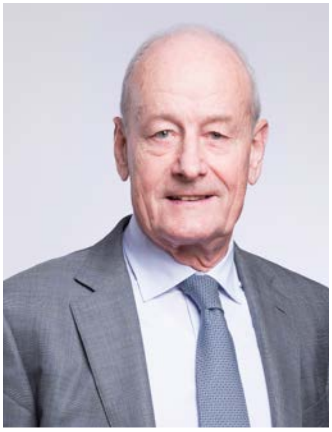
EDIFY
Investment Partner

Financial Report

2018

Growth of Net Asset Value, Diversification in Funding



PAUL GEORGES DESPATURE,
Chairman of the Board of Directors.

Following a year marked by strong growth in 2017, Edify continued its expansion in 2018.

With Thermo-Technologies joining us in September 2017, our consolidated sales grew 19% to €550 million.

Another key indicator, our Net Asset Value, grew 6% to €467 million, having stood at €293 million when Edify was established in late 2014. Its steady growth reflects the soundness of our portfolio and the potential of our main shareholdings.

The deal flow for 2018 was substantial, confirming Edify's attractiveness to medium-sized businesses with potential and its ability to support them in the long term. Our unique positioning is recognised: it is based on sound industrial and managerial expertise and a strong entrepreneurial culture.

Our future growth will require greater resources. As a result, we sought to diversify our sources of funding by completing a 7-year private bond issue of €50 million. With our historical partners, we also arranged an additional bank loan of €30 million, increasing available cash to almost €180 million.

In 2019, we will focus on strengthening our team to ensure our shareholdings receive the support they expect from us and to increase our capacity to find and realise new opportunities.

However, we will remain prudent in an environment of abundant liquidity and low interest rates that leads to asset price inflation. We will continue to prioritise the intrinsic quality of the companies, their long-term growth potential and the close match between their values and our own.

I would like to thank the Board of Directors and the entire Edify team for their commitment to the development of our Company and its shareholdings.

EDIFY – INVESTMENT PARTNER
Edify is an industrial holding company that invests in mid-caps in order to expand them and support them over the long-term.

Contents

Shareholder Relations

CAPITAL

Edify S.A.'s (hereinafter Edify) capital amounted to €4,860,000 at 31 December 2018, divided into 4,860,000 fully paid-up shares with a par value of €1 each, all in the same class.

The Company held 1,590 Edify shares at 31 December 2018 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 2018, the Company had issued 498,083 profit units for a total amount of €5,253,634.56.

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 2018 was €59.60, and the closing price was €53.

LIQUIDITY AGREEMENT

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

2019 FINANCIAL CALENDAR

28 March	Publication of 2018 annual results
16 May	Annual General Meeting
23 May	Publication of first quarter 2019 sales
26 September	Publication of 2019 half-year results
28 November	Publication of third quarter 2019 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

AUDIT COMMITTEE

Chairman
VICTOR DESPATURE

Member
AGNÈS LARUELLE

REMUNERATION COMMITTEE

Chairman
PAUL GEORGES DESPATURE

Members
FRÉDÉRIC GENET
WILFRID LE NAOUR

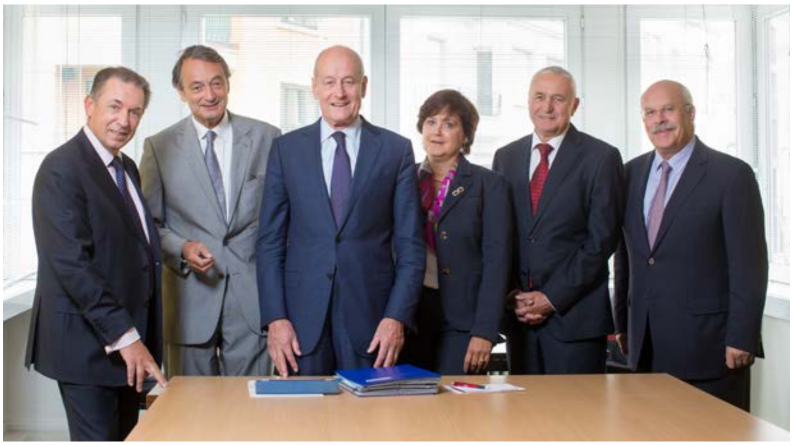
INVESTMENT COMMITTEE

Chairman
WILFRID LE NAOUR

Members
JEAN GUILLAUME DESPATURE
ANTHONY STAHL

APPROVED STATUTORY AUDITOR

ERNST & YOUNG S.A.



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,
Former Chairman of the Board of Directors of AFG Arbonia.

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

CONTACTS

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Edify
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General Secretary
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Email: imotch@edify-investmentpartner.com

Overview of the Consolidated Financial Statements

Overview of the Consolidated Financial Statements

€ millions	FY 2018	FY 2017
Net asset value at 31 December	466.9	440.1
Consolidated sales	549.6	461.9
Consolidated EBITDA	61.9	57.7
Consolidated current operating profit	38.3	40.4
Consolidated operating profit	31.2	29.6
Consolidated net profit	17.9	21.4
Consolidated operating cash flow	49.9	46.6
Consolidated Net Financial Debt at 31 December	85.8	88.9
Edify S.A. cash and cash equivalents at 31 December	39.7	17.9
Edify S.A. confirmed credit facilities at 31 December	180.0	90.0

Board of Directors' Management Report

Board of Directors' Management Report

TO THE ANNUAL GENERAL MEETING OF 16 MAY 2019

Ladies and Gentlemen,

In accordance with legal and regulatory provisions in force, the Board of Directors has convened you here in order to report 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 2018.

Edify 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 machinary 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), **Thermo-Technologies** (a specialist 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

FIRST BOND ISSUE OF €50 MILLION ON THE EUROPP MARKET

On 16 May 2018, Edify announced the signing of its first private bond placement of €50 million, maturing over 7 years.

NEW BANK CREDIT FACILITY OF €30 MILLION

On 2 August 2018, Edify secured additional financial resources by taking out a new bank credit facility of €30 million from the bank Crédit Lyonnais.

These new sources of funding have helped to diversify and extend the maturity of its debt. This growth in investment capacity, increasing its available cash to almost €180 million, will particularly help to finance its development plan, accelerate the pace of its growth and increase the size of its investments.

ISSUE OF PROFIT UNITS

Edify issued 23,224 profit units over 2018 at a price of €18.02 each, for a total amount of €418,496.48.

Net Asset value of Edify's portfolio

METHODOLOGY

Edify's Net Asset Value is the sum of:

- The financial assets held by Edify, revalued at fair value in accordance with the methods set out below;
- The cash held by the Edify 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 unless a reliable valuation can be obtained. 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.

The transaction multiples method
Transaction multiples can be used when a transaction involves a company whose profile and activity are similar to those of the shareholding subject to the valuation.

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 in the case of reduced control.

The transaction multiples valuation method is only used when high quality information with sufficient detail on the transaction is available. Where applicable, the multiple used to value the shareholding is an average of the enterprise value calculated based on the multiple derived from stock market comparables, DCFs and the transaction multiple.

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] (NAV) of Edify was €466.9 million at the end of December 2018, representing €96.10 per share and a year-on-year increase of €6.1%, due in particular to the strong performance of the companies.

Overview of the consolidated financial statements

ACCOUNTING PERIOD

The financial year covers 12 calendar months.

PARENT COMPANY DATA

Edify's operating loss amounted to €6.8 million at 31 December 2018, and primarily consisted of operating expenses. Net financial income amounted to €6.3 million and primarily consisted of dividends and interest income. The net loss was €716 K.

CONSOLIDATED DATA

SALES

Edify's consolidated sales grew from €461.9 million to €549.6 million over the financial year just ended, representing an increase of 19%. Based on a like-for-like shareholding portfolio (excluding Thermo-Technologies, acquired in September 2017), growth was 3% following two years of sustained growth (5.9% in 2017 and 8.1% in 2016). All shareholdings ended the financial year on a positive note, with the exception of de Buyer which faced challenging export conditions. The most significant growth was recorded by Usines Métallurgiques de Vallorbe (upturn in the forestry business), Thermo-Technologies (strong sales across most of its segments) and Gaviota (continued international expansion). Following an excellent 2017, the primary shareholding, Pellenc, posted modest growth in sales.

NET PROFIT

Over the year, consolidated EBITDA stood at €61.9 million (up 7.2%) and current operating profit at €38.3 million (down 5.2%). As expected, EBITDA was higher than in 2017 due to the sharp upturn recorded over the second half-year, but lower on a comparable shareholding portfolio basis, i.e. excluding Thermo-Technologies (down €6.5 million).

This decline was due to the increase in development and transformation costs incurred within most of the companies, as well as to the strengthening of the Edify holding company structure.

With results making a significant recovery over the second half-year, net profit totalled €17.9 million, compared with €21.4 million in 2017. It takes into account the straight-line amortisation of goodwill, pursuant to Luxembourg accounting standards, and a positive contribution from the equity-accounted companies, thanks to the strong performance of Ligier. In addition, 2017 had benefited from capital gains on the sale of securities (€4.2 million), including those of Babeau-Seguin and La Buvette.

FINANCIAL POSITION

Consolidated Net Financial Debt fell from €88.9 million to €85.8 million despite the policy of making significant investments implemented in the portfolio companies and slightly higher working capital requirements.

Net Financial Debt compares to shareholders' equity of €310.3 million, resulting in a gearing ratio of 27.7%.

The holding company's investment capacity was strengthened and diversified, with the issue of a 7-year private bond loan of €50 million, and the arrangement of €30 million in additional credit facilities, taking cash that may be drawn down at any time to almost €180 million.

Post-balance sheet event

A process was initiated in 2018 to dispose of Cotherm Evolution S.A.S. and in January 2019 Atlantic (an industrial player) acquired ownership of all the shares that were sold.

1. The published 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).

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 165 engineers and technicians in its R&D Department, and has a portfolio of more than 153 patent categories, over 97 of which are active.

Information regarding risks

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

As part of its activities, Edify has carried out a review of the risks that could have a material impact on its operations, financial position or financial performance (or its ability to achieve its objectives) and considers that there are no material risks other than those set out below:

- Risk relating to the valuation of unlisted assets, which may ultimately turn out to be different from their subsequent realisation value: the financial risks of the portfolio of unlisted companies are linked to changes in the financial markets and stock exchanges of the countries in which Edify's shareholdings operate but are also influenced by the EBITDA multiples recorded during purchasing and sales transactions.

  These risks are mitigated by the sectorial diversification of investments.

- 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 contingencies notably include:

– The overvaluation of the target company at the time of acquisition, due for example to:
  - → the failure to detect a substantial liability, or a poor appreciation of the value of certain assets,
  - → the reconsideration of the target company's business model (i.e. technological breakthrough, unfavourable regulatory changes, etc.), and any other contingencies likely to call into question the consistency 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 may 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 (threatening for example contractual terms with key suppliers or customers).

  In order to reduce the risks related to investment projects, Edify uses external consultants to conduct due diligence work, notably of a strategic, financial, legal, tax and environmental nature.

- 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 unattractive.

- Solvency risk: the sources of funding that Edify uses include covenant clauses detailed in the notes to the consolidated financial statements. At 31 December 2018, all these covenants had been observed and the Group's outlook suggests no specific risk.

- Foreign exchange risk: this risk 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 PORTFOLIO COMPANIES 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 shareholdings. The main shareholdings supply products to operators in sectors as varied as winegrowing, the maintenance of green spaces, constructions, (residential and commercial), the forestry industry, the aeronautics industry and the car industry. The fundamentals of some shareholdings make them more sensitive to economic cycles, while others have more resilient business models.

- Risks relating to the portfolio companies' business sectors: due to the composition of Edify's portfolio, some risks are very specific, and are inherent to the main shareholdings 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 portfolio companies linked to construction are dependent on business volumes in the sector, especially in France and Spain.

– Automotive market: the performance of the portfolio companies, whose products are intended for the automotive industry, may be indirectly affected by a fall in production volumes in this sector.

- Risk relating to dependency on key persons involved in the shareholdings, 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 shareholdings 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 shareholdings concerned by the risks on raw materials and prices are those which use materials subject to price fluctuations in their manufacturing process (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 shareholdings to pass on these variations in selling prices.

- Solvency risk: the sources of funding used by the subsidiaries may include covenant clauses. In the event of a breach of these covenants, the Company may face a solvency risk. At 31 December 2018, all these covenants had been observed.

Information of the buyback of 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.

Edify held 1,590 treasury shares at the end of the financial year, which accounted for 0.03% of its share capital. The value of the treasury shares as at 31 December 2018 is €53 per share.

Existence of branches

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

Potential future 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 loss for the financial year ended 31 December 2018, which amounted to €716,298.77.

Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Income Statement for the year ended 31 December 2018

(€K)	Notes	31/12/18	31/12/17
Sales	NOTE 3	549,647	461,871
Other operating revenue	NOTE 3	8,172	6,799
Cost of sales		-259,880	-207,782
Employee costs		-161,454	-138,406
External costs		-74,609	-64,781
EBITDA		**61,876**	**57,700**
Amortisation and depreciation charges	NOTE 4	-20,423	-16,375
Charges to current provisions		-138	583
EBITA		**41,315**	**41,908**
Amortisation of allocated intangible assets	NOTE 4	-2,985	-1,464
CURRENT OPERATING PROFIT		**38,330**	**40,444**
Other non-current operating income and expenses	NOTE 3	2,449	-5,619
Gains and losses on disposal of non-current operating assets		-480	-214
Goodwill amortisation	NOTE 4	-9,142	-4,989
OPERATING PROFIT		**31,156**	**29,622**
Financial income from investments		*1,117*	*981*
Financial expenses related to borrowings		*-4,825*	*-2,847*
Cost of net financial debt		-3,708	-1,866
Other financial income and expenses		-1,496	5,442
NET FINANCIAL INCOME/(EXPENSE)	**NOTE 6**	**-5,205**	**3,575**
PROFIT BEFORE TAX		**25,952**	**33,197**
Income tax	NOTE 10	-10,024	-12,796
Share of profit/(loss) from associates	NOTE 12	1,938	1,001
CONSOLIDATED NET PROFIT		**17,866**	**21,403**
Attributable to: Group		16,066	21,929
Non-controlling interests		1,799	-527

Consolidated Balance Sheet – Assets at 31 December 2018

(€K)	Notes	31/12/18	31/12/17
Non-current assets			
Goodwill	NOTE 4	27,513	34,121
Net intangible assets	NOTE 4	46,281	46,592
Net property, plant and equipment	NOTE 4	135,683	131,230
Investments in associates	NOTE 12	12,264	11,197
Financial assets	NOTE 6	20,632	18,552
Other receivables		458	421
Deferred tax assets	NOTE 10	12,414	11,992
Employee obligations	NOTE 9	-	450
TOTAL NON-CURRENT ASSETS		**255,245**	**254,555**
Current assets			
Inventories	NOTE 3	144,111	131,580
Trade receivables	NOTE 3	97,217	87,046
Other receivables	NOTE 3	13,694	12,622
Current tax assets		8,792	8,292
Financial assets	NOTE 6	473	206
Cash and cash equivalents	NOTE 6	124,200	103,744
TOTAL CURRENT ASSETS		**388,488**	**343,491**
TOTAL ASSETS		**643,732**	**598,046**

Consolidated Balance Sheet – Equity and Liabilities at 31 December 2018

(€ K)	Notes	31/12/18	31/12/17
Shareholders' equity			
Share capital		4,860	4,860
Share premium		242,803	242,384
Other reserves		21,629	-1,560
Net profit for the period		16,066	21,929
GROUP SHARE		**285,358**	**267,613**
Non-controlling interests		24,977	17,371
TOTAL SHAREHOLDERS' EQUITY	**NOTE 5**	**310,335**	**284,984**
Non-current liabilities			
Non-current provisions	NOTE 8	3,737	3,665
Other financial liabilities	NOTE 6	165,196	151,522
Other liabilities		150	149
Employee obligations	NOTE 9	11,927	9,395
Deferred tax liabilities	NOTE 10	15,453	16,970
Derivative instruments liabilities		36	-1
TOTAL NON-CURRENT LIABILITIES		**196,499**	**181,700**
Current liabilities			
Current provisions	NOTE 8	2,396	3,048
Other financial liabilities	NOTE 6	45,576	41,655
Trade payables	NOTE 3	47,887	48,587
Other liabilities	NOTE 3	39,833	36,766
Tax liability		1,151	1,272
Derivative instruments liabilities		54	33
TOTAL CURRENT LIABILITIES		**136,898**	**131,361**
TOTAL EQUITY & LIABILITIES		**643,732**	**598,046**

Consolidated Cash Flow Statement

(€ K)	Notes	31/12/18	31/12/17
Consolidated net profit		**17,866**	**21,403**
Amortisation and depreciation charges on assets (excluding current assets)		30,596	31,384
Charges to/reversals of provisions for liabilities		10	336
Unrealised gains and losses related to fair value movements		58	18
Unrealised foreign exchange gains and losses		96	739
Income and expenses related to retirement obligations and employee benefits		3,530	-3,620
Depreciation, amortisation, provisions and other non-cash items		**34,289**	**28,856**
Profit on disposal of assets and other		999	-4,624
Share of profit/(loss) from associates		-1,938	-992
Deferred tax expense		-1,859	1,954
Operating cash flow		**49,357**	**46,596**
Cost of net financial debt (excluding non-cash items)		3,671	1,868
Dividends from non-consolidated companies		-49	-65
Tax expense (excluding deferred tax)		11,892	10,856
Change in working capital requirements	NOTE 7	-21,180	2,247
Tax paid		-12,553	-15,823
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		**31,139**	**45,679**
Acquisition-related disbursements:			
- intangible assets and property, plant and equipment		-27,642	-29,565
- non-current financial assets		-3,282	-12,270
Disposal-related proceeds:			
- intangible assets and property, plant and equipment		3,222	996
- non-current financial assets		6,243	11,627
Change in current financial assets		-782	72
Acquisition of companies, net of cash acquired		-1,914	-48,427
Disposal of companies, net of cash disposed of		-1,235	42
Dividends paid by associates		37	64
Dividends paid by non-consolidated companies		49	65
Interest received		666	453
NET CASH FLOW FROM INVESTMENT ACTIVITIES (B)		**-24,637**	**-76,943**
Increase in loans		72,902	98,832
Reimbursement of loans		-56,875	-22,885
Net increase in shareholders' equity of subsidiaries		2,198	438
Dividends and interim dividends paid		-832	-469
Interest paid		-3,678	-2,695
NET CASH FLOW FROM FINANCING AND CAPITAL ACTIVITIES (C)		**13,715**	**73,220**
Impact of changes in foreign exchange rates on cash and cash equivalents (E)		349	-372
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D+E)		**20,566**	**41,584**
Cash and cash equivalents at the start of the period	NOTE 7	**90,564**	**48,980**
Cash and cash equivalents at the end of the period	NOTE 7	**111,130**	**90,564**

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 maChinary 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), **Thermo-Technologies** (surface coating with precious metals using chemical or electrolytic processes and high-tech wires for electro-discharge machining), **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

- On 16 May 2018, Edify announced the signing of its first private bond placement of €50 million, maturing over 7 years and bearing a fixed rate of 3.75%. With this bond issue, Edify has diversified its sources of financing and extended its debt maturity.

- On 2 August 2018, Edify took out an additional loan of €30 million with the bank Crédit Lyonnais.

Post-balance sheet event

A process was initiated in 2018 to dispose of Cotherm Evolution S.A.S. and in January 2019 Atlantic (an industrial player) acquired ownership of all the shares that were sold.

Notes to the consolidated financial statements

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

NOTE I — 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 2018 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:

Exclusive 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 exclusive 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 judgements 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 2018.

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 2018 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 Amortisation – 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 accrued interest, 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 securities in non-controlling equity interests, 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 2018

All companies have a 31 December year-end.

Company name	Registered office	% control 31/12/18	% interest 31/12/18	% interest 31/12/17
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	95.00
Financière Nouveau Monde S.A.	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	61.68
Sirem Immobilier SNC	Miribel (France)	100.00	92.06	92.06
Provence Nouveau Monde	Ferney Voltaire (France)	100.00	100.00	100.00
Pellenc	Pertuis (France)	100.00	98.37	98.37
Pellenc America	Santa Rosa (USA)	100.00	98.37	98.37
Pellenc Australia	Adelaïde (Australia)	100.00	98.37	98.37
Pellenc China	Dongguan (China)	100.00	98.37	98.37
Pellenc Languedoc-Roussillon	Lézignan (France)	100.00	63.94	63.94
Pellenc Maroc	Marrakech (Morocco)	100.00	98.37	98.37
Pellenc Slovensko	Nové Mesto (Slovakia)	100.00	98.37	98.37
Pellenc Sud America	Santiago (Chile)	100.00	98.37	98.37
Pellenc Iberica	Jaen (Spain)	100.00	98.37	98.37
Pellenc Italia	Colle Val d'Elsa (Italy)	100.00	98.37	98.37
Pellenc Deutschland	Kappelrodeck (Germany)	100.00	98.37	98.37
Pellenc Honk Kong	Honk Kong	100.00	98.37	98.37
Sofonlec	Perpignan (France)	100.00	63.94	63.94
Pellenc Bordeaux Charentes	Saint-Laurent-Medoc (France)	100.00	98.37	98.37
PERA - Pellenc S.A.	Florensac (France)	100.00	98.37	98.37
Pellenc Bâtiments	Pertuis (France)	100.00	98.37	98.37
Pellenc South Africa	Paarl (South Africa)	100.00	98.37	98.37
Pellenc HD SAS	Igé (France)	100.00	98.37	98.37
PERA America	Santa Rosa (USA)	100.00	98.37	98.37
Pellenc Vignobles Champenois	Magenta (France)	100.00	98.37	-
FDS Financière Développement Suisse S.A.	Vallorbe (Switzerland)	100.00	87.78	87.78
Usines Metallurgiques de Vallorbe S.A.	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	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	88.17	100.00
Thermocompact	Annecy (France)	100.00	88.17	100.00
FSP-One SAS	Pont de Chéruy (France)	100.00	88.17	100.00
FSP-One Inc.	Franklin (USA)	100.00	88.17	100.00
TSDM	Tournes (France)	100.00	61.72	70.00
HWA	Ho Chi Minh City (Vietnam)	100.00	88.17	100.00
IWT	Colorado Springs (USA)	100.00	88.17	100.00
Advanced Casting Asia Ltd Liability Company	Vinh Tan (Vietnam)	100.00	88.17	-

CONSOLIDATED COMPANIES AT 31 DECEMBER 2018

Company name	Registered office	% control 31/12/18	% control 31/12/18	% control 31/12/17
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)	46.50	46.04	46.04
Gaviota Simbac Marruecos, SARL	Nador (Morocco)	46.50	46.50	46.50
Gaviota Simbac Eastern Europe, S.R.L.	Bucarest (Romania)	46.50	46.50	23.25
Huella Platina, S.A.	Montevideo (Uruguay)	46.50	41.85	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	46.50	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	46.04
Gaviota Costa Rica	San José (Costa Rica)	46.50	41.85	41.85
Avenida Perez Galdos (fusion 2018)	Valencia (Spain)	46.50	46.50	46.50
Gaviota Caribe	Santo Domingo (Dominican Republic)	46.50	23.25	-
Copen Fabrics	Alicante (Spain)	46.50	46.50	-
Ponti	Montevideo (Uruguay)	46.50	46.50	-
Vidrios Salinas	Alicante (Spain)	46.50	23.25	-
FilPel Bobinas	Barbastro (Spain)	49.19	49.19	49.19
Volentieri Pellenc	Poggibonsi (Italy)	49.19	49.19	49.19
EQUITY-ACCOUNTED COMPANIES				
ACT Vinicole	Laverune (France)	48.20	48.20	48.20
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
Copen Fabrics	Alicante (Spain)	-	-	23.25
Ligier Développement	Abrest (France)	31.52	31.52	31.52

* Liquidated in 2018

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 €549.7 million for the year ended 31 December 2018 and can be analysed geographically as follows:

(€ millions)	31/12/18	%	31/12/17	%
Europe	**418.6**	76%	**363.4**	79%
of which France	*220.7*	*40%*	*187.3*	*41%*
of which Spain	*58.7*	*11%*	*60.0*	*13%*
of which Germany	*48.9*	*9%*	*31.4*	*7%*
of which Italy	*38.6*	*7%*	*38.1*	*8%*
Americas	**74.0**	13%	**51.3**	11%
Asia	**30.5**	6%	**23.4**	5%
Africa	**15.5**	3%	**14.5**	3%
Oceania	**11.1**	2%	**9.2**	2%
TOTAL	**549.7**	**100%**	**461.9**	**100%**

Other operating revenue amounted to €8.2 million for the year ended 31 December 2018, compared with €6.8 million for the year ended December 2017.

2. OTHER NON-CURRENT OPERATING INCOME AND EXPENSES

Note that Current Operating Profit 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)	31/12/18	31/12/17
Charge to / reversal of non-recurring provisions	2,851	-8,559
Other non-recurring items	-403	2,940
Non-recurring income	*463*	*3,951*
Non-recurring expenses	*-866*	*-1,011*
Other non-recurring operating income and expenses	**2,449**	**-5,619**

It should be noted that permanent impairment was identified in relation to the assets of Usines Métallurgiques de Vallorbe, with an impairment of €7.9 million recognised in 2017. With an improvement in outlook, a reversal of €2.6 million was recognised over the financial year.

At 31 December 2017, non-recurring 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.

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)	31/12/18	31/12/17
Gross values		
Raw materials and other supplies	55,751	62,373
Finished goods and merchandise	105,125	86,563
TOTAL	**160,875**	**148,936**
Provisions	-16,764	-17,357
Net values	**144,111**	**131,580**

4. TRADE RECEIVABLES AND TRADE PAYABLES

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

(€ K)	31/12/18	31/12/17
Gross trade receivables	**101,725**	**91,710**
Provisions	-4,508	-4,663
Net trade receivables	**97,217**	**87,046**

Trade payables totalled €47,887 K at 31 December 2018, compared with €48,587 K at 31 December 2017.

5. OTHER CURRENT RECEIVABLES AND LIABILITIES

Other current receivables

(€ K)	31/12/18	31/12/17
Gross values		
Receivables from employees	281	403
Other taxes (including VAT)	8,817	8,121
Prepaid expenses	2,320	2,617
Other receivables	2,277	1,481
TOTAL	**13,694**	**12,622**

Other current liabilities

(€ K)	31/12/18	31/12/17
Social security liabilities	24,260	24,365
Tax liabilities	10,092	8,224
Deferred income	1,849	2,433
Non-current asset suppliers	2,488	978
Other	1,144	766
TOTAL	**39,833**	**36,766**

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)	Value
At 31 December 2017	**34,121**
Changes in scope of consolidation	2,528
Changes in foreign exchange rates	6
Amortisation charges	-9,142
At 31 December 2018	**27,513**

Over the 2018 financial year, the main changes in scope related to Gaviota's subsidiaries and the exercise of the put option on TSDM, a subsidiary of Thermo-Technologies.

The item primarily consists of the net goodwill on Thermo-Technologies (€14.7 million), de Buyer (€4.4 million) and Eckermann (€2.5 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.

Intangible assets

(€ K)	Allocated intangible assets	Develop-ment costs	Patents and brands	Software	Other	In-progress and advance payments	Total 2018
Gross value at 31 December 2017	43,224	2,898	5,439	7,720	1,944	665	61,890
Acquisitions	-	313	1,174	774	725	728	3,715
Disposals	-	-3	-163	-340	-	-8	-514
Changes in foreign exchange rates	-	1	36	55	2	-	94
Changes in scope of consolidation	-	-	121	4	-	-	125
Other movements	-	-26	271	271	-1,505	-144	-1,133
At 31 December 2018	**43,224**	**3,184**	**6,878**	**8,485**	**1,165**	**1,240**	**64,177**
Accumulated amortisation at 31 December 2017	-2,237	-1,943	-3,879	-6,101	-1,138	-	-15,298
Amortisation charge and value restatements for the period	-2,985	-391	-314	-631	-294	-	-4,615
Disposals	-	3	163	340	-	-	506
Changes in foreign exchange rates	-	-	-3	-48	-	-	-50
Changes in scope of consolidation	-	-	-	-3	-24	-	-27
Other movements	-	208	-145	-	1,524	-	1,588
At 31 December 2018	**-5,222**	**-2,123**	**-4,178**	**-6,442**	**68**	**-**	**-17,897**
NET VALUE AT 31 DECEMBER 2018	**38,002**	**1,061**	**2,700**	**2,043**	**1,233**	**1,240**	**46,281**
							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**

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.

Property, plant and equipment

(€ K)	Land	Buildings	Plant, machinery and tools	Other	In progress and advance payments	Total 2018
Gross value at 31 December 2017	13,236	110,225	192,010	23,459	10,774	349,704
Acquisitions	668	3,497	10,614	2,302	7,307	24,387
Disposals	-	-2,083	-6,578	-1,534	-776	-10,970
Changes in foreign exchange rates	-14	785	1,320	41	117	2,248
Changes in scope of consolidation	-	515	901	69	-	1,484
Other movements	-120	4,397	4,316	412	-8,957	47
At 31 December 2018	**13,769**	**117,336**	**202,582**	**24,749**	**8,465**	**366,902**
Accumulated depreciation at 31 December 2017	-2,089	-47,245	-152,597	-16,544	-	-218,475
Depreciation charge and value restatements for the period	-360	-5,697	-8,622	-2,235	-	-16,914
Disposals	-	483	4,984	1,331	-	6,797
Changes in foreign exchange rates	-	-502	-1,127	-23	-	-1,652
Changes in scope of consolidation	-	-86	-524	54	-	-557
Other movements	-	-466	90	-43	-	-419
At 31 December 2018	**-2,449**	**-53,512**	**-157,796**	**-17,462**	**-**	**-231,219**
NET VALUE AT 31 DECEMBER 2018	**11,320**	**63,824**	**44,786**	**7,288**	**8,465**	**135,683**
						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 depreciation at 31 December 2016	-1,819	-36,400	-114,585	-13,776	-	-166,580
Depreciation 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**

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. 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 2018
Gross value at 31 December 2017	1,883	10,014	30,885	42,782
Acquisitions	-	-	477	477
Disposals	-	-2	-130	-132
Changes in foreign exchange rates	-	-	148	148
Changes in scope of consolidation	-	-	-	-
Other movements	-	-	-50	-50
At 31 December 2018	**1,883**	**10,012**	**31,331**	**43,225**
Accumulated depreciation at 31 December 2017	-258	-2,683	-23,257	-26,198
Depreciation charge for the period and value adjustments	-42	-394	-1,596	-2,033
Disposals	-	2	118	120
Changes in foreign exchange rates	-	-	-47	-47
Changes in scope of consolidation	-	-	-	-
Other movements	-	-	41	41
At 31 December 2018	**-300**	**-3,075**	**-24,740**	**-28,116**
NET VALUE AT 31 DECEMBER 2018	**1,583**	**6,936**	**6,591**	**15,110**

				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 for the period and value adjustments	-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**

NOTE 5 – EQUITY

1. MAIN CHANGES IN EQUITY

(€ K)	31/12/18	31/12/17
Edify S.A. Equity - opening balance	**267,613**	**248,153**
Net profit for the year	16,066	21,929
Profit units (see Note 11)	419	243
Changes in foreign exchange rates	1,394	-3,023
Miscellaneous	-134	311
Total equity (Group share)	**285,358**	**267,613**
Non-controlling interests	24,977	17,371
TOTAL SHAREHOLDER'S EQUITY	**310,335**	**284,984**

Edify's subscribed capital amounted to €4.86 million at 31 December 2018, unchanged from 31 December 2017, and was represented by 4,860,000 fully paid-up shares with a par value of €1 each.

In accordance with Luxembourg standards, goodwill is amortised over a period of five years (see Note 4.1). Consolidated equity was impacted by goodwill amortisation of €9.1 million over the 2018 financial year (see Note 4.1), resulting in a cumulative amount of €19.3 million.
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 million under the terms of a liquidity agreement at 31 December 2018, compared with €0.1 million at 31 December 2017. Edify 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),
- capital gains or losses on the disposal of equity securities consolidated using the equity method,
- 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.

(€ K)	31/12/18	31/12/17
Cost of net financial debt	-3,708	-1,866
Financial income from investments	*1,117*	*981*
Financial expenses related to borrowings	*-4,825*	*-2,847*
Effect of foreign currency translation	18	-1,792
Financial expenses related to actuarial gains and losses	-1,685	2,044
Other financial income and expenses	171	5,190
Net financial income/(expense)	**-5,205**	**3,575**

Financial expenses have been impacted by the cost of the €1.4 million Euro PP private bond loan taken out on 16 May 2018.

The net financial income/(expense) linked to actuarial gains and losses was primarily due to the 2017 gains of €2.1 million and the 2018 losses of €1.7 million made on the pension plan assets of Usines Métallurgiques de Vallorbe. Other 2017 financial income was primarily due to capital gains of €4.2 million on the sale of securities, including those of Babeau-Seguin.

2. FINANCIAL ASSETS

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

(€ K)	31/12/18	31/12/17
Non-controlling equity investments	11,145	10,840
Unlisted bonds receivable convertible into shares	5,785	5,351
Borrowings	26	1
Other	4,150	2,566
Current and non-current financial assets	**21,106**	**18,759**
Due within 1 year	473	206
Non-current financial assets	**20,632**	**18,552**

Non-controlling equity investments include €5.2 million in Lacroix securities.

Bond receivables correspond to the convertible bonds issued to Edify by the Ligier Group's holding company (€5.8 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)	31/12/18	31/12/17
Borrowings from credit institutions	144,598	176,561
Lease commitments	11,284	13,163
EURO PP private bond loan	50,000	-
Other borrowings and financial liabilities	4,891	3,453
Current and non-current financial liabilities	**210,773**	**193,178**
Due within 1 year	45,576	41,655
Non-current financial liabilities	**165,196**	**151,522**

On 16 May 2018, Edify subscribed to its first private bond placement of €50 million, maturing over seven years and bearing a fixed rate of 3.75%.

Maturity schedule of financial liabilities

(€ K)	31/12/18	31/12/17
1 year or less	45,607	41,655
Between 1 and 5 years	93,620	90,722
5 years or more	71,546	60,801
TOTAL	**210,773**	**193,178**

Financial debt guaranteed by pledges, mortgages, or liens totalled €79 million at 31 December 2018.

Covenants

At 31 December 2018, Edify had a total of €150 million medium-term loan facilities (confirmed credit lines) with five banks and €50 million with private investors.

The provision of this financing by credit institutions and private investors is subject to the commitment given by Edify to comply with three financial covenants (net parent company financial debt/Net Asset Value, expanded net financial debt/expanded Net Asset Value and cash & cash equivalents). Edify was in compliance with all of its covenants at 31 December 2018.
Sirem, de Buyer, Zurflüh-Feller and Thermo-Technologies also complied with the respective covenants relating to their "LBO" debt at 31 December 2018.

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 accrued interest 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)	31/12/18	31/12/17
Financial liabilities included in Net Financial Debt calculation	210,035	192,623
Financial assets included in Net Financial Debt calculation	31	12
Cash and cash equivalents	124,200	103,744
Net Financial Debt (excluding earn-out liability and deferred settlements)	**85,805**	**88,867**
Earn-out liability and deferred settlements on acquisitions	706	521
Total Net Financial Debt	**86,511**	**89,388**

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 then offset the underlying asset.

At year-end, the Group had financial derivatives valued at €0.1 million.

NOTE 7 – DETAIL OF THE CASH FLOW STATEMENT

1. CASH AND CASH EQUIVALENTS

(€ K)	31/12/18
Cash flow - opening balance	**90,564**
Cash and cash equivalents - opening balance	103,744
Bank overdrafts	-13,180
Cash flow - closing balance	**111,130**
Cash and cash equivalents - closing balance	124,200
Bank overdrafts	-13,069

2. CHANGE IN WORKING CAPITAL REQUIREMENTS

(€ K)	31/12/18	31/12/17
Net change in inventories	-11,722	-122
Net change in trade receivables	-8,918	3,664
Net change in trade payables	631	3,161
Change in other receivables and payables	-1,171	-4,456
Change in working capital requirements	**-21,180**	**2,247**

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.

1. NON-CURRENT PROVISIONS

(€ K)	Provisions for guarantees	Provisions for litigation	Provisions for liabilities and charges	Total 2018
At 1 January 2018	2,381	738	547	3,665
Charges	54	167	111	332
Used reversals	-	-60	-88	-148
Unused reversals	-	-10	-112	-122
Impact of foreign exchange rates	8	-	2	10
Change in consolidation scope	-	-	-	-
Other movements	-	-4	5	1
At 31 December 2018	**2,443**	**831**	**465**	**3,737**

				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**

2. CURRENT PROVISIONS

(€ K)	Provisions for guarantees	Provisions for litigation	Provisions for liabilities and charges	Total 2018
At 1 January 2018	1,581	965	502	3,048
Charges	-	184	18	202
Used reversals	-	-492	-65	-557
Unused reversals	-237	-	-63	-300
Impact of foreign exchange rates	4	-	-1	3
Change in consolidation scope	-	-	-	-
At 31 December 2018	**1,348**	**657**	**391**	**2,396**
				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**

NOTE 9 – EMPLOYEE INFORMATION

1. HEADCOUNT

The headcount at 31 December 2018 was 3,643 employees (including 100% of the headcount of the entities consolidated on a proportional basis or acquired during the year).

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)	31/12/18	31/12/17
Retirement and similar obligations	11,927	9,395
Plan assets (funds)	-	450
Net obligation	**11,927**	**8,945**

The main pension commitments relate to the French and Swiss subsidiaries, for which respective discount rates of 1.5% and 0.8% have been 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 €272 K for 2018, compared with €269 K for 2017.

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. This is a horizontal tax consolidation agreement concluded for an undetermined period.

According to the agreement, the tax income 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 2018: PNM, Pellenc SAS, NMP, Financière Développement, ZFH, Zurflüh-Feller, Cerf, Profilmar, de Buyer Industries, de Buyer.com and Financière du Jura. 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)	31/12/18	31/12/17
Current tax	-11,892	-10,856
Deferred tax	1,868	-1,940
Income tax	**-10,024**	**-12,796**

Deferred tax is analysed by type as follows:

(€ K)	31/12/18 Assets	31/12/17 Assets	Impact 2018 income statement
Deferred tax on restatements related to IFRS standards and temporary differences, including:	6,689	6,707	-396
Deferred tax assets related to employee benefits	*2,555*	*2,208*	*300*
Deferred tax assets related to provision methods	*698*	*1,087*	*3*
Deferred tax assets related to tax and social security liabilities	*1,456*	*1,649*	*-240*
Deferred tax assets related to fair value	*893*	*1,042*	*-*
Deferred tax on intragroup margins	5,725	5,285	552
TOTAL	**12,414**	**11,992**	**156**
	Liabilities	**Liabilities**	
Deferred tax on restatements related to IFRS standards and temporary differences, including:	15,011	16,525	1,710
Deferred tax liabilities related to customer relations	*9,500*	*10,036*	*536*
Deferred tax liabilities related to the fair value of non-current assets	*1,111*	*1,532*	*32*
Deferred tax liabilities related to leases	*1,523*	*1,441*	*-90*
Deferred tax liabilities related to changes in amortisation and depreciation	*2,379*	*3,187*	*605*
Deferred tax liabilities related to the capitalisation of development costs	*248*	*298*	*50*
Deferred tax on intragroup margins	442	445	2
TOTAL	**15,453**	**16,970**	**1,712**

NOTE 11 – OFF-BALANCE SHEET COMMITMENTS

The Group's commitments comprise the following:

(€ K)	31/12/18	31/12/17
Payments outstanding on operating leases	6,153	5,607
Other commitments given	3,158	7,178
Commitments given	**9,311**	**12,786**
Asset and liability guarantees	22,004	22,304
Unused credit lines	182,104	102,042
Commitments received	**204,108**	**124,346**
Purchase options on assets	17,329	16,164
Mutual commitments	**17,329**	**16,164**

During the 2016, 2017 and 2018 financial years, Edify issued 498,083 profit units for a total nominal amount of €5,253,634.56. During these financial years, the Company gave a commitment and benefits a buy-back option, with a view to acquiring ownership of these profit units. According to the valuation as at 31 December 2018, this buy-back would have an impact of €3.8 million on shareholders' equity. Edify has also made other commitments relating to obligation to repurchase securities. These commitments total €12.3 million overall and will be fulfilled between 2019 and 2024.

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 (€10.2 million) and Aceper SL (€1.8 million) at 31 December 2018.

(€ K)	31/12/18	31/12/17
Investments in associates at the beginning of the year	11,197	11,661
Change in consolidation scope	-776	- 1,401
Share of profit/(loss) from associates	1,938	1,001
Dividends paid	-37	-64
Other movements	-58	-
Investments in associates at year	**12,264**	**11,197**

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 €317 K, of which €306 K was for services relating to the audit of the financial statements for 2018.

(€ K)	31/12/18	31/12/17
Total fees directly related to the audit of Edify Group's financial statements	306	313
Issuer	*96*	*96*
Fully-consolidated subsidiaries	*210*	*217*
Other services provided by the networks to fully-consolidated subsidiaries (legal, tax, corporate)	11	10
TOTAL	**317**	**323**

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)	2018	2017	Cross-reference with the financial statements
1. Net sales	**549,647**	**461,871**	Sales
2. Changes in inventories of finished and semi-finished goods	**11,757**	**2,776**	Cost of sales
3. Own work capitalised	**-**	**-**	
4. Other operating revenues	**8,172**	**6,799**	Other operating income
5. a) Consumption of merchandise, raw materials and consumables	**-266,408**	**-204,543**	Cost of sales
5. b) Other external charges	**-6,160**	**-4,437**	Cost of sales
6. Staff costs	**-161,454**	**-138,406**	Employee costs
a. Wages and salaries	*-123,287*	*-106,098*	
b. Social security charges accruing by reference to wages and salaries	*-34,126*	*-29,002*	
c. Supplementary pensions	*-1,845*	*-1,782*	
d. Other staff costs	*-2,197*	*-1,525*	
7. Value adjustments in respect of:	**-31,557**	**-24,747**	
a. Establishment costs and property, plant and equipment, and intangible assets	*-20,423*	*-16,375*	Amortisation and depreciation charges
b. Current provisions	*-138*	*583*	Charges to current provisions
c. Non-current provisions	*68*	*-887*	Other non-current operating income and expenses
d. Goodwill	*-9,142*	*-4,989*	Goodwill impairment + Earn Out
e. Allocated intangible assets	*-2,985*	*-1,464*	Amortisation of allocated intangible assets
f. Inventories	*931*	*-1,578*	Cost of sales
g. Operating asset items	*133*	*-37*	External costs
8. Other operating expenses	**-72,840**	**-69,690**	External charges + Other non-recurring operating income and expenses
OPERATING RESULT	**31,156**	**29,622**	**OPERATING PROFIT**
9. Income from equity investments	**-6,074**	**-5,711**	Other financial income and expenses
10. Income from financial items of current assets	**3,085**	**1,664**	Other financial income and expenses
11. Other interest and similar income	**1,117**	**981**	Investment income
12. Value adjustments in respect of financial assets and marketable securities included in current assets	-	-	
13. Interest and similar expenses	**-3,333**	**6,642**	
a. In respect of related entities	*6,220*	*10,839*	Other financial income and expenses
b. Debt-related financial charges	*-4,825*	*-2,847*	Financial expenses related to borrowings
c. Other interest and charges	*-4,727*	*-1,350*	Other financial income and expenses
NET FINANCIAL INCOME/(EXPENSE)	**-5,205**	**3,575**	**NET FINANCIAL INCOME/(EXPENSE)**
14. Income tax	**-10,024**	**-12,796**	Income tax
15. Share of profit of equity-accounted entities	**1,938**	**1,001**	Share of profit/(loss) from associates
16. Profit after income tax	**17,866**	**21,403**	
17. Other taxes	-	-	
18. Net profit for the year	**17,866**	**21,403**	**CONSOLIDATED NET PROFIT**

ASSETS

(€ K)	31/12/18 Net	31/12/17 Net	Cross-reference with the financial statements
A. Fixed assets	**242,846**	**241,899**	
I. Intangible fixed assets	**46,281**	**46,592**	Net intangible assets
1. Research and Development costs	928	954	
2. Concessions, patents, licences, trademarks, as well as similar rights and securities	12,238	10,068	
3. Business goodwill, to the extent that it was acquired for valuable consideration	31,872	34,903	
4. Payments on account and intangible fixed assets in progress	1,242	667	
II. Goodwill	**27,513**	**34,121**	Goodwill
III. Property, plant and equipment	**135,683**	**131,230**	Net property, plant and equipment
1. Land and buildings	75,144	74,127	
2. Plant and machinery	44,788	39,415	
3. Other equipment, tools and furniture	7,287	6,914	
4. Payments on account and tangible fixed assets in progress	8,465	10,774	
IV. Investments	**33,370**	**29,956**	
1. Shares held in related companies	12,264	11,197	Investments in associates
2. Equity interests and securities held for the long-term	11,175	10,852	Current and non-current financial assets
3. Other loans	9,930	7,907	Current and non-current financial assets
V. Deferred tax assets	**12,414**	**11,992**	Deferred tax assets
B. Current assets	**386,153**	**341,539**	
I. Inventories	**144,111**	**131,580**	Inventories
1. Raw materials and consumables	47,554	53,605	
2. Finished goods and merchandise	96,557	77,975	
II. Debtors	**117,842**	**106,215**	
1. Receivables resulting from the sale of goods or the provision of services	97,217	87,046	Trade receivables
2. Receivables from related entities	-8	-	Other receivables
3. Receivables from employees	-	450	Employee benefits
4. Other receivables	20,633	18,718	Other receivables + Current tax assets
III. Marketable securities	**-**	**-**	
IV. Bank accounts, post office account, cheques and cash in hand	**124,200**	**103,744**	Cash and cash equivalents
C. Prepayments	**2,320**	**2,617**	**Other receivables**
TOTAL BALANCE SHEET ASSETS	**643,732**	**598,046**	

EQUITY & LIABILITIES

(€ K)	31/12/18 Net	31/12/17 Net	Cross-reference with the financial statements
A. Shareholders' equity	**310,335**	**284,984**	
I. Subscribed capital	**4,860**	**4,860**	Share capital
II. Issue and similar premiums	**242,803**	**242,384**	Share premium
III. Revaluation reserves	**-**	**-**	
IV. Reserves	**21,629**	**-1,560**	Other reserves
V. Retained earnings	**-**	**-**	
VI. Net profit for the year (Group share)	**16,066**	**21,929**	Net profit for the period
Minority interests	**24,977**	**17,371**	Non-controlling interests
B. Provisions	**18,060**	**16,108**	
1. Provisions for pension and similar obligations	11,927	9,395	Employee benefits
2. Other provisions	6,133	6,713	Non-current and current provisions
C. Deferred tax liabilities	**15,453**	**16,970**	**Deferred tax liabilities**
D. Unsubordinated debt	**298,035**	**277,551**	
1. Bonds issued by entities with which the Company has an equity relationship	-	-	
2. Financial debt owed to credit institutions and other	210,718	193,043	
a. Outstanding amount due within 1 year	*45,523*	*41,521*	Other current financial liabilities
b. Outstanding amount due after more than 1 year	*165,196*	*151,522*	Other non-current financial liabilities
3. Prepayments on order	-	-	
4. Liabilities on purchases of goods and provision of services	47,887	48,587	Trade payables
a. Outstanding amount due within 1 year	*47,887*	*48,587*	
b. Outstanding amount due after more than 1 year	-	-	
5. Liabilities related to fixed assets	2,488	978	Other current liabilities
6. Trade payables evidenced by commercial paper	-	-	
7. Liabilities owed to related entities	56	139	
a. Outstanding amount due within 1 year	*56*	*139*	Other current liabilities
b. Outstanding amount due after more than 1 year	-	-	
8. Liabilities owed to entities with which the Company has an equity relationship	-	-	
9. Tax and social security liabilities	35,504	33,860	
a. Outstanding amount due within 1 year	*35,504*	*33,860*	Other current liabilities
b. Outstanding amount due after more than 1 year	-	-	
10. Other liabilities	1,381	944	
a. Outstanding amount due within 1 year	*1,140*	*762*	Other current liabilities + Tax liabilities
b. Outstanding amount due after more than 1 year	*241*	*182*	Other non-current liabilities
E. Deferred income	**1,849**	**2,433**	
TOTAL BALANCE SHEET LIABILITIES	**643,732**	**598,046**	

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. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2018, 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 2018, 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 the Law of 23 July 2016 and ISAs 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 Company / 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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, 2 May 2019

Edify May 2019

Layout : Explorations

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

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