EDIFY
Investment Partner

Financial Report

2017

2017: another year of growth

PAUL GEORGES DESPATURE,
Chairman of the Board of Directors.

Edify recorded strong growth in 2017. Its sales and current operating profit both grew by more than 10% and its operating cash flow by almost 17%. This performance followed on from a 2016 that also posted significant growth.

The end of the year was marked by a major acquisition, that of Thermocompact Group, one of the specialists in high technology wires and surface coating with precious metals using electrolytic processors.

With sales of €90 million and numerous ongoing projects, this medium-sized company has considerable potential and will enhance Edify's portfolio. In December 2017, Thermocompact took over the diamond and saw manufacturing business of Diamond Materials Tech., thus gaining greater access to the US market for all its operations.

Meanwhile, Zurflüh-Feller acquired Eckermann and became second ranked in the German market for awning and roller shutter components.

We completed the disposal of our equity interests in Babeau-Seguin and Sofilab, achieving multiples of 2.4 and 2.2.

But our future growth and the fulfilment of our ambitions relies on the introduction of additional human and financial resources.

As such, the Edify team has been bolstered by the arrival of several new employees, including one senior executive.

In addition, we have strengthened our financial resources by increasing our credit facilities from €63 to €120 million. All the banks that supported us in 2016 have renewed their trust in us.

It also seemed appropriate to diversify our sources of funding and extend their maturity. For that reason, in early 2018 we announced the signing of its first private bond placement totalling €50 million, maturing over 7 years and bearing a fixed rate of 3.75%. This bond will enable Edify to increase its investment capacity and accelerate its pace of growth.

In late December 2017, our Net Asset Value reached €440 million, representing more than €90 per share. Since Edify's creation in December 2014, NAV has increased by 50%.

Edify has accomplished a lot over the past three years. The foundations of our distinctive and original positioning are now well established: Edify stands for a specific entrepreneurial culture, extensive experience of family-run companies, and industrial, strategic and managerial expertise.

I would like to thank the Edify team for its unwavering motivation and commitment to supporting our growth.

EDIFY – INVESTMENT PARTNER

Edify is an industrial holding company that invests in SMEs and mid-caps to help them grow and support them over the long term.

Formerly known as "Somfy Participations", Edify's origins date back to 2006 within Somfy Group. Edify has been listed on the Euro MTF market of the Luxembourg stock market since 19 December 2014.

Contents

Shareholder relations

CAPITAL

Edify S.A.'s (hereinafter Edify) capital amounted to €4,860,000 at 31 December 2017, divided into 4,860,000 fully paid-up shares with a par value of €1 each, all in the same class.
The Company held 1,328 Edify shares at 31 December 2017 under the terms of the authorisations granted to it. These treasury shares are held by the Company, in order to ensure an active market in its shares via an investment service provider under the terms of a liquidity agreement.
At 31 December 2017, the Company had issued 474,859 profit units for a total amount of €4,835,138.08.
The Company has not issued any marketable securities granting access to the capital.

LISTING

Edify is a limited company, listed on the Euro-MTF market of the Luxembourg stock exchange since 19 December 2014 at the IPO price of €50.
The average share price in 2017 was €51.19, and the closing price was €57.01.

LIQUIDITY AGREEMENT

Edify entered into a liquidity agreement with Kepler Capital Markets on 11 December 2014.

2018 FINANCIAL CALENDAR

28 March	Publication of 2017 annual results
17 May	Annual General Meeting
24 May	Publication of first quarter 2018 sales
27 September	Publication of 2018 half-year results
29 November	Publication of first quarter 2018 sales

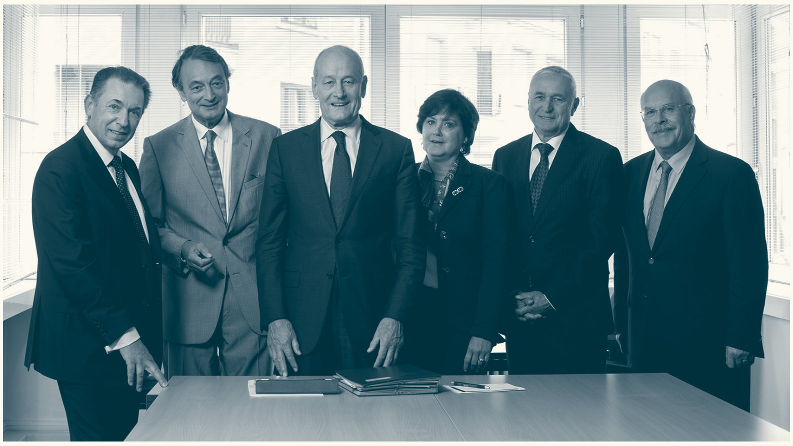
Organisation

BOARD OF DIRECTORS

Chairman
PAUL GEORGES DESPATURE

Vice-Chairman
WILFRID LE NAOUR

Members of the Board of Directors
VICTOR DESPATURE
RUDOLF D. GRAF
FRÉDÉRIC GENET
AGNÈS LARUELLE



Left to right:

FRÉDÉRIC GENET,
Former Chief Executive Officer of Société Générale Bank & Trust Luxembourg.

WILFRID LE NAOUR,
Vice-Chairman of the Board of Directors of Edify and former CEO of Somfy.

PAUL GEORGES DESPATURE,
Chairman of the Board of Directors of Edify. Former Chairman of the Management Board of Somfy and Chairman of the Supervisory Board of Damartex.

AGNÈS LARUELLE,
Member of the Executive Committee of MDO Management Company in Luxembourg.

RUDOLF D. GRAF,
Chairman of the Board of Directors of AFG Arbonia.

VICTOR DESPATURE,
Member of the Supervisory Board of Somfy and Chairman of MCSA Group.

AUDIT COMMITTEE

Chairman
VICTOR DESPATURE

Member
AGNÈS LARUELLE

REMUNERATION COMMITTEE

Chairman
PAUL GEORGES DESPATURE

Members
FRÉDÉRIC GENET
WILFRID LE NAOUR

INVESTMENT COMMITTEE

Chairman
WILFRID LE NAOUR

Members
JEAN GUILLAUME DESPATURE
ANTHONY STAHL

APPROVED STATUTORY AUDITOR

ERNST & YOUNG S.A.

CONTACTS

Edify
VALÉRIE MARQUES
Chief Financial Officer
Tel: +35 2 24 83 16 21
Email: vmarques@edify-investmentpartner.com

Shan
FRANÇOIS-XAVIER DUPONT
Tel: +33 1 44 50 58 74
Email: fx.dupont@shan.fr

Overview of the

CONSOLIDATED FINANCIAL STATEMENTS

Overview of the Consolidated Financial Statements

€ millions	Year 2017	Year 2016
Net asset value as at December 31	440.1	385.4
Consolidated Sales	461.9	413.7
Consolidated EBITDA	57.7	52.6
Consolidated current operating result	40.4	36.6
Consolidated operating result	29.6	27.5
Consolidated net result	21.4	16.3
Consolidated operating cash flow	46.6	39.9
Net financial debt as at December 31	88.9	22.6
Treasury Edify S.A. as at December 31	17.9	9.3
Confirmed credit facilities Edify S.A. as at December 31	90.0	63.0

Edify's 2017 consolidated financial statements include 3 months of Thermo Technologies, holding of Thermocompact results while the whole acquisition price impact then the 2017 consolidated Net financial debt.

Board of Directors'

MANAGEMENT REPORT

Board of Directors' Management Report

TO THE ANNUAL GENERAL MEETING OF 17 MAY 2018

Ladies and Gentlemen,

In accordance with legal and regulatory provisions in force, the Board of Directors has convened you here in order to inform you on the management of your Company and the companies in its portfolio and to submit for your approval the financial statements for the year ended 31 December 2017.

EDIFY S.A. is an industrial holding company listed on the Euro-MTF market of the Luxembourg stock exchange

Its portfolio is comprised of majority and minority shareholdings in French, Spanish and Swiss industrial medium-sized businesses and SMEs, namely **Zurflüh-Feller** (accessories and systems for roller shutters and industrial closing mechanisms), **Sirem** (motorised solutions for spa baths, swimming pools and milk tanks), **Pellenc** (portable power tools and machinery for winegrowing, olive growing and green spaces), **Les Usines Métallurgiques de Vallorbe** (filing tools for the jewellery, watchmaking, forestry, car and aeronautical industries), **de Buyer** (items and utensils for cookery and patisserie), **Thermocompact** (one of the specialists in high technology wires (particularly for electro-discharge machining), and surface coating with precious metals using electrolytic processors, **Gaviota-Simbac** (components and motors for awnings and roller shutters), **Ligier** (microcars for unlicensed drivers), and **Lacroix Emballages** (packaging for solid dairy products).

Highlights of the year

ACQUISITION OF THERMOCOMPACT

On 22 September 2017, Edify completed the acquisition of the entire capital of Thermo Technologies, the holding company that controls Thermocompact, one of the specialists in high technology wires (particularly for electro-discharge machining), and surface coating with precious metals using electrolytic processors. A public takeover bid followed by a squeeze-out was completed during the last quarter of 2017, enabling Thermo Technologies to hold 100% of the Thermocompact shares as of December 31, 2017.

ACQUISITION OF ECKERMANN

On 20 July 2017, Zurflüh-Feller acquired Eckermann and is now ranked second in the German market for awning and roller shutter components.

ACQUISITION OF DIAMOND MATERIALS TECH

On 7 December 2017, Thermocompact took over the diamond saw and wire manufacturing business of Diamond Materials Tech., thus gaining greater access to the US market for all its operations.

FULL OWNERSHIP OF ALL PELLENC S.A. SHARES

As agreed, the temporary usufruct held by Roger Pellenc and his partners, relating to 51.36% of Pellenc SA shares, expired in April 2017. As a result, Edify on that date, fully owned all the shares in this company.

DISPOSAL OF THE EQUITY INTEREST IN LA BUVETTE GROUP

On 27 July 2017, Edify sold its 25% equity interest in Sofilab 4, a holding company of La Buvette, the leader in watering and containment equipment for cattle, sheep, goats and equines. This disposal generated a multiple of 2.2 the initial investment.

DISPOSAL OF THE EQUITY INTEREST IN BABEAU-SEGUIN

On 12 December 2017, Edify sold its minority shareholding in Babeau-Seguin, a builder of detached houses. This disposal generated a multiple of 2.4 the initial investment.

LOAN AGREEMENT

In order to finance its growth strategy, Edify has secured additional financial resources by increasing its available credit facility from €63 million to €120 million. The transaction has been arranged by Crédit Mutuel-CM11 Group.

ISSUE OF PROFIT UNITS

Edify issued 15,679 profit units over 2017 at a price of €15.52 each, for a total amount of €243,338.08.

Net Asset Value of Edify's portfolio

METHODOLOGY

Edify's Net Asset Value is the sum of:

- the financial assets held by Edify S.A., revalued at fair value in accordance with the methods set out below;

- the cash held by the Edify S.A. holding company, less its financial commitments.

Financial assets defined as bond receivables are valued at their face value, including capitalised interest.
Book value was used in the case of non-consolidated companies. In the case of equity interests that are fully consolidated, or consolidated on a proportional basis or via the equity method, the valuation methods selected were as follows:

SHARES IN UNLISTED COMPANIES

The enterprise value for each equity interest is measured via the usual methods, namely:

The stock market comparable multiple method
A sample of comparable companies, which consists of listed companies in the same business sector as the companies to be valued, and for which analysts publish research and estimates on a regular basis, is determined for each company to be valued. This sample is stable over time, and is only adjusted in the event that a comparable is no longer relevant. The multiples for the companies in the sample are calculated based on (i) the average market capitalisation for the 20 last trading sessions prior to the valuation, and net debt, as estimated by analysts at the valuation date, and (ii) the EBITDA and EBITA (Current Operating Profit before amortisation of the intangible assets allocated at the time of acquisitions) for the current year and the next two years resulting from the most recent analyst consensus at the assessment date. A discount may be applied to some multiples, in order to take account of the smaller size of the company that is being valued compared with the companies in the sample. The average EBITDA and EBITA multiples for companies in the sample that display similar growth prospects to the ones for the company to be valued are applied to that company's recurring EBITDA and EBITA for the current year and the next two years. The enterprise value selected is calculated by determining an average for the valuations obtained by applying these multiples to the aggregate amount of the equity interests.

The discounted cash flow method (DCF)
This method consists in determining the present value of the cash flows that a company will generate in the future. The forecast cash flows, which are determined together with the management of the company concerned, include a critical analysis of these companies' business plans. The discount rate used corresponds to the weighted average cost of capital and reflects the expected return on invested capital (equity and liabilities necessary to finance operations) given the specific features of the Company (sector, size, country exposure). It is calculated on the basis of financial data gathered for the same sample as the one used for the multiples. Furthermore, the forecast cash flows correspond to those that are used for impairment tests.

Choice of method
Where the company being valued has reached maturity on its market, the enterprise value is calculated by averaging the value obtained using the comparable market capitalisation method and the value obtained via the discounted cash flow method, while ensuring the convergence of the values obtained via both methods.

In the case of equity interests where most of the future growth involves a new market (change of strategy) or a recovering market, the enterprise value is calculated based on the DCF method.

This multi-criterion analysis enables Edify to take the intrinsic growth of its equity interests, and its medium-term investment approach into account.

The enterprise value calculated in this way is decreased or increased by non-operating assets and liabilities, which are valued at their net book value or at their market value, if that value can be determined on a reliable basis, and including net financial debt, which provides an adjusted value for a 100% interest. Financial debt is valued at its face value, plus any accrued interest. The value of the interest in the Net Asset Value is obtained by applying the percentage interest held by Edify at the valuation date. A minority discount may be applied in the case of some equity interests that do not provide control and/or of reduced control.

SHARES IN LISTED COMPANIES

The shares are valued by using the average closing price for the last 20 trading sessions prior to the valuation.

NEW INVESTMENTS

New investments in subsidiaries and in listed or unlisted equity interests are valued at their purchase price during the 12 months following their acquisition. Following their acquisition, the subsidiaries prepare consolidated annual financial statements, which are certified by external auditors, and update their business plans and results forecasts for the financial year following the date of their acquisition.

The methodology set out above complies with the "International Private Equity and Venture Capital Valuation Guidelines" ("IPEV"), which are approved by the main professional private equity organisations throughout the world.

VALUATION OF EDIFY'S PORTFOLIO

The Net Asset Value[1] of Edify was €440.1 million at the end of December 2017, representing €90.6 per share and a year-on-year increase of €14.2%, due in particular to the strong performance of the companies.

Presentation of the financial statements

ACCOUNTING PERIOD

The financial year covers 12 calendar months.

PARENT COMPANY DATA

Edify's operating loss amounted to €5.1 million at 31 December 2017, and primarily consisted of operating expenses. Net financial income amounted to €35.7 million and primarily consisted of dividends and interest income. The net profit was €30.4 million.

CONSOLIDATED DATA

SALES

Consolidated sales totalled €461.9 million for the 2017 financial year, an increase of 11.7% in real terms and 5.9% at constant scope.

Gaviota recorded an upward trend in virtually all territories, as did Pellenc, particularly in Southern Europe and North America. The trend remained positive for Zurflüh-Feller, due to the dynamism of the French construction market and stronger penetration of the German market. Sales also grew – albeit moderately – at de Buyer and Usines Métallurgiques de Vallorbe.

NET PROFIT

Consolidated EBITDA was €57.7 million for the financial year, an increase of 9.7%, with current operating profit of €40.4 million, up 10.4%. They represented 12.6% and 8.7% of sales respectively. The increase in profitability was the result of improvements in almost all equity interests.

Net profit grew 31.9% to 21.4 million. It was impacted by a writedown at Usines Métallurgiques de Vallorbe, following an impairment test, offset by capital gains on the disposal of Babeau-Seguin and Sofilab shares.

Portfolio companies reduced their debt by €27.8 million despite a sustained €26 million investment programme.

1. The published adjusted net asset value does not take into account the holding company discount. It is the result of combining standard valuation methods (market capitalisation based on the multiples of comparable listed companies and future discounted cash flow).

FINANCIAL POSITION

Consolidated net financial debt stood at €88.9 million at the end of 2017 compared with €22.6 million at the end of 2016. This increase includes in particular:

• Cash flow from acquisitions net of disposals of €90.8 million,

• A €27.8 million reduction in portfolio companies' debt.

This Net Financial Debt of €88.9 million represents less than 1.5 times Edify's pro forma[2] consolidated EBITDA. The strong financial position, coupled with the ability to draw down credit lines totalling €90 million, provides Edify with the necessary financial flexibility to seize investment opportunities that may arise over the next few months and continue its growth.

Post-balance sheet events

There were no major post-balance sheet events to report.

Information on research and development activities

"Research and Development" is a major factor for growth and development through innovation. Most of the companies in Edify's portfolio have an active innovation policy. The Pellenc Group, where innovation is a key factor for success and growth, has over 145 engineers and technicians in its R&D Department, and has a portfolio of more than 150 patent categories, over 95 of which are active.

Information regarding risks

RISKS RELATING TO EDIFY'S BUSINESS ACTIVITIES, I.E. PRIVATE EQUITY INVESTMENTS IN UNLISTED COMPANIES

The main risks are as follows:

• Risk relating to the valuation of unlisted assets, which may ultimately turn out to be different from their subsequent realisation value.

2. Consolidation of Thermocompact over 12 months.

• The risk related to the appraisal of investment projects: The equity investment activity exposes Edify to a certain number of risk factors that may ultimately result in an impairment loss on the investment. These risks notably include:

– The overstatement of the target company value at the time of acquisition, due for example to:

- the failure to detect a substantial liability, or a poor assessment of the value of certain assets,

- the reconsideration of the target company's business model (i.e. technological breakthrough, unfavourable regulatory development, etc.), and any other risks likely to call into question the coherence and reliability of the Management's business plan,

– the unreliability of the accounting and financial information and data relating to the target company: this information communicated during the appraisal of the investment project can be erroneous, whether deliberately or not;

– disputes and litigation that may arise with sellers or third parties: these may relate for example to the non-solvency of the seller and its potential guarantors (making it difficult to implement the guarantee(s)), or to a change of control (compromising for example contractual terms with key suppliers or customers).

• Liquidity risk: unlisted equity interests are less liquid than listed assets by nature.

• Risk relating to the debt market: Edify finances some of its acquisition transactions partly via debt (i.e. leverage). As part of this type of transaction, Edify usually acquires the target equity interest via a dedicated holding company, which is partly financed by debt, most often bank debt. The availability and cost of bank or similar financing vary over time. The unavailability or excessive cost of this financing could temporarily make leveraged transactions impossible or not very attractive.

• Foreign exchange risk: which is directly related to the amounts invested in companies that conduct their business activities in currencies other than the euro, primarily the Swiss franc.

• The macro-economic environment: an adverse change in the economic environment, and a deterioration in the economic outlook, especially in Europe, may alter the conditions for investing in, developing, enhancing, and disposing of Edify's equity interests.

• Edify's management team is small, which may lead to a risk of dependency on a few key persons.

RISKS SPECIFIC TO THE MAIN EQUITY INTERESTS UNDER EDIFY'S CONTROL

The main risks are as follows:

- Risks relating to the economic environment: adverse economic prospects are likely to have a negative impact on the future performance of some equity interests. The main equity interests supply products to operators in sectors as varied as winegrowing, the maintenance of green spaces, (residential and commercial) construction, forestry industry, surface coating market and EDM wire and special wire markets. The fundamentals of some equity interests make them more sensitive to economic cycles, while others have more resilient business models.

- Risks relating to the equity interests' business sectors: due to the composition of Edify's portfolio, some risks are very specific, and are inherent to the main equity interests that it controls:

– Climate risk: the winegrowing and olive oil business activities are likely to be affected by adverse weather in the production areas. At the same time, a lack of sunshine will have a negative effect on the business activities involving the supply of motors for swimming pool covers.

– Construction market: the performance of the equity interests linked to construction are dependent on business volumes in the sector, especially in France and Spain.

– The milk market: the equity interests that supply the milk production sector are exposed to fluctuations in the price of milk, especially in Europe.

- Risk relating to dependency on key persons involved in the equity interests, which may have an impact on the conduct of the operations, and on continuing the shareholding's strategy.

- Industrial risk: The specialisation of the industrial sites by activity, which is required to optimise the expertise of the teams and productivity, could pose a risk of accidental shutdown of a manufacturing facility to certain shareholdings.

- Environmental risks: the main equity interests concerned by environmental risks are those that conduct industrial activities, especially those that include, or have included operations involving the smelting and working of metals, the moulding of plastics, and surface treatments.

- Risks on raw materials and prices: the main equity investments concerned by the risks on raw materials and prices are those which use in the process of manufacturing materials subject to price fluctuations (gold, silver, rhodium, palladium, copper, nickel, brass and zinc). The purchase costs of these materials can fluctuate significantly. The risk therefore lies in the ability of these equity investments to pass on these variations in selling prices.

Information on the buyback of own shares

Edify holds treasury shares with a view to ensuring an active market in its shares via an investment service provider under the terms of a liquidity agreement.

Edify held 1,328 treasury shares at the end of the financial year, which accounted for 0.03% of its share capital. The value of the treasury shares is €52.36 per share.

Existence of branch

EDIFY S.A. has a Swiss branch in Geneva called EDIFY S.A. Luxembourg, Grand-Saconnex branch.

Future possible development

Edify's additional financial capabilities will enable it to continue its investments and consider more significant acquisitions.

Allocation of net profit

The Board of Directors is proposing to carry forward the net profit for the financial year ended 31 December 2017, which amounted to €30,407,477.11.

Consolidated

FINANCIAL STATEMENTS

Consolidated Financial statements

Consolidated Income Statement at 31 December 2017

(€ K)	Notes	31/12/17	31/12/16
Sales	NOTE 3	461,871	413,672
Other operating revenue	NOTE 3	6,799	5,876
Cost of sales		-207,782	-180,819
Employee costs		-138,406	-128,712
External costs		-64,781	-57,441
EBITDA		**57,700**	**52,576**
Amortisation and depreciation charges		-16,375	-15,141
Charges to / reversal of current provisions		583	-266
EBITA		**41,908**	**37,170**
Amortisation of allocated intangible assets	NOTE 4	-1,464	-580
CURRENT OPERATING PROFIT		**40,444**	**36,590**
Other non-current operating income and expenses	NOTE 3	-5,619	-5,232
Gains/losses on disposal of non-current operating assets		-214	-110
Goodwill impairment	NOTE 4	-4,989	-3,754
OPERATING PROFIT		**29,622**	**27,495**
Effect of foreign currency translation		*981*	*613*
Financial expenses related to borrowings		*-2,847*	*-2,581*
Cost of net financial debt		-1,866	-1,968
Other financial income and expenses		5,442	601
NET FINANCIAL INCOME/(EXPENSE)	**NOTE 6**	**3,575**	**-1,367**
PROFIT BEFORE TAX		**33,197**	**26,128**
Income tax	NOTE 10	-12,796	-10,512
Share or profit/(loss) from associates	NOTE 11	1,001	639
CONSOLIDATED NET PROFIT		**21,403**	**16,255**
Attributable to : - Group share		21,929	16,214
- Non-controlling interests		-527	41

Consolidated Balance Sheet - Assets at 31 December 2017

(€ K)	Notes	31/12/17 Net	31/12/16 Net
Non-current assets			
Goodwill	NOTE 4	34,121	13,661
Net intangible assets	NOTE 4	46,592	13,098
Net property, plant and equipment	NOTE 4	131,230	105,840
Investments in associates	NOTE 12	11,197	11,661
Financial assets	NOTE 6	18,552	17,905
Other receivables		421	30
Deferred tax assets	NOTE 10	11,992	14,802
Employee benefits	NOTE 9	450	1,519
TOTAL NON-CURRENT ASSETS		**254,555**	**178,515**
Current assets			
Inventories	NOTE 3	131,580	120,277
Trade receivables	NOTE 3	87,046	79,644
Other receivables	NOTE 3	12,622	9,175
Current tax assets		8,292	3,853
Financial assets	NOTE 6	206	294
Cash and cash equivalents	NOTE 6	103,744	66,965
TOTAL CURRENT ASSETS		**343,491**	**280,207**
TOTAL ASSETS		**598,046**	**458,723**

Consolidated Balance Sheet - Equity And Liabilities at 31 December 2017

(€ K)	Notes	31/12/17	31/12/16
Shareholders' equity			
Capital		4,860	4,860
Premium		242,384	242,141
Other reserves		-1,560	-15,062
Net profit for the period		21,929	16,214
GROUP SHARE		**267,613**	**248,153**
Non-controlling interests		17,371	14,324
TOTAL SHAREHOLDERS' EQUITY	**NOTE 5**	**284,984**	**262,477**
Non-current liabilities			
Non-current provisions	NOTE 8	3,665	3,086
Other financial liabilities	NOTE 6	151,522	57,198
Other liabilities		149	129
Employee benefits	NOTE 9	9,395	13,835
Deferred tax liabilities	NOTE 10	16,970	7,769
Derivative instruments liabilities		-1	1
TOTAL NON-CURRENT LIABILITIES		**181,700**	**82,019**
Current liabilities			
Current provisions	NOTE 8	3,048	2,853
Other financial liabilities	NOTE 6	41,655	39,558
Trade payables	NOTE 3	48,587	38,255
Other liabilities	NOTE 3	36,766	31,524
Tax liability		1,272	2,037
Derivative instruments liabilities		33	-
TOTAL CURRENT LIABILITIES		**131,361**	**114,227**
TOTAL EQUITY AND LIABILITIES		**598,046**	**458,723**

Consolidated Cash Flow Statement

(€ K)	Notes	31/12/17	31/12/16
Consolidated net profit		**21,403**	**16,255**
Amortisation and depreciation charges on assets (excluding current assets)		31,384	20,677
Charges to/reversals of provisions for liabilities		336	813
Unrealised gains and losses related to fair value movements		18	-
Unrealised foreign exchange gains and losses		739	-238
Income and expenses related to retirement obligations and employee benefits		-3,620	2,008
Depreciation, amortisation, provisions and other non-cash items		**28,856**	**23,259**
Profit on disposal of assets and other		-4,624	3,452
Share or profit/(loss) from associates		-992	-630
Deferred tax expense		1,954	-2,432
Operating cash flow		**46,596**	**39,904**
Cost of net financial debt (excluding non-cash items)		1,868	1,968
Dividends from non-consolidated companies		-65	-14
Tax expense (excluding deferred tax)		10,856	12,937
Change in working capital requirements	NOTE 7	2,247	-13,192
Tax paid		-15,823	-10,249
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		**45,679**	**31,353**
Acquisition-related disbursements:			
- intangible assets and property, plant and equipment		-29,565	-20,386
- non-current financial assets		-12,270	-7,416
Disposal-related proceeds:			
- intangible assets and property, plant and equipment		996	801
- non-current financial assets		11,627	1,642
Change in current financial assets		72	195
Acquisition of companies, net of cash acquired	NOTE 7	-48,427	-7,898
Disposal of companies, net of cash disposed of		42	-
Dividends paid by associates		64	67
Dividends paid by non-consolidated companies		65	14
Interest received		453	593
NET CASH FLOW FROM INVESTING ACTIVITIES (B)		**-76,943**	**-32,388**
Increase in loans		98,832	27,635
Reimbursement of loans		-22,885	-17,088
Net increase in shareholders' equity of subsidiaries		438	4,587
Dividends and interim dividends paid		-469	-226
Interest paid		-2,695	-2,553
NET CASH FLOW FROM FINANCING AND CAPITAL ACTIVITIES (C)		**73,220**	**12,354**
Impact of changes in foreign exchange rates on cash and cash equivalents (E)		-372	103
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D+E)		**41,584**	**11,422**
Cash and cash equivalents at the start of the period	NOTE 7	**48,980**	**37,553**
Cash and cash equivalents at the end of the period	NOTE 7	**90,564**	**48,980**

General information

Edify S.A. (hereinafter Edify) is an industrial holding company, which was incorporated in the form of a Limited Company with an indefinite term in Luxembourg on 16 September 2014 pursuant to the laws of the Grand Duchy of Luxembourg. The Company has its registered office at 6, boulevard d'Avranches, L-1160 Luxembourg.

It is registered on the Luxembourg Trade and Companies Register under No. B190500.

Edify is listed on the Euro-MTF market of the Luxembourg stock exchange.

Its portfolio is comprised of majority and minority shareholdings in French, Spanish and Swiss industrial medium-sized businesses and SMEs, namely **Zurflüh-Feller** (accessories and systems for roller shutters and industrial closing mechanisms), **Sirem** (motorised solutions for swimming pool covers, milk tank agitators and aqua fitness equipment), **Pellenc** (portable power tools and machinery for winegrowing, olive growing and green spaces), **Usines Métallurgiques de Vallorbe** (filing tools for the jewellery, watchmaking, forestry, car and aeronautical industries), **de Buyer** (items and utensils for cookery and patisserie), **Thermocompact** (one of the specialists of the high threads technical expertise (in particular for electro-erosion machining) and precious metal surface coating by process chemical or electrolytic), **Gaviota-Simbac** (components and motors for awnings and roller shutters), **Ligier Group** (microcars for unlicensed drivers), and **Lacroix Emballages** (packaging for solid dairy products).

Highlights

- The temporary usufruct held by Roger Pellenc and his partners, relating to 51.36% of Pellenc S.A. shares, expired in April 2017. As a result, Edify on that date, fully owned all the shares in this company.

- On 20 July 2017, Zurflüh-Feller Group acquired Eckermann for €7.7 million and is now ranked second in the German market for awning and roller shutter components. Goodwill of €3.6 million was recognised in the financial statements of Edify.

- On 27 July 2017, Edify sold its 25% shareholding in Sofilab 4, holding company of La Buvette, the leader in animal watering and containment equipment, for €3.9 million. This disposal generated a multiple of 2.2 the initial investment.

- On 22 September 2017, Edify acquired the entire capital of Thermo Technologies, holding company of Thermocompact Group, one of the specialists in high-tech wires (in particular for electro-erosion machining) and precious metal surface coating by chemical or electrolytic process. A public takeover bid followed by a squeeze-out was completed during the last quarter of 2017, enabling Thermo Technologies to hold 100% of the Thermocompact shares as of December 31, 2017. Following revaluation of the assets and allocation of €24.6 million to the customer base, residual goodwill of €19.6 million was recognised.

- On 7 December 2017, Thermocompact Group completed the acquisition of the assets of Diamond Materials Tech Inc., the specialist in Meyer Burger's high precision diamond cutting wires, thus facilitating its access to the American market for all its activities.

- Lastly, on 12 December 2017, Edify disposed of its minority shareholding in Babeau-Seguin, a builder of detached family homes. This disposal generated a multiple of 2.4 the initial investment.

Post-balance sheet events

There were no post-balance sheet events likely to have a material impact on the consolidated annual financial statements.

Notes to the consolidated financial statements

The accompanying notes aim an integral part of the financial statements Consolidated.

NOTE 1 — ACCOUNTING PRINCIPLES

1. CONSOLIDATED FINANCIAL STATEMENTS – BASIS FOR PREPARATION

The consolidated financial statements are presented in thousands in Euros and all amounts are rounded to the nearest thousand of Euros, unless otherwise specified.
The financial statements are prepared according to the historical cost principle.

Consolidated financial statements include the financial statements of Edify at 31 December of each year. The financial statements of subsidiaries are prepared for the same reference period as the parent company and on the basis of standard accounting methods.

The financial year-end of all companies is 31 December. The Group's consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with the laws and regulations applicable in the Grand Duchy of Luxembourg at that date. However, the presentation of the income statement and balance sheet does not strictly follow the provisions of the Law passed on 19 December 2015 amending the Law of 10 August 1915, effective from 1 January 2016. A definition of the main aggregates is provided in Note 1.8, while a reconciliation with the new law is provided in Note 14.

2. CONSOLIDATION METHODS

The consolidation methods depend on the type of control that the parent entity exercises over its subsidiary:

Full control, where the parent company:

- holds the majority of the shareholders' or partners' voting rights in a company;

- has the right to appoint or dismiss the majority of the members of the administrative, management, or supervisory body of a company, and is also a shareholder or partner in that company; or

- is a shareholder or partner in a company, and has sole control of the majority of the voting rights of shareholders or partners in that company, pursuant to an agreement entered into with other shareholders or partners.

Joint control, where the parent company included in the consolidation scope jointly manages another company with one or several companies that are not included in the consolidation scope.

Material influence, where the parent company exercises a material influence over a subsidiary's management and financial policy. A parent company is assumed to have a material influence over another company when it holds at least 20% of that company's voting rights.

Companies under full control are fully consolidated. Companies under joint control are consolidated on a proportional basis. Companies over which the Company exercises a material influence are consolidated using the equity method.

3. USE OF ESTIMATES AND JUDGMENT

The preparation of consolidated financial statements requires Management to make a number of estimates and assumptions liable to affect certain asset, liability, income and expense items, and certain information provided in the notes to the financial statements. Due to the inherently uncertain nature of these assumptions, actual results may differ from these estimates. Management reviews its estimates and assessments on a regular basis to take past experience into account and incorporate factors considered relevant under current economic conditions.

The major items of the financial statements that may be subject to estimates are as follows:

- The impairment of goodwill and intangible assets and property, plant and equipment, whose measurement is specifically based on future cash flow, discount rate and net realisable value assumptions,

- Retirement commitments, whose measurement is based on a number of actuarial assumptions,

- Provisions for liabilities and charges,

- Deferred tax assets on losses.

As part of the preparation of these consolidated annual financial statements, the main judgments made and the main assumptions used by Management have been updated with the latest indicators used for the closing of the accounts at 31 December 2017.

At 31 December, the Group reviews its performance indicators and, if necessary, carries out impairment tests if there is any indication that an asset may have been impaired.

Financial statements reflect the best estimates on the basis of available information at year-end close.

4. IMPAIRMENT TEST

The Group determines whether there is any evidence of permanent impairment of an asset at each period-end, and ensures that the net book value of the asset does not exceed its recoverable value. Its recoverable amount is measured at the higher of its fair value, after deduction of disposal costs, and its value in use.

If the recoverable amount exceeds the net book value of the asset at period end, no impairment is recognised.

However, if this amount is lower than the net book value, an impairment loss equal to the difference is recognised in the income statement.

Fair value after deduction of disposal costs is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting disposal costs.

The value in use is determined on the basis of cash flows estimated by plans and budgets for a maximum of five years. Cash flows beyond five years are extrapolated through the application of a constant or decreasing rate and discounted using long-term market rates after tax, which reflect market estimates of the time value of money and specific risks pertaining to these assets. In certain cases, cash flows are estimated over longer periods. Justification is provided in such cases.

For intangible assets (excluding goodwill) and PPE with a set useful life, a previously recognised impairment loss may be reversed if there has been a change in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognised. If this is the case, the asset book value is increased to match the recoverable amount. The impact is recognised in the income statement. The impairment of goodwill cannot be reversed.

5. RECOGNITION OF FOREIGN CURRENCY DENOMINATED TRANSACTIONS IN THE INDIVIDUAL FINANCIAL STATEMENTS OF CONSOLIDATED COMPANIES

The consolidated financial statements at 31 December 2017 have been prepared in Euros.

Transactions in foreign currencies are translated into Euros at the exchange rate on the transaction date when they are initially recognised.

At each period-end in the individual financial statements:

- Non-monetary, foreign currency denominated amounts included in the balance sheet are retained at the historical rate,
- Monetary, foreign currency denominated amounts included in the balance sheet are converted at the year-end exchange rate.

Resulting translation differences are recorded in the income statement, except for unrealised exchange gains.

6. TRANSLATION OF FOREIGN SUBSIDIARIES' FINANCIAL STATEMENTS

The financial statements of Group companies which have a different currency to the parent company are translated into Euros, as follows:

- Assets and liabilities, including goodwill, are translated into Euros at the year-end exchange rate,
- Income and expenses are translated at the average exchange rate for the period, provided significant variations in the exchange rates do not call this method into question.
- Differences on translation arising are directly recorded in the consolidated financial statements equity section.

Unrealised exchange differences relating to monetary values that are an integral part of the net investment in foreign subsidiaries are recorded in translation adjustment in equity until the disposal of the investment, at which date they are taken to the income statement.

No significant Group subsidiary operates in countries whose economy is hyperinflationary.

7. CURRENT/NON-CURRENT DISTINCTION

The balance sheet is presented in a way that distinguishes between current items (short-term assets and liabilities) and non-current items (long-term assets and liabilities).

Operating profit consists of current and non-current items. Non-current items are of an extraordinary nature and are classified on a specific line in the income statement: "Other non-current operating income and expenses" after Current Operating Profit (see Note 3.2).
These items are reclassified in Note 14, in order to comply with the presentation required by the Law passed on 19 December 2015 amending the Law of 10 August 1915, effective from 1 January 2016.

8. DEFINITION OF THE MAIN AGGREGATES

EBITDA : Earnings Before Interest, Taxes, Depreciation and Amortisation – Current Operating Profit before Depreciation, Amortisation, and Impairment Charges, and provisions for current liabilities and charges.

EBITA : Earnings Before Interest, Taxes, Depreciation and Amortization – Current Operating Profit before amortisation of intangible assets allocated as part of acquisitions.

NFD : Net Financial Debt. It corresponds to the difference between financial assets and financial liabilities. It notably takes into account unlisted bonds receivable, issued by certain companies in which shares are held or related entities, earnout on acquisitions, and deferred settlements of a financial nature (vendor loans). Not included are convertible bonds, deposits & guarantees and government grants (see Note 6.4).

9. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Changes in accounting policies or estimates are the subject of a note which includes the nature of the change and its impact on the annual financial statements.

NOTE 2 — CONSOLIDATION SCOPE

CONSOLIDATED COMPANIES AT 31 DECEMBER 2017

All companies have a 31 December year-end.

Company name	Registered office	% control 31/12/17	% interest 31/12/17	% interest 31/12/16
Edify S.A.	Luxembourg (Luxembourg)	(Parent)	(Parent)	(Parent)
FULLY-CONSOLIDATED COMPANIES				
Financière Développement SAS	Ferney Voltaire (France)	100.00	100.00	100.00
De Buyer Industries	Val d'Ajol (France)	100.00	95.00	95.00
De Buyer.com	Val d'Ajol (France)	100.00	95.00	95.00
De Buyer Inc.	Los Angeles (USA)	100.00	95.00	95.00
Marlux	Val d'Ajol (France)	100.00	95.00	95.00
De Buyer GmbH	Saarbrücken (Germany)	100.00	95.00	-
Financière Nouveau Monde SA	Miribel (France)	100.00	92.06	92.06
Sirem SAS	Miribel (France)	100.00	92.06	92.06
Aqua System Design SAS	Miribel (France)	100.00	61.68	92.06
Sirem Immobilier SNC	Miribel (France)	100.00	92.06	92.06
Aswell (liquidation 2017)	Miribel (France)	-	-	46.03
Provence Nouveau Monde	Ferney Voltaire (France)	100.00	100.00	100.00
Pellenc	Pertuis (France)	100.00	98.37	100.00
Pellenc America	Santa Rosa (USA)	100.00	98.37	100.00
Pellenc Australia	Adelaïde (Australia)	100.00	98.37	100.00
Pellenc China	Dongguan (China)	100.00	98.37	100.00
Pellenc Languedoc Roussillon	Lézignan (France)	100.00	63.94	65.00
Pellenc Maroc	Marrakech (Morocco)	100.00	98.37	100.00
Pellenc Slovensko	Nové Mesto (Slovakia)	100.00	98.37	100.00
Pellenc Sud America	Santiago (Chile)	100.00	98.37	100.00
Pellenc Ibérica	Jaen (Spain)	100.00	98.37	79.60
Pellenc Italia	Colle Val d'Elsa (Italy)	100.00	98.37	99.48
Pellenc Deutschland	Kappelrodeck (Germany)	100.00	98.37	100.00
Pellenc Honk Kong	Hong Kong	100.00	98.37	100.00
Sofonlec	Perpignan (France)	100.00	63.94	65.00
Pellenc Bordeaux Charentes	Saint-Laurent-Médoc (France)	100.00	98.37	100.00
PERA - Pellenc SA	Florensac (France)	100.00	98.37	100.00
Pellenc Buildings	Pertuis (France)	100.00	98.37	99.00
Pellenc South Africa	Paarl (South Africa)	100.00	98.37	100.00
Pellenc HD SAS	Igé (France)	100.00	98.37	100.00
PERA America	Santa Rosa (USA)	100.00	98.37	100.00
FDS Financière Développement Suisse SA	Vallorbe (Switzerland)	100.00	87.78	87.78
Usines Metallurgiques de Vallorbe SA	Vallorbe (Switzerland)	100.00	66.06	66.06
NMP SAS	Cluses (France)	100.00	99.83	99.83
Zurflüh-Feller Holding SAS	Autechaux Roide (France)	100.00	99.83	99.83
Zurflüh-Feller SAS	Autechaux Roide (France)	100.00	99.83	99.83
Eckermann	Schmitten (Germany)	100.00	99.83	-
CERF EURL	Autechaux Roide (France)	100.00	99.83	99.83
Profilmar	Marseille (France)	100.00	99.83	99.83
Profilinnov	Maracineni (Romania)	100.00	99.83	99.83
Financière du Jura	Ferney Voltaire (France)	100.00	100.00	100.00
Thermo Technologies	Annecy (France)	100.00	100.00	-
Thermocompact	Annecy (France)	100.00	100.00	-
FSP-One SAS	Pont de Chéruy (France)	100.00	100.00	-
FSP-One Inc.	Franklin (USA)	100.00	100.00	-
TSDM	Tournes (France)	100.00	70.00	-
HWA	Ho Chi Minh City (Vietnam)	100.00	100.00	-
IWT	Colorado Springs (USA)	100.00	100.00	-

CONSOLIDATED COMPANIES AT 31 DECEMBER 2017 (Continued)

Company name	Registered office	% control 31/12/17	% interest 31/12/17	% interest 31/12/16
PROPORTIONALLY-CONSOLIDATED COMPANIES				
Gaviota Simbac, S.L.	Alicante (Spain)	46.50	46.50	46.50
Gaviota S.p.a.	Megazzo (Italy)	46.50	46.50	46.50
Gaviota Simbac, S.L. Sucursal Portugal	Sintra (Portugal)	46.50	46.50	46.50
Gaviota Simbac Middle East, S.A.L.	Zouk Mosbeh (Lebanon)	46.50	23.25	23.25
Gaviota Simbac America S.A.	Santo Domingo (Dominican Republic)	46.50	39.53	39.53
Gaviota Simbac México, S.A. de C.V.*	México (Mexico)	-	-	46.04
Gaviota Simbac Marruecos, SARL	Nador (Morocco)	46.50	46.50	46.50
Gaviota Simbac Eastern Europe, S.R.L.	Bucharest (Romania)	46.50	46.50	23.25
Huella Platina, S.A.	Montevideo (Uruguay)	46.50	46.50	41.85
Toldos y Persianas de Gaviota, S.A.	Barrio La Sonrisa (Uruguay)	46.50	46.50	46.50
Gaviota Revolution S.R.L.U.	Alicante (Spain)	46.50	46.50	23.25
Gaviota Brasil, S.A.	Sao Paulo (Brazil)	46.50	46.50	46.50
Gaviota Central Europe s.r.o.	Trnava (Slovakia)	46.50	46.50	46.50
Persianas y Toldos Europeos sa cv	México (Mexico)	46.50	46.04	46.50
Gaco Aluminium Solution SAS	Bogota (Colombia)	46.50	46.50	46.50
Bandalux Uruguay S.A.	Rivera (Uruguay)	46.50	46.50	46.50
Vista Sublime	Montevideo (Uruguay)	46.50	46.50	46.50
Nordalur	Montevideo (Uruguay)	46.50	46.50	23.25
Gaviota France SAS	Perpignan (France)	46.50	46.50	46.50
Gaviota USA LLC	Wilmington (USA)	46.50	46.50	46.50
Bestende	Bellusco (Italy)	46.50	32.55	32.55
Eurolock	Santiago (Chile)	46.50	23.25	23.25
GLP	Sinaloa (Mexico)	46.50	23.25	23.25
Gaviota Peru	Lima (Peru)	46.50	46.04	-
Gaviota Costa Rica	SanJosé (Costa Rica)	46.50	41.85	-
Avenida Perez Galdos	Valencia (Spain)	46.50	46.50	-
FilPel Bobinas	Barbastro (Spain)	49.19	49.19	50.00
Volentieri Pellenc	Poggibonsi (Italy)	49.19	49.19	50.00
EQUITY-ACCOUNTED COMPANIES				
Sofilab 4 (cession 2017)	Tournes (France)	-	-	25.00
ACT Vinicole	Laverune (France)	48.20	48.20	49.00
Aceper SL	Ourense (Spain)	16.83	16.83	16.83
Masventava	Ourense (Spain)	16.20	16.20	16.20
Inversiones	Ourense (Spain)	16.20	16.20	16.20
Gaviota Caribe	Santo Domingo (Dominican Republic)	16.28	16.28	16.28
Copen Fabric SL	Alicante (Spain)	23.25	23.25	-
Ligier Développement	Abrest (France)	31.52	31.52	31.52

* Fusion 2017

NOTE 3 – PERFORMANCE-RELATED DATA

1. SALES

Sales include all income from ordinary activities of consolidated companies.
Income from ordinary activities is recognised when it is probable that future economic benefits will flow to the Group and that they can be measured reliably.

Income from ordinary activities is recognised at the fair value of the consideration received or to be received.
Sales of goods are recognised when delivered to final customers.

Group sales totalled €461.9 million for the year ended 31 December 2017 and can be analysed geographically as follows :

(€ millions)	31/12/17	%	31/12/16	%
Europe	**363.4**	79 %	**337.4**	82 %
of which France	*187.3*	*41 %*	*185.5*	*45 %*
of which Spain	*60.0*	*13 %*	*55.0*	*13 %*
of which Italy	*38.1*	*8 %*	*33.8*	*8 %*
of which Germany	*31.4*	*7 %*	*24.6*	*6 %*
Americas	**51.3**	11 %	**40.9**	10 %
Asia	**23.4**	5 %	**10.6**	3 %
Africa	**14.5**	3 %	**15.8**	4 %
Oceania	**9.2**	2 %	**9.0**	2 %
WORLD	**461.9**	**100 %**	**413.7**	**100 %**

The other operating income amounted to € 6.8 million at 31 December 2017, compared with € 5.9 million at December 31, 2016.

2. OTHER NON-CURRENT OPERATING INCOME AND EXPENSES

Note that Current Operating Profit reflects Company performance and represents Operating Profit excluding non-current operating income and expenses, gains and losses on the disposal of non-current operating assets and goodwill impairment.

The amortisation of intangible assets allocated as part of business combinations is included in Current Operating Profit.

Other non-current operating income and expenses relate to factors that are exceptional, unusual, abnormal, infrequent and particularly significant, which could mislead the understanding of the group's consolidated performance.

These notably include the capital gains and losses on disposals of property, plant and equipment and intangible assets, capital gains and losses on disposals of equity interests either fully consolidated or consolidated on a proportional basis, restructuring costs and provisions of a nature liable to affect the understanding of the Current Operating Profit.

(€ K)	31/12/17	31/12/16
Charge to/reversal of non-current provisions	-8,559	-1,033
Other non-current items	2,940	-4,199
- Non-current income	*3,951*	*371*
- Non-current expenses	*-1,011*	*-4,570*
Other non-current operating income and expenses	**-5,619**	**- 5,232**

Permanent impairment was identified in relation to the assets of Usines Métallurgiques de Vallorbe, with an impairment of €7.9 million recognised over the financial year.

Non-current income was comprised of €3.4 million in actuarial gains related to the non-financial items connected with the retirement benefits of Usines Métallurgiques de Vallorbe.

Note that non-current expenses for 2016 included a €3 million adjustment to the earn-out relating to the acquisition cost of the Pellenc shares.

3. INVENTORIES

Inventories are valued at their procurement cost, determined using the weighted average cost method.

The value of inventories and work in progress is impaired when their net realisable value is lower than their book value.

Net realisable value is the estimated selling price under normal business conditions, after deducting estimated completion costs and estimated selling expenses.

As part of the consolidation process, the value of inventories on the balance sheet excludes the intercompany profit generated on the sale of goods between two Group companies if these goods are still held in inventory at a Group company at the period-end date.

(€ K)	31/12/17	31/12/16
Gross values		
Raw materials and other supplies	62,373	53,570
Finished goods and merchandise	86,563	83,328
TOTAL	**148,936**	**136,897**
Provisions	-17,357	-16,620
Net values	**131,580**	**120,277**

4. TRADE RECEIVABLES AND TRADE PAYABLES

Trade receivables and trade payables are recorded at their face value. A provision for impairment is recorded in the case of receivables that are unlikely to be recovered.

(€ K)	31/12/17	31/12/16
Gross trade receivables	**91,710**	**83,709**
Provisions	-4,663	-4,065
Net trade receivables	**87,046**	**79,644**

Trade payables totalled €48,587 K at 31 December 2017, compared with €38,255 K at 31 December 2016.

5. OTHER CURRENT RECEIVABLES AND LIABILITIES

Other current receivables

(€ K)	31/12/17	31/12/16
Gross values		
Receivables from employees	403	338
Other taxes (including VAT)	8,121	6,638
Prepaid expenses	2,617	1,939
Other receivables	1,481	261
TOTAL	**12,622**	**9,175**

Other current liabilities

(€ K)	31/12/17	31/12/16
Social security liabilities	24,365	21,769
Tax liabilities	8,224	6,828
Deferred income	2,433	1,631
Non-current asset suppliers	978	648
Other	766	648
TOTAL	**36,766**	**31,524**

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

1. GOODWILL

When a company is incorporated in the consolidation scope, the identifiable assets, liabilities and contingent liabilities of the acquired entity are measured at fair value measured at the date of acquisition.

Goodwill is measured as the difference between total identifiable assets, liabilities and contingent liabilities of the acquired entity, individually estimated at fair value, and the transferred consideration (total acquisition cost) measured at fair value of the assets received.

The goodwill resulting from the difference between the acquisition price and the value of the net asset re-estimated at the acquisition date is treated as follows:

• Goodwill is recognised as an amortisable intangible asset;

• Negative goodwill is expensed if it corresponds to the following at the acquisition date:

– A forecast adverse trend in the future results of the company concerned;
– The forecast expenses that the company will incur;
– A realised capital gain.

In other cases, negative goodwill is recognised under provisions for liabilities and charges.
Goodwill is not allocated to minority interests. However, adjustments to the fair value of identifiable assets and

liabilities (valuation differences) are divided between the share attributable to the Group and the share attributable to minorities.

Goodwill is usually amortised over five years. It may be amortised over a period longer than five years, although that period may not exceed the expected useful life of the asset. When this option is used, it is mentioned in the notes to the financial statements, together with the reasons. Amortisation of goodwill cannot be reversed.

Goodwill

(€ K)	Amount
At 31 December 2016	**13,661**
Changes in scope of consolidation	25,598
Changes in foreign exchange rates	-34
Amortisation charges	-5,104
At 31 December 2017	**34,121**

Over the 2017 financial year, there were three new additions to the scope. The residual goodwill related to Thermo Technologies, following revaluation of land, buildings and inventories after allocation to the customer base and patents (see Note 4.2), totalled €19.6 million and is amortised over 5 years. Goodwill related to the acquisition of Eckermann and the acquisition of Diamond Materials Tech Inc.'s assets stood at €3.6 million and €2.1 million respectively and are amortised over 5 years, in proportion to the date of acquisition.
As a result, on 31 December 2017, the item primarily consists of the goodwill on Thermo Technologies (€18.6 million), de Buyer (€7 million) and Eckermann (€3.2 million).

2. INTANGIBLE ASSETS

Intangible assets acquired by the Group are recognised at acquisition cost or at cost price, after deduction of accumulated amortisation and potential writedown.
Each asset is tested for impairment when there is evidence of permanent impairment.

Intangible assets primarily comprise:

- Incorporation costs, which are restated in the consolidated financial statements and then eliminated and considered as expenses for the financial year.

- Software, which is valued at acquisition cost and amortised on a straight-line basis over the expected useful life.

- Patents, only acquired patents and related filing expenses are capitalised. They are amortised on a straight-line basis over their legal protection period. Costs of renewal of patents are included in costs for the year.

- Development costs, which are capitalised under several conditions :

– They must correspond to the expenditure in this area incurred by the company on its own behalf;
– They must offer a reasonable chance of technical success and commercial profitability;
– It is probable that the future economic benefits attributable to the software will flow to the entity, and;
– Its cost or value can be measured reliably.

Development expenses incurred on behalf of a customer are not capitalised and are included in the expenses for the financial year.

Development costs are usually amortised over a period of five years from the date they are recognised under assets.
Subsequent expenditures are generally recognised as expenses for the financial year.

In the event that a project fails, the corresponding development costs must immediately be amortised in full.
Research costs are included in costs for the year.

- Brands are valued and recorded as assets on the balance sheet as part of acquisitions. These intangible assets have an indefinite life and are subject to impairment tests when events or changes in circumstances indicate that they have been impaired (indication of impairment). If no patent is filed, the trademark is not capitalised, and the expenses incurred are expensed.

- The relationship with customers, which is valued as an intangible asset, represents the value of the customer portfolio at the acquisition date. This value is determined based on the future profitability of the company's main customers who are currently in the portfolio, taking into account a customer loss rate based on the company's historical data. The profitability generated by these customers is measured based on the expected financial performance in terms of its EBITA margin, less tax, the financing of other assets (property, plant and equipment and trademarks), and working capital requirements.

Change in intangible assets

(€ K)	Allocated intangible assets	Development costs	Patents and brands	Software	Other	In progress and advance payments	Total 2017
Gross value at 31 December 2016	10,100	1,948	2,427	7,461	1,744	169	23,849
Acquisitions	-	44	97	868	216	643	1,868
Disposals	-	-174	-	-481	-10	-30	-695
Changes in foreign exchange rates	-	-	-8	-130	-2	-	-141
Changes in scope of consolidation	33,124	976	2,902	3	-3	5	37,006
Other movements	-	105	21	-	-	-122	3
At 31 December 2017	**43,224**	**2,898**	**5,439**	**7,720**	**1,944**	**665**	**61,890**
Accumulated amortisation at 31 December 2016	-773	-1,316	-1,558	-6,218	-886	-	-10,751
Amortisation charge and value restatements for the period	-1,464	-433	-38	-501	-268	-	-2,704
Disposals	-	169	-	473	-	-	642
Changes in foreign exchange rates	-	-	3	119	-	-	121
Changes in scope of consolidation	-	-363	-2,274	-3	1	-	-2,638
Other movements	-	-	-12	29	14	-	32
At 31 December 2017	**-2,237**	**-1,943**	**-3,879**	**-6,101**	**-1,138**	**-**	**-15,298**
NET VALUE AT 31 DECEMBER 2017	**40,987**	**955**	**1,560**	**1,619**	**806**	**665**	**46,592**

(€ K)							Total 2016
Gross value at 31 December 2015	10,100	2,080	2,381	7,137	1,749	130	23,578
Acquisitions	-	42	27	342	158	280	849
Disposals	-	-238	-	-246	-10	-	-494
Changes in foreign exchange rates	-	-	1	16	-99	-1	-82
Changes in scope of consolidation	-	-	-	-	-	-	-
Other movements	-	64	17	213	-54	-241	-
At 31 December 2016	**10,100**	**1,948**	**2,427**	**7,461**	**1,744**	**169**	**23,849**
Accumulated amortisation at 31 December 2015	-193	-1,249	-1,527	-5,969	-652	-	-9,590
Amortisation charge and value restatements for the period	-580	-292	-30	-464	-244	-	-1,611
Disposals	-	225	-	229	10	-	464
Changes in foreign exchange rates	-	-	-	-13	-	-	-14
Changes in scope of consolidation	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
At 31 December 2016	**-773**	**-1,316**	**-1,558**	**-6,218**	**-886**	**-**	**-10,751**
NET VALUE AT 31 DECEMBER 2016	**9,327**	**631**	**869**	**1 243**	**857**	**169**	**13,098**

As part of the acquisition of Thermo Technologies, a portion of the goodwill was allocated to customer relationships (€24.6 million) and patents (€0.9 million). Thermo Technologies completed the acquisition of TSDM in January 2017 with customer relationships valued at €7.6 million. These customer relationships are amortised over 15 years and the patents over 10 years.

3. PROPERTY, PLANT AND EQUIPMENT

Except for business combinations, property, plant and equipment are recorded at their acquisition cost or at their procurement cost.

Property, plant and equipment acquired as part of a business combination are recognised at their fair value independently of goodwill. Current maintenance costs are recognised as expenses for the financial year. The value of a fixed asset where the use is limited in time is depreciated over its useful life. The depreciation is calculated based on the book value of the asset and does not take its residual value into account.

Straight-line depreciation is used based on the following average useful lives:

- Buildings: 20 to 40 years,
- Fittings and fixtures: 10 to 20 years,
- Machinery and tools: 5 to 10 years,
- Motor vehicles: 3 to 5 years,
- Furniture: 4 to 10 years.

An adjustment for impairment is recorded when the value of a non-current asset is less than the balance sheet value and the reduction in value will be permanent.

Change in intangible assets

(€ K)	Land	Buildings	Plant, machinery and tools	Other	In progress and advance payments	Total 2017
Gross value at 31 December 2016	8,966	84,361	151,441	19,027	8,624	272,420
Acquisitions	933	4,868	5,723	2,578	11,663	25,765
Disposals	-182	-1,196	-2,772	-830	-	-4,980
Changes in foreign exchange rates	-18	-1,975	-3,416	-352	-244	-6,006
Changes in scope of consolidation	962	18,590	36,537	2,091	3,496	61,675
Other movements	2,575	5,576	4,497	946	-12,766	829
At 31 December 2017	**13,236**	**110,225**	**192,010**	**23,459**	**10,774**	**349,705**
Accumulated amortisation at 31 December 2016	-1,819	-36,400	-114,585	-13,776	-	-166,580
Amortisation charge and value restatements for the period	-346	-4,085	-17,300	-1,857	-	-23,588
Disposals	151	728	1,947	704	-	3,530
Changes in foreign exchange rates	-	1,150	2,604	231	-	3,986
Changes in scope of consolidation	-20	-8,619	-25,960	-1,450	-	-36,048
Other movements	-56	-18	697	-396	-	227
At 31 December 2017	**-2,089**	**-47,245**	**-152,597**	**-16,544**	**-**	**-218,475**
NET VALUE AT 31 DECEMBER 2017	**11,147**	**62,980**	**39,413**	**6,915**	**10,774**	**131,230**

						Total 2016
Gross value at 31 December 2015	8,856	78,726	140,259	17,731	6,604	252,176
Acquisitions	47	2,742	4,326	1,455	11,246	19,815
Disposals	-	-532	-2,446	-1,067	-	-4,045
Changes in foreign exchange rates	22	358	449	96	3	928
Changes in scope of consolidation	-	-	69	96	-	165
Other movements	41	3,067	8,783	717	-9,228	3,381
At 31 December 2016	**8,966**	**84,361**	**151,441**	**19,027**	**8,624**	**272,420**
Accumulated depreciation at 31 December 2015	-1,572	-32,767	-103,532	-12,729	-	-150,601
Depreciation charge and value restatements for the period	-251	-3,332	-9,984	-1,646	-	-15,213
Disposals	-	371	2,021	835	-	3,228
Changes in foreign exchange rates	-	-158	-257	-59	-	-474
Changes in scope of consolidation	-	-	-65	-58	-	-123
Other movements	4	-514	-2,768	-119	-	-3,397
At 31 December 2016	**-1,819**	**-36,400**	**-114,585**	**-13,776**	**-**	**-166,580**
NET VALUE AT 31 DECEMBER 2016	**7,147**	**47,961**	**36,856**	**5,251**	**8,624**	**105,840**

In 2017, the changes in scope primarily related to the assets connected with the acquisition of Thermo Technologies.

4. LEASES

Agreements are classified as lease-finance agreements where the lease agreement includes a purchase option. Assets financed within the framework of finance leases primarily include real estate. They are recorded, from inception of the agreement, in property, plant and equipment at the lower of the fair value of leased assets and the present value of minimum payments in respect of the lease.

PPE acquired through finance leases are depreciated over the same periods as described above where the Group expects to gain ownership of the asset at the expiry of the agreement. If not, the asset is depreciated on the basis of the shorter period of the asset useful life and the duration of the lease. Agreements are classified as operating leases where the lease does not include a purchase option. Conversely, additional services such as the maintenance of the leased assets are often included in an operating lease agreement.

The amounts paid under the terms of operating leases are expensed over the period, from the effective date of the agreement (and not from the date when the asset is first used).

Leases

(€ K)	Land	Buildings	Plant, machinery and tools	Total 2017
Gross value at 31 December 2016	1,071	10,953	24,658	36,682
Acquisitions	-	5	562	567
Disposals	-	-	-810	-810
Changes in foreign exchange rates	-	-	-374	-374
Changes in scope of consolidation	-	-	6,931	6,931
Other movements	812	-944	-83	-215
At 31 December 2017	**1,883**	**10,014**	**30,885**	**42,782**
Accumulated depreciation at 31 December 2016	-177	-2,324	-17,434	-19,936
Depreciation charge and value restatements for the period	-45	-400	-1,406	-1,851
Disposals	-	-	318	318
Changes in foreign exchange rates	-	-	76	76
Changes in scope of consolidation	-	-	-5,017	-5,017
Other movements	-36	42	206	212
At 31 December 2017	**-258**	**-2,683**	**-23,257**	**-26,198**
NET VALUE AT 31 DECEMBER 2017	**1,625**	**7,331**	**7,628**	**16,584**

				Total 2016
Gross value at 31 December 2015	1,071	10,992	24,174	36,238
Acquisitions	-	54	1,189	1,243
Disposals	-	-	-106	-106
Changes in foreign exchange rates	-	-	38	38
Changes in scope of consolidation	-	-	-	-
Other movements	-	-94	-637	-730
At 31 December 2016	**1,071**	**10,953**	**24,658**	**36,682**
Accumulated depreciation at 31 December 2015	-153	-1,922	-16,188	-18,262
Depreciation charge and value restatements for the period	-24	-435	-1,740	-2,199
Disposals	-	-	76	76
Changes in foreign exchange rates	-	-	-2	-2
Changes in scope of consolidation	-	-	-	-
Other movements	-	32	420	452
At 31 December 2016	**-177**	**-2,324**	**-17,434**	**-19,936**
NET VALUE AT 31 DECEMBER 2016	**894**	**8,629**	**7,224**	**16,746**

NOTE 5 – EQUITY

1. MAIN CHANGES IN EQUITY

(€ K)	31/12/17	31/12/16
Edify S.A. equity - opening balance	**248,153**	**227,439**
Net profit for the year	21,929	16,214
Profit units (see Note 11)	243	4,587
Changes in foreign exchanges rates	-3,023	82
Miscellaneous	311	-169
Total equity (Group share)	**267,613**	**248,153**
Non-controlling interests	17,371	14,324
TOTAL SHAREHOLDER'S EQUITY	**284,984**	**262,477**

At December 31, 2017, the subscribed capital of Edify SA amounted to €4.86 million, compared to €4.86 million at December 31, 2016, and represented by 4,860,000 fully paid-up with a par value of €1 each.
In accordance with Luxembourg standards, goodwill is amortised over a period of 5 years (see Note 4.1). Consolidated equity was impacted by goodwill amortisation of €5.1 million over the 2017 financial year (see Note 4.1).

It should be noted that the goodwill of €34.2 million in the opening balance sheet determined on the equity interests resulting from the contribution made on 29 October 2014 was immediately deducted from the Group's reserves.

2. TREASURY SHARES

Edify holds treasury shares with a view to ensuring an active market in its shares via an investment service provider under the terms of a liquidity agreement.
These treasury shares are recognised as marketable securities under balance sheet assets.

The Group held treasury shares worth €0.1 compared with €0.1 million at December 31, 2016 under the terms of a liquidity agreement at 31 December 2017. Edify S.A. has established an unavailable reserve for the same amount, in accordance with Luxembourg law regarding commercial companies.

NOTE 6 – FINANCIAL ITEMS

1. NET FINANCIAL INCOME/(EXPENSE)

Net financial income/(expense) comprises the following items:

- The cost of net financial debt includes all income/expense from net financial debt or cash surplus constituents over the period, including income/loss on interest rate hedges.
- Actuarial differences relating to financial items (including changes in discount rates and rates of return, etc.) (see Note 9),
- Other financial income and expenses include income and expenses of a financial nature but neither of an operational nature nor a constituent of the cost of net financial debt, from witch capital gains or losses on the disposal of equity securities consolidated using the equity method.

(€ K)	31/12/17	31/12/16
Cost of net financial debt	-1,866	-1,968
Effect of foreign currency translation	*981*	*613*
Financial expenses related to borrowings	*-2,847*	*-2,581*
Effect of foreign currency translation	-1,792	494
Financial expenses related to actuarial gains and losses	2,044	-68
Other financial income and expenses	5,190	175
Net financial income/(expense)	**3,575**	**-1,367**

Financial income related to actuarial gains was primarily due to realised gains of €2.1 million on the pension plan assets of Usines Métallurgiques de Vallorbe.
Other financial income was primarily due to the disposal of financial assets and the disposal of the 25% equity interest in Sofilab 4, which generated a capital gain of €1.9 million.

2. FINANCIAL ASSETS

Financial assets are initially recognised at their acquisition cost or procurement cost.They are valued at their carrying value at the balance-sheet date. The book value and the carrying value are compared, and an adjustment for impairment must be recorded where the carrying value is less than the value of the financial asset.

(€ K)	31/12/17	31/12/16
Non-controlling equity interests	10,840	10,504
Unlisted bonds receivable convertible into shares	5,351	5,554
Borrowings	1	186
Other	2,566	1,954
Current and non-current financial assets	**18,759**	**18,199**
Due within 1 year	206	294
Non-current financial assets	**18,552**	**17,905**

Bond receivables correspond to the convertible bonds issued to Edify by the Ligier Group's holding company (€5.4 million). Interest for the year related to these bond receivables is capitalised. "Other" essentially includes deposits and guarantees.

3. OTHER FINANCIAL LIABILITIES

Upon initial recognition, loans and other interest-bearing debts are measured at their face value. They are subsequently measured at their redemption value. Loan issuance expenses and premiums are recognised under assets and are amortised over the term of the loan. Interest on loans is recognised as an expense of the period.

(€ K)	31/12/17	31/12/16
Borrowings from credit institutions	176,561	73,136
Lease commitments	13,163	13,720
Other borrowings and financial liabilities	3,453	9,901
Current and non-current financial liabilities	**193,178**	**96,757**
Due within 1 year	41,655	39,558
Non-current financial liabilities	**151,522**	**57,198**

The increase in loans from credit institutions was mainly the result of loans taken out for the acquisition of Thermo Technologies and the debts of Thermo Technologies that were assumed.

(€ K)	31/12/17	31/12/16
1 year or less	41,655	39,558
Between 1 and 5 years	90,722	43,936
5 years or more	60,801	13,263
TOTAL	**193,178**	**96,757**

Financial debt guaranteed by pledges, mortgages, or liens totalled €83.0 million at 31 December 2017.

Covenants

At 31 December 2017, Edify had a total of €120 million medium-term loan facilities (confirmed credit lines) with five banks. As part of the acquisition of Thermo Technologies, Edify drew €30 million from its credit facility. The provision of this financing by credit institutions is subject to the commitment given by Edify to comply with two financial covenants (net parent company financial debt/Net Asset Value and expanded net financial debt/expanded Net Asset Value). Edify was in compliance with all of its covenants at 31 December 2017.

Sirem, de Buyer, Zurflüh-Feller and Thermo Technologies also complied with the respective covenants relating to their "LBO" debt at 31 December 2017.

4. ANALYSIS OF NET FINANCIAL DEBT

The Net Financial Debt corresponds to the difference between financial assets and financial liabilities. It notably takes into account unlisted bonds receivable, issued by certain companies in which shares are held or related entities, earnout or deferred payments on acquisitions, and deferred settlements of a financial nature. Not included are securities in non-controlling equity interests, convertible bonds, deposits & guarantees and government grants.

Cash includes bank balances (bank assets and overdrafts) and cash in hand.

Cash equivalents primarily comprise OPCVM (money market funds), which are short term, very liquid, easily convertible into a known amount of cash and subject to a negligible risk of unfavourable change in value.

(€ K)	31/12/17	31/12/16
Financial liabilities included in net financial debt calculation	192,623	89,797
Financial assets included in net financial debt calculation	12	269
Cash and cash equivalents	103,744	66,965
Net Financial Debt (excluding earn-out liability and deferred settlements)	**88,867**	**22,563**
Earn-out liability and deferred settlements on acquisitions	521	6,913
Total Net Financial Debt	**89,388**	**29,476**

5. HEDGING INSTRUMENTS

Derivatives are recognised in off-balance sheet items, except:

- Where they present an unrealised capital loss, in which case a provision must be recorded;
- Where they are hedging instruments that offset the underlying asset.

At year-end, the Group had financial derivatives valued at €33 K.

NOTE 7 – DETAIL OF THE CASH FLOW STATEMENT

1. CASH AND CASH EQUIVALENTS

(€ K)	31/12/17
Cash flow at the opening	**48,980**
Cash and cash equivalents at the opening	66,965
Bank overdrafts	-17,985
Cash flow at the closing	**90,564**
Cash and cash equivalents at the closing	103,744
Bank overdrafts	-13,180

2. CHANGE IN WORKING CAPITAL REQUIREMENTS

(€ K)	31/12/17
Net change in inventory	-122
Net change in trade receivables	3,664
Net change in trade payables	3,161
Change in other receivables and payables	-4,456
Change in working capital requirements	**2,247**

3. ACQUISITION OF ENTITIES, NET OF CASH

(€ K)	Eckermann	Thermo Technologies	Total 2017
Goodwill	3,606	19,594	23,200
Net intangible assets	-	34,370	34,370
Net property, plant and equipment	2,406	23,240	25,646
Net non-current financial assets	-	2	2
Deferred tax assets	-	176	176
Inventories	733	12,690	13,423
Trade receivables	334	12,102	12,436
Other current receivables	359	1,904	2,263
Other current financial assets	-	157	157
Net cash and cash equivalents	1,286	9,506	10,792
Tax receivables	-	693	693
Non-current provisions	-38	-118	-156
Other non-current financial liabilities	-	-35,018	-35,018
Employee benefits	-206	-3,944	-4,150
Trade payables	-158	-8,387	-8,545
Other current liabilities	-231	-2,892	-3,123
Tax liability	-19	-10,506	-10,525
Non-controlling interests & impact of put options on equity	-4	-2,419	-2,423
Acquisition cost paid	**8,069**	**51,150**	**59,219**
Less: acquisition expenses	-1,286	-9,506	-10,792
Net cash flow from acquisition excluding acquired cash	**6,783**	**41,644**	**48,427**

NOTE 8 – PROVISIONS

A provision is established when the Group has a current obligation (legal or constructive) resulting from a past event and when future cash outflows can be measured reliably. A loss that has been the subject of a provision must relate to a fully identified risk. As risk is inherent to the concept of a business, no provision can be recorded in order to cover general risks.

The amount of the provision must then be adjusted depending on changes in the foreseeable amount of the loss.

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1. NON-CURRENT PROVISIONS

(€ K)	Provisions for guarantees	Provisions for litigation	Provisions for liabilities and charges	Total 2017
At 1 January 2017	2,252	234	601	3,086
Charges	130	533	10	673
Used reversals	-	-25	-23	-48
Unused reversals	-	-32	-115	-147
Impact of foreign exchange rates	-28	-	-	-28
Change in consolidation scope	27	32	11	70
Other movements	-	-4	63	59
At 31 December 2017	**2,381**	**738**	**547**	**3,665**
				Total 2016
At 1 January 2016	1,590	769	190	2,549
Charges	657	10	471	1,138
Used reversals	-	-11	-60	-71
Unused reversals	-	-253	-	-253
Impact of foreign exchange rates	6	-	-	6
Change in consolidation scope	-	-	-	-
Other movements	-	-281	-	-281
At 31 December 2016	**2,252**	**234**	**601**	**3,086**

2. CURRENT PROVISIONS

(€ K)	Provisions for guarantees	Provisions for litigation	Provisions for liabilities and charges	Total 2017
At 1 January 2017	1,354	413	1,086	2,853
Charges	227	660	135	1,022
Used reversals	-	-346	-72	-418
Unused reversals	-	-267	-133	-400
Impact of foreign exchange rates	-	-	-9	-9
Change in consolidation scope	-	-	-	-
Other movements	-	505	-505	-
At 31 December 2017	**1,581**	**965**	**502**	**3,048**
				Total 2016
At 1 January 2016	1,952	68	1,386	3,406
Charges	-598	120	789	311
Used reversals	-	-17	-940	-957
Unused reversals	-	-39	-153	-192
Impact of foreign exchange rates	-	-	4	4
Change in consolidation scope	-	-	-	-
Other movements	-	281	-	281
At 31 December 2016	**1,354**	**413**	**1,086**	**2,853**

NOTE 9 – EMPLOYEE INFORMATION

1. HEADCOUNT

The headcount at the end of the period was 3,319 employees (including 100% of the headcount of the entities consolidated on a proportional basis or acquired during the year) against 2,832 employees at December 31, 2016.

2. EMPLOYEE BENEFITS

In respect of pension plan commitments, the Group contributes to pension plans or grants benefits to employees on retirement in compliance with the rules and regulations in place in each country. These benefits have been measured.

In the limited number of cases where these expenses cannot be considered as remuneration for future services, a provision is established in the financial statements for the financial year in respect of the resulting short-term commitment, provided that the obligation toward the employee is probable or certain.

Contributions paid in respect of plans analysed as defined contribution plans, for which the Group has no other obligation than paying contributions, are recognised as expenses for the financial year.

For defined benefit plans relating to post-employment benefits, the cost of benefits is measured using the projected unit credit method.

According to this method, the rights to benefits are allocated to periods of service depending on the plan's formula for acquisition of rights, by taking account of a straight-line effect where the rate of acquisition of rights is not uniform to the periods of subsequent service.

The amount of future payments corresponding to benefits granted to employees are measured on the basis of salary increase, retirement age and death rate assumptions, and then discounted to their present value on the basis of long term bond interest rates of prime issuers.

These plans are either financed – their assets being managed separately and independently from the Group – or not, with their commitments being recognised in the balance sheet under "Employee benefits".

The different defined benefit plans are the following:

- Retirement benefit plans (IFC) for all French companies, in compliance with applicable collective agreements,

- Defined benefit pension plans in international subsidiaries.

All actuarial differences are immediately recognised, net of deferred tax, in the income statement. Actuarial differences relating to financial items (including changes in discount rates and rates of return, etc.) are recognised under net financial income.
Past service costs, designating the increase in an obligation arising from the introduction of a new plan or changes to an existing plan, is expensed immediately.
Expenses relating to this type of plan are recognised under employee costs and net financial expense.
Curtailments, settlements and past service costs are recognised in Current Operating Profit or "Other financial income and expenses" according to their nature. The provision recognised in the balance sheet corresponds to the present value of the obligations calculated as described above, less the fair value of plan assets.
Seniority awards are treated as long-term benefits granted to employees and provided for on the basis of an actuarial evaluation at every year-end.

(€ K)	31/12/17	31/12/16
Retirement and similar obligations	9,395	13,835
Plan assets	450	1,519
Net obligation	**8,945**	**12,317**

The main pension commitments relate to the French subsidiaries, for which a discount rate of 1.5% was used.

At 31 December 2017, the pension liabilities of Usines Métallurgiques de Vallorbe were covered by assets. A discount rate of 0.65% was used.

3. GROSS REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

The gross remuneration allocated to the members of the Board of Directors amounted to €269 K for 2017, compared with €276 K for 2016.

NOTE 10 – CURRENT AND DEFERRED TAX

CURRENT TAX

It should be noted that a tax consolidation agreement was signed on 1 January 2016 between Provence Nouveau Monde (PNM) and the French subsidiaries directly or indirectly owned at least 95% by Edify S.A. This is a horizontal tax consolidation agreement concluded for an undetermined period.

According to the agreement, the tax credit relating to the tax consolidation process, which is calculated as the difference between the tax actually paid on the Group's taxable income and the total amount of the taxes payable individually, is allocated to PNM, the Group's parent company.

The following companies were party to this agreement at 31 December 2017: Provence Nouveau Monde, NMP, Financière Développement, ZFH, Zurflüh-Feller, Cerf, Profilmar, de Buyer Industries, de Buyer.com and Financière du Jura.

The tax savings resulting from the tax losses contributed by loss-making subsidiaries was considered as a tax income at 31 December 2017.

Should a subsidiary cease to be a member of the tax consolidation, it will be compensated by PNM in accordance with a jointly-agreed exit methodology, taking account of the situation at that date.

There are currently no overall tax losses carried forward.

DEFERRED TAX

Deferred tax assets and liabilities are measured at the income tax rate expected to apply to the financial year when the asset will be realised or the liability settled, on the basis of income tax rates (and tax regulations) adopted or virtually adopted at year end.

Deferred tax is recognised for the temporary differences between the book value of assets and liabilities and its tax value and restatements made on consolidation to conform to Group accounting standards (extended concept of deferred tax calculation).

Deferred tax assets are only recognised if their recovery is probable, i.e. if their recovery does not depend on future results, or it is probable that the company will be able to recover them due to the existence of an expected taxable profit during this period.

Deferred tax relating to companies' tax losses is recognised when the following conditions are fulfilled:

- The entity has sufficient taxable temporary differences with a single tax authority and for the same taxable entity, which will generate taxable amounts against which unused tax losses and tax credits can be offset before they expire;
- It is likely that the entity will generate taxable profits before unused tax losses and tax credits expire;
- Unused tax losses result from identifiable causes, which will probably not reoccur;
- Opportunities related to the entity's tax management will generate taxable profits for the financial year during which unused tax losses and tax credits can be allocated.

If it is unlikely that the entity will make sufficient profits to allocate unused tax losses or tax credits, deferred tax assets are not recognised.

The income tax charge is analysed as follows:

(€ K)	31/12/17	31/12/16
Current tax	-10,856	-12,937
Deferred tax	- 1,940	2,425
Income tax	**-12,796**	**-10,512**

Deferred tax is analysed by type as follows :

(€ K)	31/12/17 Assets	31/12/16 Assets	Impact 2016 income statement
Deferred tax on restatements related to standards and temporary differences, including:	6,707	8,396	-541
Deferred tax assets related to retirement benefits	*2,208*	*2,375*	*-1,155*
Deferred tax assets related to provision methods	*1,087*	*327*	*-544*
Deferred tax assets related to tax and social security liabilities	*1,649*	*1,861*	*-517*
Deferred tax assets related to fair value	*1,042*	*1,239*	*-393*
Deferred tax on leimination of intragroup provisions	5,285	6,406	-924
TOTAL	**11,992**	**14,802**	**-1,465**

	Liabilities	Liabilities	
Deferred tax on restatements related to standards and temporary differences, including:	16,525	7,380	-419
Deferred tax liabilities related to customer relationhips	*10,036*	*3,211*	*762*
Deferred tax liabilities related to the fair value of non-current assets	*1,532*	*984*	*95*
Deferred tax liabilities related to leases	*1,441*	*557*	*176*
Deferred tax liabilities related to changes in amortisation and depreciation	*3,187*	*2,161*	*-775*
Deferred tax liabilities related to the capitalisation of development costs	*298*	*207*	*45*
Deferred tax on intragroup margins	445	389	-56
TOTAL	**16,970**	**7,769**	**-475**

NOTE 11 – OFF-BALANCE SHEET COMMITMENTS

The Group's commitments comprise the following :

(€ K)	31/12/17	31/12/16
Rental payments outstanding on operating leases	5,607	5,388
Other commitments given	7,178	3,899
Commitments given	**12,786**	**9,288**
Asset and liability guarantees	22,304	20,940
Unused credit lines	102,042	65,794
Commitments received	**124,346**	**86,734**
Purchase options on assets	16,164	13,611
Mutual commitments	**16,164**	**13,611**

Other off-balance sheet commitments given included one the purchase of the 30% of TSDM minority shareholders for € 4.6 million. At 31 December 2017, the Company issued 474,859 (2016: 459,180) profit units, representing a total of €4,835,138.08 (2016: €4,591,800.00). The Company gave a commitment and granted a buy-back option during the same financial year, with a view to acquiring ownership of these profit units. According to the valuation performed by management at 31 December 2017, this buy-back would have an impact of €3.7 million on Edify S.A.'s shareholders' equity. Edify S.A. has also made other commitments relating to call options on the securities of certain subsidiaries. These commitments total €10.9 million overall and will be fulfilled between 2019 and 2023.

NOTE 12 – INVESTMENTS IN ASSOCIATES AND RELATED PARTY DISCLOSURES

1. INVESTMENTS IN ASSOCIATES

Investments in equity associates include the companies consolidated using the equity method, primarily Ligier (€8.3 million) and Aceper SL (€1.8 million) at 31 December 2017. The equity interest in Sofilab 4, valued at €2.1 million, was sold during the financial year.

(€ K)	31/12/17	31/12/16
Investments in associates at the beginning of the year	11,661	3,703
Change in consolidation scope	-1,401	7,378
Share or profit/(loss) from associates	1,001	639
Dividends paid	-64	-67
Other movements	-	8
Investments in associates at year-end	**11,197**	**11,661**

2. RELATED-PARTY DISCLOSURES

A related party is a person or entity that is related to the entity that prepares its financial statements.

Related parties are:

- The parent company,
- The subsidiaries,
- The associates,
- The joint ventures,
- The members of the Board of Directors.

Related-party transactions

There were no related-party transactions, except for the transactions between Edify and its subsidiaries, which are restated in the consolidated financial statements, and the gross remuneration amounts allocated to members of the Board of Directors (see Note 9.3).

NOTE 13 - STATUTORY AUDITORS' FEES

The fees paid to the main Statutory Auditor amounted to €323 K, of which €313 K was for services relating to the audit of the financial statements for 2017.

(€ K)	31/12/17	31/12/16
Total fees directly related to the audit of Edify Group's financial statements	313	226
Issuer	*96*	*85*
Fully-consolidated subsidiaries	*217*	*141*
Other services provided by the networks to fully-consolidated subsidiaries (legal, tax, corporate)	10	7
Total	**323**	**233**

NOTE 14 - FINANCIAL STATEMENTS IN THE FORMAT REQUIRED BY LUXEMBOURG LAW

The financial statements below adopt a presentation that is compliant with the amendment to the Law of 10 August 1915, which was passed on 19 December 2016 and effective from 1 January 2016.

CONSOLIDATED INCOME STATEMENT

(€ K)	2017	2016	Cross-reference with the financial statements
1. Net sales	**461,871**	**413,672**	Sales
2. Changes in inventories of finished and semi-finished goods	**2,776**	**10,522**	Cost of sales
3. Own work capitalised	**-**	-	
4. Other operating revenues	**6,799**	**5,876**	Other operating income
5. a) Consumption of merchandise, *raw materials and consumables*	**-204,543**	**-185,457**	Cost of sales
5. b) Other external charges	**-4,437**	**-4,069**	Cost of sales
6. Staff costs	**-138,406**	**-128,712**	Employee costs
a- Wages and salaries	*-106,098*	*-97,940*	
b- Social security charges accruing by reference to wages and salaries	*-29,002*	*-27,498*	
c- Supplementary pensions	*-1,782*	*-1,940*	
d- Other staff costs	*-1,525*	*-1,334*	
7. Value adjustments in respect of:	**-24,747**	**-20,743**	
a- establishment costs and property, plant and equipment, and intangible assets	*-16,375*	*-15,141*	Amortisation and depreciation charges
b- current provisions	*583*	*-266*	Charges to current provisions
c- non-current provisions	*-887*	*126*	Other non-current operating income and expenses
d- goodwill	*-4,989*	*-3,754*	Goodwill impairment + Earn Out
e- allocated intangible assets	*-1,464*	*-580*	Amortisation of allocated intangible assets
f- inventories	*-1,578*	*-1,815*	Cost of sales
g- operating asset items	*-37*	*685*	External costs
8. Other operating expenses	**-69,690**	**-63,594**	External charges + Other non-current operating income and expenses
8. OPERATING RESULT	**29,622**	**27,495**	**OPERATING PROFIT**
9. Income from equity investments	**-5,711**	**-1,678**	Other financial income and expenses
10. Income from financial items of current assets	**1,664**	**2,102**	Other financial income and expenses
11. Other interest and similar income	**981**	**613**	Investment income
12. Value adjustments in respect of financial assets and marketable securities included in current assets	-	-	
13. Interest and similar expenses	**6,642**	**-2,405**	
a- in respect of related entities	*10,839*	*1,912*	Other financial income and expenses
b- debt-related financial charges	*-2,847*	*-2,581*	Financial expenses related to borrowings
b- Other interest and charges	*-1,350*	*-1,735*	Other financial income and expenses
NET FINANCIAL INCOME/(EXPENSE)	**3,575**	**-1,367**	**NET FINANCIAL INCOME/(EXPENSE)**
14. Income tax	**-12,796**	**-10,512**	Income tax
15. Share of profit of equity-accounted entities	**1,001**	**639**	Share of profit/(loss) from associates
16. Profit after income tax	**21,403**	**16,255**	
17. Other taxes	-	-	
18. Net profit for the year	**21,403**	**16,255**	**CONSOLIDATED NET PROFIT**

ASSETS

(€ K)	31/12/17 Net	31/12/16 Net	Cross-reference with the financial statements
A. Fixed assets	**241,899**	**162,458**	
I. Intangible fixed assets	**46,592**	**13,098**	Net intangible assets
1. Research and Development costs	954	631	
2. Concessions, patents, licences, trademarks, as well as similar rights and securities	10,068	6,959	
3. Business goodwill, to the extent that it was acquired for valuable consideration	34,903	5,338	
4. Payments on account and intangible fixed assets in progress	667	170	
II. Goodwill	**34,121**	**13,661**	Goodwill
III. Property, plant and equipment	**131,230**	**105,840**	Net property, plant and equipment
1. Land and buildings	74,127	55,108	
2. Plant and machinery	39,415	36,856	
3. Other equipment, tools and furniture	6,914	5,251	
4. Payments on account and tangible fixed assets in progress	10,774	8,624	
IV. Investments	**29,956**	**29,860**	
1. Shares held in related companies	11,197	11,661	Investments in associates
2. Equity interests and securities held for the long-term	10,852	10,479	Current and non-current financial assets
3. Other loans	7,907	7,719	Current and non-current financial assets
V. Deferred tax assets	**11,992**	**14,802**	Deferred tax assets
B. Current assets	**341,539**	**279,523**	
I. Inventories	**131,580**	**120,277**	Inventories
1. Raw materials and consumables	53,605	45,058	
2. Finished goods and merchandise	77,975	75,219	
II. Debtors	**106,215**	**92,282**	
1. Receivables resulting from the sale of goods or the provision of services	87,046	79,644	Trade receivables
2. Receivables from related entities	-	1	Cash and cash equivalents
3. Receivables from employees	450	1,519	Employee benefits
4. Other receivables	18,718	11,118	Other receivables + current tax assets
III. Marketable securities	**-**	**-**	
IV. Bank accounts, post office account, cheques and cash in hand	**103,744**	**66,965**	Cash and cash equivalents
C. Prepayments	**2,617**	**1,939**	**Other receivables**
TOTAL BALANCE SHEET ASSETS	**598,046**	**458,723**	

EQUITY & LIABILITIES

(€ K)	31/12/17	31/12/16	Cross-reference with the financial statements
A. Shareholders' equity	**284,984**	**262,477**	
I. Subscribed capital	**4,860**	**4,860**	Share capital
II. Issue and similar premiums	**242,384**	**242,141**	Share premium
III. Revaluation reserves	**-**	**-**	
IV. Reserves	**-1,560**	**-15,062**	Other reserves
V. Retained earnings	**-**	**-**	
VI. Net profit for the year (Group share)	**21,929**	**16,214**	Net profit for the period
Minority interests	**17,371**	**14,324**	Non-controlling interests
B. Provisions	**16,108**	**19,774**	
1. Provisions for pension and similar obligations	9,395	13,835	Employee obligations
2. Provisions for taxation	-	-	
3. Other provisions	6,713	5,939	Non-current and current provisions
C. Deferred tax liabilities	**16,970**	**7,769**	**Deferred tax liabilities**
D. Unsubordinated debt	**277,551**	**167,070**	
1. Bonds issued by entities with which the Company has an equity relationship	-	-	
2. Financial debt owed to credit institutions and other*	193,043	96,756	
a. outstanding amount due within one year	*41,521*	*39,558*	Other current financial liabilities
b. outstanding amount due after more than one year	*151,522*	*57,198*	Other non-current financial liabilities
3. Prepayments on order	-	-	
4. Liabilities on purchases of goods and provision of services	48,587	38,255	Trade payables
a. outstanding amount due within one year	*48,587*	*38,255*	
b. outstanding amount due after more than one year	-	-	
5. Liabilities related to fixed assets	978	648	Other current liabilities
6. Trade payables evidenced by commercial paper	-	-	
7. Liabilities owed to related entities	139	8	
a. outstanding amount due within one year	*139*	*8*	Other current liabilities
b. outstanding amount due after more than one year	-	-	
8. Liabilities owed to entities with which the Company has an equity relationship	-	-	
9. Tax and social security liabilities	33,860	30,634	
a. outstanding amount due within one year	*33,860*	*30,634*	Other current liabilities
b. outstanding amount due after more than one year	-	-	
10. Other liabilities	944	768	
a. outstanding amount due within one year	*762*	*638*	Other current liabilities + Tax liabilities
b. outstanding amount due after more than one year	*182*	*130*	Other non-current liabilities
E. Deferred income	**2,433**	**1,633**	
TOTAL BALANCE SHEET - EQUITY & LIABILITIES	**598,046**	**458,723**	

* This item included an additional acquisition price of € 6.9 million at December 31, 2016 (see Note 6).

Independent

AUDITOR'S REPORT

Independent Auditor's Report

To the Shareholders of
Edify S.A.
6 boulevard d'Avranches
L-1160 Luxembourg

Report on the audit of the consolidated financial statements

OPINION

We have audited the consolidated financial statements of Edify S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2017, and the consolidated profit and loss account for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.
In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of the consolidated results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated financial statements.

BASIS FOR OPINION

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Law and standards are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report but does not include the consolidated financial statements and our report of the "réviseur d'entreprises agréé" thereon.
Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated financial statements], and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

RESPONSIBILITIES OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ" FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Jeannot Weyer

Luxembourg, 30 April 2018

Edify May 2018

Layout: Explorations

Photos:
P.2 - Sémaphore photo
P.3 - Vincent Flamion (X Septembre Gallery S.A.)

EDIFY
Investment Partner

EDIFY S.A.
Société anonyme

Head Office
6, Boulevard d'Avranches
1160 Luxembourg
Luxembourg
RSC Luxembourg B 190 500
Tel: +352 24 83 16 20

Geneva Office
29, route de l'Aéroport
CP 230
1215 Geneva
Switzerland
Tel: +41 22 710 05 27

www.edify-investmentpartner.com
contact@edify-investmentpartner.com