



## **SUMMARY OF THE GUILLEMOT CORPORATION GROUP'S STANDING DURING THE FISCAL YEAR ENDED DECEMBER 31, 2016**

### **1. STANDING OF THE COMPANY, OF THE GROUP AND OF ITS ACTIVITIES DURING FISCAL 2016**

The Group's annual turnover for fiscal 2016 amounted to €64.2 million, down 2%, with Hercules' sales growing by 5% and Thrustmaster's sales decreasing slightly over the first nine months of the year, but returning to growth in the fourth quarter. Thrustmaster was unable to rely on the launch of its high-end Gran Turismo-licensed racing wheel, which had to be pushed back until 2017 due to the delay of the associated Gran Turismo game.

#### **1.1. Geographical development and implementation of new distribution networks**

Sales outside of France in fiscal 2016 amounted to €55.4 million, accounting for 86% of total consolidated turnover. In 2016, the Group returned to growth in Russia while accelerating the expansion of its sales in Asia, particularly in South Korea, Japan and China. The Group achieved growth of more than 24% in North America. At the same time, the Group is positioning itself in new growing geographical markets.

#### **1.2. Expansion of geographic distribution coverage**

2016 saw the return of Thrustmaster's presence in Brazil and Russia, taking advantage of the economic recovery in these markets with extremely strong growth potential. The Group also signed agreements with new distributors in roughly ten different countries, including China, Japan, the Nordic countries and Eastern Europe. The Group achieved strong sales dynamics in the Czech Republic, Romania and Poland with respect to its Thrustmaster product lines.

#### **1.3. Advanced logistics on a global scale**

The Group covers three worldwide regions which account for the majority of high-tech product sales – North and South America, Europe and Asia – and optimizes the flow of its products, organizing direct deliveries from production sites in Asia to each continent.

The Group has its own international logistics base in France with an extensive storage capacity – allowing it to cover all of Europe and Eastern Europe, for both wholesaler and e-commerce deliveries – and uses logistics service providers in North America and Asia.

Thanks to the development and evolution of its logistics platform in Hong Kong since early 2013, the Group continues to optimize the flow of products to all of its European, Asian and American customers by way of direct deliveries from Asia, allowing it to optimize its supply chain, and ensure faster delivery services for its customers. In 2016, direct container deliveries from the warehouse in Hong Kong continued to increase, facilitating sales growth and improving delivery times. At the same time, the direct flow of products to customers has allowed the Group to reduce the impact of transportation on the environment.

#### **1.4. Thrustmaster's strategy and positioning**

Thrustmaster has positioned itself in the eSports market – and more particularly in virtual motorsport competitions – and makes use of its numerous strategic partnerships (with Sony, Microsoft, Ferrari, etc.) to consolidate its position and grow its market share. The signature of these partnerships allows the brand to develop strong commercial and marketing synergies and increase its visibility among users.

In 2016, Thrustmaster became the official partner of Gran Turismo Sport on the PlayStation®4 console: the game is set for release in 2017. A new dimension of eSports has come into play thanks to the partnership between Polyphony Digital® and the Fédération Internationale de l'Automobile (FIA – the International Automobile Federation) to obtain its eSports license in order to enter the competition as in real-life. A prototype of the new Thrustmaster racing wheel made a preview appearance at the announcement event for the game Gran Turismo Sport, embodying the cooperation between the two companies.

#### **1.5. The Group faces competition**

The Group operates in extremely competitive and diversified markets, with products aimed at gaming fans and music enthusiasts (via its DJing and speaker lines), including headsets for online gamers. Owing to the diverse nature of its ranges and the number of products, competition remains strong and spread out worldwide. The strength of the Group's Research and Development teams represents one of the keys to its competitiveness, which requires innovative and differentiated products.

In this highly competitive context, the Group operates in markets undergoing profound shifts. In order to make itself stand out in the eyes of its customers, the Group constantly refreshes or extends its product lines thanks to the strong involvement of its Research and Development and marketing teams, allowing it to remain on the cutting edge of uses in these different markets. The Group also benefits from the strength of its international positioning, allowing it to capture growth in countries with quickly-developing economies.

## **1.6. Increased presence at the largest international trade shows, and Thrustmaster's partnerships with leading game publishers**

The Group increased its presence at large international trade shows dedicated to its product lines in 2016, taking part in the Consumer Electronics Show in Las Vegas, CES Asia in Shanghai, the NAMM Show, Destination PlayStation, Musikmesse in Frankfurt, E3 in Los Angeles, Dancefair, and the VRX Europe Conference & Expo, amongst others.

## **1.7. Hercules**

### **DJ range**

Having become a bestseller among amateur and mobile digital DJs, the Hercules brand is a world-renowned player in the field of portable mass-market mixing controllers allowing users to get started in the world of DJing, and is adding to its range for advanced DJs. Hercules ranks among the leading manufacturers of portable DJ controllers for computers, and today brings together diverse communities of DJs – from beginners to the most advanced artists – thanks to its extensive DJing experience.

**DJUCED™ software:** At the latest NAMM Show music trade fair in Anaheim, California, Hercules unveiled the new version of its DJUCED™ DJing software. In all of its different versions, more than 500,000 copies of the software in total have been delivered to users with the brand's controllers.

**DJControl Instinct P8:** This new controller, launched in October 2016, lets beginner DJs get started in the world of remixing thanks to its eight pads. The controller is a turbocharged version of the brand's best-selling model, the DJControl Instinct. Building on this extremely successful foundation, Hercules has integrated the knowledge and feedback of its loyal community of users – adding even more great functions, plus performance pads, to the DJControl Instinct P8!

**DJ Party Packs:** Hercules is excited to offer consumers a party-oriented ecosystem with its Hercules DJ Party Packs. This unique concept, based upon the brand's mass-market controllers, adds lighting accessories to create the perfect party ambiance. Hercules' DJ Party Packs combine complete and intuitive DJ controllers with the first components of Hercules' "party-time" ecosystem. With these Party Packs, Hercules' DJing teams have decided to add a new dimension to these highly-acclaimed controllers praised by party lovers worldwide. The brand is now looking to expand its horizons beyond a simply mixing-based approach, in order to offer a product ecosystem focused on hosting great parties.

### **Wireless speakers, multimedia speakers and DJ headphones range**

**Wireless speakers (WAE range):** Since 2015, Hercules has been focusing on outdoor uses for wireless speakers. Hercules employs the best technological know-how to design and manufacture audio solutions for music fans.

The good dynamics of its WAE Outdoor range of wireless speakers for smartphones and tablets allows the brand to regularly add to its product line.

The latest WAE wireless speaker – launched before the start of the summer, as anticipated – is the WAE Outdoor Rush, designed for riders. The WAE Outdoor Rush is one of the most innovative speakers in its category. Its original features, including resistance to sea water and the capacity for autonomous use with a built-in FM tuner function, make this product truly ideal for outdoor activities – especially those involving water. This new wireless speaker received the Innovation Awards Honoree distinction at CES 2016 in Las Vegas.

A new outdoor model has also recently been added to Hercules' line of water-resistant speakers: the new WAE Outdoor 04Plus FM, specially designed for urban riders, was launched in early December. The WAE Outdoor 04Plus FM is the range's second waterproof speaker featuring *Bluetooth®* wireless technology with a built-in FM radio – alongside the WAE Outdoor Rush, specially designed for water sports.

This new generation of speakers featuring *Bluetooth®* wireless technology is perfectly suited for use in extreme conditions.

The regular signature of partnerships with promising young sports champions – including Delphine Cousin, 2015 windsurfing slalom World Champion Runner-Up, third-ranked at the 2016 World Championship and 2016 French Champion – is part of the Group's strategy of making itself known among these communities of users.

**Multimedia speakers:** An expert audio manufacturer for more than 20 years, Hercules has a long history of designing high-quality speaker systems for DJs and music fans on PC.

Thanks to an in-house anechoic chamber and highly-skilled Research and Development engineers, the Group's audio specialists develop a range of monitoring speakers for DJs, aimed mainly at the European market.

**DJ headphones:** Hercules has not developed new headphones in this category in 2016 – continuing on instead with its existing range, whose quality and design have been lauded by highly-discerning DJs.

## **1.8. Thrustmaster**

In 2016, Thrustmaster positioned itself in the eSports market, and also in the market for high-end racing wheels on PC with the launch of its latest wheel – the TS-PC Racer – in the year's fourth quarter. 2016 also saw the mass-market rollout of virtual reality technologies.

Thrustmaster remains a key player in the North American market with regard to racing wheels for game consoles, the majority of which are multiplatform models, with 60% market share by value and 75% market share by volume in 2016 (Source: The NPD Group Inc., 2016).

The Group's accessories – including racing wheels and joysticks – are the perfect complements for virtual reality headsets, allowing users to achieve near-perfect immersion in car racing and flight/space-adventure games.

- **Headsets for online gamers**

Thrustmaster is very active in the gaming headsets market. Thanks to the advancement of online gaming, the gaming headsets market is growing quickly, as these devices allow gamers to experience the action on a new level by communicating in real time with their team members.

A new generation of audio is now appearing, featuring 7.1 HD Virtual Surround Sound technology.

Thrustmaster has teamed up with Bethesda and ID Software to offer a brand-new headset inspired by *DOOM*®. The signature of the new *DOOM*® license marks a decisive step for the Thrustmaster brand. Last April, Thrustmaster collaborated with the Bethesda team to create a new headset, the Y-350X inspired by the world of *DOOM*®. The headset was launched in mid-May.

Officially licensed for Xbox One® and Windows®, this headset has met the challenge of harnessing the advantages of spatialized 7.1 virtual sound with no compromises in terms of power, thanks to Y Power Pack technology. Available since mid-May to accompany the launch of the game, the Y-350X ensures pinpoint precision with the Y Sound Commander system, and has resulted in the best take-up of the brand's headsets to date.

A special *DOOM*® edition of its bestselling model, the Y-300CPX, has also been added to Thrustmaster's headset range. With this new universal USB Y-300CPX *DOOM* Edition (limited-series) gaming headset, Thrustmaster has combined commercial synergy with an optimized gaming experience.

- **Racing wheels**

Thrustmaster is now recognized as an essential brand in terms of the development of racing wheels – and high-end racing wheels, in particular – aimed at avid gamers looking for unique sensations.

The crop of car racing games released in 2016 included popular titles such as Forza Horizon 3, Assetto Corsa, WRC 6 and F1™ 2016; however, the major event anticipated for the year's fourth quarter had been the launch of the game Gran Turismo Sport. Gran Turismo Sport was ultimately pushed back until 2017, impacting the very high-end licensed racing wheel that the Group had developed for the game. It was jointly decided with the game's publisher to delay the launch of this racing wheel, so that gamers would be able to benefit from all of the advanced technologies designed to be experienced in conjunction with the game itself. With the aim of releasing a new product for fans of racing games on PC, Thrustmaster launched another high-end wheel – with the first deliveries made before the end of the year. In this way, the fourth-quarter launch of the TS-PC Racer allowed Thrustmaster to position itself in the market for high-end racing wheels on PC.

Thrustmaster is strengthening its positioning in the racing wheels market for next-generation consoles, and aims to capture new market share. Racing accessories remain Thrustmaster's flagship department, driving growth.

Many Thrustmaster wheels have earned legendary reputations, including the Ferrari F1 Wheel Integral T500, while others such as the TX Racing Wheel, Ferrari 458 Italia Edition and T300 RS have become the gold standard in their respective categories.

The new TMX Force Feedback racing wheel for the Xbox One® console was launched in May at an event held at the Microsoft Flagship Store in New York City. This Force Feedback wheel is unique in its positioning, as it provides true racing sensations at a price of just €200. Featuring a high-performance Force Feedback motor with adjustable intensity and a rotation angle that can be set between 270° and 900°, the TMX Force Feedback wheel delivers a realistic and versatile racing experience. It is also compatible with some elements of Thrustmaster's racing ecosystem: the TH8 shifter, plus the T3PA and T3PA-PRO three-pedal pedal sets.

The TMX Force Feedback racing wheel provides a more accessible entry point for car racing fans who want to experience Force Feedback sensations in their favorite games on this console. Its quality and positioning have resulted in the wheel being widely carried in retail chains, particularly in North America.

Since late November, inspired by its interactions with the racing community and its ecosystem-based approach, Thrustmaster has offered the new Gran Turismo officially-licensed T300 RS GT Edition racing wheel, ahead of the release of the game Gran Turismo Sport: this edition is a version of the T300 RS racing wheel launched specifically for the game Gran Turismo. The wheel incorporates technologies perfectly mastered and developed by Thrustmaster, chief among which is a 1080° Force Feedback brushless industrial motor. Drivers will appreciate its flexibility, smoothness and ease-of-use, along with its responsiveness and the realism of the Force Feedback effects.

In late November 2016, Thrustmaster unveiled its latest creation: the TS-PC Racer racing simulator for PC, combining a base featuring next-generation technologies with an "open"-design wheel. In order to develop a genuinely unique product while at the same time satisfying the requirements of the most demanding PC racers, Thrustmaster's R&D teams have decided to include a specific new motor: this brushless 40-watt motor's responsiveness generates remarkably dynamic and powerful effects, along with skillfully-optimized Force Feedback. The motor provides exceptional velocity (dynamic torque) which can be fully manifested in all racing conditions, from long stall curves (STALL mode) to super-responsive zigzags (DYNAMIC mode).

- **Gamepads**

Involved in the tablet market since late 2014 with its Thrustmaster Score-A™ Wireless Gamepad, launched in November 2014, Thrustmaster has not opted to launch any new gamepads in 2016.

- **Flight simulation accessories**

The Group specializes in this segment with its flagship products such as the HOTAS Warthog and T-Flight HOTAS X: this range is one of Thrustmaster's growth drivers. At the same time, Thrustmaster has developed partnerships with game publishers and cockpit manufacturers, who recommend joysticks designed by Thrustmaster. The high-end HOTAS Warthog joystick – a replica of the flight controls on the A-10C attack aircraft, officially licensed by the U.S. Air Force – is the gold standard in the market for aerial combat joysticks. The T-Flight HOTAS X joystick – a more mass-market model, with its detachable throttle – is the most full-featured joystick in its category. The market for flight-oriented games is growing quickly, with many free-to-play titles enjoying global success and bringing together communities of millions of gamers.

The Group's new range of joysticks, rolled out in 2016, has achieved very good growth of +28% in value in the American market and +26% in volume in relation to 2015 (Source: The NPD Group Inc., 2016). The brand is a major player in this promising market.

In order to respond to demand from the community of flight sim fans, in May 2016 Thrustmaster launched the first rudder system to feature S.M.A.R.T (Sliding Motion Advanced Rail Tracks) technology: the TFRP Rudder Pedals, with two pedals incorporating this innovative approach. The TFRP features four slide rails crafted of industrial-grade anodized aluminum. The rails' unique design ensures totally smooth sliding motion, working in conjunction with a self-centering rudder axis: the combination of these two elements provides the perfect balance between smoothness and resistance for re-centering.

To get the most out of this technology, the TFRP Rudder Pedals system features large 10-inch/25-cm pedals. The brand has innovated yet again with this rudder, creating an essential component for digital pilots. Thrustmaster remains a key player in the North American market with regard to racing wheels for game consoles, the majority of which are multiplatform models, with 60% market share by value and 75% market share by volume in 2016 (Source: The NPD Group Inc., 2016).

In late 2016, Thrustmaster launched a complete solution for flight sim fans with the T.16000M FCS Flight Pack, composed of the T.16000M FCS joystick, the TWCS throttle and the TFRP rudder system. The high degree of innovation found in all of the T.16000M FCS Flight Pack's flight controls has resulted in Thrustmaster winning an Innovation Award in the Gaming category at CES, the world's largest trade show dedicated to innovation and technology, which took place from January 5-8, 2017 in Las Vegas.

#### ▪ **Virtual reality and simulation games**

The emergence of virtual reality is a real opportunity for Thrustmaster, which has entered into a number of partnership agreements with the biggest developers of virtual reality games – including Sony (with the game Driveclub VR), Codemasters (with the game DiRT Rally), Bigben Interactive (with the game WRC 6), Gaijin Entertainment (with the game War Thunder) and Frontier (with the game Elite Dangerous).

The launch of the new PlayStation VR headset in October 2016, Sony's new virtual reality system for PlayStation®4, has brought a more mass-market market dimension to this new way of gaming. With more than eighty games announced (including fifteen launch titles), the PlayStation VR's arrival is of great importance for Thrustmaster: it provides an additional level of immersion for gamers, who will need to avail themselves of products from across the brand's entire ecosystem in order to truly get the most out of this incredibly innovative and exciting experience, including with respect to racing wheels, joysticks for flight simulation games, and more.

At E3 in Los Angeles, Thrustmaster has established itself as the key player in terms of simulation accessories for this new era: both the specialized press and the public have been very enthusiastic. At the Paris Motor Show, Sony presented a demo of the game Driveclub in virtual reality with the Thrustmaster T300 RS racing wheel: this wheel is used for all promotional events regarding the game Driveclub VR worldwide.

#### ▪ **eSports**

Thrustmaster is the official partner of Gran Turismo Sport on PlayStation®4. A new dimension of eSports has come into play thanks to the partnership between Polyphony Digital® and the Fédération Internationale de l'Automobile (FIA – the International Automobile Federation) to obtain its eSports license in order to enter the competition as in real-life.

A prototype of the new Thrustmaster racing wheel made a preview appearance at the announcement event for the game Gran Turismo Sport, embodying the cooperation between the two companies: this high-end wheel was unveiled to reveal unique features. As Gran Turismo Sport has been pushed back until 2017, the wheel will also be launched in 2017 to coincide with the game's release.

At the Formula E Vegas eRace competition in Las Vegas, Nevada, Thrustmaster's racing wheels have been used exclusively for the event.

## **2. RESULTS OF COMPANY AND GROUP ACTIVITIES**

The main aggregates with respect to Guillemot Corporation's consolidated financial statements for the fiscal year ended December 31, 2016 are broken down as follows:

| In € millions                        | 31/12/2016 | 31/12/2015 | 31/12/2014 |
|--------------------------------------|------------|------------|------------|
| Turnover                             | 64.2       | 65.8       | 40.3       |
| Current operating income             | 0.6        | 2.4        | -2.5       |
| Operating income                     | 0.7        | 2.9        | -2.5       |
| Financial income*                    | 2.7        | 4.9        | 1.8        |
| Consolidated net income              | 3.1        | 7.0        | -0.9       |
| Base earnings per share              | €0.21      | €0.48      | €-0.06     |
| Shareholders' equity                 | 28.4       | 25.2       | 18.3       |
| Net indebtedness (excluding MIS)**   | 9.1        | 6.1        | 7.2        |
| Inventories                          | 10.4       | 17.3       | 7.4        |
| Intangible fixed assets              | 7.8        | 7.1        | 6.9        |
| Current financial assets (MIS share) | 15.0       | 12.2       | 7.0        |

\* Financial income includes the cost of net financial indebtedness, as well as other financial expenses and revenues.

\*\* Marketable Investment Securities are not taken into account in calculating net indebtedness (cf. paragraph 5.7.13 of the consolidated financial statements).

Consolidated annual turnover for fiscal 2016 amounted to €64.2 million, representing a decrease of 2% in relation to the previous fiscal year. Current operating income amounted to €0.6 million, compared with a gain of €2.4 million at December 31, 2015.

Operating income amounted to €0.7 million, and includes an Other operating revenue of €1 million linked to a write-down reversal on the Thrustmaster brand, and an Other operating expense of €0.9 million relating to impairment on goodwill attached to Hercules' activities.

Financial income of €2.7 million included a revaluation gain of €3.1 million on current financial assets (MIS), composed of Ubisoft Entertainment securities.

Net income for the fiscal year amounted to €3.1 million, compared with €7 million in 2015.

Current financial assets amounted to €15 million at December 31, 2016. They are composed of 443,874 Ubisoft Entertainment securities.

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Net indebtedness stood at €9.1 million (before Marketable Investment Securities).  
Shareholders' equity increased from €25.2 million to €28.4 million.

▪ Turnover breakdown by sector of activity

| (in € millions)        | 31.12.2016  | 31.12.2015  | 31.12.2014  |
|------------------------|-------------|-------------|-------------|
| <b>Hercules</b>        | <b>11.0</b> | <b>10.5</b> | <b>12.3</b> |
| Standard product lines | 9.5         | 9.3         | 11.6        |
| OEM*                   | 1.5         | 1.2         | 0.7         |
| <b>Thrustmaster</b>    | <b>53.2</b> | <b>55.3</b> | <b>28.0</b> |
| Standard product lines | 53.2        | 55.1        | 28.0        |
| OEM                    | 0.0         | 0.2         | 0.0         |
| <b>TOTAL</b>           | <b>64.2</b> | <b>65.8</b> | <b>40.3</b> |

\* Accessories developed in order to accompany products of third-party companies (Original Equipment Manufacturer).

▪ Turnover breakdown by geographic zone

| (in € millions) | 31.12.2016  | 31.12.2015  | 31.12.2014  |
|-----------------|-------------|-------------|-------------|
| European Union  | 36.7        | 42.7        | 25.7        |
| North America   | 20.1        | 16.2        | 9.9         |
| Other           | 7.4         | 6.9         | 4.7         |
| <b>TOTAL</b>    | <b>64.2</b> | <b>65.8</b> | <b>40.3</b> |

▪ Operating income breakdown by activity

| (in € millions) | 31.12.2016 | 31.12.2015 | 31.12.2014  |
|-----------------|------------|------------|-------------|
| Hercules        | -3.6       | -2.4       | -4.2        |
| Thrustmaster    | 4.3        | 5.3        | 1.7         |
| <b>TOTAL</b>    | <b>0.7</b> | <b>2.9</b> | <b>-2.5</b> |

### **3. INFORMATION REGARDING THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS**

#### **3.1. Statement of income**

During the fiscal year, the Group posted consolidated turnover of €64,226K, excluding taxes.

The main operating expenses were purchases, for €27,002K.

External charges totaling €14,488K were mainly composed of transportation, publicity and marketing expenses.

Personnel expenses amounted to €8,276K, and depreciation and amortization provisions to €4,002K.

Taxes and duties amounted to €264K, and other revenues and expenses to €-3,174K.

Current operating income amounted to €609K.

Operating income amounted to €722K.

The net gearing cost stood at €263K, while other financial revenues and expenses totaled €+2,976K, including revaluation gains of €3,165K on Ubisoft Entertainment shares held.

After taking these elements into account, along with the tax charge of €376K, the Group's net income was €3,059K.

Base income per share was €0.20.

#### **3.2. Balance sheet**

Non-current assets were composed of net intangible fixed assets for €7,781K, net tangible fixed assets for €2,683K, and financial assets for €457K.

Current assets included the following elements:

- Inventories had a net value of €10,369K, taking into account inventory provisions of €1,273K.
- Trade accounts receivable amounted to a net value of €21,703K, taking into account a provision of €245K for doubtful accounts.
- The other receivables entry had a net value of €1,497K and mainly related to receivables on value added tax and advance payments receivables.
- Financial assets amounted to €15,460K, and the cash and cash equivalents entry to €2,164K.
- Income tax assets stood at €430K.

Shareholders' equity amounted to €28,365K.

Non-current liabilities amounted to €4,509K, including €1,672K in loans.

Current liabilities amounted to €29,213K, including €8,643K in loans and foreign currency advances.

## **4. INFORMATION REGARDING GUILLEMOT CORPORATION S.A.'S FINANCIAL STATEMENTS**

### **4.1. Statement of income**

During the fiscal year, the company Guillemot Corporation S.A. posted turnover of €55,867K.

Total operating revenues amounted to €52,296K.

The main operating expenses were purchases consumed for €27,076K, and external expenses for €20,798K. External expenses were mainly composed of subcontracting services, development costs, and transportation, advertising and marketing expenses.

Taxes and duties and personnel expenses amounted to €372K, and other expenses to €4,013K.

The amortization allowance amounted to €1,911K.

The allowance on provisions for current assets amounted to €972K.

Total operating revenues less all operating expenses resulted in an operating result of €-2,846K.

Taking into account financial income of €1,579K, as well as exceptional income of €834K, net income amounted to €-433K.

Financial income was broken down as follows:

|   |         |
|---|---------|
| Financial revenues from investments:      | €0K     |
| Forex differences:                        | €-397K  |
| Financial interest revenues and expenses: | €-230K  |
| Income from MIS divestments:              | €369K   |
| Provisions reversals and allowances:      | €1,837K |

Interest revenues were mainly composed of €49K in current account interest, and €17K corresponding to the reintegration into balance sheet assets of a current account advance, this advance having been waived by the parent company in 2004 in favor of its subsidiary Guillemot GmbH (Germany) with a return to profits clause.

Financial expenses were mainly composed of loan and banking interest charges for €264K, and current account interest charges for €17K.

Divestment income on treasury stock securities within the context of the liquidity contract in effect amounted to €15K. The company disposed of 68,023 Gameloft SE shares at a market price of €8 each, thereby posting a net gain of €354K in its financial statements.

Reversals of impairment on subsidiaries' securities amounted to €2,013K, and provisions reversals on current account advances to €37K. Other provisions reversals related to various reversals for unrealized Forex losses with respect to the previous fiscal year for €184K.

Allowances for provisions on securities amounted to €44K. The company Guillemot Corporation S.A. posted a provision of €346K to cover the unrealized Forex risk at the end of the fiscal year.

Exceptional income was broken down as follows:

|   |        |
|---|--------|
| Revenues and expenses on management transactions: | €0K    |
| Revenues and expenses on capital transactions:    | €0K    |
| Provisions reversals and allowances:              | €-834K |

Impairment tests performed on the Thrustmaster brand's sector of activity resulted in a write-down reversal of €1,000K.

The company posted €166K in exceptional amortization on development costs and materials which no longer met the capitalization criteria.

The main performance results were as follows:

|   |          |
|---|----------|
| Fiscal year production:                                       | €50,927K |
| Added value:  | €3,053K  |
| Earnings before interest, tax, depreciation and amortization: | €2,681K  |

### **4.2. Balance sheet**

Net fixed assets amounted to €15,431K. This included €7,527K in intangible fixed assets, €2,143K in tangible fixed assets and €5,761K in financial fixed assets.

Intangible fixed assets included €3,795K in net value in terms of development costs. The company removed from its assets development costs which no longer met the capitalization criteria, for a gross value of €150K.

The company disposed of materials for a gross amount of €42K.

The company had inventory with a net value of €8,947K.

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The trade accounts receivable entry amounted to €16,167K, taking into account provisions for doubtful accounts of €245K.

Other receivables for a total net amount of €2,654K mainly included current account advances to subsidiaries for a net amount of €2,169K, and VAT claims.

Marketable investment securities represented a net amount of €6,966K.

Treasury stock shares held were broken down between financial fixed assets (132,619 shares) and marketable investment securities (149,888 shares). The net amount of these securities was €376K, after a provision of €351K.

Shareholders' equity amounted to €20,855K.

## **5. PROGRESS MADE AND DIFFICULTIES ENCOUNTERED**

In 2016, the Group's annual turnover amounted to €64.2 million, down 2%, with Hercules' sales growing by 5% and Thrustmaster's sales decreasing slightly over the first nine months of the year, but returning to growth in the fourth quarter. Thrustmaster was unable to rely on the launch of its high-end Gran Turismo-licensed racing wheel, which had to be pushed back until 2017 due to the delay of the associated Gran Turismo game.

Over the period, the Group:

- Delivered the 500,000<sup>th</sup> copy of its Hercules DJUCED™ DJing software, created for the brand's controllers;
- Put in place new distribution networks for Hercules in the United States and Canada, in order to make inroads in the music-related sector;
- Saw its overall sales grow by 25% in North America;
- Signed a major partnership deal with the leading chain of video game shops in the United Kingdom;
- Signed agreements with new distributors, including in China, Japan, the Nordic countries and Eastern Europe, in particular;
- Positioned the Thrustmaster brand in the eSports market;
- Launched the TS-PC Racer, its brand-new racing wheel, in the fourth quarter of 2016, allowing Thrustmaster to position itself in the market for high-end racing wheels on PC;
- Pushed back the launch of its Thrustmaster racing wheel for the PlayStation®4 console, as a result of the launch of the very highly-anticipated game Gran Turismo Sport being delayed until 2017;
- Rolled out a new range of flight simulation accessories as part of Thrustmaster's 25<sup>th</sup> anniversary celebration in this field;
- Received the highly-coveted CES Innovation Awards Honoree distinction in January 2017 (for the fourth consecutive year) for the Thrustmaster T.16000M FCS Flight Pack, for the system's technological advances providing extreme precision for digital pilots.

The Group's software expertise has also allowed it to further optimize the DJUCED™ DJing software, providing its mass-market controllers with a competitive advantage through the addition of new functionalities.

Thrustmaster is currently a key player in the market for game console racing wheels. A policy of strong partnerships with console manufacturers – combined with its advanced Research and Development teams – has allowed the brand to launch the first racing wheels for PlayStation®4 and Xbox One®, as well as the first joystick for PlayStation®4. Thanks to its licensing agreements (with Sony, Microsoft, Ferrari, Gran Turismo and the U.S. Air Force, amongst others), Thrustmaster's goal is to further improve its positioning in the gaming accessories market, and fully benefit from the new dynamics brought about by the arrival of virtual reality.

## **6. BUSINESS EVOLUTION ANALYSIS**

Fiscal 2016 saw a 2% decrease in turnover for the Guillemot Corporation Group, and highly contrasting levels of activity with respect to its Hercules and Thrustmaster brands.

Thrustmaster, with turnover of €53.2 million, is a key player in its market, offering gamers a complete racing ecosystem with high-end products.

The installed base of 8<sup>th</sup>-generation Xbox One® and PlayStation®4 consoles increased to more than 84.6 million units over the year (Source: VGCHARTZ, 25/02/2017).

Hercules, with its annual turnover of €11 million, is still subject to the slowdown of the mass-market PC sector and the ending of its Wi-Fi, PLC and webcam product lines, while focusing its Research and Development efforts on its DJing and wireless speaker audio ranges, with innovative and unique products.

Operating income for fiscal 2016 stood at €0.7 million, compared with an operating result of €2.9 million at December 31, 2015. Consolidated net income amounted to €3.1 million, compared with €7 million for the previous fiscal year. This result includes a financial revenue of €3.1 million linked to a revaluation gain on the portfolio of Ubisoft Entertainment securities held by the Group. The deferred tax expenses posted linked to this unrealized gain amounted to €0.3 million.

Shareholders' equity amounted to €28.4 million at December 31, 2016. The Group's financial structure is solid, with net indebtedness at €9.1 million at December 31, 2016 (excluding its €15 million portfolio of marketable investment securities), compared with €6.1 million December 31, 2015.

## 7. FORESEEABLE EVOLUTION AND FUTURE PROSPECTS

The Group mainly operates in the interactive entertainment market with respect to video games and gaming accessories. As a result, the regularly increasing installed base of next-generation game consoles is a very positive factor.

The current crop of releases of car racing games strengthens consumers' interest in the Group's racing wheels, which provide an ultra-realistic gaming experience. Many new games are set to be launched in 2017, including very highly-anticipated titles such as Gran Turismo Sport on console, and Project CARS 2 on PC and consoles.

The Group has prepared and announced new high-end Gran Turismo-licensed racing wheels, which will allow it to fully benefit from the launch of the upcoming game in this series.

Booming sales of aerial and space combat games, particularly free-to-play titles allowing gamers to use a high-quality joystick for realistic control of their crafts, are breathing new life into the flight accessories market.

For its part, the Hercules brand's software expertise has allowed it to further optimize the DJUCED™ DJing software, providing its mass-market controllers with a competitive advantage through the addition of new functionalities. Hercules – a key player in mass-market DJ controllers – continues to offer innovative new functions for both amateur and advanced DJs through its mastery of hardware and software technologies, growing its market base. The wireless speakers market remains dynamic, and the Group continues to improve its positioning in the market for outdoor wireless speakers, which are growing even more in popularity among sports enthusiasts.

Moreover, the Group continues to expand internationally and now distributes its products in more than eighty-five countries worldwide. However, protectionist policies may have the effect of increasing product prices and slowing down sales in certain countries.

The Group forecasts sales growth for the fiscal year.

## 8. INFORMATION REGARDING GUILLEMOT CORPORATION S.A.'S SHARE CAPITAL

At December 31, 2016, the closing date of the last fiscal year, subscribed capital amounted to €11,553,646.72, representing a total of 15,004,736 common shares, fully paid, with a nominal value of €0.77 each.

At December 31, 2016, the Guillemot family group directly and indirectly held 73.28% of capital, and 76.10% of the voting rights available for exercise during general meetings.

| Shareholders                         | At 31/12/2016     |                 |                                     |                                |   |  |
|--------------------------------------|-------------------|-----------------|-------------------------------------|--------------------------------|---|--|
|                                      | Number of shares  | % of capital    | Number of theoretical voting rights | % of theoretical voting rights | Number of voting rights exercisable during general meetings | % of voting rights exercisable during 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%   |
| G rard 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%   |
| <b>Jointly</b>                       | <b>10 994 948</b> | <b>73,278%</b>  | <b>11 894 115</b>                   | <b>74,746%</b>                 | <b>11 894 115</b>   | <b>76,096%</b>   |
| Treasury stock (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%  |
| <b>TOTAL</b>                         | <b>15 004 736</b> | <b>100,000%</b> | <b>15 912 887</b>                   | <b>100,000%</b>                | <b>15 630 380</b>   | <b>100,000%</b>  |

(1) Members of the Guillemot family benefit from double voting rights attached to some of their shares.

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

(3) Treasury stock shares without voting rights.

## 9. WORKFORCE

The workforce in place was broken down as follows:

|                  | At 31/12/2016  |                     |                      |            | At 31/12/2015  |                     |                      |            |
|------------------|----------------|---------------------|----------------------|------------|----------------|---------------------|----------------------|------------|
|                  | Parent company | French subsidiaries | Foreign subsidiaries | Total      | Parent company | French subsidiaries | Foreign subsidiaries | Total      |
| <b>Workforce</b> | <b>5</b>       | <b>84</b>           | <b>73</b>            | <b>162</b> | <b>5</b>       | <b>85</b>           | <b>67</b>            | <b>157</b> |

For the Group, the average workforce during fiscal 2016 amounted to 162 people, compared with 147 in 2015.