

GUILLEMOT CORPORATION

A publicly traded company (*société anonyme*) with capital of €11,771,359.60

Headquarters: Place du Granier, BP 97143, 35571 Chantepie Cedex, France

Registered company number:

414 196 758 Rennes

Interim financial report

June 30, 2019

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A- Summary interim consolidated balance sheet

ASSETS	Notes	Net Jun 30, 2019	Net Dec 31, 2018
<i>(All figures in €k)</i>			
Goodwill on acquisitions	7	0	0
Intangible assets	8	11,456	11,115
Property, plant and equipment	8	4,700	2,607
Financial assets	9	379	393
Tax assets	18	648	674
Deferred tax assets	18	1,007	873
Non-current assets		18,190	15,662
Inventories	10	23,842	24,925
Trade receivables		12,671	23,779
Other receivables		1,762	1,442
Financial assets	9	30,556	31,284
Current tax assets	18	0	0
Cash and cash equivalents	14	3,716	4,010
Current assets		72,547	85,440
Total assets		90,737	101,102
LIABILITIES AND EQUITY			
	Notes	Jun 30, 2019	Dec 31, 2018
<i>(All figures in €k)</i>			
Capital (1)		11,771	11,771
Premiums (1)		10,551	10,551
Reserves and consolidated income (2)		31,435	35,887
Currency translation adjustments		415	56
Group shareholders' equity	11	54,172	58,265
Minority interests		0	0
Consolidated shareholders' equity		54,172	58,265
Employee benefit liabilities	13	1,157	998
Borrowings	14	2,742	2,532
Other liabilities		0	0
Deferred tax liabilities	18	0	0
Non-current liabilities		3,899	3,530
Trade payables		13,819	18,878
Short-term borrowings	14	9,847	9,337
Taxes payable		340	1,135
Other liabilities	15	8,621	9,921
Provisions	12	39	36
Current liabilities		32,666	39,307
Total liabilities and equity		90,737	101,102

(1) Of the consolidating parent

(2) Of which net income for the period: €2,546k

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

B - 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, 2019	Jun 30, 2018
Net turnover	6	25,485	32,200
Purchases		-11,546	-20,823
External expenses		-5,840	-6,107
Employee expenses		-4,986	-4,628
Taxes and duties		-216	-242
Additions to amortization and depreciation		-1,574	-1,526
Additions to provisions		-677	-661
Change in inventories		-905	6,903
Other income from ordinary activities		316	150
Other expenses from ordinary activities		-1,563	-2,516
Net income from ordinary activities		-1,506	2,750
Other operating income		0	0
Other operating expenses		0	0
Net operating income	16	-1,506	2,750
Income from cash and cash equivalents	17	8	16
Cost of gross financial debt	17	211	44
Cost of net financial debt	17	-203	-28
Other financial income	17	0	13,373
Other financial expenses	17	-939	0
Corporate income tax	18	102	-1,910
Net income before minority interests		-2,546	14,185
O/w net income from discontinued operations	19	0	0
Attributable to minority interests		0	0
Net income attributable to equity holders of the parent		-2,546	14,185
Basic earnings per share	20	-0.17 €	0.93 €
Diluted earnings per share	20	-0.17 €	0.93 €

- Statement of comprehensive income

(All figures in €k)	n 30, 2019	n 30, 2018
Net income attributable to equity holders of the parent	-2,546	14,185
<i>Recyclable items of other comprehensive income</i>		
Currency translation adjustments	359	-137
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	96	-6
Share of other comprehensive income of equity-accounted companies	0	0
Total other comprehensive income attributable to controlling interests	455	-143
Net income and other comprehensive income attributable to controlling interests	-2,091	14,042
Net income and other comprehensive income 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

(All figures in €k)	Notes	Capital	Premiums	Consolidated reserves	Net income for the period	Currency translation adjustments	Total shareholders' equity
Position at Jan 1, 2018		11,554	10,472	5,620	17,542	281	45,469
Comprehensive income to Jun 30, 2018					14,185	-137	14,048
Appropriated income at Dec 31, 2017				17,542	-17,542		0
Stock options		362	536				898
Reductions in share capital – treasury shares		-145	-457	602			0
Shares of the consolidating company				86			86
Gains and losses on treasury shares				49			49
Other				-7			-7
Position at Jun 30, 2018	11	11,771	10,551	23,892	14,185	144	60,543
Position at Jan 1, 2019		11,771	10,551	23,736	12,151	56	58,265
Comprehensive income to Jun 30, 2019					-2,546	359	-2,187
Appropriated income at Dec 31, 2018				12,151	-12,151		0
Stock options							0
Shares of the consolidating company				3			3
Gains and losses on treasury shares				-18			-18
Dividends				-1,987			-1,987
Other				96			96
Position at Jun 30, 2019		11,771	10,551	33,981	-2,546	415	54,172

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, 2019	Jun 30, 2018
Cash flows from operating activities			
Net income from consolidated companies		-2,546	14,185
+ Additions to amortization, depreciation and provisions (except on current assets)		1,880	1,667
- Reversals of amortization, depreciation and provisions		0	-930
-/+ Unrealized gains and losses arising from changes in fair value	17	728	-13,245
+/- Expenses and income arising from stock options	11	0	0
-/+ Capital gains and losses on disposals		-5	0
Change in deferred taxes	18	-133	1,656
Operating cash flow after cost of net financial debt		-76	3,333
Cost of net financial debt	17	203	28
Operating cash flow before cost of net financial debt		127	3,361
Currency translation adjustment on gross cash flow from operations		-7	1
Inventories	10	1,083	-5,412
Trade receivables		11,108	6,195
Trade payables		-5,059	-336
Other		-4,077	-2,378
Change in working capital requirement		3,055	-1,931
Net cash flows from operating activities		2,972	1,403
Cash flows from investing activities			
Acquisitions of intangible assets	8	-1,318	-1,305
Acquisitions of property, plant and equipment	8	-337	-715
Disposals of property, plant and equipment and intangible assets		5	0
Acquisitions of non-current financial assets	9	0	-43
Disposals of non-current financial assets	9	0	1
Net cash from acquisitions and disposals of subsidiaries		0	0
Net cash flows from investing activities		-1,650	-2,062
Cash flows from financing activities			
Increases in capital and cash injections	11	0	329
Dividends paid		0	0
Borrowings		0	0
Repayment of shareholders' current accounts	22	0	-972
Repayment of borrowings	14	-1,585	-2,661
Repayment of debt and interest (IFRS 16)		-162	0
Other cash flows from financing activities		0	0
Total cash flows from financing activities		-1,747	-3,304
Impact of currency translation adjustments		61	-5
Change in cash		-364	-3,968
Net cash at the beginning of the period	A and 14	-2,005	10,279
Net cash at the end of the period	A and 14	-2,369	6,311

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 thousands of euros unless otherwise stated.)

1) General information

The financial statements were signed off by the Board of Directors on September 25, 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. The Guillemot Corporation Group has been active in this market since 1984 and currently operates in 11 countries (France, Germany, the United Kingdom, the United States, Canada, Belgium, the Netherlands, Hong Kong/China, Spain, Romania and Italy) and distributes its products in more than 100 countries worldwide. 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*) headquartered at Place du Granier, BP 97143, 35571 Chantepie Cedex, France.

2) Basis of preparation of summary interim financial reporting

This set of summary interim consolidated financial statements to June 30, 2019 has been prepared in accordance with IAS 34, "Interim financial reporting". The summary interim report should be read in conjunction with the 2018 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, 2018, as set out in the annual financial statements for the year ended December 31, 2018.

IFRS 16 (Leases) entered into force on January 1, 2019.

For lessees, IFRS 16 does away with the traditional distinction between operating leases and finance leases.

Under IFRS 16, (almost) all leases are recognized in the lessee's balance sheet, including both an asset (representing the right to use the leased asset throughout the lease term) and a liability (in respect of the lease payment obligation).

As a result of this change, most leases must now be stated in the balance sheet, together with a corresponding increase in liabilities.

The standard provides for two situations in which lessees are exempt from the requirement to recognize leases: leases relating to low-value assets (valued at less than US\$5,000) and leases with a term of 12 months or less.

At the effective date of a lease, the lessee recognizes a liability in respect of future lease payments and an asset representing the right to use the underlying asset throughout the term of the lease. Lessees must separately recognize debit interest on the lease liability and the amortization expense on the right to use the leased asset.

The Group adopted IFRS 16 on leases for the first time with effect from January 1, 2019. In adopting the standard, the Group has chosen to use the modified retrospective approach, opting to value the right-of-use asset as equal to the amount of the lease liability, adjusted to exclude any

advance or deferred lease payments showing in the balance sheet immediately before the date of first-time adoption.

Under the modified retrospective approach, there is no requirement to restate comparative information.

Moreover, the following practical options have been adopted:

- The Group has decided not to avail itself of the exemption from the requirement to recognize leases due to expire within 12 months of the date of first-time adoption.
- The Group has exercised its judgment in determining the lease term if a lease includes extension or termination options.

Lease liabilities at January 1, 2019 may be reconciled with operating lease liabilities at December 31, 2018 as follows:

Operating lease liabilities at December 31, 2018: €1.1 million

Incremental borrowing rate at January 1, 2019: 1.05% – 5.97%

Operating lease liabilities updated at January 1, 2019: €1.1 million

Lease liabilities at January 1, 2019: €2.2 million

The difference mainly arises from leases with three-yearly renewal periods held by French subsidiary Hercules Thrustmaster SAS, for which the off balance sheet commitment at December 31, 2018 was based on a three-year term, while the IFRS 16 lease liability was calculated on the basis of a nine-year term.

Balance sheet impacts:

	Dec 31, 2018	IFRS 16 adjustments	Jan 1, 2019
Property, plant and equipment (including right of use)	2,607	2,203	4,810
Current and non-current borrowings (including lease liability)	11,869	2,203	14,072

First-time adoption of the standard resulted in a €2.2 million increase in property, plant and equipment and borrowings.

The following other texts must be applied for fiscal years beginning on or after January 1, 2019:

- IFRIC 23, “Uncertainty over income tax treatments”
- Annual improvements (2015-2017 cycle): Annual improvements to IFRS, published December 2017
- Amendments to IAS 28, “Long-term interests in associates and joint ventures”
- Amendments to IAS 19, “Plan amendment, curtailment or settlement”
- Amendment to IFRS 9, “Prepayment features with negative compensation”

These standards, amendments to existing standards, and interpretations have had no material impact on the Group’s financial statements.

4) Business review

The Guillemot Corporation Group's financial statements to June 30, 2019 are broken down as follows.

First half (€ millions) January 1, 2019 – June 30, 2019	Jun 30, 2019	Jun 30, 2018	Change
Thrustmaster gaming accessories	23.6	30.9	-23%
Thrustmaster total	23.6	30.9	-23%
Hercules digital devices	1.6	1.1	+45%
OEM*	0.3	0.2	+50%
Hercules total	1.9	1.3	+46%
Total turnover	25.5	32.2	-21%
Net income from ordinary activities	-1.5	2.7	
Net operating income	-1.5	2.7	
Net financial income**	-1.1	13.3	
Corporate income tax	+0.1	-1.9	
Consolidated net income	-2.5	14.2	
Earnings per share	-€0.17	€0.93	

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

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

Activity

Group billings were down 21% in the first half of 2019, mainly due to high levels of inventory held by some distribution partners.

At the same time, consumer sales of Hercules and Thrustmaster products are growing, with very strong momentum in flight simulation accessories and DJ controllers.

According to research firm GfK, consumer sales of the Group's key joystick and racing wheel ranges across five European countries (France, the United Kingdom, Germany, Spain and Italy) were up 8% by value and 9% by volume over the first seven months of the year (source: © GfK 2019, all rights reserved; property of GfK and its affiliates).

US sales of those same ranges were up 24% by value and 37% by volume in the first half of the year (source: Copyright 2019 The NPD Group, Inc., all rights reserved; property of NPD and its affiliates).

Results

Lower turnover in the first half of the year resulted in lower gross profit, down from €18.3 million to €13.0 million.

Expenses were down 6%, with variable expenses tracking the decline in turnover while other expenses held steady over the period.

The Group posted a net operating loss of €1.5 million, compared with net operating income of €2.7 million for the six months ended June 30, 2018.

The net financial expense of €1.1 million included a €0.7 million unrealized loss linked to the decline in the valuation of the portfolio of Ubisoft Entertainment SA shares. The Group posted a consolidated net loss of €2.5 million.

Key balance sheet items

(€m)	Jun 30, 2019	Dec 31, 2018
Shareholders' equity	54.2	58.3
Inventories	23.8	24.9
Net debt (excl. AFS securities)*	8.9	7.9
Current financial assets (AFS securities portion)	30.6	31.3

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

Group shareholders' equity stood at €54.2 million at June 30, 2019.

The Group's net debt stood at €8.9 million not including available-for-sale securities, while its portfolio of available-for-sale securities was measured at €30.6 million.

Adoption of IFRS 16 on leases resulted in a €2.2 million increase in net debt excluding available-for-sale securities at June 30, 2019. Working capital decreased by €3 million over the period. Capitalized research and development costs increased by €0.6 million in the six months to June 30 due to higher investment, mainly in the gamepads segment.

End-of-year activity

❖ Thrustmaster

- **Launch of the first pro gamepads:** On October 7, Thrustmaster will announce its first professional gamepad, the *Thrustmaster eSwap Pro Controller*. This new gamepad will provide major innovations for gamers, and is part of the Group's plan to position itself in this high-potential market. This is the largest segment among gaming accessories.
- **Racing range:** The games already launched this summer (*F1® 2019*, *FLA European Truck Racing Championship*, *Truck Driver*) and those to be released by the end of the year (*Wreckfest* and *GRID*) will boost the interest in racing wheels throughout the brand's entire range, as a result of their diversity and the different groups of gamers targeted.
- **e-Sports:** The Thrustmaster brand is the official provider of the T-GT racing wheel at GT Sport competitions worldwide, and will be on hand at the upcoming competitions in Tokyo (*FLA Certified GT Sport World Tour Tokyo*), the finals (*FLA Certified GT Sport Finals*) in Monaco, and the *National Athletics* events in Japan. Thrustmaster was also selected to provide the equipment for the finals of the *Le Mans Esports Series*, organized by the prestigious *24 Hours of Le Mans*. Thrustmaster's partnership with the Jean Alesi eSports Academy represents a new approach in training e-drivers, allowing Thrustmaster to stay close to talented young racing prospects and keep on innovating.

❖ Hercules is adding to its lines of controllers, DJ headphones and DJ speakers.

Thanks to the momentum of its flagship products including the *DJControl Starlight* and *DJControl Impulse 200*, specific Hercules bundles for Christmas are in the works in order to boost sales.

Hercules' presence at one of the largest music trade shows in Shanghai in November is set to coincide with the launch of a website completely dedicated to the Chinese market, where the Group's controllers are now making inroads.

Customs duties in the United States

The U.S. government has implemented new customs duties. Approximately one quarter of the Group's sales in the United States are currently taxed at a rate of 25%. As of December 15 of this year, the vast majority of gaming accessories are set to be subject to a rate that will depend on negotiations now underway. The Group passes along most of these tariffs in its sales prices.

Prospects

Since the start of the fiscal year, the Group has achieved growth in terms of sales to final consumers, and will launch a new range of innovative gamepads in order to expand its sphere of operation.

The Group operates in two lead markets, namely gaming headsets and third-party gamepads (excluding those produced by game console manufacturers), the market for which accounted for more than €50 million in five European countries over the past seven months (Source: GfK 2019), and more than USD 95 million in the United States over the first half of fiscal 2019 (Source: NPD 2019).

Over the second half of the year, the Group is putting in place a solid promotional program with all of its customers in order to maximize their sales in the lead-up to the end of the year. These initiatives will come into effect to coincide with major events for consumers in November, centered around Black Friday in Europe and North America, and Singles' Day in China.

However, wholesalers' inventories — which had been beefed up in autumn 2018 in anticipation of higher sales levels — have not yet been fully absorbed, resulting in lags and reduced restocking at the end of the year. With respect to the United States, the anticipation of increased customs duties last year also resulted in higher inventory levels, which will continue to impact the Group's invoicing over the second half of the year.

In this context, the Group now forecasts turnover in the order of €65 million for the fiscal year, and cannot guarantee positive operating income.

Following this transitional year, the Group anticipates a rebound in 2020 with the launch of the next generation of game consoles and their accompanying games.

5) *Scope of consolidation*

- a) Companies included within the Guillemot Corporation SA Group's consolidated financial statements to June 30, 2019

COMPANY	SIREN number	Country	% control	Accounting method
Guillemot Corporation SA	414,196,758	France	Parent	Full consolidation
Guillemot Administration et Logistique SARL	414,215,780	France	99.96%	Full consolidation
Hercules Thrustmaster SAS	399,595,644	France	99.42%	Full consolidation
Guillemot Innovation Labs SAS	752,485,334	France	100.00%	Full consolidation
Guillemot Ltd		United Kingdom	99.99%	Full consolidation
Guillemot Inc		Canada	74.89% (a)	Full consolidation
Guillemot GmbH		Germany	99.75%	Full consolidation
Guillemot Corporation (HK) Ltd		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		United States	99.99%	Full consolidation
Guillemot SA		Belgium	99.93%	Full consolidation
Guillemot SRL		Italy	100.00%	Full consolidation
Guillemot Electronic Technology (Shanghai) Co. Ltd.		China	100.00%	Full consolidation
Guillemot Spain SL		Spain	100.00%	Full consolidation

(a) 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 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.

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.

- Income statement by business segment (€k):

	Jun 30, 2019			Jun 30, 2018		
	Total	Hercules	Thrustmaster	Total	Hercules	Thrustmaster
Turnover	25,485	1,844	23,641	32,200	1,304	30,896
Additions to amortization and c	1,573	400	1,173	1,526	377	1,149
Additions to provisions	677	302	375	661	327	334
Net income from ordinary activ	-1,505	-1,345	-160	2,750	-913	3,663
Net operating income	-1,505	-1,345	-160	2,750	-913	3,663

- Balance sheet by business segment (€k):

	Jun 30, 2019			Dec 31, 2018		
	Net Jun 30, 2019	Hercules	Thrustmaster	Net Dec 31, 2018	Hercules	Thrustmaster
Goodwill on acquisitions	0			0		
Intangible assets	11,455	1,314	10,141	11,115	1,306	9,809
Property, plant and equipment	4,700	2,226	2,474	2,607	1,117	1,490
Inventories	23,842	2,041	21,801	24,925	2,391	22,534
Trade receivables	12,671	935	11,736	23,779	1,907	21,872
Unallocated assets	38,069	-	-	46,696		
TOTAL ASSETS	90,737	6,516	46,152	109,122	6,721	55,705
Shareholders' equity	54,172	-	-	66,285	-	-
Provisions	1,196	598	598	1,034	517	517
Trade payables	13,819	1,042	12,777	18,878	1,653	17,225
Unallocated liabilities	21,550	-	-	22,925	-	-
TOTAL LIABILITIES AND EQUITY	90,737	1,640	13,375	109,122	2,170	17,742

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

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

Segment information by geographical region

- Turnover by geographical region (€k):

	Jun 30, 2019	Jun 30, 2018	Change
European Union	13,186	16,381	-20%
North America	5,543	9,235	-40%
Other	6,756	6,584	3%
TOTAL	25,485	32,200	-21%

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

	Jun 30, 2019				Dec 31, 2018			
	Net total	EU	North America	Other	Net total	EU	North America	Other
Goodwill on acquisitions	0	-	-	-	0	-	-	-
Property, plant and equipment	4,700	4,557	129	14	2,607	2,446	142	19
Financial assets	30,936	30,871	27	38	31,677	31,612	26	39
Deferred tax assets	1,007	1,007			8,894	8,894		
Inventories	23,842	3,636	3,677	16,529	24,925	3,228	2,608	19,089
Trade receivables	12,671	6,232	3,012	3,427	23,779	9,016	10,142	4,621
Other receivables	1,763	1,686	50	27	1,441	1,359	31	51
Cash and cash equivalents	3,716	1,311	1,778	627	4,010	2,311	1,227	472
Tax assets	648	488	160		674	517	157	
Unallocated assets	11,454	-	-	-	11,115	-	-	-
TOTAL ASSETS	90,737	49,788	8,833	20,662	109,122	59,383	14,333	24,291

Unallocated assets consist of intangible assets.

7) Goodwill

a) Goodwill on acquisitions

Goodwill at June 30, 2019 is broken down as follows:

Goodwill	Gross at Jun 30, 2019	Impairment at Jun 30, 2019	Net value at Jun 30, 2019
Guillemot Ltd (United Kingdom)	1		1
Hercules Thrustmaster SAS (France)	1,299		1,299
Guillemot Administration et Logistique SARL (Fra	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		25,027

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

Goodwill was fully impaired at June 30, 2019.

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

a) Intangible assets

Intangible assets are broken down as follows:

Gross amounts	Dec 31, 2018	Changes in scope	Increases	Decreases	Currency translation adjustments	Jun 30, 2019
Brands	10,842					10,842
Development costs	6,314		164	3	-1	6,474
Development costs in progress	1,888		1,249	289	-5	2,843
Licenses	2,542		59			2,601
Concessions, patents, etc.	966		53		10	1,029
Other intangible assets	947		47		17	1,011
TOTAL	23,499	0	1,572	292	21	24,800

Amortn, deprecn & provns	Dec 31, 2018	Changes in scope	Increases	Decreases	Currency translation adjustments	Jun 30, 2019
Brands	5,110					5,110
Development costs	4,358		580	36		4,902
Licenses	1,055		364			1,419
Concessions, patents, etc.	917		18		10	945
Other intangible assets	944		5		19	968
TOTAL	12,384	0	967	36	29	13,344

Net amounts	Dec 31, 2018	Jun 30, 2019
Brands	5,732	5,732
Development costs	1,956	1,572
Development costs in progress	1,888	2,843
Licenses	1,487	1,182
Concessions, patents, etc.	49	84
Other intangible assets	3	43
TOTAL	11,115	11,456

Brands

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

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 (CGU).

The Hercules brand has a net balance sheet value of €432k, compared with a purchase cost of €1,432k.

There were no indicators of impairment at June 30, 2019, and the impairment test has not been updated since that date.

Thrustmaster:

The Thrustmaster brand is allocated to the Thrustmaster CGU. The Thrustmaster brand 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. 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 provision against the Thrustmaster brand were reversed in full.

At June 30, 2019, there were no indicators of impairment suggesting that the impairment test should be updated.

At June 30, 2019, there had been no revision of the carrying amount of the Thrustmaster brand.

Development costs

Development costs on projects meeting the six eligibility criteria laid down in IAS 38 are 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 €570k. The following Guillemot Corporation Group companies generate development costs: Hercules Thrustmaster SAS, Guillemot Innovation Labs 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.

Licenses

The €59k increase in this item was the result of new minimum warranties on assets, with no impact on the 2019 cash position.

- b) Property, plant and equipment

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

Gross amounts	Dec 31, 2018	Changes in scope			Currency translation adjustments	Jun 30, 2019
			Increases	Decreases		
Land	399					399
Buildings	5,743		2,305		3	8,051
Plant	4,201		52		12	4,265
Other prop., plant & equipt.	1,611		165	32	7	1,751
Assets under construction	184		264	52		396
TOTAL	12,138	0	2,786	84	22	14,862

Depreciation	Dec 31, 2018	Changes in scope			Currency translation adjustments	Jun 30, 2019
			Increases	Decreases		
Buildings	5,160		280		1	5,441
Plant	3,315		263		11	3,589
Other prop., plant & equi	1,056		102	32	6	1,132
TOTAL	9,531	0	645	32	18	10,162

Net amounts	Dec 31, 2018	Change	IFRS 16 impact	Jun 30, 2019
Land	399			399
Buildings	583	-82	2,109	2,610
Plant	886	-210	0	676
Other prop., plant & equipt.	555	-7	71	619
Assets under construction	184	212		396
TOTAL	2,607	-87	2,180	4,700

Buildings represent buildings located in Carentoir (France).

The €52k decrease in assets under construction corresponds to assets transferred to the “plant” item. Tangible fixed assets under construction mainly relate to molds and tools allowing for the production of new products.

Adoption of IFRS 16 has resulted in a €2,180k increase in net property, plant and equipment at June 30, 2019 in respect of the right of use linked to leases.

The impact of first-time adoption of IFRS 16 at June 30, 2019 is as follows:

Gross amounts:

€2,305k increase in the “Buildings” item

€1k increase in the “Plant” item

€91k increase in the “Other property, plant and equipment” item

Depreciation:

€196k increase in the “Buildings” item

No impact on the “Plant” item

€20k increase in the “Other property, plant and equipment” item

9) *Financial assets*

Non-current financial assets are broken down as follows:

Gross amounts	Dec 31, 2018	Changes in scope	Increases	Decreases	Currency translation adjustments	Jun 30, 2019
Other long-term investments	0		132			132
Other non-current financial assets	393			145		248
TOTAL	393	0	132	145	0	380

Movements in other long-term investments relate to the liquidity agreement currently in force. At June 30, 2019, 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 shares.

	Net Dec 31, 2018	Disposals Jun 30, 2019	Acquisitions Jun 30, 2019	Currency translation adjustments Jun 30, 2019	Gain/loss on revaluation Jun 30, 2019	Net Jun 30, 2019
Ubisoft Entertainment shares						
Number	443,874					443,874
Fair value (€k)	31,284				-728	30,556
Currency derivatives	0					0
Total value	31,284	0	0	0	-728	30,556

Ubisoft Entertainment shares (listed on an active market) are measured at fair value in accordance with IFRS 9.

At June 30, 2019 the Group held 443,874 Ubisoft Entertainment shares, representing 0.40% of the company’s share capital.

The price used at December 31, 2018 was €70.48 per Ubisoft Entertainment share. The price used at June 30, 2019 to measure the shares at fair value was €68.84 per Ubisoft Entertainment share. The gross unrealized loss recognized at June 30, 2019 on Ubisoft Entertainment shares was €728k (see points 17 and 18).

10) Inventories

Inventories	Gross Dec 31, 2018	Change in inventories (result)	Changes in scope	Currency translation adjustments	Gross Jun 30, 2019
Raw materials	3,003	244		1	3,248
Finished products	23,896	-1,755		191	22,332
TOTAL	26,899	-1,511	0	192	25,580

Accumulated impairment	Dec 31, 2018	Increases	Decreases	Changes in scope	Currency translation adjustments	Jun 30, 2019
Raw materials	451	116	48			519
Finished products	1,523	257	575		14	1,219
TOTAL	1,974	373	623	0	14	1,738

Total net inventories	24,925					23,842
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Inventories consist of electronic components and sub-assemblies as well as finished products. An impairment loss is recognized whenever the carrying amount of inventory is greater than its probable realizable value. At June 30, 2019 the value of net inventory totaled €23,842k. This inventory level is due to wholesalers still holding high levels of inventory.

11) Shareholders' equity

The share capital consists of 15,287,480 shares with a par value of €0.77 each.

Guillemot Corporation SA holds 66,981 treasury shares. These treasury shares reduce the value of shareholders' equity by €196k.

At June 30, 2019, the percentage of capital represented by treasury shares was 0.44%.

There were no longer any stock option plans in force at June 30, 2019.

12) Provisions for liabilities and charges

Provisions for liabilities and charges are broken down as follows:

	Dec 31, 2018	Increases Jun 30, 2019	Decreases Used Jun 30, 2019	Decreases Not used Jun 30, 2019	Currency translation adjustments Jun 30, 2019	Jun 30, 2019
Product returns	0					0
Other	36	3				39
TOTAL	36	3	0	0	0	39

Expected returns are now recognized in “Other liabilities” and charged against income, pursuant to IFRS 15.

Provisions for liabilities and charges stood at €39k at June 30, 2019.

13) Employee benefit liabilities

The Group has no post-employment benefit plans other than the statutory plan 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:

- Discount rate: 0.77%
- Use of collective bargaining agreements specific to subsidiaries
- Retrospective calculation method for projected credit units
- Insee 2018 mortality table
- 2019 baseline salary, assuming a 2% annual increase until retirement

At June 30, 2019, the amount of the recognized provision stood at €1,157k.

In accordance with IAS 19, 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, 2019 was -€148k.

14) Borrowings and cash

Borrowings are broken down as follows:

	Current (due within 1 year)				Non-current (due within more than 1 year)	Dec 31, 2018
	Jun 30, 2019	0-3 months	3-6 months	6-12 months		
Borrowings from credit institutions	6,488	1,033	903	1,810	2,742	5,836
Bank overdrafts and foreign currency advances	6,084	6,084				6,014
Sundry	17	17				19
TOTAL	12,589	7,134	903	1,810	2,742	11,869

The Group has fixed rate financial liabilities totaling €6,505k and floating rate financial liabilities totaling €6,084k. Over the period, the Group repaid €1,747k against bank borrowings.

Net debt	Jun 30, 2019	Dec 31, 2018
Borrowings	12,589	11,869
Shareholders' current accounts	0	0
Cash at bank and in hand	3,716	4,010
Net debt	8,873	7,859

At June 30, 2019, the Group's net debt totaled €8,873k.

Adoption of IFRS 16 has increased the Group's net debt by €2,235k.

The Group also has an equity portfolio worth €30.6 million (fair value at June 30, 2019).

15) Other liabilities

	Jun 30, 2019	Dec 31, 2018
Social security liabilities	1,657	1,940
Current accounts	0	0
Other	6,965	7,981
TOTAL	8,622	9,921

The "Other" item consists of accrued expenses linked to licenses, year-end rebates, advances and progress payments, prepaid income and expected refund liabilities.

16) Net operating income

Net operating income to June 30, 2019 totaled -€1,505k, compared with +€2,750k for the six months to June 30, 2018.

Profitability has been adversely affected by the decline in turnover combined with a more than 5 percentage point decrease in the accounting gross profit ratio.

17) Net financial income

The cost of net financial debt to June 30, 2019 was €203k. 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, 2019	Jun 30, 2018
Foreign currency translation adjustments	0	128
Unrealized gain/loss on Ubisoft Entertainment shares	0	13,245
Total other financial income	0	13,373
Foreign currency translation adjustments	212	0
Unrealized gain/loss on Ubisoft Entertainment shares	728	0
Total other financial expenses	940	0

Currency effects arising from the translation of subsidiaries' accounts:

All subsidiaries conduct business in local currency; the impact on shareholders' equity was +€359k.

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, 2019, the Group's borrowing and bank financing facilities were not fully utilized; net debt totaled €8.9 million. At June 30, 2019, the fair value of the Group's portfolio of available-for-sale securities stood at €30.6 million.

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 second half of 2019 (relative to their price at June 30, 2019) would reduce net financial income by €3.1 million.

Interest rate risk: based on the Group's outstanding floating rate financial liabilities at June 30, 2019, a 1% increase in interest rates on an annual basis would result in a €34k increase in financial expenses.

Foreign exchange risk: a breakdown of the Group's foreign currency assets and liabilities at June 30, 2019 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	9,456	72
Liabilities	11,803	11
Net position before hedging	-2,347	61
Off balance sheet position	0	0
Net position after hedging	-2,347	61

Based on foreign currency values exposed to exchange rate fluctuations at June 30, 2019, a 10% annual increase in US dollar exchange rates would increase financial expenses by €206k.

Based on foreign currency values exposed to exchange rate fluctuations at June 30, 2019, the impact of a 10% annual decrease in the value of sterling would be negligible.

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.

Furthermore, the higher export sales have boosted the Group's natural hedging and significantly reduced its foreign exchange risk.

There were no currency futures or options outstanding at June 30, 2019.

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.

Risk associated with protectionism:

Products assembled in China and imported into the United States are affected by US Government plans to increase import tariffs.

The Group passes on part of such increases in its selling prices, and this could affect the Group's US sales over the latter part of the year.

The United Kingdom's potential exit from the European Union (Brexit) could also affect the Group's sales over the next few months.

18) Corporate income tax

a) Tax assets

At June 30, 2019, this item consisted of a French Employment Competitiveness Tax Credit (*Crédit d'Impôt Compétitivité Emploi*) totaling €217k and research tax credits (in France and Canada) totaling €431k.

These tax credits were offset against employee expenses in the income statement during prior periods.

b) Deferred taxes

Deferred taxes on the balance sheet at June 30, 2019 totaled €1,007k.

Breakdown of deferred taxes by type:

(€k)	Jun 30, 2019	Dec 31, 2018
Recognition of tax loss carryforwards – Guillemot Corporation SA	6,487	6,577
Consolidation adjustments	467	425
Unrealized gains on Ubisoft shares held (deferred tax liability)	-5,947	-6,129
TOTAL	1,007	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.

At June 30, 2019 the Group had 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 €3,099k have been 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.

c) Income tax expense

Corporate income tax is broken down as follows:

	Jun 30, 2019	Jun 30, 2018
Deferred taxes	-133	1,656
Current taxes	32	254
TOTAL	-101	1,910

Income tax payable corresponds to total income taxes payable by all Group companies.

Deferred tax is calculated on temporary differences relating to tax adjustments, consolidation adjustments and tax loss carry-forwards.

At end December 2018, the Group had unused tax loss carry-forwards totaling €35 million, €32 million of which related to the parent, Guillemot Corporation SA.

19) *Discontinued operations*

The Group has not discontinued any operations in recent years.

20) *Earnings per share*

Basic earnings per share	Jun 30, 2019	Jun 30, 2018
Earnings	-2,546	14,185
Average number of shares (thousar	15,287	15,287
No. of treasury shares (thousands)	-67	-38
Total shares (thousands)	15,220	15,249
Basic earnings per share	-0.17	0.93

Diluted earnings per share	Jun 30, 2019	Jun 30, 2018
Earnings	-2,546	14,185
Average number of shares (thousands)	15,287	15,287
No. of treasury shares (thousands)	-67	-38
Total shares (thousands)	15,220	15,249
Maximum number of shares to be created		
- via conversion of bonds	0	0
- via exercise of options	0	0
- via exercise of subscription rights	0	0
Total shares (thousands)	15,220	15,249
Diluted earnings per share	-0.17	0.93

21) *Off balance sheet commitments*

Documentary credits: €42k.

22) *Related party transactions*

The Group is owned by Guillemot Brothers Ltd. (14.62%), the Guillemot family (58.14%), Guillemot Corporation S.A. (0.44%) and members of the public (26.80%).

The related parties are Guillemot Brothers Ltd. 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 group, over which members of the Guillemot family hold significant voting rights and within which they hold executive roles.

Key totals relating to transactions with the Ubisoft Entertainment group:

	Jun 30, 2019
(€k)	Ubisoft Entertainment
Trade receivables	153
Trade payables	107
Revenue	315
Expenses	210

23) *Seasonality of business*

As a rule, the Guillemot Corporation Group generates around 50% of its annual sales 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.

24) *Subsequent events*

None.

F - Independent Auditors' report on 2019 interim financial disclosures

To the shareholders

GUILLEMOT CORPORATION

Place du Granier

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35571 Chantepie Cedex

Pursuant to 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:

- conducted a limited review of the summary interim consolidated financial statements of Guillemot Corporation for the period from January 1, 2019 to June 30, 2019, as appended to this report;
- 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.

I - 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.

Without calling into question the conclusion expressed above, we would like to draw your attention to section 3, "Accounting policies", of note E, "Notes to the summary interim consolidated financial statements", which sets out the impacts of first-time adoption of IFRS 16, "Leases", with effect from January 1, 2019.

II – 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 as to the accuracy of this information or its consistency with the summary interim consolidated financial statements.

Rennes and Bruz, September 25, 2019

The statutory auditors

PricewaterhouseCoopers Audit

MB Audit

Jérôme Mouazan

Khadija Roullé

G - Declaration by the persons responsible for the interim report

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.

Rennes, September 25, 2019

Claude Guillemot
Chairman and Chief Executive Officer