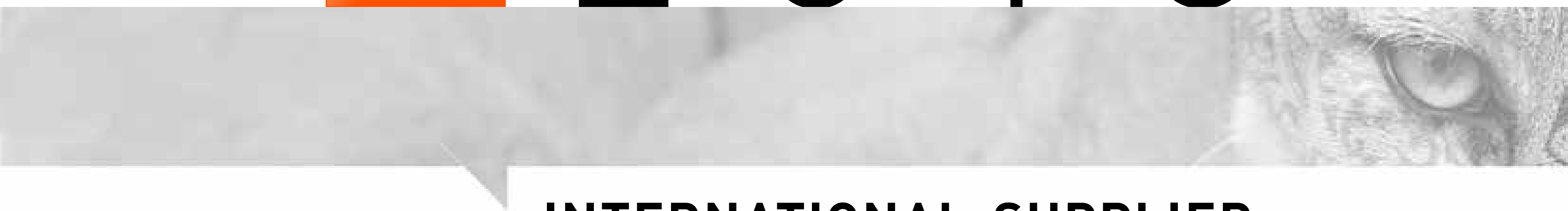
2018



INTERNATIONAL SUPPLIER
OF HOME DECORATION ARTICLES

Excerpt of the 2018 Annual Report

Consolidated financial statements
at 31 December 2018

Consolidated financial statements at 31 December 2018

1. Consolidated balance sheet

BALANCE SHEET – ASSETS			2018		2017
(€ thousands)	**Note**	**Gross value**	**Amortisations**	**Net**	**Net**
Goodwill	5.2.1.1	47,468	47,468	-	-
Intangible assets	5.2.1.2	3,401	2,995	405	423
Property, plant and equipment	5.2.1.3	33,419	14,898	18,522	19,735
Financial assets	5.2.1.4	2,587	-	2,587	3,294
Total fixed assets		**86,875**	**65,361**	**21,513**	**23,453**
Inventories	5.2.2.1	67,984	898	67,086	57,776
Customers	5.2.2.2	40,971	480	40,491	37,272
Other receivables and prepaid expenses	5.2.2.2	12,627	2,156	10,471	9,773
Total non-current assets	5.2.2.3	11,929	-	11,929	16,105
Total current assets		**133,511**	**3,534**	**129,977**	**120,926**
TOTAL		**220,386**	**68,895**	**151,490**	**144,378**

BALANCE SHEET – SHAREHOLDERS' EQUITY AND LIABILITIES	Note	2018	2017
(€ thousands)			
Capital		17,261	17,261
Additional paid-in capital		12,807	12,807
Treasury shares		-71	-78
Reserves and income		9,085	11,029
Shareholders' equity attributable to the Group	4	**39,081**	**41,019**
Non-controlling interests		5,565	5,643
Total shareholders' equity	4	**44,646**	**46,662**
Borrowings and financial liabilities	5.2.5.1	66,317	63,170
Provisions for contingencies and expenses	5.2.4	1,603	1,445
Provisions for deferred taxes	5.3.6	1,667	1,497
Trade payables	5.2.5.2	27,245	22,014
Other liabilities and accruals	5.2.5.2	10,013	9,591
Total current liabilities		**106,844**	**97,716**
TOTAL		**151,490**	**144,378**

2. Consolidated income statement

Consolidated income statement (€ thousands)	2018	2017
Revenue	180,839	180,324
Other operating income	547	657
Total operating income	**181,386**	**180,981**
Cost of sales	-123,727	-120,212
Staff costs	-19,774	-19,803
External charges	-30,413	-29,545
Taxes and similar payments	-1,858	-1,848
Other operating expenses	-573	-570
Operating profit before depreciation and amortisation (EBITDA)	**5,041**	**9,003**
Allowances for depreciation and reserves	-2,941	-1,893
Operating profit	**2,100**	**7,110**
Financial income	248	36
Financial expense	-1,321	-1,602
Net financial expense	**-1,073**	**-1,566**
Net exceptional items	**239**	**-566**
Corporate income tax	56	-1,745
Consolidated net income	**1,323**	**3,233**
Attributable to:		
U10 Group shareholders	1,147	3,023
Non-controlling interests	176	210
Earnings per share	**0.07**	**0.18**

3. Consolidated statement of cash flows

(€ thousands)	Note	2018	2017
Consolidated net income		1,323	3,233
Adjustments for non-cash income and expense items		2,363	2,298
Allowances for depreciation and reserves	5.2.1.1 à 5.2.1.3	2,208	2,121
Changes in provisions for contingencies and expenses	5.2.4	150	81
Change in deferred tax	5.3.6	-18	94
Proceeds from the disposal of fixed assets		48	10
Miscellaneous		-26	-7
Cash flows from consolidated companies		**3,685**	**5,531**
Change in operating working capital requirements		-7,406	-11,226
Inventories	5.2.2.1	-9,311	-5,019
Trade receivables and related accounts	5.2.2.2	-2,670	-3,616
Trade payables	5.2.5.2	4,872	-1,572
Other trade receivables and payables	5.2.2.2 et 5.2.5.2	-296	-1,020
Net cash provided by operating activities		**-3,720**	**-5,696**
Of which income tax payments		288	-3,330
Acquisition of intangible assets	5.2.1.2	-419	-433
Acquisition of property, plant and equipment	5.2.1.3	-830	-890
Acquisition of financial assets	5.2.1.4	-36	-24
Proceeds from asset disposals	5.2.1.2 à 5.2.1.4	1,067	242
Net cash used in investing activities		**-218**	**-1,104**
Dividends paid	4	-3,101	-5,706
Acquisition of treasury shares (resulting in the reduction of capital)		68	-5,668
Treasury shares	4	6	23
Debt issuance	5.2.5.1		1,150
Cash advances received	5.2.5.1	-3,879	7,150
Repayment of debt	5.2.5.1	-5,942	-4,475
Change in accrued interest	5.2.5.1	-1	4
Net cash provided by financing activities		**-12,848**	**-7,521**
Impact of foreign exchange fluctuations		-358	491
Net change in cash and cash equivalents		**-17,144**	**-13,830**
Opening cash and cash equivalents	5.2.5.1	-9,054	4,776
Closing cash and cash equivalents	5.2.5.1	-26,199	-9,054

The statement of consolidated cash flows was prepared according to the indirect method on the basis of net income of fully consolidated companies. Cash and cash equivalents correspond to liquid assets and short-term securities minus current bank facilities and overdrafts.
Interest payments in the financial year amounted to €768,000 (€742,000 at 31 December 2017).

Dividends for fiscal year 2017 and voted by the general meeting held on 6 June 2018 were payable on 5 July 2018.

The transition to French GAAP had no impact on the presentation of the cash flow statement.

4. Statement of changes in consolidated shareholders' equity

(€ thousands)	Number of shares [1]	Capital	Additional paid-in capital	Reserves and income	Treasury shares	Foreign currency translation adjustments	Shareholders' equity attributable to the Group	Non-controlling interests	Total
Consolidated equity at 31/12/2016	**18,613,342**	**18,640**	**12,807**	**13,167**	**-102**	**4,947**	**49,459**	**5,835**	**55,294**
Profit for the period				**3,023**			**3,023**	**210**	**3,233**
Net gains and losses recognised directly in equity						-227	-227	-85	-313
Total gains and losses recognised in 2017		**-**	**-**	**3,023**	**-**	**-227**	**2,796**	**125**	**2,921**
Treasury shares	-1,375,589	-1,379		-4,294	23		-5,650		-5,650
Distribution of dividends of subsidiaries				-5,587			-5,587	-317	-5,903
Consolidated equity at 31/12/2017	**17,237,753**	**17,261**	**12,807**	**6,310**	**-78**	**4,720**	**41,019**	**5,643**	**46,662**
Profit for the period				**1,147**			**1,147**	**176**	**1,323**
Net gains and losses recognised directly in equity				0		-6	-6	3	-3
Total gains and losses recognised in 2018		-	-	**1,147**	-	**-6**	**1,140**	**179**	**1,320**
Treasury shares	-11,357	-		-29	6		-23		-23
Distribution of dividends of subsidiaries				-3,107			-3,107	-258	-3,364
Other changes				51			51	-	51
Consolidated equity at 31/12/2018	**17,226,396**	**17,261**	**12,807**	**4,372**	**-72**	**4,714**	**39,081**	**5,565**	**44,646**

(1) after eliminating treasury shares

5. Notes to the consolidated financial statements

The consolidated financial statements of U10 Group were approved by the Board of Directors on April 3, 2019.

Annual highlights

On 6 August 2018, the company's shares were transferred to Euronext Growth.
The Board of Directors decided to apply French GAAP for the presentation of the 2018 consolidated financial statements.
The impacts of this change in accounting standards are presented in 5.10.

5.1. Significant accounting policies

Basis of presentation and statement of compliance

The consolidated financial statements have been prepared on the basis of French GAAP as defined by CRC Regulation No. 99-02 and amendments thereto of the French accounting rules committee (Comité de la Réglementation Comptable or CRC), and notably based on Regulation No. 2005-10 of 3 November 2005 and Regulation No. 2015-07 of the French accounting standards authority (Autorité des Normes Comptables or ANC) of 23 November 2015.

The consolidated financial statements of the prior period were prepared in accordance with IFRSs as adopted within the European Union. These financial statements have been restated in accordance with French GAAP for the purposes of comparability.
The tables for the transition from IFRS to French GAAP are presented in note 5.10.

Basis of preparation and presentation

In accordance with ANC Regulation No. 2018-01, the group has applied the applicable standards for preparing its consolidated financial statements and is concerned only by pension obligations and other employee benefits thereunder.

Basis of consolidation

As of 31 December 2018, the Group consisted of 20 companies.
All companies of the Group close their accounts on 31 December.

Changes in scope

In the period, the retail store business of Fred Olivier was transferred to a new company, also called Fred Olivier. The other part of its business was transferred to L3C through a global transfer of its assets and liabilities (transmission universelle de patrimoine or TUP).
Codico was renamed Homea.

Consolidated financial statements at 31 December 2018

Type of activity	Name	Date of creation or acquisition of controlling interest	2018 Ownership interest (%)	2018 Consolidation method	2017 Ownership interest (%)	2017 Consolidation method	Activity
Corporate services	U10	Creation 4 May. 1994	-	Full consolidation	-	Full consolidation	Parent company
	LOG10	Creation 1 Aug. 2005	100 %	Full consolidation	100 %	Full consolidation	Corporate logistics services
Home	L3C	Creation 12 Dec. 2003	100 %	Full consolidation	100 %	Full consolidation	A commercial company specialised in household decorations: curtains, net curtains, cushions, bed linen and bath linen, PVC covers and plastic adhesive coatings
	FRED OLIVIER Transferred to L3C on 20/08/18 through a global transfer of its assets and liabilities (TUP).	1 Jan. 2002			100 %	Full consolidation	A company specialised in the design of textile products and tableware
	FRED OLIVIER	13 June 2018	100 %	Full consolidation			A company specialised in the design of textile products and tableware
	B10	1 Oct .2003	99.90 %	Full consolidation	99.90 %	Full consolidation	Holding company of Homea, La Nouba and Operating Asia performing services and sourcing for Homea
	HOMEA	Creation 1 Jul. 2007	99.90 %	Full consolidation	99.90 %	Full consolidation	Specialised in collections of home utility and leisure goods as well as creative leisure crafts and educational lines
	LA NOUBA	1 Jul .2014	50.95 %	Full consolidation	50.95 %	Full consolidation	Company specialised in the sale of party goods
	TEAM DECO	Creation 21 Jun. 2012	100 %	Full consolidation	100 %	Full consolidation	A company specialised in the design, marketing and distribution of product lines for home decoration and furnishings.
	U-WEB	Creation 16 August 2011	51 %	Full consolidation	51 %	Full consolidation	Specialised in the sale of home textile products and fabrics on online marketplaces
Under-garments	DUTEXDOR (ex UTEX)	Creation 2 May 2006	65 %	Full consolidation	65 %	Full consolidation	Specialised in the design of clothing accessory lines for French food superstores and specialised retailers
Asie	SMERWICK GROUP	1 Jul .2006	72.69 %	Full consolidation	72.69 %	Full consolidation	A holding company incorporated in Hong Kong for all companies based in Asia
	LONGFIELD LIMITED	1 Jul .2006	72.69 %	Full consolidation	72.69 %	Full consolidation	A trading company based in Shanghai incorporated in Hong Kong for articles originating from China
	SMERWICK LIMITED	1 Jul .2006	72.69 %	Full consolidation	72.69 %	Full consolidation	A trading company incorporated in Hong Kong specialised in goods originating from other countries of Asia through its Taiwan branch office.
	SMERWICK TAIWAN BRANCH LIMITED	1 Jul .2006	72.69 %	Full consolidation	72.69 %	Full consolidation	A trading company incorporated under the laws of Taiwan specialised in goods originating from other countries of Asia
	MADE IN U10 (ex. HENGWEI ASIA LIMITED)	1 Jul .2006	72.69 %	Full consolidation	72.69 %	Full consolidation	A trading company incorporated in Hong Kong for articles originating from China
	LONGGANG LIMITED	3 Jun. 2010	72.69 %	Full consolidation	72.69 %	Full consolidation	A company incorporated under the laws of China providing services for export customers.
	HENGWEI SH	6 May 2011	72.69 %	Full consolidation	72.69 %	Full consolidation	A company incorporated under the laws of China specialised in trade and the distribution of products for the Chinese market
	Hengqin Management Consulting Co Ltd	18 November 2016	72.69 %	Full consolidation	72.69 %	Full consolidation	A company incorporated under the laws of China providing services for export customers.
	NEWPRO ASIA LIMITED	1 Jan. 2013	50.1 % (controlling interest) 36.42 % (ownership interest)	Full consolidation	50.1 % (controlling interest) 36.42 % (ownership interest)	Full consolidation	A trading company incorporated under the laws of Hong Kong for articles originating from China
	U10 LIMITED (ex. U10 HONG-KONG LIMITED)	Creation 11 September 2015	72.69 %	Full consolidation	72.69 %	Full consolidation	Company incorporated in Hong Kong and governed by Hong Kong law specialised in the export of Home product range

Because the annual financial statements of U-WEB were not provided by the manager to the Group consolidation department, the annual results of this company are not taken into account.

Consolidation method

Companies over which U10 exercises exclusive control are fully consolidated.

There are no companies in which U10 exercises a significant influence.

Foreign currency translation methods

Les résultats des sociétés étrangères hors zone Euro sont The results of foreign companies outside the euro zone are translated into euros at the average exchange rate of the period and their balance sheets are translated at the year-end exchange rate. Translation differences are presented separately under equity

Goodwill arising from the acquisition of a foreign company is considered as an asset of the latter and consequently stated in the functional currency of the entity. Since the switch to French GAAP, goodwill is fully amortised. Goodwill created after the transition to French GAAP is translated at the year-end exchange rate.

Exchange rates for relevant currencies are as follows:

	31 December 2018		31 December 2017	
(Per euro)	**Average rate**	**Closing rate**	**Average rate**	**Closing rate**
US dollar (USD)	1.181492	1.1450	1.129292	1.1993

Foreign currency transactions

Expenses and income in foreign currency are translated at the exchange rate in effect on the transaction date. Monetary balances in foreign currency are translated at the closing rate. Unrealised currency gains or losses are recognised under income of the period. Currency gains and losses on sales are included under the relevant line item of operating income or expenses.

5.2. Notes to the balance sheet

5.2.1. Fixed assets

Goodwill

Goodwill is the difference between the acquisition cost of business combinations (excluding transactions costs) and the Group's share of the fair values of identifiable assets acquired and liabilities and contingent liabilities assumed on the acquisition date. These amounts are recorded in the functional currency of the acquired companies. The amounts of fair value and goodwill must be finalised within one year of the acquisition date. Modifications made after this date are recognised in the income statement, including those relating to deferred tax assets.

The Group measures non-controlling interests when acquired either at fair value (full goodwill method) or on the basis of the Group's share in the net assets of the acquired company (partial goodwill method). This option is applied for each acquisition.

When non-controlling interests are acquired after control has been obtained, the difference between consideration paid and the share in equity acquired is recognised directly in consolidated reserves. In the same way, in the case of a disposal without loss of control, the impact is recognised directly in consolidated reserves.

Goodwill is recorded under a separate line in the balance sheet at cost after deducting amounts of impairment that may be recognised. Negative goodwill is recorded directly in the income statement in the year control is acquired. Losses, when they arise, are recognised under «Other non-current operating income and expenses» if the event at the origin of this impairment meets this definition and are not reversible except in the case of disposals.

Amortisations

Goodwill is amortised over a maximum period of 10 years.

Since the adoption of French GAAP, the Group has adopted the amortisation plan as if amortisation expenses were applied without interruption while taking into account ANC Regulation No. 2015-07 of 23 November 2015.

All goodwill had been amortised on 1 January 2017.

5.2.1.1. Goodwill

CGU (€ thousands)	Gross value	2018 Amortisations	Net value	2017 Net value
Home	20,514	20,514	-	-
Fashion articles	7,115	7,115	-	-
Asia	19,840	19,840	-	-
Total	**47,468**	**47,468**	**-**	**-**

5.2.1.2. Intangible assets

Intangible assets are recognised at acquisition cost.

The rules for the amortisation, depreciation and impairment of Group assets comply with CRC Regulation No. 2002-10. Amortisation is calculated on a straight-line or accelerated basis over their useful lives.

– Drawings/designs: 1 to 4 years
– Software, licenses: 1 to 5 years
– Other intangible assets: 3 years

Due to the nature of the Group's business, it does not have research and development expenditures.

Intangible assets (€ thousands)	Gross value	2018 Amortisations	Net value	2017 Net value
Matrices - Dessins	1,123	872	250	275
Logiciels, brevets, licences, marques	2,225	2,086	138	147
Autres immobilisations incorporelles	53	37	17	1
Total	**3,400**	**2,995**	**405**	**423**

Intangible assets (€ thousands)	Opening net balance	Acquisitions	Disposals	Allowances	Closing net balance
Models and drawings	275	272	0	-297	250
Software, patents, licenses	147	131	0	-140	138
Other intangible assets	1	17	-1	-	17
Total	**423**	**420**	**-1**	**-437**	**405**

On the basis of tests performed, no impairment charges were recorded.

5.2.1.3. Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost.

The rules for the amortisation, depreciation and impairment of Group assets comply with CRC Regulation No. 2002-10. Amortisation is calculated on a straight-line or accelerated basis over their useful lives.

– Buildings: 10 to 30 years
– General installations: 3 to 20 years
– Equipment and machinery: 1 to 8 years
– Transportation equipment: 2 to 5 years
– Office furniture and equipment: 2 to 10 years

Finance leases have been restated in relation to their materiality level for the presentation of financial statements when the value at inception of the property exceeds €100,000. To this purpose, only land and buildings of L3C and U10 financed by leases were restated in the balance sheet under property, plant and equipment with the corresponding debt recognised in the income statement as a depreciation allowance and financial expense.

Property, plant and equipment (€ thousands)	2018 Gross value	Amortisations	Net value	2017 Net value
Land	1,900		1,900	1,900
Buildings	19,275	6,133	13,142	13,945
Machinery and equipment	842	640	202	230
Fittings	8,781	5,932	2,849	3,145
Vehicles	412	389	23	96
Office furniture and equipment	2,104	1,804	301	420
Assets in progress	105	-	105	-
Total	**33,419**	**14,899**	**18,520**	**19,735**

Property, plant and equipment include the restatement of leases for U10 and L3C's land and buildings with a gross value of €19,447,000 and an accumulated depreciation of €4,869,000. The impact of the restatement of the capital lease on the income statement was €729,000 after taking into account deferred taxes.

Property, plant and equipment (€ thousands)	Opening net balance	Acquisitions	Disposals	Allowances	Foreign currency translation adjustments	Other changes	Closing net balance
Land	1,900	-	-	-	-	-	1,900
Buildings	13,945	-	-	-803	-	-	13,142
Machinery and equipment	230	44	-6	-66	-	-	202
Fittings	3,145	373	-154	-530	16	1	2,849
Vehicles	96	227	-120	-173	-6	-	23
Office furniture and equipment	420	78	-9	-200	9	-2	301
Assets in progress	-	108	-	-	-	3	105
Total	**19,735**	**829**	**-289**	**-1,772**	**18**	**-**	**18,520**

5.2.1.4. Financial assets

Financial assets consist of blocked bank deposits and deposits and guarantees that are recognised at cost.

Financial assets (€ thousands)	Opening	Acquisitions in the period	Disposals in the period	Foreign currency translation adjustments	Closing balance
Loans to personnel	7	24	-25	-	7
Deposits and guarantees paid	1,093	12	-7	3	1,101
Other non-current financial assets	2,194	-	-804	89	1,479
Total	**3,294**	**36**	**-836**	**92**	**2,587**

Only loans to personnel are short-term.
Deposits and guarantees paid correspond notably to security deposits for the use of premises.
The line item «other non-current financial assets» includes bank balances for €1,455,000 (€2,126,000 in 2017) as security for short-term bank credit lines.

5.2.2. Current assets

5.2.2.1. Inventories

Inventories consisting mainly of trade goods are recorded at the weighted average unit cost, including the purchase price (less discounts granted) and incidental expenses, and notably customs and transport expenses. A provision for impairment is recorded when the cost is considered to exceed the probable realisation price on the basis of the market price, sales prospects and risks related to obsolescence. Depreciation rates may consequently differ from one subsidiary to another according to the nature of products sold and distribution channels.

Inventory in € thousands	2018 Gross value	2018 Impairment	2018 Net value	2017 Gross value	2017 Impairment	2017 Net value
Raw materials and other supplies	501	0	501	418		418
Trade goods	67,484	-898	66,586	57,636	-278	57,358
Total	**67,984**	**-898**	**67,086**	**58,054**	**-278**	**57,776**

5.2.2.2. Trade receivables

Trade receivables subject to assignment are restated and eliminated from «Trade receivables and related accounts» only when the risks and benefits associated with these receivables are substantially transferred. In order to cover the risk of default, French companies of the Group are covered by credit insurance policies with the SFAC. An allowance for doubtful accounts is recorded for receivables when there exists a collection risk. These provisions are determined on the basis of an individual assessment of this risk that may depend on several factors (disputes, financial decision, payment delays, etc.).

Current receivables in € thousands		2018		2017
	Gross value	Impairment	Net value	Net value
Trade receivables and related accounts	40,971	480	40,491	37,272
Total	**40,971**	**480**	**40,491**	**37,272**

Receivables assigned to the factor are reclassified as trade receivables since the risks and rewards of these receivables are not transferred to the factor. These amounts totalled €14,731,000 at 31 December 2018 compared with €13,672,000 one year earlier. Trade receivables of French companies are partially covered by credit insurance policies, all with maturities of less than one year.

Other receivables and deferred taxes:

Other receivables and deferred taxes		2018		2017
	Gross value	Impairment	Net value	Net value
Advances and down payments paid	2,877		2,877	1,295
Employee-related receivables	15		15	25
Tax receivables	2,764		2,764	3,479
Current account receivables	15		15	14
Other receivables	2,313	2,156	157	132
Income tax receivables	1,915		1,915	2,184
Prepaid expenses	1,979		1,979	2,083
Deferred tax assets	748		748	560
Total	**12,627**	**2,156**	**10,471**	**9,773**

Current receivables have maturities of less than one year, with the exception of deferred tax assets and the CICE wage tax credit which have maturities of between one and three years.

Tax receivables correspond to receivables for corporate income tax. Other tax receivables consist mainly of VAT able to be deducted or recovered.

Sundry accounts receivable include primarily trade receivables linked to C3M's disposal in 2009 for €2,142,000 which have been fully written down since 2016. Debt collection procedures are still in progress for some of these receivables, while others were recognised under losses in prior periods.

Prepaid expenses represent operating items.

5.2.2.3. Cash and cash equivalents

Cash and cash equivalents consist of bank credit lines.

Current account balances subject to restrictions for periods exceeding three months at the closing date (for example, when pledged as security) are reclassified under financial assets.

Cash and cash equivalents in € thousands	2018	2017
Cash at banks, current account advances	11,929	16,105
Total	**11,929**	**16,105**

As indicated in note 5.2.1.4, restricted bank account balances amounting to €1,455,000 are classified as financial assets (2,126,000 in 2017). There are no short-term securities.

There are no cash amounts subject to restrictions (exchange controls, etc.).

5.2.3. Shareholders' equity

5.2.3.1. Stock option plans

No stock option plan was in progress in the period under review.

5.2.3.2. Share capital information

Treasury shares

Treasury shares are excluded from shareholders' equity on the basis of their acquisition and disposal price for the Group. Impairment charges, as applicable, and gains or losses from disposals, recorded in the separate financial statements upon disposal, are recognised directly under shareholders' equity in the consolidated financial statements for their amount net of the corresponding tax.

There exist no specific procedures and objectives set in advance. Changes and the management of share capital are undertaken on the basis of opportunities.

Within the framework of the share buyback program authorised by the annual general meeting of the shareholders, U10 has implemented a liquidity agreement for market making purposes for its shares. At 31 December 2018, U10 held 34,349 treasury shares in connection with the liquidity agreement.

Changes in share capital in the period:

	2017	Increase	Decrease	2018
Number of shares comprising the share capital*	17,260,745			17,260,745
Dilutive equity instruments:				
Total number of the potential shares	**17,260,745**	**-**	**-**	**17,260,745**
Of which treasury shares	22,992	11,357		34,349

The par value of the share is €1.

5.2.3.3. Dividends paid to parent company shareholders

The general meeting held on 6 June 2018 voted to distribute a dividend of €0.18 per share, with a dividend payment date of 5 July 2018.

5.2.4. Provisions for contingencies and expenses

Provisions for retirement severance benefits

Group employees, in accordance with applicable local laws and regulations, are covered by supplementary retirement and severance benefits. Addition, the Group is required to contribute to retirement funds in countries where it operates.

For defined contribution schemes, the charge corresponding to premium payments is recognised under profit and loss for the period.

For defined benefit schemes, the value of retirement commitments defined in accordance with contractual provisions is determined annually according to the projected unit credit method and based on actuarial assumptions for life expectancy estimates, employee turnover, seniority of employees, wage increases and discount rates.

In 2017 and 2018, the Group applied the following assumptions:

	2018		2017	
	French companies	Foreign companies	French companies	Foreign companies
Discount rate	1.8 %	1.75 %	1.8 %	2.0 %
Wage growth rate	2.0 %	2.0 %	2.0 %	2.0 %

The discount rate is obtained by reference to market yields on high quality corporate bonds having maturity dates closely matching those of the obligations.

In light of the provisions of the collective bargaining agreements that apply to the main companies of the Group, the commitment for long-service awards (seniority bonuses) is not considered as material.

Other provisions

Provisions are recorded when the Group has a present obligation resulting from a past obligating event expected to result in an outflow of economic resources able to be reasonably estimated.

Information on contingent liabilities is presented in the notes when they represent a significant amount. On 31 December 2018, there were no contingent liabilities. Tax adjustment notice amounts following the tax audit in progress are recognised under accrued expenses if accepted or provisions when contested.

Actuarial gains and losses are recognised under profit or loss of the period.

(€ thousands)	Opening	Allowances	Provisions used in the period	Reversal of unused provisions	Impact of foreign exchange fluctuations	Closing balance
Provisions for retirement severance benefits	1,227	166		-79	7	1,321
Non-current provisions	**1,227**	**166**		**-79**	**7**	**1,321**
Employee-related litigation contingencies	93		-22	-19		53
Sales-related litigation	79	150				229
Other current provisions	**46**		-46			
Current provisions	**218**	**150**	**-68**	**-19**		**282**
Total	**1,445**	**316**	**-68**	**-98**	**7**	**1,603**

5.2.5. Borrowings and financial liabilities

5.2.5.1. Net financial debt

Net financial debt amounted to 54,389,000 at year-end compared with 47,065,000 at 31 December 2017.
Medium-term borrowings consist primarily of fixed-rate loans (€15,884,000). Floating-rate debt totalled €9,029,000, originating entirely from the restatement of capital leases. Floating-rates applied are generally the 3-month Euribor plus a margin.
Only companies of the Smerwick subgroup had recourse to bank credit lines in US dollars.

- **Changes in financial debt and breakdown by nature**

Financial debt (€ thousands)	Opening	Increase	Decrease	Foreign currency translation adjustments	Closing balance
Other borrowings → 1 year at inception	19,157		-4,145		15,012
Finance leases	11,698		-1,797		9,901
Borrowings → 1 year at inception	**30,855**		**-5,942**		**24,913**
Other payables	7,151		-3,878		3,273
Accrued interest	5		-1		4
Bank overdrafts and credit lines	25,160	12,554		414	38,128
Other borrowings	**32,315**	12,554	**-3,879**	**414**	**41,405**
Total borrowings	**63,170**	**12,554**	**-9,820**	**414**	**66,318**
Cash and cash equivalents	-16,105		4,344	-168	-11,929
Cash and cash equivalents	**-16,105**		**4,344**	**-168**	**-11,929**
Net financial debt	**47,065**	**12,554**	**-5,476**	**246**	**54,389**

• **Breakdown of financial debt by maturity and rate profile**

Net financial debt (€ thousands)	**Clôture**	**o.w. < 1 an**	**o.w. → 1 year ← 5 years**	**o.w. > 5 ans**	**o.w. fixed rate**	**o.w. floating-rate**
Other borrowings → 1 year at inception	15,012	4,806	10,207		15,012	
Finance leases	9,901	1,831	4,277	3,793	872	9,029
Borrowings → 1 year at inception	**24,913**	**6,637**	**14,483**	**3,793**	**15,884**	**9,029**
Other payables	3,273	3,273				
Accrued interest	4	4				
Bank overdrafts and credit lines	38,128	38,128				
Other borrowings	**41,405**	**41,405**				
Total borrowings	**66,318**	**48,042**	**14,483**	**3,793**		
Cash and cash equivalents	-11,929	-11,929				
Cash and cash equivalents	**-11,929**	**-11,929**				
Net financial debt	**54,389**	**36,113**	**14,483**	**3,793**		

• **Covenants**

The covenants provided for the loan obtained by L3C maturing in 2021 were respected 31/12/2018.

• **Interest rate risk hedging**

See the section «Interest rate hedges» in note 5.6 «Off-balance sheet commitments».

5.2.5.2. Trade and other payables

(€ thousands)	**2018**	**2017**
Trade payables	27,245	22,014
Total	**27,245**	**22,014**

Trade payables have maturities of less than one year.

(€ thousands)	**2018**	**2017**
Advances and instalments received on orders	693	739
Employee-related payables	2,350	2,370
Tax payables	3,032	2,572
Payables on fixed assets	139	176
Dividends payable	318	180
Partners' current accounts	277	428
Tax payables (income tax)	31	50
Other payables	3,136	3,053
Deferred revenue	38	21
Total	**10,013**	**9,590**

Other tax payables include mainly VAT payables.
Miscellaneous payables include mainly accrued credit notes.
Trade payables have maturities of less than one year.

5.3. Notes to the income statement

5.3.1. Revenue

Revenue is recognised when the customer order is delivered (completed sales basis). Invoices in foreign currencies are translated into euros at the monthly average exchange rate published by the official French publication for legal notices (Journal Officiel). Sales of companies that prepare their financial statements in foreign currencies are translated at the average exchange rate of the period (see section on Foreign currency translation methods).

Revenue by geographical segment is as follows (excluding inter-company sales):

Revenue (non-Group) (€ thousands)	2018		2017	
France	146,611	81 %	151,857	84 %
European Union	17,169	10 %	15,807	9 %
Outside European Union	17,058	9 %	12,660	7 %
Total	**180,839**		**180,324**	

The largest customer accounts for 12.9 % of sales.

5.3.2. Operating profit

5.3.2.1. Staff costs and workforce

(€ thousands)	2018	2017
Wages and salaries	14,653	14,759
Payroll taxes	5,122	5,044
Total	**19,774**	**19,803**

Headcount at 31 December	2018	2017
Marketing / Communication	29	22
Purchasing	44	45
Commercial	131	136
Logistics	132	125
Administration / Finance	46	45
IT	7	8
Total	**389**	**380**

Average headcount of the period	2018	2017
Marketing / Communication	29	24
Purchasing	45	46
Commercial	128	131
Logistics	130	123
Administration / Finance	47	46
IT	8	8
Total	**386**	**377**

In 2018, a French CICE wage tax credit of €416,000 was recognised as a deduction from social security charges.

5.3.2.2. Total operating expenses

The main operating income and expense aggregates are as follows:

(€ thousands)	2018	2017
Total external services, including mainly:	30,413	29,545
Transport	10,570	9,919
Rent and rental charges	5,075	5,307
Costs of intermediaries and fees	3,378	4,643
Advertising, publications	3,298	2,607
Travel and entertainment expenses	1,808	1,921
Maintenance & repairs	1,252	1,207
External staff costs	1,220	958
Insurance premium	928	881
Other net operating income and expenses	573	570
Total	**30,985**	**30,115**

5.3.3. Allowances for depreciation and reserves

(€ thousands)	2018	2017
Net allowances for depreciation of fixed assets	2,208	2,121
Net allowances for inventory impairment	620	-153
Net allowances for bad debt	31	-190
Other net allowances	81	115
Net current operating provisions	**2,941**	**1,893**
Other net current operating provisions	63	-674
Total allowances (net of reversals) of the period	**3,003**	**1,219**

The minus sign (-) indicates the reversal of a provision.

5.3.4. Net financial expense

(€ thousands)		2018	2017
Net financial expense		-1,198	-1,348
Of which:	- Cost of net debt	-768	-742
	- Other	-430	-606
Non-operating income/(losses)		125	-217
Total		**-1,073**	**-1,565**

5.3.5. Net exceptional items

Net exceptional items

Exceptional profit or loss includes items which are by nature unusual, significant and non-recurring. This includes gains and losses from asset disposals, goodwill impairment for which the obligating event meets this definition, the impact of redundancy plans, material litigation.

Exceptional income and expenses concern mainly expenses and income from prior periods including a rebate on the contribution of dividends paid, asset disposals and non-recurring expenses.

5.3.6. Corporate income tax

Current and deferred tax

French companies that are more than 95%-held are included in the French tax group providing for tax integration between the parent company and subsidiaries (U10, L3C, Team Deco, Log10, B10 and Homea, the new name of Codico). The tax savings in 2018 from this tax-sharing arrangement amounted to €543,000.

Timing differences between taxable income and reported net income give rise to the recognition of deferred taxes under the liability method.

Deferred tax assets relating to tax loss carryforwards are recognised only when they can be allocated to temporary tax differences or future tax benefits.

The allocation of future taxable income is taken into account when a reasonable likelihood of occurrence or recovery has been determined based on forward-looking information approved by Group management. In practice, forecasts are adopted, as a matter of prudence, for three-year periods, except in special cases.

Within the same tax entity (company, tax consolidation group) deferred tax assets and liabilities are offset, regardless of their maturity, when the tax entity has the right to offset its current tax assets and liabilities and the deferred tax assets and liabilities concerned are levied by the same tax authorities.

Deferred tax assets and liabilities are recognised under non-current assets and liabilities.

Deferred tax assets and liabilities are not discounted.

The Group has opted to present the CICE wage tax credit as a deduction from staff costs.

The company was subject to a tax audit for the financial years 2013 to 2015. The tax adjustment proposal received from the tax authorities was contested by the company.

• **Reconciliation of the theoretical income tax with actual income tax expense**

(€ thousands)	2018	2017
Profit before tax	1,267	4,978
Theoretical tax at the standard French tax rate (1)	422	1,659
Impact of foreign tax	-226	-191
Impact of changes in tax rates	108	-11
Impact of permanent differences	-360	9
Impact of the French social contribution (3.3 %)		9
Impact of the contribution on dividends		166
Deferred taxes not recognised at the end of the period (on tax loss carryforwards)		104
Actual tax expense	**-56**	**1,745**

(1) At 33.33 %

• **Breakdown of income tax expense**

(€ thousands)	2018	2017
Current tax	-38	1,651
Deferred tax	-18	94
Total	**-56**	**1,745**

• **Deferred taxes**

Deferred tax receivables and payables are presented according to their net amount by company.

Breakdown of deferred tax by nature	2018 deferred tax		2017 deferred tax	
(€ thousands)	assets	liabilities	assets	liabilities
Restatement of capital leases		1,386		1,102
Provision for retirement severance payments	326		357	
Margins on inventories	206		204	
Loss carryforwards	157			
Tax-driven provisions		248		387
Other timing differences	59	34		7
Total	**748**	**1,667**	**560**	**1,495**

5.3.7. Earnings per share

Earnings per share

Basic earnings per share (before dilution) are calculated on the basis of the weighted average number of shares outstanding in the period under review, less treasury shares.

Diluted net earnings per share are determined using the treasury method. When basic earnings per share are negative, diluted earnings per share are identical to the former.

At 31 December 2018, there was a total of 17,260,745 shares. Net earnings per share amounted to €0.07. There are no dilutive securities.

5.4. Segment information

Segment information

The Group is specialised in developing and marketing a range of product lines for the home furnishings and personal goods segments.

It is organised into two main geographical regions:

– the Europe division shipping directly to stores or the logistics platforms of France or international customers, the ranges it designs

– the Asia division whose activity includes sourcing, quality control and the marketing of ranges created by U10 Group which addresses the international distribution sector.

2018	Europe Division	Asia Division	Total
Revenue	138,810	42,029	180,839
Intangible assets	405	-	405
Property, plant and equipment	18,481	40	18,522
Financial assets	1,312	1,275	2,587

2017	Europe Division	Asia Division	Total
Revenue	139,467	40,857	180,324
Intangible assets	423	-	423
Property, plant and equipment	19,631	104	19,735
Financial assets	1,351	1,943	3,294

5.5. Pro forma income statement

For the periods presented, there were no changes in the Group structure requiring the preparation of a pro forma income statement.

5.6. Off-balance sheet commitments

The Group has implemented procedures to identify the main commitments and ensure the disclosure of material commitments.

The following table shows all off-balance sheet commitments with the exception of leases in progress and outstanding interest owed on loan agreements.

Off-balance sheet commitments (€ thousands)	Main characteristics		2018	2017
Related to the Group structure			néant	néant
Related to financing				
1/ Other commitments given				
Pledges of equity interests		1-2	-	-
Bank account pledges	Bank account pledges as security for a loan	(1)	-	-
Hedging instruments	Interest rate hedges for debt	(1)	-	-
2/ Other commitments received				
Guarantees given by third parties to banks of consolidated companies			-	-
Related to operating activities				
1/ Other commitments given				
Capital leases (not restated)			240	25
Hedging instruments	Forward exchange agreements for the purchase of US dollars		6,479	22,292
	Euro forward sales agreements		-	-
2/ Reciprocal commitments				
Documentary credit for suppliers			3,038	8,974

(1) Outstanding loan balance at the end of the period

• **Guarantees**

For information, guarantees given to banks of Group companies in the form of first demand guarantees or comfort letters permit local subsidiaries to obtain bank overdrafts facilities or treasury advances. At 31 December 2018, these guarantees amounted to €31,649,000 with the corresponding overdrafts amounting to €8,145,000.

Furthermore, U10 granted a guarantee to the lessor for the lease obtained by L3C for its buildings. In addition, the intangible assets of this lease agreement are pledged in favour of the lessor.

• **Foreign exchange hedges**

Forward exchange purchase agreements were implemented within the framework of the hedging policy for covering commercial transactions (trade good purchases).

Currency	Maturity	Nominal amount in $US thousands	Amount in $US thousands at 31/12/2018	Average €/$ exchange rate	Balance in € thousands
USD	2019	7,500	7,500	1.1541	6,499
TOTAL		**7,500**	**7,500**	**1.1541**	**6,499**

• **Interest rate hedges and other commitments**

There were no interest rate hedges in force at 31 December 2018.

To the best of the Company's knowledge, information disclosed in these notes does not contain any omissions concerning the existence of significant off-balance sheet commitments

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• **Commitments received and reciprocal agreements**

The Group has recourse to the documentary credit for certain suppliers and customers. The amount of the corresponding reciprocal agreements at 31 December 2018 totalled €3,038,000.

5.7. Related parties

Directors and officers include the Chairman, the Chief Executive Officer, Deputy Chief Executive Officers and members of the Board of Directors of U10.

Transactions with related parties disclosed below concern companies having a common director or officer with U10.

5.7.1. Related parties

Related party transactions in the period amounted to €98,000 for services rendered, €1,281,000 for services received. Receivables and payables amounted to respectively €50,000 and €3,684,000 (including dividends payable and the current account advance).

5.7.2. Compensation of directors and officers

Executive compensation in 2018 amounted to €362,000 (excluding social charges) compared to €334,000 in 2017.

At 31 December 2018, no advances or loans or any post-employment benefits were granted to members of the management.

5.8. Subsequent events

There are no material events to report since the end of the financial year.

5.9. Fees paid to Auditors and members of their network by the Group

Fees paid to U10's statutory auditors as well as members of their network are presented below.

(€ thousands)	2018						2017					
	EXCO network		ORFIS member of ALLINIAL GLOBAL		Total		EXCO network		ORFIS Network BAKER - TILLY		Total	
Audit												
Statutory auditing	163	100 %	50	94 %	212	98 %	165	100 %	51	98 %	217	99 %
– Issuer	34	21 %	50	100 %	84	39 %	34	20 %	51	100 %	85	39 %
– Fully consolidated subsidiaries	129	79 %			129	61 %	132	80 %			132	61 %
Other audit-related services	0.8	0 %	3.2	6 %	4.0	2 %	0.8	0 %	1.0	2 %	1.8	1 %
– Issuer	0.8	100 %	3.2	100 %	4.0	100 %	0.8	100 %	1.0	100 %	1.8	100 %
– Fully consolidated subsidiaries												
Subtotal	**163**	**100 %**	**53**	**100 %**	**216**	**100 %**	**166**	**100 %**	**52**	**100 %**	**219**	**100 %**
Other services												
Legal. tax and employee-related services												
Information technology												
Internal audit												
Other												
Subtotal												
Total	**163**	**100 %**	**53**	**100 %**	**216**	**100 %**	**166**	**100 %**	**52**	**100 %**	**219**	**100 %**

5.10. Transition from IFRS to French GAAP

Description of the nature of significant changes in accounting methods:

Goodwill:
On the opening date of the presentation of the financial statements in French GAAP, regular impairment tests were replaced by systematic amortisation. Goodwill recognised in the balance sheet of the company was fully amortised on 1 January 2017.
For that reason, the change in accounting standards had no impact in the income statement on the transition date with the exception of reserves in the amount of a charge of €50,176,000 on 1 January 2017.

Hedging instruments:
US dollar forward exchange purchase agreements are recorded under off-balance sheet commitments.
Under IFRS they were recognised under equity.
For that reason, the change in accounting standards had no impact in the income statement on the transition date but only in reserves in the amount of a charge of €2,354,000 on 1 January 2017.

Income statement:
Discounts for early payment are classified under financial income under French GAAP whereas under IFRS they were recognised under current operating income.
As such, this represents only a change in presentation with no impact on net income.

Reconciliation with the balance sheet of 31 December 2016

IFRS balance sheet items - ASSETS	FY N-1 – IFRS 31/12/2016	Reclassifications	Restatements	Restated FY N-1 – French GAAP 31/12/2016	Note	French GAAP balance sheet items - ASSETS
Non-current assets						Fixed assets
Goodwill	50,176		-50,176	0	a	Goodwill
Other intangible assets	324			324		Intangible assets
Property, plant and equipment	20,673			20,673		Property, plant and equipment
Financial assets	3,802			3,802		Financial assets
Deferred tax assets	550	-550		0	b	
Total non-current assets	**75,525**	**-550**	**-50,176**	**24,799**		**Total fixed assets**
Inventories	52,755			52,755		Inventories
Trade receivables	35,165			35,165		Trade receivables
Current taxes	618			618		
Other receivables and prepaid expenses	10,347	550	-3,532	7,366	c / d	Other receivables and prepaid expenses
Cash and cash equivalents	32,902			32,902		Cash and marketable securities
Total current assets	**131,787**	**550**	**-3,532**	**128,806**		**Total current assets**
TOTAL ASSETS	**207,312**	**0**	**-53,708**	**153,604**		**TOTAL ASSETS**

IFRS balance sheet items - EQUITY AND LIABILITIES	FY N-1 – IFRS 31/12/2016	Reclassifications	Restatements	Restated FY N-1 – French GAAP 31/12/2016	Note	French GAAP balance sheet items - EQUITY AND LIABILITIES
Capital	18,640			18,640		Capital
Additional paid-in capital	12,807			12,807		Additional paid-in capital
Treasury shares	-101			-101		Treasury shares
Reserves and income	70,644		-52,531	18,113		Reserves and income
Shareholders' equity attributable to the Group	101,990		-52,531	49,459		Shareholders' equity attributable to the Group
Non-controlling interests	5,835	0		5,835		Non-controlling interests
Total shareholders' equity	**107,825**	**0**	**-52,531**	**55,294**		**Total shareholders' equity**
Long-term debt	29,816	32,491		62,307		Borrowings and financial liabilities
Non-current provisions	1,161	225		1,386		Provisions
Deferred tax liabilities	2,571		-1,177	1,394	e	Provisions for deferred taxes
Total non-current liabilities	**33,548**	**32,716**	**-1,177**			
Current portion of long-term debt	4,364	-4,364		0		
Short-term debt	28,127	-28,127		0		
Current provisions	225	-225		0		
Trade payables and related accounts	24,476			24,476		Trade payables
Corporate income tax liabilities	163			163		Other liabilities and accruals
Other current liabilities	8,585			8,585		
Total current liabilities	**65,939**	**-32,716**	**0**	**98,310**		**Total Payables**
TOTAL EQUITY AND LIABILITIES	**207,312**	**0**	**-53,708**	**153,604**		**TOTAL EQUITY AND LIABILITIES**

a *amortisation of goodwill*
b/c *reclassification of deferred tax assets as other receivables*
d *cancellation of the restatement of forward purchases agreements*
e *cancellation of the restatement of deferred taxes from forward purchases agreements*

Reconciliation with the balance sheet of 31 December 2017

IFRS balance sheet items - ASSETS	FY N-1 – IFRS 31/12/2017	Reclassifications	Restatements	Restated FY N-1 – French GAAP 31/12/2017	Note	French GAAP balance sheet items - ASSETS
Non-current assets						Fixed assets
Goodwill	47,468		-47,468	0	a	Goodwill
Other intangible assets	423			423		Intangible assets
Property, plant and equipment	19,735			19,735		Property, plant and equipment
Financial assets	3,294			3,294		Financial assets
Deferred tax assets	816	-816		0	b	
Total non-current assets	**71,737**	**-816**	**-47,468**	**23,453**		**Total fixed assets**
Inventories	57,776			57,776		Inventories
Trade receivables	37,272			37,272		Customers
Current taxes	2,184			2,184		
Other receivables and prepaid expenses	7,028	816	-255	7,588	c / d	Other receivables and prepaid expenses
Cash and cash equivalents	16,105			16,105		Cash and marketable securities
Total current assets	**120,365**	**816**	**-255**	**120,926**		**Total current assets**
TOTAL ASSETS	**192,102**	**0**	**-47,724**	**144,378**		**TOTAL ASSETS**

IFRS balance sheet items - EQUITY AND LIABILITIES	FY N-1 – IFRS 31/12/2017	Reclassifications	Restatements	Restated FY N-1 – French GAAP 31/12/2017	Note	French GAAP balance sheet items - EQUITY AND LIABILITIES
Capital	17,261			17,261		Capital
Additional paid-in capital	12,807			12,807		Additional paid-in capital
Treasury shares	-78			-78		Treasury shares
Reserves and income	57,987		-46,958	11,029		Reserves and income
Shareholders' equity attributable to the Group	87,976	0	-46,958	41,019		Shareholders' equity attributable to the Group
Non-controlling interests	5,643	0		5,643		Non-controlling interests
Total shareholders' equity	**93,620**	**0**	**-46,958**	**46,662**		**Total shareholders' equity**
Long-term debt	25,408	37,762		63,170		Borrowings and financial liabilities
Non-current provisions	1,227	218		1,445		Provisions
Deferred tax liabilities	1,497		0	1,497	e	Provisions for deferred taxes
Total non-current liabilities	**28,132**	**37,980**	**0**			
Current portion of long-term debt	5,446	-5,446		0		
Short-term debt	32,315	-32,315		0		
Current provisions	218	-218		0		
Trade payables and related accounts	22,014			22,014		Trade payables
Corporate income tax liabilities	50			50		Other liabilities and accruals
Other current liabilities	10,307		-766	9,540	d	
Total current liabilities	**70,350**	**-37,980**	**-766**	**97,716**		**Total Payables**
TOTAL EQUITY AND LIABILITIES	**192,102**	**0**	**-47,724**	**144,378**		**TOTAL EQUITY AND LIABILITIES**

a amortisation of goodwill
b/c reclassification of deferred tax assets as other receivables
d cancellation of the restatement of forward purchase agreements
e cancellation of the restatement of deferred taxes from forward purchase agreements

Reconciliation with the income statement of 31 December 2017

Income statement items IFRS	FY N-1 – IFRS 31/12/2017	Reclassifications	Restatements	Restated FY N-1 – French GAAP 31/12/2017	Note	Income statement items French GAAP
Revenue	180,324			180,324		Revenue
Discounts granted	-622	1,279		657	f	Other operating income
Other income from ordinary activities	**179,702**	**1,279**	**0**	**180,981**		**Operating income**
Trade goods, raw materials and subcontracting services used	-120,212			-120,212		Raw materials and consumables
Staff costs	-19,803			-19,803		Staff costs
Other net operating income and expenses	-29,458	-87		-29,545	g	External charges
Taxes and similar payments (other than on income)	-1,848			-1,848		Taxes and similar payments
		-570		-570	h	Other operating expenses
Current operating income before depreciation and reserves	**8,380**	**622**	**0**	**9,003**		**Operating profit before depreciation and amortisation (EBITDA)**
Allowances for depreciation and reserves	-1,893			-1,893		Allowances for depreciation and reserves
Current operating income (EBIT)	**6,487**	**622**	**0**	**7,110**		**Operating profit**
Other non-current operating income and expenses	-566	566		0	i	
Operating profit	**5,921**	**1,189**	**0**	**7,110**		
Financial income	36			36		Financial income
Financial expense	-980	-622		-1,602	j	Financial expense
Net financial expense	**-944**	**-622**	**0**	**-1,566**		**Net financial income/(expense)**
Net exceptional items		-566		-566	i	Net exceptional items
Corporate income tax	-1,745			-1,745		Corporate income tax
Consolidated net income	**3,233**	**0**	**0**	**3,233**		**Consolidated net income**
Attributable to:						
U10 Group shareholders	3,023			3,023		
Non-controlling interests	210			210		
Earnings per share	0.18			0.18		

f/g reclassification of discounts as financial and other operating income + expense reclassifications as other operating income
h reclassification of other operating income as a distinct line item
i reclassification of non-current operating income as exceptional income
j reclassification of discounts under financial income

Tableau de rapprochement des capitaux propres

SHAREHOLDERS' EQUITY	Capital	Additional paid-in capital	Group reserves and income	Treasury shares	Fair value of financial instruments and actuarial gains and losses	Foreign currency translation adjustments	Shareholders' equity attributable to the Group	Non-controlling interests	Total
Opening balance at 1 January 2017 - IFRS	18,640	12,807	63,504	-102	2,194	4,947	101,990	5,835	107,825
Amortisation of goodwill	-	-	-50,176	-	-	-	-50,176	-	-50,176
Derecognition of financial instruments	-	-	-161	-	-2,194	-	-2,355	-	-2,355
Total restatements	-	-	-	-	-	-		-	
Opening balance at 1 January 2017 - French GAAP	**18,640**	**12,807**	**13,167**	**-102**	**-**	**4,947**	**49,459**	**5,835**	**55,294**

SHAREHOLDERS' EQUITY	Capital	Additional paid-in capital	Group reserves and income	Treasury shares	Fair value of financial instruments and actuarial gains and losses	Foreign currency translation adjustments	Shareholders' equity attributable to the Group	Non-controlling interests	Total
Closing balance at 31 December 2017 - IFRS	17,261	12,807	56,647	-78	-672	2,012	87,977	5,643	93,620
Amortisation of goodwill	-	-	-50,176	-	-	2,708	-47,468	-	-47,468
Derecognition of financial instruments	-	-	-161	-	672	-	511	-	511
Total restatements	-	-	-	-	-	-	-	-	-
Closing balance at 31 December 2017 - French GAAP	**17,261**	**12,807**	**6,310**	**-78**	**-**	**4,720**	**41,019**	**5,643**	**46,662**

Statutory auditors' report
on the consolidated financial statements

A l'assemblée générale de la société U10

This is an unsigned free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the Group management report and in the documents addressed to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Opinion

In compliance with the engagement entrusted to us by your general meeting, we have audited the accompanying consolidated financial statements of U10 for the year ended 31 December 2018.
In our opinion, the consolidated financial statements give a true and fair view of the results of the operations of the Group for the year then ended and of its financial position and its assets and liabilities as at December 31, 2018 in accordance with French generally accepted accounting principles.

Basis for opinion

Audit framework
We conducted our audit in accordance with professional standards applicable in France. We believe that our audit provides a reasonable basis for our opinion.
Our responsibilities under those standards are further described in the «Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements» section of our report.

Independence
We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2018 to the issue date of our report and in particular we did not provide any non-audit services prohibited by the French code of ethics for statutory auditors.

Observation
Without qualifying the opinion expressed above, we draw your attention to the change in the basis of preparation and presentation of the accounts in note 5.1.

Basis of our assessments

In accordance with the requirements of articles L.823-9 and R.823-7 of the French commercial code («code de commerce») relating to the justification of our assessments, we bring your attention the following assessments which in our professional judgment, were of most significance in the audit of the consolidated financial statements of the period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific elements, accounts or items of the consolidated financial statements.

Note 5.2.2.1 hereto describes the accounting rules applied for the measurement of inventory. As part of our assessment, we reviewed the appropriateness of the accounting treatment applied by the Group for the measurement of inventory. We have ensured, by means of samples, that these principles were correctly applied.

As mentioned above, note 5.1 to the consolidated financial statements presents the change in accounting standards applied. As part of our assessment of the rules and accounting principles, we have ensured that these changes in the basis of preparation and presentation of the accounts were appropriate.

Specific verification concerning the Group presented in the management report

We also carried out the specific verification, as required by law, of information relating to the Group provided in the management report of the Board of Directors, in accordance with professional standards applicable in France

We have nothing to report with respect to the fair presentation of such information and its consistency with the consolidated financial statements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 it is expected to liquidate the Company or to cease its operations.

The consolidated financial statements have been approved by the Board of Directors.

Statutory auditors' responsibilities for the audit of the consolidated financial statements

Our role is to issue a report on 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards 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 taken by users on the basis of these consolidated financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of your company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment 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 internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;

- Conclude on the appropriateness of management's 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 company's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, we modify our opinion;

- Evaluate the overall presentation of the consolidated financial statements 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 included in the consolidation scope to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

Roanne and Villeurbanne – 29 April 2019

The Statutory Auditors

EXCO HESIO	ORFIS
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Members of the Lyon Regional Association of Statutory Auditors

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