

GUILLEMOT CORPORATION

A publicly held company (*société anonyme*) with capital of €11,553,646.72

**Registered office: Place du Granier, BP 97143, 35571 Chantepie Cedex,
France**

**Registered company number:
414 196 758 Rennes**

Interim financial report June 30, 2014

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A- Summary interim consolidated balance sheet

ASSETS	Notes	Net Jun 30, 2014	Net Dec 31, 2013
<i>(All figures in €k)</i>			
Goodwill on acquisitions	7	888	888
Intangible assets	8	7,022	7,263
Property, plant and equipment	8	3,088	3,303
Financial assets	9	439	381
Income tax receivables	17	0	0
Deferred tax assets	17	0	0
Non-current assets		11,437	11,835
Inventories	10	10,645	9,987
Trade receivables		7,132	15,719
Other receivables		1,497	1,434
Financial assets	9	6,422	6,863
Cash and cash equivalents	14	1,224	2,135
Income tax receivables	17	80	99
Current assets		27,000	36,237
Total assets		38,437	48,072
LIABILITIES AND EQUITY			
	Notes	Jun 30, 2014	Dec 31, 2013
<i>(All figures in €k)</i>			
Capital (1)		11 554	11 554
Premiums (1)		10 472	10 472
Reserves and consolidated income (2)		-5 269	-3 380
Foreign currency translation adjustments		448	440
Group shareholders' equity	11	17 205	19 086
Minority interests			0
Shareholders' equity		17 205	19 086
Employee benefit liabilities	13	491	441
Borrowings	14	1 673	2 339
Other payables	21	1 666	1 666
Deferred tax liabilities	17	0	0
Non-current liabilities		3 830	4 446
Trade payables		6 955	11 597
Short-term borrowings	14	6 558	7 086
Taxes payable		232	229
Other payables		3 335	5 345
Provisions	12	322	283
Current liabilities		17 402	24 540
Total liabilities		38 437	48 072

(1) Of the consolidating parent

(2) Of which net income for the period: €1,952k

The notes presented in section E form an integral part of these summary interim consolidated financial statements.

Summary interim consolidated statement of gains and losses recognized directly in equity

- Summary interim consolidated statement of net income

(All figures in €k)	Notes	Jun 30, 2014	Jun 30, 2013
Net sales	6	12,010	14,121
Purchases		-6,634	-6,121
External expenses		-3,510	-4,260
Employee expenses		-3,640	-3,705
Taxes and duties		-134	-164
Additions to amortization and depreciation		-1,341	-1,046
Additions to provisions		-390	-177
Change in inventories		693	-1,740
Other income from ordinary activities		167	108
Other expenses from ordinary activities		-698	-376
Net operating income from ordinary activities		-3,477	-3,360
Other operating income		0	0
Other operating expenses		0	-693
Net operating income	15	-3,477	-4,053
Income from cash and cash equivalents	16	0	1
Cost of gross financial debt	16	98	86
Cost of net financial debt	16	-98	-85
Other financial income	16	1,831	1,456
Other financial expenses	16	-148	-28
Tax expense	17	-60	-55
Net income before minority interests		-1,952	-2,765
O/w net income from discontinued operations	18	0	0
Share attributable to minority interests		0	0
Net income attributable to equity holders of the parent		-1,952	-2,765
Basic earnings per share	19	-€0.13	-€0.19
Diluted earnings per share	19	-€0.12	-€0.17

- Statement of net income and gains and losses recognized directly in equity

(All figures in €k)	06.30.14	06.30.13
Net income attributable to equity holders of the parent	-1,952	-2,765
<i>Recyclable items of other comprehensive income</i>		
Foreign currency translation adjustments	8	0
Revaluation of hedging derivatives	0	0
Revaluation of available-for-sale financial assets	0	0
<i>Non-recyclable items of other comprehensive income</i>		
Revaluation of fixed assets	0	0
Actuarial gains and losses on defined benefit plans	2	8
Share of gains and losses recognized directly in equity for equity-accounted companies	0	0
Total gains and losses recognized directly in equity attributable to controlling interests	10	8
Net income and gains and losses recognized directly in equity attributable to controlling interests	-1,942	-2,757
Net income and gains and losses recognized directly in equity attributable to minority interests	0	0

The notes presented in section E form an integral part of these summary interim consolidated financial statements.

C - Summary interim consolidated statement of changes in equity

	Notes	Capital	Premiums	Consolidated reserves*	Net income for the period	Foreign currency translation adjustments	Total equity
(All figures in €k)							
Balance at Jan 1, 2013		11,554	10,472	-2,292	-270	488	19,952
Comprehensive income at Jun 30, 2013					-2,765		-2,765
Appropriated income at Dec 31, 2012				-270	270		0
Stock options							0
Shares of the consolidating company				3			3
Gains and losses on treasury shares				-15			-15
Other				7			7
Balance at Jun 30, 2013		11,554	10,472	-2,567	-2,765	488	17,182
Balance at Jan 1, 2014		11,554	10,472	-2,558	-822	440	19,086
Comprehensive income at Jun 30, 2014					-1,952	8	-1,944
Appropriated income at Dec 31, 2013				822	-822		0
Stock options							0
Shares of the consolidating company				39			39
Gains and losses on treasury shares				30			30
Other				-6			-6
Balance at Jun 30, 2014	11	11,554	10,472	-1,673	-3,596	448	17,205

* Including actuarial gains and losses of €69k at January 1, 2014 and €71k at June 30, 2014

The notes presented in section E form an integral part of these summary interim consolidated financial statements.

D - Summary interim consolidated cash flow statement

(All figures in €k)	Notes	Jun 30, 2014	Jun 30, 2013
Cash flows from operating activities			
Net income from consolidated companies		-1,952	-2,765
+ Additions to amortization, depreciation and provisions (except on current assets)		1,466	1,168
- Reversals of amortization, depreciation and provisions		-25	-48
-/+ Unrealized gains and losses arising from changes in fair value	16	-1,304	-1,456
+/- Expenses and income arising from stock options	11	0	0
-/+ Capital gains and losses on disposals		-425	19
Change in deferred taxes	17	0	0
Operating cash flow after cost of net financial debt		-2,240	-3,082
Cost of net financial debt	16	98	85
Operating cash flow before cost of net financial debt		-2,142	-2,997
Foreign currency translation adjustment on net cash flow		5	10
Inventories	10	-658	1,844
Trade receivables		8,586	4,918
Trade payables		-4,642	-3,861
Other		-2,045	-779
Change in working capital requirement		1,241	2,122
Net cash flows from operating activities		-994	-950
Cash flows from investing activities			
Acquisitions of intangible assets	8	-614	-1,158
Acquisitions of property, plant and equipment	8	-297	-458
Disposals of property, plant and equipment and intangible assets		1	8
Acquisitions of non-current financial assets	9	-3	-2
Disposals of non-current financial assets		2,185	0
Net cash from acquisitions and disposals of subsidiaries		0	0
Net cash flows from investing activities		1,272	-1,610
Cash flows from financing activities			
Increases in capital and cash injections		0	0
Dividends paid to minority shareholders		-8	0
Borrowings		0	0
Repayment of shareholders' current accounts	21	0	0
Repayment of borrowings	14	-1,430	-752
Other cash flows from financing activities		0	0
Total cash flows from financing activities		-1,438	-752
Impact of foreign currency translation adjustments		6	-12
Change in cash		-1,154	-3,324
Net cash at the beginning of the period	A and 14	-2,604	-3,454
Net cash at the end of the period	A and 14	-3,758	-6,778

The notes presented in section E form an integral part of these summary interim consolidated financial statements.

E - Notes to the summary interim consolidated financial statements

(All figures are in €k unless otherwise stated.)

1) General information

Guillemot Corporation is a designer and manufacturer of interactive entertainment hardware and accessories. The Group offers a diversified range of products under the Hercules and Thrustmaster brand names. Active in this market since 1984, the Guillemot Corporation Group is currently present in 11 countries including France, Germany, the UK, the United States, Canada, Belgium, the Netherlands, Hong Kong, Spain, Romania and Italy, and distributes its products in more than 60 countries worldwide. The Group's mission is to offer high-performance, ergonomic products which maximize the enjoyment of digital interactive entertainment end users.

The company is a publicly traded company (*société anonyme*) with its registered office at Place du Granier, BP 97143, 35 571 Chantepie Cedex, France.

2) Basis of preparation of summary interim financial reporting

This set of summary interim consolidated financial statements to June 30, 2014 has been prepared in accordance with IAS 34, "Interim financial reporting". The summary interim report should be read in conjunction with the 2013 annual financial statements.

3) Accounting policies

The accounting policies employed are the same as those adopted in preparing the annual financial statements for the year ended December 31, 2013, as set out in the annual financial statements for the year ended December 31, 2013.

The following new standards, amendments to existing standards and interpretations must be applied in 2014:

IFRS 10 – exemption for investment entities and transitional measures

IFRS 11 – Joint arrangements – transitional measures

IFRS 12 – Disclosure of interests in other entities

Amendments to IAS 39 – novation of derivatives and maintenance of hedge accounting

Amendments to IAS 36 – clarification of disclosures on asset impairment

Amendments to IAS 32 and IFRS 7 – offsetting of financial assets and liabilities

Amendments to IAS 19 – employee contributions to defined benefit schemes

These standards, amendments to existing standards and interpretations have not had a material impact on the Group's financial statements.

4) *Activity report*

The Guillemot Corporation Group's financial statements to June 30, 2014 are broken down as follows.

2014 CONSOLIDATED INTERIM INCOME STATEMENT

(€m) January 1, 2014 – June 30, 2014	Jun 30, 2014	Jun 30, 2013	Change
Sales	12.0	14.1	-14.89%
Thrustmaster gaming accessories	7.9	5.8	+36.21%
Hercules digital devices	4.1	7.6	-46.05%
Hercules OEM	0.0	0.7	-
Net operating income from ordinary activities	-3.5	-3.4	-
Net operating income	-3.5	-4.1	-
Net financial income*	1.6	1.3	-
Consolidated net income	-2.0	-2.8	-
Earnings per share	-€0.13	-€0.19	-

* Net financial income includes the cost of net financial debt as well as other financial expenses and income.

Activity

The first half of 2014 was very mixed, with Thrustmaster sales up sharply and Hercules sales down significantly. After winding up its WiFi/Powerline activities, **Hercules** will begin to benefit from the gradual ramp-up of its new products designed for use with smartphones and tablets, as well as from rapid growth in the new European market for wireless speakers. The WAE NEO and DJCONTROLWAVE products, which were winners at the 2014 Innovations Design and Engineering Awards at the CES show in the United States, will be followed by further original WAE and DJ products towards the end of the year and early in 2015.

For **Thrustmaster**, the Group draws on its official partnerships with Sony® and Microsoft® to create uniquely positioned and unrivaled products, such as the Ferrari 458 Spider Racing Wheel, a consumer racing wheel for the Xbox®One console, and the T300, a high-end racing wheel for the PlayStation®4, launched in the spring. The release of a number of car racing games for new consoles, which now represent an installed base of more than 15 million units, will further boost the brand's development potential.

Income

In spite of a decline in sales in the first half of the year, an uplift in the gross accounting profit ratio and a drop in expenses of more than 7% (including research and development costs capitalized over the period) meant the Group's operating loss was stable at the same level as in the first half of 2013, at €3.5 million.

Net financial income totaled €1.6 million, including a €1.3 million revaluation gain on the portfolio of available-for-sale securities and a net gain of €0.4 million on the disposal of 170,000 Ubisoft shares over the period. The Group posted a consolidated net loss of €2 million.

Key balance sheet items

(€m)	Jun 30, 2014	Dec 31, 2014
Shareholders' equity	17.2	19.1
Net debt (excl. AFS securities)*	8.7	9.0
Inventories	10.6	10.0
Current financial assets (AFS securities portion)	6.4	6.9

* Available-for-sale (AFS) securities are not taken into account when calculating net debt.

With shareholders' equity of €17.2 million, the Group has a robust capital structure. Net debt fell slightly to €8.7 million at June 30, 2014. The Group's portfolio of available-for-sale securities was valued at €6.4 million at June 30, 2014.

Outlook

Thrustmaster, the leading brand of racing wheels for new consoles, is well placed to deliver a dynamic end to the year. The ramp-up of new Hercules products is set to revive sales in the second half of the year.

The Group expects sales excluding OEM products to grow in the second half.

5) *Scope of consolidation*

- a) Companies included within the Guillemot Corporation SA Group's consolidated financial statements to June 30, 2014

COMPANY	SIREN number	Country	% control	Accounting method
GUILLEMOT CORPORATION SA	414196758	France	Parent	Full consolidation
GUILLEMOT Administration et Logistique SARL	414215780	France	99.96%	Full consolidation
HERCULES THRUSTMASTER SAS	399595644	France	99.42%	Full consolidation
GUILLEMOT Innovation Labs SAS	752485334	France	100.00%	Full consolidation
GUILLEMOT Ltd		UK	99.99%	Full consolidation
GUILLEMOT Inc		Canada	74.89% (a)	Full consolidation
GUILLEMOT GmbH		Germany	99.75%	Full consolidation
GUILLEMOT Corporation (HK) limited		Hong Kong	99.50%	Full consolidation
GUILLEMOT Recherche et Développement Inc		Canada	99.99%	Full consolidation
GUILLEMOT Romania Srl		Romania	100.00%	Full consolidation
GUILLEMOT Inc		USA	99.99%	Full consolidation
GUILLEMOT SA		Belgium	99.93%	Full consolidation
GUILLEMOT SRL		Italy	100.00%	Full consolidation
GUILLEMOT Spain SL		Spain	100.00%	Full consolidation

Guillemot Inc (United States) also holds 25.11%.

In view of their non-material nature, minority interests are not calculated.

- b) Changes in scope

None.

6) Segment information

In accordance with IFRS 8 on operating segments, the Group has set out segment information based on the same segments 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: France, European Union (excluding France) and Other.

Segment information by business area

The Hercules business segment includes the following product ranges: Djing and digital music, wireless speakers for smartphones and tablets, multimedia speakers and webcams.

The Thrustmaster business segment includes the following gaming accessories for PCs and consoles: racing wheels, gamepads, joysticks and gaming headsets.

- Income statement by business segment (€k):

	Jun 30, 2014			Jun 30, 2013		
	Total	Hercules	Thrustmaster	Total	Hercules	Thrustmaster
Sales	12,010	4,075	7,935	14,121	8,354	5,767
Additions to amortization and depreciation	1,341	636	705	1,046	624	422
Additions to provisions	389	164	225	177	93	84
Net operating income from ordinary activities	-3,477	-1,904	-1,572	-3,360	-1,728	-1,632
Net operating income	-3,477	-1,904	-1,572	-4,053	-1,728	-2,325

- Balance sheet by business segment (€k):

	Jun 30, 2014			Dec 31, 2013		
	Net 12.31.14	Hercules	Thrustmaster	Net 12.31.13	Hercules	Thrustmaster
Goodwill on acquisitions	888	888		888	888	
Intangible assets	7,022	3,316	3,706	7,263	3,360	3,903
Property, plant and equipment	3,088	1,444	1,644	3,303	1,606	1,697
Inventories	10,645	4,908	5,737	9,987	5,378	4,609
Trade receivables	7,132	2,055	5,077	15,719	5,240	10,479
Unallocated assets	9,662			10,912		-
TOTAL ASSETS	38,437	12,611	16,164	48,072	16,472	20,688
Shareholders' equity	17,205	-	-	19,086	-	-
Provisions	813	383	430	724	339	385
Trade payables	6,955	2,629	4,326	11,597	5,558	6,038
Unallocated liabilities	13,464			16,665	-	-
TOTAL LIABILITIES AND EQUITY	38,437	3,012	4,756	48,072	5,897	6,423

Unallocated assets consist of financial assets, income tax assets, other receivables and cash.

Unallocated liabilities consist of borrowings, other payables, pension provisions, taxes payable and deferred tax liabilities.

Segment information by geographical region

- Sales by geographical region (€k):

Sales in:	Jun 30, 2014	Jun 30, 2013
France	2,355	4,970
European Union (excl. France)	4,782	4,847
Other	4,873	4,304
TOTAL	12,010	14,121

- Aggregate value of assets by geographical location (€k):

	Jun 30, 2014				Dec 31, 2013			
	Net total	France	EU excl. France	Other	Net total	France	EU excl. France	Other
Goodwill on acquisitions	888	888			888	888	0	0
Property, plant and equipment	3,088	3,014	20	54	3,303	3,228	22	53
Financial assets	6,861	6,828	10	23	381	351	8	22
Inventories	10,645	7,147	0	3,498	9,987	7,163	0	2,824
Trade receivables	7,132	1,498	2,853	2,781	15,719	3,301	7,545	4,873
Other receivables	1,497	1,226	119	152	1,434	1,291	96	47
Cash and cash equivalents	1,224	435	225	564	2,135	1,420	259	456
Income tax receivables	80	80			99	0	0	0
Unallocated assets	7,022				14,126			
TOTAL ASSETS	38,437	21,116	3,227	7,072	48,072	17,642	7,930	8,275

Unallocated assets consist of intangible assets.

7) *Goodwill*

a) Goodwill on acquisitions

Goodwill at June 30, 2014 is broken down as follows:

Changes in goodwill	Gross at Dec 31, 2013	Change	Gross at Dec 31, 2014
Guillemot Ltd (UK)	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 (USA)	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	Additional	Provisions	
	at Dec 31, 2013	impairment from Jan 1, 2014 to Jun 30, 2014	at Jun 30, 2014	
Guillemot Ltd (UK)	1	-	1	
Hercules Thrustmaster SAS (France)	411	-	411	
Guillemot Administration et Logistique SARL (France)	233	-	233	
Guillemot SA (Belgium)	233	-	233	
Guillemot Inc (USA)	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	24,139	0	24,139	
Net value	Total	888	0	888

Goodwill is not amortized under IFRS. In accordance with IAS 36, impairment losses recognized during prior periods are not reversed at a later date.

Management does not consider the decline in sales of Hercules products in the first half of 2014 to be an indicator of impairment. Over the period, Hercules was affected by significant seasonal fluctuations and the discontinuation of the WiFi and Powerline ranges. The business is in the process of being refocused around audio products; this change does not call into question the medium-to-long-term outlook of the Hercules business. The migration of PC users onto smartphones and tablets is a fundamental shift for which Hercules has been working to prepare itself over the past two years by extending its research and development capability and sales force into these new markets. As such, no impairment testing that could lead to the recognition of further impairment losses on the Hercules business has been carried out. At June 30, 2014, goodwill on the balance sheet consisted solely of a net amount of €888k corresponding to the fair value of goodwill on the Hercules business arising from the Hercules Thrustmaster SAS subsidiary.

8) *Intangible assets and property, plant and equipment*

a) Intangible assets

Intangible assets are broken down as follows:

Gross values	Dec 31, 2013	Changes in		Increases	Decreases	Currency translation adjustments	Jun 30, 2014
		scope					
Brands	10,842						10,842
Development costs	2,692		1,003	2	-1		3,692
Development costs in progress	1,287		736	1,113			910
Licenses	2,086			65	-4		2,017
Concessions, patents, etc.	891		9		-3		897
Other intangible assets	1,030		2		-59		973
TOTAL	18,828	0	1,750	1,180	-67		19,331

With respect to development costs, on January 1, 2012 the Group put in place project management tools that allow spending linked to these assets to be reliably measured.

Development costs on projects meeting the six eligibility criteria laid down in IAS 38 are now capitalized. Assets are transferred from assets under construction to capitalized development costs when they are released into production. The net value of development costs capitalized over the period totaled €66k. The following Guillemot Corporation Group companies generate development costs: Hercules Thrustmaster SAS, Guillemot R&D Inc, Guillemot Romania Srl and Guillemot Corporation (HK) Limited. Capitalized costs relate to all product lines under the Hercules and Thrustmaster brands.

A €95k tax credit linked to government grants in relation to research and development work within the Guillemot Recherche et Développement Inc subsidiary was recognized at June 30, 2014.

Amortization, depreciation and provisions	Dec 31, 2013	Changes in scope	Increases	Decreases	Currency translation adjustments	
					Jun 30, 2014	
Brands	8,110					8,110
Development costs	856		557	2		1,411
Licenses	813		215		-1	1,027
Concessions, patents, etc.	766		32		1	799
Other intangible assets	1,020		2		-60	962
TOTAL	11,565	0	806	2	-60	12,309

Brands include Thrustmaster and Hercules acquired brands. These brands are tested for impairment at the end of each financial year and are measured taking into account future discounted cash flows.

In the absence of a deep market for the brands in our business sector, the fair value method is not applied when measuring brands owned by the Group.

The Group's brands are measured using the going concern method. The going concern value is the discounted value of future cash flows expected from an asset – i.e. from its continuing use and removal at the end of its useful life.

The Hercules brand is allocated to the Hercules cash-generating unit.

The Thrustmaster brand is allocated to the Thrustmaster cash-generating unit. The Thrustmaster brand has a net balance sheet value of €1,300k compared with a purchase cost of €9,410k, while the Hercules brand has a net balance sheet value of €1,432k compared with a purchase cost of €1,432k. At June 30, 2014 there were no indicators of impairment entailing the need for impairment testing.

b) Property, plant and equipment

Property, plant and equipment for use in operations is broken down as follows:

Gross values	Dec 31, 2013	Changes in	Increases	Decreases	Currency	Jun 30, 2014
Land	399					399
Buildings	5,362				-1	5,361
Plant	4,513		364		-5	4,872
Other property, plant and equipment	1,004		7	3	-12	996
Assets under construction	349		284	358	-3	272
TOTAL	11,627	0	655	361	-21	11,900

Buildings represent buildings located in Carentoir (France).

The €358k decrease in assets under construction corresponds to assets transferred to the “plant” item. Property, plant and equipment under construction mainly relates to molds and equipment used in the production of new tools.

Depreciation	Dec 31, 2013	Changes in scope	Increases	Decreases	Currency translation adjustments	Jun 30, 2014
Buildings	4,207		100			4,307
Plant	3,212		371		-4	3,579
Other property, plant and equipment	905		24	3	-1	925
TOTAL	8,324	0	495	3	-5	8,811

9) *Financial assets*

Non-current financial assets are broken down as follows:

Gross values	Dec 31, 2013	Changes in scope	Increases	Decreases	Currency translation adjustments	Jun 30, 2014
Other long-term investments	83		69			152
Other non-current financial assets	298		3	11	-3	287
TOTAL	381	0	72	11	-3	439

Movements in other long-term investments relate to the liquidity agreement currently in force. At June 30, 2014, a total of €300k in cash was allocated to the liquidity agreement.

Other non-current financial assets relate to deposits and guarantees paid out.

Current financial assets include Ubisoft Entertainment and Gameloft shares.

	Net 12.31.13	Disposals 06.30.14	Acquisitions 06.30.14	Currency translation adjustments 06.30.14	Gain/loss on revaluation 06.30.14	Net 06.30.14
Ubisoft Entertainment shares						
Number	613,874	-170,000	0	0	0	443,874
Fair value (€k)	6,311	-2,174	0	0	1,833	5,970
Gameloft shares						
Number	68,023	0	0	0	0	68,023
Fair value (€k)	557	0	0	0	-105	452
Currency derivatives	-5	0	0	0	0	-5
Total value	6,863	-2,174	0	0	1,728	6,417

Ubisoft Entertainment and Gameloft shares (listed on an active market) are measured at fair value in accordance with IAS 39. When the Group adopted IFRS, these shares were classified in the category “financial assets at fair value through profit and loss”.

Over the period, the Group sold 170,000 Ubisoft Entertainment shares at an average price of €12.79 each, generating a gross gain on disposal of €426k.

At June 30, 2014 the Group held 443,874 Ubisoft Entertainment shares representing 0.42% of the company’s share capital.

The Group also holds 68,023 Gameloft shares, representing 0.08% of the company’s capital.

The share prices used at December 31, 2013 were €10.28 per Ubisoft Entertainment shares and €8.19 per Gameloft share. The share prices used at June 30, 2014 to measure the shares at fair value were €13.45 per Ubisoft Entertainment share and €6.64 per Gameloft share. The resulting unrealized gain recognized at June 30, 2014 totaled €1,302k (see point 16).

10) Inventories

Inventories	Gross Dec 31, 2013	Change in inventories (Result)	Changes in scope	Currency translation adjustments	Gross Jun 30, 2014
Raw materials	1,335	133			1,468
Finished products	9,909	328		-15	10,222
TOTAL	11,244	461	0	-15	11,690

Provisions	Dec 31, 2013	Increases	Decreases	Chnages in scope	Currency translation adjustments	Jun 30, 2014
Raw materials	380		171			209
Finished products	877	33	72		-2	836
TOTAL	1,257	33	243	0	-2	1,045

Total net inventories	9,987					10,645
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Inventories include electronic components and sub-assemblies as well as finished products. Provisions are set aside when the value of inventory is greater than its realizable value. At June 30, 2014 the value of net inventory totaled €10,645k.

11) Shareholders' equity

The Group's share capital consists of 15,004,736 shares with a par value of €0.77 each. Guillemot Corporation SA holds 232,461 treasury shares. These treasury shares reduce the value of shareholders' equity by €646k.

At June 30, 2014, the percentage of capital represented by treasury shares was 1.55%.

Number of Guillemot Corporation shares

At Sep 1, 1999	2,353,000
Bond conversions	67,130
Share split Feb 2000	2,420,130
Bond conversions	114,368
Creation of new shares	953,831
Exercise of equity warrants	222
At Aug 31, 1999	5,908,681
Bond conversions	128,750
At Aug 31, 2001	6,037,431
Bond conversions	10,376
Creation of new shares	3,435,278
Cancellation of treasury shares	-416,665
At Aug 31, 2002	9,066,420
Bond conversions	
Creation of new shares	
Cancellation of treasury shares	
Creation of new shares	4,444,444
At Dec 31, 2003	13,510,864
Exercise of equity warrants	81,446
At Dec 31, 2004	13,592,310
At Dec 31, 2005	13,592,310
Exercise of equity warrants	101
Creation of new shares	1,076,233
At Dec 31, 2006	14,668,644
Bond conversions	290,532
At Dec 31, 2007	14,959,176
Exercise of stock options	6,700
At Dec 31, 2008	14,965,876
At Dec 31, 2009	14,965,876
At Dec 31, 2010	14,965,876
Exercise of stock options	38,860
At Dec 31, 2011	15,004,736
At Dec 31, 2012	15,004,736
At Dec 31, 2013	15,004,736
At Jun 30, 2014	15,004,736

Maximum potential number of shares to be created:

Via the exercise of options 1,020,500

Principal characteristics of stock option plans:

	Plan no. 7	Plan no. 8	Plan no. 9	Plan no. 10
Date of board meeting	02.22.06	02.22.06	02.18.08	02.18.08
Number of shares	433,000	246,000	383,000	217,000
Par value	0.77 €	0.77 €	0.77 €	0.77 €
Subscription price	1.74 €	1.77 €	1.91 €	1.91 €
Exercise date	02.22.10 to 02.22.16	02.22.08 to 02.22.16	02.18.12 to 02.18.18	02.18.10 to 02.18.18
Number of shares subscribed	10500	12000	-	6,360
O/w during 2014 financial year	-	-	-	-
Stock options cancelled or lapsed	-	-	-	-
Stock options outstanding	422,500	234,000	383,000	210,640
Options available for exercise at Jun 30, 2014	376,000	134,500	349,000	161,000

The first six stock option plans have lapsed.

The Group has put in place compensation plans that pay out in 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 on 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 applied to shareholders' equity.

The number of options potentially available for exercise takes into account the terms of exercise of options specific to each plan.

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 for the first half of 2014, all plans having been amortized.

To date, a total of 45,560 options have been exercised.

12) Provisions for liabilities and charges

Provisions for liabilities and charges are broken down as follows:

	Increases		Decreases		Currency translation adjustments	
	12.31.13	06.30.14	Used 06.30.14	not used 06.30.14	06.30.14	06.30.14
Product returns	118	58			1	177
Other	165	5	25			145
TOTAL	283	63	25	0	1	322

13) 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 at the time of retirement.)

Key actuarial assumptions remain unchanged relative to December 31, 2013.

At June 30, 2014, the amount of the recognized provision stood at €491k.

In accordance with the revised IAS 19, retrospectively applicable as of January 1, 2013, all actuarial gains and losses are now recognized in OCI (Other Comprehensive Income) rather than in profit and loss. The impact on Group shareholders' equity at June 30, 2014 was €2k.

14) Borrowings

Financial liabilities are broken down as follows:

	Current (due within 1 year)				Non current (due within more than 1 year)	12.31.13
	06.30.14	0-3 months	3-6 months	6-12 months		
Borrowings from credit institutions	3,216	544	333	666	1,673	4,646
Medium-term bank loans	13				13	13
Bank overdrafts and foreign currency advances	4,982			4,982		4,739
Sundry	20				20	27
TOTAL	8,231	544	333	5,648	1,706	9,425

The Group has fixed rate financial liabilities totaling €1,226k and floating rate financial liabilities totaling €7,005k. To protect itself against changes in interest payments on borrowings caused by fluctuations in interest rates, the Group has entered into interest rate swaps. At June 30, 2014, the Group had no borrowings covered by acceleration clauses. Over the period, the Group repaid €1,430k against bank borrowings.

Net debt	Jun 30, 2014	Dec 31, 2013
Financial liabilities	8,231	9,426
Shareholders' current accounts	1,666	1,666
Cash at bank and in hand	1,224	2,135
Net debt	8,673	8,957

At June 30, 2014 the Group's net debt totaled €8,673k. The Group also has a share portfolio worth €6.4 million (fair value at June 30, 2014).

15) Net operating income

Net operating income to June 30, 2014 totaled -€3,477k, compared with -€4,053k to June 30, 2013.

16) Net financial income

The cost of net financial debt to June 30, 2014 totaled €98k. This includes interest costs and financial expenses arising from borrowing, as well as foreign exchange gains and losses arising from the payment of financial liabilities.

Other financial income and expenses are broken down as follows:

	Jun 30, 2014	Jun 30, 2013
Foreign currency translation adjustments	0	0
Gain on disposal of Ubisoft Entertainment shares	424	0
Unrealized gain/loss on Gameloft shares	0	5
Unrealized gain/loss on Ubisoft Entertainment shares	1,407	1,327
Unrealized gain/loss on Ubisoft Entertainment equity warrants	0	124
Total other financial income	1,831	1,456
Foreign currency translation adjustments	-43	-28
Unrealized gain/loss on Gameloft shares	-105	0
Unrealized gain/loss on Ubisoft Entertainment shares	0	0
Total other financial expenses	-148	-28

Currency effects arising from the translation of subsidiaries' accounts:

All subsidiaries conduct business in their local currency; the impact on shareholders' equity was nil.

Financial risk:

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 June 30, 2014, the Group's borrowing and bank financing facilities were not fully utilized; net debt totaled €8.7 million. At June 30, 2014 the fair value of the Group's portfolio of available-for-sale securities stood at €6.4 million.

Equity risk: fluctuations in the market price of shareholdings affects the Group's earnings. Over the second half of 2014, a 10% decrease in the price of Ubisoft Entertainment shares (relative to their price at June 30, 2014) would have a €597k negative impact on net financial income. A 10% decrease in the price of Gameloft shares over the same period (relative to their price at June 30, 2014) would have a €45k negative impact on net financial income.

Interest rate risk: based on the Group's outstanding floating rate financial liabilities at June 30, 2014, a 1% increase in interest rates on an annual basis would result in a €29k increase in financial expenses.

Foreign exchange risk: a breakdown of the Group's foreign currency assets and liabilities at June 30, 2014 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	1,495	270
Liabilities	7,552	4
Net position before hedging	-6,057	266
Off balance sheet position	0	0
Net position after hedging	-6,057	266

Based on foreign currency values exposed to exchange rate fluctuations at June 30, 2014, a 10% increase in US dollar exchange rates on an annual basis would result in a €443k increase in financial expenses.

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 of goods. 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, in order to limit the Group's foreign exchange risk, Guillemot Corporation hedges against currency fluctuations by buying spot currency and currency forwards and options.

Furthermore, the increase in the Group's export sales over the past few years has boosted the Group's natural hedging and significantly reduced its foreign exchange risk.

Credit risk: 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 creditor 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.

17) Corporate income tax

a) Income tax assets

At June 30, 2014, this item totaled €80k, consisting of advance income tax payments and a French Employment Competitiveness Tax Credit (*Crédit d'Impôt Compétitivité Emploi*).

In the income statement, the amount of the Employment Competitiveness Tax Credit was deducted from employee expenses.

b) Income tax expense

Corporate income tax is broken down as follows:

	Jun 30, 2014	Jun 30, 2013
Deferred taxes	0	0
Income tax payable	60	55
TOTAL	60	55

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 carry-forwards.

Since the probability of future taxable earnings had not yet been fully established, no deferred tax assets were recognized for any of the Group's subsidiaries at June 30, 2014.

At end December 2013, the Group had available tax loss carry-forwards totaling €66 million, €61 million of which related to the parent, Guillemot Corporation SA.

18) *Discontinued operations*

The Group has not discontinued any operations over the past five years.

19) *Earnings per share*

<u>Basic earnings per share</u>	<u>Jun 30, 2014</u>	<u>Jun 30, 2013</u>
Earnings	-1,952	-2,765
Average number of shares (thousar	15,005	15,005
Treasury shares	-232	-311
	14,773	14,694
<u>Basic earnings per share</u>	<u>-0.13</u>	<u>-0.19</u>

<u>Diluted earnings per share</u>	<u>Jun 30, 2014</u>	<u>Jun 30, 2013</u>
Earnings	-1,952	-2,765
Average number of shares (thousands)	15,005	15,005
Treasury shares	-232	-311
	14,773	14,694
Maximum number of shares to be created		
- via conversion of bonds	0	0
- via exercise of options	1,020	1,300
- via exercise of subscription rights	0	0
	15,793	15,994
<u>Diluted earnings per share</u>	<u>-0.12</u>	<u>-0.17</u>

20) *Off balance sheet commitments*

Lease commitments:	€288k
Documentary credits:	€476k

21) *Related party transactions*

The Group's capital is owned by Guillemot Brothers SE (66.87%), the Guillemot family (6.74%), Guillemot Corporation SA (1.55%) and the public (24.84%).

Related parties are Guillemot Brothers SE and members of the Guillemot family controlling the issuer, the Group's consolidated subsidiaries (see scope of consolidation in note 5) and the Ubisoft Entertainment and Gameloft groups, in which members of the Guillemot family hold significant voting rights.

During prior periods, the founders of the Group's parent and of Guillemot Brothers SE waived current account advances to Guillemot Corporation SA totaling €7.7 million.

The balance sheet continues to show shareholders' current account advances totaling €1,666k, repayable over future years with the stipulation that repayments may not exceed 20% of the parent's annual net income.

Principal aggregates relating to the Ubisoft Entertainment and Gameloft groups:

	Jun 30, 2014	
(€k)	Ubisoft Entertainment	Gameloft
Trade receivables	5	2
Trade payables	143	0
Revenue	47	3
Expenses	215	24

22) *Seasonality of business*

As a rule, the Guillemot Corporation Group generates 50% of its annual sales between September and December. The Group uses subcontractors to meet its increased production and logistics requirements during this period. The working capital requirement resulting from these seasonal fluctuations is financed through short- and medium-term funding.

23) *Subsequent events*

None.

F - Statutory auditors' report on the 2014 interim financial reporting

To the shareholders

Guillemot Corporation SA

Place du Granier

BP 97143

35571 Chantepie Cedex

France

Dear Shareholders,

Under the terms of the engagement entrusted to us at your shareholders' general meeting and in accordance with Article L.451-1-2 III of the French Monetary and Financial Code, we have:

- carried out a limited review of the summary interim consolidated financial statements of Guillemot Corporation SA for the period from January 1 to June 30, 2014, as appended hereto;
- verified the information set out in the interim activity report.

These summary interim consolidated financial statements were prepared under the authority of the board of directors. It is our responsibility to express an opinion on these financial statements on the basis of our limited review.

1. Opinion on the financial statements

We have carried out our limited review in accordance with professional standards applicable in France. A limited review mainly consists of meeting with members of management responsible for accounting and financial matters and applying analytical procedures. These tasks are less comprehensive than those required for an audit carried out in accordance with French professional standards. Consequently, the assurance, following a limited review, that the financial statements taken as a whole contain no material misstatements is a limited assurance that is less certain than that given following a full audit.

On the basis of our limited review, we have identified no material misstatements liable to call into question the compliance of the summary interim consolidated financial statements with IAS 34 – the IFRS standard on interim financial reporting adopted within the European Union.

2. Specific checks

We have also checked the information set out in the interim activity report commenting on the summary interim consolidated financial statements upon which our limited review was based. We have no comments on the accuracy of this information or its consistency with the summary interim consolidated financial statements.

Rennes, August 27, 2014

The statutory auditors

PricewaterhouseCoopers Audit
Yves Pelle, partner

MB Audit SARL
Roland Travers, partner

G - Declaration by the Chief Executive

I certify that, to the best of my knowledge, the financial statements set out in this interim financial report have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, financial position and earnings of all companies included within the consolidated Guillemot Corporation Group, and that the interim activity report presented under point 4 provides an accurate view of material events having occurred during the first six months of the financial year, their effect on the interim financial statements and the principal transactions between related parties, together with a description of the principal risks and uncertainties over the remaining six months of the financial year.

Carentoir, August 27, 2014

Claude Guillemot
Chairman and Chief Executive Officer