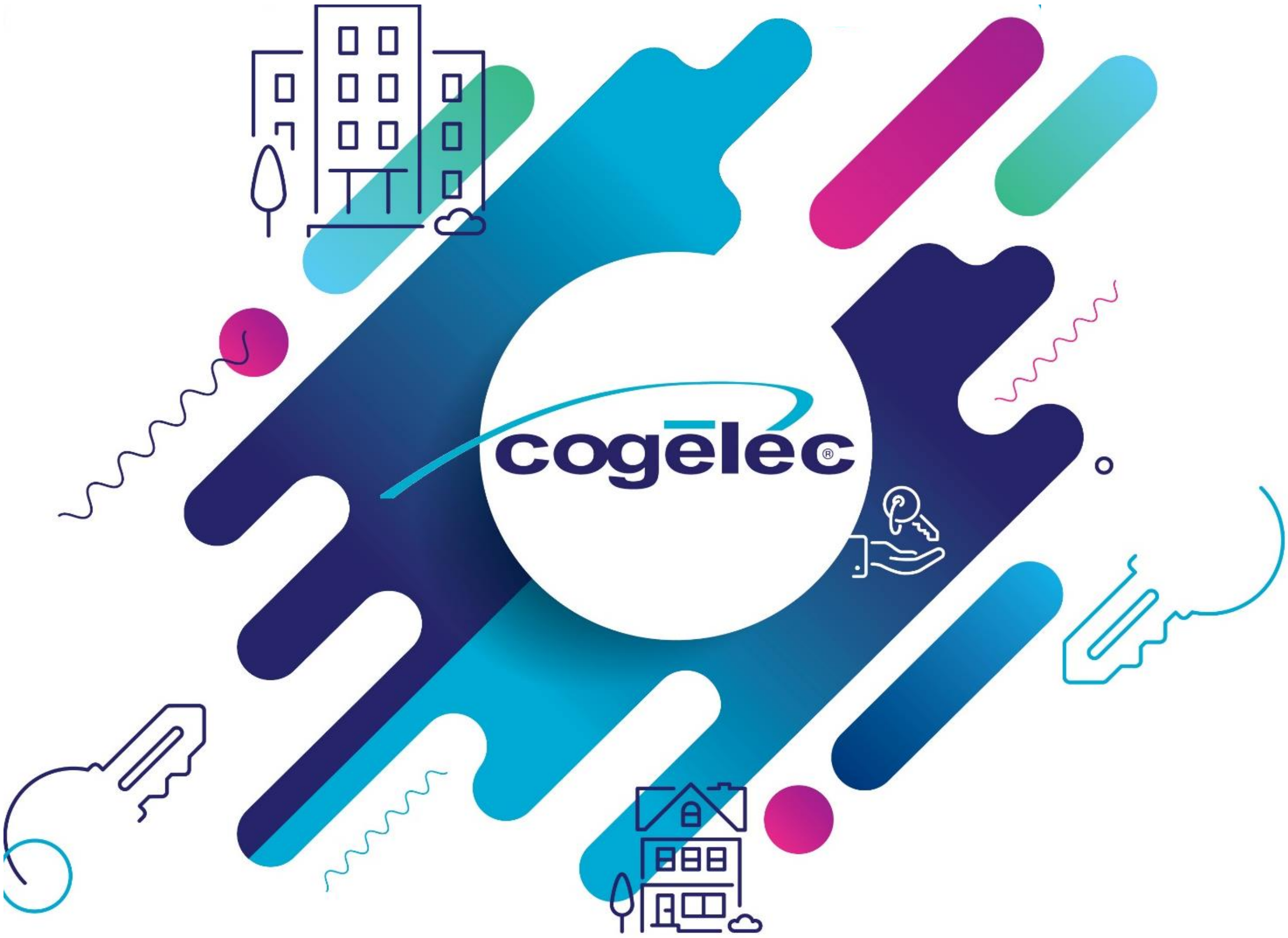
INTERIM FINANCIAL REPORT
COGELEC GROUP

30 JUNE 2019



CONTENT

IN RELATION TO COGELEC

COGELEC is a French manufacturer of intercom systems and, access control solutions, for residential apartment buildings and single-family dwellings.

COGELEC is currently in an international growth phase. After having created its German subsidiary, INTRATONE GMBH, at end-2017, the company created a UK subsidiary, INTRATONE UK, at the end of the first half of 2018 and another subsidiary, INTRATONE BV, at the end of 2018. These companies were created to facilitate the marketing of INTRATONE products globally. These subsidiaries are currently in their launch phase and generated losses of €3.2 million in the first half of 2019, compared to €0.6 million in the first half of 2018.

COGELEC generated revenue of €19 million as at June 30, 2019. With the roll-out of new subsidiaries internationally, this revenue is expected to grow significantly in the coming years

STATEMENT OF RESPONSIBILITY

"I certify, to the best of my knowledge, that the condensed consolidated financial statements for the first half were prepared under applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of all the companies included in the consolidation, and that the interim management report presents an accurate picture of the significant events that occurred during the first six months of the financial year, their impact on the interim financial statements and the main related party transactions, and that it describes the principal risks and uncertainties for the remaining six months of the financial year."

30 September 2019
Mr Roger Leclerc
Chairman and Chief Executive Officer

1. Condensed consolidated financial statements prepared under IFRS at 30 June 2019

1.1 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER IFRS FOR THE SIX MONTHS ENDED 30 JUNE 2019

1.1.1 ASSETS

In € thousands	Notes	30/06/2019	31/12/2018
Intangible assets	2.3.1	7,811	7,387
Property, plant and equipment	2.3.2	8,052	6,104
Other financial assets	2.3.3	259	255
Other non-current assets	2.3.4	3,793	3,510
Non-current tax assets	2.4.8		
TOTAL NON-CURRENT ASSETS		19 ,915	17,256
Inventories and work in progress	2.3.5	11,012	8,349
Trade and other receivables	2.3.6	9,284	8,978
Other current assets	2.3.7	2,225	1,725
Current tax assets			787
Cash and cash equivalents	2.3.8	14,863	16,358
TOTAL CURRENT ASSETS		37,384	36,198
TOTAL ASSETS		57,299	53,453

1.1.2 LIABILITIES

In € thousands	Notes	30/06/2019	31/12/2018
Share capital	1.4 et 2.3.9	4,004	4,004
Share premium	1.4	18,551	18,551
Other comprehensive income	1.4	-53	4
Consolidated reserves, group share	1.4	-3,316	-2,005
Consolidated reserves, group share	1.4	-1,411	-1,064
Equity, group share	1.4	17,776	19,490
Consolidated reserves attributable to minority interests			
Consolidated profit or loss attributable to minority interests			
Equity attributable to minority interests			
TOTAL EQUITY		17,776	19,490
Borrowings and financial liabilities	2.3.10	6,194	5,950
Provisions for pension obligations	2.3.11	476	396
Other long-term provisions	2.3.11	940	871
Other non-current liabilities Non-current tax liabilities	2.3.12.1	18,297	16,214
Borrowings and financial liabilities	2.4.8	162	57
TOTAL NON-CURRENT LIABILITIES		26,069	23,487
Borrowings and financial liabilities	2.3.10	2,463	2,006
Trade payables and related accounts	2.3.12.2	4,280	2,952
Other current liabilities	2.3.12.3	6,320	5,517
Current tax liabilities		392	
TOTAL CURRENT LIABILITIES		13,454	10,476
TOTAL LIABILITIES		57,299	53,453

1.2 STATEMENT OF PROFIT OR LOSS

In € thousands	Notes	30/06/2019	30/06/2018
REVENUE	2.4.1.1	19,005	15,687
Other operating income		2	2
Cost of consumable materials	2.4.2	-8,038	-6,893
Personnel expenses	2.4.3	-7,000	-4,400
External charges	2.4.4	-3,840	-2,986
Taxes and charges		-294	-184
Allocation to/reversal of depreciation and amortisation	2.3.1 et 2.3.2	-1,424	-868
Allocation to/reversal of provisions and impairments		-69	-290
Change in inventories of finished goods and work in progress	2.3.5 et 2.4.1.2	1,010	912
Other current operating income and expenses	2.4.5	180	119
CURRENT OPERATING INCOME		-467	1,099
Other operating income and expenses	2.4.6	13	-395
OPERATING PROFIT		-454	704
Income from cash and cash equivalents		15	2
Cost of gross financial debt		-124	-154
Cost of net financial debt	2.4.7.1	-109	-152
Other financial income and expenses	2.4.7.2	29	1
Tax expenses		-877	-520
Share of the profit or loss of equity-accounted affiliates			
NET PROFIT OR LOSS FROM CONTINUING OPERATIONS		-1,411	33
Profit or loss from discontinued operations Tax expense related to discontinued operations			
Net profit or loss from discontinued operations			
Profit or loss from discontinued operations Tax expense related to discontinued operations			
CONSOLIDATED NET INCOME		-1,411	33
Group share		-1,411	33
Attributable to minority interests			
BASIC NET EARNINGS PER SHARE	2.4.9	-0.1586	0.0106
DILUTED NET EARNINGS PER SHARE	2.4.9	-0.1586	0.0106

1.3 STATEMENT OF COMPREHENSIVE INCOME

In € thousands	30/06/2019	30/06/2018
PROFIT OR LOSS FOR THE PERIOD	-1,411	33
Items that may be reclassified subsequently to profit or loss		
Exchange rate differences		
Revaluation of available-for-sale assets		
Tax on items recognised directly in equity		
Items that may not be reclassified subsequently to profit or loss		
Tax on items recognised directly in equity	20	
Actuarial gains or losses	-76	-4
Income and expenses recognised directly in equity		15
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-56	11
TOTAL PROFIT OR LOSS FOR THE PERIOD	-1,467	43
Group share	-1,467	43
Attributable to minority interests		

1.4 STATEMENT OF CHANGES IN EQUITY

	Share capital	Additional paid-in capital	Other comprehensive income .	Reserves	Profit or loss for the period	Total equity	Minority interests	Group equity
At 31 December 2017	534	2,264	-15	-2,159	2,905	3,529	0	3,529
Changes:								
Allocation of prior year retained earnings				2,905	-2,905			
Dividends paid to affiliates of the parent company				-2,000		-2,000		-2,000
Capital increase charged against other reserves	406			-406				
Capital increase charged against the Share premium	2,264	-2,264						
Capital increase following IPO	801	20,110				20,910		20,910
Allocation of IPO expenses net of income tax		-1,554				-1,554		-1,554
Actuarial gains or losses			11			11		11
Consolidated profit or loss					33	33		33
At 30 June 2018	4,004	18,556	4	-1,660	33	20,929	0	20,929
At 31 December 2018	4,004	18,551	4	-2,005	-1,064	19,490	0	19,490
Changes:								
Allocation of prior year retained earnings				-1,064	1,064			
Dividends paid to affiliates of the parent company								
Dividends paid to minority shareholders of subsidiaries								
Treasury shares				-248		-248		-248
Actuarial gains or losses			-56			-56		-56
Consolidated profit or loss					-1,411	-1,411		-1,411
At 30 June 2019v	4,004	18,551	-53	-3,316	-1,411	17,776	0	17,776

1.5 STATEMENT OF CASH FLOWS

In € thousands	Notes	30/06/2019	30/06/2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit or loss from continuing operations	1.4	- 1,411	33
Net allocation to amortisation, depreciation and provisions	2.3.1-2-11	1,498	880
Grant reversals	2.4.5	-176	-114
Share of prepaid income recognised in profit and loss	2.3.12.3	-2,373	-993
Gains or losses on disposals	2.4.6	-21	
Exchange rate differences on reciprocities		29	
Cash flow after cost of net financial debt and tax		-2,458	-194
Cost of net financial debt	2.4.7.1	109	152
Tax expense (including deferred taxes)		740	410
Cash flow before cost of net financial debt and tax		-1,609	368
Taxes paid		564	-1,659
Change in operating working capital requirement:			
-Other non-current assets		-283	194
- Inventories		-2,663	-2,226
- Trade receivables		-310	1,042
- Other current assets (excluding loans and guarantees)		-484	154
- Other non-current liabilities		2,081	1,253
- Trade payables		1,229	53
- Other current liabilities (excluding grant reversals)		3,359	705
Total		2,930	1,175
Net cash flow from operating activities		1,884	-116
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of fixed assets (1)		-1,684	-1,782
Disposals of fixed assets	2.4.6	24	
Change in loans and advances granted		-19	-62
Impact increase in % interest INTRATONE (repayment of HRC current account / Mr Gréaud)			-1,178
Net cash flow from investing activities		-1,680	-3,022
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders of the parent company	1.4		-2,000
Capital increase in cash	1.4		19,357
Treasury shares	1.4	-248	
Debt issues1	2.3.10		
Repayment of borrowings (excluding HRC current account)	2.3.10	-1,308	-1,152
Cost of net financial debt	2.4.7.1	-109	-152
Net cash flow from financing activities		-1,665	16,053
CHANGE IN CASH AND CASH EQUIVALENTS		-1,460	12,915
Opening cash	2.3.8	16,353	5,666
Cash and cash equivalents at end of period	2.3.8	14,863	18,581
Change in cash and cash equivalents		-1,460	12,915

[1] For the current period, excluding new operating leases for €2,014K

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, the amounts indicated in these notes are in thousands of euros)

NOTE 1. OVERVIEW OF THE BUSINESS AND SIGNIFICANT EVENTS

2.1.1 Information about the Company and its business

COGELEC is a French public limited company (*Société Anonyme* – SA). These financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), comprise the parent company COGELEC and its subsidiaries.

The reporting period covers the six months from 1 January to 30 June.

Registered office: 370 rue Maunit, Mortagne-sur-Sèvre (85290), France.

Trade and Companies Register number: 433 034 782.

COGELEC is a French manufacturer of intercom systems and access control solutions.

COGELEC and its subsidiaries are hereinafter referred to as the "Company" or the "Group".

As part of its international expansion, on 4 December 2017, COGELEC subscribed to 100% of the share capital of INTRATONE Gmbh. INTRATONE Gmbh was incorporated on 28 December 2017 and its registered office is in Düsseldorf. On 12 February 2018, COGELEC subscribed to the share capital of INTRATONE UK Ltd, whose registered office is in London. On 29 October 2018, COGELEC subscribed to the share capital of INTRATONE BV, whose registered office is in Amsterdam.

2.1.2 Significant events during the first half of 2019

2.1.2.1 First half of 2019 income

First-half 2019 revenue amounted to €19.0m versus €15.7m in H1 2018, up 21.1%. This growth was driven in France by equipment sales (€14.2m, +18.8%) and subscriptions (€4.8m, +28.7%). COGELEC now services over one million homes. The gross margin was up 23.4% at €11.9m, representing 63% of revenue. This growth confirms the increase in terms of subscribers.

In line with the ambitious recruitment plan both internationally and in France, and in accordance with our expectations H1 2019 showed an increase in personnel expenses to €7.0m vs. €4.4m a year earlier with the finalisation of international recruitment (+40 persons) and the strengthening of the R&D and production teams in France as part of Kibolt's industrialisation. COGELEC had a total of 235 employees at 30 June 2019 vs. 167 employees at 30 June 2018.

With a dynamic innovation policy and the implementation of subsidiaries internationally, external charges were also higher at €3.8m vs. €2.9m, including in particular an increase in accounting, legal and consulting costs (patent study) and an increase in communication and advertising budgets for our operations in Europe.

In accordance with IFRS 16, rental expenses are restated for an amount of €0.26m with an impact on allocations to depreciation, amortisation and provisions of €0.3m.

EBITDA therefore came out at €1.0m and operating income at -€0.4m. The tax expense is up, compared to the same period of the previous year, which benefited from a deferred tax income. Net income showed a loss of -€1.4m.

At 30 June 2019, shareholders' equity stood at €17.8m vs. €19.5m at 31 December 2018. Financial debt was higher at €8.6m vs. €7.9m at 31 December 2018, including €1.8m, in accordance with IFRS 16. The Group ended H1 2019 with a gross cash position of €14.9m.

2.1.2.2 Overview and outlook

The strategy announced at the initial public offering is progressing as planned:

- The opening of subsidiaries and the recruitment plan in 5 target countries in Europe (Germany, Belgium, Luxembourg, Netherlands and United Kingdom) are in the completion phase. The Group now has 53 fully operational employees internationally;

- The launch of new products with, in particular, the marketing of the Kibolt universal key which has been very favourably received and whose initial sales are expected before the end of the 2019 financial year;

- The strengthening of the R&D teams for the development of new product ranges intended for building complexes such as the Connect.it solution for connected building halls, digital interactive display tables or the connected letterbox label.

Over the whole of 2019, COGELEC will benefit from the ongoing solid growth of Intratone in France and the intensive commercial activity implemented in the Group's European operations.

Longer term, COGELEC has confirmed its target of achieving revenue of €90 million by 2021.

2.1.3 Principal risks and future uncertainties

The assessment of risks, as published in the 2018 Annual Financial Report in the chapter "Risk management", is unchanged.

2.1.4 Subsequent events

There are no events after the reporting period.

NOTE 2. PRINCIPLES, RULES AND ACCOUNTING POLICIES

The financial statements are presented in thousands of euros, unless otherwise stated. Rounding is applied for the calculation of some financial data and other information contained in these financial statements. Consequently, the totals in some tables might not be the exact sum of the preceding figures.

2.2.1 Basis of presentation of the Group's first consolidated financial statements under IFRS Statement of compliance

The Company has prepared its financial statements, which were adopted by the Board of Directors on 30 September 2019, in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB), as adopted by the European Union at the reporting date. These financial statements are presented with comparative information for the 2018 financial year, prepared according to the same standards.
These standards, which can be found on the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias_fr.htm), comprise the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and interpretations by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).
General principles, accounting methods and options adopted by the Group are described below.

2.2.1.1 Basis of presentation of the interim financial statements

The interim financial statements, presented in condensed form, have been prepared in accordance with IAS 34 ("Interim Financial Reporting"), as adopted by the European Union. This standard requires the inclusion of selected explanatory notes.
Because they are condensed, the interim financial statements do not include all the information and notes as presented in the annual financial statements.
Condensed financial statements do not include all of the information required by IFRS and must be read in accordance with the Group's annual consolidated financial statements as at 31 December 2018. With the exception of the specificities of IAS 34 and the new standards applicable on 1 January 2019 listed below, in particular IFRS 16, the accounting principles applied for the preparation of the condensed interim consolidated financial statements at 30 June 2019 are identical to those applied in the annual consolidated financial statements at 31 December 2018. The main areas where judgements and estimates are used for the preparation of the condensed interim financial statements are identical to those detailed in the 2018 consolidated financial statements.

The Company's financial statements were prepared on a historical cost basis, except for certain categories of assets and liabilities in accordance with IFRS provisions. The categories concerned are mentioned in the following notes.

2.2.1.2 Going concern basis

The Board of Directors chose the going concern basis given that the cash and cash equivalents available at 30 June 2019 are expected to cover its projected cash flow requirements for the next 12 months.

2.2.1.3 Accounting methods

The accounting principles applied are identical to those used for the preparation of the IFRS annual financial statements for the year ended 31 December 2018. The exceptions are the following new standards, amendments and interpretations adopted by the European Union, which the Company is required to apply with effect from 1 January 2019.

<u>Standards, amendments and interpretations applicable for financial years beginning on or after 1 January 2019</u>

- IFRS 16 "Leases" - New standard for the recognition of leases
- IFRIC 23 "Uncertainty over Income Tax Treatments" - Clarifications regarding the recognition of uncertainties related to income taxes
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures
- Annual Improvements (2015-2017 Cycle) – Annual Improvements to IFRS Standards, 2015–2017 Cycle (Standards concerned: IFRS 3, IFRS 11, IAS 12 and IAS 23)

<u>First adoption of IFRS 16</u>

The Group has applied IFRS 16 "Leases" since 1 January 2019. Previously, each lease was classified as either a finance lease or an operating leases with a specific accounting treatment for each category.

The Group has chosen to apply the simplified retrospective transition method.

Under IFRS 16, leases are now recognised in assets through the recognition of a right of use and in liabilities through a debt corresponding to the present value of the future payments.

On 1 January 2019, the Group sent a questionnaire to the banks to find out the financing rates they granted for each of the contracts. It is these bank rates that were used to discount the lease rentals. The rates range from 0.15% to 0.43% depending on the term of the contracts and the amounts to be financed.

As at 1 January 2019, the impact on debt and fixed assets amounted to €1,098K.

As authorised by the texts, for the sake of simplification, the Group chose not to restate the contracts that had a residual term of less than 12 months as 1 January 2019 and those with a value of less than $5,000.

Reconciliation table of contractual obligations relating to operating leases as at 1 January 2019:

In € thousands	
Amount of contractual obligations relating to operating leases as at 1 January 2019	1,656
Contracts that do not fall within the scope of IFRS or benefit from the exemption	-58
Difference related to rent revisions	5
Difference related to the modification of the commitment period (1)	-502
Discounting effect	-2
Amount of rental obligation as at 1 January 2019	1,098

(1) The Group plans to exercise its termination option at the expiry of the first three-year maturity of the Nantes commercial lease, which has an initial commitment period of nine years.

The impact of the first application of IFRS 16 on the Group's balance sheet as at 1 January 2019 can be summarized as follows:

In € thousands	31/12/2018	Impact de la transition IFRS 16	01/01/2019 retraité
Intangible assets	7,387	33	7,420
Property, plant and equipment	6,104	1,065	7,169
Borrowings and financial liabilities (current and non-current)	7,956	1,098	9,054

IFRIC 23 – Uncertainty over Income Tax Treatments

The interpretation of IFRIC 23 clarifies the application of the provisions of IAS 12 "Income Taxes" regarding the recognition and measurement of taxes where there is uncertainty about the accounting treatment in the income statement. The adoption of IFRIC 23 had no material impact on the Group's consolidated financial statements.

Standards, amendments and interpretations applicable in advance on an optional basis

The Group has not applied the following standards, interpretations and amendments in advance, and their application is not mandatory at 30 June 2019:

- Amendments to IFRS 3 – Definition of a Business;
- IFRS 17 – Insurance Contracts;
- Amendments to IAS 1 and IAS 8 – Definition of Material;
- Conceptual Framework – Revised Conceptual Framework for Financial Reporting (replacing the 2010 framework).

2.2.1.4 Estimates and assumptions

The Company's Management regularly reviews its estimates and judgements on the basis of past experience and various other factors deemed reasonable in the circumstances. These form the basis for its estimates of the carrying amount of income and expenses and assets and liabilities. These estimates affect income and expense amounts and asset and liability values. It is possible that the actual amounts may subsequently prove to be different from the estimates used.

2.2.1.1 Group Companies at 30 June 2019

At 30 June 2019, the Group consists of four fully consolidated entities.

Entities	Methods of consolidation	% interest	% control	Registered office	Country
COGELEC	FC	100,00%	100,00%	MORTAGNE SUR SEVRE	France
INTRATONE GMBH	FC	100,00%	100,00%	DÜSSELDORF	Germany
INTRATONE UK	FC	100,00%	100,00%	LONDRES	United Kingdom
INTRATONE BV	FC	100,00%	100,00%	AMSTERDAM	The Netherlands

2.2.2 Error correction

In line with the correction made on 31 December 2018, capitalised production was reallocated in the financial statements at 30 June 2018.

At 30 June 2018, the cost of consumable materials was underestimated for an amount of €773K. However, personnel expenses and external expenses were overestimated for the respective amounts of €490k and €283k.

At 30 June 2018, the gross margin was overestimated by €773k. Restated for this correction, the gross margin at 30 June 2018 was therefore €9,708k and the gross margin rate was 61.9%.

This correction has no impact on any other accounting aggregate for 30 June 2018, and notably on operating income, EBITDA and net income.

The 30 June 2018 comparative data is restated for the impact related to this error correction. The tables below present these different impacts.

COMPTE DE RESULTAT AGREGE

In thousands of euros	30/06/2018		
	Before correction	After correction	Impact
REVENUE	15,687	15,687	0
Other operating income	2	2	0
Purchases consumed	-6,120	-6,893	(773)
Personnel expenses	-4,890	-4,400	490
External expenses	-3,269	-2,986	283
Taxes and charges	-184	-184	0
Allocation to/reversal of depreciation and amortisation	-868	-868	0
Allocation to/reversal of provisions and impairments	-290	-290	0
Change in work in progress and finished product inventories	912	912	0
Other current operating income and expenses	119	119	0
CURRENT OPERATING INCOME	1,099	1,099	0
OPERATING PROFIT	704	704	0
NET INCOME FROM CONTINUING OPERATIONS	33	33	0
CONSOLIDATED NET INCOME	33	33	0
BASIC EARNINGS PER SHARE	0.0106	0.0106	0
DILUTED EARNINGS PER SHARE	0.0106	0.0106	0

GROSS MARGIN

In thousands of euros	30/06/2018		
	Before correction	After correction	Impact
REVENUE	15,687	15,687	0
Other operating income	2	2	0
Purchases consumed	-6,120	-6,893	(773)
Change in work in progress and finished product inventories	912	912	0
GROSS MARGIN	10,480	9,708	(773)
As % of revenue	66.8%	61.9%	(4.93)

NOTE 3. DETAILED STATEMENT OF FINANCIAL POSITION

2.3.1 Intangible assets

The following tables illustrate the changes that have occurred during the two financial years presented:

GROSS VALUE	Development expenses	Other intangible assets	Intangible assets in progress	TOTAL
A 31 Décember 2017	8,368	1,001	4,235	13,604
AcquisitionsDisposals	111	90	742	944
AcquisitionsDisposals				
Transfers between items	337		-349	-12
At 30 June 2018	8,816	1,091	4,628	14,535
At 31 Décember 2018	9,655	1,195	4,564	15,415
AcquisitionsDisposals	308	118	664	1,090
AcquisitionsDisposals				
Transfers between items	3,616	21	- 3,636	
At 30 June 2019*	13,579	1,334	1,592	16,505

**€33K in rights of use*

A 31 Décember 2017	Development expenses	Other intangible assets	Intangible assets in progress	TOTAL
A 31 Décember 2017	6,514	492		7,005
Allocations	439	55		494
At 30 June 2018	6,952	547		7,499
A 31 Décember 2018	7,413	614		8,027
Allocations	579	87		667
At 30 June 2019*	7,993	701		8,694

-€9K in amortisation of rights of use

NET VALUES	Development expenses	Other intangible assets	Intangible assets in progress	TOTAL
At 31 December 2017	1,854	509	4,235	6,598
At 30 June 2018	1,864	544	4,628	7,036
At 31 December 2018	2,242	581	4,564	7,387
At 30 June 2019*	5,586	633	1,592	7,811

*€24K in rights of use

Intangible assets do not include any assets with an indefinite useful life.

The integrated electronic cannon project was commissioned on 1 May 2019. For that reason, €3.9 million of expenses were activated, of which €3.6 million were transferred from intangible assets in progress. The remaining intangible assets in progress involve various projects whose commissioning is expected within the next three years.

2.3.2 Property, plant and equipment

The following table illustrates the changes over the periods presented:

GROSS VALUES	Land	Buildings	Other property, plant and equipment	Other property, plant and equipment	Property, plant and equipment in progress	Total
At 31 December 2017	213	3,449	2,595	934	730	7,921
Acquisitions			638	154	313	1,105
Disposals						
Transfers between items			132		-126	6
Change in scope						
At 30 June 2018 *	213	3,449	3,366	1,088	917	9,032
At 31 December 2018	213	3,449	3,331	1,489	1,009	9,491
Acquisitions		1,082	386	1,122	118	2,708
Disposals			-1	-45		-47
Transfers between items			957	9	-966	
Change in scope						
At 30 June 2019 **	213	4,531	4,673	2,574	162	12,152

* €3 912K for finance-leased capital assets (of which land and buildings account for €3,662k)

** €3,822K for finance-leased capital assets (of which land and buildings account for €3,622K) and €1,981K in rights of use (of which construction accounts for €1,082K and other property, plant and equipment accounts for €900K).

DEPRECIATION	Land	Buildings	Other property, plant and equipment	Other property, plant and equipment	Property, plant and equipment in progress	Total
At 31 December 2017		407	1,747	504		2,659
Allocations		87	206	81		374
Reversals						
Change in scope						
Transfers between items						
At 30 June 2018 *		495	1,953	585		3,033
At 31 December 2018		582	2,143	662		3,387
Allocations		224	275	258		757
Reversals				-44		-44
Change in scope						
Transfers between items						
At 30 June 2019 **		806	2,418	877		4,100

* €680K for depreciation of finance-leased capital assets (of which land and buildings account for €494K)

** €800K for impairment of finance-leased capital assets (of which land and buildings account for €669K) and €265K in rights of use (of which construction accounts for €137K and other property, plant and equipment accounts for €128K).

NET VALUES	Land	Buildings	Other property, plant and equipment	Other property, plant and equipment	Property, plant and equipment in progress	Total
At 31 December 2017	213	3,041	848	429	730	5,262
At 30 June 2018 *	213	2,954	1,412	503	917	5,999
At 31 December 2018	213	2,867	1,188	827	1,009	6,104
At 30 June 2019 **	213	3,725	2,255	1,698	162	8,052

* Of which €3,232K for net finance-leased capital assets (of which land and buildings account for €3,168K).

** Of which €3,022K for net finance-leased capital assets (of which land and buildings account for €2,992K) and €1,717K in rights of use (of which construction accounts for €945K and other property, plant and equipment accounts for €772K).

2.3.3 Other Financial Assets

Financial assets are as follows

In € thousands	30/06/2019	31/12/2018
Other investment securities (1)	16	16
Loans (2)	38	38
Loan impairment (2)	-38	-38
Deposits and guarantees (3)	243	238
Total	259	255

(1) Bank shares.

(2) DIAMO loan -

(3) Deposits and guarantees correspond to amounts paid on BPI loans and rental guarantees.

2.3.4 Other non-current assets

In € thousands	30/06/2019	31/12/2018
Trade receivables > 1 year	2,977	2,809
Impairment of trade receivables	-387	-390
Various debtors > 1 year	8	
Prepaid expenses > 1 year	1,195	1,091
Total	3,793	3,510

Details of trade receivables net of impairments:

	30/06/2019	31/12/2018
Ordinary and doubtful receivables	463	467
Impairment of ordinary and doubtful receivables	-387	-390
Trade receivables under rental agreements	2,514	2,342
Total	2,591	2,419

Ordinary and doubtful receivables at more than one year are written off.

IFRS 16 had no impact on the group's position as a lessor.

Prepaid expenses

These correspond to SIM cards purchased as part of contract packages. The purchases are spread over the term of the commitment, i.e. the subscription plan.

2.3.5 Inventories

The following table illustrates the changes during the two periods presented:

In € thousands	30/06/2019	31/12/2018
Raw materials and other supplies	5,732	4,080
Work in progress	3,790	3,163
Intermediate and finished products	2,033	1,650
Provisions for impairment	-543	-545
TOTAL	11,012	8,349

Changes in provisions for impairment	30/06/2019	31/12/2018
Value at start of period	545	229
Increase	163	393
Decrease	-164	-77
Value at end of period	543	545

Raw materials and other supplies consist of components.

Work in progress consists of sub-assemblies (e.g. circuit boards, etc.) intended to be incorporated into equipment under contract or sold.

Finished products include equipment (e.g. panels, remote controls, modules, etc.) which are sold separately or bundled together in a contract package (equipment and services).

The increase in inventories is due, on the one hand, to the rise in activity over the period and, on the other, to higher purchases in the first half of the year to avoid inventory shortages created by very long supplier lead times. In addition, the Group built up inventory as part of the Kibolt project marketing launch.

The provision for impairment of inventories mainly concerns inventories of raw materials and finished products

2.3.6 Trade and other receivables

In € thousands	30/06/2019	31/12/2018
Gross trade receivables	9,284	8,979
Provisions for impairment		-1
TOTAL	9,284	8,978

Details of trade receivables net of impairments:

	30/06/2019	31/12/2018
Ordinary trade receivables	8,174	7,997
Impairment of ordinary trade receivables		-1
Trade receivables under leases	1,109	982
TOTAL	9,284	8,978

The provision for impairment of trade receivables is mostly recognised on a case-by-case basis, depending on the estimated risk of non-recovery. This credit risk assessment is based on past experience, the ageing of past-due receivables, and the payment terms granted.

The receivables are of a commercial nature and as such, the group has opted for the simplification measures applicable to the calculation of the provision for expected losses and recommended by IFRS 9.

The maturity of trade receivables is as follows:

At 30/06/2019			Past due		
	Carrying amount	Current	< 90 days	> 90 days < 6 months	> 6 months
Trade receivables (non-current assets)	2,591	2,514			77
Trade receivables (current assets)	9,284	7,377	1,586	139	181
TOTAL	11,874	9,891	1,586	139	258

At 31/12/2018			Past due		
	Carrying amount	Current	< 90 days	> 90 days < 6 months	> 6 months
Trade receivables (non-current assets)	2,419	2,342			77
Trade receivables (current assets)	8,978	6,760	2,092	54	72
TOTAL	11,397	9,101	2,092	54	150

2.3.7 Other current assets

In € thousands	30/06/2019	31/12/2018
Loans	1	2
Deposits and guarantees	52	37
Advances and prepayments made	165	149
Social security receivables	61	56
Tax receivables	937	764
Other operating receivables	681	450
Prepaid expenses	328	268
TOTAL	2,225	1,725

Loans break down as follows:

	30/06/2019	31/12/2018
Loans to staff	1	2
TOTAL	1	2

Other receivables break down as follows:

	30/06/2019	31/12/2018
Receivable related to CIR and CII	588	413
Trade payables and AAR	93	29
Various debtors	1	7
TOTAL	681	450

Other receivables are recorded at face value less any provisions calculated according to the actual probability of recovery.Tax receivables mainly consist of input VAT and VAT on provisions. Prepaid expenses are recurring expenses which essentially correspond to SIM cards where the subscription plan is spread over the commitment term, insurance premiums and maintenance costs.

Research tax credit ("CIR") and innovation tax credit ("CII")

Cogelec SA qualifies for research and innovation tax credits under Articles 244 quater B and 49 septies F of the French General Tax Code. These are recognised as grants under the headings "Other current liabilities" and "Other non-current liabilities", depending on the timing of the grant reversal. The grant is reversed as the corresponding projects are amortised.
Other current assets have a maturity of less than one year.

2.3.8 Cash and cash equivalents

The Group's net cash position breaks down as follows:

In € thousands	30/06/2019	31/12/2018
Term deposits	8,503	8,501
Cash and cash equivalents	6,360	7,858
Total cash and cash equivalents at end of period	14,863	16,358
Bank overdrafts		-5
Total net cash and cash equivalents at end of period	14,863	16,353

Term accounts are available immediately

2.3.9 Equity

*2.3.9.1 **Share capital***

	01/01/2019	Increase	Reduction	30/06/2019
Nombre d'actions	8,898,048			8,898,048
dont actions oridnaires	*3,550,963*			*3,550,963*
Dont actions à vote double	5,347,085			5,347,085
Nominal en €	0.45			0.45
Capital en euros	4,004,122			4,004,122

*2.3.9.2 **Capital management and distribution of dividends***

The company paid out €2 million in dividends in the first half of 2018, as approved by the Shareholders' Meeting of 20 February 2018.

In the first half of 2019, there were no dividend distributions.

2.3.10 Current and non-current financial liabilities

In € thousands	30/06/2019	31/12/2018
Bank borrowings	2,793	3,477
OSEO loans		30
Lease payables	2,284	2,442
Operating lease liabilities	1,117	
Non-current borrowings and financial liabilities	6,194	5,950
Bank borrowings	1,372	1,394
OSEO loans	60	60
OSEO Innovation repayable grant	85	253
Bank overdrafts	0	5
Lease payables	304	294
Operating lease liabilities	643	
Current loans and financial liabilities	2,464	2,006

Breakdown of financial liabilities by maturity

The maturity of financial liabilities at 30 June 2018 is as follows:

Financial liabilities by repayment amount (in € thousands)	Financial liabilities by repayment amount (in € thousands)	Financial liabilities by repayment amount (in € thousands)	Financial liabilities by repayment amount (in € thousands)	TOTAL
At 30 june 2019				
Bank borrowings	1,372	2,739	318	4,165
OSEO loans	60			60
Accrued interest (not yet due)	100			100
OSEO Innovation repayable grant	0			0
Bank overdrafts				
Finance lease payables	304	1 247	1,037	2,588
Operating lease liabilities	643	1 022	94	1,759
Borrowings and financial liabilities	**2,479**	**5,009**	**1,185**	**8,672**
Current financial debts				*2,479*
Non-current financial debts				*6,194*

Financial liabilities by repayment	Financial liabilities by repayment	Financial liabilities by repayment	Financial liabilities by repayment	TOTAL
At 31 December 2018				
Bank borrowings	1,394	3,317	161	4,871
OSEO loans	60	30		90
OSEO Innovation repayable grant	300			300
Bank overdrafts	5			5
Finance lease payables	294	1,241	1,201	2,736
Operating lease liabilities				
Borrowings and financial liabilities	**2,054**	**4,598**	**1,362**	**8,003**
Current financial debts				*2,054*
Non-current financial debts				*5,950*

Reconciliation between carrying amount and repayment amount

Reconciliation between carrying amount and repayment amount (in € thousands)	Repayment amount	Amortised cost	Fair value	Carrying amount Balance sheet
At 30 june 2019				
Bank borrowings	4,165			4,165
OSEO loans	60			60
OSEO Innovation repayable grant	100	-15		85
Bank overdrafts	0			0
Finance lease payables	2,588			2,588
Operating lease liabilities	1,759			1,759
Borrowings and financial liabilities	8,672	-15		8 ,657

Reconciliation between carrying amount and repayment amount (in € thousands)	Repayment amount	Amortised cost	Fair value	Carrying amount Balance sheet
At 31 décember 2018				
Bank borrowings	4,871			4,871
OSEO loans	90			90
OSEO Innovation repayable grant	300	-47		253
Bank overdrafts	5			5
Finance lease payables	2,736			2,736
Operating lease liabilities				
Borrowings and financial liabilities	8,003	-47		7,956

The OSEO Innovation (BPI) repayable grant consists of innovation aid awarded to the company to enable it to develop its integrated electronic cylinder. The funding, which totalled €1,300K, was granted in 2010.

The final repayment date is 30 September 2019. In accordance with IAS 39, we have recognised the liability at fair value (i.e. with a discount), to bring its zero interest rate to a normal borrowing rate, which is reflected in the "amortised cost".

The resulting gain (i.e. €251K) was treated as a subsidy under IAS 20 and is therefore recognised in deferred income (other current liabilities and other non-current liabilities, depending on the maturity). At 30 June 2019, the balance of the grant is €85K, while the balance of the subsidy is €15K.

Regardless of the technical or commercial failure or partial technical or commercial success of the programme, COGELEC pledged to pay BPI France Financement a fixed amount of €350K, which has been repaid in full as at 30 June 2019.

Change in financial liabilities

Gross value	Bank borrowings	OSEO loans	Accrued interest (not yet due)	OSEO Innovation repayable grant	Bank overdrafts	Lease payables	Operating lease liabilities	Other financial liabilities	TOTAL
At 31 décember 2017	6,343	210	2	530	5	3,033	0	1,193	11,317
New	0								0
Repayments	-794	-60	0	-170		-147			-1,172
Financial expenses				36					36
Changes during the period					283			-1 193	-910
At 30 june 2018	5,549	150	2	396	288	2,886	0	0	9,271
At 31 december 2018	4,871	90	0	253	5	2,736	0	0	7,956
New							2,014		2,014
Repayments	-707	-30		-200		-148	-255		- 1,340
Financial expenses				32					32
Changes during the period					-5				-5
At 30 june 2019	4,165	60	0	85	0	2,588	1,759	0	8,657

2.3.11 Provisions

Provisions for pension obligations

Personnel obligations consist of the provision for retirement benefits.
This commitment only applies to employees governed by French law. The main actuarial assumptions used in the valuation of retirement benefits are as follows:

Assumptions	30/06/2019	31/12/2018
Reference discount rate	IBOXX rate corporate A.A + 10 ans	
Discount rate	65 years	65 years
Discount rate	0.77%	1.57%
Mortality table	INSEE 2010-2012	INSEE 2010-2012
Salary growth	4% declining	4% declining
Turnover rate	2.44%	2.47%

The provision for pension obligations has changed as follows:

In € thousands	Pension obligations retirement
At 31 December 2017	366
Allocations	59
Reversals	
Change in scope	
Actuarial gains and losses	-15
At 30 June 2018	409

En milliers d'euros	Engagements de retraite
At 31 décember 2018	396
Allocations	5
Reversals	
Change in scope	
Actuarial gains and losses	76
At 30 June 2019	476

Other long-term provisions

In € thousands	After-sales provision	Tax provision	Provisions for disputes	TOTAL
At 31 décember 2017	281	118		399
Allocations	20			20
Reversals		-77		-77
Change in scope				
At 30 june 2018	301	41		342
At 31 décember 2018	554	52	265	871
Allocations	44		25	69
Reversals				
Change in scope				
At 30 june 2019	598	52	290	940

Following a tax audit, a tax provision was recognised to cover the amount of the adjustment for the 2014 and 2015 financial years. The provision was readjusted at 31 December 2018 based on €77K in payments, offset by additional calls by the tax authority in the amount of €11K. At 30 June 2019, in the absence of new items, the provision was maintained.

2.3.12 Other liabilities

2.3.12.1 Other non-current liabilities

Non-current liabilities mainly comprise deferred income from prepaid contracts.

In € thousands	30/06/2019	31/12/2018
Tax and social security liabilities		
Advances and prepayments received		
Other liabilities		
Prepaid income (1)	18,297	16,214
TOTAL	18,297	16,214
(1) of which		
Liabilities on prepaid contracts	16,916	14,774
CIR and CII	1,329	1,378
Investment grants	52	65
	18,297	16,214

2.3.12.2 Trade and related payables

In € thousands	30/06/2019	31/12/2018
Trade payables	3,954	2,727
Fixed asset liabilities	325	226
TOTAL	4,280	2,952

2.3.12.3 Other current liabilities

In € thousands	30/06/2019	31/12/2018
Tax and social security liabilities	3,161	2,500
Advances and prepayments received		
Other liabilities	858	1 060
Prepaid income	2,301	1,957
TOTAL	6,320	5,517
Of which liabilities on contracts for prepaid amounts	**1,851**	**1,580**
Of which reversal of prepaid contract liabilities	2,376	1,633
Of which new prepaid contract liabilities	2,647	1,953

NOTE 4. NOTES TO THE STATEMENT OF PROFIT OR LOSS

2.4.1 Revenue and performance indicators

2.4.1.1 Revenue

Revenue for the two periods presented is as follows:

In € thousands	30/06/2019	30/06/2018
Sales of equipment	14,199	11,954
Sales of services	4,806	3,733
TOTAL	19,005	15,687

En milliers d'€	30/06/2019	30/06/2018
France	17,268	14,507
Export	1,737	1,180
TOTAL	19,005	15,687

2.4.1.2 Performance indicators

2.4.1.2.1 GROSS MARGIN

	30/06/2019	30/06/2018
Revenue	19,005	15,687
Other operating income	2	2
Cost of consumable materials	- 8,038	-6,893
Change in work in progress and finished product inventories	1,010	912
GROSS MARGIN	11,979	9,708
As % of revenue	63%	61,9%

2.4.1.2.2 EBITDA

	30/06/2019	30/06/2018
Operating income	-454	704
Allocations to depreciation and amortisation	1,424	868
Asset impairments net of reversals	69	290
EBITDA [1]	1,038	1,862
As % of revenue	5,5%	11,9%

[1] EBITDA is defined by COGELEC as operating income/loss before depreciation, amortisation and impairment, net of reversals.

2.4.2 Cost of consumable materials

In € thousands	30/06/2019	30/06/2018
Raw materials purchased	-8,372	-7,484
Change in raw materials inventory	1,651	1,358
Goods purchases		
Change in goods inventory		
SIM card purchases	-1,116	-976
Purchases not held in inventory*	-346	-266
Freight in	-30	-22
Capitalised production	174	496
TOTAL	-8,038	-6,893

Purchases not held in inventory mainly comprise prototypes and small tooling for the design department as well as fuel.

2.4.3 Personnel expenses and headcount

2.4.3.1 Personnel expenses

In € thousands	30/06/2019	30/06/2018
Wages and salaries	-5,305	-3,493
Change in provisions for paid leave	-228	-144
Additional paid-in capital	-1	0
Bonuses and other benefits	-104	-48
Social security contributions	-1,885	-1,400
Employee profit-sharing	-135	
Subsidies and reclassification of employee benefits expense	104	195
Capitalised production	554	490
TOTAL	-7,000	-4,400

2.4.3.2 Headcount

	30/06/2019	30/06/2018
Managers	47	38
Employees (1)	151	94
Operators	35	35
Apprentices	2	
TOTAL	235	167
of which seconded personnel	13	10

(1) IT UK, IT BV and IT GMBH have 14, 9 and 27 employees respectively. In these countries, there are no occupational categories as presented above. Salaried employees were therefore integrated into employees for a total of 50.

COGELEC has increased its staffing levels across all departments, particularly the design office, hotline and production. Subsidiaries recruited several people when they were created, particularly sales representatives.

2.4.4 External charges

In € thousands	30/06/2019	30/06/2018
Remuneration of intermediaries and professional fees	-1,042	-863
Advertising expenses	-910	-571
Travel and entertainment expenses	-487	-346
Leases	-279	-235
Freight out	-196	-157
Temporary staff	-222	-169
Other items	-705	-643
TOTAL	-3,840	-2,986

The professional fees are mainly composed of HRC technical and marketing services and accounting, legal and consultancy fees (for the patents office in particular). Since the beginning of May 2018, Roger Leclerc, Chairman of the Board of Directors, has received remuneration from COGELEC: management services ceased on that date and the terms of other services have been reviewed. HRC services totalled €379k at 30 June 2019 compared to €501k at 30 June 2018 (see Note 2.6.1.1). Some of this fees were offset by capitalized production of €176k at 30 June 2019 and €249k at 30 June 2018.

Advertising expenses are composed of expenses for fairs and exhibitions, media advertisements and marketing/communication. The increase in these expenses is justified by the recent creation of foreign subsidiaries that incurred approximately €400K in expenses in the first half of 2019 as part of their development.

2.4.5 Details of other recurring operating income and expenses

In € thousands	30/06/2019	30/06/2018
Share of investment grant restated in profit or loss (1)	176	114
Other income	35	27
Other expenses	-32	-22
TOTAL	180	119
(1) of which		
Reversal of CIR and CII grants	141	77
Reversal of subsidised interest-free advance	32	36
Reversal of grant for property finance lease	2	2
Reversal of grant for Kibolt project	1	
	176	114

2.4.6 Details of other operating income and expenses

In € thousands	30/06/2019	30/06/2018
Proceeds from sale of fixed assets	24	
Carrying amount of assets sold	-3	
IPO expenses not charged against the share premium (marketing expenses & prospectus, travel expenses) –		-390
Reversal of provision for VAT adjustment		77
Other non-current expenses (related to the above reversal)	-8	-82
TOTAL	13	-395

2.4.7 Cost of net debt

2.4.7.1 Cost of net financial debt

In € thousands	30/06/2019	30/06/2018
Income from term deposits	15	2
Income from cash and cash equivalents	15	2
Interest on borrowings	-49	-63
Interest on leases	-41	-45
Interest on operating leases	-2	
Interest on OSEO Innovation repayable grant	-32	-36
Bank interest	0	-10
Cost of gross financial debt	-124	-154
Cost of net financial debt	-109	-152

The cost of net financial debt includes interest on borrowings and other financial liabilities, and investment income.

2.4.7.2 Other financial income and expenses

In € thousands	30/06/2019	30/06/2018
Foreign exchange gains	26	2
Income from trade receivables	36	28
Income from other loans	0	0
Other financial income	0	1
Other financial income	62	30
Foreign exchange losses	-32	-19
DIAMO loan impairment		-10
Other financial expenses	-1	
Other financial expenses	-33	-29
TOTAL	29	1

Income from trade receivables corresponds to the financing portion of payments received under leases.

2.4.8 Income tax

2.4.8.1 *Deferred tax assets and liabilities*

The tax rates applicable to the Group are the rates in force in each country.

France	25.825%
Germany	31.225%
UK	17.000%
Rate Netherlands	24.000%

The subsidiaries Intratone Gmbh, Intratone UK and Intratone BV are currently loss-making. No deferred tax asset is recognised for either company since it is unlikely that they will generate a profit in the next three years. The losses were capitalised in the amount of their individual deferred tax liabilities, which represents a base of €4K for Intratone Gmbh and €18K for Intratone UK.

The deferred taxes presented in the balance sheet therefore break down as follows:

	30/06/2019		31/12/2018	
	Basis	Tax	Basis	Tax
Temporary differences				
Tax losses	23	5	413	107
Employee profit-sharing	135	35		
UCITS	103	27		
C3S	20	5	30	8
Depreciation and Amortisation	5	1		
Restatements				
Internal margins	70	18	92	24
Business introducer fees	143	37	145	37
Impairment of treasury shares			-57	-15
Leases	-1,212	-313	-898	-232
Operating leases	12	3		
Finance Leases	-384	-99	-341	-88
Reclassification as real estate expenses	-27	-5		
Exchange rate differences on reciprocities	8	1		
Exchanges advanced	1	0		
Pension commitments	476	123	396	102
TOTAL	**-628**	**-162**	**-221**	**-57**

2.4.9 Earnings per share

The table below shows the earnings per share calculation:

Basic earnings per share	30/06/2019	30/06/2018
Income for the financial year (in €K)	-1,411	3
Weighted average number of shares outstanding	8,898,048	3,110,876
Basic earnings per share (€/share)	0.1586	0.0106
Diluted earnings per share (€/share)	0.1586	0.0106

NOTE 5 OFF-BALANCE SHEET COMMITMENTS

In thousands of euros	30/06/2019	31/12/2018
Commitments given		
Collateral	732	871
Fixed asset orders	96	132
Supply commitment (1)	4,649	6,369
Operating leases		427
Property leases		1,229
Interest on borrowings	209	258
Interest on finance lease	341	382
Interest on operating leases	24	
TOTAL COMMITMENTS GIVEN	**6,051**	**9,668**
Commitments received		
Authorised overdrafts	1,900	1,700
Diamo debt waiver with recovery clause in the event of return to financial health	50	50
Fixed asset orders	187	376
Purchase commitment (1)	4,649	6,369
Operating leases		427
Property leases		1,229
Interest on borrowings	209	258
Interest on finance lease	341	382
Interest on operating leases	24	
TOTAL COMMITMENTS RECEIVED	**7,361**	**10,791**

(1) Commitments on leases

NOTE 6. OTHER INFORMATION

2.6.1 Related parties

2.6.1.1 Related party transactions

ASSETS	30/06/2019	31/12/2018
Other financial assets		
Total non-current assets	0	0
Other current assets		
Total current assets	0	0
TOTAL ASSETS	0	0

LIABILITIES	30/06/2019	31/12/2018
Other non-current liabilities		
Total non-current liabilities	0	0
Borrowings and financial liabilities		3
Trade payables and related accounts	0	72
Total current liabilities	0	75
TOTAL LIABILITIES	0	75

INCOME STATEMENT	30/06/2019	30/06/2018
External charges	-379	-01
Taxes and charges		
OPERATING PROFIT	-379	-501
Cost of gross financial debt		
CONSOLIDATED NET INCOME	-379	-501

For the nature of the transactions, see Note 2.4.4.

2 Statutory auditors’ review report on the half-year financial information

2.1 STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEAR FINANCIAL INFORMATION

This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report includes information relating to the specific verification of information presented in the Group's interim management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders of COGELEC,

In compliance with the assignment entrusted to us by your shareholders' meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of COGELEC, for the period ended June 30, 2019,
- the verification of the information contained in the interim management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

2.1.1 CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our limited review in accordance with professional standards applicable in France. A limited review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*, as adopted by the European Union.
Without qualifying the above conclusion, we draw your attention to:

- Note 2.2.1.3 to the condensed half-year consolidated financial statements, setting out the impacts of the new standard, IFRS 16, *Leases*, of mandatory application since January 1, 2019.
- Note 2.2.2 to the condensed half-year consolidated financial statements, detailing the correction of the presentation error in operating expenses for the period ended June 30, 2018 and its impact on gross margin.

2.1.2 SPECIFIC VERIFICATION

We have also verified the information presented in the interim management report commenting the condensed half-year consolidated financial statements subject to our limited review. We have no comments to make on its fair presentation and its consistency with the condensed half-year consolidated financial statements.

Nantes and La Roche sur Yon, September 30, 2019
The Statutory Auditors

Atlantique Révision Conseil - A.R.C. -	Deloitte & Associés
Sébastien Caillaud	Guillaume Radigue