EDIFY

Investment Partner

Financial Report

2019

2019, a year of consolidation

PAUL GEORGES DESPATURE,
Chairman of the Board of Directors.

During the 2019 financial year, Edify continued to grow and generated consolidated sales of €584 million, an increase of 6%. EBITDA was similar to the level achieved during the previous financial year, even though our businesses stepped up their efforts to develop and fine-tune new products, notably at Pellenc.

Our investment team has been very active, handling a significant deal flow both at Edify level and in our shareholdings. In particular, it helped Thermo-Technologies to successfully complete negotiations regarding the acquisition of the US company Fisk Alloy, a specialist in copper alloy wires used in the manufacture of special connectors and conductors. On 25 February, we announced the signing of an agreement to acquire the entire share capital of Fisk Alloy Inc. This was three weeks before the start of the lockdown and the sharp downturn in the aviation sector, a major consumer of high-performance conductor wires in Europe and the United States. Faced with this unprecedented situation, whose length and consequences were impossible to predict, the parties jointly decided not to go ahead with their project.

At the time of writing – late May 2020 – the lockdown is starting to be lifted, albeit cautiously. Unless there is a second wave, the health situation should improve gradually. Conversely, we believe that the consequences of this crisis will be significant and will have a lasting impact. For example, it is surprising to see how quickly private firms have adopted remote working. Similarly, the development of online retail has accelerated rapidly, with our habits permanently changed.

And with any crisis come opportunities – whether they relate to the acceleration of underlying trends or the emergence of new needs. It is for us at Edify and our companies to identify these opportunities and to seize them with agility and ambition.

After two and a half months of this new era, I would like to thank the Edify team, as well as our company heads and their teams, for managing the crisis in strict compliance with health requirements, implementing all the necessary measures to safeguard liquidity and financing, ensuring the resumption of our activities as rapidly as possible and preparing for the new strategic directions that this exceptional situation will require or make possible.

We are experiencing unprecedented times. It is up to us to take full advantage of them.

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 2019, divided into 4,860,000 fully paid-up shares with a par value of €1 each, all in the same class.
The Company held 1,772 Edify shares at 31 December 2019 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 2019, 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 2019 was €51.74, and the closing price was €52.

LIQUIDITY AGREEMENT

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

2020 FINANCIAL CALENDAR

26 March	Publication of 2019 annual results
28 April	Publication of first quarter 2020 sales
17 June	Annual General Meeting
24 September	Publication of 2020 half-year results
30 November	Publication of third quarter 2020 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

INDEPENDENT AUDITOR

ERNST & YOUNG S.A.

Left to right:

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

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

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

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.

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

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

CONTACTS

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General Secretary
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Overview of the consolidated financial statements

Overview of the consolidated financial statements

€ millions	FY 2019	FY 2018
Net asset value at 31 December	438.7	466.9
Consolidated sales	583.6	549.6
Consolidated EBITDA	60.0	61.9
Consolidated current operating profit	35.8	38.3
Consolidated operating profit	24.1	31.2
Consolidated net profit	12.1	17.9
Consolidated operating cash flow	44.2	49.9
Consolidated Net Financial Debt at 31 December*	89.6	86.5
Edify S.A. cash and cash equivalents at 31 December	37.7	39.7
Edify S.A. Net Financial Debt at 31 December	13.5	8.2
Edify S.A. confirmed credit facilities at 31 December	180.0	180.0

* Net Financial Debt including earn-out liability and deferred settlements.

Board of Directors' Management Report

Board of Directors' Management Report

TO THE ANNUAL GENERAL MEETING OF 17 JUNE 2020

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 2019.

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 swimming pool covers, milk tank agitators and aqua fitness equipment), **Pellenc** (portable power tools and machinery for winegrowing, olive growing and green spaces), **Usines Métallurgiques de Vallorbe** (filing tools for the jewellery, watchmaking, forestry, car and aeronautical industries), **de Buyer** (items and utensils for cookery and patisserie), **Thermo-Technologies** (high-tech wires and surface coating with precious metals using chemical or electrolytic processes), **Gaviota-Simbac** (components and motors for awnings and roller shutters), **Ligier Group** (microcars for unlicensed drivers), and **Lacroix Emballages** (packaging for solid dairy products).

Highlight of the year

DISPOSAL OF A MINORITY INTEREST

The process initiated in 2018 to divest Cotherm Evolution SAS (10% held by Edify) was completed on 12 January 2019, when industrial firm Atlantic purchased the entire shareholding.

Net Asset Value of Edify's portfolio

METHODOLOGY

Edify's Net Asset Value is the sum of:

- The cash held by the Edify holding company, less its financial commitments,
- The financial assets held by Edify, revalued at fair value in accordance with the methods set out below:

1. BONDS RECEIVABLE

Financial assets defined as bond receivables are valued at their face value, including capitalised interest.

2. NON-CONSOLIDATED EQUITY INVESTMENTS

Book value was used in the case of non-consolidated companies unless a reliable and recent valuation can be obtained.

3. CONSOLIDATED EQUITY INVESTMENTS

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, (ii) net debt according to the last published financial statements, and (iii) the EBITDA and EBITA (Current Operating Profit before amortisation of the intangible assets allocated at the time of acquisitions) estimated at the valuation date by analysts 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 and comparables (sector, size, country exposure), similar to the sample used to calculate multiples and adjusted on a case-by-case basis when those comparable companies are considered non-representative. 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 consistency of the values obtained via both methods.
For investments operating in specific niches where a relevant list of comparable listed companies cannot be drawn up, and for those in turnaround situations, enterprise value is calculated using 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%. 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.

When a disposal is being considered, the transaction multiples valuation method can be 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, whether listed or unlisted subsidiaries and shareholdings, are measured at cost for the first 12 months following acquisition, unless market conditions or any other factors intrinsic to the company being valued are likely to materially affect its value at the date of first measurement. 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 €438.7 million at the end of December 2019, representing €90.27 per share, before taking the holding company discount into account, and a year-on-year decrease of 6%, due to more challenging market conditions.

Overview of the consolidated financial statements

ACCOUNTING PERIOD

The financial year covers 12 calendar months.

PARENT COMPANY DATA

Edify's operating loss amounted to €6.9 million at 31 December 2019, and primarily consisted of operating expenses. Net financial income amounted to €2.0 million and primarily consisted of capital gains dividends and interest income. The net loss was €5,082 K.

CONSOLIDATED DATA

SALES

Edify's consolidated sales increased by 6.2% in real terms over the financial year just ended, to €583.6 million.
This growth was primarily driven by increased business activity at Pellenc, which benefited both from the success of recently launched products and a recovery in investments by wineries. de Buyer secured new customers, in particular in export markets (Germany and United States).
The trend was more mixed for other shareholdings. Business was stable for Gaviota-Simbac, Thermo-Technologies, Sirem and Zurflüh-Feller despite the sometimes challenging market conditions. Conversely, Usines Métallurgiques de Vallorbe suffered from a reversal in the forestry industry business cycle and from difficulties in jewellery.

NET PROFIT

Consolidated EBITDA went from €61.90 million to €60 million and consolidated current operating profit from €38.3 million to €35.80 million, representing 10.3% and 6.1% of sales respectively.
Both declines were due to increased development costs at a number of shareholdings, notably de Buyer, Gaviota-Simbac, Pellenc and Thermo-Technologies, all of which have adopted a long-term investment outlook, and conceal good production cost control at most shareholdings.
Consolidated net profit went from €17.9 million to €12.1 million, mainly impacted by a €4.4 million asset impairment charge at Usines Métallurgiques de Vallorbe, whose profitability deteriorated.

FINANCIAL POSITION

Consolidated net debt rose year-on-year from €85.8 million to €89.6 million. This compares with a net financial position of €321 million at the end of December 2019, resulting in a gearing ratio of 27.9%.
This slight increase should be considered in the light of the ramp-up in investments and higher working capital requirements, in particular at Pellenc, due to strong business growth.
Cash available to the parent company Edify for future acquisitions was €180 million at year end.

Post-balance sheet events

COVID-19 EPIDEMIC

Since mid-March 2020, the portfolio companies have been impacted by the coronavirus crisis. Most of the factories have been either fully or partially closed for almost two months, following the government measures. Since the beginning of this pandemic, the companies have been taking the necessary steps to protect the health of their employees and to safeguard the companies' liquidity and financing.
Since the beginning of May, the portfolio companies have structured themselves to gradually resume their production and distribution activities, in compliance with protective measures and for as long as these remain necessary.
Since the course and duration of the pandemic is highly unpredictable, it is currently difficult to assess its impact on the future performance of the companies.
Edify's consolidated financial statements at 31 December 2019 have been prepared and approved on a going concern basis. At the date on which the financial statements were approved by the Board of Directors, Edify's management was unable to quantify the impacts on the 2020 financial statements.

PLANNED ACQUISITION BY THERMO-TECHNOLOGIES

On 25 February 2020, Edify announced that Thermo-Technologies Group had concluded a draft agreement to acquire the entire share capital of the US company Fisk Alloy Inc. Given the current situation, the parties have jointly agreed not to proceed with their project.

1. The published net asset value does not take into account the holding company discount.

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 in particular, where innovation is a key factor for success and growth, has over 167 engineers and technicians in its R&D Department, and has a portfolio of more than 155 patent categories, over 96 of which are active. Thermo-Technologies group has 23 registered patents, 14 of which are active and an R&D team of 8 people.

Information regarding risks

Epidemiological risks (such as Covid-19) and their consequences are not discussed in depth in this section (see Post-balance sheet events on page 11) but are unlikely to change the Group's information on risks as detailed in the following paragraphs.

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.
  The great volatility of the financial market environment could have a significant influence on the value of the assets in Edify's portfolio.

  These risks are mitigated by the sectoral diversification of investments, and the type of investments conducted by Edify, over the long-term, limits forced disposals.

- 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), or to potential disputes following the signing of a binding draft agreement, from which one subsequently seeks to withdraw.

In order to mitigate the risk related to potential acquisitions, Edify conducts due diligence work, notably of a strategic, financial, legal, fiscal 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 2019, 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 and the US dollar.

- 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.

- The risk related to the reliability of information provided by the companies in the portfolio: the information provided by the companies in the portfolio is used by Edify teams to assess each of their performances. Investment and management decisions may therefore be affected by the quality and accuracy of this information.

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

The main risks are as follows:

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

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

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

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

– Automotive and aviation market: the performance of the equity interests whose products are intended for the automotive and aviation industries may be indirectly affected by a fall in production volumes in these sectors.

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

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

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

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

- 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 2019, all these covenants had been observed.

Information on the buyback of own shares

Edify holds treasury shares with a view to ensuring an active market in its shares via an investment service provider under the terms of a liquidity agreement.
Edify held 1,772 treasury shares at the end of the financial year, which accounted for 0.04% of its share capital. The value of the treasury shares was €52 per share at 31 December 2019.

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 priorities are to support existing portfolio companies with their transformation and development, and to enhance the portfolio by making selective disposals while exploring investment opportunities of growing significance. Edify's financial capabilities 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 2019, which amounted to €5,082,073.03.

Consolidated financial statements

Consolidated financial statements

Consolidated Income Statement for the year ended 31 December 2019

(€K)	Notes	31/12/19	31/12/18
Sales	NOTE 3	583,607	549,647
Other operating revenue	NOTE 3	9,668	8,172
Cost of sales		-278,009	-259,880
Employee costs		-174,123	-161,454
External costs		-81,159	-74,609
EBITDA		**59,984**	**61,876**
Amortisation and depreciation charges	NOTE 4	-21,087	-20,423
Charges to current provisions		-158	-138
EBITA		**38,739**	**41,315**
Amortisation of allocated intangible assets	NOTE 4	-2,985	-2,985
CURRENT OPERATING PROFIT		**35,754**	**38,330**
Other non-current operating income and expenses	NOTE 3	-2,434	2,449
Gains and losses on disposal of non-current operating assets		86	-480
Goodwill impairment	NOTE 4	-9,321	-9,142
OPERATING PROFIT		**24,084**	**31,156**
Financial income from investments		*933*	*1,117*
Financial expenses related to borrowings		*-5,126*	*-4,825*
Cost of net financial debt		-4,193	-3,708
Other financial income and expenses		2,426	-1,496
NET FINANCIAL INCOME/(EXPENSE)	**NOTE 6**	**-1,767**	**-5,205**
PROFIT BEFORE TAX		**22,318**	**25,952**
Income tax	NOTE 10	-12,261	-10,024
Share of profit/(loss) from associates	NOTE 12	2,087	1,938
CONSOLIDATED NET PROFIT		**12,144**	**17,866**
Attributable to Group		11,977	16,066
Attributable to non-controlling interests		167	1,799

Consolidated Balance Sheet – Assets at 31 December 2019

(€K)	Notes	31/12/19	31/12/18
Non-current assets			
Goodwill	NOTE 4	20,046	27,513
Net intangible assets	NOTE 4	45,311	46,281
Net property, plant and equipment	NOTE 4	141,937	135,683
Investments in associates	NOTE 12	14,323	12,264
Financial assets	NOTE 6	20,705	20,632
Other receivables		571	458
Deferred tax assets	NOTE 10	12,599	12,414
Employee obligations	NOTE 9	-	-
TOTAL NON-CURRENT ASSETS		**255,493**	**255,245**
Current assets			
Inventories	NOTE 3	166,155	144,111
Trade receivables	NOTE 3	100,948	97,217
Other receivables	NOTE 3	15,148	13,694
Current tax assets		8,360	8,792
Financial assets	NOTE 6	510	473
Cash and cash equivalents	NOTE 6	116,300	124,200
TOTAL CURRENT ASSETS		**407,420**	**388,488**
TOTAL ASSETS		**662,913**	**643,732**

Consolidated Balance Sheet – Equity and Liabilities at 31 December 2019

(€ K)	Notes	31/12/19	31/12/18
Shareholders' equity			
Share capital		4,860	4,860
Share premium		242,803	242,803
Other reserves		37,885	21,629
Net profit for the period		11,977	16,066
GROUP SHARE		**297,525**	**285,358**
Non-controlling interests		23,502	24,977
TOTAL SHAREHOLDERS' EQUITY	**NOTE 5**	**321,027**	**310,335**
Non-current liabilities			
Non-current provisions	NOTE 8	3,577	3,737
Other financial liabilities	NOTE 6	155,776	165,196
Other liabilities		56	150
Employee obligations	NOTE 9	10,786	11,927
Deferred tax liabilities	NOTE 10	14,213	15,453
Derivative instruments liabilities		-	36
TOTAL NON-CURRENT LIABILITIES		**184,408**	**196,499**
Current liabilities			
Current provisions	NOTE 8	3,074	2,396
Other financial liabilities	NOTE 6	50,290	45,576
Trade payables	NOTE 3	57,966	47,887
Other liabilities	NOTE 3	41,721	39,833
Tax liability		4,427	1,151
Derivative instruments liabilities		-	54
TOTAL CURRENT LIABILITIES		**157,478**	**136,898**
TOTAL EQUITY & LIABILITIES		**662,913**	**643,732**

Consolidated Cash Flow Statement

(€ K)	Notes	31/12/19	31/12/18
Consolidated net profit		**12,144**	**17,866**
Amortisation and depreciation charges on assets (excluding current assets)		38,615	30,596
Charges to/reversals of provisions for liabilities		-165	10
Unrealised gains and losses related to fair value movements		-15	58
Unrealised foreign exchange gains and losses		-223	96
Expenses related to stock options and employee benefits		-986	3,530
Depreciation, amortisation, provisions and other non-cash items		**37,226**	**34,289**
Profit on disposal of assets and other		-1,621	999
Share of profit/(loss) from associates		-2,087	-1,938
Deferred tax expense		-1,481	-1,859
Operating cash flow		**44,180**	**49,357**
Cost of net financial debt (excluding non-cash items)		4,208	3,671
Dividends from non-consolidated companies		-25	-49
Tax expense (excluding deferred tax)		13,689	11,892
Change in Working Capital Requirements	NOTE 7	-15,410	-21,180
Tax paid		-10,005	-12,553
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		**36,637**	**31,139**
Acquisition-related disbursements:			
- intangible assets and property, plant and equipment		-32,868	-27,642
- non-current financial assets		-3,708	-3,282
Disposal-related proceeds:			
- intangible assets and property, plant and equipment		449	3,222
- non-current financial assets		5,574	6,243
Change in current financial assets		1,501	-782
Acquisition of companies, net of cash acquired		-587	-1,914
Disposal of companies, net of cash disposed		-2,228	-1,235
Dividends paid by associates		29	37
Dividends paid by non-consolidated companies		25	49
Interest received		511	666
NET CASH FLOW FROM INVESTMENT ACTIVITIES (B)		**-31,300**	**-24,637**
Increase in loans		21,679	72,902
Reimbursement of loans		-31,596	-56,875
Net increase in shareholders' equity of subsidiaries		210	2,198
Dividends and interim dividends paid		-1,082	-832
Interest paid		-5,124	-3,678
NET CASH FLOW FROM FINANCING AND CAPITAL ACTIVITIES (C)		**-15,914**	**13,715**
Impact of changes in foreign exchange rates on cash and cash equivalents (E)		36	349
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D+E)		**-10,541**	**20,566**
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	NOTE 7	**111,130**	**90,564**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	NOTE 7	**100,589**	**111,130**

General information

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

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

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

Its portfolio is comprised of majority and minority shareholdings in French, Spanish and Swiss industrial medium-sized businesses and SMEs, namely **Zurflüh-Feller** (accessories and systems for roller shutters and industrial closing mechanisms), **Sirem** (motorised solutions for swimming pool covers, milk tank agitators and aqua fitness equipment), **Pellenc** (portable power tools and machinery for winegrowing, olive growing and green spaces), **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** (high-tech wires and surface coating with precious metals using chemical or electrolytic processes), **Gaviota-Simbac** (components and motors for awnings and roller shutters), **Ligier Group** (microcars for unlicensed drivers), and **Lacroix Emballages** (packaging for solid dairy products).

Highlight of the year

DISPOSAL OF A MINORITY INTEREST

The process initiated in 2018 to divest Cotherm Evolution SAS (10% held by Edify) was completed on 12 January 2019, when industrial firm Atlantic purchased the entire shareholding.

Post-balance sheet events

COVID-19 EPIDEMIC

Since mid-March 2020, the portfolio companies have been impacted by the coronavirus crisis. Most of the factories have been either fully or partially closed for almost two months, following the government measures. Since the beginning of this pandemic, the companies have been taking the necessary steps to protect the health of their employees and to safeguard the companies' liquidity and financing.

Since the beginning of May, the portfolio companies have structured themselves to gradually resume their production and distribution activities, in compliance with protective measures and for as long as these remain necessary.
Since the course and duration of the pandemic is highly unpredictable, it is currently difficult to assess its impact on the future performance of the companies.
Edify's consolidated financial statements at 31 December 2019 have been prepared and approved on a going concern basis. At the date on which the financial statements were approved by the Board of Directors, Edify's management was unable to quantify the impacts on the 2020 financial statements.

PLANNED ACQUISITION BY THERMO-TECHNOLOGIES

On 25 February 2020, Edify announced that Thermo-Technologies Group had concluded a draft agreement to acquire the entire share capital of the US company Fisk Alloy Inc. Given the current situation, the parties have jointly agreed not to proceed with their project.

Notes to the consolidated financial statements

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

NOTE 1 — ACCOUNTING PRINCIPLES

1. CONSOLIDATED FINANCIAL STATEMENTS – BASIS FOR PREPARATION

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

The financial statements are prepared according to the historical cost principle.

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

The financial year-end of all companies is 31 December.

The Group's consolidated financial statements for the year ended 31 December 2019 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 JUDGEMENT

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 2019.

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.

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 2019 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 (including amortisation of the intangible assets allocated as part of acquisitions), 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, derivative instruments attached to financial liabilities, 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 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 2019

All companies have a 31 December year-end.

Company name	Registered office	% control 31/12/19	% interest 31/12/19	% interest 31/12/18
Edify S.A.	Luxembourg (Luxembourg)	(parent)	(parent)	(parent)
FULLY-CONSOLIDATED COMPANIES				
Financière Développement SAS	Ferney Voltaire (France)	100.00	89.84	95.00
de Buyer Industries	Val d'Ajol (France)	100.00	89.84	95.00
de Buyer.com	Val d'Ajol (France)	100.00	89.84	95.00
de Buyer Inc.	Los Angeles (USA)	100.00	89.84	95.00
Marlux	Val d'Ajol (France)	100.00	89.84	95.00
de Buyer GmbH	Saarbrucken (Germany)	100.00	89.84	95.00
Financière Nouveau Monde SA	Miribel (France)	100.00	97.08	92.06
Sirem SAS	Miribel (France)	100.00	97.08	92.06
Sirem Immobilier SNC	Miribel (France)	100.00	97.08	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	Adelaide (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 Ibérica	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 SA	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	98.37
FDS Financière Développement Suisse SA	Vallorbe (Switzerland)	100.00	100.00	87.78
Parval SA	Vallorbe (Switzerland)	100.00	100.00	–
Usines Métallurgiques de Vallorbe SA	Cluses (France)	100.00	75.27	66.06
NMP SAS	Autechaux Roide (France)	100.00	98.52	99.83
Zurflüh-Feller Holding SAS	Autechaux Roide (France)	100.00	98.52	99.83
Zurflüh-Feller SAS	Schmitten (Germany)	100.00	98.52	99.83
Eckermann	Autechaux Roide (France)	100.00	98.52	99.83
CERF EURL	Marseille (France)	100.00	98.52	99.83
Profilmar	Maracineni (Romania)	100.00	98.52	99.83
Profilinnov	Ferney Voltaire (France)	100.00	98.52	99.83
Financière du Jura	Annecy (France)	100.00	100.00	100.00
Thermo-Technologies	Annecy (France)	100.00	87.36	88.17
Thermocompact	Pont de Chéruy (France)	100.00	87.36	88.17
FSP-One SAS	Tournes (France)	100.00	87.36	88.17
TSDM	Ho Chi Minh City (Vietnam)	100.00	87.36	61.72
HWA	Colorado Springs (USA)	100.00	87.36	88.17
IWT	Vinh Tan (Vietnam)	100.00	87.36	88.17
Advanced Casting Asia Ltd Liability Company	Vinh Tan (Vietnam)	100.00	87.36	88.17

CONSOLIDATED COMPANIES AT 31 DECEMBER 2019

Company name	Registered office	% control 31/12/19	% interest 31/12/19	% interest 31/12/18
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 (Lebannon)	46.50	23.25	23.25
Gaviota Simbac America S.A.	Santo Domingo (Dominican Republic)	46.50	34.88	34.88
Gaviota Simbac Marruecos, SARL	Nador (Morocco)	46.50	46.50	46.50
Gaviota Simbac Eastern Europe, S.R.L.	Bucharest (Romania)	46.50	46.50	46.50
Huella Platina, S.A.	Montevideo (Uruguay)	46.50	46.50	41.85
Toldos y Persianas de Gaviota, S.A.	Barrio La Sonrisa (Uruguay)	46.50	46.50	46.50
Gaviota Revolution S.R.L.U.	Alicante (Spain)	46.50	46.50	46.50
Gaviota Brasil, S.A.	Sao Paulo (Brazil)	46,50	46,50	46,50
Gaviota Central Europe s.r.o.	Trnava (Slovakia)	46.50	46.50	46.50
Persianas y Toldos Europeos sa cv	México (Mexico)	46.50	46.04	46.04
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	46.50
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
Gaviota Caribe	Santo Domingo (Dominican Republic)	46.50	23.25	23.25
Copen Fabrics	Alicante (Spain)	46.50	23.25	46.50
Ponti	Montevideo (Uruguay)	46.50	46.50	46.50
Vidrios Salinas	Alicante (Spain)	46.50	23.25	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
Ligier Développement	Abrest (France)	31.52	31.52	31.52

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 €583.6 million for the year ended 31 December 2019 and can be analysed geographically as follows:

(€ millions)	31/12/19	%	31/12/18	%
Europe	**455.9**	78%	**418.6**	76%
of which France	*250.4*	*43%*	*220.7*	*40%*
of which Spain	*64.1*	*11%*	*58.7*	*11%*
of which Germany	*48.3*	*8%*	*48.9*	*9%*
of which Italy	*41.2*	*6%*	*38.6*	*7%*
Americas	**75.8**	13%	**74.0**	13%
Asia	**25.6**	4%	**30.5**	6%
Africa	**14.0**	2%	**15.5**	3%
Oceania	**12.3**	2%	**11.1**	2%
TOTAL	**583.6**	**100%**	**549.7**	**100%**

Other operating revenue amounted to €9.7 million for the year ended 31 December 2019, compared with €8.2 million for the year ended 31 December 2018.

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)	31/12/19	31/12/18
Charge to / reversal of non-recurring provisions	-4,062	2,851
Other non-recurring items	1,628	-403
Non-recurring income	*3,794*	*463*
Non-recurring expenses	*-2,166*	*-866*
Other non-recurring operating income and expenses	**-2,434**	**2,449**

It should be noted that an other-than-temporary impairment was identified in 2017 in relation to the assets of Usines Métallurgiques de Vallorbe and an impairment charge of €7.9 million was then recognised. Following an improved 2018 (justifying a reversal of €2.6 million in the provision), the industrial challenges of 2019 and the low growth outlook in the historic markets, have led us to recognise an additional impairment of €4.4 million over the financial year, increasing the impairment provision to €9.7 million.

Since Usines Métallurgiques de Vallorbe transferred its pension fund into an independent pension fund at 1 January 2020, it has no further obligations towards its employees. Pension liabilities were thus written back in financial year 2019, adding €2.2 million to non-recurring income.

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)	31/12/19	31/12/18
Gross values		
Raw materials and other supplies	63,184	55,751
Finished goods and merchandise	120,455	105,125
TOTAL	**183,638**	**160,875**
Provisions	-17,483	-16,764
Net values	**166,155**	**144,111**

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)	31/12/19	31/12/18
Gross trade receivables	**105,170**	**101,725**
Provisions	-4,222	-4,508
Net trade receivables	**100,948**	**97,217**

Trade payables totalled €57,966 K at 31 December 2019, compared with €47,887 K at 31 December 2018.

5. OTHER CURRENT RECEIVABLES AND LIABILITIES

Other current receivables

(€ K)	31/12/19	31/12/18
Gross values		
Receivables from employees	265	281
Other taxes (including VAT)	9,070	8,817
Prepaid expenses	4,448	2,320
Other receivables	1,364	2,277
TOTAL	**15,148**	**13,694**

Other current liabilities

(€ K)	31/12/19	31/12/18
Social security liabilities	25,407	24,260
Tax liabilities	9,485	10,092
Deferred income	2,436	1,849
Non-current asset suppliers	3,058	2,488
Other	1,336	1,144
TOTAL	**41,721**	**39,833**

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 2018	**27,513**
Changes in scope of consolidation	1,521
Changes in foreign exchange rates	-65
Amortisation charges	-9,321
At 31 December 2019	**20,046**

Over the 2019 financial year, the main changes in scope related to Gaviota's subsidiaries and the acquisition of the remaining minority interests in TSDM, a subsidiary of Thermo-Technologies.

The item primarily consists of the net goodwill on Thermo-Technologies (€10.8 million), TSDM (€1.6 million), Eckermann (€1.8 million) and de Buyer (€1.7 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.

Incorporation costs are restated and considered as expenses for the financial year.

Intangible assets primarily comprise:

- 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 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.

  These intangible assets have a limited life and are generally amortised over ten years.

Intangible assets

(€ K)	Allocated intangible assets	Develop-ment costs	Patents and brands	Software	Other	In-progress and advance payments	Total 2019
Gross value at 31 December 2018	43,224	3,184	6,878	8,485	1,165	1,240	64,177
Acquisitions	-	284	1,133	383	72	1,101	2,973
Disposals	-	-	-299	-24	-2	-	-325
Changes in foreign exchange rates	-	12	49	70	2	-	134
Changes in scope of consolidation	-	-45	-	-48	100	-	7
Other movements	-	687	372	374	-2	1,151	2,583
At 31 December 2019	**43,224**	**4,122**	**8,134**	**9,240**	**1,336**	**3,492**	**69,549**
Accumulated amortisation at 31 December 2018	-5,222	-2,123	-4,178	-6,442	68	-	-17,897
Amortisation charge and value restatements for the period	-2,985	-500	-264	-944	-417	-	-5,109
Disposals	-	-	291	25	2	-	317
Changes in foreign exchange rates	-	-3	-9	-60	-	-	-72
Changes in scope of consolidation	-	45	-	47	-	-	92
Other movements	-	-119	-20	80	1	-1,513	-1,570
At 31 December 2019	**-8,207**	**-2,699**	**-4,180**	**-7,294**	**-345**	**-1,513**	**-24,238**
NET VALUE AT 31 DECEMBER 2019	**35,017**	**1,424**	**3,953**	**1,946**	**990**	**1,979**	**45,311**

							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**

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 2019
Gross value at 31 December 2018	13,769	117,336	202,582	24,749	8,465	366,901
Acquisitions	549	4,974	6,591	2,076	19,124	33,314
Disposals	-1	-1,509	-4,811	-1,581	-1	-7,904
Changes in foreign exchange rates	-11	685	1,514	71	68	2,326
Changes in scope of consolidation	-	-270	-1,268	-171	-8	-1,718
Other movements	43	1,824	6,107	833	-9,763	-957
At 31 December 2019	**14,350**	**123,039**	**210,713**	**25,977**	**17,883**	**391,963**
Accumulated depreciation at 31 December 2018	-2,449	-53,512	-157,796	-17,462	-	-231,219
Depreciation charge and value restatements for the period	-360	-7,378	-14,031	-2,544	-	-24,312
Disposals	1	403	3,972	1,460	-	5,836
Changes in foreign exchange rates	-	-502	-1,300	-55	-	-1,857
Changes in scope of consolidation	-	265	1,218	159	-	1,642
Other movements	-	722	-455	-383	-	-115
At 31 December 2019	**-2,807**	**-60,002**	**-168,391**	**-18,825**	**-**	**-250,025**
NET VALUE AT 31 DECEMBER 2019	**11,542**	**63,037**	**42,322**	**7,152**	**17,883**	**141,937**

						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**

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 2019
Gross value at 31 December 2018	1,883	10,012	31,331	43,225
Acquisitions	-	-	805	805
Disposals	-	-	-696	-696
Changes in foreign exchange rates	-	-	158	158
Changes in scope of consolidation	-	-	-24	-24
Other movements	-20	-323	161	-182
At 31 December 2019	**1,863**	**9,688**	**31,735**	**43,286**
Accumulated depreciation at 31 December 2018	-300	-3,075	-24,740	-28,116
Depreciation charge for the period and value adjustments	-34	-380	-1,674	-2,088
Disposals	-	-	191	191
Changes in foreign exchange rates	-	-	-84	-84
Changes in scope of consolidation	-	-	12	12
Other movements	-	192	-394	-202
At 31 December 2019	**-334**	**-3,263**	**-26,689**	**-30,286**
NET VALUE AT 31 DECEMBER 2019	**1,529**	**6,425**	**5,046**	**13,000**

				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**

NOTE 5 – EQUITY

1. MAIN CHANGES IN EQUITY

(€ K)	31/12/19	31/12/18
Edify S.A. Equity - opening balance	**285,358**	**267,613**
Net profit for the year	11,977	16,066
Profit units (see Note 10)	-	419
Changes in foreign exchange rates	-150	1,394
Miscellaneous	340	-134
Total equity (Group share)	**297,525**	**285,358**
Non-controlling interests	23,502	24,977
TOTAL SHAREHOLDER'S EQUITY	**321,027**	**310,335**

Edify's subscribed capital amounted to €4.86 million at 31 December 2019, unchanged from 31 December 2018, 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 €9.3 million over the 2019 financial year (see Note 4.1), resulting in a cumulative amount of €28.5 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.
Edify held treasury shares worth €0.1 million under the terms of a liquidity agreement at 31 December 2019, compared with €0.1 million at 31 December 2018. 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)	31/12/19	31/12/18
Cost of net financial debt	-4,193	-3,708
Financial income from investments	*933*	*1,117*
Financial expenses related to borrowings	*-5,126*	*-4,825*
Effect of foreign currency translation	143	18
Actuarial gains and losses	-255	-1,685
Other financial income and expenses	2,538	171
Net financial income/(expense)	**-1,767**	**-5,205**

Debt-related financial expenses have been impacted by the cost of the €1.6 million Euro PP private bond loan taken out on 16 May 2018. The 2018 actuarial gains and losses were primarily due to losses of €1.7 million made on the pension plan assets of Usines Métallurgiques de Vallorbe. At 31 December 2019, as a result of its pension fund having been transferred to an independent pension fund, Usines Métallurgiques de Vallorbe's pension liabilities were written back in full (see Note 3.2). Other 2019 financial income was primarily due to capital gains of €2.8 million on the sale of securities, including those of Cotherm.

2. FINANCIAL ASSETS

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

(€ K)	31/12/19	31/12/18
Non-controlling equity investments	10,415	11,145
Unlisted bonds receivable convertible into shares	6,499	5,785
Borrowings	54	26
Other	4,248	4,150
Current and non-current financial assets	**21,215**	**21,106**
Due within 1 year	510	473
Non-current financial assets	**20,705**	**20,632**

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

Bond receivables primarily correspond to the convertible bonds issued to Edify by the Ligier Group's holding company (€6.2 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)	31/12/19	31/12/18
Borrowings from credit institutions	140,796	144,598
Lease commitments	10,426	11,284
EURO PP private bond loan	50,000	50,000
Other borrowings and financial liabilities	4,844	4,891
Current and non-current financial liabilities	**206,066**	**210,773**
Due within 1 year	50,290	45,576
Non-current financial liabilities	**155,776**	**165,196**

It should be noted that 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)	31/12/19	31/12/18
1 year or less	50,285	45,607
Between 1 and 5 years	87,328	93,620
5 years or more	68,453	71,546
TOTAL	**206,066**	**210,773**

Financial debt guaranteed by pledges, mortgages or liens totalled €67 million at 31 December 2019.

Covenants

At 31 December 2019, 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 2019.

Sirem, de Buyer, Zurflüh Feller and Thermo-Technologies also complied with the respective covenants relating to their "LBO" debt at 31 December 2019.

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, derivative instruments attached to financial liabilities, unlisted bonds receivable, issued by certain companies in which shares are held or related entities, earnout on 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)	31/12/19	31/12/18
Financial liabilities included in Net Financial Debt calculation	205,402	210,035
Financial assets included in Net Financial Debt calculation	85	31
Cash and cash equivalents	116,300	124,200
Net Financial Debt (excluding earn-out liability and deferred settlements)	**89,017**	**85,805**
Earn-out liability and deferred settlements on acquisitions	630	706
Total Net Financial Debt	**89,647**	**86,511**

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.

In the course of the financial year, hedging instruments whose underlying is a financial liability were reclassified as "Other financial liabilities". They totalled €0.1 million at 31 December 2019 and are now included in Net Financial Debt.

NOTE 7 – DETAIL OF THE CASH FLOW STATEMENT

1. CASH AND CASH EQUIVALENTS

(€ K)	31/12/19
Cash & cash equivalents at the start of the period	**111,130**
Cash and cash equivalents - opening balance	124 200
Bank overdrafts	-13,069
Cash & cash equivalents at the end of the period	**100,589**
Cash and cash equivalents - closing balance	116,300
Bank overdrafts	-15,711

2. CHANGE IN WORKING CAPITAL REQUIREMENTS

(€ K)	31/12/19	31/12/18
Net change in inventories	-21,888	-11,722
Net change in trade receivables	-3,544	-8,918
Net change in trade payables	9,275	631
Change in other receivables and payables	747	-1,171
Change in working capital requirements	**-15,410**	**-21,180**

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 2019
At 1 January 2019	2,443	831	464	3,738
Charges	-	195	148	343
Used reversals	-28	-240	-3	-271
Unused reversals	-	-42	-195	-237
Impact of foreign exchange rates	2	-	2	4
Change in consolidation scope	-	-	-	-
Other movements	57	4	-61	-
At 31 December 2019	**2,474**	**748**	**355**	**3,577**

				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**	**3,738**

2. CURRENT PROVISIONS

(€ K)	Provisions for guarantees	Provisions for litigation	Provisions for liabilities and charges	Total 2019
At 1 January 2019	1,348	657	391	2,396
Charges	697	122	46	865
Used reversals	-	-13	-12	-25
Unused reversals	-	-142	-20	-162
Impact of foreign exchange rates	3	2	-5	-
Change in consolidation scope	-	-	-	-
Other movements	217	-	-217	-
At 31 December 2019	**2,265**	**626**	**183**	**3,074**
				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	-	-	-	-
Other movements	-	-	-	-
At 31 December 2018	**1,348**	**657**	**391**	**2,396**

NOTE 9 – EMPLOYEE INFORMATION

1. HEADCOUNT

The headcount at 31 December 2019 was 3,846 employees (including 100% of the headcount of the entities consolidated on a proportional basis).

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.

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.

The past service cost resulting from a plan amendment or curtailment of an existing plan is immediately expensed.
Expenses relating to this type of plan are recognised under employee costs and, in relation to the accretion expense, under net financial expense.

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)	31/12/19	31/12/18
Retirement and similar obligations	10,786	11,927
Plan assets (funds)	-	-
Net obligation	**10,786**	**11,927**

The main pension liabilities in financial year 2019 were affected by the fall in discount rates (from 1.5% in 2018 to 1% in 2019) and the write-back of the Swiss subsidiary's liability after its pension fund was transferred out when the company's moral obligation ceased (see Note 3).

3. GROSS REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

The gross remuneration allocated to the members of the Board of Directors amounted to €271 K for 2019, compared with €272 K for 2018.

NOTE 10 – CURRENT AND DEFERRED TAX

1. 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.

On 1 January 2019, NMP, Financière Développement, ZFH, Zurflüh-Feller, Cerf, Profilmar, de Buyer Industries and de Buyer.com left the consolidated tax group to form two new consolidated tax groups headed by NMP and Financière Développement.

Consequently, the companies still remaining in the consolidated tax group headed by PNM are PNM, Pellenc SAS and Financière du Jura.

2. 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)	31/12/19	31/12/18
Current tax	-13,689	-11,892
Deferred tax	1,428	1,868
Income tax	**-12,261**	**-10,024**

Deferred tax is analysed by type as follows:

(€ K)	31/12/19 Assets	31/12/18 Assets	Impact 2019 income statement
Deferred tax on restatements related to IFRS standards and temporary differences, including:	6,335	6,689	47
Deferred tax assets related to employee benefits	*2,110*	*2,555*	*-233*
Deferred tax assets related to provision methods	*523*	*698*	*4*
Deferred tax assets related to tax and social security liabilities	*1,130*	*1,456*	*30*
Deferred tax assets related to fair value	*933*	*893*	*-*
Deferred tax on intragroup margins	6,264	5,725	631
TOTAL	**12,599**	**12,414**	**678**
	Liabilities	**Liabilities**	
Deferred tax on restatements related to IFRS standards and temporary differences, including:	13,831	15,011	687
Deferred tax liabilities related to customer relations	*8,754*	*9,500*	*746*
Deferred tax liabilities related to the fair value of non-current assets	*1,067*	*1,111*	*118*
Deferred tax liabilities related to leases	*1,454*	*1,523*	*69*
Deferred tax liabilities related to changes in amortisation and depreciation	*2,390*	*2,379*	*213*
Deferred tax liabilities related to the capitalisation of development costs	*233*	*248*	*34*
Deferred tax on intragroup margins	382	442	63
TOTAL	**14,213**	**15,453**	**750**

NOTE 11 – OFF-BALANCE SHEET COMMITMENTS

The Group's commitments comprise the following:

(€ K)	31/12/19	31/12/18
Payments outstanding on operating leases	16,261	6,153
Other commitments given	653	3,158
Commitments given	**16,914**	**9,311**
Asset and liability guarantees	14,138	22,004
Unused credit lines	211,260	182,104
Commitments received	**225,398**	**204,108**
Purchase options on assets	26,007	27,185
Mutual commitments	**26,007**	**27,185**

The sharp increase in the remaining lease payments due primarily relate to the renewal of leases for nine-year terms by three subsidiaries.
Share purchase options include €21.8 million in share buy-back commitments that will occur between 2020 and 2024.
In addition, 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 from a buy-back option, with a view to acquiring ownership of these profit units. According to the valuation 31 December 2019, this buy-back would have an impact of €3.6 million on shareholders' equity.

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 (€12.0 million) and Aceper SL (€1.9 million) at 31 December 2019.

(€ K)	31/12/19	31/12/18
Investments in associates at the beginning of the year	12,264	11,197
Change in consolidation scope	-	-776
Share of profit/(loss) from associates	1,856	1,938
Dividends paid	-28	-37
Other movements	-	-58
Investments in associates at year-end	**14,092**	**12,264**

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 €332 K, of which €328 K was for services relating to the audit of the financial statements for 2019.

(€ K)	31/12/19	31/12/18
Total fees directly related to the audit of Edify Group's financial statements	328	306
Issuer	*104*	*96*
Fully-consolidated subsidiaries	*224*	*210*
Other services provided by the networks to fully-consolidated subsidiaries (legal, tax, corporate)	3	11
TOTAL	**332**	**317**

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)	2019	2018	Cross-reference with the financial statements
1. Net sales	**583,607**	**549,647**	Sales
2. Changes in inventories of finished and semi-finished goods	**21,185**	**11,757**	Cost of sales
3. Own work capitalised	**-**	**-**	
4. Other operating revenues	**9,668**	**8,172**	Other operating income
5. a) Consumption of merchandise, raw materials and consumables	**-289,915**	**-266,408**	Cost of sales
5. b) Other external charges	**-7,748**	**-6,160**	Cost of sales
6. Staff costs	**-174,123**	**-161,454**	Employee costs
a. Wages and salaries	*-133,899*	*-123,287*	
b. Social security charges accruing by reference to wages and salaries	*-36,579*	*-34,126*	
c. Supplementary pensions	*-1,325*	*-1,845*	
d. Other staff costs	*-2,320*	*-2 ,197*	
7. Value adjustments in respect of:	**-35,211**	**-31,557**	
a. Establishment costs and property, plant and equipment, and intangible assets	*-21,087*	*-20,423*	Amortisation and depreciation charges
b. Current provisions	*-158*	*-138*	Charges to current provisions
c. Non-current provisions	*213*	*68*	Other non-current operating income and expenses
d. Goodwill	*-9,321*	*-9,142*	Goodwill impairment + Earn Out
e. Allocated intangible assets	*-2,985*	*-2,985*	Amortisation of allocated intangible assets
f. Inventories	*-1,530*	*931*	Cost of sales
g. Operating asset items	*-343*	*133*	External costs
8. Other operating expenses	**-83,378**	**-72,840**	External charges + Other non-recurring operating income and expenses
OPERATING RESULT	**24,084**	**31,156**	**OPERATING PROFIT**
9. Income from equity investments	**-3,773**	**-6,074**	Other financial income and expenses
10. Income from financial items of current assets	**1,878**	**3,085**	Other financial income and expenses
11. Other interest and similar income	**933**	**1,117**	Investment income
12. Value adjustments in respect of financial assets and marketable securities included in current assets	-	-	
13. Interest and similar expenses	**-804**	**-3,333**	
a. In respect of related entities	*6,614*	*6,220*	Other financial income and expenses
b. Debt-related financial charges	*-5,126*	*-4,825*	Financial expenses related to borrowings
c. Other interest and charges	*-2,292*	*-4,727*	Other financial income and expenses
NET FINANCIAL INCOME/(EXPENSE)	**-1,767**	**-5,205**	**NET FINANCIAL INCOME/(EXPENSE)**
14. Income tax	**-12,261**	**-10,024**	Income tax
15. Share of profit of equity-accounted entities	**2,087**	**1,938**	Share of profit/(loss) from associates
16. Profit after income tax	**12,144**	**17,866**	
17. Other taxes	-	-	
18. Net profit for the year	**12,144**	**17,866**	**CONSOLIDATED NET PROFIT**

ASSETS

(€ K)	31/12/19 Net	31/12/18 Net	Cross-reference with the financial statements
A. Fixed assets	**242,833**	**242,846**	
I. Intangible fixed assets	**45,311**	46,281	Net intangible assets
1. Research and Development costs	1,290	928	
2. Concessions, patents, licences, trademarks, as well as similar rights and securities	13,100	12,238	
3. Business goodwill, to the extent that it was acquired for valuable consideration	28,941	31,872	
4. Payments on account and intangible fixed assets in progress	1,981	1,242	
II. Goodwill	**20,046**	**27,513**	Goodwill
III. Property, plant and equipment	**141,937**	**135,683**	Net property, plant and equipment
1. Land and buildings	74,579	75,144	
2. Plant and machinery	42,324	44,788	
3. Other equipment, tools and furniture	7,151	7,287	
4. Payments on account and tangible fixed assets in progress	17,883	8,465	
IV. Investments	**35,538**	**33,370**	
1. Shares held in related companies	14,323	12,264	Investments in associates
2. Equity interests and securities held for the long-term	10,457	11,175	Current and non-current financial assets
3. Other loans	10,759	9,930	Current and non-current financial assets
V. Deferred tax assets	**12,599**	**12,414**	Deferred tax assets
B. Current assets	**403,032**	**386,153**	
I. Inventories	**166,155**	**144,111**	Inventories
1. Raw materials and consumables	53,324	47,554	
2. Finished goods and merchandise	112,830	96,557	
II. Debtors	**120,578**	**117,842**	
1. Receivables resulting from the sale of goods or the provision of services	100,948	97,217	Trade receivables
2. Receivables from related entities	-450	-8	Other receivables
3. Receivables from employees	-	-	Employee benefits
4. Other receivables	20,080	20,633	Other receivables + Current tax assets
III. Marketable securities	-	-	
IV. Bank accounts, post office account, cheques and cash in hand	**116,300**	**124,200**	Cash and cash equivalents
C. Prepayments	**4,448**	**2,320**	**Other receivables**
TOTAL BALANCE SHEET ASSETS	**662,913**	**643,732**	

CONSOLIDATED BALANCE SHEET – EQUITY & LIABILITIES

(€ K)	31/12/19 Net	31/12/18 Net	Cross-reference with the financial statements
A. Shareholders' equity	**321,027**	**310,335**	
I. Subscribed capital	**4,860**	**4,860**	Share capital
II. Issue and similar premiums	**242,803**	**242,803**	Share premium
III. Revaluation reserves	-	-	
IV. Reserves	**37,885**	**21,629**	Other reserves
V. Retained earnings	-	-	
VI. Net profit for the year (Group share)	**11,977**	**16,066**	Net profit for the period
Minority interests	**23,502**	**24,977**	Non-controlling interests
B. Provisions	**17,436**	**18,060**	
1. Provisions for pension and similar obligations	10,786	11,927	Employee benefits
2. Other provisions	6,650	6,133	Non-current and current provisions
C. Deferred tax liabilities	**14,213**	**15,453**	**Deferred tax liabilities**
D. Unsubordinated debt	**307,801**	**298,035**	
1. Bonds issued by entities with which the Company has an equity relationship	-	-	
2. Financial debt owed to credit institutions and other	205,241	210,013	
a. Outstanding amount due within 1 year	*49,856*	*45,284*	Other current financial liabilities
b. Outstanding amount due after more than 1 year	*155,386*	*164,729*	Other non-current financial liabilities
3. Prepayments on order	-	-	
4. Liabilities on purchases of goods and provision of services	57,966	47,887	Trade payables
a. Outstanding amount due within 1 year	*57,966*	*47,887*	
b. Outstanding amount due after more than 1 year	-	-	
5. Liabilities related to fixed assets	3,058	2,488	Other current liabilities
6. Trade payables evidenced by commercial paper	-	-	
7. Liabilities owed to related entities	-399	56	
a. Outstanding amount due within 1 year	*-399*	*56*	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	39,768	35,504	
a. Outstanding amount due within 1 year	*39,768*	*35,504*	Other current liabilities
b. Outstanding amount due after more than 1 year	-	-	
10. Other liabilities	2,167	2,086	
a. Outstanding amount due within 1 year	*1,347*	*1,140*	Other current liabilities + Tax liabilities
b. Outstanding amount due after more than 1 year	*816*	*947*	Other non-current liabilities
E. Deferred income	**2,436**	**1,849**	
TOTAL BALANCE SHEET LIABILITIES	**662,913**	**643,732**	

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 financial statements of Edify S.A. (the "Company"), which comprise the balance sheet as at 31 December 2019, the profit and loss account for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of the 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 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 this law and these standards are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements section of our report. We are also independent of the Company 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 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.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND INDIVIDUALS RESPONSIBLE FOR CORPORATE GOVERNANCE IN RELATION TO THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors 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 the Board of Directors either intends to liquidate the Company 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 FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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 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 judgement and maintain professional scepticism throughout the audit. Furthermore:

- We identify and assess the risks of material misstatement of the 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;

- We 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 Company's internal control;

- We 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 Company'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 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 Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that ensures fair presentation;

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

Ernst & Young
Société anonyme
Cabinet de révision agréé

Jeannot Weyer

Luxembourg, 4 June 2020

Edify June 2020

Layout: Explorations

Photos:
P.2 and P.3 - Philippe Lévy

EDIFY
Investment Partner

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