document includes the annual financial report referred to in Article L.451-1-2 of the French Monetary and Financial Code as well as in Article 222-3 of the AMF's General regulation.

The table below refers to those sections in the registration document that correspond to the various sections of the annual financial report.

SECTION	Pages
1. Parent company financial statements for the fiscal year ended December 31, 2018	pp. 127-150
2. Statutory auditors' general report on the parent company financial statements	pp. 151-156
3. Consolidated financial statements for the fiscal year ended December 31, 2018	pp. 92-120
4. Statutory auditors' report on the consolidated financial statements	pp. 121-126
5. Management report	pp. 5-91
6. Declaration by persons responsible for the annual financial report	p. 190
7. Report by the Board of Directors on corporate governance as laid down in Article L.225-37 of the French Commercial Code	pp. 68-91

8 CROSS-REFERENCE TABLE – WORKFORCE-RELATED, ENVIRONMENTAL AND SOCIAL INFORMATION

WORKFORCE-RELATED INFORMATION		
Employment	Total workforce and breakdown by gender, age and geographical region	p. 53
	Recruitment and dismissals	p. 53
	Compensation	p. 53
Organization of work	Organization of working time	p. 54
	Absenteeism	p. 54
Health and safety	Workplace health and safety conditions	pp. 54 and 55
	Frequency and severity of occupational accidents, and occupational diseases	p. 55
Employee relations	Arrangements for employee dialog, including in particular procedures for informing, consulting and negotiating with employees	p. 55
	Review of collective agreements, notably as regards workplace health and safety	p. 55
Training	Training policy, notably as regards environmental protection	p. 55
	Total number of training hours	pp. 55 and 56
Equality	Measures adopted in support of gender equality	p. 56
	Measures adopted in support of employment and inclusion for people with disabilities	p. 56
	Anti-discrimination policy	p. 56

ENVIRONMENTAL INFORMATION		
General environmental policy	Organization of the company to take into account environmental issues and, where applicable, environmental assessment and certification	p. 56
	Resources for preventing environmental risk and pollution	p. 56
	Provisions and guarantees for environmental risk, unless such information could be seriously detrimental to the company in ongoing litigation	pp. 56 and 57
Pollution	Prevention, reduction or treatment of discharges into the air, water and soil having a serious impact on the environment	p. 56
	Business-specific forms of pollution, including in particular noise and light pollution	p. 57
Circular economy	Waste prevention and management: - Waste prevention, recycling, reuse and other forms of recovery and elimination - Preventing food waste	 pp. 57 and 58 p. 58
	Sustainable use of resources: - Water supply and consumption in accordance with local constraints - Consumption of raw materials and steps taken to improve their efficient use - Energy consumption, steps taken to improve energy efficiency, and use of renewable energy - Land use	 p. 58 p. 58 p. 58 p. 58
Climate change	Significant greenhouse gas emissions arising from the company's activities, including use of goods and services produced by it	pp. 58 and 59
	Action taken to adapt to the consequences of climate change	p. 59
	Voluntary medium- and long-term greenhouse gas emissions reduction targets and resources put in place to achieve them	p. 59
Protection of biodiversity	Action taken to protect or restore biodiversity	p. 60

SOCIAL INFORMATION		
Social commitments in support of sustainable development	Impact of the company's business on employment and regional development	pp. 61 and 61
	Impact of the company's business on residents and other local populations	p. 60

	Relations with and methods for dialoguing with the company's stakeholders	p. 60
	Partnership and sponsorship	pp. 60 and 61
Subcontracting and suppliers	Social and environmental issues and procurement policy	p. 61
	Suppliers' and subcontractors' social and environmental responsibility	p. 61
Fair practices	Action in support of consumer health and safety	p. 61
Information about anti-corruption measures	Action to prevent corruption	p. 61
Information about actions in support of human rights	Promotion of and compliance with the stipulations of the fundamental Conventions of the International Labour Organization - freedom of association and the right to collective bargaining - elimination of discrimination in respect of employment and professions - elimination of forced or compulsory labor - abolition of child labor	p. 61 p. 61 pp. 61 and 62 p. 62 p. 62
	Other actions in favor of human rights	p. 62

9 Calendar of publications for the current fiscal year

This calendar is provided for information only and is subject to change.
Financial releases are usually issued after market close.

FINANCIAL COMMUNICATIONS – 2019 CALENDAR		
January 31, 2019	After market close	2018 annual turnover
March 28, 2019	After market close	Annual results to December 31, 2018
April 25, 2019	After market close	Q1 2019 turnover and quarterly reporting
May 23, 2019	-	Guillemot Corporation S.A. Annual General Meeting
July 25, 2019	After market close	2019 interim turnover
September 26, 2019	After market close	2019 interim results
October 30, 2019	After market close	Q3 2019 turnover and quarterly reporting

10 Glossary

Big Data
Digital data produced through the use of new technologies for personal or business purposes, encompassing business data (e-mail, documents, databases, etc.) as well as data from sensors, geolocation data, data provided by connected objects, etc.

Bluetooth®
A short-range radio technology designed to simplify connections between electronic devices. The first devices using version 3.0 of this technology appeared in early 2010. The technology can now be used to stream audio to wireless speakers.

Design thinking
An immersive, collaborative approach to creating innovative solutions based on observing users and anticipating their issues, harnessing creative momentum to generate new ideas, prototyping new uses and anticipating market developments.

DJ
Abbreviation of disc jockey: a person who chooses and plays music tracks, mainly at private parties or night clubs. DJs may simply play tracks one after the other or mix them and add effects to create their own mixes. Some DJs are now true creatives with global reputations.

DJing
Providing entertainment at parties by programming, mixing, adapting and revisiting music at private events (with friends and family or in a non-profit or business environment, etc.), public events (in bars and restaurants, at festivals and concerts, in pubs, etc.) or remotely (via the internet, radio, television, etc.). A DJ's goal is usually to get people dancing.

DJ range
A range of controllers and speakers for digitally mixing music.

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortization

eSports (electronic sports)
Competitive activities using a digital medium – in this case video games – to compete against other players, improve performance and achieve new personal bests. In practice, multiple players play an online or networked video game as part of a competition (which may be friendly or serious) where they play against professionals or amateurs, either on their own or in teams.

e-tail
A market consisting of operators selling product ranges and brands exclusively online.

FPS (first person shooter)
A game where the player plays as the "hero" and sees through the hero's eyes.

Freeride
Engaging in a sport (skiing, mountain biking, motorcycling, snowmobiling, etc.) outside of any formal framework.

Gaming console
A dedicated electronic video game system. There are two types: home consoles, which connect to a television, and small portable consoles with their own screen that can be used on the go. Home games consoles have gradually evolved from being dedicated solely to amateur gamers to acting as family multimedia centers.

Gaming headset/audio headset for connected gamers
An audio headset equipped with a microphone to allow teams of online and networked gamers to communicate with each other.

Nintendo Switch
A Nintendo video gaming console launched in March 2017. The Switch is the first hybrid console, able to operate as both a home console and a portable console.

OEM (Original Equipment Manufacturer)

A company tasked with designing and manufacturing a product in accordance with technical specifications, and which then sells the product to another company that distributes it under its own brand.

Retail
A market consisting of mass-market retailers, independent resellers and specialized chains selling product ranges and brands mainly in stores or dedicated sales areas.

RGB backlighting
Backlighting using LEDs of various colors that can mix the primary colors red, green and blue.

Scratching
Turning a vinyl disc alternately forward and backward by hand under a turntable's stylus so as to produce special effects by changing the speed and direction of the disc.

Slopestyle
A winter sports discipline that can be practiced on either skis or a snowboard and that consists of making acrobatic figures on a specially prepared downhill slope.

Smartphone
A smart mobile telephone that combines advanced functionality with numerous applications and a touchscreen interface.

Streaming
Listening to music online without downloading it.

Virtual reality (VR)
A technology that can immerse an individual in a digitally created artificial world. This could be a reproduction of the real world or a completely imaginary universe. The experience involves both visuals and audio, and in some cases uses optical feedback. The system uses a virtual reality headset to place a stereoscopic 3D display system in front of the wearer's eyes.

Webcam
A small digital camera connected to a computer that can be used for online videoconferencing and real-time online broadcasting of video images.

Wi-Fi® (Wireless Fidelity)
A radio frequency technology that can be used to create wireless computer networks and share internet access via a router, modem-router or hotspot (a wireless access point in a public location).

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